

32687

AGREEMENT

By and Between

ALANT CORP.

"Owner"

and

CITY OF LONG BEACH

"City"

AGREEMENT

THIS AGREEMENT (the "Agreement"), dated as of January 1, 2012 is entered into by and between ALANT CORP., a California corporation, dba Circle Porsche Audi ("Owner"), and the CITY OF LONG BEACH, a municipal corporation (the "City").

RECITALS

A. Owner owns and operates a Porsche and Audi vehicle sales, leasing and servicing facility at 1919 N. Lakewood Boulevard, Long Beach, California (the "Original Site").

B. In 2002 Owner acquired and developed additional property immediately adjacent to the Site (the "Expansion Site", and together with the Original Site, the "Site"). The Site includes a building which Owner operates as a new and used vehicle sales, leasing and servicing facility.

C. Owner has applied to City for assistance measured by a portion of increased sales tax which its expanded operations on the Site generate for City.

D. City has indicated a willingness to provide assistance through its Sales Tax Incentive Program upon the satisfaction and fulfillment of the terms and conditions of this Agreement in a timely manner.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Owner and City agree as follows:

1. DEFINITIONS. The capitalized terms and words used in this Agreement shall have the following meanings:

1.1. "Affiliate" means, with respect to any Person: (a) any other Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, (i) such Person or (ii) any general partner of such Person; (b) any other Person five percent (5%) or more of the equity interest of which is held beneficially or of record by (i) such Person or (ii) any general partner of such Person, and (c) any general or limited partner of (i) such Person or (ii) any general partner of such Person. As used in the previous sentence, "control" means the possession, directly or indirectly, of the power to cause the direction of the management of a Person, whether through voting securities, by contract, family relationship or otherwise.

1.2. "Event of Default" means any event so designated in this Agreement.

1.3. "Governmental Agency" means any and all governmental agencies having jurisdiction over Owner, the Site and/or the works of improvement to be performed on the Site.

1.4. "Governmental Approvals" means permits, consents, approvals and other entitlements required to be issued or obtained from any Governmental Agency.

1.5. "Hazardous Materials" means any chemical, substance, object, condition, material, waste, or controlled substance which is or may be hazardous to human health or safety or to the environment, due to its radioactivity, ignitability, corrosiveness, explosivity, flammability, reactivity, toxicity, infectiousness, or other harmful or potentially harmful properties or effects, including, without limitation, all chemicals, substances, materials, or wastes that are now or hereafter may be listed, defined, or regulated in any manner by any federal, state, or local government agency or entity, or under any federal, state, or local law, regulation, ordinance, rule, policy or procedure due to such properties or effects.

1.6. "Job Training Partnership Act" means Chapter 19 of Title 29 of the United States Code, or any successor law thereto.

1.7. "Laws" means all statutes, laws, ordinances, regulations, orders, writs, judgments, injunctions, decrees or awards of the United States or any state, county, municipality or other Governmental Agency.

1.8. "Lease" means the Lease between the legal owners of the real property constituting the Site, as landlord, and City, as tenant, the form of which is attached as Attachment No. 1.

1.9. "New Vehicle Dealership Operations" means operations conducted by Owner on the Site pursuant to one or more franchises granted by a new vehicle manufacturer or distributor, and includes the sales, servicing and leasing of new and used vehicles, parts and accessories, after-market products and services, and the occasional wholesaling of vehicle inventory.

1.10. "Operating Period" means the period of eleven (11) years following the commencement date of the Lease during which Owner shall continuously occupy and conduct New Vehicle Dealership Operations on the Site.

1.11. "Person" means any entity, whether an individual, trustee, corporation, partnership, trust, unincorporated organization, Governmental Agency or otherwise.

1.12. "Sales Tax" means all taxes levied under the authority of the California Sales and Use Tax Law, Part 1 of Division 2 of the California Revenue and Taxation Code commencing at Section 6001, or any successor law thereto.

1.13. "Sublease" means the Sublease between City, as sublandlord, and Owner, as subtenant, the form of which is attached as Attachment No. 2.

2. THE PARTIES.

2.1. Owner. Owner is Alant Corp., a California corporation, dba Circle Porsche Audi, whose mailing address is 1919 N. Lakewood Boulevard. By executing this

Agreement, each person signing on behalf of Owner warrants and represents to City that it has the full power and authority to enter into this Agreement and that all authorizations and approvals required to make this Agreement binding upon Owner have been duly obtained.

2.2. City. City is a municipal corporation, duly organized and existing pursuant to its Charter.

3. THE SITE. Owner represents and warrants that it owns and operates a new vehicle sales, leasing and servicing facility at the Site. The Site is to be used in connection with its New Vehicle Dealership Operations for the term of the Lease. Failure to conduct New Vehicle Dealership Operations on the Site at any time during the term of the Lease shall constitute an Event of Default hereunder.

4. OBLIGATIONS OF OWNER.

4.1. Indemnification, Bodily Injury and Property Damage Insurance. Owner will protect, defend, indemnify and save City and its officers, employees and agents, harmless from and against all liabilities, obligations, claims, damages, penalties, causes of action, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) imposed upon or incurred by or asserted against City or the Site unless caused by the acts, errors or omissions of City, by reason of (a) any accident or injury, or alleged accident or injury, to or death of persons or loss of or damage to property occurring on or about the Site, or any part thereof, (b) any failure or alleged failure on the part of Owner to perform or comply with any of the terms of this Agreement, or (c) any negligence or tortious act or alleged negligence or tortious act on the part of Owner or any of its agents, contractors, subtenants, licensees or invitees. Further, from and after the execution of this Agreement by City, Owner shall defend, release, hold harmless and indemnify City and any officer, employee, agent or contractor, for an unlimited period, from and against all liability, loss, damage (including consequential damages), costs and/or expense (including attorneys' fees and court costs) arising out of or in any way connected with the refurbishment of the Site by Owner, or condition of the Site, including but not limited to the existence of any hazardous and/or toxic substance(s), other kinds of soil or other water contamination, or pollutants of any kind located on or within the Site, or any part thereof, whether such condition, liability, loss, damage, costs and/or expense shall accrue or be discovered before or after any termination of this Agreement; provided however that Owner shall not be required to indemnify, defend or hold City harmless from liability, loss, damage, costs or expenses arising out of the acts or omissions of city's officers, employees or agents. In the event that any action, suit or proceeding is brought against City by reason of any such occurrence, Owner, upon City's request, will, at Owner's expense, defend such action, suit or proceeding with counsel reasonably acceptable to Owner and City.

This indemnification provision supplements and in no way limits the scope of the indemnifications set out in any other provisions of this Agreement. The indemnity obligation of Owner under this Section as it pertains to an occurrence during the term of

this Agreement shall survive the expiration or termination, for any reason, of this Agreement.

Without in any way limiting the foregoing indemnification or any other indemnification contained in this Agreement, Owner shall take out and maintain for the duration of this Agreement, at Owner's sole cost and expense, the following insurance in the amounts specified and in the forms provided below:

a. Comprehensive General Liability in an amount not less than five million dollars (\$5,000,000) combined single limit for each occurrence for bodily injury, personal injury and property damage including contractual liability. City and its officials, employees and volunteers shall be covered as additional insureds with respect to liability arising out of activities by or on behalf of Owner or in connection with the use or occupancy of the Site. Coverage shall be in a form acceptable to the City Risk Manager and shall be primary as to any insurance or self-insurance maintained by City.

b. Workers' Compensation as required by the Labor Code of the State of California and Employers' Liability insurance in an amount not less than one million dollars (\$1,000,000).

c. "All Risk" Property covering the full replacement cost of Owner's improvements and fixtures, furnishings, equipment and inventory constructed, installed or used on or about the Site. City shall be added as an insured under the standard loss payable endorsement. Owner hereby agrees to waive all rights of subrogation against City for any damage to said improvements or fixtures covered by collectable commercial insurance. Owner's obligations to provide insurance under this paragraph shall apply to all improvements and fixtures, not withstanding that some or all of such improvements or fixtures may have been installed by Owner or any other party before or at any time after delivery of the Site to Owner.

d. Such other insurance and in such amounts as may from time to time be reasonably required by City against the same or other insurable hazards which at the time are commonly insured against in the case of premises similarly situated, due regard being given to the height and type of buildings thereon and their construction, use and occupancy.

e. Acceptable insurance coverage shall be placed with carriers admitted to write insurance in California, or carriers with a rating of or equivalent (as reasonably determined by City's risk manager) to A:VIII by A.M. Best & Company. Any deviation from this rule shall require specific approval in writing from the City's Risk Manager. Any deductibles or self-insured retentions must be declared to and approved by City, which approval may not be unreasonably withheld. At the option of City and after written notice to Owner, Owner may be required to reduce or eliminate such deductibles or self-insured retentions or to procure a bond guaranteeing payment of losses and related investigations, claim

administration and defense costs. Coverage under each policy shall not be suspended, avoided or canceled by either party except after thirty (30) days (or ten (10) days in the case of non-payment of premiums) prior written notice to City. Owner shall furnish City with certificates of insurance and with original endorsements effecting coverage as required under this section. The certificates and endorsements for each insurance policy shall be signed by a person authorized by the insurer to bind coverage on its behalf. City reserves the right to require complete certified copies of all insurance Policies at any time. If required by City, Owner shall, from time to time, increase the limits of its general liability insurance to reasonable amounts customary for owners of improvements similar to those on the Property.

f. Owner shall be solely responsible for the clean-up and/or characterization of any hazardous and/or toxic substance(s), other kinds of soil or water contamination, or pollutants or any kind located on or within the Site but only as required by law, other than as may arise out of the acts or omissions of City's officers, employees or agents.

4.2. [Intentionally Deleted]

4.3. Continuous Operation and Employment. New Vehicle Dealership Operations are subject to location policies and facilities requirements of the new vehicle franchisors of dealership operations. Owner shall continuously occupy and conduct New Vehicle Dealership Operations on the Site for eleven (11) years following the commencement date of the Lease (the "Operating Period") subject to such policies and requirements so that it can maintain its vehicle franchises in good standing and its new vehicle dealership operations economically viable. Such occupancy and operations shall be evidenced by the maintenance of Owner's new vehicle dealership franchise in good standing.

4.4. Maintenance and Repair of Site. Owner shall maintain the Site (and all abutting grounds, parking and landscape areas which Owner is otherwise required to maintain) in good condition and repair, shall operate the Site in a businesslike manner, shall prudently preserve and protect both its own and City's interests in connection with the Site, shall not commit or permit any waste or deterioration of the Site, shall not abandon any portion of the Site or leave the Site unguarded or unprotected, and shall not otherwise act, or fail to act, in such a way as to unreasonably increase the risk of any damage to the Site or of any other impairment of City's interests under this Agreement.

4.5. Property Taxes, Sales Taxes and Assessments. Owner shall pay, prior to delinquency, all of the following (collectively, the "Impositions"): (a) all general and special real property taxes and assessments imposed on the Site; (b) all other taxes and assessments and charges of every kind that are assessed upon the Site and that create or may create a lien upon the one or both of the Site (or upon any personal property or fixtures used in connection with the Site), including without limitation non-governmental levies and assessments pursuant to applicable covenants, conditions or

restrictions; (c) all Sales Taxes; and (d) all license fees, taxes and assessments imposed on Owner. If permitted by law, Owner may pay any Imposition in installments (together with any accrued interest).

4.6. Maximize Sales Tax. During the Operating Periods, Owner shall use its best efforts, consistent with the requirements of law, subject to Section 4.3 of this Agreement, to cause the Site to be the place of sale or use for any transaction or activity (i.e.. sale, storage, use or other consumption in California of tangible personal property) engaged in by Owner which transaction or activity is subject to the California Sales and Use Tax Law, Part 1 of Division 2-of the California Revenue and Taxation Code commencing at Section 6001, or any successor law thereto.

4.7. Other Affirmative Covenants. While any obligation of Owner under this Agreement remains outstanding, the following provisions shall apply, except to the extent that City otherwise consents in writing:

4.7.1. Notice of Certain Matters. Owner shall give notice to City, within ten (10) days of Owner's learning thereof, of each of the following:

a. Any occurrence which is, or with the passage of time, would become a material event of default under any of the following: Owner's automobile dealership franchises, this Agreement, the Lease or the Sublease; or

b. Any dispute between Owner and any Governmental Agency relating to the Site, the adverse determination of which might materially affect Owner's covenant to operate the Site as retail automobile dealerships.

4.7.2. Further Assurances. Owner shall execute and acknowledge (or cause to be executed and acknowledged) and deliver to City all documents, and take all actions, reasonably required by City from time to time to perfect or confirm the rights created or now or hereafter intended to be created under this Agreement, to protect and further the validity, priority and enforceability of this Agreement, to carry out the purposes of this Agreement and the transactions contemplated thereunder.

4.8. Other Negative Covenants. While any obligation of Owner under this Agreement remains outstanding:

4.8.1. Owner shall not transfer any of the following without City's prior written consent, which consent shall not be unreasonably withheld:

a. Personal property owned by Owner for use at the Site, except in the ordinary course of business;

b. Any lease, or any permits, licenses or franchise agreements, except pursuant to a sale of the dealership operations by sale of assets or shares of stock in which the obligations of Owner under this Agreement, the Lease and the Sublease are assumed in full; and

c. A controlling interest in the Owner, provided that City hereby consents to the issuance of additional interests by Owner to existing shareholders of Owner and to the transfer of interests in Owner between existing members or from an existing member to such member's spouse, child, or grantor trust.

4.8.2. Owner shall not cause or permit the removal from the Site of any items of Personal Property which could affect Owner's operations conducted pursuant to this Agreement, except in the ordinary course of business.

4.9. Additional Representations and Warranties. As a material inducement to City's entry into this Agreement, Owner represents and warrants to City that:

4.9.1. Formation, Qualification and Compliance. Owner (a) is a corporation validly existing and in good standing under the laws of the State of California, (b) has all requisite authority to conduct its business and lease the Site, and (c) is qualified and in good standing in every jurisdiction in which the nature of its business makes qualification necessary or where failure to qualify could have a material adverse effect on its financial condition or the performance of its obligations under this Agreement. To the best of its knowledge, Owner is in compliance in all material respects with all Laws applicable to its business and has obtained all approvals, licenses, exemptions and other authorizations from, and has accomplished all filings, registrations and qualifications with, any Governmental Agency that are necessary for the transaction of its business. Owner shall maintain its existence as a corporation in good standing under the Laws of the State of California.

4.9.2. Accounts and Records. Owner shall maintain accounts and records, including financial records, adequate to identify and account for all costs pertaining to this Agreement, and such other records as may be deemed necessary by City to assure proper accounting for all federal, if any, and non-federal project funds, identification of which funds, if any, are used for construction, and to enforce the covenants contained in this Section 4. These records shall be made available for audit purposes to City or any authorized representative of City and shall be retained for the duration of this Agreement unless permission to destroy them earlier is granted by City.

5. OBLIGATIONS OF CITY.

5.1. City's Obligations. Provided all conditions precedent and concurrent to City's obligations hereunder have been satisfied, within ten (10) days after written request from Owner, City shall enter into the Lease and the Sublease with Owner ("City's Obligations").

5.2. Conditions Precedent to City's Obligations. The obligation of City to enter into or to perform City's obligations is contingent and conditioned upon the satisfaction of City that the following have occurred:

5.2.1. Owner shall be continuing to conduct its New Vehicle Dealership Operations at the Site.

5.2.2. Owner and City shall have agreed upon the "Base Sales Tax Increment" as that term is defined in the Sublease.

5.2.3. The warranties and representations of Owner contained in this Agreement and its attachments are true and correct.

5.2.4. Owner has all requisite authority to execute and perform its obligations under this Agreement.

5.2.5. All financial information furnished to City with respect to Owner in connection with this Agreement (a) is complete and correct in all material respects as of the date of preparation thereof, (b) accurately presents the financial condition of Owner, and (c) has been prepared in accordance with generally accepted accounting principles consistently applied or in accordance with such other principles or methods as are reasonably acceptable to City. All other documents and information furnished to City with respect to Owner are correct in all material respects and complete insofar as completeness is necessary to give City an accurate knowledge of their subject matter.

5.2.6. There has been no material adverse change in the condition, financial or otherwise, of Owner since the dates of the latest financial statements furnished to City. Since those dates, Owner has not entered into any material transaction not disclosed in such financial statements or otherwise disclosed to City in writing.

5.2.7. To the best of its knowledge, Owner has obtained all material Governmental Approvals required in connection with the ownership and use of the Site.

5.2.8. City shall have received each of the following documents, each in form and substance satisfactory to City:

- a. Certificates of insurance for all policies required pursuant to this Agreement;
- b. A certificate of the Secretary of State of California certifying that Owner is in good standing;
- c. Certified copies of resolutions of Owner that this Agreement has been authorized and approved by the company in accordance with the company's Articles and By-Laws; and
- d. All other documents reasonably required by City.

Until the above conditions are satisfied, City shall be under no obligation to perform City's Obligations.

5.3. Representations and Warranties of City. As a material inducement to Owner's entry into this Agreement, City represents and warrants to Owner that City has all requisite authority to enter into and perform this Agreement.

5.4. Conditions Precedent to Owner's Obligations. The obligation of Owner to enter into this Agreement or to perform Owner's obligations is contingent and conditioned upon the satisfaction of Owner that City shall have taken all steps necessary to have the authority to enter into and to perform this Agreement and the obligations of City set forth in the Lease and the Sublease to be entered into in accordance with this Agreement.

6. DEFAULTS AND REMEDIES.

6.1. Events of Default. The occurrence of any of the following, whatever the reason therefore, shall constitute an Event of Default:

6.1.1. Owner fails to perform any obligation for the payment of money under this Agreement, the Lease or the Sublease, and such failure is not cured within thirty (30) calendar days after Owner's receipt of written notice that such obligation was not performed when due; or

6.1.2. Owner fails to perform any obligation (other than obligations described in subparagraph 7.1.1) under this Agreement, especially, without limitation, those obligations set forth in Section 4, the Lease and the Sublease, and such failure is not cured within thirty (30) days after Owner's receipt of written notice that such obligation was not performed; provided that, if cure cannot reasonably be effected within such thirty (30) day period, such failure shall not be an Event of Default so long as Owner promptly (in any event, within ten (10) days after receipt of such notice) commences cure, and thereafter diligently (in any event within a reasonable time after receipt of such notice) prosecutes such cure to completion; or

6.1.3. Any material representation or warranty in this Agreement proves to have been incorrect in any material respect when made; or

6.1.4. All or any material portion of the Site is condemned, seized or appropriated by a Governmental Agency; or

6.1.5. The Site is materially damaged or destroyed by fire or other casualty unless Owner commences restoration of, and thereafter diligently restores, the Site in accordance with this Agreement; or

6.1.6. Owner is enjoined or otherwise prohibited by any Governmental Agency from occupying the Site and such injunction or prohibition continues unstayed for thirty (30) days or more for any reason; or

6.1.7. Owner is dissolved, liquidated or terminated, or all or substantially all of the assets of Owner are sold or otherwise transferred without City's prior written consent; or

6.1.8. Owner is the subject of an order for relief by a bankruptcy court, or is unable or admits its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors; or Owner applies for or consents to the appointment of any

receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or any part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of Owner, and the appointment continues undischarged or unstayed for ninety (90) days; or Owner institutes or consents to any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, custodianship, conservatorship, liquidation, rehabilitation or similar proceeding relating to it or any part of its property; or any similar proceeding is instituted without the consent of Owner, and continues undismissed or unstayed for ninety (90) days; or any judgment, writ, warrant of attachment or execution, or similar process is issued or levied against any property of Owner and is not released, vacated or fully bonded within ninety (90) days after its issue or levy; or

6.2. Remedies Upon Default. Upon the occurrence of any Event of Default, and thirty (30) days after written notice of default, and after a reasonable opportunity to cure such default, City may at its option do any or all of the following:

6.2.1. Suspend or terminate payment of the rent pursuant to the Lease and apply all or any part of such proceeds as City reasonably deems appropriate to fulfill obligations pursuant to this Agreement which Owner does not timely perform and/or to protect City's interests under this Agreement; and

6.2.2. Exercise any of its rights under this Agreement and any rights provided by Law, including the right to foreclose on any security and exercise any other rights with respect to any security, all in such order and manner as City elects in its absolute discretion.

6.3. Cumulative Remedies; No Waiver. City's rights and remedies under this Agreement are cumulative and in addition to all rights and remedies provided by Law from time to time. The exercise by City of any right or remedy shall not constitute a cure or waiver of any default, nor invalidate any notice of default or any act done pursuant to any such notice, nor prejudice City in the exercise of any other right or remedy. No waiver of any default shall be implied from any omission by City to take action on account of such default if such default persists or is repeated. No waiver of any default shall affect any default other than the default expressly waived, and any such waiver shall be operative only for the time and to the extent stated. No waiver of any provision of this Agreement shall be construed as a waiver of any subsequent breach of the same provision. City's consent to or approval of any act by Owner requiring further consent or approval shall not be deemed to waive or render unnecessary City's consent to or approval of any subsequent act. City's acceptance of the late performance of any obligation shall not constitute a waiver by City of the right to require prompt performance of all further obligations. City's acceptance of any performance following the sending or filing of any notice of default shall not constitute a waiver of City's right to proceed with the exercise of its remedies for any unfulfilled obligations and City's acceptance of any partial performance shall not constitute a waiver by City of any rights relating to the unfulfilled portion of the applicable obligation.

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7. GENERAL.

7.1. Nonliability of City. Owner acknowledges and agrees that:

7.1.1. The relationship between Owner and City pursuant to this Agreement is and shall remain solely that of contracting parties, and City neither undertakes nor assumes any responsibility pursuant to this Agreement to review, inspect, supervise, approve or inform Owner of any matter in connection with the Site.

7.1.2. Notwithstanding any other provision of this Agreement, City shall not be deemed responsible for or as a participant in any acts, omissions or decisions of Owner, and Owner shall indemnify City against any such claims.

7.1.3. City shall not be directly or indirectly liable or responsible for any loss or injury of any kind to any person or property resulting from any construction on, or occupancy or use of, the Site (except to the extent proximately caused by City's negligence or intentional misconduct), whether arising from (i) any defect in any building, grading, landscaping or other onsite or offsite improvement, (ii) any act or omission of Owner or any of Owner's agents, employees, independent contractors, licensees or invitees, or (iii) any accident on the Site or any fire or other casualty or hazard thereon. Owner shall indemnify City against any such claims.

7.1.4. By accepting or approving anything required to be performed or given to City under this Agreement including any certificate, survey, appraisal or insurance policy, City shall not be deemed to have warranted or represented the sufficiency or legal effect of the same, and no such acceptance or approval shall constitute a warranty or representation by City to anyone.

7.2. Survival of Representations and Warranties. All representations and warranties in this Agreement shall survive the termination of this Agreement and have been or will be relied on by City notwithstanding any investigation made by City.

7.3. Captions and Section References. The captions used in this Agreement are for the purpose of convenience only and shall not be construed to limit or extend the meaning of any part of this Agreement. Reference in this Agreement to Articles, Sections or Attachments shall be construed as references to this Agreement unless a different document is named.

7.4. Copies. Any executed copy of this Agreement shall be deemed an original for all purposes.

7.5. Severability. If any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability, unless it affects the substantial rights of a party or defeats the purpose of this Agreement, shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

7.6. Interpretation. The language in all parts of this Agreement shall in all cases be construed as a whole according to its fair meaning, and not strictly for or against any party. When the context of this Agreement requires, the neuter gender includes the masculine, the feminine, a partnership or corporation or joint venture or other entity, and the singular includes the plural.

7.7. Remedies are Cumulative. All remedies herein conferred upon the parties shall be deemed cumulative and no one remedy shall be exclusive of any other remedy herein conferred or created by law.

7.8. No Partnership or Joint Venture. The parties hereto agree that nothing contained in this Agreement shall be deemed or construed as creating a partnership, joint venture, or association between City and Owner; or cause City or Owner to be responsible in any way for the debts or obligations of the other, and no other provision contained in this Agreement nor any acts of the parties hereto shall be deemed to create any relationship between City and Owner other than that of contracting parties. Further, nothing herein shall give or is intended to give any rights of any kind to any person not an express party hereto.

7.9. Integration. This Agreement, including the Attachments attached hereto, is the entire agreement between and final expression of the parties, and there are no agreements or representations between the parties except as expressed herein. All prior negotiations and agreements between City and Owner with respect to the subject matter hereof are superseded by this Agreement. Except as otherwise provided herein, no subsequent change or addition to this Agreement shall be binding unless in writing and signed by the parties hereto.

7.10. Nonwaiver. None of the provisions of this Agreement shall be considered waived by any party except when such waiver is given in writing. The failure of any party to insist in any one or more instances upon strict performance of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

7.11. Uncontrollable Forces. No party to this Agreement shall be considered to be in default in the performance of those provisions contained in this Agreement relating to Owner's covenant to operate, when and to the extent failure of performance shall be caused by an Uncontrollable Force. Uncontrollable Force shall mean:

Any occurrence beyond the control of a party which causes that party to be unable to perform its obligations hereunder and which said party has been unable to overcome by the exercise of due diligence, including but not limited to flood, drought, earthquake, storm, fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil action, or failure, threat of failure or sabotage of facilities which have been maintained in accordance with good engineering and operating practices in California.

7.12. Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the State of California.

7.13. Notices. Any notice, approval, demand or other communication required or desired to be given pursuant to this Agreement shall be in writing and shall be personally served (including by means of professional messenger service) or, in lieu of personal service, deposited in the United States mail, postage prepaid, certified or registered mail, return receipt requested, or by Federal Express or other similar reputable overnight delivery service, and shall be effective upon receipt and shall be addressed as set forth below:

If to City: City Manager
City of Long Beach
333 West Ocean Blvd., 13th Floor
Long Beach, California 90802

If to Owner: Alant Corp., dba Circle Porsche Audi
1919 N. Lakewood Blvd.
Long Beach, California 90815
Attn: Jim Speck

With Copy to: James R. White, Esq.
135 S. Chaparral Ct., #200
Anaheim Hills, CA 92808

Either City or Owner may change its respective address by giving written notice to the others in accordance with the provisions of this Section.

7.14. Attorneys' Fees. If any party to this Agreement resorts to a legal action to enforce any provision of this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees, expenses and court costs in addition to any other relief to which it may be entitled.

7.15. Attachments Incorporated. All attachments to this Agreement, as now existing and as the same may from time to time be modified, are incorporated herein by this reference.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the dates hereinafter respectively set forth.

"Owner"

ALANT CORP., a California corporation,
dba Circle Porsche Audi

5-30, 2012

By: [Signature]
Its: President

By: [Signature]
Its: Asst. Sec.

"City"

CITY OF LONG BEACH, a municipal
corporation

6-12, 2012

By: [Signature] Assistant City Manager
City Manager

EXECUTED PURSUANT
TO SECTION 301 OF
THE CITY CHARTER.

Approved as to form this 7 day of June, 2012.

ROBERT E. SHANNON, City Attorney

By: [Signature]
Deputy

ATTACHMENT NO. 1

LEASE

THIS LEASE (the "Lease"), dated as of January 1, 2012, is entered into by and between ALANT CORP., a California corporation, dba Circle Porsche Audi (the "Owner"), as lessor, and the CITY OF LONG BEACH, a municipal corporation (the "City"), as lessee.

RECITALS

A. Owner owns and occupies certain property within the City of Long Beach at 1919 N. Lakewood Boulevard (the "Site"). The Site is legally described and depicted on the Legal Description attached hereto as "Exhibit "A".

B. Owner has fully stocked, equipped and staffed the Site as an automobile sales, leasing and service facility.

C. Owner and City entered into that certain Agreement dated as of even date herewith (the "Agreement"), pursuant to which City agreed to provide certain assistance to Owner in order that Owner may continue to operate the Site as a retail automobile sales, leasing and service complex. This Lease is entered into pursuant to the Agreement.

D. Contemporaneously herewith, City is subletting the Site to Owner pursuant to the Sublease.

E. Capitalized terms when used herein shall have the same meanings ascribed to them in the Agreement, unless otherwise defined herein.

WITNESSETH

1. Lease of Site. Owner does hereby lease, and City does hereby rent, the Site, with all appurtenances, areas, approaches, and rights-of-way incident thereto, commencing on January 1, 2012 (the "Commencement Date"), and ending on the date which is the eleventh (11th) anniversary of the Commencement Date unless earlier terminated in accordance with this Lease (the "Termination Date").

2. Rent. So long as Owner is not in default under this Lease, and after City has received proof of Sales Taxes owed and paid by Owner, City shall pay annual rent (the "Rent") in an amount as calculated in this Section. City's obligation to pay the Rent may be suspended as provided below.

2.1. Calculation of Rent. For a period commencing upon the Commencement Date and terminating on the earlier of (i) the date upon which the cumulative amount of the Rent, without interest, paid to Owner exceeds the "Maximum Rent Amount" as defined below, or (ii) the eleventh (11th) anniversary of the Commencement Date (the

"Term"), City shall pay Rent equal to fifty percent (50%) of the Excess Sales Tax Increment for that calendar year. In no event shall the cumulative amount of the Rent, without interest, paid to Owner over the term of this Lease exceed the Maximum Rent Amount.

2.2. Principles Regarding Calculation and Payment of Rent. The calculation and payment of Rent shall be performed in light of the following principles:

2.2.1. Rent shall be paid quarterly in arrears, thirty (30) days after each of the following conditions has been met: (i) the applicable calendar quarter has ended, (ii) Owner has submitted to City an Owner's Certificate in the form attached hereto as Attachment No. 1, and (iii) City has received written documentation from the Board of Equalization confirming the exact amounts of Sales Tax paid by Owner and Sales Tax Increment received by City for the applicable calendar quarter. For example, assume the Commencement Date is January 1, 2012; the amount of the first Rent payment will be based upon taxable sales which occurred on the Site between January 1, 2012, and March 31, 2012, and would be paid thirty (30) days after the satisfaction of each of the above conditions.

2.2.2. That portion of the Rent based upon Sales Tax Increment generated from leases shall be payable annually, within forty-five (45) days after the expiration of the calendar year.

2.2.3. Rent shall be applied to the calendar year quarter in which the Sales Tax Increment was generated on the Site. For example, assume the Commencement Date is January 1, 2012; while the first Rent payment may not be paid until about June 1, 2012 (or later), the amount of the first Rent payment will be based upon taxable sales which occurred on the Site between January 1, 2012, and March 31, 2012, and the Rent shall be applied to the period between January 1, 2012, and March 31, 2012.

2.2.4. The Excess Sales Tax Increment threshold amount and other adjustments for any period which is less than a calendar quarter or calendar year shall be prorated on a per diem basis using the actual number of days elapsed and the actual number of days in that calendar quarter or calendar year.

2.2.5. In any calendar quarter, no Rent shall be payable on account of the prorated Base Year Sales Tax Increment for that quarter; or in the instance of a partial calendar quarter, on account of the prorated amount of Base Year Sales Tax Increment. Rent shall be payable only after City has received the Base Year Sales Tax Increment for that calendar quarter. For example, assume the Commencement Date is January 1, 2012; the amount of the first Rent payment will be based upon taxable sales which occurred on the Site between January 1, 2012, and March 31, 2012. No Rent would be paid for that calendar quarter until City has received the Base Year Sales Tax Increment for that partial year (i.e., 50% of the Base Year Sales Tax Increment prorated for that quarter). If City received more than 50% of the Base Year Sales Tax Increment

attributable to that calendar quarter, the appropriate percentage of the excess amount would be paid as Rent.

2.3. Definitions Applicable to Determination of Rent.

2.3.1. "Base Year Sales Tax Increment" shall mean the Sales Tax Increment generated by operations of Owner on the Site in 2002, which was \$294,465.

2.3.2. "Calendar year" shall mean the calendar year, January 1 through December 31.

2.3.3. "Maximum Rent Amount" shall be Two Million Five Hundred Thousand Dollars (\$2,500,000).

2.3.4. "Event of Default" means any event so designated in this Lease.

2.3.5. "Excess Sales Tax Increment" shall mean, for a given calendar quarter, the amount of the Sales Tax Increment for that calendar quarter in excess of the Base Year Sales Tax Increment prorated for that calendar quarter. In any calendar quarter or year in which this Lease is in effect for a portion of the calendar quarter or calendar year, the Base Year Sales Tax Increment threshold shall be prorated on a per diem basis using the actual number of days elapsed and the actual number of days in that calendar quarter or calendar year.

2.3.6. "Penalty Assessments" shall mean penalties, assessments, collection costs and other costs, fees or charges resulting from late or delinquent payment of Sales Taxes and which are levied, assessed or otherwise collected from the business on the Site owing or obligated to pay Sales Tax.

2.3.7. "Sales Tax" means all taxes levied under the authority of the California Sales and Use Tax Law, Part 1 of Division 2 of the California Revenue and Taxation Code commencing at Section 6001, or any successor law thereto.

2.3.8. "Sales Tax Increment" shall mean that portion of the Sales Taxes, if any, levied by City upon taxable sales and uses on or attributable to the Site pursuant to an ordinance adopted by City, which Sales Taxes, when collected, are allocated and paid to, and actually received by, City, less any amounts received earlier by City which are to be refunded to Owner because of an overpayment of Sales Taxes. Sales Tax Increment shall not include Penalty Assessments, any Sales Taxes levied by, collected for or allocated to the State of California, the County of Los Angeles, a district or any other entity, or any funds paid, granted or allocated to City by the State of California, the County of Los Angeles, a district or any other entity, notwithstanding that such funds received by City are derived or measured by such other entity based upon Sales Taxes. This definition of Sales Tax Increment includes amounts attributable to Sales Taxes levied on lease payments paid by the lessee of a vehicle, as provided by California Revenue and Taxation Code § 7205.1. For purposes of this Lease, the Sales Tax Increment levied on lease payments shall be based upon leases financed through Volkswagen Credit, Audi Financial Services and Porsche Financial Services (or other

such independent, third party major automobile lease finance companies) which will provide and verify such information annually. The Sales Tax Increment for a calendar year shall include the Sales Tax Increment arising from lease payments.

2.4. Suspension of Obligation to Pay Rent. City's obligation to pay Rent shall be suspended at any time after thirty (30) days after written notice of an Event of Default under this Lease, the Sublease or the Agreement. If City has suspended its payment of Rent in accordance with the terms of this Lease, then upon cure of such Event of Default, City shall resume its payment of the Rent, but shall have no obligation to pay Rent payments for any calendar quarter or portion thereof during which Rent was suspended in accordance with this Lease (other than to the extent City is obligated to continue the payment of Rent after a cure of the default until the Termination Date).

2.5. Unsecured, Special Obligation of City. Owner acknowledges and agrees that the Rent is an unsecured, special obligation of City payable only out of the Excess Sales Tax Increment from the Site from and after commencement of this Lease. Notwithstanding anything contained in this Agreement to the contrary, Owner acknowledges and agrees that neither the Sales Tax Increment from the Site, nor any revenues of the City are, have been, or will be pledged or hypothecated by City to or for payment of the Rent. If and when requested by City, Owner agrees to execute and deliver to City, within five (5) business days after receipt, a certificate acknowledging for the benefit of any and all third parties that the Rent is an unsecured obligation of City for which neither Sales Tax Increment, nor any revenues of City are, have been, or will be pledged or hypothecated to or for payment.

3. [INTENTIONALLY OMITTED]

4. No Right of Possession. City acknowledges that it shall have no right to take possession of the Site, or any portion thereof.

5. Right to Sublease or Assign. Concurrent with the execution and delivery of this Lease, City has entered into the Sublease pursuant to which City has subleased the Site to Owner, and Owner has subleased the Site from City. Except for such Sublease, City shall not enter into any other agreement for the sublease of the Site or any portion thereof during the term of this Lease, without the prior written consent of Owner. City shall not assign the Lease or the Sublease without the prior written consent of Owner. Owner expressly acknowledges and agrees that City has only agreed to payment of the Rent as a means by which to induce development and expansion of the Site and the specific occupancy of Owner in the Site throughout the term of this Lease. Accordingly, Owner further expressly acknowledges and agrees that the payment of Rent is a personal right of Owner that is neither negotiable, transferable, nor assignable (other than as expressly permitted in the Agreement), nor may it be pledged or hypothecated under any circumstances without the prior written consent of City. This Lease shall terminate upon the earlier of (y) the Termination Date or (z) the conveyance of all or a portion of the Site by Owner.

6. Confirmation that Sales Tax Increment Has Been Received. City may confirm that Sales Tax Increment has been received in one of several ways. First, Owner may provide City with copies of the quarterly (or, if applicable, monthly) Board of Equalization reports filed by Owner together with a copy of its canceled check or other proof of payment of Sales Taxes reasonably satisfactory to City and, if applicable, a schedule of current leases initiated by Owner showing the taxable amount of lease payments to be made that calendar year not otherwise reported on Owner's Board of Equalization report. In the alternative, City may rely upon the Board of Equalization report which follows payment to City setting forth the sources of City's portion of the Sales Tax; provided, however, that this alternative shall only be available for Owner if it either (i) has no other place of business in the City other than on the Site, or (ii) has a Board of Equalization tax identification number or numbers for reporting Sales Tax generated by its business on the Site only. Further, the Board of Equalization report may not attribute to the Site Sales Tax on lease payments paid by a vehicle lessee. Finally, Owner may offer confirmation that Sales Tax Increment has been received by other means satisfactory to City in City's sole discretion. In any event, no Rent shall be payable until the Sales Tax payment by Owner upon which the Rent is calculated has been confirmed. For purposes of determining the Base Year Sales Tax Increment, Owner shall provide City with copies of the quarterly (or, if applicable, monthly) Board of Equalization reports filed by its Owner together with a copy of its canceled check, and a schedule of leases initiated in 2012 and lease payments to be made by those vehicle lessees during 2012.

7. Further Covenants. Owner and City further stipulate, covenant, and agree as follows:

7.1. Title. Owner covenants that Owner has lawful title and right to make this Lease for the term aforesaid.

7.2. Cooperation of Owner. Owner covenants that it shall cooperate fully with City as more specifically set forth in the Agreement.

7.3. Accounts and Records. Owner covenants that it shall maintain accounts and records, including financial records, adequate to identify and account for all costs pertaining to this Lease, and such other records as may be deemed necessary by City to enforce the covenants contained in this Lease and to verify costs and expenses used in the computation of Rent, including but not limited to the Base Year Sales Tax Increment, and Sales Tax Increment. These records shall be made available for audit purposes to City or any authorized representative of City upon ten (10) days written notice and during normal business hours, and shall be retained for the duration of this Lease unless permission to destroy them earlier is granted by City.

7.4. Indemnification. Owner will protect, indemnify and save City and its officers, employees and agents, harmless from and against all liabilities, obligations, claims, damages, penalties, causes of action, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) imposed upon or incurred by or asserted against City, the Site unless caused by the acts, errors or

omissions of City, by reason of (a) any accident or injury to or death of persons or loss of or damage to property occurring on or about the Site, or any part thereof, (b) any failure on the part of Owner to perform or comply with any of the terms of this Lease, (c) any negligent or tortious act on the part of Owner or any of its agents, contractors, subtenants, licensees or invitees, or (d) the condition of the Site, including but not limited to the existence of any hazardous and/or toxic substance(s), other kinds of soil or other water contamination, or pollutants of any kind located on or within the Site, or any part thereof, whether such condition, liability, loss, damage, costs and/or expense shall accrue or be discovered before or after any termination of this Lease; provided however that Owner shall not be required to indemnify, defend or hold the City harmless from liability, loss, damage, costs or expenses arising out of the acts of City's officers, employees or agents. In the event that any action, suit or proceeding is brought against City by reason of any such occurrence, Owner, upon City's request, will, at Owner's expense, defend such action, suit or proceeding with counsel reasonably acceptable to City.

8. Default and Termination.

8.1. City Events of Default.

The occurrence of any of the following, whatever the reason therefore, shall constitute an Event of Default:

(i) Failure by the City to pay any Rent when due and payable hereunder.

(ii) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, and failure of City to remedy or to commence to remedy such failure within thirty (30) days after receipt by City of written notice specifying the failure and requesting that it be remedied.

8.2 Owner's Remedies Upon City's Default. Upon the occurrence of any City Event of Default, and thirty (30) days after written notice of default, and after a reasonable opportunity to cure such default, Owner may pursue an action for breach of contract or any other remedy available at law or in equity, or may terminate this Lease.

8.3. Owner Events of Default. The occurrence of any of the following, whatever the reason therefore, shall constitute an Event of Default:

(i) Default by Owner pursuant to this Lease; or

(ii) Default by Owner pursuant to the Sublease; or

(iii) Default by Owner pursuant to the Agreement.

8.4. Remedies Upon an Event of Default. Upon the occurrence of any Owner Event of Default, and thirty (30) days after written notice of default, and after a reasonable opportunity to cure such default, City may, at its option, either:

- (i) Terminate this Lease;
- (ii) Pursue an action for breach of contract or any other remedy available at law or in equity; or
- (iii) Suspend or terminate the payment of Rent.

Except as expressly provided elsewhere in this Lease, termination of this Lease under this Section shall not relieve Owner from any obligation incurred pursuant to this Lease with respect to the period prior to the date of such termination including, without limitation, the obligation to pay any sum due to City or from any claim for damages against Owner.

8.5. Institution of Legal Actions; Applicable Law. In addition to any other rights or remedies, either party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purpose of this Lease. Such legal actions must be instituted in the County of Los Angeles, State of California, or in the Federal District Court in the Central District of California. The laws of the State of California shall govern the interpretation and enforcement of this Lease.

8.6. Automatic Termination of Lease. This Lease shall immediately and automatically, without further action of the City, terminate upon the earlier of (i) the date Rent is paid attributable to the period ending on the eleventh (11th) anniversary of the Commencement Date, (ii) the date upon which Rent in the cumulative amount of the Maximum Rent Amount has been paid, (iii) the date that New Dealership Operations cease on the Site, (iv) the conveyance of all or a portion of the Site by Owner, or (v) termination of the Sublease.

9. Miscellaneous.

9.1. No Obligation to Pay Costs. City shall have no obligation to pay any costs, fees, rents, utilities, maintenance fees, taxes, assessments, impositions and the like imposed upon Owner as lessee of the Site, or imposed upon Owner under the Leases. City's only payment obligation under this Lease is the Rent.

9.2. Notices. Any notice, approval, demand or other communication required or desired to be given pursuant to this Lease shall be in writing and shall be personally served (including by means of professional messenger service) or, in lieu of personal service, deposited in the United States mail, postage prepaid, certified or registered mail, return receipt requested, or by Federal Express or other similar reputable overnight delivery service, and shall be effective upon receipt and shall be addressed as set forth below:

If to City: City Manager
City of Long Beach
333 West Ocean Blvd., 13th Floor
Long Beach, California 90802

If to Owner: Alant Corp., dba Circle Porsche Audi
1919 N. Lakewood Blvd.
Long Beach, CA 90815
Attn: Jim Speck

Either City or Owner may change its respective address by giving written notice to the other in accordance with the provisions of this Section.

9.3. Successors. The provisions of this Lease shall bind and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors, and assigns.

9.4. Amendment of Lease. This Lease may only be amended by a writing signed by all parties.

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IN WITNESS WHEREOF, said parties have hereunto set their hands and seals.

“Owner”

ALANT CORP., a California corporation,
dba Circle Porsche Audi

_____, 2012

By: _____

Its: _____

By: _____

Its: _____

“City”

CITY OF LONG BEACH, a municipal
corporation

_____, 2012

By _____

City Manager

Approved as to form this _____ day of _____, 2012.

ROBERT E. SHANNON, City Attorney

By: _____

Deputy

EXHIBIT "A" TO LEASE
LEGAL DESCRIPTION OF THE SITE

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

Parcel 1 of Parcel Map No. 8002, in the City of Long Beach, County of Los Angeles, State of California, as per map filed in Book 86, Page 91 of Parcel Maps, in the office of the County Recorder of said County.

Reserving unto Grantor all oil, mineral, gas, and other hydrocarbon substances below a depth of 500 feet under said real property, without the right of surface entry.

ATTACHMENT NO. 1 TO LEASE

OWNER'S CERTIFICATE

Date: _____

The undersigned, on behalf of Owner, hereby requests the payment of Rent in the amount, and on the date, set forth below, pursuant to that certain Lease (the "Lease") dated as of January 1, 2012; between ALANT CORP., a California corporation (the "Owner") and the City of Long Beach, a municipal corporation ("City"). Capitalized terms used and not otherwise defined herein shall have the meanings set forth for them in the Lease.

REQUESTED AMOUNT: _____.

REQUESTED DATE: _____.

Owner hereby represents and warrants to City that:

1. On _____, Owner paid Sales Taxes, and lessees of automobiles purchased at the Site are scheduled to pay Sales Taxes, for the _____ to _____ calendar quarter to the California Board of Equalization in the amount of \$ _____. Attached hereto is a true and complete copy of our quarterly filings and proof of payment, and a schedule of current leases and lease payments to be made by those vehicle lessees during such calendar quarter.

2. For the twelve month period commencing on the most recent anniversary of the Commencement Date, Owner (or a lessee) has paid Sales Taxes (including the payment described in Paragraph 1 above) in the total amount of \$ _____.

3. No Event of Default pursuant to the Agreement, the Lease or the Sublease remains uncured, and no event has occurred which, with the giving of notice or the passage of time or both, would constitute an Event of Default under any of the Lease, the Sublease or the Agreement.

ALANT CORP.

DATE: _____

By: _____

Its: _____

By: _____

Its: _____

PAYMENT APPROVED:

City Representative

ATTACHMENT NO. 2

SUBLEASE

THIS SUBLEASE (the "Sublease"), dated as of _____ (the "Commencement Date"), is entered into by and between the CITY OF LONG BEACH, a municipal corporation (the "City"), as sublessor, and ALANT CORP., a California corporation, dba Circle Porsche Audi ("Owner"), as sublessee.

RECITALS

A. Owner owns and occupies certain property within the City of Long Beach at 1919 N. Lakewood Boulevard (the "Site"). The Site is legally described and depicted on the Legal Description attached hereto as "Exhibit "A".

B. Owner and City entered into that certain Agreement dated as of January 1, 2012 (the "Agreement"), pursuant to which City agreed to provide certain assistance to Owner in order that Owner may continue to operate the Site as a retail automobile sales, leasing and service complex. This Sublease is entered into pursuant to the Agreement.

C. Contemporaneously herewith, Owner, among others, is leasing the Site to City pursuant to the Lease.

D. Capitalized terms when used herein shall have the same meanings ascribed to them in the Agreement, unless otherwise defined herein.

WITNESSETH

1. Sublease of Site. City does hereby sublease, and Owner does hereby rent, the Site, more particularly described in Exhibit "A" attached hereto, with all appurtenances, areas, approaches, and rights-of-way incident thereto, commencing on the Commencement Date, and ending on the earlier of (i) the eleventh (11th) anniversary of the Commencement Date, (ii) the date upon which Rent in the cumulative amount of the Maximum Rent Amount has been paid, or (iii) the termination of the Lease (the "Termination Date").

2. Rent. Owner shall pay rent (the "Sublease Rent") in advance each Fiscal Year of one dollar (\$1). City hereby acknowledges receipt of payment and prepayment of all Sublease Rent due hereunder.

3. Possession. Upon and after the Commencement Date, Owner shall have the right to take possession of the Site.

4. No Right to Sublet. Owner shall not enter into any other agreement for the sublease of the Site or any portion thereof during the term of this Sublease, without the prior written consent of City, which consent may be withheld in City's absolute discretion.

5. Covenants of Owner. Owner covenants and agrees as follows:

5.1. Operation of the Site. Owner covenants that it shall conduct New Vehicle Dealer Operations on the Site for the term of this Sublease.

5.2. Maintenance. Owner covenants that it shall maintain the Site (and all abutting grounds, parking and landscape areas which Owner is otherwise required to maintain) in good condition and repair, shall operate the Site in a businesslike manner, shall prudently preserve and protect both its own and City's interests in connection with the Site, shall not commit or permit any waste or deterioration of the Site, shall not abandon any portion of the Site or leave the Site unguarded or unprotected, and shall not otherwise act, or fail to act, in such a way as to unreasonably increase the risk of any damage to the Site or of any other impairment of City's interests under the Agreement.

5.3. Property Taxes, Sales Taxes and Assessments. Owner shall pay, prior to delinquency, all of the following (collectively, the "Impositions"): (a) all general and special real property taxes and assessments imposed on the Site; (b) all other taxes and assessments and charges of every kind that are assessed upon the Site and that create or may create a lien upon the Site (or upon any personal property or fixtures used in connection with the Site), including without limitation nongovernmental levies and assessments pursuant to applicable covenants, conditions or restrictions; (c) all Sales Taxes; and (d) all license fees, taxes and assessments imposed on Owner. If permitted by law, Owner may pay any Imposition in installments (together with any accrued interest).

5.4. Maximize Sales Tax. During the term of this Sublease, Owner shall use its best efforts, consistent with the requirements of law, to cause the Site to be the place of sale or use for any transaction or activity (i.e. sale, storage, use or other consumption in California of tangible personal property) engaged in by Owner which transaction or activity is subject to the California Sales and Use Tax Law, Part 1 of Division 2 of the California Revenue and Taxation Code commencing at Section 6001, or any successor law thereto.

5.5. Cooperation of Owner. Owner covenants that it shall cooperate fully with City as more specifically set forth in the Agreement.

6. General.

6.1. Notices. Any notice, approval, demand or other communication required or desired to be given pursuant to this Sublease shall be in writing and shall be personally served (including by means of professional messenger service) or, in lieu of personal service, deposited in the United States mail, postage prepaid, certified or registered mail, return receipt requested, or by Federal Express or other similar reputable overnight delivery service, and shall be effective upon receipt and shall be addressed as set forth below:

///

If to City: City Manager
City of Long Beach
333 West Ocean Blvd., 13th Floor
Long Beach, California 90802

If to Owner: Alant Corp., dba Circle Porsche Audi
1919 N. Lakewood Blvd.
Long Beach, CA 90815
Attn: Jim Speck

Either City or Owner may change its respective address by giving written notice to the other in accordance with the provisions of this Section.

6.2. Non-Discrimination. Owner shall not discriminate in the hiring of the personnel, contractors and subcontractors to complete the improvement of the Site on the basis of race, color, religion, sex, age, national origin, or ancestry.

6.3. Successors. The provisions of this Sublease shall bind and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors, and assigns.

6.4. No Assignment. Owner expressly acknowledges and agrees that City has only agreed to enter into this Sublease as a means by which to induce the improvement and the specific occupancy of Owner in, and operation by Owner of its business on, the Site throughout the Operating Periods. Accordingly, Owner further expressly acknowledges and agrees that this Sublease is neither transferable nor assignable except as expressly permitted in the Agreement.

7. Indemnification and Insurance.

7.1. Indemnification. Owner will protect, indemnify and save City and its officers, employees and agents, harmless from and against all liabilities, obligations, claims, damages, penalties, causes of action, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) imposed upon or incurred by or asserted against City or the Site unless caused by the acts, errors or omissions of City, by reason of (a) any accident or injury to or death of persons or loss of or damage to property occurring on or about the Site, or any part thereof, (b) any and all obligations of Owner pursuant to the Lease or the Sublease, (c) any failure on the part of Owner to perform or comply with any of the terms of this Sublease, (d) any negligent or tortious act on the part of Owner or any of its agents, contractors, subtenants, licensees or invitees, or (e) the condition of the Site, including but not limited to the existence of any hazardous and/or toxic substance(s), other kinds of soil or other water contamination, or pollutants of any kind located on or within the Site, or any part thereof, whether such condition, liability, loss, damage, costs and/or expense shall accrue or be discovered before or after any termination of this Sublease; provided however that Owner shall not be required to indemnify, defend or hold the City harmless from liability, loss, damage, costs or expenses arising out of the acts of City's officers,

employees or agents. In the event that any action, suit or proceeding is brought against City by reason of any such occurrence, Owner, upon City's request, will, at Owner's expense, defend such action, suit or proceeding with counsel reasonably acceptable to City.

7.2. Insurance. Without in any way limiting any other indemnification contained in this Sublease, Owner shall take out and maintain for the duration of this Sublease, at Owner's sole cost and expense, the following insurance in the amounts specified and in the forms provided below:

7.2.1. Comprehensive General Liability in an amount not less than five million dollars (\$5,000,000) combined single limit for each occurrence for bodily injury, personal injury and property damage including contractual liability. City and its officials, employees and volunteers' shall be covered as additional insureds with respect to liability arising out of activities by or on behalf of Owner or in connection with the use or occupancy of the Site. Coverage shall be in a form acceptable to the City Risk Manager and shall be primary as to any insurance or self-insurance maintained by City.

7.2.2. "All Risk" property insurance, including builder's risk protection during the course of construction, covering the full replacement value of Owner's improvements constructed on or about the Site. Said insurance shall include debris removal and shall provide coverage for earthquake and flood if this protection is available from responsible carriers at reasonable cost. Said insurance shall be maintained as long as Owner shall own said improvements.

7.2.3. Such other insurance and in such amounts as may from time to time be reasonably required by City against the same or other insurable hazards which at the time are commonly insured against in the case of premises similarly situated, due regard being given to the type of improvements thereon and their use and occupancy.

7.2.4. Acceptable insurance coverage shall be placed with carriers admitted to write insurance in California, or carriers with a rating of or equivalent (as reasonably determined by City's risk manager) to A:VIII by A.M. Best & Company. Any deviation from this rule shall require specific approval in writing from the City's Risk Manager. Any deductibles or self-insured retentions must be declared to and approved by City, which approval may not be unreasonably withheld. In the event such insurance does provide for deductibles or self insurance, Owner agrees that it will protect the City, its agents, officers and employees in the same manner as these interests would have been protected had full commercial insurance been in effect. Coverage under each policy shall not be suspended, avoided or canceled by either party except after thirty (30) days (or ten (10) days in the case of non-payment of premiums) prior written notice to City. Owner shall furnish City with certificates of insurance and with original endorsements effecting coverage as required under this section. The certificates and endorsements for each insurance policy shall be signed by a person authorized by the insurer to bind coverage on its behalf. City reserves the right to require complete certified copies of all insurance policies at any time. If required by City, Owner shall,

from time to time increase the limits of its general liability insurance to reasonable amounts customary for owners of improvements similar to those on the Property.

7.2.5. As between City and Owner, Owner shall be solely responsible for the clean-up and/or characterization of any hazardous and/or toxic substance(s), other kinds of soil or water contamination, or pollutants of any kind located on or within the Site, unless such contamination was caused by City or its agents. Nothing in this Section shall be interpreted to impose additional requirements upon Owner greater than those imposed by law.

8. Events of Default. The occurrence of any of the following, whatever the reason therefore, shall constitute an Event of Default:

8.1. Owner is in material breach of its obligations pursuant to this Sublease;

8.2. Owner defaults or otherwise fails to perform any of its duties or obligations under or in connection with the Sublease (subject to any applicable cure rights);

8.3. Owner defaults or otherwise fails to perform any of its duties or obligations under or in connection with the Agreement (subject to any applicable cure rights); or

8.4. City defaults or otherwise fails to perform any of its duties or obligations under or in connection with the Agreement, the Lease or this Sublease (subject to any applicable cure rights).

9. Default and Termination.

9.1 Remedies Upon Default. Upon the occurrence of any Event of Default, and thirty (30) days after written notice of default, and after a reasonable opportunity to cure such default, the non-defaulting party may, at its option, either:

9.1.1 Terminate this Sublease; or

9.1.2 pursue an action for breach of contract or any other remedy available at law or in equity.

Except as expressly provided elsewhere in this Sublease, termination of the Sublease under this Article shall not relieve the defaulting party from any obligation incurred pursuant to this Sublease with respect to the period prior to the date of such termination including, without limitation, the obligation to pay any sum due to City or from any claim for damages against Owner.

9.2 Institution of Legal Actions; Applicable Law. In addition to any other rights or remedies, either party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purpose of this Sublease. Such legal actions must be instituted in the County of Los Angeles, State of California, or in the Federal District Court in the Central District

of California. The laws of the State of California shall govern the interpretation and enforcement of this Sublease.

9.3 Automatic Termination of Sublease. This Sublease shall immediately and automatically, without further action of the City, terminate upon termination of the Sublease.

10. Amendment of Sublease. This Sublease may only be amended by a writing signed by all parties.

IN WITNESS WHEREOF, said parties have hereunto set their hands and seals.

“Owner”

ALANT CORP., a California corporation,
dba Circle Porsche Audi

_____, 2012

By: _____
Its: _____

By: _____
Its: _____

“City”

CITY OF LONG BEACH, a municipal
corporation

_____, 2012

By _____
City Manager

Approved as to form this _____ day of _____, 2012.

ROBERT E. SHANNON, City Attorney

By: _____
Deputy

EXHIBIT A TO SUBLEASE

LEGAL DESCRIPTION OF THE SITE

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

Parcel 1 of Parcel Map No. 8002, in the City of Long Beach, County of Los Angeles, State of California, as per map filed in Book 86, Page 91 of Parcel Maps, in the office of the County Recorder of said County.

Reserving unto Grantor all oil, mineral, gas, and other hydrocarbon substances below a depth of 500 feet under said real property, without the right of surface entry.