

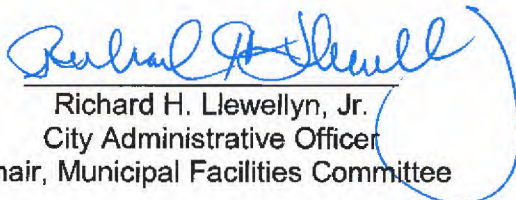
TRANSMITTAL

0220-05225-0000

To: Council	DATE 02-01-19	COUNCIL FILE NO. 14-0425
From: Municipal Facilities Committee		COUNCIL DISTRICT 15

At its meeting on January 31, 2019, the Municipal Facilities Committee considered the attached Economic and Workforce Development Department (EWDD) report, concurred with the recommendations, and instructed staff to transmit to Council for approval. Council approval of the report recommendations would initiate several authorizations related to the sale of former CRA/LA Wilmington Block 27 properties (810-829 East E Street and 514-530 McFarland Avenue) for \$3,565,000 to Konoike Pacific California, Inc. in Council District 15.

Fiscal Impact Statement: The proposed transaction is not anticipated to have an immediate impact on the General Fund. As an affected Taxing Entity under the Redevelopment Dissolution Statutes, the City is expected to receive the equivalent of approximately 26% of the acquisition funds, or \$926,900, once the sale is completed.


Richard H. Llewellyn, Jr.
City Administrative Officer
Chair, Municipal Facilities Committee

RHL:JVW/nsh15190078

Attachment

CITY OF LOS ANGELES

CALIFORNIA

JOHN L. REAMER, JR.
INTERIM GENERAL MANAGER



ERIC GARCETTI
MAYOR

ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT

1200 W. 7TH STREET
LOS ANGELES, CA 90017

January 25, 2019

Council File: 14-0425
Council District No: 15
Contact Person:
Samuel Hughes Phone:
(213) 744-9723

The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall

Attention: Mandy Morales, Legislative Coordinator

TRANSMITTAL: ACQUISITION FROM CRA/LA, A DESIGNATED LOCAL AUTHORITY, AND SUBSEQUENT SALE OF THE PROPERTIES LOCATED AT 810 – 829 EAST E STREET AND 514 – 530 McFARLAND AVENUE, LOS ANGELES, CALIFORNIA TO DEVELOPER, KONOIKE PACIFIC CALIFORNIA, INC., FOR AN INDUSTRIAL EXPANSION PROJECT

The Interim General Manager of the Economic and Workforce Development Department (EWDD), or designee, respectfully requests that your office review and approve this transmittal and forward to the Municipal Facilities Committee and City Council for further consideration.

RECOMMENDATIONS

The Interim General Manager of the Economic and Workforce Development Department (EWDD) or designee, respectfully requests that the City Council, subject to the approval of the Mayor as required:

1. FIND, based on the independent judgment of the decision-maker, after consideration of the whole of the administrative record, the Wilmington Block 27 project was assessed in Mitigated Negative Declaration, No. ENV-2018-5430-MND, adopted on January 16, 2019 by the Department of City Planning; and pursuant to CEQA Guidelines, Sections 15162 and 15164, no subsequent EIR, negative declaration, or addendum is required for approval of the project;

2. APPROVE the acquisition of CRA/LA parcels located at 810 – 829 East E Street and 514 – 530 McFarland Avenue, Wilmington, CA 90744 Assessor Parcel Numbers (APNs) 7424-014-900 to 7424-014-917 (“Parcels”) for the Wilmington Block 27 industrial expansion project (“Project”), for the fair market value of Three Million Five Hundred Sixty-Five Thousand Dollars, \$3,565,000 (“Purchase Price”), upon approval of the CRA/LA Governing Board, and Oversight Board, and the State Department of Finance;
3. APPROVE the form and substance of the Purchase and Sale Agreement (PSA) and Grant Deed, substantially consistent with the attached documents, for the purchase of the Property from CRA/LA for the Purchase Price; and, AUTHORIZE the Interim General Manager of EWDD to execute said documents approved as to form by the City Attorney;
4. AUTHORIZE the Interim General Manager of EWDD to proceed to effectuate all escrow and related required actions to complete the transaction if all contingencies are met, upon notice from the Mayor that the purchase of the Property from CRA/LA has received all required approvals, and deposit the Purchase Price to Chicago Title Company;
5. APPROVE the subsequent sale of the Wilmington Block Project to Konoike Pacific California, Inc., a California Corporation (“Developer” or “KPAC”) for the fair market value of Three Million Five Hundred Sixty-Five Thousand Dollars, \$3,565,000 (“Sale Price”), for the development of an approximately 55,000 square foot industrial expansion project (Wilmington Block 27 Project, or “Project”);
6. APPROVE the form and substance of the Disposition and Development Agreement (DDA), Grant Deed, and Agreement Containing Covenants Affecting Real Property (“Covenant Agreement”), substantially consistent with the attached documents, for the disposition and development of the Wilmington Block 27 Project, subject to the provision of certain community benefits for five (5) years; and AUTHORIZE the Interim General Manager of EWDD to execute said documents approved as to form by the City Attorney;
7. AUTHORIZE EWDD to be the implementing department and expend for the City’s required closing costs and other related costs in the amount not to exceed \$10,000;
8. AUTHORIZE the Controller’s Office to expend from Fund 100/22, Account No. 003040, Contractual Services, for closing costs and other related costs not to exceed \$10,000 and transfer funds to Chicago Title Company upon receipt of proper documentation and appropriate transfer instructions from EWDD;
9. AUTHORIZE the Interim General Manager of EWDD to prepare Controller instructions and/or make technical corrections or adjustments that may be required and are consistent with this City Council and Mayoral actions, subject to the approval of the City Administrative Officer (CAO); and REQUEST the Controller and/or other City departments to implement those instructions; and that the city council:

10. REQUEST that the Mayor exercise the Option by and between the City of Los Angeles and the CRA/LA - DLA, for the acquisition and disposition of the subject property.

FISCAL IMPACT STATEMENT

The proposed transaction will have no fiscal impact to the General Fund. As an Affected Taxing Entity under the Redevelopment Dissolution Statutes; in the future the City will receive back from the County Auditor-Controller, the equivalent of approximately 26% of the acquisition funds provided to CRA/LA.

SUMMARY

On December 16, 2014, the City Council adopted the Option Agreements for ten (10) CRA/LA Future Development Properties (C.F. No. 14-0425). This report recommends the development of the site for industrial use.

Through this transmittal, EWDD requests authority to acquire the vacant lands located at 810 – 829 East E Street and 514 – 530 McFarland Avenue, Wilmington, CA (the “Property” or “Properties”) from the CRA/LA, a Designated Local Authority and successor in interest to the former City of Los Angeles Redevelopment Agency (“CRA/LA”), and subsequently sell the properties to the selected developer for industrial purposes.

The proposed sale of the Property to the Buyer will further the goals of the Redevelopment Plan and serve the economic development goals of the City by alleviating blight, and providing for the expansion of an industrial park that will create jobs and strengthen the employment base. Provision of these community benefits will be secured by a covenant recorded on the Property through the transaction. The sale will be at fair market value for the Sale Price of \$3,565,000, and will require no public subsidy to accomplish significant public benefit. Although sale proceeds will initially go to CRA/LA, the City as a taxing entity will receive approximately 26% of the proceeds as future property tax receipts.

Pursuant to LAAC Sections 7.27.2 and 22.1008(c), the Property will be sold for the public purpose of providing ongoing economic development benefits to the City. Prior to conveyance, the City will encumber the Property with a Covenant Agreement(s) requiring the Developer to provide certain community benefits which include, but are not limited to: (1) the construction of an industrial cold storage facility; (2) the operation of the industrial cold storage for no less than five years; and (3) the posting of all job opportunities with the two nearest City WorkSource Centers for no less than the first two (2) years of the Covenant Agreement. The covenant will require that any future owner meet appropriate land use standards, based on the Redevelopment Plan, the Five Year Implementation Plan, and the Community Plan. Additionally, the Wilmington Block Project cannot be sold, or otherwise transferred to a third party during the term of the Covenant Agreement, without the City's consent.

The recommendations contained in this report request the Mayor to exercise the option; the City Council and Mayor to approve the purchase of the Property from CRA/LA, and subsequent sale to the Developer; and the City Council and Mayor to authorize EWDD to execute the respective DDAs and all required documents, to open escrows, to collect and deposit required funds in order to close escrows, to record Grant Deeds and Covenant

Agreements, and to make technical corrections or adjustments that may be required and are consistent with these actions.

Instruction to the City Attorney to draft a Sale Ordinance to effectuate the City's sale of the Wilmington Block Project to Developer was requested and approved in a separate transmittal, C.F. 14-0425, October 7, 2016.

PROPOSED DEVELOPMENT PLAN

KPAC plans to construct a 55,000 square feet multi-purpose, temperature controlled production-based facility that will house long term cold storage tenants.

The Buyer's plan to acquire the Property and operate from the facility conforms to the stated objectives of the Los Angeles Harbor Industrial Center Redevelopment Plan.

Applicable objectives identified in Plan Section 300 include:

- Elimination of blight;
- Assembly of land appropriate for industrial development;
- Creation of an industrial park integrated with an active oil field operation and providing a new economic and employment base within the Wilmington community;
- Development and protection of the industrial integrity and the enhancement of the long-term stability of the area in coordination with the Wilmington community and the City;
- Achievement of an environment that will enhance the Wilmington Industrial Park's image, upgrade the quality of the Project Area and reflect a high level of concern for contemporary architectural and urban design principles for industrial development;
- Opportunities for community businesses to participate in the development, construction and operation of the Project; and
- Promotion of new job opportunities.

The proposed acquisition, operation and improvements to the Properties align with each of these Redevelopment Plan objectives. The project is also consistent with the Los Angeles Industrial Center Implementation Plan (2010-2014), Section III.B.6 of which identifies the sale and future development of an industrial facility of the Property as a goal for the CRA/LA.

Financing

The estimated construction cost for the cold storage is \$14,320,000, of which 33% (or \$4,720,000) will be funded by developer equity, the remaining 66% (or \$9,600,000) of construction costs will be funded by private debt financing.

Community Benefits

As a condition of conveying the Property to the Developer, the Developer is required to maintain and operate the Wilmington Block Project for the designed purposes as an industrial cold storage facility, for no less than five (5) years. In addition, the Developer estimates that the project will create and retain a minimum of ten (10) permanent jobs onsite within the first five years after a certificate of occupancy has been issued. The Developer is required to post all available positions with the two (2) closest WorkSource Centers as part of their normal job recruitment process, for no less than the first two (2) years of the Covenant Agreement.

BACKGROUND

CRA/LA Option Agreement

The Property is an approximately 60,452 square foot vacant lot in the Wilmington Industrial Park. It is comprised of eighteen adjoining parcels within a light manufacturing zone. Its current owner is CRA/LA, and it was originally purchased with the assistance of federal funds through the City's Brownfield Program to expand an adjacent industrial cold storage facility. The cold storage company was Union Ice, but during negotiations for future development, the company was purchased by Konoike Group and the expansion interest postponed. Between 2007-2010, CRA/LA and the predecessor to Konoike Group's local subsidiary, Konoike-Pacific California (KPAC) continued to discuss an industrial expansion project on the Property. Severe prior contamination of the site from oil production and industrial uses severely complicated returning the site to productive use. CRA/LA was unable to execute a sale of these parcels with any developer prior to the dissolution of the agency.

In March 2013, the Los Angeles City Council and Mayor requested that the CRA/LA include the Properties as a Future Development property on the CRA/LA Long Range Property Management Plan (CF# 14-0425) (Contract No. C-125176, dated January 9, 2015). By doing so and by entering into an Option Agreement with CRA/LA for the Properties, the City secured the opportunity to ensure ongoing economic development and community benefits. Through the terms of the Option Agreement, the City has the right to acquire the Property for the Purchase Price, as well as the right to solicit and sell the Property to a buyer that will develop, and/or redevelop the Property to provide certain community benefits in alignment with the area's Redevelopment Plan, Five Year Implementation Plan, and the project area Community Plan.

Wilmington Block 27 Property - Environmental Conditions

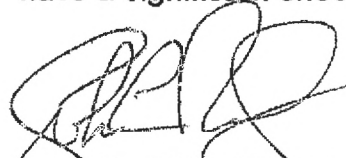
The Property is located in Council District 15, in the Harbor Industrial Redevelopment Project Area, and consists of 18 contiguous parcels. The total Property square footage comprises approximately of 60,452 square feet of vacant land. Environmental site assessments found that the Property exceeded the acceptable levels of identified contaminants. The City's Bureau of Sanitation negotiated a grant from the State Water Quality Control Board to the State Department of Toxic Substance Control (DTSC) to complete the environmental remediation of the site on behalf of the City. In December, 2018 DTSC issued a No Further Action letter for the Property.

The Developer

KPAC has been a solid corporate member of the Wilmington Community for over 22 years and employs 95 people to operate their cold storage, distribution, and business services to facilitate imports and exports at the Ports of Los Angeles and Long Beach. KPAC currently owns 345,000 square feet of cold storage distribution facilities in the Wilmington area located on California Avenue and E Street respectively. The existing E Street facility is immediately adjacent to the Wilmington Block 27 Project. The developer will provide to the City the full fair market value of \$3,565,000 to fund the Purchase Price of the Properties from CRA/LA.

ENVIRONMENTAL REVIEW

The City of Los Angeles Department of City Planning (DCP) is the lead agency for the Project for purposes of the California Environmental Quality Act of 1970 (CEQA). On January 16, 2019, the DCP adopted Mitigated Declaration, No. ENV-2018-5430-MND, prepared for the project, and adopted a Mitigation Monitoring Program, and made all mitigation measures enforceable conditions on the project. The decision-maker found, in its independent judgment, after consideration of the whole of the administrative record, including the Mitigated Negative Declaration, No. ENV-2018-5430-MND, as circulated on December 20, 2018, ("Mitigated Negative Declaration"), and all comments received, with the imposition of mitigation measures, there is no substantial evidence that the project will have a significant effect on the environment.



JOHN L. REAMER, JR.
Interim General Manager

JR:SH

Attachment A: Purchase and Sale Agreement – City and CRA/LA
Attachment B: Disposition and Development Agreement

**PURCHASE AND SALE AGREEMENT
AND JOINT ESCROW INSTRUCTIONS**

BY AND BETWEEN

**CRA/LA
("Seller")**

AND

**CITY OF LOS ANGELES
("Purchaser")**

REGARDING

810 – 829 East E Street & 514 – 530 McFarland Avenue

Wilmington, California 90744

(APNs 7424-014-900 to 7424-014-917)

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EXHIBIT A
EXHIBIT B

Legal Description
Grant Deed

DRAFT

PURCHASE AND SALE AGREEMENT
[810 -829 EAST E STREET AND 514-530 MCFARLAND AVENUE,
WILMINGTON, CALIFORNIA 90744]

THIS PURCHASE AND SALE AGREEMENT (this "**Agreement**"), dated as of _____, 2019 (the "**Effective Date**") is entered into by and between **CRA/LA**, a Designated Local Authority (the "**Seller**" or "**CRA/LA**"), and successor to the former **COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES** (the "**Former Agency**"), and the **CITY OF LOS ANGELES**, a municipal corporation (the "**Purchaser**" or "**City**"). The Seller and the Purchaser are hereinafter sometimes individually referred to as a "**Party**" and collectively referred to as the "**Parties**".

RECITALS

A. Seller owns the fee interest of that certain approximately 20,026 square-foot parcel of real property located at 810-829 East E Street and 514-530 McFarland Avenue, Wilmington, California 90744 (the "**Real Property**") as more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference (such real property together with all improvements located thereon and the Appurtenances, as defined in Section 1.1.2, is referred to herein as the "**Property**"). Purchaser desires to acquire fee title to the Property from Seller.

B. Seller and Purchaser have entered into that certain Option Agreement, dated as of January 8, 2015, and pertaining to the Property (as hereafter defined) (the "**Option**"). All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Option.

C. As contemplated by the Option and as set forth in Purchaser's proposed disposition plan for the Property ("**Disposition Plan**"), Purchaser intends to transfer its interest in the Property to Konoike-Pacific California, Inc., a California corporation ("**KPC**" or the "**Developer**") immediately upon its acquisition thereof from Seller for development of the Property as a temperature-controlled, production-based facility for industrial cold storage. Such transfer from Purchaser to Developer shall occur pursuant and subject to the terms and provisions of that certain Disposition and Development Agreement by and between Purchaser and Developer (the "**City-KPC DDA**").

D. On November 9, 2017, Seller's Oversight Board approved, by the adoption of Resolution No. OB 17-19, the Disposition Plan pursuant to Section 6(b) of the Option and in accordance with the approved Long Range Property Management Plan, the applicable Redevelopment Plan, Five Year Implementation Plan and Community Plan.

E. Phase I and Phase II Environmental Site Assessments were conducted by SCS Engineers (2000 and 2005) and Ninyo & Moore's Phase II ESAs (2009 and 2016) (collectively "**ESAs**") which found that several shallow, localized areas of the Site were affected by volatile organic compounds (VOCs), total petroleum hydrocarbons (TPHs) and lead. The ESAs recommended the reduction or removal of the lead, VOC and TPH concentrations to acceptable levels.

F. The State Department of Toxic Substance Control completed environmental remediation of the Site on behalf of City and CRA/LA in November 2018 pursuant to the recommendations set forth in the ESAs and issued a No Further Action letter for the Site on December 27, 2018.

G. On _____, 2019, Purchaser exercised its right to purchase the Property as provided in Section 13 of the Option by delivery to Seller of the Option Notice and the establishment of an escrow with the Escrow Agent.

NOW, THEREFORE, in reliance upon the foregoing Recitals and in consideration of the mutual covenants in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

ARTICLE 1 DEFINITIONS

1.1 **Definitions.** The following terms as used in this Agreement shall have the meanings given unless expressly provided to the contrary:

1.1.1 **"Agreement"** means this Purchase and Sale Agreement.

1.1.2 **"Appurtenances"** means all of Seller's right, title and interest, if any, in and to the following: (a) all improvements on the Real Property as of the Close of Escrow; (b) all rights, privileges, appurtenances, hereditaments, easements, reversions, and remainders, including, without limitation, all (i) development rights and credits, air rights, water rights, and water stock, (ii) strips and gores, streets, alleys, easements, rights-of-way, public ways, and (iii) mineral, oil, gas, and other subsurface rights; (c) all plats and maps; (d) entitlements; (e) security deposits; (f) guarantees, warranties, and utility contracts; and (g) all leases pertaining to the Real Property.

1.1.3 **"City"** means the City of Los Angeles, acting in its capacity as other than Purchaser hereunder, exercising governmental functions and powers, and organized and existing under the laws of the State of California. The principal office of the City is located at 1200 West 7th Street, 6th Floor, Los Angeles, California 90017.

1.1.4 **"City-KPC DDA"** means that certain Disposition and Development Agreement by and between Purchaser and Developer.

1.1.5 **"Close of Escrow"** and **"Closing"** are defined in Section 2.3.2.

1.1.6 **"Default"** is defined in Section 3.2.

1.1.7 **"Deposit"** is defined in Section 2.2.1.

1.1.8 **"Developer"** means Konoike-Pacific California, Inc., a California corporation.

1.1.9 **"Disposition Plan"** means the City's Wilmington Block 27 Project Proposed Disposition Plan.

1.1.10 **"Effective Date"** means the date on which this Agreement is fully executed by the Parties and date stamped by the City Clerk.

1.1.11 **"Escrow"** is defined in Section 2.3.1.

1.1.12 **"Escrow Agent"** means Chicago Title Company. The principal office of the Escrow Agent for purposes of this Agreement is 725 S. Figueroa Street, Los Angeles, California 90017, Attention: Joan Hawkins, AVP/SR, telephone: (213) 612-4161, Fax: (213) 488-4384, Email: joan.hawkins@ctt.com.

1.1.13 **"Grant Deed"** is defined in Section 2.5.2.

1.1.14 **"Hazardous Materials"** means any chemical, material or substance now or hereafter defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," "toxic substances," "pollutant or contaminant," "imminently hazardous chemical substance or mixture," "hazardous air pollutant," "toxic pollutant," or words of similar import under any local, state or federal law or under the regulations adopted or publications promulgated pursuant thereto applicable to the Property, including, without limitation: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601, et seq. ("CERCLA"); the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 1801, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251, et seq.; and the Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901, et seq. The term **"Hazardous Materials"** shall also include any of the following: any and all toxic or hazardous substances, materials or wastes listed in the United States Department of Transportation Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302) and in any and all amendments thereto in effect as of the date of the close of any escrow; oil, petroleum, petroleum products (including, without limitation, crude oil or any fraction thereof), natural gas, natural gas liquids, liquefied natural gas or synthetic gas usable for fuel, not otherwise designated as a hazardous substance under CERCLA; any substance which is toxic, explosive, corrosive, reactive, flammable, infectious or radioactive (including any source, special nuclear or by-product material as defined at 42 U.S.C. § 2012, et seq.), carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority; asbestos in any form; urea formaldehyde foam insulation; transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls; radon gas; or any other chemical, material or substance (i) which poses a hazard to the Property, to adjacent properties, or to persons on or about the Property, (ii) which causes the Property to be in violation of any of the aforementioned laws or regulations, or (iii) the presence of which on or in the Property requires investigation, reporting or remediation under any such laws or regulations.

1.1.15 **"Hazardous Materials Laws"**: means all present and future applicable federal, state and local laws, ordinances, regulations, permits, decrees, orders and any other legal requirements, whether statutory, regulatory or contractual of governmental authorities relating to health, safety, the environment or the use, handling, disposal or transportation of any Hazardous

Materials (including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation and Recovery Act, the Clean Water Act, and the applicable provisions of the California Health and Safety Code and the California Water Code, as each such statute may from time to time be amended, and the rules, regulations and guidance documents promulgated pursuant to any such statute).

1.1.16 "Option" is defined in Recital B.

1.1.17 "Property" is defined in Recital A.

1.1.18 "Purchase Price" is defined in Section 2.1.

1.1.19 "Purchaser" means the City of Los Angeles.

1.1.20 "Released Parties" is defined in Section 2.6.2.

1.1.21 "Seller" means CRA/LA.

1.1.22 "Survey" is defined in Section 2.5.1.

1.1.23 "Title Company" is defined in Section 2.5.3.

1.1.24 "Title Policy" is defined in Section 2.5.3.

1.1.25 "Title Report" is defined in Section 2.5.1.

1.1.26 "Transaction Costs" means all costs incurred by either Party in entering into this transaction and closing Escrow, including but not limited to escrow fees and costs, attorney's fees, staff time, appraisal costs, and costs of financial advisors and other consultants.

ARTICLE 2 PURCHASE AND SALE OF THE PROPERTY

2.1 Purchase and Sale. Seller agrees to sell the Property to Purchaser, and Purchaser agrees to purchase the Property from Seller, for the sum of Three Million, Five Hundred Sixty-Five Thousand Dollars (\$3,565,000) (the "Purchase Price").

2.2 Payment of Purchase Price. The Purchase Price shall be payable by Purchaser as follows:

2.2.1 Deposit. Within ten (10) business days following the Effective Date, Purchaser shall deposit with Escrow Holder the sum of Two Hundred Fifty Thousand Dollars (\$250,000) (the "Deposit"). Except as otherwise provided herein, the Deposit shall be applicable in full towards the Purchase Price upon Closing.

2.2.2 Closing Funds. At least two (2) days prior to the Close of Escrow, Purchaser shall deposit or cause to be deposited with Escrow Holder the balance of the Purchase Price and an amount equal to all other costs, expense and prorations payable by Purchaser hereunder.

2.3 Escrow.

2.3.1 Opening of Escrow. Upon exercise of the Option, Purchaser and Seller opened an escrow (the "**Escrow**") with the Escrow Agent for the transfer of the Property to Purchaser. The Parties shall deposit with the Escrow Agent a fully executed duplicate original of this Agreement, which shall serve as the escrow instructions (which may be supplemented in writing by mutual agreement of the Parties) for the Escrow. The Escrow Agent is authorized to act under this Agreement and to carry out its duties as the Escrow Agent hereunder.

2.3.2 Close of Escrow. "**Close of Escrow**" or "**Closing**" means the date Escrow Agent causes the Grant Deed to be recorded in the Official Records of the County of Los Angeles, delivers the Purchase Price (less any costs, expenses and prorations payable by Seller) to Seller and performs the other duties identified herein. The Close of Escrow shall occur within sixty (60) days from the Effective Date, provided that the Parties may extend the Close of Escrow for such additional periods of time upon mutual written agreement. If the Close of Escrow does not occur due to a default by either Party, then the defaulting party shall pay all Escrow cancellation fees (and if the defaulting party is Purchaser, then Seller shall be entitled to the Deposit under Section 3.3.1). If the Closing does not occur for any reason other than a default by Purchaser or Seller, then this Agreement shall automatically terminate, the Deposit shall be promptly returned to the Purchaser, minus one-half of any amounts for Escrow cancellation charges.

2.3.3 Delivery of Closing Documents.

(a) Seller and Purchaser agree to deliver to Escrow Holder, at least two (2) days prior to the Close of Escrow, the following instruments and documents, the delivery of each of which shall be a condition precedent to the Close of Escrow:

- (i) The Grant Deed, duly executed and acknowledged by the Seller, conveying a fee simple interest in the Property to Purchaser;
- (ii) Seller's affidavit as contemplated by California Revenue and Taxation Code Section 18662;
- (iii) A Certification of Non-Foreign Status signed by Seller in accordance with Internal Revenue Code Section 1445; and
- (iv) Such proof of Seller's and Purchaser's authority and authorization to enter into this transaction as the Title Company may reasonably require in order to issue the Title Policy.

Seller and Purchaser further agree to execute such reasonable and customary additional documents, and such additional escrow instructions, as may be reasonably required to close the transaction pursuant to the terms hereof.

2.4 Conditions to Close of Escrow. The obligations of Seller and Purchaser to close the transaction shall be subject to the satisfaction, or waiver in writing by the Party benefited thereby, of each of the following conditions:

2.4.1 For the benefit of Seller, Purchaser shall have deposited the balance of the Purchase Price, together with such funds as are necessary to pay for costs, including any outstanding costs owed to Seller for appraisals, expenses and prorations payable by Purchaser hereunder.

2.4.2 For the benefit of Seller, all actions and deliveries to be undertaken or made by Purchaser on or prior to the Close of Escrow as set forth herein shall have occurred, as reasonably determined by Seller.

2.4.3 For the benefit of Purchaser, all actions and deliveries to be undertaken or made by Seller on or prior to the Close of Escrow shall have occurred, as reasonably determined by Purchaser.

2.4.4 For the benefit of Seller and Purchaser, all approvals as required herein to be obtained prior to the Close of Escrow shall have been so obtained.

2.4.5 For the benefit of Seller, Purchaser shall have executed and delivered to Escrow Holder all documents and funds required to be delivered to Escrow Holder and Purchaser shall otherwise have satisfactorily complied with its obligations hereunder.

2.4.6 For the benefit of Purchaser, Seller shall have executed and delivered to Escrow Holder all documents and funds required to be delivered to Escrow Holder under the terms of this Agreement and Seller shall otherwise have satisfactorily complied with its obligations hereunder.

2.4.7 For the benefit of Seller, the representations and warranties of Purchaser contained in this Agreement shall be true and correct in all material respects as of the Close of Escrow.

2.4.8 For the benefit of Purchaser, the representations and warranties of Seller contained in this Agreement shall be true and correct in all material respects as of the Close of Escrow.

2.4.9 For the benefit of Purchaser, Title Company shall be irrevocably committed to issuing in favor of Purchaser the Title Policy, in form and substance, and with endorsements reasonably acceptable to Purchaser.

2.4.10 For the benefit of Purchaser, the simultaneous "Close of Escrow" as defined in the City-KPC DDA.

Notwithstanding anything to the contrary contained herein, the effectiveness and enforceability of this Agreement is subject to the approval of Seller's Governing Board, Oversight Board, and the California Department of Finance, all as provided in Section 13 of the Option.

If all the foregoing conditions have not been met to the benefitted Party's sole satisfaction or expressly waived in writing by the benefitted Party on or before the respective dates set forth herein, or if no date is set forth herein by the Close of Escrow, then this Agreement shall become

null and void, in which event, except as expressly set forth in this Agreement, neither Party shall have any further rights, duties or obligations hereunder, and Purchaser shall be entitled to the immediate refund of the Deposit, subject to any deductions for the payment of escrow cancellation fees.

2.5 Condition of Title; Survey; Title Insurance.

2.5.1 Within ten (10) days after the Effective Date, the Seller shall deliver to Purchaser for Purchaser's review and approval, (i) a current preliminary title report covering the Property (the "**Title Report**") and legible copies of any instruments noted as exceptions thereon, and (ii) any survey of the Property in Seller's possession. Purchaser at its sole expense may obtain a current or updated ALTA survey of the Property in connection with the issuance of the Title Policy and Seller shall cooperate with the same. Any survey provided by Seller or obtained by Purchaser are each a "**Survey**" hereunder.

2.5.2 At the Close of Escrow, Purchaser shall receive title to the Property by grant deed substantially in the form attached hereto as Exhibit "B" and incorporated herein by this reference (the "**Grant Deed**").

2.5.3 At Closing, Purchaser shall receive a CLTA Owner's Coverage Policy of Title Insurance or a binder therefor acceptable in form and substance to Purchaser (the "**Title Policy**"), together with all endorsements requested by Purchaser, issued by Chicago Title Insurance Company ("**Title Company**") in the amount of the Purchase Price, except (a) current taxes and assessments of record, but not any overdue or delinquent taxes or assessments, (b) the matters set forth or referenced in the Grant Deed, and (c) such other encumbrances as Purchaser approves in writing including those reflected in the Title Report for the Property approved by Purchaser. The Purchaser may obtain an extended coverage policy of title insurance at its own cost.

2.6 Escrow and Title Charges; Prorations.

2.6.1 Purchaser shall pay: (i) the coverage premiums on the Title Policy, and (ii) the costs of a Survey obtained by Purchaser and any endorsements to the Title Policy. Purchaser and Seller shall each pay one-half of any and all other usual and customary costs, expense and charges relating to the escrow and conveyance of title to the Property. Each Party shall be responsible for its own Transaction Costs.

2.6.2 All non-delinquent and current installments of real estate and personal property taxes and any other governmental charges, regular assessments, or impositions against the Property on the basis of the current fiscal year or calendar year shall be pro-rated as of the Close of Escrow based on the actual current tax bill. If the Close of Escrow shall occur before the tax rate is fixed, the apportionment of taxes on the Close of Escrow shall be based on the tax rate for the next preceding year applied to the latest assessed valuation after the tax rate is fixed, which assessed valuation shall be based on the Property's assessed value prior to the Close of Escrow and Seller and Purchaser shall, when the tax rate is fixed, make any necessary adjustment. All prorations shall be determined on the basis of a 365 day year. The provisions of

this Section 2.6.2 shall survive the Close of Escrow and the recordation of the Grant Deed and shall not be deemed merged into the Grant Deed upon its recordation.

2.6.3 Any Escrow cancellation charges shall be allocated and paid as described in Section 2.3.2 above.

2.7 Condition of the Property. 2.7.1 "As Is" Purchase. PURCHASER SPECIFICALLY ACKNOWLEDGES AND AGREES THAT SELLER IS SELLING AND PURCHASER IS BUYING THE PROPERTY ON AN "AS IS WITH ALL FAULTS" BASIS AND THAT PURCHASER IS NOT RELYING ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS (EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT) OR IMPLIED, FROM SELLER, ITS AGENTS, OR BROKERS AS TO ANY MATTERS CONCERNING THE PROPERTY, INCLUDING WITHOUT LIMITATION: (A) THE QUALITY, NATURE, ADEQUACY AND PHYSICAL CONDITION OF THE PROPERTY (INCLUDING, WITHOUT LIMITATION, TOPOGRAPHY, CLIMATE, AIR, WATER RIGHTS, WATER, GAS, ELECTRICITY, UTILITY SERVICES, GRADING, DRAINAGE, SEWERS, ACCESS TO PUBLIC ROADS AND RELATED CONDITIONS), (B) THE QUALITY, NATURE, ADEQUACY, AND PHYSICAL CONDITION OF SOILS, GEOLOGY AND GROUNDWATER, (C) THE EXISTENCE, QUALITY, NATURE, ADEQUACY AND PHYSICAL CONDITION OF UTILITIES SERVING THE PROPERTY, (D) THE DEVELOPMENT POTENTIAL OF THE PROPERTY, AND THE PROPERTY'S USE, HABITABILITY, MERCHANTABILITY, OR FITNESS, SUITABILITY, VALUE OR ADEQUACY OF THE PROPERTY FOR ANY PARTICULAR PURPOSE, (E) THE ZONING OR OTHER LEGAL STATUS OF THE PROPERTY OR ANY OTHER PUBLIC OR PRIVATE RESTRICTIONS ON THE USE OF THE PROPERTY, (F) THE COMPLIANCE OF THE PROPERTY OR ITS OPERATION WITH ANY APPLICABLE CODES, LAWS, REGULATIONS, STATUTES, ORDINANCES, COVENANTS, CONDITIONS AND RESTRICTIONS OF ANY GOVERNMENTAL OR QUASI-GOVERNMENTAL ENTITY OR OF ANY OTHER PERSON OR ENTITY, (G) THE PRESENCE OR ABSENCE OF HAZARDOUS MATERIALS ON, UNDER OR ABOUT THE PROPERTY OR THE ADJOINING OR NEIGHBORING PROPERTY, AND (H) THE CONDITION OF TITLE TO THE PROPERTY. PURCHASER AFFIRMS THAT PURCHASER HAS NOT RELIED ON THE SKILL OR JUDGMENT OF SELLER OR ANY OF ITS RESPECTIVE AGENTS, EMPLOYEES OR CONTRACTORS TO SELECT OR FURNISH THE PROPERTY FOR ANY PARTICULAR PURPOSE, AND THAT SELLER MAKES NO WARRANTY THAT THE PROPERTY IS FIT FOR ANY PARTICULAR PURPOSE. PURCHASER ACKNOWLEDGES THAT IT SHALL USE ITS INDEPENDENT JUDGMENT AND MAKE ITS OWN DETERMINATION AS TO THE SCOPE AND BREADTH OF ITS DUE DILIGENCE INVESTIGATION WHICH IT SHALL MAKE RELATIVE TO THE PROPERTY AND SHALL RELY UPON ITS OWN INVESTIGATION OF THE PHYSICAL, ENVIRONMENTAL, ECONOMIC AND LEGAL CONDITION OF THE PROPERTY (INCLUDING, WITHOUT LIMITATION, WHETHER THE PROPERTY IS LOCATED IN ANY AREA WHICH IS DESIGNATED AS A SPECIAL FLOOD HAZARD AREA, DAM FAILURE INUNDATION AREA, EARTHQUAKE FAULT ZONE, SEISMIC HAZARD ZONE, HIGH FIRE SEVERITY AREA OR WILDLAND FIRE AREA, BY ANY FEDERAL, STATE OR LOCAL AGENCY). PURCHASER UNDERTAKES AND ASSUMES ALL RISKS ASSOCIATED WITH ALL MATTERS PERTAINING TO THE PROPERTY'S

LOCATION IN ANY AREA DESIGNATED AS A SPECIAL FLOOD HAZARD AREA, DAM FAILURE INUNDATION AREA, EARTHQUAKE FAULT ZONE, SEISMIC HAZARD ZONE, HIGH FIRE SEVERITY AREA OR WILDLAND FIRE AREA, BY ANY FEDERAL, STATE OR LOCAL AGENCY.

2.7.2 Release. If Purchaser completes the purchase of the Property, Purchaser, on behalf of itself and anyone claiming by, through or under the Purchaser hereby waives its right to recover from and fully and irrevocably releases Seller, its board members, employees, officers, directors, representatives, and agents (the "Released Parties") from any and all claims, responsibility and/or liability that the Purchaser may have or hereafter acquire against any of the Released Parties for any costs, loss, liability, damage, expenses, demand, action or cause of action arising from or related to (i) the condition (including any construction defects, errors, omissions or other conditions, latent or otherwise), valuation, salability or utility of the Property, or its suitability for any purpose whatsoever, (ii) any presence of Hazardous Materials, and (iii) any information furnished by the Released Parties under or in connection with this Agreement.

Purchaser hereby acknowledges that it has read and is familiar with the provisions of California Civil Code Section 1542, which is set forth below:

"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."

By initialing below, Purchaser hereby waives the provisions of Section 1542 solely in connection with the matter which are the subject of the foregoing waivers and releases.

Purchaser's Initials

The waivers and releases by Purchaser herein contained shall survive the Close of Escrow and the recordation of the Grant Deed and shall not be deemed merged into the Grant Deed upon its recordation.

Notwithstanding the foregoing, the waivers and releases contained in this Section 2.7 shall not apply to, nor shall the Released Parties be released from, any actual misrepresentation or act of fraud on their part.

2.8 Damage or Destruction. If, prior to the Close of Escrow, any part of the Property is damaged or destroyed by earthquake, flood, landslide, fire or other casualty not caused by Purchaser, then Purchaser will promptly inform Seller in writing and specify the extent of damage. If the damage to the Property may significantly affect the appraised value ("FMV") of the Property or may significantly impair the Developer's intended use or development of the Property, then the Close of Escrow shall be extended for thirty (30) days or such longer time as agreed to by the Parties. If the damage may significantly affect the FMV of the Property, and such casualty is not fully covered by insurance or the proceeds of any such insurance cannot be

transferred to Purchaser, then the process set forth in Section 12(a) of the Option shall be used to determine the current Purchase Price of the Property (minus any insurance proceeds obtained by Purchaser). If the damage may significantly impair the Developer's intended use or development of the Property, then Purchaser may terminate this Agreement and receive a refund of the Deposit (minus the costs of the Escrow).

2.9 Escrow Agent.

2.9.1 Escrow Agent is authorized and instructed to:

(a) Pay and charge Purchaser for any fees, charges and costs payable by Purchaser under this Article. Before such payments are made, the Escrow Agent shall notify Seller and Purchaser of the fees, charges, and costs necessary to close the Escrow;

(b) Pay and charge Seller for any fees, charges and costs payable by Seller under this Article. Before such payments are made, the Escrow Agent shall notify Seller and Purchaser of the fees, charges, and costs necessary to close the Escrow;

(c) Disburse funds and deliver the Grant Deed and other documents to the Parties entitled thereto when the conditions of the Escrow and this Agreement have been fulfilled by Seller and Purchaser; and

(d) Record the Grant Deed and any other instruments delivered through the Escrow, if necessary or proper, to vest title in Purchaser in accordance with the terms and provisions of this Agreement.

(e) Any amendment of these escrow instructions shall be in writing and signed by both Seller and Purchaser.

(f) All communications from the Escrow Holder to Seller or Purchaser shall be directed to the addresses and in the manner established in Section 4.1 of this Agreement for notices, demands and communications between Seller and Purchaser.

(g) The responsibility of the Escrow Agent under this Agreement is limited to performance of the obligations imposed upon it under this Article, any amendments hereto, and any supplemental escrow instructions delivered to the Escrow Agent that do not materially amend or modify the express provisions of these escrow instructions.

ARTICLE 3 EVENTS OF DEFAULT, REMEDIES AND TERMINATION

3.1 Purchaser Events of Defaults. Occurrence of any or all of the following, prior to the Close of Escrow, if uncured after the expiration of any applicable cure period, shall constitute a default ("**Purchaser Event of Default**") under this Agreement:

3.1.1 Filing of a petition in bankruptcy by or against Purchaser or appointment of a receiver or trustee of any property of Purchaser, or an assignment by Purchaser for the benefit of creditors, or adjudication that Purchaser is insolvent by a court, and the failure of

Purchaser to cause such petition, appointment, or assignment to be removed or discharged within ninety (90) days; or

3.1.2 Purchaser's failure to perform any requirement or obligation of Purchaser set forth herein, on or prior to the date for such performance set forth herein, and, so long as such failure is not caused by any wrongful act of Seller or Purchaser; or

3.1.3 Purchaser's failure to deposit with Escrow Holder the Deposit or the balance of the Purchase Price as required by Section 2.2.

3.2 Seller Events of Default. Occurrence of any or all of the following, prior to the Close of Escrow, if uncured after the expiration of the applicable cure period, shall constitute a default ("**Seller Event of Default**", and together with a Purchaser Event of Default, a "**Default**") under this Agreement:

3.2.1 Seller, in violation of the applicable provision of this Agreement, fails to convey the Property to Purchaser at the Close of Escrow; or

3.2.2 Seller breaches any other material provision of this Agreement.

3.3 Remedies in the Event of Default.

3.3.1 Remedies General. In the event of a breach or a default under this Agreement by either Purchaser or Seller, the non-defaulting Party shall first notify the defaulting Party in writing of its purported breach or failure, giving the defaulting Party ten (10) days from receipt of such notice to cure such breach or failure. If such breach or default is not cured within such ten (10) day period (other than a failure by Seller to convey the Property at the Close of Escrow, for which there shall be no cure period), this Agreement and the Escrow for the purchase and sale of the Property may, at the non-defaulting Party's sole discretion, terminate, and if Purchaser is the non-defaulting party, Purchaser shall thereupon promptly receive a refund of the Deposit and all interest accrued thereon. Except as herein otherwise expressly provided, such termination of the Escrow shall be without prejudice to the non-defaulting party's rights and remedies against the defaulting party at law or equity.

IF PURCHASER FAILS TO COMPLETE THE ACQUISITION OF THE PROPERTY AS HEREIN PROVIDED BY REASON OF ANY DEFAULT OF PURCHASER, IT IS AGREED THAT THE DEPOSIT SHALL BE NON-REFUNDABLE AND SELLER SHALL BE ENTITLED TO SUCH DEPOSIT, WHICH AMOUNT SHALL BE ACCEPTED BY SELLER AS LIQUIDATED DAMAGES AND NOT AS A PENALTY AND AS SELLER'S SOLE AND EXCLUSIVE REMEDY. IT IS AGREED THAT SAID AMOUNT CONSTITUTES A REASONABLE ESTIMATE OF THE DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTION 1671 ET SEQ. SELLER AND PURCHASER AGREE THAT IT WOULD BE IMPRACTICAL OR IMPOSSIBLE TO PRESENTLY PREDICT WHAT MONETARY DAMAGES SELLER WOULD SUFFER UPON PURCHASER'S FAILURE TO COMPLETE ITS ACQUISITION OF THE PROPERTY. PURCHASER DESIRES TO LIMIT THE MONETARY DAMAGES FOR WHICH IT MIGHT BE LIABLE HEREUNDER AND PURCHASER AND SELLER DESIRE TO AVOID THE COSTS AND DELAYS THEY WOULD INCUR IF A LAWSUIT WERE COMMENCED TO RECOVER

DAMAGES OR OTHERWISE ENFORCE THE SELLER'S RIGHTS. IF FURTHER INSTRUCTIONS ARE REQUIRED BY ESCROW HOLDER TO EFFECTUATE THE TERMS OF THIS PARAGRAPH, PURCHASER AND SELLER AGREE TO EXECUTE THE SAME. THE PARTIES ACKNOWLEDGE THIS PROVISION BY PLACING THEIR INITIALS BELOW:

Seller

Purchaser

3.4 No Personal Liability. Except as specifically provided herein to the contrary, no representative, employee, attorney, agent or consultant of Seller, its Governing Board or Oversight Board shall personally be liable to Purchaser, or any successor in interest of the Purchaser, in the event of any Default or breach by Seller, or for any amount which may become due to Purchaser, or any successor in interest, on any obligation under the terms of this Agreement. No representative, employee, attorney, agent or consultant of Purchaser shall personally be liable to Seller or Oversight Board, or any successor in interest of Seller or Oversight Board, in the event of any Default or breach by Purchaser, or for any amount which may become due to Seller or Oversight Board, or any successor in interest, on any obligation under the terms of this Agreement.

3.5 Legal Actions.

3.5.1 Institution of Legal Actions. Any legal actions brought pursuant to this Agreement must be instituted in the Superior Court of the County of Los Angeles, State of California.

3.5.2 Applicable Law. The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

3.5.3 Acceptance of Service of Process. If any legal action is commenced by Purchaser against Seller, service of process on Seller shall be made by personal service upon the Chief Executive officer of Seller, or in such other manner as may be provided by law. If any legal action is commenced by Seller against Purchaser, service of process on Purchaser shall be made by personal service upon the Deputy Mayor for Economic Development, or in such other manner as may be provided by law, whether made within or without the State of California.

3.6 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same time or different times, of any other rights or remedies for the same Default or any other Default by the other Party.

3.7 Inaction Not a Waiver of Default. Except as expressly provided in this Agreement to the contrary, any failure or delay by either Party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies, or deprive either such party of its rights to institute and maintain any actions or

proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

ARTICLE 4 GENERAL PROVISIONS

4.1 Notices. All notices and demands shall be given in writing by certified mail, postage prepaid, and return receipt requested, by nationally recognized overnight courier or by personal delivery, or by facsimile or email sent between 8:00 a.m. (Pacific time) and 5:00 p.m. (Pacific time) on a business day accompanied or preceded by a telephone call with the recipient alerting the recipient of the facsimile or email. Notices shall be considered given upon the earlier of (a) personal delivery, (b) three (3) business days following deposit in the United States mail, postage prepaid, certified or registered, return receipt requested, (c) the next business day after deposit with a nationally reorganized overnight courier, or (d) on the day of facsimile or email transmission, in each instance addressed to the recipient as set forth below. Notices shall be addressed as provided below for the respective party; provided that if any party gives notice in writing of a change of name or address, notices to such party shall thereafter be given as demanded in that notice:

Seller:

CRA/LA, A Designated Local Authority
448 South Hill Street, Suite 1200
Los Angeles, California 90013
Attention: Chief Executive Officer

with a copy to:

Goldfarb & Lipman LLP
523 West Sixth Street, Suite 610
Los Angeles, California 90014
Attention: Thomas Webber, Esq.

Purchaser:

Economic and Workforce Development Department
1200 W. 7th Street, 6th Floor
Los Angeles, California 90017
Attention: General Manager

with a copy to:

Mayor's Office of Economic Development
200 North Main Street, Room 1300
Los Angeles, California 90012
Attention: Deputy Mayor for Economic Development

with a copy to:

Office of the City Attorney
200 North Main Street, 9th Floor
Los Angeles, California 90012
Attention: Economic Development Division

4.2 Construction. The Parties agree that each Party and its counsel have reviewed and revised this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement or any amendments or exhibits thereto.

4.3 Interpretation. In this Agreement the neuter gender includes the feminine and masculine, and singular number includes the plural, and the words "person" and "party" include corporation, partnership, firm, trust, or association where ever the context so requires.

4.4 Time of the Essence. Time is of the essence of this Agreement.

4.5 Indemnity. Government Code Section 895.2 imposes joint civil liability upon public entities solely by reason of such entities being parties to an agreement.

4.5.1 Pursuant to Government Code Section 895.4 and 895.6, Seller and Purchaser shall each assume the full liability imposed upon it, or any of its officers, agents or employees, by law for injury caused by any negligent or wrongful act or omission occurring in the performance of this Agreement.

4.5.2 Seller and Purchaser indemnify and hold harmless the other party for any loss, costs, or expenses that may be imposed upon such other party by virtue of Government Code Section 895.2.

4.5.3 In the event of a third-party loss caused by negligence, wrongful act or omission of both parties, each party shall bear financial responsibility in proportion to its percentage of fault as may be mutually agreed or judicially determined. The provisions of Civil Code Section 2778 regarding interpretation of indemnity agreements are hereby incorporated.

4.6 Release. Without limiting Section 2.7, Purchaser acknowledges that Seller is not in any manner responsible to Purchaser for the presence of any Hazardous Materials at, on, in, under or relating to the Property, if any. Purchaser and its successor and assigns hereby specifically and irrevocably releases the Seller, its board members, its officers, its employees and its Oversight Board members from any and all Claims relating to the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release of any Hazardous Materials on the Property, if any, including without limitation, any residual contamination, in, on, under or about the Property or affecting natural resources, whether prior to or following Closing, and also including, without limitation, any liability due to asbestos-containing materials at the Property. PURCHASER'S CLOSING HEREUNDER SHALL BE DEEMED TO CONSTITUTE AN EXPRESS WAIVER OF PURCHASER'S AND ITS SUCCESSORS' AND ASSIGNS' RIGHTS TO SUE SELLER AND OF PURCHASER'S RIGHT TO CAUSE ANY OF SELLER'S BOARD MEMBERS, OFFICERS, EMPLOYEES OR OVERSIGHT BOARD MEMBERS TO BE JOINED IN AN ACTION BROUGHT UNDER ANY OF THE HAZARDOUS MATERIALS LAW NOW EXISTING OR HEREAFTER ENACTED. The acknowledgments of Purchaser and the release contained in this Section of this Agreement shall survive Closing or termination of this Agreement.

4.7 Approvals by Seller and Purchaser. Unless otherwise specifically provided herein, wherever this Agreement requires Seller or Purchaser to approve any contract, document, plan, proposal, specification, drawing or other matter, such approval shall not unreasonably be withheld, conditioned or delayed.

4.8 Entire Agreement, Waivers and Amendments. This Agreement is executed in duplicate originals, each of which is deemed to be an original. This Agreement, together with all

attachments and exhibits hereto, constitutes the entire understanding and agreement of the parties. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties with respect to the subject matter hereof. No subsequent agreement, representation or promise made by either Party hereto, or by or to any employee, officer, agent or representative of either party, shall be of any effect unless it is in writing and executed by the Party to be bound thereby. No person is authorized to make, and by execution hereof Purchaser and Seller acknowledge that no person has made, any representation, warranty, guaranty or promise except as set forth herein; and no agreement, statement, representation or promise made by any such person which is not contained herein shall be valid or binding on Purchaser or Seller.

4.9 Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

4.10 Severability. Each and every provision of this Agreement is, and shall be construed to be, a separate and independent covenant and agreement. If any term or provision of this Agreement or the application thereof shall to any extent be held to be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to circumstances other than those to which it is invalid or unenforceable, shall not be affected hereby, and each term and provision of this Agreement shall be valid and shall be enforced to the extent permitted by law.

4.11 Representations of Seller. Seller warrants and represents to Purchaser as follows:

(a) As of the Close of Escrow, Seller has full power and authority, including, but not limited to, the approval of its Governing Board and Oversight Board, to execute and enter into this Agreement and to consummate the transactions contemplated hereunder. This Agreement constitutes the valid and binding agreement of Seller, enforceable in accordance with its terms subject to bankruptcy, insolvency and other creditors' rights laws of general application. Neither the execution nor delivery of this Agreement, nor the consummation of the transactions covered hereby, nor compliance with the terms and provisions hereof, shall conflict with, or result in a breach of, the terms, conditions or provisions of, or constitute a default under, any agreement or instrument to which the Seller is a party.

(b) As of the Effective Date and the Close of Escrow, there is no existing or, to Seller's actual knowledge, pending litigation, suit, action or proceeding before any court or administrative agency regarding the Property that would, if adversely determined, materially and adversely affect the Property or Seller's ability to perform its obligations under this Agreement or Developer's ability to use or develop the Property.

(c) Seller has not authorized any broker or finder to act on its behalf in connection with the sale and purchase hereunder and Seller has not dealt with any broker or finder purporting to act on behalf of Seller or otherwise.

(d) During the Term hereof, Seller has not encumbered or permitted the encumbrance of the Property without providing written notice thereof to Purchaser.

(e) As of the Close of Escrow, Seller has not entered into, amended or modified any agreement pertaining to the Property which will survive the Close of Escrow and thereafter become an obligation of Purchaser, except any such agreement for which Purchaser has provided prior written consent.

4.12 Representations of Purchaser. Purchaser warrants and represents to Seller as follows:

(a) As of the Close of Escrow, Purchaser has full power and authority, including, but not limited to, the approval of its City Council, to execute and enter into this Agreement and to consummate the transactions contemplated hereunder. This Agreement constitutes the valid and binding agreement of Seller, enforceable in accordance with its terms subject to bankruptcy, insolvency and other creditors' rights laws of general application. Neither the execution nor delivery of this Agreement, nor the consummation of the transactions covered hereby, nor compliance with the terms and provisions hereof, shall conflict with, or result in a breach of, the terms, conditions or provisions of, or constitute a default under, any agreement or instrument to which the Purchaser is a party.

(b) As of the Effective Date and the Close of Escrow, there is no existing or, to Purchaser actual knowledge, pending litigation, suit, action or proceeding before any court or administrative agency regarding the Property that would, if adversely determined, materially and adversely affect the Property or Purchaser's ability to perform its obligations under this Agreement or Developer's ability to use or develop the Property.

(c) Purchaser has not authorized any broker or finder to act on its behalf in connection with the sale and purchase hereunder and Purchaser has not dealt with any broker or finder purporting to act on behalf of Purchaser or otherwise.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have entered into this agreement as of the day and year first above written.

SELLER:

CRA/LA, A DESIGNATED LOCAL AUTHORITY

By: _____
Name: Steve Valenzuela
Title: Chief Executive Officer

Date: _____

APPROVED AS TO FORM:

GOLDFARB & LIPMAN LLP

By: _____
Thomas H. Webber
CRA/LA Counsel

Date: _____

PURCHASER:

THE CITY OF LOS ANGELES,
a municipal corporation

By: _____
Name: _____
Title: General Manager, Economic and Workforce,
Development Department

APPROVED AS TO FORM:

MICHAEL N. FEUER, CITY
ATTORNEY

Attest: Holly Wolcott, City Clerk

By _____
Deputy

By: _____
Curtis S. Kidder, Assistant City
Attorney

DRAFT

EXHIBIT 1

LEGAL DESCRIPTION FOR WILMINGTON BLOCK 27

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOT 9 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

LOT 10 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL MINERALS, GAS, OILS, PETROLEUM, NAPHTHA, HYDROCARBON SUBSTANCES AND OTHER MINERALS IN OR UNDER SAID LAND, LYING 500 FEET OR MORE BELOW THE SURFACE OF SAID LAND, AS EXCEPTED AND RESERVED IN DEED RECORDED JULY 5, 1973 AS INSTRUMENT NO. 4003 IN BOOK D-5935 PAGE 447, OFFICIAL RECORDS.

PARCEL 3:

LOT 11 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM; ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, ALL OTHER HYDROCARBON SUBSTANCES BY WHATSOEVER NAME KNOWN, AND ALL WATER, CLAIMS OR RIGHTS TO WATER, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED BY DEED RECORDED MARCH 16, 1959 IN BOOK D-399 PAGE 399 OFFICIAL RECORDS.

PARCEL 4:

LOT 12 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM, ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, ALL OTHER HYDROCARBON SUBSTANCES BY WHATSOEVER NAME KNOWN, AND ALL WATER, CLAIMS OR RIGHTS TO WATER, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED IN DEED OF RECORD.

PARCEL 5:

LOT 13 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES IN, UNDER, AND/OR THAT MAY BE PRODUCED FROM A DEPTH OF 500 FEET BELOW THE SURFACE OF SAID LAND, BUT WITHOUT ANY USE OF OR RIGHTS IN OR TO ANY PORTION OF THE SURFACE THEREOF TO A DEPTH OF 500 FEET THEREFROM, AS RESERVED BY ANTHONY DEL VAGLIO, AN UNMARRIED MAN IN DEED RECORDED JUNE 4, 1969 AS INSTRUMENT NO. 674, OF OFFICIAL RECORDS.

PARCEL 6:

LOTS 14 AND 15 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES IN, UNDER, AND/OR THAT MAY BE PRODUCED FROM A DEPTH OF 500 FEET BELOW THE SURFACE OF SAID LAND, BUT WITHOUT ANY USE OF OR RIGHTS IN OR TO ANY PORTION OF THE SURFACE THEREOF TO A DEPTH OF 500 FEET THEREFROM, AS RESERVED BY ANTHONY DEL VAGLIO, AN UNMARRIED MAN IN DEED RECORDED JUNE 4, 1969 AS INSTRUMENT NO. 674, OF OFFICIAL RECORDS.

PARCEL 7:

LOTS 16 AND 17 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT ALL MINERAL RIGHTS, IN AND UNDER SAID LAND AND ALL REASONABLE RIGHT OF ENTRY UPON SAID LAND, INCLUDING SUCH REASONABLE RIGHT OF INGRESS AND EGRESS AS MAY BE NECESSARY TO MAINTAIN AND FURTHER EXPLORE THE EXISTING MINERAL RIGHTS INCLUDING THE EXTRACTION OF SAID, AS RESERVED BY JOHN PETER EBAR IN DEED RECORDED APRIL 5, 1974 AS INSTRUMENT NO. 1235.

PARCEL 8:

LOT 18 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL OIL, GAS, MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING BELOW THE SURFACE OF SAID LAND, BUT WITH NO RIGHT OF SURFACE ENTRY THERETO, AS PROVIDED IN THE DEED RECORDED SEPTEMBER 29, 1967 AS INSTRUMENT NO. 714, IN BOOK D-3783 PAGE 243, OF OFFICIAL RECORDS.

PARCEL 9:

LOT 19 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL OIL, GAS, MINERALS AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER SAID LAND LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE THEREOF, BUT WITH NO RIGHT OF SURFACE ENTRY, AS PROVIDED IN THE DEED RECORDED NOVEMBER 28, 1967 AS INSTRUMENT NO. 14, IN BOOK D-3841 PAGE 285, OF OFFICIAL RECORDS.

PARCEL 10:

LOTS 20 AND 21 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT ALL MINERALS, OIL, GAS, WATER, CARBONS, HYDRO-CARBONS AND AIR RIGHTS ON OR UNDER SAID LAND, NOW OF RECORD.

PARCEL 11:

LOTS 22 AND 23 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 12:

LOTS 24 AND 25 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL GAS, OIL, MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING 500 FEET BELOW THE SURFACE OF THE LAND, BUT WITHOUT THE RIGHT TO USE THE SURFACE OF THE LAND TO REMOVE, DRILL, OR PROSPECT FOR SAME, AS RESERVED BY EVA P. SALE, WHO ACQUIRED TITLE AS EVA PAULINE SALE, IN DEED RECORDED FEBRUARY 29, 1980 AS INSTRUMENT NO. 80-207269 OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM ALL GAS, OIL, MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING 500 FEET BELOW THE SURFACE OF THE LAND BUT WITHOUT THE RIGHT TO USE THE SURFACE OF THE LAND TO REMOVE, DRILL, OR PROSPECT FOR SAME, AS RESERVED BY MYRTLE E. POLLOCK IN DEED RECORDED FEBRUARY 29, 1980 AS INSTRUMENT NO. 80-207270 OFFICIAL RECORDS.

PARCEL 13:

LOT 26 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

Recording Requested by:

CRA/LA, A Designated Local Authority
448 S. Hill Street, Suite 1200
Los Angeles, California 90013
Attn: Records Department

After recordation mail to and
Mail tax statements to:

City of Los Angeles
Economic and Workforce Development Department
1200 W. 7th Street, 6th Floor
Los Angeles, California 90017

APNs: 7427-014-900 to 7424-014-917

SPACE ABOVE THIS LINE FOR RECORDER'S USE

The undersigned declares that this Grant Deed is exempt from Recording Fees pursuant to California Government Code Sections 6103 and 27383 and exempt from Documentary Transfer Tax pursuant to California Revenue and Taxation Code Section 11922.

GRANT DEED

For valuable consideration, the receipt of which is hereby acknowledged,

CRA/LA, a Designated Local Authority, (herein called "Grantor" or "CRA/LA"), the successor agency to THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA (the "Former Agency"), grants to the City of Los Angeles, a municipal corporation (herein called "Grantee"), the real property located at 810 – 829 East E Street and 514 -530 McFarland Avenue, Wilmington, California 90744 (the "Property") legally described in the document attached hereto, labeled Exhibit A, and incorporated herein by this reference, together with all of Grantor's right, title and interest in and to all easements, privileges and rights appurtenant to the Property. The Grantee accepts this grant of the Property with the express intention that any of Grantee's existing interests, including without limitation existing easement interests, therein shall not merge into Grantee's fee interest in the Property upon Grantee's acquisition of the fee interest in the Property.

1. As of February 1, 2012, the Former Agency was dissolved pursuant to California Health & Safety Code Section 34172. In accordance with California Health & Safety Code Section 34173(d)(3), CRA/LA was formed to serve as the successor agency to the Former Agency. In accordance with California Health & Safety Code Section 34175(b) all property and assets of the Former Agency were assumed by CRA/LA. Pursuant to Health and Safety Code Section 34181(a) and following noticed public meetings of CRA/LA's Governing Board and Oversight

Board and approval by the State of California Department of Finance, CRA/LA is transferring the Property to Grantee for economic development purposes.

2. Grantee herein covenants by and for itself, its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, national origin, ancestry, disability (actual or perceived), medical condition, age, source of income, familial status, marital status, domestic partner status, sex, sexual preference/orientation, Acquired Immune Deficiency Syndrome (AIDS) – acquired or perceived, or any additional 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, as such provisions may be amended from time to time, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property herein conveyed nor shall the Grantee or any person claiming under or through the Grantee 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, subtenants, sublessees, vendees, or employees in the Property herein conveyed. The foregoing covenant shall run with the land.

All deeds, leases or other real property conveyance contracts entered into by the Grantee on or after the date of this Grant Deed as to any portion of the Property shall contain the following language:

(a) In Deeds:

"Grantee herein covenants by and for itself, its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, national origin, ancestry, disability (actual or perceived), medical condition, age, source of income, familial status, marital status, domestic partner status, sex, sexual preference/orientation, Acquired Immune Deficiency Syndrome (AIDS) – acquired or perceived, or any additional 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, as such provisions may be amended from time to time, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed nor shall the grantee or any person claiming under or through the grantee 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, subtenants, sublessees, vendees, or employees in the property herein conveyed. The foregoing covenant shall run with the land."

(b) In Leases:

"The lessee herein covenants by and for the lessee and lessee's heirs, personal representatives and assigns and all persons claiming under or through the lessee that his lease is made subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, religion, creed, national origin, ancestry, disability (actual or perceived), medical condition, age, source of income, familial status, marital status, domestic partner status, sex, sexual preference/orientation, Acquired Immune Deficiency Syndrome (AIDS) – acquired or perceived, or any additional 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, as such provisions may be amended from time to time, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased nor shall the lessee or any person claiming under or through the lessee 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, vendees, or employees in the land herein leased."

(c) In Contracts:

"There shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, creed, national origin, ancestry, disability (actual or perceived), medical condition, age, source of income, familial status, marital status, domestic partner status, sex, sexual preference/orientation, Acquired Immune Deficiency Syndrome (AIDS) – acquired or perceived, or any additional 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, as such provisions may be amended from time to time, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee 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, subtenants, sublessees, vendees, or employees of the land."

3. The covenants contained in this Grant Deed shall be construed as covenants running with the land.

[Remainder of page intentionally left blank; signature page to follow.]

IN WITNESS WHEREOF, the Grantor has caused this Grant Deed to be executed by its duly authorized representative.

SELLER:

CRA/LA, A DESIGNATED LOCAL
AUTHORITY

By: _____
Estevan Valenzuela
Chief Executive Officer

APPROVED AS TO FORM:

GOLDFARB & LIPMAN LLP

By: _____
Thomas H. Webber
CRA/LA Counsel

EXHIBIT A

LEGAL DESCRIPTION OF LAND

WILMINGTON BLOCK 27

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOT 9 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

LOT 10 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.
EXCEPT THEREFROM ALL MINERALS, GAS, OILS, PETROLEUM, NAPHTHA, HYDROCARBON SUBSTANCES AND OTHER MINERALS IN OR UNDER SAID LAND, LYING 500 FEET OR MORE BELOW THE SURFACE OF SAID LAND, AS EXCEPTED AND RESERVED IN DEED RECORDED JULY 5, 1973 AS INSTRUMENT NO. 4003 IN BOOK D-5935 PAGE 447, OFFICIAL RECORDS.

PARCEL 3:

LOT 11 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.
EXCEPT THEREFROM; ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, ALL OTHER HYDROCARBON SUBSTANCES BY WHATSOEVER NAME KNOWN, AND ALL WATER, CLAIMS OR RIGHTS TO WATER, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED BY DEED RECORDED MARCH 16, 1959 IN BOOK D-399 PAGE 399 OFFICIAL RECORDS.

PARCEL 4:

LOT 12 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.
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PARCEL 5:

LOT 13 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE

OFFICE OF THE COUNTY RECORDER OF SAID COUNTY. EXCEPT THEREFROM ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES IN, UNDER, AND/OR THAT MAY BE PRODUCED FROM A DEPTH OF 500 FEET BELOW THE SURFACE OF SAID LAND, BUT WITHOUT ANY USE OF OR RIGHTS IN OR TO ANY PORTION OF THE SURFACE THEREOF TO A DEPTH OF 500 FEET THEREFROM, AS RESERVED BY ANTHONY DEL VAGLIO, AN UNMARRIED MAN IN DEED RECORDED JUNE 4, 1969 AS INSTRUMENT NO. 674. OF OFFICIAL RECORDS.

PARCEL 6:

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PARCEL 8:

LOT 18 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.
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PARCEL 9:

LOT 19 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.
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PARCEL 10:

LOTS 20 AND 21 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.
EXCEPT ALL MINERALS, OIL, GAS, WATER, CARBONS, HYDRO-CARBONS AND AIR RIGHTS ON OR UNDER SAID LAND, NOW OF RECORD.

PARCEL 11:

LOTS 22 AND 23 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 12:

LOTS 24 AND 25 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

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ALSO EXCEPT THEREFROM ALL GAS, OIL, MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING 500 FEET BELOW THE SURFACE OF THE LAND BUT WITHOUT THE RIGHT TO USE THE SURFACE OF THE LAND TO REMOVE, DRILL, OR PROSPECT FOR SAME, AS RESERVED BY MYRTLE E. POLLOCK IN DEED RECORDED FEBRUARY 29, 1980 AS INSTRUMENT NO. 80-207270 OFFICIAL RECORDS.

PARCEL 13:

LOT 26 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

DISPOSITION AND DEVELOPMENT AGREEMENT

(WILMINGTON BLOCK 27 PROJECT)

BY AND BETWEEN

THE City OF LOS ANGELES

AND

KONOIKE-PACIFIC CALIFORNIA, INC.

RELATING TO

**810 – 829 EAST E STREET & 514 – 530 McFARLAND AVENUE
WILMINGTON, CALIFORNIA 90744**

DRAFT

DISPOSITION AND DEVELOPMENT AGREEMENT

(WILMINGTON BLOCK 27 PROJECT)

This Disposition and Development Agreement ("Agreement") is dated as of this ____ day of ____, 2019, for identification purposes and is entered into by and between Konoike-Pacific California, Inc., a California corporation ("Developer"), and the City of Los Angeles, a municipal corporation, acting through its Economic and Workforce Development Department ("City"). City and Developer are hereinafter sometimes individually referred to as "Party" and collectively referred to as "Parties."

RECITALS

1. **WHEREAS**, the CRA/LA, a Designated Local Authority, a public body formed under California Health & Safety Code Section 34173(d)(3) ("CRA/LA") is the fee owner of that certain approximately 60,452 square foot vacant parcel of real property located at 810 – 829 East E Street & 514 – 530 McFarland Avenue, Wilmington California 90744 ("Site"), as more particularly described in the Property Legal Description in **Exhibit "1"** and illustrated on the Site Map in **Exhibit "2"** both of which are attached hereto and incorporated herein by reference;

2. **WHEREAS**, on January 8, 2015, the Los Angeles City Council, under Council File 14-0425, authorized the City to enter into an Option Agreement with CRA/LA (the "Option Agreement") to purchase the Site to promote economic development in accordance with the Los Angeles Harbor Industrial Center Redevelopment Project – Redevelopment Plan, the Los Angeles Harbor Industrial Center Redevelopment Project – Five Year Implementation Plan, and the Wilmington – Harbor City Community Plan (collectively referred to as the "Redevelopment Plans") and Los Angeles Municipal Code Sections 7.27.2 and 22.1008;

3. **WHEREAS**, the Site is currently vacant;

4. **WHEREAS**, Developer has proposed to improve the Site for use as a temperature-controlled, production-based facility for industrial cold storage ("Project").

5. **WHEREAS**, the City has determined that the sale of the Site to Developer for the development of the Project in accordance with the terms and conditions set forth herein will serve one or more vital public purposes; will be in the best interests of the City; will serve the health, safety, and welfare of the residents of the City; and will assist the City in meeting its economic development goals by (i) eliminating physical blight by developing a vacant blighted lot, (ii) alleviating economic blight by promoting the conservation, rehabilitation, renewal, and development of the Site, (iii) encouraging further private investment in and around the community, (iv) promoting the development of industrial integrity and long-term stability within the community, and (v) generating new tax revenues for the City and other local governments;

6. **WHEREAS**, Phase I and Phase II Environmental Site Assessments were conducted by SCS Engineers (2000 and 2005) and Ninyo & Moore's Phase II ESAs (2009 and 2016) (collectively "ESAs") which found that several shallow, localized areas of the Site were affected by volatile organic compounds (VOCs), total petroleum hydrocarbons (TPHs) and lead. The ESAs recommended the reduction or removal of the lead, VOC and TPH concentrations to acceptable levels;

7. **WHEREAS**, the State Department of Toxic Substance Control completed environmental remediation of the Site on behalf of the City and CRA/LA in November 2018 pursuant to the recommendations set forth in the ESAs and issued a No Further Action letter, which is attached hereto as **Exhibit "3"** and incorporated herein, for the Site on December 27, 2018;

8. **WHEREAS**, the City in order to exercise the purchase option contained in the Option Agreement for the purchase of the Site must provide a copy of this Agreement, executed by the Parties, to CRA/LA;

9. **WHEREAS**, following the City's exercise of the purchase option, the City will enter into a Purchase and Sale Agreement with CRA/LA for the Site ("City-CRA/LA PSA"), certain terms and conditions of which are incorporated into this Agreement; and

10. **WHEREAS**, the City agrees to sell the Site to Developer and Developer agrees to acquire the Site from the City at fair market value using private funds and upon the terms and conditions contained herein

11. **WHEREAS**, Developer, in conjunction with Developer's execution of this Agreement, will enter into an Agreement Containing Covenants Affecting Real Property ("Covenant Agreement") to be recorded against the Site and which commits Developer to, among other things, develop the Project and operate and maintain it for a period of five (5) years.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, City and Developer hereby agree as follows:

ARTICLE 1. SUBJECT OF AGREEMENT.

1.1. Purpose of Agreement.

The purpose of this Agreement is to promote economic development in the City of Los Angeles by providing for the disposition of the Site for the development and operation of the Project, as identified in the Covenant Agreement and in accordance with the Redevelopment Plans and subject to the terms and conditions set forth herein.

The City would not otherwise convey the Site to Developer other than to promote economic development in the community and Developer's failure to provide certain economic services and benefits and to develop the Project in accordance with the terms

and conditions contained in this Agreement and in the Covenant Agreement shall trigger the imposition of liquidated damages as set forth in the Covenant Agreement.

1.2. Definitions.

Affiliate

"Affiliate" shall mean any person directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Developer, which, in the case of a partnership, shall include, each of the constituent general partners thereof.

Agreement

"Agreement" shall mean this Disposition and Development Agreement.

Building Permit

"Building Permit" shall mean all building and grading permits required to be obtained from the City for the construction of the Improvements.

Business Day

"Business Day" shall mean a week day and shall specifically exclude those days described in California Civil Code section 7.1 as amended from time to time.

Certificate of Completion

"Certificate of Completion" shall mean a certificate to be issued by the City in recordable form to KPC certifying that KPC has substantially completed the construction of the Improvements.

Certificate of Occupancy

"Certificate of Occupancy" shall mean that Certificate of Occupancy issued by the Los Angeles Department of Building and Safety (LADBS) and/or all permits and Automated Certificate of Occupancy System (ACOS) clearances related to the Project are finalized by LADBS.

Certified Access Specialist or CASp

"Certified Access Specialist" or "CASp" means any person who has been certified pursuant to Section 4459.5 of the California Government Code as a CASp.

CASp Report

CASp Report shall mean all reports, including preliminary or interim reports, prepared by the CASp in accordance with the requirements of California Civil Code

section 55.53 setting forth the Improvements compliance with accessibility requirements. Such report shall include CASp disability access inspection certificates acknowledged by the CASp and the Project Architect of the following:

(a) That the CASp has reviewed the Project plans and specifications for compliance with state and federal accessibility laws, standards, codes, and regulations.

(b) That the CASp has investigated for compliance with state and federal accessibility laws, standards, codes, and regulations.

(c) The CASp has conducted accessibility research, prepare accessibility reports, and/or conduct accessibility inspections, as authorized and issued inspection reports to the City.

(d) That the Project and all Improvements have been constructed in accordance with state and federal accessibility laws, standards, codes, and regulations.

City

"City" shall mean the City of Los Angeles, California, a municipal corporation, operating through its governing body, the City Council, and it's Economic Workforce and Development Department ("EWDD").

City-CRA/LA PSA

"City-CRA/LA PSA" is defined in Recital 9.

Close of Escrow

"Close of Escrow" shall mean the close of escrow for conveyance of the fee estate in the Site by the City to the Developer as provided in Article 3.

Closing Date

"Closing Date" shall mean the date set forth in Section 3.7.

City Event of Default

"City Event of Default" shall mean the events set forth in Section 10.3.1.

City Representatives

"City Representatives" shall mean and include City's elected officials, officers, employees, agents, contractors, predecessors, successors and assigns.

Community Benefits Plan

"Community Benefits Plan" shall mean the document attached as **Exhibit 4** that sets forth the programs and/or improvements that Developer shall comply with and/or provide in partial consideration of this Agreement.

Covenant Agreement

"Covenant Agreement" shall mean the Agreement Containing Covenants Affecting Real Property, a form of which is attached hereto as **Exhibit 5** and incorporated herein by reference, which shall be executed by Developer in conjunction with the execution of this Agreement and which shall be recorded against the Site at the Close of Escrow. Among other requirements, the Covenant Agreement binds Developer to construct the Project and operate it for a period of five (5) years following the completion of construction of the Project.

CRA/LA

"CRA/LA" shall mean CRA/LA A Designated Local Authority, a public body formed under California Health and Safety Code Section 34173(d)(3) as the successor agency to the former Community Redevelopment Agency of the City of Los Angeles, California, a public body, corporate and politic, organized and existing pursuant to the California Community Redevelopment Law (Health and Safety Code Sections 33000 et seq.).

Development Documents

"Development Documents" means, collectively, this Agreement, the Covenant Agreement, the Grant Deed, the Project Documents, the Plans, the Assignment of Architect's Contract, the Redevelopment Plans, the Disposition Plan and all other documents approved by the City for this Project and/or required to be executed by Developer in favor or in conjunction with the City or any other documents imposing governmental conditions upon Developer in connection with the transactions contemplated by this Agreement.

Developer

"Developer" shall mean Konoike-Pacific California, Inc., a California corporation, or any permitted Transferee or successor in interest as approved by the City in accordance with Article 8 of this Agreement.

Developer Event of Default

"Developer Event of Default" means the events set forth in Section 10.4.1.

Disposition Plan

Disposition Plan shall have the same meaning set forth therefor in Section 6(b) of the Option Agreement and shall be subject to final approval by the City and the CRA/LA.

Effective Date

"Effective Date" shall mean the date on which this Agreement, as fully executed by Developer and the City, and is date stamped by the City Clerk.

Encumbrance

"Encumbrance" shall mean and include any mortgage, trust deed, encumbrance, lien or other mode of financing real estate construction and development, including a sale and lease-back.

Escrow Agent

"Escrow Agent" shall mean Chicago Title Company-Escrow Division ("Escrow") located at 725 S. Figueroa Street, Suite 200, Los Angeles, California 90017 Attention: Joan Hawkins, Telephone number: (213) 612-4161, Facsimile number: (213) 488-4384, E-mail address: Joan.Hawkins@ctf.com.

Exceptions

"Exceptions" shall mean all exceptions, reservations, liens, encumbrances, qualifications, covenants, conditions, restrictions, leases, easements, rights of way, or other like matters affecting the title to the Site, and all matters or states of facts reflected on or arising out of any tentative or final parcel map for the Site, or concerning or related to zoning, subdivision, permitted use or physical condition of the Site, or arising from the redevelopment, development, or related activities of Developer.

Fair Market Value

"Fair Market Value" shall have the same meaning as set forth in Section 12(b) of the Option Agreement.

Financing Plan

"Financing Plan" shall mean a plan evidencing the availability of the funds necessary to develop the Project as approved by the City pursuant to Section 3.1.1

Governmental Restrictions

"Governmental Restrictions" shall mean and include any and all laws, statutes, ordinances, codes, rules, regulations, writs, injunctions, orders, decrees, rulings, conditions of approval, or authorization, now in force or which may hereafter be in force, of any governmental entity, agency, or political subdivision.

Grant Deed

"Grant Deed" shall mean the instrument attached hereto as **Exhibit "6"**. The Grant Deed shall convey fee title interest in the Site from City to Developer and shall be recorded at the Close of Escrow.

Hazardous Materials

"Hazardous Materials" shall mean: (i) any chemical, compound, material, mixture or substance that is now or may later be defined or listed in, or otherwise classified pursuant to, any Hazardous Materials Law as a "hazardous substance," "hazardous waste," "extremely hazardous waste," "acutely hazardous waste," "radioactive waste," "infectious waste," "biohazardous waste," "toxic substance," "pollutant," "toxic pollutant," "contaminant," as well as any formulation not mentioned herein intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, "EP" toxicity, or "TCLP toxicity;" (ii) petroleum, natural gas, natural gas liquids, liquefied natural gas, synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas) and ash produced by a resource recovery facility utilizing a municipal solid waste stream, and drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas, or geothermal resources; (iii) "hazardous substance" as defined in Section 25281 of the California Health and Safety Code; (iv) "waste" as defined in Section 13050(d) of the California Water Code; (v) asbestos in any form; (vi) urea formaldehyde foam insulation; (vii) transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls (PCBs) in excess of fifty (50) parts per million; (viii) radon; and (ix) any other chemical, material, or substance that, because of its quantity, concentration, or physical or chemical characteristics, exposure to which is now or hereafter limited or regulated for health and safety reasons by any governmental authority, or which poses or is later determined to pose a significant present or potential hazard to human health and safety or to the environment if released into the workplace or the environment. The term "Hazardous Materials" shall not include: construction materials, gardening materials, household products, office supply products, or janitorial supply products customarily used in the construction, maintenance, rehabilitation, or management of residential property, or commonly used or sold by hardware, home improvement stores, or medical clinics, and which are used and stored in accordance with all applicable Hazardous Materials Laws.

Hazardous Materials Laws

"Hazardous Materials Laws" means all present and future federal, state, and local laws, ordinances, regulations, permits, guidance documents, policies, decrees, orders, and any other requirements, whether statutory, regulatory, or contractual, of governmental authorities relating to health, safety, the environment, or the use, handling, disposal, or transportation of any Hazardous Materials (including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation Recovery Act, the Clean Water Act, the Clean Air Act, and the applicable provisions of the California Health and Safety Code and the California Water Code, as each such statute may from time to time be amended, and the rules, regulations and guidance documents promulgated pursuant to any such statute).

Improvements

"Improvements" shall mean the construction of an approximately 55,000 square foot cold storage building, steel framed with insulated metal panel siding to match KPC's existing facility at the same location as further described in the Scope of Development and includes all grading to be done on the Site, as well as all buildings, structures, fixtures, excavation, parking, landscaping, and other work, construction, rehabilitation, alterations, and improvements of whatsoever character to be done by Developer on, in, around, under, or over the Site pursuant to the Development Documents.

Losses and Liabilities

"Losses and Liabilities" shall mean and include all claims, demands, writs, actions, causes of action, liabilities, losses, damages, judgments, injuries, expenses (including, without limitation, attorneys' fees and costs incurred by the indemnified party with respect to legal counsel reasonably acceptable to it), charges, penalties, or costs of whatsoever character, nature, and kind, whether to property or to person, and whether by direct or derivative action, known or unknown, suspected or unsuspected, latent or patent, and existing or contingent.

Option Agreement

Option Agreement is defined in Recital 2, a true and correct copy of which is attached hereto as **Exhibit 7**.

Ownership and/or Control

The term "Ownership and/or Control" shall mean, without limitation, the majority of voting rights and beneficial ownership with respect to all classes of stock, controlling interests in partnerships or limited liability companies, and/or beneficial interests under a trust, as may be applicable to the type of entity in question. In the case of a trust, such term shall also include the rights of the trustee as well as the beneficiary.

Party/Parties

"Parties" shall mean the City and the Developer, collectively, and "Party" shall mean either the City or the Developer.

Person

"Person" means an individual, corporation, partnership, limited liability company, joint venture, association, firm, joint stock company, trust, unincorporated association or other entity.

Plans

"Plans" shall mean the plans submitted by the Developer and approved by the City pursuant to or in conjunction with the entitlement process.

Proforma

"Proforma" means the preliminary estimate of costs and sources of funds projecting the sources and uses of funds necessary to develop the Project attached to this Agreement as **Exhibit 8**, which is incorporated herein. The Proforma is subject to revision from time to time as mutually agreed upon in writing between Developer and the City.

Project

"Project" shall mean Developer's construction of the Wilmington Block 27 Project on the Site in accordance with the Development Documents and the approved Disposition Plan, as such may be revised by the mutual consent of the Developer, City, and to the extent required the CRA/LA.

Project Documents

"Project Documents" shall mean and include such preliminary and final construction drawings and specifications, grading plans, landscape plans, site development plans, plot plans, off-site improvement plans, architectural renderings and elevations, material specifications, parking plans, art plans, and other plans and documents as are required to be submitted to City pursuant to Article 4 of this Agreement or any applicable Governmental Restrictions.

Purchase Price

"Purchase Price" shall mean the Fair Market Value to be paid by Developer to the City for the Site as set forth in Section 3.3.

Qualified Financial Institution

"Qualified Financial Institution" shall mean a bank, savings and loan, pension fund, insurance company or other institutional lender which is duly established and in the business of financing the size and type of development contemplated hereunder and which, in the reasonable opinion of City, has a sufficient net worth and liquidity position to meet the contemplated financing commitment. An institutional lender shall be rebuttably presumed to be acceptable to the City if it has received a "Best's Rating of aa" or higher from A.M. Best Company, a "Safe & Sound" rating of four (4) stars or higher from Bank Rate, Inc., or a similar rating from a rating service reasonably acceptable to the City, and is not included on any state, county or municipal list of banned or restricted vendors. The City hereby confirms that American Business Bank and California Bank & Trust are Qualified Financial Institutions.

Redevelopment Plans

"Redevelopment Plans" shall mean the Los Angeles Harbor Industrial Center Redevelopment Project – Redevelopment Plan, the Los Angeles Harbor Industrial Center Redevelopment Project – Five Year Implementation Plan, and the Wilmington – Harbor City Community Plan as defined in the Option Agreement.

Schedule of Performance

"Schedule of Performance" shall mean the Schedule of Performance attached hereto as **Exhibit 9**, which is incorporated herein by this reference. The Schedule of Performance is subject to revision from time to time as mutually agreed upon in writing between Developer, City and, if necessary, the CRA/LA.

Scope of Development

"Scope of Development" shall mean the detailed description of major project elements attached hereto as **Exhibit 10**, which is incorporated herein by this reference. The Scope of Development is subject to revision from time to time as mutually agreed upon in writing between Developer, the City, and if necessary, the CRA/LA.

Security Financing Interest

"Security Financing Interests" shall have the definition set forth in Section 9.1.1 of this Agreement.

Site

"Site" is defined in Recital 1.

Term

"Term" of this Agreement shall commence on the Effective Date and shall remain in full force and effect until the date which is five (5) years after the date of issuance of a Certificate of Completion by Los Angeles Department of Building and Safety ("LABDS") for the Project, unless sooner terminated in accordance with Article 10 hereof or by the City in writing, or unless extended by the mutual consent of the parties; provided, however, that the sections listed in Section 10.5 of this Agreement shall survive any termination of this Agreement.

Transfer/Transferee

"Transfer" shall mean and include any voluntary or involuntary transfer, sale, assignment, lease, sublease, license, franchise, concession, operating agreement, gift, hypothecation, mortgage, pledge or encumbrance, or the like, or all or any portion of the Site, any rights or obligation of Developer hereunder, or any interest in Developer to any person or entity ("Transferee").

1.3 Exhibits.

- Exhibit 1: Property Legal Description.
- Exhibit 2: Site Map.
- Exhibit 3: No Further Action letter.
- Exhibit 4: Community Benefits Plan.
- Exhibit 5: Form of Agreement Containing Covenants Affecting Real Property.
- Exhibit 6: Form of Grant Deed.
- Exhibit 7: Option Agreement.
- Exhibit 8: Project Proforma.
- Exhibit 9: Schedule of Performance.
- Exhibit 10: Scope of Development.
- Exhibit 11: Form of Assignment of Architect's Contract and Plans and Specifications and Permits
- Exhibit 12: Required Insurance and Minimum Limits form.

ARTICLE 2. PARTIES TO THE AGREEMENT.

2.1. City.

City is the City of Los Angeles, a municipal corporation, acting by and through its City Council, EWDD and its various other departments. The term "City" includes any assignee or successor to City's rights, powers and responsibilities under this Agreement. City's representative for purposes of this Agreement is EWDD. The mailing address of the EWDD is 1200 West 7th Street, Los Angeles California 90017 Attention: General Manager.

2.2. Developer.

Developer is Konoike-Pacific California, Inc., a California corporation. The mailing address of Developer for purposes of this Agreement is 1420 Coil Avenue, Wilmington, California 90744, Attention: Richard Burke, President. The term "Developer" as used herein includes any authorized and approved Transferee of Developer as permitted in accordance with Article 8 of this Agreement. All of the terms, covenants, and conditions of this Agreement shall be binding on such Transferees, successors and assigns of Developer.

2.3. No Joint Venture.

The City and Developer are not and shall not be deemed to be partners, co-venturers, joint ventures or in any other way related to one another, nor shall either party have any fiduciary, confidential or agency relationship with the other.

ARTICLE 3. DISPOSITION OF SITE.

3.1. Conditions Precedent to City Disposition.

Besides the City's exercise of its purchase option pursuant to the Option Agreement and the City and CRA/LA execution of the City-CRA/LA PSA, the following additional conditions shall be conditions precedent to the Close of Escrow, and shall be satisfied by Developer no later than the dates specified in the Schedule of Performance (if any). Only the City, through the City Representatives, has the right to waive in writing any of the conditions in this Section 3 or to determine that such conditions were satisfied during the process, in which case the Developer shall submit updates as requested by the City.

3.1.1 Financing Plan.

(a) Developer has provided the City with an updated Proforma, setting forth the Developer's current estimate of costs and revenue sources for development of the Project. The Proforma is only intended to serve as a guide for the preparation of the Financing Plan, and the Parties acknowledge that the actual Financing Plan shall be based on more refined cost estimates and upon further discussions with proposed lender.

(b) Developer shall submit to the City a proposed Financing Plan by the date set forth in the Schedule of Performance. The Financing Plan shall include: (1) a cash flow projection for operation of the Project; (2) a cost breakdown for development based upon government permits and approvals and any design documents; (3) a true copy of each commitment for loans for construction ("Construction Loan") and for other financing from external sources in the amounts necessary to fully finance the development of the Project; (4) a sources and uses table identifying the proposed use of each source of funding for the Improvements during the construction period; and (5) evidence reasonably satisfactory to the City that the Developer has sufficient additional funds available and is able to commit such funds to cover the difference, if any, between

costs of development of the Project and the amount available to the Developer from external sources. The City shall review the proposed Financing Plan and shall approve or disapprove the Financing Plan within fifteen (15) days of receipt. Failure of the City to approve or disapprove the Financing Plan within fifteen (15) days of receipt shall be deemed to be approval by the City, provided that Developer shall have timely submitted the Financing Plan to the City together with a notice (the "Notice of Financing Plan") which references this section of the Agreement and which complies with Section 11.27 of the Agreement. Delivery of the Financing Plan shall be in accordance with Section 11.3 of this Agreement.

(c) The City's review of the Financing Plan shall be for the purposes of determining if the contemplated financing will be reasonably available, will provide sufficient funds for construction of the Project and for its operation consistent with the terms of this Agreement, and will otherwise be provided on terms consistent with the terms and conditions of this Agreement.

(d) Any disapproval of a proposed Financing Plan shall state in writing the reasons for disapproval and the changes required by the City. The Developer shall thereafter submit a revised Financing Plan, together with a Notice of Financing Plan, in accordance with Section 11.3 of this Agreement, to the City for its approval within fifteen (15) days after receipt of the City's notification of disapproval. The City shall either approve or disapprove the revised Financing Plan within fifteen (15) days of receipt. Failure of the City to approve or disapprove the revised Financing Plan within fifteen (15) days of receipt shall be deemed to be approval by the City. If the revised Financing Plan is disapproved, then the City shall identify the changes required and Developer shall have fifteen (15) days to submit a further revised Financing Plan. The submission of any revised Financing Plan shall be accompanied by a Notice of Financing Plan. The periods for submission of any revised Financing Plan, review, and approval or disapproval shall continue to apply as provided above until a Financing Plan has been approved by the City; however, a Financing Plan must be approved by the City no later than the date specified in the Schedule of Performance, or this Agreement may be terminated by either Party pursuant to Article 10.

3.1.2 Insurance.

No later than the date specified in the Schedule of Performance, Developer shall furnish to the City evidence of the type and amounts of insurance required pursuant to Section 7.4 of this Agreement. The City and any Qualified Financial Institution with a recorded lien against the Site shall be named as loss payee or additional insured on the policies, as applicable, prior to recordation of the Grant Deed. Developer shall ensure that all worker compensation insurance policies carried by the general contractor and subcontractors working on the Project shall include a waiver of subrogation in favor of the City.

3.1.3 City Approvals.

Developer shall apply for and obtain all land use, license, permit or other approvals from the City and any other governmental permits or approvals necessary for construction of the Project, including demolition and building permits, within the time set forth in the Schedule of Performance, but in no event later than the scheduled date for the Close of Escrow. Developer shall obtain such licenses, permits and approvals by the time provided in the Schedule of Performance; provided, however, in the event that Developer applies for such permits and approvals no later than the date specified on the Schedule of Performance but does not obtain such permits and approvals by the times provided in the Schedule of Performance due to force majeure delays, as defined in Section 11.5 below, then such times provided in the Schedule of Performance shall be extended accordingly. Developer's application for the City approvals shall be consistent with the Development Documents and the terms and conditions of this Agreement.

3.1.4 Construction Contract.

No less than 30 days prior to the commencement of construction, but in any event no less than 15 days prior to Close of Escrow, Developer shall submit to the City for review and approval, and City shall (within the timeframe set forth below) approve, a copy of each guaranteed maximum price ("GMP") construction contract that Developer proposes to enter into for construction of the Project. The City's review and approval of a proposed GMP construction contract shall be limited to a determination of the following in the exercise of its reasonable judgment: that the scope and cost of work have been clearly fixed and are consistent with the scope and cost set forth in the Development Documents and the Financing Plan; and that the provisions of the construction contract are consistent with the provisions of this Agreement. Within five (5) days after receiving a proposed construction contract, the City shall approve or disapprove the proposed construction contract based on its reasonable review. Failure of the City to reasonably approve or disapprove the construction contract within five (5) days of receipt shall be deemed to be approval by the City, provided that the construction contract is delivered to the City in accordance with Section 11.3 of this Agreement together with a notice (the "Notice of Construction Contract") which complies with Section 11.27 of this Agreement. Any disapproval of a proposed construction contract shall state in writing the reasons for disapproval and the required changes. Developer shall thereafter submit a revised construction contract to the City for its approval within ten (10) days after receipt of the City's notification of disapproval. Every revised construction contract shall be accompanied by a Notice of Construction Contract and shall be delivered in accordance with Section 11.3 of this Agreement. If the revised construction contract is disapproved, then the City shall identify the required changes and Developer shall have ten (10) days to submit a further revised construction contract. If, despite Developer's good faith efforts, the construction contract has not been reasonable approved within twelve (12) months following the Effective Date of this Agreement, then this Agreement may be terminated by either party by written notice in accordance with Section 11.3 of this Agreement. The time periods set forth in this Section 3.1.4 may be extended for two additional 90-day periods by mutual written consent of the parties.

3.1.5 Construction Bonds.

No later than the date specified in the Schedule of Performance, Developer shall deliver to the City copies of labor and material bonds and payment and performance bonds or a subguard insurance policy in lieu of such bonds (collectively, the "Construction Bonds"), each not less than one hundred percent (100%) of the scheduled cost of construction of the Project and naming the City and holders of Security Financing Interests as obligees. Alternatively, Developer may deliver Construction Bonds for phases of the development of the Improvements, each not less than one hundred percent (100%) of the scheduled cost of construction of the phase of the Project then under construction. Construction Bonds shall be issued by an insurance company which is licensed to do business in California and named in the current list of "Surety Companies Acceptable on Federal Bonds" as published in the Federal Register of the U.S. Treasury Department. The City shall consider (but shall have no obligation to approve) alternate forms of reasonable assurance that the Project will be completed in the manner contemplated by this Agreement, including securing a Letter of Credit.

3.1.6 Project Design.

No later than the dates specified in the Schedule of Performance, Developer shall cause the Project Documents to be prepared and submitted to City for approval, and City shall have approved such Project Documents, as provided in Article 4 of this Agreement.

3.1.7 Memorandum of Disposition and Development Agreement.

Developer shall submit to the City a duly executed and acknowledged Memorandum of Disposition and Development Agreement in recordable form on or before the Effective Date, which Memorandum of Disposition and Development Agreement shall be recorded by Developer against the Site and shall have superior position on title relative to the liens of all lenders who provide financing for the Project.

3.1.8 Agreement Containing Covenants Affecting Real Property.

Developer shall submit to the City the duly executed and acknowledged Covenant Agreement in recordable form on or before the Effective Date, which Covenant Agreement shall be recorded against the Site and shall have superior position on title relative to the liens of all lenders who provide financing for the Project.

3.1.9 Security Deposit and Liquidated Damages.

Concurrent with the full execution of this Agreement by the City and Developer, Developer shall submit into escrow a good faith deposit in an amount equal to the amount required as set forth in Section 3.6.1(b), to ensure that Developer will proceed diligently and in good faith to acquire the Site. The Deposit shall be used as a good faith deposit for this Agreement and shall be used to pay for a portion of the Purchase Price. At the City's election, Developer may provide the Security Deposit in the form of cash, an irrevocable letter of credit, a pledged certificate of deposit, an

interest bearing account that is controlled by the City, or such other form of security acceptable to the City in its sole discretion.

IF THIS AGREEMENT IS TERMINATED PRIOR TO CLOSE OF ESCROW BY THE CITY IN ACCORDANCE WITH SECTION 10.4 AND AFTER THE GIVING OF ANY REQUIRED NOTICE AND THE EXPIRATION OF ALL REQUIRED CURE PERIODS SET FORTH THEREIN DUE TO A BREACH OF DEVELOPER'S OBLIGATION UNDER THIS AGREEMENT, THEN THE ENTIRE BALANCE OF THE DEPOSIT SHALL BE RETAINED BY THE CITY AS LIQUIDATED DAMAGES. UPON THE PAYMENT OF LIQUIDATED DAMAGES, THIS AGREEMENT WILL TERMINATE AND THE PARTIES SHALL HAVE NO FURTHER OBLIGATIONS, RIGHTS OR LIABILITIES TO EACH OTHER UNDER THE TERMS OF THE AGREEMENT.

THE PARTIES FURTHER AGREE THAT THE AMOUNT OF LIQUIDATED DAMAGES ESTABLISHED BY THIS PROVISION IS A REASONABLE ESTIMATE, UNDER THE CIRCUMSTANCES EXISTING ON THE DATE OF EXECUTION OF THIS AGREEMENT, OF WHAT CITY'S DAMAGES WOULD BE IN THE EVENT OF A DEFAULT BY DEVELOPER AND DO NOT CONSTITUTE A PENALTY.

NOTWITHSTANDING ANY OF THE FOREGOING, THE LIQUIDATED DAMAGES PROVISIONS ABOVE ARE IN ADDITION TO, AND DO NOT AFFECT, LIMIT, OR IN ANY WAY REDUCE CITY'S RIGHT TO REMEDIES HEREUNDER.

INITIALED BY DEVELOPER: _____

INITIALED BY City: _____

3.1.10 Additional Closing Conditions.

The following shall also constitute conditions precedent to the Close of Escrow, which conditions shall be satisfied by the times set forth in the Schedule of Performance:

(a) Developer shall have deposited into Escrow the Purchase Price (less the amount of the Security Deposit) prior to the scheduled Close of Escrow;

(b) Developer shall have deposited into Escrow at least two (2) business days prior to the scheduled Close of Escrow, duly executed and acknowledged, and otherwise in recordable form (if required to be recorded) the Memorandum of Disposition and Development Agreement, the Covenant Agreement, the Grant Deed, and such other instruments and documents as are reasonably required by the City and Escrow Agent for Close of Escrow;

(c) The City shall have deposited into Escrow at least two (2) business days prior to the scheduled Close of Escrow, duly executed and acknowledged, and

otherwise in recordable form (if required to be recorded), the Memorandum of Disposition and Development Agreement, the Covenant Agreement, the Grant Deed, and such other instruments and documents as are reasonably required by Developer and Escrow Agent for Close of Escrow;

(d) Developer and City shall have executed and delivered mutually-agreed-upon irrevocable escrow instructions authorizing escrow to deliver the Purchase Price to the City and to record and/or deliver to the City the closing documents, which escrow instructions shall also state that the Grant Deed may be recorded only if it is recorded concurrently with the closing of the Construction Loan, which closing shall be evidenced by the recordation of the deed of trust securing the Construction Loan and the initial funding under the Construction Loan;

(e) Developer shall have provided to City written verification from Escrow confirming that the deed of trust to be recorded in conjunction with the closing of the Construction Loan has been deposited into escrow and that the initial draw amount under the Construction Loan has been deposited into escrow by the Construction Loan lender;

(f) As of Close of Escrow there are no defaults (after the giving of notice and a reasonable opportunity to cure) by Developer under this Agreement; and

(g) As of Close of Escrow, there are no defaults (after the giving of notice and a reasonable opportunity to cure) by the City under this Agreement or by CRA/LA under the City-CRA PSA.

3.2. Purchase and Sale of Site.

Provided the conditions precedent in Section 3.1 have been satisfied, upon the terms, covenants and conditions set forth in this Agreement, City agrees to exercise its purchase option in the Option Agreement and, upon City's acquisition of the Site from CRA/LA, simultaneously sell and convey to Developer, and Developer agrees to purchase and accept from City, City's fee interest in the Site in accordance with this Agreement and the Grant Deed.

3.3. Purchase Price.

3.3.1 In accordance with and subject to all terms, covenants and conditions of this Agreement, the City agrees to convey the Site to Developer and Developer agrees to purchase the Site for the Purchase Price which is Three Million, Five Hundred Sixty-Five Thousand Dollars (\$3,565,000), the purchase price attributable to the Site based upon the Fair Market Value.

3.3.2 The Purchase Price shall be paid by Developer to City on the Closing Date through the escrow established hereby in cash or immediately available funds on or before the Close of Escrow, together with such additional amounts as is

necessary to cover Developer's share of costs and expenses hereunder. The Deposit shall be credited toward the Purchase Price at the Close of Escrow.

3.4. Condition of the Site.

3.4.1 Due Diligence. As of the Close of Escrow, Developer acknowledges that it has conducted all studies and investigations of the Site that it has deemed necessary to assure itself of the physical condition of the Site and the suitability of the Site for the development contemplated by this Agreement. Developer shall have the right, without cost or expense to the City, to engage its own environmental consultant and any other consultants to conduct such additional studies and investigations of the Site as it deems necessary, including any Phase I and/or Phase II environmental investigations, soils, geotechnical, or other testing of the Site, subject to the execution of a "Right of Entry" agreement in City's or CRA/LA's customary form. The City shall disclose to Developer any actual knowledge of Hazardous Materials or other physical defects on the Site which occur at any time prior to the Close of Escrow.

3.4.2 As Is" Conveyance.

(1) DEVELOPER SPECIFICALLY ACKNOWLEDGES AND AGREES THAT THE CITY IS SELLING TO DEVELOPER AND AT THE CLOSE OF ESCROW DEVELOPER IS BUYING FROM THE CITY THE SITE ON AN "AS IS WITH ALL FAULTS" BASIS AND THAT DEVELOPER IS NOT RELYING ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS (EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT OR DOCUMENTS DELIVERED BY THE CITY AT CLOSING) OR IMPLIED, FROM THE CITY AS TO ANY MATTERS CONCERNING THE SITE, INCLUDING WITHOUT LIMITATION: (A) THE QUALITY, NATURE, ADEQUACY AND PHYSICAL CONDITION OF THE SITE (INCLUDING, WITHOUT LIMITATION, TOPOGRAPHY, CLIMATE, AIR, WATER RIGHTS, WATER, GAS, ELECTRICITY, UTILITY SERVICES, GRADING, DRAINAGE, SEWERS, ACCESS TO PUBLIC ROADS AND RELATED CONDITIONS); (B) THE QUALITY, NATURE, ADEQUACY, AND PHYSICAL CONDITION OF SOILS, GEOLOGY AND GROUNDWATER, (C) THE EXISTENCE, QUALITY, NATURE, ADEQUACY AND PHYSICAL CONDITION OF UTILITIES SERVING THE SITE, (D) THE DEVELOPMENT POTENTIAL OF THE SITE, AND THE SITE'S USE, HABITABILITY, MERCHANTABILITY, OR FITNESS, SUITABILITY, VALUE OR ADEQUACY OF THE SITE FOR ANY PARTICULAR PURPOSE, (E) THE ZONING OR OTHER LEGAL STATUS OF THE SITE OR ANY OTHER PRIVATE OR GOVERNMENTAL RESTRICTIONS ON THE USE OF THE SITE, (F) THE COMPLIANCE OF THE SITE OR ITS OPERATION WITH ANY APPLICABLE CODES, LAWS, REGULATIONS, STATUTES, ORDINANCES, COVENANTS, CONDITIONS AND RESTRICTIONS OF ANY GOVERNMENTAL OR QUASI-GOVERNMENTAL ENTITY OR OF ANY OTHER PERSON OR ENTITY, (G) THE PRESENCE OR ABSENCE OF HAZARDOUS MATERIALS ON, UNDER OR ABOUT THE SITE OR EMANATING FROM THE ADJOINING OR NEIGHBORING PROPERTY, AND (H) THE CONDITION OF TITLE TO THE PROPERTY. DEVELOPER AFFIRMS THAT DEVELOPER HAS NOT RELIED ON THE SKILL OR JUDGMENT OF THE CITY OR

ANY OF ITS RESPECTIVE AGENTS, EMPLOYEES, CONSULTANTS OR CONTRACTORS TO SELECT OR FURNISH THE SITE FOR ANY PARTICULAR PURPOSE, AND THAT THE City MAKES NO WARRANTY THAT THE SITE IS FIT FOR ANY PARTICULAR PURPOSE. DEVELOPER ACKNOWLEDGES THAT IT SHALL USE ITS INDEPENDENT JUDGMENT AND MAKE ITS OWN DETERMINATION AS TO THE SCOPE AND BREADTH OF ITS DUE DILIGENCE INVESTIGATION WHICH IT SHALL MAKE RELATIVE TO THE SITE AND SHALL RELY UPON ITS OWN INVESTIGATION OF THE PHYSICAL, ENVIRONMENTAL, ECONOMIC AND LEGAL CONDITION OF THE SITE (INCLUDING, WITHOUT LIMITATION, WHETHER THE SITE IS LOCATED IN ANY AREA WHICH IS DESIGNATED AS A SPECIAL FLOOD HAZARD AREA, DAM FAILURE INUNDATION AREA, EARTHQUAKE FAULT ZONE, SEISMIC HAZARD ZONE, HIGH FIRE SEVERITY AREA OR WILDLAND FIRE AREA, BY ANY FEDERAL, STATE OR LOCAL AGENCY). DEVELOPER UNDERTAKES AND ASSUMES ALL RISKS ASSOCIATED WITH ALL MATTERS PERTAINING TO THE SITE'S LOCATION IN ANY AREA DESIGNATED AS A SPECIAL FLOOD HAZARD AREA, DAM FAILURE INUNDATION AREA, EARTHQUAKE FAULT ZONE, SEISMIC HAZARD ZONE, HIGH FIRE SEVERITY AREA OR WILDLAND FIRE AREA, BY ANY FEDERAL, STATE OR LOCAL AGENCY.

(2) Developer's Release of the City. Except as set forth in the representations and warranties of City in this Agreement (or in any document executed by City pursuant to this Agreement), a breach by the City of its obligations under this Agreement (or under any document executed by City pursuant to this Agreement) or the gross negligence, illegal act, or willful misconduct of the City, effective on the Closing Date, Developer, on behalf of itself and anyone claiming by, through or under Developer hereby waives its right to recover from and fully and irrevocably releases the City and the City Council, and each individual member of the City Council, employees, officers, directors, representatives, attorneys, and agents (the "Released Parties") from any and all claims, responsibility and/or liability that Developer may have or hereafter acquire against any of the Released Parties for any claims, fines, penalties, fees, costs, loss, liability, damage, expenses, demand, action, or cause of action arising from or related to the condition (including any construction defects, errors, omissions, or other conditions, latent or otherwise), valuation, salability or utility of the Site, or its suitability for any purpose whatsoever.

(3) Scope of Release. The release set forth in Section 3.4.2(2) hereof includes claims of which Developer is presently unaware or which Developer does not presently suspect to exist which, if known by Developer, would materially affect Developer's release of the Released Parties. Developer specifically waives the provision of any statute or principle of law that provides otherwise. In this connection and to the extent permitted by law, Developer agrees, represents, and warrants that Developer realizes and acknowledges that factual matters now unknown to Developer may have given or may hereafter give rise to causes of action, claims, fines, penalties, fees, demands, debts, controversies, damages, costs, losses, and expenses which are presently unknown, unanticipated, and unsuspected, and Developer further agrees and

represents that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that Developer nevertheless hereby intends to release, discharge, and acquit the City from any such unknown causes of action, claims, fines, penalties, fees, demands, debts, controversies, damages, costs, losses, and expenses. Accordingly, Developer, on behalf of itself and anyone claiming by, through or under Developer, hereby assumes the above-mentioned risks and hereby expressly waives any right Developer and anyone claiming by, through or under Developer, may have under Section 1542 of the California Civil Code, which reads 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."

Developer's Initials: _____

The provisions of this section shall survive the termination of this Agreement.

3.5. Discovery of Hazardous Materials.

3.5.1 In the event that Developer discovers the presence of Hazardous Materials on, under or about the Site following the Close of Escrow, Developer shall be responsible for the payment of all costs of remediation in accordance with Governmental Restrictions. Developer hereby waives its right to recover from and fully and irrevocably releases the City, the CRA/LA, and their council members, board members, employees, officers, directors, representatives, and agents from any and all claims, responsibility, and/or liability that Developer may have or hereafter acquire from the discovery of Hazardous Materials on, under, or about the Site following the Close of Escrow.

3.5.2 The waiver and release set forth in this Section 3.5 includes claims (other than claims for the presence of Hazardous Materials on, under or about the Site prior to the Close of Escrow) of which Developer is presently unaware or which Developer does not presently suspect to exist which, if known by Developer, would materially affect the Developer's release of the Released Parties. Developer specifically waives the provision of any statute or principle of law that provides otherwise. In this connection and to the extent permitted by law, Developer agrees, represents, and warrants that Developer realizes and acknowledges that factual matters now unknown to Developer may have given or may hereafter give rise to causes of action, claims, fines, penalties, fees, demands, debts, controversies, damages, costs, losses and expenses which are presently unknown, unanticipated, and unsuspected, and Developer further agrees and represents that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that Developer nevertheless hereby intends to release, discharge, and acquit the City from any such

unknown causes of action, claims, fines, penalties, fees, demands, debts, controversies, damages, costs, losses, and expenses. Accordingly, Developer, on behalf of itself and anyone claiming by, through, or under Developer, hereby assumes the above-mentioned risks and hereby expressly waives any right Developer and anyone claiming by, through, or under Developer, may have under Section 1542 of the California Civil Code, which reads 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."

Developer's Initials: _____

3.6. Escrow.

3.6.1 Opening of Escrow.

(a) Developer and City shall, concurrent with the opening of escrow under the Option Agreement, open Escrow with the Escrow Agent by the delivery to Escrow Agent of a duplicate original of this Agreement along with the Security Deposit as set forth in Section 3.6.1 (b) below, which shall constitute the "Opening of Escrow." The date of the Opening of Escrow shall constitute the "Opening Date." This Agreement constitutes the joint basic escrow instructions of City and Developer with respect to conveyance of the Site pursuant to the Grant Deed. City and Developer shall provide such additional escrow instructions as shall be consistent with this Agreement and necessary for the accomplishment of its purpose. In addition, Developer and City agree to execute, deliver, and be bound by any reasonable and customary supplemental escrow instructions of Escrow Agent or other instruments as may reasonably be required by Escrow Agent in order to consummate the transaction contemplated by this Agreement. Any such additional or supplemental escrow instructions shall not conflict with, amend, or supersede any portions of this Agreement. If there is any inconsistency between such additional or supplemental escrow instructions and this Agreement, this Agreement shall control. The Escrow Agent shall accomplish the recordation of the Grant Deed(s) and the documents to be recorded pursuant to this Agreement as more particularly set forth herein. Escrow Agent is hereby empowered to act under this Agreement, and Escrow Agent, upon indicating within five (5) days after the Opening of Escrow its acceptance of the provisions of this Section 3.6 in writing delivered to City and Developer, shall carry out its duties as Escrow Agent hereunder..

(b) Within ten (10) business days after the Opening Date, Developer shall deposit with Escrow Agent the Security Deposit as a good faith deposit, the sum of Two Hundred Fifty Thousand Dollars (\$250,000.00) (the "Security Deposit"). The Security Deposit shall be nonrefundable, except as otherwise stated herein, but shall be

applicable to the Purchase Price. Except as otherwise provided herein, the Security Deposit will be released only by written instructions by Developer after all Developer Conditions Precedent as set forth in Section 3.1 have been met or waived and applied to the Purchase Price. If this Agreement is terminated prior to the Close Escrow for any reason other than a City Event of Default or a Buyer Event of Default, then the Security Deposit shall be returned to Developer net of Developer's share of outstanding escrow fees, if any. If this Agreement is terminated as the result of a Buyer Event of Default, then as the City's sole remedy for such Buyer Event of Default, the Security Deposit shall be paid to City as liquidated damages and not as a penalty and Developer shall pay all escrow fees. The parties agree that the Security Deposit amount constitutes a reasonable estimate of the damages to the City pursuant to Civil Code Section 1671 et seq. and that it would be impractical or impossible to ascertain the monetary damages the City would incur resulting from Developer's failure to complete the transaction. If this Agreement is terminated as the result of a City Event of Default, then the entire Security Deposit shall be returned to Developer and City shall pay all escrow fees. The term "Buyer Event of Default" means a default hereunder by Buyer which continues beyond any applicable notice and cure periods as set forth herein. The term "City Event of Default" means a default hereunder by City which continues beyond any applicable notice and cure periods as set forth herein.

3.6.2 Closing Costs.

Together with Developer's deposit of the Purchase Price, Developer shall pay to the Escrow Agent all fees, charges, and costs of the Escrow promptly after the Escrow Agent has notified Developer of the amount of such fees, charges, and costs, prior to the Closing Date as provided in Section 3.7. Such fees, charges, and costs shall include, but are not limited to, as follows:

- (a) The escrow fee;
- (b) Recording fees for the Grant Deed and the Covenant Agreement , and any other encumbrance placed on the Site by or for the benefit of Developer.
- (c) The premium for a standard California Land Title Association Standard Coverage Policy ("CLTA") title insurance and any additional title insurance premium for American Land Title Association Owner's Policy ("ALTA") extended coverage and any endorsement thereto requested by Developer, City, or Developer's lender as set forth in Section 3.9 of this Agreement, shall be paid by the Developer; and
- (d) Any other costs, expenses, or fees of the Escrow not otherwise provided for shall be paid by the party who customarily pays for such costs in Los Angeles County.

3.6.3 Duty of Escrow Agent.

The Escrow Agent is authorized to:

(a) Pay and charge Developer for its fees, charges, and costs payable under this Section 3.6. Before such payments or charges are made, Escrow Agent shall notify City and Developer of the fees, charges, and costs necessary to close the Escrow.

(b) Deliver the Grant Deed and other documents, including any applicable covenants, promissory notes, and deeds of trusts, to the parties entitled thereto when the conditions of this Escrow have been fulfilled by City and Developer.

(c) Record any instruments delivered through this Escrow, if necessary or proper, to vest title in the Site, or the applicable portion thereof, to Developer in accordance with the terms and provisions of this Agreement.

If this Escrow is not in condition to close on the "Closing Date" (as defined in Section 3.7), any Party who then shall have fully performed the acts to be performed before the conveyance of title may, in writing, demand from Escrow Agent and the Title Insurer, if appropriate, the return of its money, papers, or documents deposited with Escrow Agent and the Title Insurer. No demand for return shall be recognized until ten (10) days after Escrow Agent shall have mailed copies of such demand to the other Party or parties at the address or addresses of its or their principal place or places of business and such other Party shall have failed to have taken the action required by that Party to effectuate the Close of Escrow with such ten (10) day period. Objections, if any, shall be raised by written notice to the Escrow Agent and to the other Party within the ten (10) day period described above, in which event Escrow Agent and the Title Insurer are authorized to hold all money, papers, and documents with respect to the Site, or the affected portion thereof, until instructed by mutual agreement of the Parties or by a court of competent jurisdiction. If no such demands are made, the Escrow shall be closed as soon as possible.

Neither Escrow Agent nor the Title Insurer shall be obligated to return any such money, papers, or documents, except upon the written instructions of City and Developer or until the Party entitled thereto has been determined by a final decision of a court of competent jurisdiction.

Any amendment to these Escrow instructions shall be in writing and signed by both City and Developer. At the time of any amendment, Escrow Agent shall agree to carry out its duties as Escrow Agent under such amendment.

All communications from Escrow Agent to City or Developer shall be directed to the addresses and in the manner established in Section 11.3 of this Agreement for notices, demands, and communications among City and Developer.

3.7. Close of Escrow.

Subject to any extensions of time mutually agreed upon between the City and Developer, the conveyance of title to Developer pursuant to the Grant Deed shall be completed: (i) after satisfaction of all conditions set forth in Section 3.1 of this

Agreement, (ii) concurrently with the closing of the Construction Loan, as evidenced by the recordation of the deed of trust securing the Construction Loan and the initial funding of the Construction Loan, and (iii) on or prior to the date specified in the Schedule of Performance (the "Closing Date"). City shall agree to a reasonable extension of time to close escrow (not to exceed thirty (30) days) so long as Developer has provided evidence reasonably satisfactory to the City that Developer is diligently proceeding to close the Construction Loan. Notwithstanding anything to the contrary, Close of Escrow shall not occur without the concurrent closing of the Construction Loan.

3.8. Recordation of Documents.

Escrow Agent shall, subsequent to the recording of the deed for the Site from CRA/LA to City, record or cause to be recorded, in the following order, (i) the Grant Deed, (ii) the Covenant Agreement, (iii) the Memorandum of Disposition and Development Agreement, and (iv) such other instruments as required hereby in the Office of the County Recorder of Los Angeles County, California, in conjunction with the delivery to Developer of "Developer's Policy" pursuant to and in conformity with Section 3.9 of this Agreement.

3.9. Title Insurance.

In conjunction with the Close of Escrow, Chicago Title Company ("Title Insurer") shall provide, at the Developer's cost and expense, a CLTA of title insurance (alternatively, Developer may, at its cost and expense, obtain an extended coverage ALTA of title insurance in lieu of the CLTA policy) ("Developer's Policy"), such Developer's Policy insuring marketable title to the Site is, pursuant to the Grant Deed, vested in Developer in accordance with this Agreement. The Developer's Policy may include such endorsements as may be required and paid for by Developer including, without limitation, a zoning endorsement with parking. Escrow Agent shall provide or cause to be provided a copy of any such Policy to City.

3.10 Conditions of Title.

Within the time provided in the applicable Schedule of Performance, Developer shall cause the Escrow Agent to deliver to Developer and the City a current preliminary title report with respect to the title of the Site ("Title Report"), together with legible copies of the documents underlying the exceptions (the "Exceptions") set forth in the Title Report(s). Upon the Close of Escrow, the City shall convey title to the Site by the Grant Deed in the same or similar form as the City receives from CRA/LA and with the same exceptions to title as may be set forth in the Title Report.

ARTICLE 4. DESIGN REQUIREMENTS.

4.1. Design in Conformance with Scope of Development and Schematic Design Drawings.

(a) In designing and constructing the Project, Developer shall cause all subsequent design documents to be substantially consistent with the Scope of Development and the CASp Report. The Scope of Development shall establish the baseline design standards from which Developer shall prepare all subsequent Project Documents.

(b) The Wilmington Block 27 Project will be an approximately 55,000 square foot cold storage building, steel framed with insulated metal panel siding to match Buyer's existing facility at the same location. The facility will include a 38,400 square foot freezer with rack storage, a 7,000 square foot cooler dock with 8 dock positions, and an office mezzanine above the dock. A freon refrigeration system will cool the dock and freezer. The intended use is long term storage of food products, and it is anticipated that up to 10,000 pallets may be stored in this facility.

4.2. Project Documents.

Developer shall cause its architect, in collaboration with its public artist or artists, if any, to proceed diligently to prepare Project Documents for the proposed Project, consistent with the Scope of Development, including, without limitation, such drawings as may reasonably be required to show the location, bulk, height, and other principal external features of the proposed Project. In connection with its submittal to the City for its approval, Developer shall provide to the City such elevations, sections, plot plans, specifications, diagrams and other design documents at each of the stages described in Section 4.3, as may reasonably be required by the City for its review.

4.3. Submittal and Review of Design and Construction Documents.

Within the times set forth in the Schedule of Performance, Developer shall submit to the City the Project Documents in the following stages for the City's review and approval in accordance with Section 4.4 below:

4.3.1 Schematic Design Drawings. The Schematic Design Drawings shall include floor plans, elevations, features in public areas, landscape features, locations for signs, building sections indicating general construction techniques and major building materials under consideration, potential exterior materials, the colors and textures to be used, and the off-site public improvements to be implemented by the Developer. Key interior, exterior, and structural bay dimensions shall be established and a detailed tabulation of floor area by use shall be provided.

4.3.2 Design Development Drawings. The Design Development Drawings shall logically evolve from the approved Schematic Design Drawings. The exact wall thickness, structural dimensions, and precise delineation of Site features and elevations, the building core, materials and colors, signs, landscaping, and other features shall be indicated on the Design Development Drawings. The drawings shall fix and describe architectural and landscape portions of Design Development Drawings including all design features, as well as the size, character, and quality of the entire Site and Improvements as to architectural, structural, and mechanical systems. Key details

shall be provided in preliminary form. Samples of key materials to be used in publicly visible areas shall accompany these drawings. The Design Development Drawings shall detail the off-site designs for public improvements to be implemented by Developer.

4.3.3 Final Construction Drawings. The Final Construction Drawings shall logically evolve from the approved Design Development Drawings and shall incorporate the recommendations of the CASp Report. The Final Construction Drawings shall provide all the information necessary to obtain a Building Permit including specifications to build the Improvements, off-site public improvements, and the landscape and signs, requirements, standards, and specifications. Additionally, Developer shall provide material samples upon City request. The format for the Final Construction Drawings shall be a set of fifty-percent (50%) reduction-sized plans. Approximately seventy-five percent (75%) complete Final Construction Drawings may also be prepared and submitted for building permit approval in order to obtain an "Excavation and Foundation Only Permit" to facilitate "fast track" construction. All Final Construction Drawings shall comply with all applicable requirements above. Prior to or concurrently with submission to City, the Project architect and the CASp retained by Developer shall certify to City that such Final Construction Drawings have been prepared so that the Project will comply with all applicable disabled access requirements as of the date of the certification.

4.4. Project Approvals.

Within the times set forth in the Schedule of Performance and Section 4.3 of this Agreement, the City shall have the right to review and approve or disapprove the Project Documents. The purpose of the City's review of the Project Documents is to ensure consistency with the Scope of Development and the provisions of this Agreement. Provided that the architectural submittals meet the requirements set forth in Section 4.3, the City shall approve those Project Documents which are logical progressions from concepts set forth in previously approved Project Documents. For purposes of this Article 4, "approval" means approval of the City. The City shall approve or disapprove (with specific reasons for its disapproval) the Project Documents within fifteen (15) days of receipt of the Project Documents. Provided that Developer has satisfied the requirements set forth in Section 11.27 below, the City's failure to approve or provide specific reasons for its disapproval shall be deemed to be the City's approval of the Project Documents.

4.5. New Material Concerns.

City shall have the right to disapprove any material changes which are not logical progressions from previously approved Project Documents or which raise material concerns that were not reviewable in previously approved Project Documents.

4.6. Approval Process.

The City shall approve or disapprove submittals under this Article 4 within fifteen (15) days following receipt of the submittal from Developer. In the event the City disapproves a submittal of the Project Documents pursuant to Section 4.4, the City shall submit a list of reasons for such disapproval to Developer, together with its notice of disapproval. Upon receipt of such a list, Developer shall have thirty (30) days to resubmit a revised submission. Again, upon the City's receipt of a revised submission, the City shall have fifteen (15) days (or in the event City Board action is required as soon as reasonably possible) to approve or disapprove of the revised Project Documents. If in the City's reasonable judgment, City Board action is not required to consider the revised submittal, failure to approve or disapprove within fifteen (15) days shall be deemed to be approval of such change. Notwithstanding the foregoing, no matter shall be deemed approved unless the request for approval contains the following provision, in bold print:

NOTICE IS HEREBY GIVEN THAT FAILURE TO APPROVE THE MATTER REQUESTED WITHIN 15 DAYS SHALL BE DEEMED AN APPROVAL PURSUANT TO SECTION 4.6 OF THE DISPOSITION AND DEVELOPMENT AGREEMENT.

4.7. No Change in Project Documents.

Once the City has approved Final Construction Drawings, Developer shall not make any changes in those documents which would materially change the Project Documents with respect to the matters set forth in Section 4.2 without the prior written approval of the City, subject to the provisions of Section 4.5.

4.8. Additional Permits and Approvals.

Within the time specified in the Schedule of Performance, Developer shall obtain all permits and approvals necessary to construct the Project, including demolition permits and Building Permits. All applications for such permits and approvals shall be consistent with the approved Project Documents. Developer shall not obtain a Building Permit until the City has approved the Final Construction Drawings. Developer acknowledges that execution of this Agreement by the City does not constitute approval by the City of any required permits, applications, or allocations, and in no way limits the discretion of the City in the permit, allocation, and approval process.

4.9. City Review.

Developer shall be solely responsible for all aspects of Developer's performance in connection with the Project, including, but not limited to, the quality and suitability of the Project Documents, the supervision of construction work, and the qualifications, financial condition, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers. Any review or

inspection undertaken by the City with reference to the Project is solely for the purpose of determining whether Developer is properly discharging its obligations to the City, and should not be relied upon by Developer or by any third parties as a warranty or representation by the City as to the quality of the design or construction of the Project.

4.10. Architect's Assignment.

Developer shall, in accordance with the Schedule of Performance, execute, and deliver to the City the Assignment of Architect's Contract and Plans and Specifications and Permits (With Architect's Consent and Certificate) in the form of **Exhibit 11** attached hereto. Subject to the prior rights of the holder of any Security Financing Interest, the Assignment of Architect's Contract and Plans and Specifications and Permits (With Architect's Consent and Certificate) grants the City, in the event of termination of this Agreement by the City, Developer's rights to: (a) the Project Documents prepared pursuant to this Agreement; (b) the contract between Developer and its architect; and (c) all permits relating to the Project. City hereby agrees to reassign such documents to the holder of any Security Financing Interest, in the event such holder agrees to complete construction of the Project after a default (after the giving of any required notice and the expiration of all applicable cure periods) by the Developer hereunder, after such holder assumes and agrees to perform Developer's obligations hereunder.

If this Agreement is terminated as provided herein, Developer's rights to all work product prepared pursuant hereto, including, but not limited to, all plans and construction documents, shall belong to the City. In the event of any such termination, Developer shall, within ten (10) days of such termination, transmit all such work product to the City.

ARTICLE 5. CONSTRUCTION AND OPERATION OF THE IMPROVEMENTS.

5.1. Commencement of Construction.

Developer shall commence construction of the Improvements upon the the City's approval of all required entitlements necessary for KPC's development of the Project, including, but not limited to, the issuance of the building permit, and KPC's obtaining all other necessary permits and approvals and within the time set forth in the Schedule of Performance.

5.2. Completion of Construction.

Developer shall diligently prosecute to completion the construction of the Improvements, and shall complete construction of the Improvements, as evidenced by the issuance of the Certificate of Occupancy, within the time set forth in the Schedule of Performance ("Construction Completion Date"), which deadline shall be subject to extension(s) as approved by the City in its reasonable discretion, and further subject to events of Force Majeure. KPC shall submit a written request to the City for an extension of the Construction Completion Date which shall include the basis for the

request, the proposed new Construction Completion Date and any documents to support the request. The City shall review the request and approve it if the information and documents, if any, provided demonstrate that the Construction Completion Date could not be met due to a City caused delay or an event of Force Majeure. As between the City and Developer, the Developer shall be solely responsible for the construction of the Improvements.

5.2.1 Within thirty (30) business days after written request by KPC to the City after KPC has obtained a Certificate of Occupancy for the Project, the City shall execute, acknowledge, and deliver the Certificate of Completion to KPC in recordable form.

5.3. Construction Pursuant to Scope and Plans.

5.3.1 Developer shall construct the Improvements in substantial conformity with the Scope of Development, the approved Final Construction Drawings, and the Development Documents.

5.3.2 Any proposed material change in the approved Final Construction Drawings shall be submitted by Developer for City approval. The City shall approve or disapprove a proposed material change within fifteen (15) days after receipt by the City. Provided that Developer has satisfied the requirements set forth in Section 11.27 below, failure to approve or disapprove within fifteen (15) days shall be deemed to be approval of such change. If the City rejects the proposed material change, then the City shall provide Developer with the specific reasons therefore in writing, and the approved Final Construction Drawings shall continue to control. For purposes of this Section 5.3.2, a material change in the Final Construction Drawings shall consist of (1) any change or set of changes (increase or decrease) that exceeds Five Hundred Thousand Dollars (\$500,000.00) either individually or cumulatively, or (2) any change in building materials or equipment, specifications, or the architectural or structural design of the Improvements that is of lesser quality, durability, or appearance.

5.3.3 No change which is required for compliance with building codes or other government health and safety regulation shall be deemed material. However, Developer must submit to the City any change that is required for such compliance within fifteen (15) days after making such change in the Project Documents (but prior to such work being performed), and such change shall become a part of the approved Final Construction Drawings, binding on Developer.

5.4. Compliance with Applicable Law.

Developer shall cause all work performed in connection with construction of the Improvements to be performed in compliance with (a) all applicable laws, ordinances, rules, and regulations of federal, state, county, or municipal governments or agencies now in force or that may be enacted hereafter; (b) all directions, rules, and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental agency now having or hereafter acquiring jurisdiction; (c) all applicable

disabled access requirements; and (d) all applicable City policies that are effective as of the Effective Date of this Agreement, if any, provided that Parties may make later adopted City policies applicable to the Project by their mutual approval of an amendment to this Agreement specifically incorporating such policies. The work shall proceed only after procurement of each permit, license, or other authorization that may be required by any governmental agency having jurisdiction, and Developer shall be responsible for the procurement and maintenance thereof, as may be required of Developer and all entities engaged in work on the Site.

5.5. CASp Report.

Developer shall retain, at its cost and expense, a CASp who shall be responsible for the preparation of the CASp Report, a copy of which Developer shall provide to the City prior to the issuance of the Certificate of Occupancy.

5.6. Non-Discrimination; Equal Opportunity.

Developer (for purposes of this Section 5.6, the term "Developer" shall include Developer, Developer's general contractor, and all subcontractors performing work on the Site), for itself, its successors and assigns, and transferees agrees that in the construction or operation of the Project assigns in interest to the Site or any part thereof, that there shall be no discrimination against or segregation of any person or persons in any Project contract, employment practice, or operation of the Project because of the person's race, color, religion, national origin, ancestry, sex, sexual orientation, age, disability, marital status, domestic partner status, or medical condition. Developer shall include a like provision in all subcontracts awarded for work to be performed under this Agreement. Failure of Developer to comply with this requirement or to obtain the compliance of its subcontractors with such obligations shall subject Developer to the imposition of any and all sanctions allowed by law, including, but not limited to, termination of this Agreement. Nothing contained in this Agreement shall be construed in any manner so as to require or permit any act which is prohibited by law.

5.6.1 Developer agrees to post in conspicuous places, available to its employees and applicants for employment, the applicable nondiscrimination clause set forth herein;

5.6.2 Developer shall cause the solicitations or advertisements for employment to be in compliance with the aforementioned nondiscrimination provisions; and

5.6.3 Developer shall cause the foregoing provisions to be inserted in all contracts for the construction of the Project entered into by Developer after the Effective Date of this Agreement and shall ensure that its general contractor shall insert the foregoing provisions in the general contractor's subcontracts; provided, however, that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

5.7. Construction Signs.

Developer shall incorporate into the Project construction site signs in accordance with the City's standards for such signs. The construction signs shall be erected on portions of the Site that are visible to the public prior to the commencement of construction, and shall remain up and visible for the entire construction period.

5.8. Progress Reports.

Until a Certificate of Completion has been issued by the City, Developer shall provide the City with periodic written progress reports, as reasonably requested by the City, but not more often than once a quarter, regarding the status of the construction of the Project.

5.9. Entry by the City.

Until a Certificate of Completion has been issued by LADBS, Developer shall permit the City, through its officers, agents, or employees, to enter the Site at all reasonable times with at least forty-eight (48) hours' prior written notice to Developer so that Developer will have an opportunity to decide whether or not to have a Developer representative(s) accompany the City representative(s) to inspect the work of construction to determine that such work is in conformity with the Scope of Development and the approved Final Construction Drawings or to inspect the Site for compliance with this Agreement. Developer shall have the right to accompany the City during an inspection, but the failure of Developer to attend an inspection for any reason shall not constitute a reason for prohibiting or delaying any such inspection. The City is under no obligation to (a) supervise construction, or (b) inspect the Site. The City shall inform Developer of any construction defects discovered by the City during any inspection. Developer shall not rely upon the City for any supervision or inspection. The rights granted to the City pursuant to this section are in addition to any rights of entry and inspection the City may have in exercising its municipal regulatory authority.

5.10. Mechanics' Liens.

Developer shall indemnify the City and hold the City harmless against and defend the City in any proceeding related to any mechanic's lien, stop notice or other claim brought by a subcontractor, laborer or material supplier who alleges having supplied labor or materials in the course of the construction of the Project by Developer. This indemnity obligation shall survive the issuance of a Certificate of Completion by LADBS and the termination of this Agreement.

5.11. Zoning of the Site.

It shall be the responsibility of Developer at Developer's sole cost and expense, to ensure that the zoning of the Site shall be such as to permit the development and use of the Site in accordance with the provisions of the Development Documents. The City

shall reasonably cooperate with Developer in seeking the approvals necessary for the construction of the Improvements from the City.

5.12. Labor Requirements.

5.12.1 If the construction work covered under this Agreement is financed in whole or in part with assistance provided under a program of the U.S. Department of Housing and Urban Development or some other source of federal funding, Developer shall comply with or cause its general contractor and all subcontractors to comply with the requirements of the Davis-Bacon Act (40 U.S.C. 276 *et seq.*). The Davis-Bacon Act requires the payment of wages to all laborers and mechanics at a rate not less than the minimum wage specified by the Secretary of Labor in periodic wage rate determinations as described in the Federal Labor Standards Provisions (HUD-4010). In the event both State Prevailing wages and Davis-Bacon Act wages will be required, all works shall be paid at the higher of the two wage rates.

5.12.2 Prior to the commencement of construction, and as soon as practicable in accordance with the Schedule of Performance, Developer shall contact City to schedule a preconstruction orientation meeting with Developer and with the general contractor to explain such matters as preconstruction conference requirements, record keeping, and reporting requirements necessary for the evaluation of Developer's compliance with this Section 5.12.

5.12.3 Any contractor or subcontractor who is at the time of bidding debarred by the Labor Commissioner pursuant to Section 1777.1 of the California Labor Code is ineligible to bid on the construction of the Improvements or to receive any contract or subcontract for work covered under this Agreement. Developer agrees to include, or cause to be included, this Section 5.12.3 in all bid specifications for work covered under this Agreement.

5.12.4 Any contractor or subcontractor who, at the time of the date of this Agreement, is listed on the "Lists of Parties Excluded From Federal Procurement or Nonprocurement Programs" issued by the U.S. General Services Administration pursuant to Section 3(a) of the Davis-Bacon Act is ineligible to receive a contract for work covered under this Agreement, if the covered work is federally funded in whole or in part. Developer agrees to include, or cause to be included, this Section 5.12.4 in all bid specifications for work covered under this Agreement.

5.12.5 Any contractor or subcontractor that is at the time of bidding debarred or declared non-responsible under City's Contractor Responsibility Policy or the City's Contractor Responsibility Ordinance is ineligible to bid on the construction of the Improvements or to receive any contract or subcontract for work covered under this Agreement. Developer agrees to include, or cause to be included, this Section 5.12.5 in all bid specifications for work covered under this Agreement.

5.12.6 Developer shall indemnify, hold harmless, and defend (with counsel reasonably acceptable to City) City against any claim for damages,

compensation, fines, penalties, or other amounts arising out of the failure or alleged failure of any person or entity (including Developer, its contractor and subcontractors) to comply with the applicable provisions of Labor Code Sections 1720 *et seq.* and implementing regulations of the Department of Industrial Relations in connection with the construction of the Improvements or any other work undertaken in connection with the Project.

5.13. Cost of Development.

Except as otherwise provided in this Agreement, Developer shall bear all costs and expenses incurred in connection with the construction and maintenance of all Improvements, including, without limitation, all costs incurred in connection with the investigation, acquisition, and preparation of the Site for development, all off-site improvements, building and developer fees, and all costs of investigation, acquisition, and/or preparation of any Project Documents or other submissions made by Developer pursuant to this Agreement.

5.14. City Requirements

Developer, as well as its general contractor and all subcontractors working on the Project, shall comply with all applicable City Ordinances, wage requirements, policies, and programs.

ARTICLE 6. RELOCATION

Notwithstanding that the Site is vacant, if and to the extent acquisition of the Site or any aspect of development or operation of the Project results in the permanent or temporary displacement of any occupants of the Site, the following shall apply: (a) Developer shall comply with all applicable local, state, and federal statutes and regulations with respect to relocation planning, advisory assistance, and payment of monetary benefits (collectively referred to as the "Relocation Laws"); and (b) Developer shall be solely responsible for payment of any relocation benefits (if any) to any displaced persons and any other obligations (if any) associated with complying with the Relocation Laws.

ARTICLE 7. USE OF THE SITE/OBLIGATIONS DURING AND AFTER CONSTRUCTION

7.1 Uses.

7.1.1 Developer covenants and agrees for itself, its successors and assigns, which covenants shall run with the land and bind every successor or assign in interest of Developer, that during development of the Site pursuant to this Agreement and thereafter for a period of five (5) years after the issuance of Certificate of Completion, Developer and/or such successors and/or such assignees shall devote the Site, and all portions thereof, primarily for use as an approximately 55,000 square foot cold storage building serving the industrial community of the Los Angeles area.

7.1.2 Developer further covenants and agrees for itself and its successors and assigns that it shall not engage in or permit any activity on the Site that would violate the Redevelopment Plans, the Covenant Agreement, any Project Documents approved for any portion of the Site, or any applicable Governmental Restrictions.

7.2 Use and Operation of the Improvements and Site.

Developer agrees for itself, its successors, its assigns and every successor in interest to the Site or any part thereof, that Developer, such successors and such assigns shall use, operate and maintain the Improvements and all amenities on the Site commensurate with a cold storage building as set forth herein and in the Community Benefits Plan. Developer shall comply with the requirements of the Community Benefits Plan, including, but not limited to, the posting of employment opportunities at the Site at the two nearest EWDD Workforce Centers as a part of its regular recruitment process. Developer's job posting obligation shall be included in the Covenant Agreement and shall be for the period commencing on the Covenant Effective Date and for at least two (2) years thereafter.

7.3 Maintenance.

Developer hereby agrees that, prior to completion of the construction of Project, the Site shall be maintained in a neat and orderly condition to the extent practicable and in accordance with industry health and safety standards, and that, once the Project is completed, the Project shall be well maintained as to both external and internal appearance of the buildings, the common areas, and the parking areas. Developer shall maintain or cause to be maintained the Project in good repair and working order, and in a neat, clean, and orderly condition, including the walkways, driveways, parking areas, and landscaping, and from time to time make all necessary and proper repairs, renewals, and replacements. In the event that there arises a condition in contravention of the above maintenance standard, then the City shall notify Developer in writing of such condition, giving Developer thirty (30) days from receipt of such notice to commence and thereafter diligently to proceed to cure said condition unless such condition cannot reasonably be cured within such sixty (60) days period, in which event Developer shall commence such cure within sixty (60) days and thereafter diligently prosecute such cure to completion. In the event Developer fails to cure or commence to cure the condition within the time allowed, the City shall have the right to perform all acts necessary to cure such a condition, or to take other recourse at law or equity the City may then have. The City shall receive from Developer the City's cost in taking such action and shall provide reasonable evidence of such costs to Developer. The Parties hereto further mutually understand and agree that the rights conferred upon the City expressly include the right to enforce or establish a lien or other encumbrance against any of the parcels comprising the Site not complying with this Agreement by recordation of a notice of lien against the Site. Developer's obligation to maintain the Site and Project in compliance with the foregoing provisions shall be included in the Covenant Agreement.

7.4 Insurance Coverage.

Developer shall comply with the insurance coverage requirements set forth on the Required Insurance and Minimum Limits form, dated December 19, 2018, which is attached hereto as **Exhibit 12** and incorporated herein, and as set forth hereinbelow.

7.4.1 Commercial General Liability. Prior to the commencement of any work or construction on the Site, Developer shall (1) furnish or cause to be furnished to the City duplicate originals or appropriate certificates of general liability (bodily injury and Site damage) insurance policies in the amount of at least \$1,000,000 per occurrence and \$2,000,000 in the aggregate, naming the City as additional insureds (such limits can be obtained by way of excess/umbrella policies), and (2) ensure that the development contractor and subcontractors furnish or cause to be furnished to the City duplicate originals or appropriate certificates of general liability (bodily injury and Site damage) insurance policies, naming the City as an additional insured. Such insurance shall be kept in full force and effect for the term of the Covenant Agreement.

7.4.2 Automobile Liability Insurance. Developer shall require contractors working on the Site to comply with the financial responsibility laws of the State of California.

7.4.3 Workers' Compensation and Employer's Liability Insurance. In accordance with applicable State and compensation laws, Developer shall cause all contractors hired to work on the Site to carry Workers' Compensation Insurance and Employers' Liability Insurance in an amount not less than \$1,000,000. Such Insurance shall cover all persons employed in connection with the Site and the development and shall cover liability within statutory limits for compensation under any such acts aforesaid, based upon death or bodily injury claims made by, for or on behalf of any such person incurring or suffering injury or death in connection with the Site or the development or the operation thereof by Developer. Prior to the commencement of construction on the Site, Developer or Developer's contractor(s) shall furnish or cause to be furnished to the City duplicate originals or appropriate certificates of such coverage, or a certificate of consent to self-insure issued by the State Department of Industrial Relations. Such insurance shall be kept in full force until at the issuance of the Certificate of Completion.

7.4.4 Property Insurance. During construction and for the term of the Covenant Agreement, Developer shall carry All Risk insurance coverage in an amount not less than the full replacement value of the Improvements, with extended coverage, against the perils of fire, lightning, vandalism, malicious mischief, riot and civil commotion, and such other perils ordinarily included in extended coverage fire insurance policies; and during the construction period and until a Certificate of Occupancy for the completed development has been issued by the City, a Builder's Risk Coverage Endorsement, covering course of construction exposure. Prior to the commencement of construction on the Site, Developer shall furnish or cause to be furnished to the City duplicate originals or appropriate certificates of such coverage.

Except for the Builder's Risk Coverage Endorsement, such insurance shall be kept in full force until the expiration of the term of this Agreement. Developer shall also name as a loss payee on any such insurance any Qualified Financial Institution with a recorded lien against the Site.

7.4.5 The term "full replacement value," as used in Section 7.4.4 above, shall mean the actual replacement cost without deduction for depreciation) of the Improvements immediately before such casualty or other loss, including the cost of construction of the development, architectural and engineering fees, and inspection and supervision. To ascertain the amount of coverage required, Developer shall cause the full replacement cost of the Improvements to be determined from time to time by appraisal by the insurer, by agreement between the City and insurer, by agreement between the City and Developer or by an appraiser mutually acceptable to the City and Developer, not less than once every three years.

7.4.6 Developer shall cause architects and engineers providing services for the Project to carry Professional Liability Insurance covering the Errors and Omissions exposure in an amount not less than \$1,000,000. Prior to the commencement of construction on the Site, Developer shall furnish or cause to be furnished to the City duplicate originals or appropriate certificates of such coverage.

7.4.7 All required insurance policies shall not be subject to cancellation, Except after notice in writing shall have been sent by registered mail addressed to the City not less than thirty (30) days prior to the effective date of such event. All policies shall name the holder of any mortgage, the City, Developer, and/or any general contractor as insureds and/or additional insureds, and name the holder of any mortgage, Developer and/or general contractor as loss payable parties as their interests may appear.

7.4.8 All insurance required by this Agreement shall be for the benefit of Developer and the City, as well as any mortgagee and any contractor at Developer's discretion, provided that anyone added as a loss payee or additional insured of such insurance other than the City must be added with the approval of the City's Risk Management Division so that said Division can increase the coverage limits of such insurance to protect the interests of the City and the City. Developer agrees to timely pay all premiums for such insurance and, at its sole cost and expense, to comply and secure compliance with all insurance requirements necessary for the maintenance of such insurance.

7.4.9 All insurance required by this Agreement shall be effected under policies issued by insurers of recognized responsibility, licensed, or permitted to do business in the State of California (or as otherwise agreed to by City) and acceptable to the City, and subject to the approval rights of Developer's construction lender.

7.4.10 Subject to the rights of any holder of a Security Financing Interest or any other senior lienholder subsequently approved by the City all proceeds of

insurance with respect to loss or damage to the development shall be payable under the provisions of the policy of insurance to Developer, and said proceeds shall be used for the restoration, repair, or rebuilding of the Improvements in accordance with plans and specifications approved in writing by the City.

7.4.11 In the event Developer fails or refuses to maintain the full insurance coverage required by this Agreement, the City, after at least seven (7) business days prior written notice to Developer and all mortgagees entitled to notice, may, but shall be under no obligation to, take out the required policies of insurance and pay the premiums on such policies. Any amount so advanced by the City, together with interest thereon from the date of such advance at the highest rate then allowed by applicable law, shall become an additional obligation of Developer to the City.

7.5 Hazardous Materials.

7.5.1 Certain Covenants and Agreements. Following possession of the Site by Developer, Developer hereby covenants and agrees that:

(1) Developer shall not knowingly permit the Site or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal, or transportation of Hazardous Materials or otherwise knowingly permit the presence of Hazardous Materials in, on or under the Site in violation of any applicable law;

(2) Developer shall keep and maintain the Project and each portion thereof in compliance with, and shall not cause or permit the Project or any portion thereof to be in violation of any Hazardous Materials Laws;

(3) Upon receiving actual knowledge of the same Developer shall within ten (10) days advise the City in writing of: (A) any and all enforcement, cleanup, removal, or other governmental or regulatory actions instituted or threatened against Developer or the Project pursuant to any applicable Hazardous Materials Laws; (B) any and all claims made or threatened by any third party against Developer or the Project relating to damage, contribution, cost recovery, compensation, loss, or injury resulting from any Hazardous Materials (the matters set forth in the foregoing clause (A) and this clause (B) are hereinafter referred to as "Hazardous Materials Claims"); (C) the presence of any Hazardous Materials in, on, or under the Site in such quantities which require reporting to a government agency; or (D) Developer's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Project classified as "borderzone property" under the provisions of California Health and Safety Code, Sections 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability, or use of the Project under any Hazardous Materials Laws. If the City reasonably determines that Developer is not adequately responding to a written directive or order from a regulatory body or court regarding a Hazardous Material Claim, the City shall have the right, upon ten (10) days written notice to Developer, to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any

such Hazardous Materials Claims and, if such claim could result in any liability or damage to the City, to have its reasonable attorney's fees in connection therewith paid by Developer.

7.5.2 Indemnity. Without limiting the generality of the indemnification set forth in Section 11.6, Developer hereby agrees to indemnify, protect, hold harmless, and defend (by counsel reasonably acceptable to the City) the City, Council Members, officers, employees and agents from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, reasonable attorney's fees and expenses), arising directly or indirectly, in whole or in part, out of: (1) the failure of Developer, its agents, employees, or contractors to comply with any Hazardous Materials Law relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation, or disposal of Hazardous Materials into, on, under, or from the Project; (2) the presence in, on or under the Site of any Hazardous Materials not otherwise present before the Close of Escrow (provided that the release or discharge was not caused or suffered by the City), or any releases or discharges of any Hazardous Materials into, on, under, or from the Project occurring after the Close of Escrow; or (3) any activity carried on or undertaken on or off the Project, subsequent to the conveyance of the Site to Developer, by Developer or any employees, agents, contractors, or subcontractors of Developer at any time occupying or present on the Project, in connection with the handling, treatment, removal, storage, decontamination, cleanup, transport, or disposal of any Hazardous Materials at any time located or present on or under the Project except to the extent that any of the foregoing was caused by the City prior to the Close of Escrow (collectively "Indemnification Claims"). The foregoing indemnity shall further apply to any residual contamination on or under the Project, or affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, treatment, storage, transport, or disposal of any such Hazardous Materials by Developer, and irrespective of whether any of such activities were or will be undertaken in accordance with Hazardous Materials Laws.

7.5.3 No Limitation. Developer hereby acknowledges and agrees that Developer's duties, obligations and liabilities under this Agreement, including, without limitation, under Section 7.5.2 above, are in no way limited or otherwise affected by any information the City may have concerning the Project and/or the presence within the Project of any Hazardous Materials, whether the City obtained such information from Developer or from its own investigations.

7.7 Barriers to the Disabled.

7.7.1 Compliance with all Accessibility Requirements. Developer shall, in addition to providing the CASp certification of the construction of the Improvements, have an ongoing duty to comply with all applicable requirements of state, local, and federal rules, laws, and regulations relating to accessibility and reasonable

accommodations for persons with disabilities, including, without limitation, the following to the extent any are applicable to the Project; Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. Section 794 and implementing regulations at 24 CFR Part 8); the Americans with Disabilities Act (42 U.S.C. Sections 12131 *et seq.* and 12181 *et seq.*, and implementing regulations at 28 CFR Parts 35 and 36); the Fair Housing Act (42 U.S.C. Section 3601 *et seq.*, and implementing regulations at 24 CFR Part 100); the Fair Employment and Housing Act (California Government Code Section 12926); and Title 24 of the California Building Code. Without limiting the generality of the foregoing,

(1) residential and nonresidential projects that involve new construction or rehabilitation of existing buildings and that are financed in whole or in part with federal funds (e.g. CDBG, HOME) shall comply with all applicable requirements of Section 504 of the Rehabilitation Act of 1973 and all other applicable requirements;

(2) projects that receive City or other non-federal sources of funding shall comply with all applicable requirements of the Americans with Disabilities Act, the Fair Housing Act, the Fair Employment and Housing Act, Title 24 of the California Building Code, and all other applicable requirements;

(3) commercial structures, common areas, and public use areas in residential projects shall comply with all applicable requirements of the Americans with Disabilities Act, Title 24 of the California Building Code and all other applicable requirements.

Developer shall ensure that construction plans submitted for review by the City comply with all applicable requirements of law and that Project construction is carried out in conformity with approved plans.

Developer shall be responsible for the cost of any remediation to comply with any deficiencies. Developer hereby agrees to indemnify, defend, and hold City and all City Representatives free and harmless against any and all Losses and Liabilities arising from its failure to construct and/or maintain the Improvements in accordance with all applicable disability access requirements.

7.7.2 ADA Certification. Developer hereby certifies as follows:

(1) Developer is in compliance with and will continue to comply with the Americans with Disabilities Act, 42 U.S.C. 12101 *et seq.* and its implementing regulations.

(2) Developer shall provide for reasonable accommodations to allow qualified individuals with disabilities to have access to and participate in its programs, services, and activities in accordance with the provisions of the Americans with Disabilities Act.

(3) Developer shall not discriminate against persons with disabilities nor against persons due to their relationship or association with a person with a disability.

(4) Developer shall require that the language of this Section 7.7.A. be included in the award documents for all sub-awards at all tiers (including subcontracts, and contracts under grants, loans and cooperative agreements) and that all subcontractors shall certify and disclose accordingly.

(5) The certification set forth in this section is a material representation of fact upon which reliance was placed when the Parties entered into this transaction.

7.8 Taxes, Assessments, Encumbrances and Liens.

7.8.1 Developer shall pay prior to delinquency any and all real estate taxes and assessments (including any possessory interest tax) assessed and levied on the Site or any portion thereof and Developer hereby agrees to indemnify, defend and hold City and all City Representatives free and harmless against any and all Losses and Liabilities arising from such taxes and assessments.

7.8.2 Prior to the issuance of a Certificate of Completion for the Site, Developer shall not place or allow to be placed on the Site, or any portion thereof, any Encumbrance unless it first obtains the written consent of City (which consent shall not to be unreasonably withheld, conditioned or delayed). Notwithstanding the foregoing, the City hereby approves the recordation of a deed of trust in favor of a holder of a Security Financing Interest pursuant to the terms of this Agreement. Developer shall promptly notify the City of any Encumbrance that, without prior written approval from the City, has been created or attached to the Site, or a portion thereof, prior to issuance of a Certificate of Completion for the construction of the Improvements on the Site and shall promptly remove, or shall have removed, any such unauthorized Encumbrance and any levy or attachment made on the Site, or any portion thereof, or shall assure the satisfaction thereof, within a reasonable time. Nothing contained herein shall be deemed to prohibit Developer from contesting the validity or amounts of any tax assessment or any mechanic's lien, or limit the remedies available to Developer with respect thereto. With respect to mechanic's liens Developer shall not be required to promptly remove a mechanic's lien provided that Developer in good faith and diligently contests the amount and/or validity of same, and provided that Developer posts a bond in the amount required by applicable law which bond is reasonably satisfactory to the City.

7.9 Covenant Agreement to be Recorded Against the Site.

Prior to the Close of Escrow, Developer and City shall enter into the Covenant Agreement, governing all and every portion of the Site, which Covenant Agreement shall be recorded prior to Close of Escrow immediately following the recording of the

Grant Deed. The Covenant Agreement shall make the rights and obligations of the Parties thereto covenants which will be appurtenant to and run with the Site and shall be enforceable by City. The Covenant Agreement shall be recorded against the Site and shall have superior position on title relative to the liens of all lenders who provide financing for the Project for the period of time set forth in Section 2.1 of the Covenant Agreement. The City, its successors and assigns, is deemed the beneficiary of the covenants contained in the Covenant Agreement, both in its own right and for the purposes of protecting the interests of the community and other parties, public or private, without regard to technical classification and designation. The covenants shall run in favor of City, its successors and assigns, without regard to whether City has been, remains, or is an owner of any land or interest therein.

ARTICLE 8: ASSIGNMENT AND TRANSFERS

8.1 Definitions.

As used in this Article 8, the term "Transfer" means:

(a) Any total or partial sale, assignment or conveyance, of any trust or power, or any transfer in any other mode or form, of or with respect to this Agreement, or of the Site or any part thereof or any interest therein or of the Project constructed thereon, or any contract or agreement to do any of the same; or

(b) Any total or partial sale, assignment or conveyance, of any trust or power, or any transfer in any other mode or form, or with respect to any ownership interest in Developer, or any contract or agreement to do any of the same (except for any right of a member of Developer to acquire the interest of another member in Developer pursuant to Developer's operating agreement).

Notwithstanding the foregoing or anything to the contrary set forth in Section 8.4 below, the holder of a Security Financing Interest and any other Qualified Financial Institution shall have the right to convey participation interests in and/or assign any loan secured by Developer's fee estate in the Site, provided that such loan was approved by the City or otherwise permitted under this Agreement, and provided that with respect to any participation interests conveyed, the holder of such Security Financing Interest or such other Qualified Financial Institution is the servicer and retains the right to make all decisions affecting such loan and the Site and the Project.

8.2 Purpose of Restrictions on Transfer.

This Agreement is entered into solely for the purpose of development and operation of the Project on the Site and its subsequent use in accordance with the terms of this Agreement. It is the intent of the City and Developer that the Site is not be the subject of real estate speculation. The qualifications and identity of Developer are of particular concern to the City, in view of:

(a) The importance of the redevelopment of the Site to the general welfare of the community; and

(b) The fact that a Transfer as defined in Section 8.1 above is for practical purposes a transfer or disposition of the Site.

It is because of the qualifications and identity of Developer that the City is entering into this Agreement with Developer and that Transfers are permitted only as provided in this Agreement.

8.3 Prohibited Transfers. The limitations on Transfers set forth in this Section 8.3 shall apply from the Effective Date until the fifth (5th) year anniversary of the date of issuance of the Certificate of Completion. Except as expressly permitted in this Agreement, Developer represents, warrants, and agrees that Developer has not made or created, and will not make or create or suffer to be made or created, any Transfer, either voluntarily or by operation of law, without the prior written approval of City, which approval may be given or withheld in its sole discretion. Any Transfer made in contravention of this Section 8.3 shall be void and shall be deemed to be a default under this Agreement, whether or not Developer knew of or participated in such Transfer.

8.4 Permitted Transfers.

The following Transfers shall be permitted (subject to satisfaction of the conditions of Section 8.5):

- (a) Any Transfer creating a Security Financing Interest.
- (b) Any Transfer directly resulting from the foreclosure of a Security Financing Interest or the granting of a deed in lieu of foreclosure of a Security Financing Interest.
- (c) The leasing of the Project to an operator.
- (d) The assignment of a membership interest in Developer as security for the repayment of the Project's construction loan or such partner's obligations to the partnership.
- (e) Any transfer by the holder of a Security Financing Interest to a single asset subsidiary of such holder.
- (f) Any transfer by the holder of a Security Financing Interest of any interest in the Project it acquires as a result of foreclosure, deed in lieu of foreclosure, or otherwise with the prior written consent of the City, not to be unreasonably withheld, conditioned, or delayed.

(g) Any participation sold by the holder of a Security Financing Interest of any interest in its loan.

(h) A Transfer otherwise approved by the City in writing, in its sole and absolute discretion.

(i) The sale or other transfer of a direct or indirect membership or other equity interest in Developer provided that such sale or other transfer does not result in a change of control in Developer (other than a change of control as the result of a transfer by inheritance, bequeath, or operation of law due to the death or incapacity of an individual).

8.5 Effectuation of Permitted Transfers.

8.5.1 No Transfer except as otherwise authorized or approved pursuant to Section 8.4, shall be permitted unless, at the time of the Transfer, the person or entity to which such Transfer is made, by an agreement reasonably satisfactory to the City (which consent shall not be unreasonably withheld, conditioned or delayed) and in form recordable among the land records (where the Transfer involves a conveyance of an interest in real property), expressly agrees to perform and observe, from and after the date of the Transfer, the obligations, terms, and conditions of this Agreement; provided, however, that no such transferee shall be liable for the failure of its predecessor to perform any such obligation. Except with respect to Permitted Transfers, any proposed transferee for which the City's approval is required shall have the qualifications, development experience and financial capability necessary and adequate to fulfill the obligations undertaken in this Agreement by Developer. The City shall grant or deny approval of a proposed Transfer within thirty (30) days of receipt by the City of Developer's request for approval of a Transfer, which request shall include evidence of the proposed transferee's business expertise and financial capacity. Failure by the City to approve or disapprove the proposed Transfer within thirty (30) days after receipt of Developer's written request shall be deemed to be approval of the proposed Transfer by the City if the request for a Transfer includes the fee/deposit required by Section 8.5.3 and the following warning printed in bold type not smaller than 12 point:

NOTICE IS HEREBY GIVEN THAT FAILURE TO APPROVE THE REQUESTED MATTER WITHIN 30 DAYS SHALL BE DEEMED AN APPROVAL PURSUANT TO SECTION 8.5 OF THE DISPOSITION AND DEVELOPMENT AGREEMENT.

8.5.2 Any assignment of rights and/or delegation of obligations under this Agreement in connection with a Transfer (whether or not City approval is required) shall be in writing executed by Developer and the assignee or transferee, which written agreement shall name the City as an express third party beneficiary with respect to such agreement (the "Assumption Agreement") with a copy thereof delivered to the City within ten (10) days after the effective date thereof. Upon assignment or transfer of this

Agreement pursuant to an Assumption Agreement, the assignor shall be relieved of liability with respect to any such obligations relating to the Project assumed by the assignee. Notwithstanding the foregoing, unless such assignee specifically assumes pursuant to the Assumption Agreement the obligations under this Agreement to indemnify City with respect to the Project, the assignor will retain such obligations and remain jointly and severally liable for such indemnity obligations with such assignee.

8.5.3 Developer shall reimburse the City for all actual third party consultant (legal and financial) costs associated with the City's review and consideration of any request for approval of a Transfer not otherwise permitted pursuant to Section 8.4 above. Developer shall deposit the sum of not less than Two Thousand Dollars (\$2,000.00) with its request for approval of any transfer. If the costs of City review are less than the amount deposited, the excess deposit shall be returned to Developer. If the costs of City review exceed the deposit amount, the City shall send Developer a bill for the costs and Developer shall promptly pay the City the additional costs. This Section 8.5.3 does not apply to Permitted Transfers pursuant to Section 8.4 of this Agreement.

ARTICLE 9: SECURITY FINANCING AND RIGHTS OF HOLDERS

9.1 No Encumbrances Except for Development Purposes.

9.1.1 Until a Certificate of Completion has been issued by LADBS, mortgages, deeds of trust, and other real property security instruments are permitted to be placed upon Developer's interest in the Site only by Qualified Financial Institutions and only as permitted pursuant to this Section 9.1. Such permitted security instruments and related interests shall be referred to as "Security Financing Interests." The Grant Deed and the Covenant Agreement shall be recorded prior to the recording of any instrument evidencing or securing Security Financing Interests. The City hereby confirms that upon recordation by a Qualified Financial Institutions of a Deed of Trust encumbering the Site to secure a construction loan between Developer and Qualified Financial Institutions, the Deed of Trust shall be a Security Financing Interest hereunder. Developer shall promptly notify the City of any Security Financing Interest that has been or will be created or attached to the Site in accordance with the Financing Plan. The documents evidencing the Security Financing Interests shall provide that in the event of a Developer default, the holder of the Security Financing Interest shall send notice of the default to the City concurrently with its notice to Developer.

9.1.2 Developer may place mortgages, deeds of trust, or other reasonable methods of security on Developer's interest in the Site only for the purpose of securing construction loans and permanent financing approved by the City as part of the approved Financing Plan pursuant to Section 3.1.1, and any refinance of any such approved financing subject to the City's consent, which consent shall not be unreasonably withheld or delayed. Developer shall provide City with the proposed Loan Application for such mortgages, deeds of trust, or other real property security instruments. Any mortgages, deeds of trust or other real property security instruments

prepared pursuant to such approved Loan Application shall be provided to City for its approval, provided such financing instruments shall be deemed approved by City if the terms and provisions of such security instruments do not conflict with the terms and provisions of this Agreement and the Loan Application previously approved by City. Provided that Developer has satisfied the requirements set forth in Section 11.27 below, failure of the City to approve or disapprove any such Loan Application, mortgages, deeds of trust or other real property security instruments within fifteen (15) days of receipt shall be deemed approved by City to the extent that the terms and provisions of any such security instruments do not conflict with the terms and provisions of this Agreement.

9.2 Holder Not Obligated to Construct.

The holder of any Security Financing Interest authorized by this Agreement is not obligated to construct or complete any improvements or to guarantee such construction or completion, nor shall any covenant or any other provision of this Agreement be construed so to obligate such holder. However, nothing in this Agreement shall be deemed to permit or authorize any such holder to devote the Site or any portion thereof to any uses, or to construct any improvements thereon, other than those uses or improvements provided for or authorized by this Agreement and the Covenant Agreement.

9.3 Notice of Default and Right to Cure. Whenever the City pursuant to its rights set forth in Article 10 delivers any notice or demand to Developer with respect to the commencement, completion, or cessation of the construction of the Project, the City shall at the same time deliver to each holder of record of any Security Financing Interest (each a "Permitted Lender") creating a lien upon the Site or any portion thereof a copy of such notice or demand. Each such holder shall (insofar as the rights of the City are concerned) have the right, but not the obligation, at its option, within those time periods set forth in this Agreement or if no time period is provided, within twenty (20) Business Days after the receipt of the notice, to cure or remedy or commence to cure or remedy any such default or breach which is subject to the lien of the Security Financing Interest held by such holder and to add the cost thereof to the security interest debt and the lien on its security interest. Any such increase in a Security Financing Interest, limited to the amount needed to cure or remedy such default, shall not require additional approval by the City. Nothing contained in this Agreement shall be deemed to permit or authorize such holder to undertake or continue the construction or completion of the Project (beyond the extent necessary to conserve or protect such improvements or construction already made) without first having expressly assumed in writing Developer's obligations to the City under this Agreement. The holder in that event must agree to complete, in the manner provided in this Agreement, the development of the Project. Any such holder properly completing the development of the Project pursuant to this section shall assume all rights and obligations of Developer under this Agreement and shall be entitled, upon written request made to the City, to a Certificate of Completion from LADBS.

9.4 Failure of Holder to Complete Project.

Subject to any delays caused by any bankruptcy of Developer or other force majeure cause set forth in Section 11.5 below, in any case where six (6) months after default by Developer in completion of construction of the Project under this Agreement, the holder of record of any Security Financing Interest or any member of Developer, having first exercised its option to construct, has not proceeded diligently with construction, the City shall be afforded those rights against such holder it would otherwise have against Developer under this Agreement.

9.5 Right of City to Cure.

In the event of a default or breach by Developer of a Security Financing Interest prior to the completion of construction of the Project, and if the holder of record of any Security Financing Interest has not exercised its option to complete the construction of the Project under Section 9.3, above, the City shall provide notice and the opportunity to cure such default and may, upon prior written notice to Developer, thereafter cure the default, prior to the completion of any foreclosure. In such event the City shall be entitled to reimbursement from Developer of all costs and expenses incurred by the City in curing the default. The City shall also be entitled to a lien upon the Project and/or Site to the extent of such costs and disbursements. The City agrees that such lien shall be subordinate to any Security Financing Interest, and the City shall execute from time to time any and all documentation reasonably requested by the Developer to effect such subordination.

9.7 Holder to be Notified.

Developer shall procure acknowledgement of each term contained in this Article 9 by each holder of a Security Financing Interest prior to its coming into any security right or interest in the Site or portion thereof.

9.8 Consent to Amendment

From and after the City's receipt of written notice of the existence of a holder of any Security Financing Interest authorized by this Agreement, any amendments or modifications to any of the provisions of the Agreement, the Covenant Agreement or any other Development Documents shall not be binding on such holder, unless such holder has consented to such modifications, such consent not to be unreasonable withheld, conditions, or delayed.

9.9 Assumption of Developer Obligations

In the event the holder of Security Financing Interest acquires Developer's interest in the Site by foreclosure or deed in lieu of foreclosure, the holder of Security Financing Interest shall assume Developer's obligations under this Agreement, provided that the liability of the holder of Security Financing Interest shall be limited to its interest in the Site. In the event the holder of Security Financing Interest acquires Developer's interest in the Site by foreclosure or deed in lieu of foreclosure, the holder of Security Financing Interest shall have the right to Transfer its interest in the Site, without City approval, to a single purpose entity wholly owned or controlled by the holder of Security Financing Interest and with City's prior written approval to an unrelated third party, and in each such event the City shall release the holder Security Financing Interest from all obligations or liability under this Agreement to the extent arising after the date of such transfer.

ARTICLE 10: DEFAULT AND REMEDIES

10.1 Application of Remedies.

This Article 10 shall govern the Parties' remedies for breach or failure of condition under this Agreement.

10.2 Intentionally deleted.

10.3 Fault of City.

10.3.1 Each of the following events, if uncured after expiration of the applicable cure period, shall constitute a "City Event of Default":

(1) The City without good cause fails to convey the Site within the time and in the manner specified in Article 3, and Developer is otherwise entitled to such conveyance; and

(2) The City breaches any other material provision of this Agreement.

10.3.2 Upon the occurrence of any of the above-described events, Developer shall first notify the City in writing of its purported breach or failure, giving the City thirty (30) days from receipt of such notice to cure such breach or failure. In the event the City does not then cure the default within such thirty-day period (or, if the default is not susceptible of cure within such thirty-day period, the City fails to commence the cure within such period and thereafter to prosecute the cure diligently to completion), then Developer shall be entitled to the following remedies: (1) seeking specific performance of this Agreement; or (2) seeking any other remedy available at law or in equity.

10.4 Fault of Developer.

10.4.1 Each of the following events, if uncured after written notice to Developer, and after notice to the holder of any Security Financing Interest, if and where required by this Agreement, and the expiration of the applicable cure period as provided in Section 10.4.2 below, together with any additional time to cure expressly granted to the holder of any Security Financing Interest by the provisions of this Agreement, shall constitute a "Developer Event of Default":

(1) Developer does not attempt diligently and in good faith to cause satisfaction of all conditions in Article 3;

(2) Developer refuses for any reason (including, but not limited to, lack of funds but excluding any reason to the extent arising from an event of default by the City under this Agreement) to accept conveyance from the City of the Site within the time and in the manner specified in Article 3;

(3) Developer fails to construct the Project in the manner and by the deadline set forth in Article 5 of this Agreement;

(4) Developer completes a Transfer except as permitted under Article 8;

(5) Developer breaches any other material provision of this Agreement; and

(6) Developer is in breach of its obligations under the documents evidencing the loan for the construction of the Improvements and, by reason of such breach, the holder of such loan has stopped funding the loan and construction of the Improvements has stopped for a period of sixty (60) days.

10.4.2 Upon the occurrence of an event described in Section 10.4.1, the City shall notify Developer and holders of Security Financing Interests in writing of the purported breach or failure (the "Default Notice"). Developer shall have thirty (30) days from receipt of such Default Notice to cure such breach or failure. If Developer does not cure the default within such thirty (30) day period (or if the default is not susceptible of being cured within such thirty (30) day period and if Developer fails to commence the cure within such period and thereafter to prosecute the cure diligently to completion), then the City shall provide further notice and time to cure to holders of Security Financing Interests as set forth in Section 10.4.3, below. If holders of Security Financing Interests fail to cure the default within the time period permitted herein, the City shall be afforded cumulatively all of the following rights and remedies:

(1) Prior to Closing. With respect to a Developer Event of Default occurring prior to the Close of Escrow, the City may terminate in writing this Agreement, retain the Security Deposit as provided in Section 3.1.9, above, and exercise any rights and remedies afforded it in law or equity;

(2) Between Closing and Certificate of Completion. With respect to a Developer Event of Default occurring after the Close of Escrow but prior to the date Developer is entitled to issuance of an Certificate of Completion, the City may: (A) prosecute an action for damages against Developer; (B) seek specific performance of this Agreement against Developer; (C) terminate this Agreement; (D) exercise any remedies provided in the Covenant Agreement, and/or (E) exercise any other right or remedy available to City at law or in equity; and

(3) After Certificate of Completion. With respect to a Developer Event of Default occurring in the operation of the Project after Developer is entitled to a Certificate of Completion the City may (A) seek specific performance of this Agreement against the Developer, (B) exercise any remedy provided in the Covenant Agreement, or (C) prosecute an action for damages against Developer.

10.4.3 Right to Cure.

(i) Notices to Qualified Financial Institutions. If Developer fails to cure a default within thirty (30) days after notice thereof, then the City shall send to any holder of Security Financing Interest a second copy of the Default Notice.

(ii) Right to Cure. Notwithstanding anything stated to the contrary in this Agreement, City shall not exercise any of City's remedies because of a default or breach thereunder on the part of Developer, until and unless

(A) the City has complied with 10.4.3 (i), above;

(B) with respect to a default or breach that is curable solely by the payment of money, any holder of Security Financing Interest has not cured such default or breach within thirty (30) days following the expiration of any Developer's notice and cure periods set forth in this Agreement; and

(C) with respect to a default or breach that is not curable solely by the payment of money, any holder of Security Financing Interest has not cured such default or breach within thirty (30) days following the expiration of any of Developer's notice and cure periods set forth in this Agreement or, if such default or breach is curable but cannot be cured within such time period, any holder of Security Financing Interest has not notified City within such time period that it intends to cure such default or breach, and has not within ninety (90) days after the date of issuance of the initial Default Notice pursuant to Section 10.4.2 above, diligently commenced to cure such default or breach which shall include, without limitation, commencement of foreclosure and/or receivership actions, and is not thereafter diligently prosecuting such cure to completion.

10.5 Survival.

Upon termination of this Agreement under this Article 10, the following provisions of this Agreement shall survive: (i) the waivers in Sections 3.4 and 3.5; and (ii) the indemnification obligations in Sections 5.10, 5.12.6, 7.5.2 and 11.7. This Section 10.5 does not alter the scope or nature of the surviving provisions.

10.6 Rights and Remedies Cumulative.

Except as otherwise provided, the rights and remedies of the Parties are cumulative, and the exercise or failure to exercise any right or remedy shall not preclude the exercise, at the same time or different times, of any right or remedy for the same default or any other default.

10.7 Inaction Not a Waiver of Default.

Any failures or delays by any Party in asserting any of its rights and remedies as to any Default shall not operate as a waiver of any Default or of any such rights or remedies, or deprive such Party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies. A Party's performance after the other party's default shall not be construed as a waiver of that default.

10.8 No Attorneys' Fees.

In the event that any Party hereto brings any action or files any proceeding to declare the rights granted herein or to enforce any of the terms of this Agreement or as a consequence of any breach by another Party of its obligations hereunder, the prevailing Party or Parties in such action or proceeding shall not be entitled to have its attorneys' fees and out-of-pocket expenditures paid by the losing Party. Each Party shall bear its own attorney fees and costs.

ARTICLE 11: GENERAL PROVISIONS.

11.1 Developer Representations and Warranties.

Developer represents and warrants to the City, as follows:

(a) Organization. Developer is a corporation duly organized, validly existing, and in good standing under the laws of the State of California with full power and authority to conduct its business as presently conducted, and to execute, deliver, and perform its obligations under this Agreement.

(b) Authorization. Developer has taken all necessary action to authorize its execution, delivery and, subject to any conditions set forth in this Agreement, performance of the Agreement. Upon the date of this Agreement, this Agreement shall constitute a legal, valid, and binding obligation of Developer, enforceable against it in accordance with its terms.

(c) No Conflict. The execution, delivery, and performance of this Agreement by Developer does not and will not materially conflict with, or constitute a material violation or material breach of, or constitute a default under (i) the charter or incorporation documents of Developer, (ii) any applicable law, rule or regulation binding upon or applicable to Developer, or (iii) any material agreements to which Developer is a party.

(d) No Litigation. Unless otherwise disclosed in writing to the City prior to the date of this Agreement, there is no existing or, to Developer's actual knowledge, pending or threatened litigation, suit, action, or proceeding before any court or administrative agency affecting Developer, or to the best knowledge of Developer, the Site that would, if adversely determined, materially and adversely affect Developer or the Site or Developer's ability to perform its obligations under this Agreement or to develop and operate the Project.

(e) Licenses, Permits, Consents, and Approvals. Developer and/or any person or entity owning or operating the Site has duly obtained and maintained, or will duly obtain and maintain, and will continue to obtain and maintain, all licenses, permits, consents, and approvals required by all applicable governmental authorities to own and operate the business on the Site.

11.2 City Representations and Warranties.

The City represents and warrants to Developer, as follows:

(a) Authorization. The City has taken all necessary action to authorize its execution, delivery and, subject to any conditions set forth in this Agreement, performance of the Agreement. Upon the date of this Agreement, this Agreement shall constitute a legal, valid, and binding obligation of the City, enforceable against the City in accordance with its terms subject to the laws of the State of California which limit the types of remedies available against a municipality and/or its agencies, and subject to equitable principles limiting the rights of creditors generally.

(b) No Conflict. The execution, delivery, and performance of this Agreement by the City does not and will not materially conflict with, or constitute a material violation or material breach of, or constitute a default under (i) the charter or incorporation documents of the City, (ii) any applicable law, rule, or regulation binding upon or applicable to the City, or (iii) any material agreements to which the City is a party.

(c) No Litigation. Unless otherwise disclosed in writing to Developer prior to the date of this Agreement, there is no existing or, to the City's actual knowledge, pending or threatened litigation, suit, action or proceeding before any court or administrative agency affecting the City, or to the best knowledge of the City, the Site that would, if adversely determined, materially and adversely affect the City, Developer

or the Site or the City's ability to perform its obligations under this Agreement or to develop and operate the Project.

11.3 Notices, Demands and Communications.

Formal notices, demands, and communications between the City and Developer shall be sufficiently given if, and shall not be deemed given, unless delivered personally, or dispatched by certified mail, return receipt requested, or by facsimile transmission with the original to follow by reputable overnight delivery service with a receipt showing date of delivery, to the principal offices of the City and Developer as follows:

Seller: Economic and Workforce Development Department
1200 West 7th Street, 6th Floor
Los Angeles, California 90017
Attention: General Manager
Fax Number: (213) 744-9061

With copies to: Office of the City Attorney
200 N. Main Street, 9th Floor
Los Angeles, California 90012
Attention: Economic and Workforce Development
Department
General Counsel

Buyer: Konoike-Pacific California, Inc.
1420 Coil Avenue, Wilmington, California 90744,
Attention: Richard Burke, President.
Tel Number: (310) 522-1912

With copies to: Konoike-Pacific California, Inc.
1420 Coil Avenue, Wilmington, California 90744
Attention: Wyane Lamb, Vice-President
Tel Number (310) 233-7300

Such written notices, demands, and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section 11.2. Delivery shall be deemed to have occurred at the time indicated on the receipt for delivery or refusal of delivery.

11.4 Non-Liability of Officials, Employees, and Agents.

No member, official, employee, or agent of the City or the City shall be personally liable to Developer, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to Developer or on any obligation under the terms of this Agreement.

11.5 Force Majeure.

In addition to specific provisions of this Agreement, the Schedule of Performance shall be extended and performance by either Party shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; quarantine restrictions; freight embargoes; acts of god; severe or unusual shortages of materials or labor; uncommon inclement weather of an extreme or exceptional nature, unavoidable casualty; or court order (but not the presence of any litigation for which no court order is issued); or any other similar causes (other than lack of funds of the Developer or the Developer's inability to finance the construction of the Project) beyond the control or without the fault of the Party claiming an extension of time to perform (each an event of Force Majeure). An extension of time for any cause will be deemed granted if notice by the Party claiming such extension is sent to the other within fifteen (15) days from the commencement of the event of Force Majeure and such extension of time is not rejected in writing by the other Party within ten (10) days of receipt of the notice. Such extension shall only be for the period of time of the event of Force Majeure

11.6 Inspection of Books and Records.

Until the issuance of a Certificate of Completion by LADBS to Developer, the City has the right at all reasonable times and upon reasonable notice to inspect on a confidential basis the books, records, and all other documentation of Developer pertaining to its obligations under this Agreement. In addition, for the term of the Covenant Agreement, the City shall have and retain the right at all reasonable times and upon reasonable notice to inspect the books, records and all other documentation of Developer pertaining to its obligations under the Covenant Agreement.

11.7 Indemnification.

Except for the gross negligence or willful misconduct of the Indemnitees the Developer undertakes and agrees to defend, indemnify, and hold harmless the City, City Representatives and the CRA/LA and its elected or appointed officials, officers, employees, agents, contractors, successors and assigns (the "Indemnitees") from and against all Losses and Liabilities, arising in any manner by reason of or incident to: (i) the approval of the Project and/or this Agreement by Indemnitees; (ii) the performance of this Agreement on the part of Indemnitees, Developer, or any contractor or subcontractor of Developer, and/or the construction and operation of the Project. Developer's obligation hereunder shall be triggered by the receipt by either Party of a demand, claim or complaint or other legal action regarding any matter covered herein. Developer shall pay immediately upon the Indemnitees' demand any amounts owing under this indemnity. The duty of Developer to indemnify includes the duty to defend the Indemnitees or, at the Indemnitees' choosing, to pay the Indemnitee's costs of its defense in any court action, administrative action, or other proceeding brought by any third party arising from the development or the Site. The Indemnitees may make all reasonable decisions with respect to its representation in any legal proceeding,

including, but not limited to, the selection of attorney(s). Developer's duty to indemnify the Indemnitees shall survive the term of this Agreement.

11.8 Use of Project Images.

Developer hereby consents to and approves the use by City of images of the Project, its models, plans, and other graphical representations of the Project and its various elements ("Project Images") in connection with marketing, public relations, and special events, websites, presentations, and other uses required by the City and/or City in connection with the Project. Such right to use the Project Images shall not be assignable by the City to any other party (including, without limitation, any private party) without the prior written consent of Developer. Developer shall obtain any rights and/or consents from any third parties necessary to provide these Project Image use rights to City and City.

11.9 Plans and Data.

If Developer does not proceed with the purchase or development of the Site, or if this Agreement is terminated for any reason, other than the breach or bad faith breach of this Agreement by City, Developer shall deliver to City, without cost or expense to City, the Project Documents and any and all drawings, studies, designs, reports, surveys, and data pertaining to the site and its development (collectively, "Site Designs") which are in the possession of Developer, together with a Bill of Sale, which Site Designs shall thereupon be the sole property of City, free of all claims or interests of Developer or any other person; and which City may use, grant, license, or otherwise dispose of to any person for development of the Site or any other purpose.

11.10 Title of Parts and Sections.

Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in interpreting any part of its provision. The language of this Agreement shall be construed according to its fair interpretation and not strictly for or against the City or Developer.

11.11 Applicable Law.

This Agreement shall be interpreted under and pursuant to the laws of the State of California. Any action to interpret or enforce the provisions of this Agreement shall be filed in Superior Court of the County of Los Angeles.

11.12 Severability.

If any term, provision, covenant, or condition of this Agreement is held in a final disposition by a court of competent jurisdiction to be invalid, void, or unenforceable, or in conflict with any federal, state or local law or regulation, the remaining provisions shall continue in full force and effect unless the rights and obligations of the Parties

have been materially altered or abridged by such invalidation, voiding, or unenforceability.

11.13 Binding Upon Successors; Covenants to Run With Land.

This Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest, and assigns of each of the Parties; provided, however, that there shall be no Transfer except as permitted in Article 8. Any reference in this Agreement to a specifically named Party shall be deemed to apply to any successor, heir, administrator, executor, successor, or assign of such Party who has acquired an interest in compliance with the terms of this Agreement or under law.

The terms of this Agreement shall run with the land, and shall bind all successors in title to the Site until the termination of this Agreement, except that the provisions of this Agreement that are specified to survive termination of this Agreement shall run with the land in perpetuity (unless otherwise stated) and remain in full force and effect following such termination. Every contract, deed, or other instrument hereafter executed covering or conveying the Site or any portion thereof shall be held conclusively to have been executed, delivered, and accepted subject to such covenants and restrictions, regardless of whether such covenants or restrictions are set forth in such contract, deed, or other instrument, unless the City expressly releases the Site or the applicable portion of the Site from the requirements of this Agreement.

11.14 Parties Not Co-Venturers.

Nothing in this Agreement is intended to or does establish the Parties as partners, co-venturers, or principal and agent with one another.

11.15 Entire Understanding of the Parties.

This Agreement constitutes the entire understanding and agreement of the Parties with respect to the conveyance of the Site and the development of the Project and replaces any and all previous agreements or understandings, whether written or oral, between the Parties. This Agreement may only be amended by a written and signed agreement of the Parties.

11.16 City Approval.

Whenever this Agreement references City approval, consent, or waiver, the written approval, consent, or waiver of the General Manager of the City's Economic and Workforce Development Department (or designee) shall constitute the approval, consent, or waiver of the City, without further authorization required from the City Council. The City hereby authorizes the General Manager of the City's Economic and Workforce Development Department to deliver such approvals or consents as are contemplated by this Agreement, or to waive non-material requirements under this

Agreement, on behalf of the City. However, any material (as determined by City) amendment or modification to this Agreement will require approval by the City Council.

11.18 Incorporation of Exhibits.

All Exhibits referred to in this Agreement are incorporated herein by such reference and made a part hereof.

11.19 Time of Essence; Context and Construction.

Time is of the essence of this Agreement. 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 Agreement, includes a natural person, corporation, association, partnership, organization, business, trust, individual, or a governmental authority, agency. "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 Article of this Agreement, it shall mean and include all sections, subsections and subparts thereof, and, whenever a reference is made herein to a particular section or subsection, it shall include all subsections and subparts thereof.

11.20 Effectiveness of Agreement.

This Agreement is dated for convenience only and shall only become effective on the Effective Date.

11.21 Counterparts.

This Agreement may be executed in counterparts and multiple originals.

11.22 Amendments.

The Parties can amend this Agreement only by means of a writing signed by both Parties.

11.23 Police Power.

Nothing contained herein shall be deemed to limit, restrict, amend, or modify, nor to constitute a waiver or release of, any ordinances, notices, orders, rules, regulations, or requirements (now or hereafter enacted or adopted and/or as amended from time to time) of the City, its departments, commissions, agencies and boards and the officers thereof and/or the City, including, without limitation, any redevelopment or general plan or any zoning ordinances, or any of City's duties, obligations, rights or remedies thereunder or pursuant thereto or the general police powers, rights, privileges, and discretion of City in the furtherance of the public health, welfare, and safety of the inhabitants thereof, including, without limitation, the right under law to make and

implement independent judgments, decisions and/or acts with respect to planning, development and/or redevelopment matters (including, without limitation, approval or disapproval of plans and/or issuance or withholding of building permits) whether or not consistent with the provisions of this Agreement, any Exhibits attached hereto or any other documents contemplated hereby (collectively, "City and City Rules and Powers"). In the event of any conflict, inconsistency or contradiction between any terms, conditions, or provisions of this Agreement, Exhibits or such other documents, on the one hand, and any such City and City Rules and Powers, on the other hand, the latter shall prevail and govern in each case. This section shall be interpreted for the benefit of City.

11.24 No Obligation to Third Parties.

This Agreement shall not be deemed to confer any rights upon, nor obligate either of the Parties to this Agreement to, any person or entity not a Party to this Agreement other than the City and the Parties explicitly disclaim any intent to create a third party beneficiary relationship with any person or entity as a result of this Agreement.

11.25 Brokers.

City and Developer each represents that it has not engaged any broker, agent or finder in connection with this transaction. Developer agrees to defend, indemnify, and hold City and all City Representatives harmless from and against any Losses and Liabilities with respect to such commissions based upon the alleged acts of Developer. City agrees to defend, indemnify, and hold Developer harmless from and against Losses and Liabilities with respect to such commissions based upon the alleged acts of City.

11.26 Standard of Approval.

Any consents or approvals required or permitted under this Agreement shall not be unreasonably or untimely withheld or made, except where it is specifically provided that a sole discretion standard applies.

11.27 Submittals and Approvals.

Various submittals are required by Developer pursuant to the Agreement. As expressly provided by this Agreement, City shall approve or disapprove certain submittals from Developer within specified timeframes or else such submittal shall be deemed approved by the City. Notwithstanding the provisions for deemed approval, no submittal or matter shall be deemed approved unless the request for approval contains the following provision, in bold print with the appropriate time period stated:

**NOTICE IS HEREBY GIVEN THAT PURSUANT TO SECTION ____ OF
THE DEVELOPMENT AND DISPOSITION AGREEMENT THAT
FAILURE TO APPROVE THE REQUEST MATTER WITHIN ____ DAYS
SHALL BE DEEMED AN APPROVAL.**

(SIGNATURE PAGE TO FOLLOW)

DRAFT

IN WITNESS WHEREOF, the Parties have executed this Disposition and Development Agreement.

"SELLER"

THE CITY OF LOS ANGELES,
a municipal corporation

By: _____
General Manager
Economic and Workforce
Development Department

Date: _____

APPROVED AS TO FORM:
MICHAEL N. FEUER, CITY ATTORNEY

By: _____
Curtis S. Kidder
Assistant City Attorney

"BUYER"

Konoike-Pacific California, Inc., a
California corporation

By: _____
Its: _____

Date: _____

Attest: Holly Wolcott, City Clerk

By _____
Deputy

Date: _____

EXHIBIT 1

LEGAL DESCRIPTION FOR WILMINGTON BLOCK 27

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOT 9 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

LOT 10 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL MINERALS, GAS, OILS, PETROLEUM, NAPHTHA, HYDROCARBON SUBSTANCES AND OTHER MINERALS IN OR UNDER SAID LAND, LYING 500 FEET OR MORE BELOW THE SURFACE OF SAID LAND, AS EXCEPTED AND RESERVED IN DEED RECORDED JULY 5, 1973 AS INSTRUMENT NO. 4003 IN BOOK D-5935 PAGE 447, OFFICIAL RECORDS.

PARCEL 3:

LOT 11 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM; ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, ALL OTHER HYDROCARBON SUBSTANCES BY WHATSOEVER NAME KNOWN, AND ALL WATER, CLAIMS OR RIGHTS TO WATER, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED BY DEED RECORDED MARCH 16, 1959 IN BOOK D-399 PAGE 399 OFFICIAL RECORDS.

PARCEL 4:

LOT 12 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM, ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, ALL OTHER HYDROCARBON SUBSTANCES BY WHATSOEVER NAME KNOWN, AND ALL WATER, CLAIMS OR RIGHTS TO WATER, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED IN DEED OF RECORD.

PARCEL 5:

LOT 13 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES IN, UNDER, AND/OR THAT MAY BE PRODUCED FROM A DEPTH OF 500 FEET BELOW THE SURFACE OF SAID LAND, BUT WITHOUT ANY USE OF OR RIGHTS IN OR TO ANY PORTION OF THE SURFACE THEREOF TO A DEPTH OF 500 FEET THEREFROM, AS RESERVED BY ANTHONY DEL VAGLIO, AN UNMARRIED MAN IN DEED RECORDED JUNE 4, 1969 AS INSTRUMENT NO. 674, OF OFFICIAL RECORDS.

PARCEL 6:

LOTS 14 AND 15 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES IN, UNDER, AND/OR THAT MAY BE PRODUCED FROM A DEPTH OF 500 FEET BELOW THE SURFACE OF SAID LAND, BUT WITHOUT ANY USE OF OR RIGHTS IN OR TO ANY PORTION OF THE SURFACE THEREOF TO A DEPTH OF 500 FEET THEREFROM, AS RESERVED BY ANTHONY DEL VAGLIO, AN UNMARRIED MAN IN DEED RECORDED JUNE 4, 1969 AS INSTRUMENT NO. 674, OF OFFICIAL RECORDS.

PARCEL 7:

LOTS 16 AND 17 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT ALL MINERAL RIGHTS, IN AND UNDER SAID LAND AND ALL REASONABLE RIGHT OF ENTRY UPON SAID LAND, INCLUDING SUCH REASONABLE RIGHT OF INGRESS AND EGRESS AS MAY BE NECESSARY TO MAINTAIN AND FURTHER EXPLORE THE EXISTING MINERAL RIGHTS INCLUDING THE EXTRACTION OF SAID, AS RESERVED BY JOHN PETER EBAR IN DEED RECORDED APRIL 5, 1974 AS INSTRUMENT NO. 1235.

PARCEL 8:

LOT 18 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL OIL, GAS, MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING BELOW THE SURFACE OF SAID LAND, BUT WITH NO RIGHT OF SURFACE ENTRY THERETO, AS PROVIDED IN THE DEED RECORDED SEPTEMBER 29, 1967 AS INSTRUMENT NO. 714, IN BOOK D-3783 PAGE 243, OF OFFICIAL RECORDS.

PARCEL 9:

LOT 19 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL OIL, GAS, MINERALS AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER SAID LAND LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE THEREOF, BUT WITH NO RIGHT OF SURFACE ENTRY, AS PROVIDED IN THE DEED RECORDED NOVEMBER 28, 1967 AS INSTRUMENT NO. 14, IN BOOK D-3841 PAGE 285, OF OFFICIAL RECORDS.

PARCEL 10:

LOTS 20 AND 21 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT ALL MINERALS, OIL, GAS, WATER, CARBONS, HYDRO-CARBONS AND AIR RIGHTS ON OR UNDER SAID LAND, NOW OF RECORD.

PARCEL 11:

LOTS 22 AND 23 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 12:

LOTS 24 AND 25 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL GAS, OIL, MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING 500 FEET BELOW THE SURFACE OF THE LAND, BUT WITHOUT THE RIGHT TO USE THE SURFACE OF THE LAND TO REMOVE, DRILL, OR PROSPECT FOR SAME, AS RESERVED BY EVA P. SALE, WHO ACQUIRED TITLE AS EVA PAULINE SALE, IN DEED RECORDED FEBRUARY 29, 1980 AS INSTRUMENT NO. 80-207269 OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM ALL GAS, OIL, MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING 500 FEET BELOW THE SURFACE OF THE LAND BUT WITHOUT THE RIGHT TO USE THE SURFACE OF THE LAND TO REMOVE, DRILL, OR PROSPECT FOR SAME, AS RESERVED BY MYRTLE E. POLLOCK IN DEED RECORDED FEBRUARY 29, 1980 AS INSTRUMENT NO. 80-207270 OFFICIAL RECORDS.

PARCEL 13:

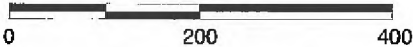
LOT 26 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.



REFERENCE: GOOGLE EARTH PRO AERIAL PHOTO, 2016.



SCALE IN FEET



NOTE: ALL DIMENSIONS, DIRECTIONS AND LOCATIONS ARE APPROXIMATE.

LEGEND

— APPROXIMATE SITE BOUNDARY



SITE PLAN

FIGURE

2

PROJECT NO.

DATE

BLOCK 27 REDEVELOPMENT PROJECT
LOS ANGELES, CALIFORNIA

ND-1804

7/18



Matthew Rodriguez
Secretary for
Environmental Protection



Department of Toxic Substances Control

Barbara A. Lee, Director
5796 Corporate Avenue
Cypress, California 90630



Edmund G. Brown Jr.
Governor

December 27, 2018

Steve Valenzuela
Chief Executive Officer
CRA/LA, a Designated Local Authority
448 S Hill Street, Suite 1200
Los Angeles, CA 90013

William Chun
Deputy Mayor for Economic Development
City of Los Angeles
200 N Spring Street, Suite 1300
Los Angeles, CA 90012

ANNOUNCEMENT OF SITE CLEANUP SUBACCOUNT PROGRAM GRANT COMPLETION, WILMINGTON INDUSTRIAL PARK BLOCK 27 REDEVELOPMENT PROJECT, LOS ANGELES, CALIFORNIA.

Dear Mr. Valenzuela and Mr. Chun:

The California Department of Toxic Substances Control (DTSC) is pleased to announce the completion of a Site Cleanup Subaccount Program (SCAP) Grant funded remedial action for the Wilmington Industrial Park Block 27 Redevelopment project (Site), at 518-530 N. McFarland Avenue and 805-829 East "E" Street, Los Angeles, California. The SCAP is a funding program administered by the State Water Resources Control Board (State Water Board) that issues Grants to remediate properties with existing or threatened surface water or groundwater contamination to protect human health, safety, or the environment.

DTSC applied for the SCAP Grant on behalf of the City of Los Angeles (City) and the successor Agency to the Community Redevelopment Agency of the City of Los Angeles (CRA/LA), to obtain funding to implement a Removal Action Work Plan (RAW) that the CRA/LA had developed for the Site before being dissolved in 2011. DTSC was awarded the SCAP Grant and contracted with National Engineering & Consulting Group (NEC) to update the RAW, implement the removal action and complete a Removal Action Completion Report.

Mr. Steve Valenzuela and Mr. William Chun
December 28, 2018
Page 2 of 2

The removal action successfully removed 4,300 tons of contaminated soils with transport and disposal to an off-site approved landfill. The Site was then restored with 4,700 tons of imported clean certified soil. The cleanup at the Site achieved its cleanup goals of reducing lead values to less than 80 milligrams per kilograms (mg/kg) and total petroleum hydrocarbons to less than 1,000 mg/kg. Review of the post confirmation sampling results by DTSC's Site Mitigation and Restoration Program and the Human and Ecological Risk Division confirms that the Site does not pose a risk to human health and the environment. There is no further action required at the Site.

DTSC thanks the City and CRLA for their cooperation and collaboration in this project and looks forward to the Site being put back to beneficial use. Should you have any questions or wish to discuss this letter, please contact the project manager, Daniel Cordero Jr., at (714) 484-5428 or e-mail daniel.cordero@dtsc.ca.gov or me, his Supervisor, at (714) 484-5349 or by e-mail at eileen.mananian@dtsc.ca.gov.

Sincerely,



Eileen Mananian, M.S.
Unit Chief/Acting Branch Chief
Site Mitigation and Restoration Program

cc: Mr. Steve Andrews
Senior Policy Advisor
Mayor's Office of Economic Development
Steve.Andrews@lacity.org

Colette Monell
City of Los Angeles
Colette.Monell@lacity.org

Ms. Nuna Tersibashian
City of Los Angeles
Nuna.Tersibashian@lacity.org

Mr. Daniel Cordero Jr.
Project Manager
DTSC-Cypress Office
Daniel.Cordero@dtsc.ca.gov

EXHIBIT 4

COMMUNITY BENEFITS PLAN

The Wilmington Block Project will assist in the elimination of blight, provide for the assembly of land appropriate for industrial development, and enhance the long-term stability of the area in coordination with the community and the City. Furthermore, the Project will enhance the Wilmington Industrial Park's image, and promote new job opportunities.

The Owner must maintain and operate the Wilmington Block Project for the designated purpose, a temperature controlled production based facility for industrial cold storage, for not less than five (5) years. Developer or Owner shall additionally post all available positions with the two nearest EWDD Workforce Centers (currently the Harbor Gateway WorkSource Center located at 222 W. 6th Street, Suite 410, San Pedro, CA 90731, (310) 732-5700, and the Southeast Los Angeles WorkSource Center located at 10950 S. Central Ave., Los Angeles, CA 90059, (323) 563-4702) as part of their normal recruitment process for the first two (2) years of the Covenant Agreement.

EXHIBIT 5

FORM OF AGREEMENT CONTAINING COVENANTS
AFFECTING REAL PROPERTY

NO FEE DOCUMENT

RECORDING REQUESTED BY)
AND WHEN RECORDED RETURN TO:)
)
THE CITY OF LOS ANGELES)
C/O ECONOMIC AND WORKFORCE)
DEVELOPMENT DEPARTMENT)
1200 W. 7TH STREET, 6TH FLOOR)
Los Angeles, CA 90017)
Attn: GENERAL MANAGER)

Assessor's Parcel Numbers: 7424-014-900 to 7424-014-917

This AGREEMENT CONTAINING COVENANTS AFFECTING REAL PROPERTY ("**Covenant Agreement**") is made this ____ day of _____, 2019 by and between The City of Los Angeles, California, a municipal corporation (the "**City**"), and Konoike-Pacific California, Inc., a California corporation ("**KPC**").

RECITALS

WHEREAS, the CRA/LA, a Designated Local Authority formed under California Health & Safety Code Section 34173(d)(3) ("CRA/LA-DLA") owned that certain approximately 60,452 square foot parcel of real property located at 810 – 829 East E Street and 514 – 530 McFarland Avenue, Wilmington, California 90744 ("Property"), as more particularly described in the Property Legal Description, attached hereto as **Exhibit "1"** incorporated herein by reference and as illustrated on the Site Map attached hereto as **Exhibit "2"** and incorporated herein by reference;

WHEREAS, on January 8, 2015, the Los Angeles City Council, under Council File C14-0425, authorized the City to enter into an Option Agreement with CRA/LA-DLA to purchase the Property and authorized the direct sale of the Property, without public bidding, to promote economic development through the redevelopment of the Property in accordance with the Los Angeles Harbor Industrial Center Redevelopment Project - Redevelopment Plan, the Los Angeles Harbor Industrial Center Redevelopment Project – Five Year Implementation Plan, and the Wilmington – Harbor City Community Plan (as defined below) and subject to Los Angeles Administrative Code Sections 7.27.2 and 22.1008 (collectively "Development Requirements");

WHEREAS, KPC has proposed to improve the Property for use as a temperature-controlled, production-based facility for industrial cold storage;

WHEREAS, the City has determined that the direct sale of the Property to KPC for the Purchase Price (defined below) and the development of a project in accordance with the terms and conditions set forth herein will serve one or more vital public purposes; will be in the best interests of the City; will serve the health, safety, and welfare of the residents of the City; and will assist the City in meeting its economic development goals by (i) eliminating physical blight by developing an underutilized parcel, (ii) alleviating economic blight by promoting the conservation, rehabilitation, renewal, and redevelopment of the Site, (iii) encouraging further private investment in and around the community, (iv) promoting the development of industrial integrity and long-term stability within the community, and (v) generating new tax revenues for the City and other local governments;

WHEREAS, Phase I and II environmental investigations of the Property were conducted by SCS Engineers for CRA/LA-DLA in 2000 and 2005 and by Ninyo & Moore in 2009 and 2016 (collectively ESAs) and found that several shallow, localized areas of the Property were affected by volatile organic compounds (VOCs), total petroleum hydrocarbons (TPHs) and lead and recommended the removal or reduction of the VOCs, TPHs and lead to acceptable levels;

WHEREAS, the California Department of Toxic Substance Control completed environmental remediation of the Property on behalf of the City and CRA/LA-DLA in November 2018 pursuant to the recommendations set forth in the ESAs and issued a No Further Action letter for the Property on December 27, 2018;

WHEREAS, the City and KPC entered into a Disposition and Development Agreement relating to the Property ("Disposition and Development Agreement" or "DDA"), dated _____, 2019, pursuant to which the City is selling and conveying the Property to KPC upon the terms and conditions set forth therein;

WHEREAS, as a condition of the City's sale of the Property to KPC, KPC is executing, among other things, this Covenant Agreement, which shall be recorded against the Property and is intended to secure the City's interest in KPC's development of the Property in accordance with this Covenant Agreement; and

WHEREAS, the purpose of this Covenant Agreement is to regulate and restrict the development, construction, operation, ownership, and maintenance of the Property. The covenants in this Covenant Agreement are intended to run with the land and to be binding upon KPC and KPC's successors-in-interest for the full term of this Covenant Agreement.

NOW THEREFORE, IN CONSIDERATION of the aforesaid Recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, KPC and the City hereby agree as follows:

I. DEFINITIONS

The following terms shall have the meaning ascribed to each as set forth herein. Any term contained in this Covenant Agreement that is not defined herein shall have the meaning provided in the Disposition and Development Agreement.

1.1 "Certificate of Completion" shall mean a certificate to be issued by the City in recordable form to KPC certifying that KPC has substantially completed the construction of the Improvements.

1.2 "Certificate of Occupancy" shall mean a certificate of occupancy issued by the City in accordance with the Los Angeles Municipal Code for occupancy of all or any portion of the Property.

1.3 "Covenant Effective Date" shall mean the Closing Date as defined in the Disposition and Development Agreement.

1.4 "Force Majeure" shall mean the performance of a covenant or obligation of this Covenant Agreement that is delayed or prevented by an act of God, any conditions or circumstances outside such party's reasonable control, and/or by the other party. Acts of God and circumstances beyond KPC's control may include: strikes; lockouts; sit-downs; material or labor restrictions by any governmental authority; unusual transportation delays; riots; floods; washouts; explosions; earthquakes; fires; storms; weather (including wet grounds or inclement weather which prevents construction); acts of a public enemy; wars; insurrections; and any other cause not reasonably within KPC's control. Force Majeure shall not include an economic downturn nor KPC's inability to finance construction of the Project. Any event of Force Majeure shall be subject to documentation of the commencement and duration of the event.

1.5 "Improvements" shall mean the construction of an approximately 55,000 square foot cold storage building, steel framed with insulated metal panel siding to match KPC's existing facility at the same location, as described in the Scope of Development, including all grading to be done on the Property, if any, as well as all buildings, structures, fixtures, excavation, parking, landscaping, art installations and murals, and other work, construction, rehabilitation, alterations, and improvements of whatsoever character to be done by KPC on, in, around, under or over the Property in order to develop the Project pursuant to this Covenant Agreement.

1.6 "Project" shall mean KPC's construction and operation of the Improvements on the Property.

1.7 "Project Lender" shall mean a lender providing a loan to KPC secured by a deed of trust encumbering the Property or secured by other collateral acceptable to KPC and the lender.

1.8 “Project Loan” shall mean a loan from a Project Lender to KPC secured by a deed of trust encumbering the Property or secured by other collateral acceptable to KPC and the lender.

1.9 “Property” shall mean that certain approximately 60,445 square foot parcel of real property located at 810 – 829 East E Street and 514 – 530 McFarland Avenue, Wilmington, California 90744 (APNs 7424-014-900 to 7424-014-917).

1.10 “Transfer” means any total or partial sale, assignment, conveyance or transfer in any other mode or form of the Property or any part thereof or any interest therein, or of the Project constructed thereon, including, without limitation, any lease, or any contract or agreement to do any of the same.

II. TERM AND DEVELOPMENT OF THE PROJECT

2.1 TERM OF COVENANT AGREEMENT. This Covenant Agreement shall commence upon the Covenant Effective Date and shall remain in full force and effect for five (5) years after KPC receives a Certificate of Completion pursuant to Section 2.6 below. Failure to record this Covenant Agreement shall not relieve KPC of any of the obligations specified herein.

2.2 CONSTRUCTION OF IMPROVEMENTS. KPC shall commence construction of the Improvements upon the City’s approval of all required entitlements necessary for KPC’s development of the Project, including, but not limited to, the issuance of a building permit (“City Approvals”), and KPC’s obtaining all other necessary permits and approvals (collectively with City Approvals “Project Approvals”) and no later than the time specified in the Schedule of Performance. KPC’s failure to commence construction as required herein may result in the imposition of liquidated damages pursuant to Section 6.2, below.

2.3 ADDITIONAL PERMITS AND APPROVALS. KPC shall obtain all Project Approvals to construct and operate the Project, including demolition and building permits (collectively with City Approvals are “Project Approvals”). All applications for such permits and approvals shall be consistent with this Covenant Agreement. KPC acknowledges that execution of this Covenant Agreement by the City does not constitute approval by the City of any required governmental approvals, including, without limitation, any required permits, applications, findings, or allocations, and in no way limits the discretion of the City (or any other governmental agency) in the permit, allocation, and approval process. The Parties agree that the Project applications will be processed as expeditiously as possible and without delay in accordance with the rules and procedures in place as of the Covenant Effective Date.

2.4 CITY REVIEW. KPC shall be solely responsible for all aspects of its conduct in connection with the Project, including, but not limited to, the quality and suitability of any design and development documents, the supervision of construction work, and the qualifications, financial condition, and performance of all architects,

engineers, contractors, subcontractors, suppliers, consultants, and Project managers. Any review or inspection undertaken by the City with reference to the Project is solely for the purpose of determining whether KPC is properly discharging its obligations to the City, and should not be relied upon by KPC or by any third parties as a warranty or representation by the City as to the quality of the design or construction of the Project.

2.5 COMPLETION OF CONSTRUCTION. KPC shall complete construction of the Improvements, as evidenced by the issuance of a Certificate of Occupancy, at the time set forth in the Schedule of Performance ("Construction Completion Date"), which deadline shall be subject to extension(s) as approved by the City in its reasonable discretion, and further subject to events of Force Majeure. KPC shall submit a written request to the City for an extension of the Construction Completion Date which shall include the basis for the request, the proposed new Construction Completion Date and any documents to support the request. The City shall review the request and approve it if the information and documents, if any, provided demonstrate that the Construction Completion Date could not be met due to a City caused delay or an event of Force Majeure. If KPC fails to meet the Construction Completion Date due to delays other than ones caused by the City or due to an event of Force Majeure, then KPC may be subject to the assessment of liquidated damages as provided in Section 5.2, below.

2.6 CERTIFICATE OF COMPLETION. Within thirty (30) business days after written request by KPC to the City after KPC has obtained a Certificate of Occupancy for the Project, the City shall execute, acknowledge, and deliver the Certificate of Completion to KPC in recordable form.

2.7 NONDISCRIMINATION. KPC covenants and agrees for itself, its successors, and its assigns in interest to the Property or any part thereof, that there shall be no discrimination against or segregation of any person or persons on any basis prohibited by law.

2.8 COMPLIANCE WITH LAW. KPC shall at all times comply with all applicable local, State, and federal laws and regulations. Without limiting the generality of the foregoing, the Project shall be designed, constructed, developed, managed and operated and the Improvements shall be maintained, for the duration of this Covenant Agreement, in compliance with all applicable federal, State, and local disabled and handicapped access requirements, including without limitation the Americans with Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section, 4450, et seq., Government Code Section, 11135, et seq., and the Unruh Civil Rights Act, Civil Code Section 51, et seq.

III. PROJECT SITE AND USE RESTRICTIONS

3.1 USE. KPC covenants and agrees for itself, its successors, and its assigns, which covenants shall run with the land and bind every successor or assign in interest of KPC, that KPC: (a) shall commence and complete construction of the Project upon the Property at the times set forth above and consistent with the Development Requirements, the DDA, the Scope of Development, this Covenant Agreement and the

Project Approvals; (b) shall, for a period of at least five (5) years following the issuance of the Certificate of Completion, operate and maintain the Project and the Property in compliance with the requirements of the DDA; (c) shall, for a period of at least two (2) years following the Covenant Effective Date, post all job opportunities at the Property at the two City WorkSource Centers nearest to the Property as set forth in the DDA; (d) shall not engage in or permit any activity on the Property that would violate this Covenant Agreement or any applicable law or governmental restriction, including, without limitation, any governmental restrictions on billboards or other forms of commercial advertising. Developer's failure to meet its obligations set forth in (a), (b) and (c), above, may result in the assessment of liquidated damages as provided in Section 5.2, below.

3.2 FEES, TAXES, AND OTHER LEVIES. During its ownership of the Property, KPC shall be responsible for payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with respect to the Property, and shall pay such charges prior to delinquency.

IV. TRANSFER PROVISIONS

4.1 PROHIBITED TRANSFERS. Except for a Transfer permitted under Section 4.2 below, KPC shall not Transfer its interest in the Property or the Project, either voluntarily or by operation of law, without the prior written approval of City (which approval shall not be unreasonably withheld) commencing upon the Covenant Effective Date and continuing until the termination of this Covenant Agreement. Any Transfer made in contravention of this Section 4.1 shall be void and shall be deemed to be a default under this Covenant Agreement. "Transfer" shall mean and include any voluntary or involuntary transfer, sale, conveyance, assignment, lease, sublease, license, franchise, concession, operating agreement, gift, hypothecation, mortgage, pledge or encumbrance, or the like, of all or any portion of the Property, with respect to any rights or obligations of KPC under this Covenant Agreement, or any interest in KPC, to any person or entity.

4.2 PERMITTED TRANSFERS. The following Transfers shall be permitted ("Permitted Transfers"):

(a) Any Transfer creating a security interest (a "Permitted Security Interest") securing repayment of a Project Loan, including but not limited to any encumbrance of the Property.

(b) Any Transfer directly resulting from the foreclosure of a Permitted Security Interest or the granting of a deed in lieu of foreclosure with respect to a Permitted Security Interest.

(c) The creation or amendment of an easement, reciprocal easement agreement, or covenant relating to utilities, parking, or pedestrian or vehicular ingress or egress.

(d) A Transfer otherwise approved in advance by City in writing.

4.3 EFFECTUATION OF PERMITTED TRANSFERS

(a) No Transfer otherwise authorized or approved pursuant to Section 4.1 or 4.2 shall be permitted unless, at the time of the Transfer, the person or entity to which such Transfer is made, by an agreement reasonably satisfactory to City and in form recordable among the land records (where the Transfer involves a conveyance of an interest in real estate), expressly agrees to perform and observe, from and after the date of the Transfer, the obligations, terms and conditions of this Covenant Agreement provided, however, that no such transferee shall be liable for the failure of its predecessor to perform any such obligation. Any proposed transferee for which City's approval is required shall have the qualifications, development experience, and financial capability necessary and adequate to fulfill the obligations undertaken in this Covenant Agreement by KPC. City shall grant or deny approval of a proposed Transfer within thirty (30) business days of receipt by the City of a written request for approval of a Transfer, which request shall include evidence of the proposed transferee's business expertise and financial capacity. Failure by the City to approve or disapprove the proposed Transfer within this thirty (30)-business day period shall be deemed to be a disapproval of the proposed Transfer by City.

(b) KPC shall reimburse City for all reasonable third-party consultant (outside legal and financial fees) costs associated with City's review and consideration of any request for approval of a Transfer under Section 4.1 above. KPC shall deposit the sum of not less than Five Thousand Dollars (\$5,000.00) with its request for approval of any such transfer, which shall be the presumed minimum cost to City to review such request and which sum shall be retained by City. If the costs of City review exceeded the deposit amount, City shall send KPC a bill for the additional costs, and KPC shall promptly pay City such additional costs. This section does not apply to any Permitted Transfers other than those permitted pursuant to Section 4.2.

V. BREACH, DEFAULT, AND REMEDIES

5.1 BREACH, DEFAULT, AND REMEDIES. In the event of a material breach or violation of any of the terms, conditions, or obligations under this Covenant Agreement, City shall provide KPC with written notice thereof and an opportunity to cure such material breach or violation within a period of thirty (30) days thereafter. If the cure of any such breach or violation cannot be completed within such thirty (30) day period, then KPC will not be deemed in default hereunder if actions to effectuate the cure are commenced within the thirty (30) day period and diligently prosecuted to completion. Such corrective actions shall be agreed upon by the City and KPC. If KPC fails to cure the breach or violation within the cure period, then KPC shall be in default of this Covenant Agreement and City may, following the provision of a notice of uncured default, proceed with any or all of the following remedies:

(a) Bring an action for equitable relief, seeking specific performance of the terms and conditions of this Covenant Agreement, and/or enjoining, abating, or

preventing any breach or violation of said terms, conditions, obligations, and/or seeking declaratory relief;

(b) For a Trigger Event, as defined in Section 5.2, below, impose liquidated damages in the amount set forth in Section 5.2, below, and require payment of such liquidated damages within thirty (30) days following notice from the City. Failure to pay any such liquidated damages shall constitute a default hereunder; and/or

(c) Pursue any other remedy allowed at law or in equity.

5.2 LIQUIDATED DAMAGES. The Parties agree that quantifying the losses resulting from KPC's failure to (i) commence and complete construction of the Project at the times set forth in Section 3.1(a), above, (ii) maintain and operate the Project for a period of at least five (5) years following the issuance of the Certificate of Completion as required in Section 3.1(b) and (c), above, or (iii) post all job opportunities at the Property at the two City WorkSource Center nearest to the Property for a period of at least two (2) years following the Covenant Effective Date (collectively "Trigger Events") is inherently difficult to calculate and that the payment of the amounts set forth herein below do not constitute a penalty, but rather are a reasonable measure of damages, based on the Parties' experience and given the nature of the losses that may result from KPC's failures as noted above. The amount of liquidated damages to be paid by KPC for a Trigger event shall be Three Hundred Fifty Thousand Dollars (\$350,000).

VI. GENERAL PROVISIONS

6.1 NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS. The City's officers, officials, employees, or agents shall not be personally liable to KPC for any matter arising from or relating to this Covenant Agreement.

6.2 INDEMNITY.

(a) KPC shall defend, indemnify, and hold City, its elected officials, officers, employees, agents, and contractors free and harmless against any Claims, other than Excluded Claims (as defined below), which the City may incur or be subject to as a direct or indirect consequence of KPC's failure to perform any obligations as and when required by this Covenant Agreement or any act or omission by KPC, its officers, employees, agents, and contractors in connection with the development, construction, management, operation, use, maintenance, and repair of the Project and Property. KPC shall pay immediately upon the City's demand any amounts owing under this indemnity. Selection of legal counsel to represent City in matters subject to this indemnity provisions shall be subject to the City's reasonable approval. KPC's duty to indemnify the City shall survive the term of this Covenant Agreement.

(b) The term "Claims" means any losses, damages, liabilities, claims, demands, judgments, actions, court costs, and legal or other expenses (including attorney's fees). The term "Excluded Claims" means any Claim that arises from the

gross negligence, illegal act, or willful misconduct of the City. KPC shall reasonably cooperate with the City in the City's defense of any Excluded Claim; provided, however, that such cooperation shall in no event require KPC to make any material monetary expenditure or assume any material legal obligation.

6.3 GOVERNING LAW. This Covenant Agreement shall be construed in accordance with, interpreted under, and governed by the laws of the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law. Any action to interpret or enforce the provisions of the Covenant Agreement shall be filed in the courts located within the County of Los Angeles.

6.4 TIME. Time is of the essence with respect to this Covenant Agreement.

6.5 CONSENTS AND APPROVALS. Any consent or approval of the City required under this Covenant Agreement shall not be unreasonably withheld, conditioned, or delayed. Any such approval must be in writing and executed by an authorized representative of the City.

6.6 NOTICES, DEMANDS, AND COMMUNICATIONS. Formal notices, demands, and communications between KPC and City shall be sufficiently given and shall not be deemed given unless dispatched by overnight courier service which guarantees delivery on the next business day, or delivered personally, to the principal offices of KPC and the City as follows:

City: City of Los Angeles
Economic and Workforce Development Department
1200 W. 7th Street, 6th Floor
Los Angeles California 90017
Attention: General Manager

with copies to: Office of the City Attorney
Attention: Economic and Workforce Development
Department General Counsel
200 N. Main Street, 9th Floor
Los Angeles, California 90012

KPC: Konoike-Pacific California, Inc.
1420 Coil Avenue
Wilmington, California 90744
Attn: Richard Burke, President
Tel Number: (310) 522-1912

With copies to: Konoike-Pacific California, Inc.
1420 Coil Avenue
Wilmington, California 90744
Attn: Wayne Lamb, Vice-President
Tel Number (310) 233-7300

6.7 BINDING UPON SUCCESSORS. All provisions of this Covenant Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of KPC and City, and shall run with the land for the full term of this Covenant Agreement. Any successor-in-interest to KPC and any purchaser or transferee of the Property shall be subject to all of the duties and obligations imposed on KPC under this Covenant Agreement for the full term of this Covenant Agreement. The terms "KPC" as used in this Covenant Agreement shall include all such assigns, successors-in-interest, and transferees.

6.8 RELATIONSHIP OF PARTIES. The relationship of KPC and City shall not be construed as a joint venture, equity venture, or partnership. City neither undertakes nor assumes any responsibility or duty to KPC or to any third party with respect to the operation of the Property or the actions of KPC. Except as City may specify in writing, KPC shall have no authority to act as an agent of City or to bind City to any obligation.

6.9 WAIVER. Any waiver by City of any obligation in this Covenant Agreement must be in writing. No waiver will be implied from any delay or failure by City to take action on any breach or default of KPC or to pursue any remedy allowed under this Covenant Agreement or applicable law. Any extension of time granted to KPC to perform any obligation under this Covenant Agreement shall not operate as a waiver or release from any of its obligations under this Covenant Agreement. Consent by City to any act or omission by KPC shall not be construed as consent to any other subsequent act or omission or to waive the requirement for City's written consent to any future waivers.

6.10 OTHER AGREEMENTS. KPC represents that it has not entered into any agreements that would restrict or compromise its ability to comply with the terms of this Covenant Agreement. KPC shall not enter into any agreements that are inconsistent with the terms of this Covenant Agreement without an express waiver by City in writing.

6.11 AMENDMENTS AND MODIFICATIONS. Any amendments or modifications to this Covenant Agreement must be in writing and shall be made only if executed by both KPC and the City.

6.12 SEVERABILITY. Every provision of this Covenant Agreement is intended to be severable. If any provision of this Covenant Agreement shall be held or deemed to be invalid, illegal or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

(Signature page follows)

IN WITNESS WHEREOF, the City and KPC have caused this Covenant Agreement to be executed by their duly authorized representatives

Executed this ____ day of _____, 2019

THE CITY OF LOS ANGELES

By: _____
Name: _____
Its: _____

APPROVED AS TO FORM:
MICHAEL N. FEUER, City Attorney

By: _____
Curtis S. Kidder
Assistant City Attorney

Date: _____, 2019

Executed this ____ day of _____, 2019

KONOIKE-PACIFIC CALIFORNIA, INC.

By: _____
Name: _____
Its: _____

EXHIBIT 6

FORM OF GRANT DEED

OFFICIAL BUSINESS

Document entitled to free
recording per Government
Code Section 6103

Recording Requested by:

City of Los Angeles
Economic and Workforce Development Department
1200 West 7th Street, Suite 600
Los Angeles, California 90017

After recordation mail to and
Mail tax statements to:

Konoike-Pacific California, Inc.
1420 Coll Avenue
Wilmington, California 90744

APNs: 7424-014-900 to 7424-014-917

SPACE ABOVE THIS LINE FOR RECORDER'S USE

GRANT DEED

(TRANSFER OF FEE TITLE)

For valuable consideration, the receipt of which is hereby acknowledged,

THE CITY OF LOS ANGELES, CALIFORNIA, a municipal corporation (herein called "Grantor"), acting by and through its Economic and Workforce Development Department ("EWDD"), to promote economic development within the City of Los Angeles in accordance with Los Angeles Administrative Code Sections 7.27.2 and 22.1008(c), hereby grants to Konoike-Pacific California, Inc., a California corporation (herein called "Grantee"), the real property known as 810 – 829 East E Street and 514 -530 McFarland Avenue, Wilmington, California 90744 (the "Property") legally described in the document attached hereto, labeled Exhibit A and incorporated herein by this reference. Grantor hereby grants title to the Property to Grantee subject to the following:

Section 1. Development of Property.

The Property is conveyed through a private sale for economic development purposes pursuant to Los Angeles Administrative Code Sections 7.27.2 and 22.1008(c), and is to be used and developed in accordance with, and is subject to the conditions contained in, the Agreement Containing Covenants Affecting Real Property, executed by Grantor and Grantee and recorded herewith. Such Agreement Containing Covenants Affecting Real Property constitutes deed restrictions within the meaning of Los Angeles Administrative Code Section 22.1008(c). Grantee covenants and agrees for itself and its successors and assigns to develop, use, operate and maintain the Property in accordance with the Los Angeles Administrative Code, the Agreement Containing Covenants Affecting Real Property, this Grant Deed and all other relevant provisions of local, state and federal law.

Section 2. Mandatory Language in All Subsequent Deeds, Leases and Contracts.

(a) Grantee covenants and agrees, for itself and its successors 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 race, color, religion, creed, national origin, ancestry, disability (actual or perceived), medical condition, age, source of income, familial status, marital status, domestic partner status, sex, sexual preference/orientation, Acquired Immune Deficiency Syndrome (AIDS) – acquired or perceived, or any additional basis listed in subdivision (a) and (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, as such provisions may be amended from time to time, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor shall the Grantee or any person claiming under or through the Grantee, 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 property herein conveyed. The foregoing covenant shall run with the land.

(b) Notwithstanding paragraph (a), with respect to familial status, paragraph (a) shall not be construed to apply to housing older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivision (n), (o) and (p) of Section 12955 of the Government Code shall apply to paragraph (a).

(c) All deeds, leases or contracts made or entered into by the Grantee, its successors or assigns, as to any portion of the Property shall contain therein the following language:

(1) In Deeds:

(A) "Grantee herein covenants by and for itself, its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, national origin, ancestry, disability (actual or perceived), medical condition, age, source of income, familial status, marital status, domestic partner status, sex, sexual preference/orientation, Acquired Immune Deficiency Syndrome (AIDS) – acquired or perceived, or any additional 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, as such provisions may be amended from time to time, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property herein conveyed nor shall the grantee or any person claiming under or through the grantee 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, subtenants, sublessees, vendees, or employees in the Property herein conveyed. The foregoing covenant shall run with the land."

(B) Notwithstanding paragraph (A), with respect to familial status, paragraph (A) shall not be construed to apply to housing older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivision (n), (o) and (p) of Section 12955 of the Government Code shall apply to paragraph (A).

(2) In Leases:

(A) "Lessee herein covenants by and for itself, its heirs, personal representatives, successors and assigns, and all persons claiming under or through the lessee, that this lease is made subject to the condition there shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, creed, national origin, ancestry, disability (actual or perceived), medical condition, age, source of income, familial status, marital status, domestic partner status, sex, sexual preference/orientation, Acquired Immune Deficiency Syndrome (AIDS) – acquired or perceived, or any additional basis listed in subdivision (a) and (b) of Section 12955 of the Government Code, as those basis 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, as such provision may be amended from time to time, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased nor shall the lessee or any person claiming under

or through the lessee 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, vendees, or employees in the land herein leased."

(B) Notwithstanding paragraph (A), with respect to familial status, paragraph (A) shall not be construed to apply to housing older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (A) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivision (n), (o) and (p) of Section 12955 of the Government Code shall apply to paragraph (A).

(3) In Contracts with respect to the sale, lease, sublease, transfer, use occupancy, tenure or enjoyment of the Property:

(A) "There shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, creed, national origin, ancestry, disability (actual and perceived), medical condition, age, source of income, familial status, marital status, domestic partner status, sex, sexual preference/orientation, Acquired Immune Deficiency Syndrome (AIDS) – acquired or perceived, or any additional basis listed in subdivision (a) and (b) of Section 12955 of the Government Code, as those basis 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, as such provisions may be amended from time to time, in the sale, leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased nor shall the transferee or any person claiming under or through the transferee 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, vendees, or employees in the land herein leased."

(B) Notwithstanding paragraph (A), with respect to familial status, paragraph (A) shall not be construed to apply to housing older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (A) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivision (n), (o) and (p) of Section 12955 of the Government Code shall apply to paragraph (A).

The anti-discrimination covenants set forth above are perpetual in nature and shall survive the termination of any of the documents and covenants referenced in this Grant Deed. Grantor, in the event of any breach of any such covenants, shall have the

right to exercise all of the rights and remedies, and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach. The covenants contained in this Grant Deed shall be for the benefit of and shall be enforceable only by the Grantor, its successors and assigns.

Section 3. Reservations.

The Property is subject to the following exceptions, reservations, covenants and conditions:

(a) Excepting and reserving unto the City of Los Angeles, all oil, gas, water and mineral rights now vested in the City of Los Angeles without, however, the right to use the surface of said land or any portion thereof to a depth of 500 feet below the surface, for the extraction of such oil, gas, water and minerals.

(b) Subject to covenants, conditions, restrictions, encroachments, reservations, easements, rights and rights-of-way of record or which are apparent from a visual inspection of the real property and excepting and reserving to the City of Los Angeles any interest in the fee to the adjacent streets which would otherwise pass with the conveyance of the above-described parcels of land.

IN WITNESS WHEREOF, the Grantor and Grantee have caused this instrument to be executed on their behalf by their respective officers thereunto duly authorized, this _____ day of _____, 2019.

(Signature Page Follows)

"GRANTOR"

THE CITY OF LOS ANGELES, by and through its
ECONOMIC AND WORKFORCE DEVELOPMENT
DEPARTMENT

By: _____
Title: General Manager

The provisions of this Grant Deed are hereby approved and accepted.

"GRANTEE"

KONOIKE – PACIFIC, CALIFORNIA, INC.

By: _____
Its: _____

EXHIBIT 7

OPTION AGREEMENT
(Property Retained for Future Development)
(McFarland Avenue/ East E Street, Los Angeles, California)
(A.P.N. 5174-018-900 through 5174-018-917)

This Option Agreement (this "Agreement") is dated as of January 8, 2015 for reference purposes, and entered into by and between CRA/LA, A Designated Local Authority, a public body formed under California Health & Safety Code Section 34173(d)(3) ("CRA/LA"), and the City of Los Angeles, a municipal corporation (the "City") with reference to the following facts:

RECITALS

A. These Recitals refer to and utilize certain capitalized terms that are defined in Section 1 of this Agreement. The Parties intend to refer to those definitions in connection with the use of capitalized terms in these Recitals.

B. On February 1, 2012, the Former Agency was dissolved pursuant to California Health & Safety Code Section 34172. In accordance with California Health & Safety Code Section 34173(d)(3), CRA/LA was formed to serve as the successor agency of the Former Agency. In accordance with California Health & Safety Code Section 34175(b), CRA/LA is the successor-in-interest to the Former Agency, and all property and assets of the Former Agency, including, but not limited to, the Property, were transferred to CRA/LA.

C. CRA/LA is the owner of the Property which is located at McFarland Avenue and East E Street, Los Angeles, California (A.P.N. 7424-014-900 through 7424-014-917).

D. The Property is subject to the Redevelopment Plan, the Five Year Implementation Plan and the Community Plan.

E. In accordance with California Health & Safety Code Section 34191.5, CRA/LA has prepared an LRPMP, which sets forth, among other things, CRA/LA's plan for the disposition of certain real property, including the Property. The LRPMP has been approved by CRA/LA Governing Board, CRA/LA Oversight Board and the DOF has approved the LRPMP, as modified, on October 7, 2014. The City Council authorized the City to enter into this Agreement on December 16, 2014.

F. In accordance with California Health & Safety Code Section 34191.5(c)(2), the Property is listed as Asset Number 310 in the approved LRPMP and has been categorized as Retained for Future Development. The Property may be transferred to the City for disposition in accordance with the Redevelopment Plan, Five Year Implementation Plan, and Community Plan.

G. As required by the Disposition Strategy contained in the LRPMP and in order to provide necessary time for the City to prepare a more detailed disposition plan, CRA/LA and the City desire to enter into this Agreement to provide the City the option to purchase the Property, as more particularly set forth below.

H. Subsequent to the date of this Agreement and prior to the Effective Date, CRA/LA intends to perform additional work on the Property as further set forth in this Agreement.

I. During the Term and subject to the terms of this Agreement, the City will have the sole obligation to maintain the Property as well as the exclusive right to use the Property, so long as the manner of the City's use does not materially diminish the value of the Property.

AGREEMENT

NOW THEREFORE, the City and CRA/LA hereby agree that the foregoing recitals are hereby incorporated by reference and are made part of this Agreement, and further agree as follows:

Section 1. Definitions. In addition to the terms defined elsewhere in this Agreement, the following definitions shall apply throughout this Agreement.

- a. "Agreement" means this Option Agreement.
- b. "Appraised Value" has the meaning ascribed to it in Section 12(b).
- c. "City" means the City of Los Angeles, a municipal corporation.
- d. "City Appraiser" means the appraiser selected by the City as set forth in
Section 12.
- e. "City Council" means the City Council of the City.
- f. "Closing" has the meaning ascribed to it in Section 14.
- g. "Closing Date" has the meaning ascribed to it in Section 14.
- h. "Community Plan" means the community plan approved by the City and
pertaining to the land use planning area in which the Property is located.
- i. "CRA/LA" means CRA/LA, A Designated Local Authority, a public body
formed under California Health & Safety Code Section 34173(d)(3).
- j. "CRA/LA Appraiser" means the appraiser selected by CRA/LA as set
forth in Section 12.
- k. "Developer" means the third-party selected by the City to cause the
development of the Property in accordance with the Disposition Plan.
- l. "Disposition Plan" means the City's plan for the proposed disposition and
development of the Property as more particularly discussed in Section 6(b).
- m. "DOF" means the State of California Department of Finance.

n. "Effective Date" means the later of the date on which this Agreement is approved and fully executed by CRA/LA and the City and November 1, 2015.

o. "Extended Term" means, absent the earlier termination of this Agreement, if authorized according to Section 7 of this Agreement, the period commencing on the first business day following the expiration of the Initial Term and terminating on the earlier of the Closing Date or 5:00 p.m. Pacific Time on the date that is three hundred sixty five (365) days following the commencement date of the Extended Term, provided, however, the Extended Term may be further extended as provided herein. If the expiration of the Extended Term falls on a Saturday, Sunday or legal holiday in the State of California, then the expiration date shall be extended to the next following business day.

p. "Fair Market Value" means the fair market value of the Property determined in accordance with the provisions of Section 12(b).

q. "Five Year Implementation Plan" means the implementation plan most recently adopted by the Former Agency prior to the Effective Date in connection with the Redevelopment Plan.

r. "Former Agency" means The Community Redevelopment Agency of the City of Los Angeles, California.

s. "Grant Deed" means the grant deed conveying the Property from CRA/LA to the City.

t. "Governing Board" means the governing board of CRA/LA.

u. "Hazardous Materials" shall mean: (i) any chemical, compound, material, mixture or substance that is now or may later be defined or listed in, or otherwise classified pursuant to, any Hazardous Materials Law as a "hazardous substance", "hazardous waste", "extremely hazardous waste", acutely hazardous waste", radioactive waste", infectious waste", biohazardous waste", "toxic substance", "pollutant", "toxic pollutant", "contaminant", as well as any formulation not mentioned herein intended to define, list or classify substances by reason of properties posing serious endangerment to human health and the environment such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, "EP" toxicity, or "TCLP toxicity"; (ii) petroleum, natural gas, natural gas liquids, liquefied natural gas, synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas) and ash produced by a resource recovery facility utilizing a municipal solid waste stream, and drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas, or geothermal resources; (iii) "hazardous substance" as defined in Section 25281 of the California Health and Safety Code; (iv) "waste" as defined in Section 13050(d) of the California Water Code; (v) asbestos in any form; (vi) urea formaldehyde foam insulation; (vii) transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls (PCBs) in excess of fifty (50) parts per million; (viii) radon; and (ix) any other chemical, material, or substance that, because of its quantity, concentration, or physical or chemical characteristics, exposure to which is now or hereafter limited or regulated for health and safety reasons by any governmental authority, or which poses or is later determined to pose a

significant present or potential hazard to human health and safety or to the environment if released into the workplace or the environment. The term "Hazardous Materials" shall not include: construction materials, office supply products or janitorial supply products customarily used in the construction, maintenance, rehabilitation, or management of commercial buildings and all other substances of kinds and in amounts ordinarily used or stored in similar properties for cleaning, maintenance or operations, and which are used and stored in accordance with all applicable Hazardous Materials Laws.

v. "Hazardous Materials Laws" means all present and future applicable federal, state and local laws, ordinances, regulations, permits, decrees, orders and any other legal requirements, whether statutory, regulatory or contractual, of governmental authorities relating to health, safety, the environment or the use, handling, disposal or transportation of any Hazardous Materials (including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation Recovery Act, the Clean Water Act, the Clean Air Act, and the applicable provisions of the California Health and Safety Code and the California Water Code, as each such statute may from time to time be amended, and the rules, regulations and guidance documents promulgated pursuant to any such statute).

w. "Initial Term" means the period commencing as of the Effective Date and terminating on the earlier of the Closing Date or 5:00 p.m. Pacific Time on the second (2nd) anniversary of the Effective Date, provided, however, the Initial Term may be extended as provided herein. If the expiration of the Initial Term falls on a Saturday, Sunday or legal holiday in the State of California, then the expiration date shall be extended to the next following business day.

x. "LRPMP" means the Long-Range Property Management Plan prepared by CRA/LA in accordance with California Health & Safety Code Section 34191.5, approved by the Oversight Board on November 11, 2013, May 8, 2014 and August 21, 2014, and by DOF on October 7, 2014.

y. "Option" means the option in favor of the City to acquire the fee interest in the Property from CRA/LA as set forth in this Agreement.

z. "Option Notice" means the notice delivered by the City to CRA/LA indicating that the City is exercising the Option in accordance with this Agreement.

aa. "Oversight Board" means the oversight board of CRA/LA formed under California Health and Safety Code Section 34179.

bb. "Parties" shall mean, collectively, the City and CRA/LA. "Party" shall mean either the City or CRA/LA.

cc. "Property" means the real property located McFarland Avenue and East E Street, Los Angeles, California, as more particularly described in the attached Exhibit A, all improvements located thereon, and all rights and interests appurtenant thereto.

dd. "Purchase Agreement" has the meaning ascribed to it in Section 13.

ee. "Purchase Price" means the purchase price for the Property, which shall be the fair market value of the Property, as determined in accordance with Section 12.

ff. "Redevelopment Plan" means the redevelopment plan for the Los Angeles Harbor Industrial Center Redevelopment Project Area as previously adopted by the City Council, as amended.

gg. "Term" has the meaning ascribed to it in Section 3.

hh. "Title Company" has the meaning ascribed to it in Section 14.

Section 2. Grant of Option; Option Consideration. CRA/LA hereby grants to the City the Option to purchase the Property for the consideration and under the terms and conditions set forth in this Agreement. The Option is granted in consideration of the City's payment to CRA/LA of the sum of One Dollar (\$1.00) which has been deemed to have been paid as of the Effective Date. The Parties acknowledge that such payment constitutes "independent consideration" for the rights set forth herein.

Section 3. Term. Absent the earlier termination of this Agreement, this Agreement and the Option granted herein shall expire upon the expiration of the Term without further action of the Parties. As used herein, Term shall mean collectively the Initial Term and Extended Term, unless the context indicates that Term means either the Initial Term or Extended Term. This Agreement and the Option granted herein shall expire upon the expiration of the Initial Term without further action of the Parties, unless extended through the Extended Term pursuant to Section 7, or as otherwise provided herein. Notwithstanding anything to the contrary contained herein, the City may terminate this Agreement, in its sole discretion, at any time upon sixty (60) days prior written notice to CRA/LA.

Section 4. Exclusive Right to the Property. During the Term, CRA/LA shall not (i) negotiate with any entity, other than the City, regarding the proposed disposition of the Property, or solicit or entertain bids or proposals to do so from any other entity, (ii) encumber or permit the encumbrance of the Property with an encumbrance not in existence as of the Effective Date, or (iii) enter into, amend or modify any agreement pertaining to the Property which will survive the Closing and thereafter become an obligation of the City, except with the prior written consent of the City.

Section 5. Use of Property During Term. Subject to the terms of this Agreement, the City shall have the exclusive right to use the Property during the Term. The City's use shall be conditioned on the City properly maintaining the Property as provided in this Agreement and ensuring that such use does not materially diminish the value of the Property. CRA/LA hereby grants the City, and its agents, consultants, employees and invitees a right to enter the Property for the purposes of (i) performing the City's duties and obligations set forth in this Agreement and (ii) undertaking tests, inspections and other due diligence activities, with CRA/LA's prior notice and written consent, which consent shall not be unreasonably withheld or delayed. Except as provided in (i) and (ii) of this Section 5, the Property may not be occupied or used by the City for any activity during the Term without the prior written consent of CRA/LA. Subject to the absence of any default by the City hereunder, any income generated by the Property

during the Term and received directly by the City, shall be retained by the City. In the event this Agreement is terminated prior to the Closing Date, then the City shall immediately vacate the Property without any further notice or action by CRA/LA.

Section 6. Disposition Plan.

a. **City Submission.** No later than the expiration of the Term, the City shall submit the City's proposed disposition plan for the Property to CRA/LA staff. The proposed disposition plan shall include: (i) an anticipated schedule for the date of the City's proposed acquisition of the Property from CRA/LA; (ii) a detailed plan for the development of the Property, and (iii) evidence that the proposed use of the Property is consistent with the Redevelopment Plan, the Five Year Implementation Plan and the Community Plan.

b. **Disposition Plan Review.** CRA/LA staff shall make reasonable efforts to submit the proposed disposition plan to the Governing Board for its consideration no later than forty-five (45) days after staff's receipt thereof. If the Governing Board approves the proposed disposition plan, then CRA/LA staff shall promptly submit the proposed disposition plan for consideration by the Oversight Board. Upon approval by the Governing Board, the Oversight Board, and, to the extent applicable pursuant to the terms of the LRPMP, DOF, the City's proposed disposition plan shall be referred to herein as the "Disposition Plan," and CRA/LA staff shall promptly provide written notice to the City of such approval. If the proposed disposition plan is disapproved by the Governing Board, the Oversight Board, or the DOF for failing to meet the requirements set forth herein, CRA/LA staff shall promptly provide written notice to the City of such disapproval (which notice shall contain a reasonable description of the basis for such denial) and if the Term of this Agreement has not expired, the City shall have thirty (30) days from the date of the City's receipt of such notice of disapproval from CRA/LA to submit written notice to CRA/LA stating its intent to resubmit a revised disposition plan. If no notice is received within the thirty-day period, this Agreement shall automatically terminate. The Term shall be automatically extended one day for each day beyond ninety (90) days following the date of the City's submission of the proposed disposition plan to CRA/LA staff until the City has been notified of its approval or disapproval by the Governing Board, the Oversight Board and, to the extent applicable, the DOF as herein provided. The provisions of this Section relating to time periods for approval, disapproval and resubmission of a proposed disposition plan shall continue to apply until the City's proposed disposition plan has been approved or the Term expires. If approval of the proposed disposition plan has not been obtained prior to the expiration of the Term, as it may be extended as herein provided, then the Option granted herein shall automatically terminate and this Agreement shall terminate without further action by either Party.

c. **Semi-Annual Updates to CRA/LA.** During the Term, the City shall provide CRA/LA written reports, on a semi-annual basis, beginning six (6) months following the Effective Date, setting forth the City's progress regarding the preparation and submission of a proposed disposition plan, and following approval of the Disposition Plan, the City's progress regarding the exercise of the Option. The semi-annual report shall include the following: an update on the on-going maintenance of the Property, the City's approach to marketing the Property to one or more developers, and an anticipated schedule of and progress toward milestones to be accomplished during the Term of this Agreement.

Section 7. Extension of Term. Subject to the provisions of this Section 7, the Initial Term may be extended for the duration of the Extended Term to accomplish the preparation and submission of the disposition plan (as described in Section 6), or to exercise the Option (as described in Section 13).

The City may request to extend the Initial Term for the duration of the Extended Term by delivering a written notice of its intent to extend the Term no earlier than one hundred twenty (120) days and no less than forty-five (45) days prior to the expiration date of the Initial Term. Such notice shall contain a report on the City's progress with respect to the preparation and submission of a proposed disposition plan, accompanied by documentation or other evidence demonstrating the City's progress. If the City's proposed disposition plan has been approved, the City shall submit a report on its progress in taking the necessary steps to exercise the Option. If the Governing Board determines (which determination shall not be unreasonably withheld or delayed) that the City has made significant progress toward the preparation and submission of the disposition plan or the exercise of the Option, as applicable, then the Governing Board, without any required approval of the Oversight Board, shall authorize the Extended Term.

The Parties agree and acknowledge that evidence of significant progress toward the preparation and submission of the disposition plan may include: (i) a description of a conceptual scope of development; (ii) an anticipated schedule of performance with suggested benchmarks, or (iii) such other evidence of progress as may be reasonably acceptable to the Governing Board.

The Parties agree and acknowledge that evidence of significant progress toward the exercise of the Option may include: (i) the City's selection of a Developer for the Property; (ii) the execution by the City and Developer of an exclusive negotiating rights agreement, or similar agreement, for the Property; (iii) the execution by the City and Developer of a disposition and development agreement, or similar agreement, for the Property; (iv) documentation, reasonably acceptable to the Governing Board, that Developer has obtained financing commitments for the proposed development of the Property; or (v) such other evidence of progress as may be reasonably acceptable to the Governing Board.

Section 8. Hazardous Materials The City shall not knowingly permit the Property or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Materials or otherwise knowingly permit the presence of Hazardous Materials in, on or under the Property in violation of any Hazardous Materials Laws. The City shall keep and maintain the Property and each portion thereof in compliance with, and shall not cause or permit the Property or any portion thereof to be in violation of, any Hazardous Materials Laws. Notwithstanding the foregoing, during the Term of this Agreement, the City shall not be responsible for curing any violations of the Hazardous Materials Laws which existed prior to the Effective Date, or removing or otherwise remediating Hazardous Materials existing on, in or under the Property prior to the Effective Date. If such pre-existing violation of the Hazardous Materials Laws or pre-existing Hazardous Materials are discovered by the City, the City shall promptly notify CRA/LA.

Section 9. Obligation to Maintain the Property. During the Term, in consideration for the rights granted to the City pursuant to this Agreement, the City agrees that it shall not suffer or permit any dangerous condition to be created, exist, or continue on the Property and

that it shall perform, at its sole cost, all maintenance of the Property, including maintaining the Property free and clear of all debris, weeds, graffiti, and litter; provided, however, the City shall not be responsible for correcting any dangerous condition that existed on the Property as of the Effective Date, but, as soon as reasonably practicable at its own cost following the City's discovery of any such pre-existing dangerous condition (whether by receipt of written notice from CRA/LA identifying such a condition, or otherwise), the City shall take all actions reasonably necessary to protect the public from any such condition. As between CRA/LA and the City, the City shall be solely responsible for all day-to-day property management of the Property, including, but not limited to, providing adequate security, including fencing the Property, if necessary, obtaining and maintaining property insurance, and ordinary and extraordinary repairs to the Property. The City shall have the right to maintain any insurance required of it by this Agreement through a program composed of any combination of self-insurance, risk retention, commercial insurance, risk transfer, and/or risk pooling authorized by California law, all at the City's sole option; provided, however, that the City shall provide CRA/LA with evidence of such insurance that shall be reasonably acceptable to CRA/LA as a condition precedent to CRA/LA's execution of this Agreement. Notwithstanding the foregoing, CRA/LA may be required to install a vapor extraction system as part of the required remediation of the Property. Prior to the Effective Date, CRA/LA plans to conduct remediation activities on the Property for the removal of Hazardous Materials. In that event, CRA/LA will pay for the monitoring and upkeep of the system during the Term. The City agrees not to disturb the system and to grant reasonable access to CRA/LA and its contractors to monitor and maintain any vapor extraction system.

Section 10. Inspection of Property. The City shall permit CRA/LA, through its officers, agents, or employees, to enter the Property with reasonable notice at all reasonable times to determine the City's compliance with the provision of this Agreement. If this Agreement is terminated prior to the Closing Date, and upon the request of CRA/LA, the City, at its sole cost, shall repair any material damage to the Property caused by the City's entry thereon and shall restore the Property substantially to the condition in which it existed prior to such entry. Within sixty (60) days following the Effective Date, the City shall provide to CRA/LA a written description of the observable surface condition of the Property as of the Effective Date (accompanied by appropriate photographic material supporting such description). Detailed information on the Property prepared by CRA/LA as of the Effective Date is included in the attached Exhibit B.

Section 11. Indemnification. The City shall indemnify, defend, and hold CRA/LA, its Governing Board and the Oversight Board, and their respective members, officers, employees, agents, and their successors (each an "Indemnified Party") harmless from and against all suits and causes of action, claims, losses, demands and expenses, including, but not limited to, reasonable attorney's fees and costs of litigation, damage or liability of any nature whatsoever, which arise out of or in connection with entry onto, occupancy in, or construction on the Property by the City or its contractors, subcontractors, agents, employees or invitees. This indemnity obligation related to each Indemnified Party shall not extend to any claim to the extent arising solely from such Indemnified Party's gross negligence or willful misconduct, and shall survive both the conveyance of the Property to the City by CRA/LA and termination of this Agreement.

Section 12. Appraisals of the Property; Determination of the Purchase Price.

a. **Appraisal.** CRA/LA and City shall commence the process for the appraisal of the Property within thirty (30) days following CRA/LA's receipt of a written notice from the City requesting that such process be commenced. The City's written notice shall be made no later than one hundred eighty (180) days prior to the expiration of the Term. Each Party shall cause a separate appraiser – the "CRA/LA Appraiser" and the "City Appraiser", respectively – to perform an appraisal of the Property. Each appraiser shall be instructed that the Property shall be valued at fair market value as supported by an analysis of its highest and best use consistent with the Redevelopment Plan, the Five Year Implementation Plan, the Community Plan designation, the then current known physical condition of the Property, and all matters of public record pertaining to the Property. Each Party shall make a good faith effort to cause its respective appraisal to be completed within sixty (60) days following the date of the commencement of the appraisal. CRA/LA Appraiser and the City Appraiser shall each be an MAI certified appraiser with at least ten (10) years of recent experience appraising commercial real estate within Los Angeles County. The appraisals shall each be a comprehensive appraisal that complies with the Uniform Standards of Professional Appraisal Practice. For purposes of determining the Fair Market Value, as defined in Section 12(b) below, the date of the appraisal on which the Fair Market Value is based must be dated within six months of the Closing Date. If the appraisal date is more than six months prior to the Closing Date, the Fair Market Value shall be either based on appraisal updates dated within six months of the Closing Date or new appraisals, as mutually agreed upon by the Parties. In either event, the process set forth in Section 12(b) shall be used to conduct the appraisal update or new appraisals.

b. **Determination of Fair Market Value and Purchase Price.** The Parties shall utilize the following process to establish the Fair Market Value for the Property based on CRA/LA Appraiser's determination, and the City Appraiser's determination (each, an "Appraised Value"). If the lower Appraised Value is within ten percent (10%) of the higher Appraised Value, then the Fair Market Value of the Property shall be the average of the two Appraised Values. If the Appraised Values differ by more than ten (10) percent, a third appraiser (with the qualifications described above) shall be selected by mutual agreement of CRA/LA Appraiser and the City Appraiser within ten (10) days after the submission of their Appraised Values. If the third appraisal is less than either of the first two, then the Fair Market Value of the Property shall be the average of the two lowest appraisals. If the third appraisal is greater than the first two, then Fair Market Value of the Property shall be the average of the two highest appraisals. If the third appraisal falls between the previous two appraisals, the Fair Market Value of the Property shall be the value established by the third appraisal. The Fair Market Value determined by this Section 12(b) shall constitute the Purchase Price.

c. **Costs.** The City shall pay the costs of CRA/LA Appraiser, the City Appraiser, and any third appraiser required pursuant to this Section.

Section 13. Exercise of Option. Prior to the expiration of the Term and following the approval of the Disposition Plan as provided in Section 6(b) and the determination of Fair Market Value as provided in Section 12 (b), the City may exercise the Option by delivering the Option Notice and by establishing an escrow with the Title Company specified in Section 14

below. The Option Notice shall set forth: (i) the Purchase Price, as determined by Section 12(b) above (ii) the Closing Date, and (iii) shall have attached thereto an agreement executed by the Developer and the City which requires the Developer to develop the Property in accordance with the Disposition Plan. Upon receiving the Option Notice, CRA/LA staff shall present to the Governing Board for its consideration a purchase agreement incorporating the relevant terms of this Agreement, and such other terms as mutually agreed upon by the Parties, pursuant to which CRA/LA shall convey the Property to the City for the Purchase Price (the "Purchase Agreement"). Approval of the Purchase Agreement by the Governing Board shall be subject to Oversight Board and DOF approval. The Term shall be automatically extended one day for each day following the City's submittal of the Purchase Agreement to CRA/LA staff until the City has been notified in writing by CRA/LA staff of the approval or disapproval of the Purchase Agreement by the Governing Board, Oversight Board and DOF, which notice shall contain a reasonable description of the basis for disapproval if the Purchase Agreement is disapproved by the Governing Board, Oversight Board or DOF. If the Purchase Agreement is approved by the Governing Board, Oversight Board and DOF, the Term shall be automatically extended for a period of sixty (60) days from the date on which the City receives written notice of such approval from CRA/LA staff to allow the Closing to occur. If the Purchase Agreement is disapproved, the Term shall automatically be extended one time for a period of sixty (60) days from the date the City receives written notice of such disapproval from CRA/LA staff to allow the City an opportunity to address objections of the Governing Board, Oversight Board or DOF to the Purchase Agreement. If the City does not resubmit the Purchase Agreement within such sixty (60) day period, this Agreement shall automatically terminate. If the City resubmits the Purchase Agreement within such sixty (60) day period, the Term shall automatically be extended one day for each day following the City's resubmittal until the City has been notified in writing by CRA/LA staff of the approval or disapproval of the resubmitted Purchase Agreement by the Governing Board, Oversight Board and DOF. If the resubmitted Purchase Agreement is approved by the Governing Board, Oversight Board and DOF, the Term shall be automatically extended for a period of sixty (60) days from the date on which the City receives written notice of such approval from CRA/LA staff to allow the Closing to occur. If the resubmitted Purchase Agreement is disapproved, this Agreement shall automatically terminate.

Section 14. Escrow and Closing. On, or before, the delivery of the Option Notice, the City shall open an escrow for the purchase and sale contemplated by this Agreement with a title company mutually acceptable to the Parties (the "Title Company") at an office in a mutually acceptable location. If the City elects to proceed with the acquisition of the Property pursuant to the Purchase Agreement, then, at least two (2) working days before the Closing Date, defined below, CRA/LA and the Parties shall each deliver escrow instructions to the Title Company consistent with the Purchase Agreement to close escrow, and the City shall deposit the Purchase Price with the Title Company. The Title Company shall close escrow by, and the "Closing" shall occur for purposes of this Agreement upon, recording the Grant Deed in the official records of the County of Los Angeles, and the release by the Title Company of the Purchase Price, in cash, to CRA/LA. The Closing shall occur within sixty (60) days following the date of the approval of the Purchase Agreement by DOF, unless extended by mutual agreement of the Parties. The "Closing Date" shall be the day on which the Closing occurs. In connection with the Closing, the City shall pay (a) the premium cost of the any title policy, including the cost of any endorsements required by the City, (b) recording charges and (c) one-half (1/2) of escrow holder's fees. In connection with the Closing, CRA/LA shall pay one-half (1/2) of escrow

holder's fees. All other costs related to the sale of the Property shall be paid by the Parties in the manner consistent with common practice in land transactions in the County of Los Angeles.

Section 15. Condition of Property.

a. AS-IS Conveyance. THE CITY SPECIFICALLY ACKNOWLEDGES AND AGREES THAT THAT CRA/LA IS CONVEYING AND THE CITY IS OBTAINING THE PROPERTY (INCLUDING ALL EXISTING IMPROVEMENTS THEREON) ON AN "AS IS WITH ALL FAULTS" BASIS AND THAT THE CITY IS NOT RELYING ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, FROM CRA/LA AS TO ANY MATTERS CONCERNING THE PROPERTY, INCLUDING WITHOUT LIMITATION: (A) THE QUALITY, NATURE, ADEQUACY AND PHYSICAL CONDITION OF THE PROPERTY (INCLUDING, WITHOUT LIMITATION, TOPOGRAPHY, CLIMATE, AIR, WATER RIGHTS, WATER, GAS, ELECTRICITY, UTILITY SERVICES, GRADING, DRAINAGE, SEWERS, ACCESS TO PUBLIC ROADS AND RELATED CONDITIONS); (B) THE QUALITY, NATURE, ADEQUACY, AND PHYSICAL CONDITION OF SOILS, GEOLOGY AND GROUNDWATER, (C) THE EXISTENCE, QUALITY, NATURE, ADEQUACY AND PHYSICAL CONDITION OF UTILITIES SERVING THE PROPERTY, OR ANY OF THE IMPROVEMENTS LOCATED ON THE PROPERTY, (D) THE DEVELOPMENT POTENTIAL OF THE PROPERTY, AND THE PROPERTY'S USE, HABITABILITY, MERCHANTABILITY, OR FITNESS, SUITABILITY, VALUE OR ADEQUACY OF THE PROPERTY FOR ANY PARTICULAR PURPOSE, (E) THE ZONING OR OTHER LEGAL STATUS OF THE PROPERTY OR ANY OTHER PUBLIC OR PRIVATE RESTRICTIONS ON THE USE OF THE PROPERTY, (F) THE COMPLIANCE OF THE PROPERTY OR ITS OPERATION WITH ANY APPLICABLE CODES, LAWS, REGULATIONS, STATUTES, ORDINANCES, COVENANTS, CONDITIONS AND RESTRICTIONS OF ANY GOVERNMENTAL OR QUASI-GOVERNMENTAL ENTITY OR OF ANY OTHER PERSON OR ENTITY, (G) THE PRESENCE OR ABSENCE OF HAZARDOUS MATERIALS ON, UNDER OR ABOUT THE PROPERTY OR THE ADJOINING OR NEIGHBORING PROPERTY, AND (H) THE CONDITION OF TITLE TO THE PROPERTY. THE CITY AFFIRMS THAT THE CITY HAS NOT RELIED ON THE SKILL OR JUDGMENT OF CRA/LA OR ANY OF ITS RESPECTIVE AGENTS, EMPLOYEES OR CONTRACTORS TO SELECT OR FURNISH THE PROPERTY FOR ANY PARTICULAR PURPOSE, AND THAT CRA/LA MAKES NO WARRANTY THAT THE PROPERTY IS FIT FOR ANY PARTICULAR PURPOSE. THE CITY ACKNOWLEDGES THAT IT SHALL USE ITS INDEPENDENT JUDGMENT AND MAKE ITS OWN DETERMINATION AS TO THE SCOPE AND BREADTH OF ITS DUE DILIGENCE INVESTIGATION WHICH IT SHALL MAKE RELATIVE TO THE PROPERTY AND SHALL RELY UPON ITS OWN INVESTIGATION OF THE PHYSICAL, ENVIRONMENTAL, ECONOMIC AND LEGAL CONDITION OF THE PROPERTY (INCLUDING, WITHOUT LIMITATION, WHETHER THE PROPERTY IS LOCATED IN ANY AREA WHICH IS DESIGNATED AS A SPECIAL FLOOD HAZARD AREA, DAM FAILURE INUNDATION AREA, EARTHQUAKE FAULT ZONE, SEISMIC HAZARD ZONE, HIGH FIRE SEVERITY AREA OR WILDLAND FIRE AREA, BY ANY FEDERAL, STATE OR LOCAL

AGENCY). THE CITY UNDERTAKES AND ASSUMES ALL RISKS ASSOCIATED WITH ALL MATTERS PERTAINING TO THE PROPERTY'S LOCATION IN ANY AREA DESIGNATED AS A SPECIAL FLOOD HAZARD AREA, DAM FAILURE INUNDATION AREA, EARTHQUAKE FAULT ZONE, SEISMIC HAZARD ZONE, HIGH FIRE SEVERITY AREA OR WILDLAND FIRE AREA, BY ANY FEDERAL, STATE OR LOCAL AGENCY.

b. Survival. The terms and conditions of this Section shall expressly survive the Closing, shall not merge with the provisions of the Grant Deed, or any other closing documents and shall be deemed to be incorporated by reference into the Grant Deed. CRA/LA is not liable or bound in any manner by any oral or written statements, representations or information pertaining to the Property furnished by any contractor, agent, employee, servant or other person. The City acknowledges that the Purchase Price for the Property reflects the "as is" nature of this conveyance and any faults, liabilities, defects or other adverse matters that may be associated with the Property. The City has fully reviewed the disclaimers and waivers set forth in this Agreement with the City's counsel and understands the significance and effect thereof.

c. Acknowledgment. The City acknowledges and agrees that: (i) to the extent required to be operative, the disclaimers of warranties contained in this Section are "conspicuous" disclaimers for purposes of all applicable laws and other legal requirements, (ii) the disclaimers and other agreements set forth in such sections are an integral part of this Agreement, and (iii) CRA/LA would not have agreed to convey the Property to the City without the disclaimers and other agreements set forth in this Section.

d. City's Release of CRA/LA. The City, on behalf of itself and anyone claiming by, through or under the City, waives its right to recover from and fully and irrevocably releases CRA/LA, its Governing Board, and Oversight Board, and their respective members, employees, officers, representatives, and agents (the "Released Parties") from any and all claims, responsibility and/or liability that the City may have or hereafter acquire against any of the Released Parties for any costs, loss, liability, damage, expenses, demand, action or cause of action arising from or related to: (i) the condition (including any construction defects, errors, omissions or other conditions, latent or otherwise within or about any existing improvements on the Property), valuation, salability or utility of the Property, or its suitability for any purpose whatsoever, (ii) any presence of Hazardous Materials, and (iii) any information furnished by the Released Parties under or in connection with this Agreement.

e. Scope of Release. The release set forth in this Section includes claims of which the City is presently unaware or which the City does not presently suspect to exist which, if known by the City, would materially affect the City's release of the Released Parties. The City specifically waives the provision of any statute or principle of law that provides otherwise. In this connection and to the extent permitted by law, the City agrees, represents and warrants that the City realizes and acknowledges that factual matters now unknown to the City may have given or may hereafter give rise to causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which are presently unknown, unanticipated and unsuspected, and the City further agrees, represents and warrants that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that the City nevertheless hereby intends to release, discharge and acquit the Released Parties from any such

unknown causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses. Accordingly, the City, on behalf of itself and anyone claiming by, through or under the City, hereby assumes the above-mentioned risks and hereby expressly waives any right the City and anyone claiming by, through or under the City, may have under Section 1542 of the California Civil Code, which reads 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."

City's Initials:

Notwithstanding the foregoing, this release shall not apply to, nor shall CRA/LA be released from, CRA/LA's actual fraud or misrepresentation.

Section 16. Default. A Party to this Agreement shall be deemed to be in default hereunder for the breach of any provision contained herein which has not been cured within thirty (30) days of receipt after written notice of such default. In such event, the non-breaching Party may terminate this Agreement, or, in addition to any other remedy in equity or at law, may seek to recover damages, or seek an action for injunctive relief or specific performance.

Section 17. Notices. Any notice or other communication given or made pursuant to this Agreement shall be in writing and shall be deemed given if (i) delivered personally or by courier, (ii) sent by overnight express delivery, or (iii) mailed by registered or certified mail (return receipt requested), postage prepaid, to a Party at its respective address set forth below (or at such other address as shall be specified by the Party by like notice given to the other Party):

To CRA/LA:	CRA/LA, A Designated Local Authority 448 S. Hill Street, Suite 1200 Los Angeles, CA 90013 Attn: Chief Executive Officer
With a copy to:	Goldfarb & Lipman LLP 523 West Sixth Street, Suite 610 Los Angeles, CA 90014 Attn: Thomas Webber
To the City:	Mayor's Office of Economic Development 200 North Spring Street 13 th Floor Los Angeles, CA 90012 Attn: Deputy Mayor for Economic Development

With a copy to: City of Los Angeles
200 North Main Street, 15th Floor
Los Angeles, CA 90012
Attn: City Administrative Officer

With a copy to: City of Los Angeles
200 North Spring Street, Rm. 255
Los Angeles, CA 90012
Attn: Chief Legislative Analyst

With a copy to: Richards, Watson & Gershon
355 South Grand Avenue, 40th Floor
Los Angeles, CA 90071
Attn: Jim G. Grayson, Esq.

All such notices and other communications shall be deemed given on the date of personal or local courier delivery, delivery to overnight courier or express delivery service, or deposit in the United States Mail, and shall be deemed to have been received (i) in the case of personal or local courier delivery, on the date of such delivery, (ii) in the case of delivery by overnight courier or express delivery service, on the date following dispatch, and (iii) in the case of mailing, on the date specified in the return receipt therefor.

Section 18. Continuing Cooperation. Each Party agrees, upon request of the other Party and at no cost to the Party requested, to promptly execute and deliver from time to time all such documents and to take such other actions as may be appropriate and reasonable to effectuate the conveyance of the Property to the City as contemplated by this Agreement and the development of the Property as contemplated by the Disposition Plan.

Section 19. Severability. If any portion of this Agreement is declared by a court of competent jurisdiction to be invalid or unenforceable, such portion shall be deemed severed from this Agreement and the remaining parts shall continue in full force as though such invalid or unenforceable provision had not been part of this Agreement.

Section 20. Binding Effect. This Agreement and its terms and conditions shall be binding upon and inure to the benefit of the Parties to this Agreement and their respective successors and permitted assigns.

Section 21. Time. Time is of the essence of this Agreement.

Section 22. No Broker. Each Party to this Agreement represents to the other Party that it has not engaged or used the services of any person, firm or corporation that may claim a broker's commission or finder's fee based upon this Agreement or the exercise of the Option, and each Party to this Agreement agrees to hold the other Party harmless from any loss, damage, expense or liability, including attorneys' fees resulting from any claim by any person, firm or corporation based upon its having acted as broker or finder on behalf of said indemnifying Party.

Section 23. Headings. The headings of the paragraphs of this Agreement are for convenience and reference only, and the words contained in the headings shall in no way be held to explain, modify, amplify or aid in the interpretations, constructions or meaning of the provisions of this Agreement.

Section 24. Recitals; Exhibits. All recitals set forth above and exhibits attached to this Agreement and referred to in this Agreement are incorporated into this Agreement by this reference as though they were fully set forth in this Agreement.

Section 25. Entire Agreement. This Agreement contains the entire agreement between the Parties respecting the matters set forth, and supersedes all prior agreements between the Parties respecting such matters. The Parties have read and reviewed this Agreement and agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting Party (including, but not limited to, Civil Code Section 1654, as may be amended from time to time) shall not apply to the interpretation of this Agreement.

Section 26. Amendments. The Parties can amend this Agreement only by means of a writing signed by both Parties, following approval by the Governing Board, the Oversight Board (as applicable), and the City Council, in accordance with applicable law.


Section 27. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

CRA/LA:

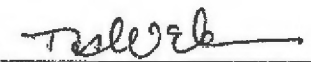
Date: JAN 08 2015

CRA/LA, A DESIGNATED LOCAL AUTHORITY, a public body formed under Health & Safety Code Section 34173(d)(3), as successor to The Community Redevelopment Agency of the City of Los Angeles, California

By: 
Estevan Valenzuela
Chief Executive Officer

APPROVED AS TO FORM:

GOLDFARB & LIPMAN LLP

By: 
Thomas H. Webber
CRA/LA Counsel

Attest: Holly Wolcott,

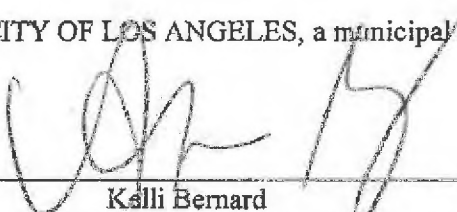
City Clerk



By:  - 1/9/15
Deputy

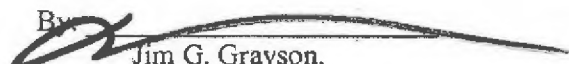
CITY:

THE CITY OF LOS ANGELES, a municipal corporation

By: 
Kelli Bernard
Deputy Mayor for Economic Development

APPROVED AS TO FORM:

RICHARDS, WATSON & GERSHON,
A Professional Corporation

By: 
Jim G. Grayson,
Special Counsel to the City

C-125176

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOT 9 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

LOT 10 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL MINERALS, GAS, OILS, PETROLEUM, NAPHTHA, HYDROCARBON SUBSTANCES AND OTHER MINERALS IN OR UNDER SAID LAND, LYING 500 FEET OR MORE BELOW THE SURFACE OF SAID LAND, AS EXCEPTED AND RESERVED IN DEED RECORDED JULY 5, 1973 AS INSTRUMENT NO. 4003 IN BOOK D-5935 PAGE 447, OFFICIAL RECORDS.

PARCEL 3:

LOT 11 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM; ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, ALL OTHER HYDROCARBON SUBSTANCES BY WHATSOEVER NAME KNOWN, AND ALL WATER, CLAIMS OR RIGHTS TO WATER, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED BY DEED RECORDED MARCH 16, 1959 IN BOOK D-399 PAGE 399 OFFICIAL RECORDS.

PARCEL 4:

LOT 12 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM, ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, ALL OTHER HYDROCARBON SUBSTANCES BY WHATSOEVER NAME KNOWN, AND ALL WATER, CLAIMS OR RIGHTS TO WATER, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED IN DEED OF RECORD.

PARCEL 5:

LOT 13 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES IN, UNDER, AND/OR THAT MAY BE PRODUCED FROM A DEPTH OF 500 FEET BELOW THE SURFACE OF SAID LAND, BUT WITHOUT ANY USE OF OR RIGHTS IN OR TO ANY PORTION OF THE SURFACE THEREOF TO A DEPTH OF 500 FEET THEREFROM, AS RESERVED BY ANTHONY DEL VAGLIO, AN UNMARRIED MAN IN DEED RECORDED JUNE 4, 1969 AS INSTRUMENT NO. 674, OF OFFICIAL RECORDS.

PARCEL 6:

LOTS 14 AND 15 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES IN, UNDER, AND/OR THAT MAY BE PRODUCED FROM A DEPTH OF 500 FEET BELOW THE SURFACE OF SAID LAND, BUT WITHOUT ANY USE OF OR RIGHTS IN OR TO ANY PORTION OF THE SURFACE THEREOF TO A DEPTH OF 500 FEET THEREFROM, AS RESERVED BY ANTHONY DEL VAGLIO, AN UNMARRIED MAN IN DEED RECORDED JUNE 4, 1969 AS INSTRUMENT NO. 674, OF OFFICIAL RECORDS.

PARCEL 7:

LOTS 16 AND 17 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT ALL MINERAL RIGHTS, IN AND UNDER SAID LAND AND ALL REASONABLE RIGHT OF ENTRY UPON SAID LAND, INCLUDING SUCH REASONABLE RIGHT OF INGRESS AND EGRESS AS MAY BE NECESSARY TO MAINTAIN AND FURTHER EXPLORE THE EXISTING MINERAL RIGHTS INCLUDING THE EXTRACTION OF SAID, AS RESERVED BY JOHN PETER EBAR IN DEED RECORDED APRIL 5, 1974 AS INSTRUMENT NO. 1235.

PARCEL 8:

LOT 18 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL OIL, GAS, MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING BELOW THE SURFACE OF SAID LAND, BUT WITH NO RIGHT OF SURFACE ENTRY THERETO, AS PROVIDED IN THE DEED RECORDED SEPTEMBER 29, 1967 AS INSTRUMENT NO. 714, IN BOOK D-3783 PAGE 243, OF OFFICIAL RECORDS.

PARCEL 9:

LOT 19 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL OIL, GAS, MINERALS AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER SAID LAND LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE THEREOF, BUT WITH NO RIGHT OF SURFACE ENTRY, AS PROVIDED IN THE DEED RECORDED NOVEMBER 28, 1967 AS INSTRUMENT NO. 14, IN BOOK D-3841 PAGE 285, OF OFFICIAL RECORDS.

PARCEL 10:

LOTS 20 AND 21 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT ALL MINERALS, OIL, GAS, WATER, CARBONS, HYDRO-CARBONS AND AIR RIGHTS ON OR UNDER SAID LAND, NOW OF RECORD.

PARCEL 11:

LOTS 22 AND 23 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 12:

LOTS 24 AND 25 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL GAS, OIL, MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING 500 FEET BELOW THE SURFACE OF THE LAND, BUT WITHOUT THE RIGHT TO USE THE SURFACE OF THE LAND TO REMOVE, DRILL, OR PROSPECT FOR SAME, AS RESERVED BY EVA P. SALE, WHO ACQUIRED TITLE AS EVA PAULINE SALE, IN DEED RECORDED FEBRUARY 29, 1980 AS INSTRUMENT NO. 80-207269 OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM ALL GAS, OIL, MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING 500 FEET BELOW THE SURFACE OF THE LAND BUT WITHOUT THE RIGHT TO USE THE SURFACE OF THE LAND TO REMOVE, DRILL, OR PROSPECT FOR SAME, AS RESERVED BY MYRTLE E. POLLOCK IN DEED RECORDED FEBRUARY 29, 1980 AS INSTRUMENT NO. 80-207270 OFFICIAL RECORDS.

PARCEL 13:

LOT 26 IN BLOCK "A", OF TRACT NO. 3374, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 37 PAGE 11 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXHIBIT B

PROPERTY CONDITIONS

CRA/LA, A DESIGNATED LOCAL AUTHORITY

Long Range Property Management Plan

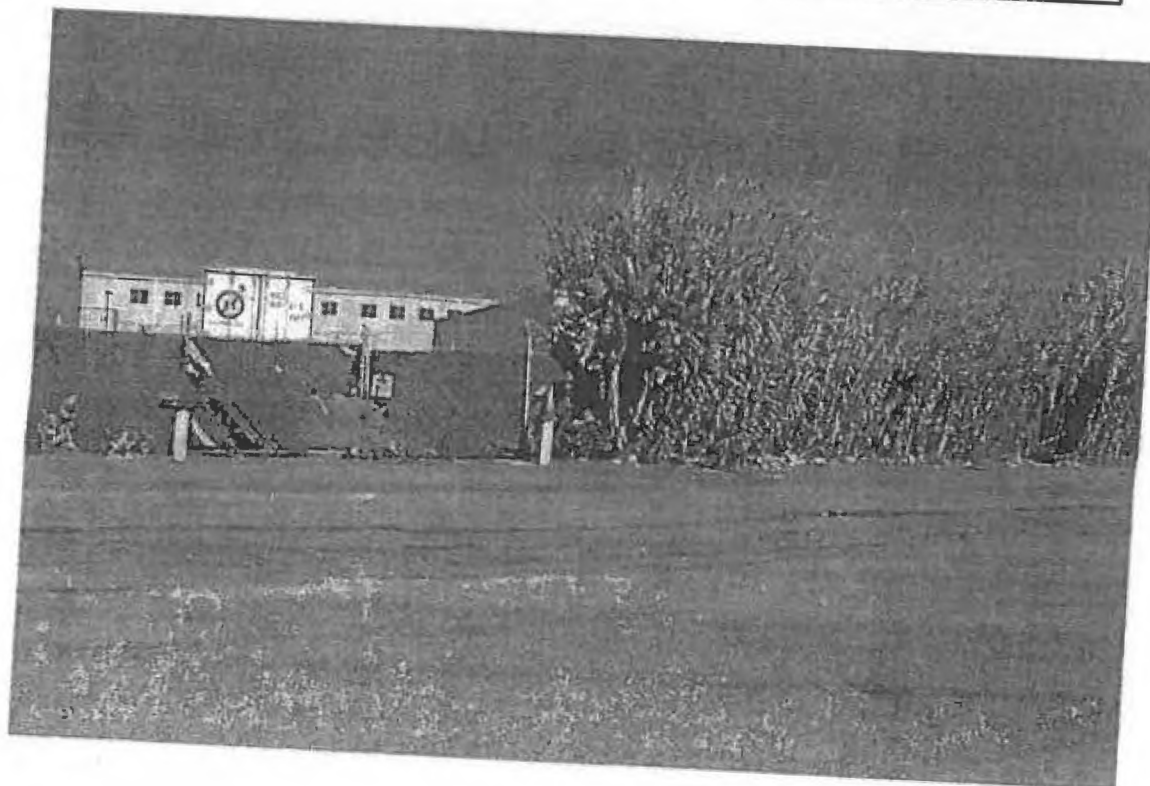
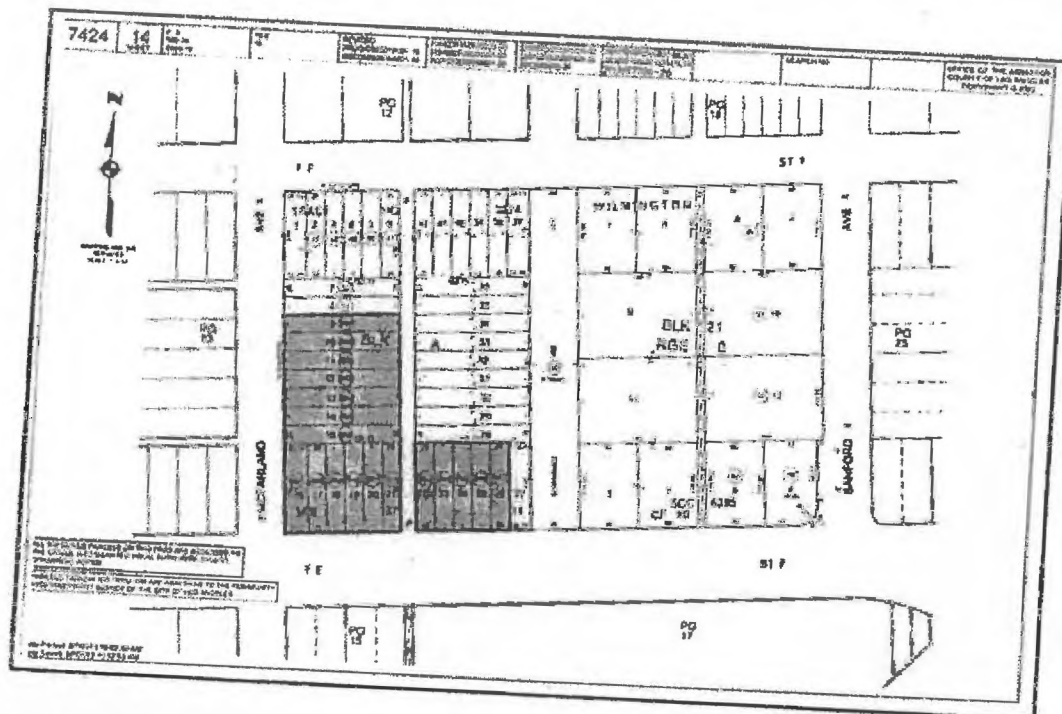
Vacant Land: Industrial
518 - 530 N. McFarland Ave.

Los Angeles Harbor
Wilmington, CA 90744

**RETAIN FOR FUTURE
DEVELOPMENT**

ID 310

Subject Property Photograph and Plat Map



CRA/LA, A DESIGNATED LOCAL AUTHORITY**Long Range Property Management Plan**

Vacant Land: Industrial
518 - 530 N. McFarland Ave.
Los Angeles Harbor
Wilmington, CA 90744

**RETAIN FOR FUTURE
DEVELOPMENT**

ID 310

SITE

Assessor Parcel Nos.	7424-014-900 through -917
Site Area*	60,452 SF
Site Shape	Rectangular/L-shaped
Primary Street Frontage	Approx. 294' on the E/s of McFarland Avenue
Zoning*	M2
Topography	Flat
Utilities	All to site
Soils	N/A; no studies were provided for review.

*Based on information provided from CRA/LA

IMPROVEMENTS

Current Use	Vacant land; utilized for truck parking.
Building Size	N/A
No. of Buildings	N/A
Year Built	N/A
No. of Tenants	N/A
Construction Type	N/A

CONDITIONS DESCRIPTION

1. Site is unimproved. A portion of the property is being used for truck parking pursuant to a lease agreement. CRA/LA is in the process of relocating the tenant.
2. The site is fenced and secured.

Exhibit 8

Wilmington Block Development Project

Sources and Uses

date/version

Sources

Debt	Amount
Permanent Loan	\$9,600,000
Equity	
A. Cash	
Equity Investment	\$8,690,126
B. Non Cash	
TOTAL SOURCES	\$18,290,126

Uses

(Attached Details if needed)	
Land	\$3,880,000
Demolition and Grading	\$1,375,510
Hard Costs	\$10,999,011
Soft Costs	\$147,647
Capitalize Interest	\$828,750
Reserves for contingency	\$500,000
Project Management Fees	\$559,208
	\$0
	\$0
TOTAL USES	\$18,290,126

Balanced?

Balanced

Site Square Feet
Warehouse Square Feet

64,613	
55,000	Months Const. 10

Land	3,880,000
1 Land Valuation	3,880,000
Demolition and Grading	1,375,510
1 Demolition and Site preparation	1,375,510
Hard Costs	10,999,011
1 General conditions	516,800
2 Concrete	1,156,598
3 Steel/Metals	1,064,000
4 Building(Floor/Door/Painting)	1,925,686
5 Loading Dock Equipment	112,593
6 Electrical,Air Conditioning and Plur	1,938,334
7 Freezing Equipment	1,785,000
8 Rack	2,500,000
Soft Costs	147,647
1 Builders Risk Insurance	17,797
2 GL Insurance	76,850
3 Tribe Inspection	3,000
4 Permit/CEQA Related	50,000
Capitalized Interest	828,750
1 Construction Loan Interest	828,750
Reserves for contingency	500,000
1 Case Reserves	500,000
Project Management Fees	559,208
Consultant(ATI)	150,000
Contractors Fee & Overhead	409,208
TOTAL BUDGET	18,290,126

EXHIBIT 9

SCHEDULE OF PERFORMANCE

Insurance

Pursuant to Section 3.1.2, Developer shall submit to the City evidence of insurance to be acquired by Developer as required by Sections 7.4.

Within 30 days following the Effective Date.

Schematic Design Drawing

Pursuant to Section 4.3.1, Developer shall submit to City for approval the schematic design drawings.

Already submitted and accepted.

Memorandum of DDA

Pursuant to Section 3.1.7, Developer shall submit to the City a duly-executed and properly acknowledged Memorandum of DDA.

Prior to or concurrent with the Effective Date.

Good Faith Deposit / Security Deposit

Pursuant to Section 3.1.9, 3.6.1 Developer shall submit to the City the required good faith deposit.

(10) business days after the Opening Date,

Architect's Assignment

Pursuant to Section 4.10, Developer shall submit to City fully-executed architect's assignment.

Within 30 days following the Effective Date.

Execution of the Agreement By City

Within 15 days after final approval of the Agreement by both the City Board and the City Council of the City of Los Angeles.

Effective Date

The day on which this Agreement is fully executed by both Parties.

Opening of Escrow

Pursuant to Section 3.6.1, a duplicate original of the fully-executed DDA shall be delivered to the Escrow Agent, which delivery shall constitute the Opening of Escrow.

Within 5 days after the Effective Date.

Deposit of Escrow Instructions

Pursuant to Section 3.1.10(d) and 3.6.1 the Parties shall submit joint escrow instructions to the Escrow Agent.

No later than 5 business days after the Opening of Escrow and no later than 15 days prior to the Close of Escrow.

Design Development Drawing

Pursuant to Section 3.1.6 and Section 4.3.2, Developer shall submit to the City for approval the required Project Documents.

Within 90 days after the Effective Date, but in any event at least 120 days prior to Close of Escrow.

Financing Plan Submittal

Pursuant to Section 3.1.1, Developer shall submit to the City for approval the Financing Plan.

Within six (6) months after the Effective Date, but in any event no less than 60 days prior to the Close of Escrow.

Financing Plan Approval

Pursuant to Section 3.1.1, City shall consider and approve the Financing Plan.

City's approval shall be obtained no later than 60 days after the Financing Plan Submittal, but no later than April 30, 2019 or else either Party may terminate the DDA.

Permits and Approvals

Pursuant to Section 3.1.3 and Section 4.8, Developer shall have applied for and obtained all permits and approvals necessary to develop the Project.

Apply within twelve (12) months after the Effective Date. Obtain within twenty four (24) months after the Effective Date, but in any event thirty (30) days prior to Close of Escrow.

Construction Contracts

Pursuant to Section 3.1.4, Developer shall submit to the City for approval all construction contracts.

No less than 30 days prior to the commencement of construction; but in any event no less than 15 days prior to Close of Escrow.

Construction Bonds

Pursuant to Section 3.1.5, Developer shall submit to the City the required construction bonds.

Prior to Close of Escrow.

Final Construction Drawing

Pursuant to Section 3.1.6 and Section 4.3.3, Developer shall submit to the City for approval the required Project Documents.

90 days prior to Close of Escrow.

Deposit of Site Purchase Price

Pursuant to Section 3.1.11(a), Developer shall deposit into Escrow the Site Purchase Price.

No less than 2 business days prior to the scheduled Close of Escrow.

Deposit of Documents by Developer

Pursuant to Section 3.1.10(b), Developer shall deposit into Escrow all documents required for the Close of Escrow.

No less than 2 business days prior to the scheduled Close of Escrow.

Deposit of Documents by City

Pursuant to Section 3.1.01(c), City shall deposit into Escrow all documents required for the Close of Escrow.

No less than 2 business days prior to the scheduled Close of Escrow.

Confirmation of Escrowed Items

Pursuant to Section 3.1.10(e), Developer shall provide to City written confirmation regarding the deposit of funds and deed of trust for the Construction Loan.

No less than 2 business days prior to the scheduled Close of Escrow.

Close of Escrow

Pursuant to Section 3.7, conveyance of title to the Site to the Developer shall occur upon the Close of Escrow.

Shall occur only: (i) after Developer's compliance with all of the conditions precedent to closing AND (ii) concurrently with the closing of the Construction Loan. If the Close of Escrow fails to occur by December 31, 2020, then Escrow may be cancelled, provided that a mutual extension of the escrow cannot be reached.

Preconstruction Meeting and Community Outreach Plan

Pursuant to Sections 5.13.1 and 5.13.2.1, Developer shall meet with City's Office of Contract Compliance to hold a preconstruction meeting and to develop a community outreach plan.

Meeting shall occur no less than 90 days prior to the commencement of construction.

Commencement of Construction

Pursuant to Section 5.1, Developer shall commence construction of the Improvements on the Site.

Within 30 days after the later of (i) conveyance of title to the Site to Developer and (ii) receipt by the Developer of all governmental and quasi-governmental permits and approvals for

construction of the Project requiring such permit and/or approval, but in no event later than January 1, 2020.

Completion of Construction

Pursuant to Section 5.2, Developer shall complete construction of all Improvements.

Within 24 months after commencement of construction,

Permanent Financing Commitment

Developer shall submit to City evidence of the Permanent Loan.

Within 18 months of the date of LADBS's issuance of a Certificate of Completion,

EXHIBIT 10

SCOPE OF DEVELOPMENT

1. OVERVIEW AND INTENT

The Wilmington Block Project ("**Project**") will be developed on an approximately 1.4 acre site located at 801 East E Street at the corner of McFarland Ave., Wilmington, CA 90744 ("**Project Site**"). The Project will contain no less than 50,000 square feet.

The Project will be designed as an industrial cold storage facility, operated and managed by Konoike-Pacific California, Inc.

The various components of the Project will be designed and located on the Project Site as illustrated on the Design Development Drawings submitted pursuant to the DDA.

The Project will conform to the objectives and provisions set forth in this Scope of Development.

Any substantive changes from the provisions, design criteria, approved project design drawings, or property development standards must receive approval from the Department of City Planning. Developer shall request City approval of any change order for any deviation to the approved drawings prior to performance of changes.

2. PROJECT COMPONENTS

The Project will consist of approximately 38,400 square feet of freezer with rack storage, a 7,000 square foot cooler dock with 8 dock positions, and an office mezzanine above the dock.

3. ARCHITECTURE AND DEVELOPMENT STANDARDS

TBD

4. DESIGN STANDARDS

TBD

5. CITY REQUIREMENTS

The Developer shall comply with all codes, permits, and fee requirements of the City of Los Angeles. It is the responsibility of the Developer to ensure that the design of the Project conforms to all applicable City, County and State building codes, planning and zoning requirements. The Developer shall obtain a preliminary plan check from the City of Los Angeles Department of Building and Safety prior to the submission of Design Development Drawings to the City for approval. The Developer shall dedicate and be responsible for the construction and maintenance of improvements in adjoining public rights-of-way in conformance with the requirements of the City of Los Angeles.

EXHIBIT 11

ASSIGNMENT OF ARCHITECT'S CONTRACT AND PLANS AND SPECIFICATIONS AND PERMITS (With Architect's Consent and Certificate)

FOR GOOD AND VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, _____ (the "Developer"), as security for the obligations incurred and to be incurred by Developer pursuant to the Disposition and Development Agreement of even date herewith ("DDA") between Developer and The City of Los Angeles ("City"), relating to the acquisition certain real property and the development of an industrial cold storage facility and related improvements thereon ("Project") located in the City of Los Angeles, County of Los Angeles, California (the "Site"), as described in the DDA, hereby collaterally assigns and transfers to the City, its successors and assigns, all of (1) Developer's rights in and to those certain Plans and Specifications together with all amendments, modifications, supplements, general conditions and addenda thereto relating to the Site, prepared pursuant to the DDA (the "Plans") by _____ ("Architect"), (2) Developer's right, title and interest in that certain agreement dated _____, 20____, between Developer and Architect, a true and complete copy of which is attached hereto and incorporated herein by reference as Attachment 1 (the "Contract"), and (3) all permits to be obtained by or for the benefit of Developer relating to the Plans or the Project ("Permits"). Architect consents to this Assignment, and has executed the Consent and Certificate attached hereto as Attachment 2 and incorporated herein by this reference.

Neither this Assignment nor any action or actions on the part of the City shall constitute an assumption by the City of any of Developer's obligations under the Contract unless and until the City shall have given written notice to Architect of its election to complete construction of the Project following a default by Developer under the DDA and all applicable cure periods have expired under the DDA. Developer shall continue to be liable for all obligations under the Contract and Developer hereby agrees to perform each and all such obligations. In the event of a default under the DDA after the giving of all required notice(s) to the Developer and the expiration of any required cure period under the DDA, the City may elect to reassign its rights to the Plans, the Permits and the specifications under the Contract to any person or entity selected by the City to complete the Project with written notice to Developer and Architect. Such person or entity shall succeed to all of the rights and obligations of Developer

thereunder without the necessity of any consent from Developer or Architect and the City shall have no liability for any failure of such person or entity to perform the obligations under the Contract; however, City acknowledges and agrees that upon such failure by such person or entity, including, but not limited to, failure to cure any defaults in payment owing to Architect under the Contract, all right, title and interest in the Plans shall revert back to Architect until the failure(s) is cured. Provided, further, that in the event the City reassigns its rights to the Plans to another person or entity as aforesaid, the Architect's name shall not be used in connection therewith unless the Architect so approves in writing.

Developer hereby represents and warrants to the City that (1) to the best of its knowledge, the Contract is in full force and there are no material defaults thereunder by either Developer or Architect, (2) it has received no written notice of the existence of an event has occurred that would constitute a default under the Contract upon the giving of notice or the lapse of time or both, and (3) Developer has made no previous assignment of, and has not granted any security interest in, its rights to the Plans, the Permits or the specifications under the Contract, except for a senior assignment to the construction lender to the Project. Developer agrees that (a) except for assignments permitted under the DDA, it will not assign, transfer or encumber its rights to the Plans, the Permits or under the Contract so long as any obligation of Developer under the DDA remains unsatisfied without the prior written consent of the City, (b) it will not agree to any material amendment of the Contract without the prior written consent of the City, (c) it will not terminate the Contract or accept a surrender thereof, or waive, excuse, condone or in any manner release or discharge Architect of or from the obligations and agreements by Architect to be performed thereunder, in the manner and at the place and time specified therein without the prior written consent of the City, and (d) it will indemnify the City against any liabilities, losses, costs and expenses, including reasonable attorneys' fees, which may be incurred by the City as a result of the exercise of its rights under this Assignment prior to such time as the City assumes the Contract or assigns it to another developer and except to the extent such liability, loss, cost or expense is caused by the gross negligence, recklessness or intentional misconduct of the City.

Following an event of default under the DDA by Developer and the giving of all required notice(s) and the expiration of any required cure period thereunder, with ten (10) days prior notice to Developer, the City shall have the right at any time (but shall have no obligation) to take in its name as the City may at the time or from time to time determine to be necessary to cure any default under the Contract, to protect the rights

of Developer or the City thereunder, or enforce all rights of Developer under the Contract,. The exercise of the City's rights hereunder shall not constitute a waiver of any of the remedies of the City under the DDA or any other document or agreement or otherwise existing at law or otherwise.

(SIGNATURE PAGE FOLLOWS)

"City"

THE CITY OF LOS ANGELES

By: _____

APPROVED AS TO FORM:
MICHAEL N. FEUER, CITY ATTORNEY

By: _____

"DEVELOPER"

By: _____

ATTACHMENT 1 TO EXHIBIT 11

ARCHITECT'S CONTRACT

[See attached]

ATTACHMENT 2 TO EXHIBIT 11

CONSENT AND CERTIFICATE

Pursuant to that certain assignment of Architect's Contract and Plans and Specifications and Permits (the "Assignment") executed by _____ ("Developer") on _____, 20____, the undersigned, as Architect, hereby consents to the assignment by Developer of the Plans (all defined terms herein shall have the meaning defined in the Assignment), the Permits and the Contract to the Community Redevelopment Agency of the City of Los Angeles, a public body, corporate and politic ("the City"), and to each and all of the terms and conditions of such attached assignment and confirms to the City that (a) the Contract constitutes the entire agreement between the undersigned and Developer relating to the Project, (b) the Contract is in full force and effect with no defaults thereunder that have not been cured within the time allowed in the Contract for notice to and opportunity on the part of Developer for curing such defaults, (c) no event has occurred that would constitute a default under the Contract upon the giving of notice or the lapse of time or both, (d) no material modification shall be made in the Contract without the prior written consent of the City, (e) the undersigned agrees to be bound by the provisions of the DDA restricting the ability of Developer to make changes in the Plans without the prior written consent of the City but shall not be responsible for Developer's failure to obtain such written consent in the event of Developer's failure to do so, (f) the undersigned is not aware of any prior assignment of the Plans, the Permits or the Contract by Developer, and (g) a complete copy of the Plans and all Permits will be delivered to the City. The undersigned agrees that in the event of any default by Developer under the Contract after the giving of any required notice(s) to the Developer and the expiration of any required cure period under the DDA, the City shall have the right, but not the obligation, to cure said default within sixty (60) days from the City's receipt of notice of the default from either Developer or the undersigned, whichever is first received.

The undersigned further agrees that in the event the City becomes the owner of the Project, or undertakes to complete construction thereof, or assigns its rights to the Plans, the Permits and the specifications under the Contract to another person or entity, or otherwise requires the use of the Plans, the Permits and the specifications, the City, its successors and assigns are authorized to use the Plans, the Permits and the specifications without additional cost or expense beyond that stated in the Contract, all rights under the Contract otherwise exercisable by Developer may be exercised by the City or such successor or assign, and the undersigned will perform its obligations in

conformity with the Contract for the benefit of the City, its successors or assigns, all of the foregoing conditioned on the requirement of payment to the undersigned of all amounts due and owing to the undersigned pursuant to the Contract at that time, and continued payment thereafter of sums as they become due under the Contract.

The undersigned represents to the City as follows:

- (a) As represented in the Plans, the Development will comply with (1) all statutes, rules, regulations and ordinances of all governmental agencies having jurisdiction over the Project, including, without limitation, those relating to zoning, building, pollution control and energy use; (2) all applicable covenants, conditions and restrictions affecting the Site and the Project, and (3) the requirements of the appropriate board of fire underwriters.
- (b) Construction of the Project in accordance with the Plans will not result in any encroachment on any adjoining property or on any surface easement.
- (a) I The undersigned is duly licensed to conduct its business in the jurisdiction where its services are to be performed and will maintain such license in full force and effect throughout the term of the Contract.

The City shall have the right at any time to use all plans, specifications and drawings from the Project prepared by or for the undersigned for the Project, including, without limitation, the Plans, and the ideas, designs and concepts contained therein, without payment of any additional fees or charges beyond those due and owing under the Contract to the undersigned for such use.

The undersigned hereby assigns to the City all of the undersigned's right, title and interest in, to and under all subcontracts which are now or hereafter entered into by the undersigned in furtherance of its obligations under the Contract; provided, however, that until a default occurs by the undersigned under the Contract, the City shall not exercise any rights in the subcontracts which are hereby assigned. The undersigned acknowledges that the City is relying on, among other things, the Consent, confirmations, agreements and assurances provided herein in entering into the DDA.

DATED: _____, 20__.

ARCHITECT

By:

Print Name

Title

Exhibit 12

Form Gen. 146 (Rev. 9/06)

Required Insurance and Minimum Limits

Name: Konoike-Pacific California, Inc.

Date: 12/19/2018

Agreement/Reference: Wilmington Block Project 27

Evidence of coverages checked below, with the specified minimum limits, must be submitted and approved prior to occupancy/start of operations. Amounts shown are Combined Single Limits ("CSLs"). For Automobile Liability, split limits may be substituted for a CSL if the total per occurrence equals or exceeds the CSL amount.

Limits

☒ **Workers' Compensation - Workers' Compensation (WC) and Employer's Liability (EL)**

WC Statutory

EL \$1,000,000

☐ Waiver of Subrogation in favor of City

☐ Longshore & Harbor Workers

☐ Jones Act

☒ **General Liability** Aggregate Limits of \$2 million

\$1,000,000

☒ Products/Completed Operations

☐ Sexual Misconduct

☐ Fire Legal Liability

☐

☐ **Automobile Liability** (for any and all vehicles used for this contract, other than commuting to/from work)

☒ **Professional Liability** (Errors and Omissions)

\$1,000,000

Discovery Period 12 Months After Completion of Work or Date of Termination

☒ **Property Insurance** (to cover replacement cost of building - as determined by insurance company)

☒ All Risk Coverage

☐ Boiler and Machinery

☐ Flood

☒ Builder's Risk

☐ Earthquake

☐

☒ **Pollution Liability**

\$1,000,000

☒ 12 Months After Completion of Work or Date of Termination

☒ **Surety Bonds - Performance and Payment (Labor and Materials) Bonds**

100% of the contract price

☐ **Crime Insurance**

Other: 1) In the absence of imposed Auto Liability requirements, all contractors using vehicles during the course of their contract must adhere to the financial responsibility laws of the State of California.
2) Professional Liability Insurance is required for any Licensed Professional performing work as part of the loan agreement.