

CONSENT TO SUBLEASE

29879

The undersigned hereby consents to and approves of the Sublease by QW Land Holding Company, LLC to Queensbay Hotel, LLC pursuant to the terms of the Sublease Agreement attached hereto as Exhibit A.

CITY OF LONG BEACH,
a municipal corporation

By: *M. ...*
City Manager

APPROVED AS TO FORM

11-21, 2006
ROBERT E. SHANNON, City Attorney
3y *Charles Parkin*
PRINCIPAL DEPUTY CITY ATTORNEY

SUBLEASE AGREEMENT

DATED AS OF DECEMBER 1, 2006

BETWEEN

**QW LAND HOLDING COMPANY, LLC,
a California limited liability company**

AS LESSOR

AND

**QUEENSBAY HOTEL, LLC,
a Delaware limited liability company**

AS LESSEE

(700 QUEENSWAY DRIVE)

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I LEASED PROPERTY; TERM.....	1
1.1 Leased Property	1
1.2 Lease.....	2
1.3 Term.....	2
ARTICLE II DEFINITIONS.....	2
ARTICLE III RENT	14
3.1 Rent.....	14
3.2 Intentionally Omitted.....	16
3.3 Additional Charges	16
3.4 Net Lease Provision.....	16
3.5 Annual Budget.....	17
3.6 Books and Records	17
ARTICLE IV IMPOSITIONS.....	18
4.1 Payment of Impositions	18
4.2 Notice of Impositions	19
4.3 Adjustment of Impositions	19
4.4 Utility Charges.....	19
4.5 Insurance Premiums	19
ARTICLE V NO TERMINATION OR ABATEMENT.....	19
5.1 No Termination, Abatement, etc	19
5.2 Abatement Procedures	20
ARTICLE VI OWNERSHIP	20
6.1 Ownership of the Leased Property	20
6.2 Lessee's Personal Property	20
6.3 Lessor's Lien.....	21
ARTICLE VII PHYSICAL CONDITION; USE	22
7.1 Condition of the Leased Property.....	22
7.2 Use of the Leased Property.....	22
7.3 Lessor to Grant Easements, etc.....	23
ARTICLE VIII COMPLIANCE WITH LEGAL REQUIREMENTS	24
8.1 Compliance with Legal and Insurance Requirements, etc	24
8.2 Legal Requirement Covenants.....	24
8.3 Environmental Covenants.....	25
ARTICLE IX MAINTENANCE AND REPAIR.....	28
9.1 Maintenance and Repair.	28

**TABLE OF CONTENTS
(CONTINUED)**

	<u>Page</u>
ARTICLE X ALTERATIONS	29
10.1 Alterations	29
ARTICLE XI LIENS	29
11.1 Liens	29
ARTICLE XII PERMITTED CONTESTS	30
12.1 Permitted Contests	30
ARTICLE XIII INSURANCE.....	31
13.1 General Insurance Requirements	31
13.2 Replacement Cost	33
13.3 Worker's Compensation.....	33
13.4 Waiver of Subrogation.....	33
13.5 Form Satisfactory, Etc	33
13.6 Increase in Limits	34
13.7 Blanket Policy.....	34
13.8 Reports On Insurance Claims	34
ARTICLE XIV DAMAGE AND DESTRUCTION	35
14.1 Insurance Proceeds	35
14.2 Reconstruction in the Event of Damage or Destruction	36
14.3 Lessee's Property	36
14.4 Abatement of Rent.....	36
14.5 Damage Near End of Term.....	36
14.6 Waiver	36
ARTICLE XV CONDEMNATION	37
15.1 Definitions.	37
15.2 Parties' Rights and Obligations.....	37
15.3 Total Taking	37
15.4 Allocation of Award	37
15.5 Partial Taking	38
15.6 Temporary Taking	38
ARTICLE XVI EVENTS OF DEFAULT; LESSOR REMEDIES.....	39
16.1 Events of Default	39
16.2 Surrender	40
16.3 Damages	41
16.4 Waiver	42
16.5 Application of Funds	42
ARTICLE XVII LESSOR'S RIGHT TO CURE	42
17.1 Lessor's Right to Cure Lessee's Default	42

**TABLE OF CONTENTS
(CONTINUED)**

	<u>Page</u>
ARTICLE XVIII HOLDING OVER	43
18.1 Holding Over	43
ARTICLE XIX RISK OF LOSS	43
19.1 Risk of Loss	43
ARTICLE XX INDEMNIFICATION.....	44
20.1 Indemnification.....	44
ARTICLE XXI ASSIGNMENT AND SUBLETTING; LEASEHOLD MORTGAGES.....	45
21.1 Subletting and Assignment.....	45
21.2 Attornment.....	45
21.3 Right of First Negotiation.....	46
21.4 Leasehold Mortgages.....	47
ARTICLE XXII ESTOPPEL CERTIFICATES; FINANCIAL STATEMENTS	51
22.1 Officer's Certificates; Financial Statements; Lessor's Estoppel Certificates and Covenants.....	51
ARTICLE XXIII INSPECTIONS	52
23.1 Lessor's Right to Inspect.....	52
ARTICLE XXIV WAIVERS	53
24.1 No Waiver.....	53
ARTICLE XXV REMEDIES CUMULATIVE	53
25.1 Remedies Cumulative.....	53
ARTICLE XXVI ACCEPTANCE OF SURRENDER	53
26.1 Acceptance of Surrender	53
ARTICLE XXVII NO MERGER.....	54
27.1 No Merger of Title.....	54
ARTICLE XXVIII CONVEYANCE OR MORTGAGE BY LESSOR	54
28.1 Conveyance by Lessor.....	54
28.2 Other Interests.....	54
ARTICLE XXIX QUIET ENJOYMENT	55
29.1 Quiet Enjoyment.....	55
ARTICLE XXX NOTICES.....	55
30.1 Notices	55

**TABLE OF CONTENTS
(CONTINUED)**

	<u>Page</u>
ARTICLE XXXI BREACH BY LESSOR.....	56
31.1 Lessee’s Right to Cure.....	56
31.2 Breach by Lessor	56
ARTICLE XXXII MISCELLANEOUS.....	56
32.1 Miscellaneous	56
32.2 Transition Procedures	57
32.3 Waiver of Presentment, Etc	58
32.4 Memorandum of Lease.....	58
ARTICLE XXXIII MASTER LEASE.....	58
33.1 Actions under Master Lease.	58
33.2 Compliance with Master Lease.	58
33.3 No Obligation of Lessor; Limitation on Liability.	59

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT ("Lease"), made as of December 1, 2006, by and between QW Land Holding Company, LLC, a California limited liability company ("Lessor"), and Queensbay Hotel, LLC, a Delaware limited liability company ("Lessee"), provides as follows.

RECITALS:

A. Pursuant to the Amended and Restated Lease (the "Master Lease") dated as of November 17, 2006, by and between Lessor, as ground lessee, and The City of Long Beach, a municipal corporation and trust grantee of the State of California of certain tide and submerged lands within said City, as ground lessor (the "Master Lessor"), Master Lessor leased the Leased Property (defined below) to Lessor for the purpose of operating a hotel with approximately one hundred ninety-five (195) guest rooms.

B. Lessee desires to sublease the Leased Property from Lessor for the purpose of constructing and operating the hotel contemplated by the Master Lease.

AGREEMENT

For good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

ARTICLE I

LEASED PROPERTY; TERM

1.1 **Leased Property.** The Leased Property is comprised of Lessor's interest in the land described in **Exhibit "A"** attached hereto and by reference incorporated herein (the "Land") and all easements, rights and appurtenances relating to the Land and the Leased Improvements.

THE LEASED PROPERTY IS DEMISED IN ITS PRESENT CONDITION WITHOUT REPRESENTATION OR WARRANTY (EXPRESS OR IMPLIED) BY LESSOR AND SUBJECT TO THE RIGHTS OF PARTIES IN POSSESSION, AND TO THE EXISTING STATE OF TITLE INCLUDING ALL COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS AND OTHER MATTERS OF RECORD INCLUDING ALL APPLICABLE LEGAL REQUIREMENTS AND OTHER MATTERS WHICH WOULD BE DISCLOSED BY AN INSPECTION OF THE LEASED PROPERTY OR BY AN ACCURATE SURVEY THEREOF.

1.2 **Lease.** For and in consideration of the payment of rent by Lessee to Lessor, the covenants and agreements to be performed by Lessee, and upon the terms and conditions hereinafter stated, Lessor leases to Lessee, and Lessee leases from Lessor, the Leased Property in accordance with the terms of this Lease. Notwithstanding anything to the contrary contained

herein, this Lease shall be subject and subordinate to the Master Lease and to all of the terms and conditions of the Master Lease.

1.3 Term. The term of this Lease (the "Term") shall commence on December 1, 2006 (the "Commencement Date") and shall end at 11:59 p.m. on September 29, 2072.

ARTICLE II

DEFINITIONS

Definitions. For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as are at the time applicable, (c) all references in this Lease to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease and (d) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Additional Charges: As defined in Section 3.3.

Affiliate: (a) any person that directly or indirectly controls or is controlled by or is under common control with such person, (b) any other person that owns, beneficially, directly or indirectly, five percent (5%) or more of the outstanding capital stock, shares or equity interests of such person, or (c) any officer, director, employee, partner or trustee of such person or any person controlling, controlled by or under common control with such person (excluding trustees and persons serving in similar capacities who are not otherwise an Affiliate of such person). The term "person" means and includes individuals, corporations, general and limited partnerships, limited liability companies, stock companies or associations, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts, or other entities and governments and agencies and political subdivisions thereof. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, through the ownership of voting securities, partnership interests or other equity interests.

Annual Budget: An operating and capital budget prepared by Lessee and delivered to Lessor in accordance with Section 3.5.

Award: As defined in Section 15.1(a).

Base Rate: The rate of interest announced publicly by Citibank, N.A., in New York, New York, from time to time, as such bank's base rate. If no such rate is announced or becomes discontinued, then such other rate as Lessor may reasonably designate.

Base Rent: As defined in Section 3.1(a).

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which national banks in the City of Long Beach, California, or in the municipality wherein the Leased Property is located are closed.

CERCLA: The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

Code: The Internal Revenue Code of 1986, as amended.

Commencement Date: As defined in Section 1.2 of the Lease.

Condemnation, Condemnor: As defined in Section 15.1

Consumer Price Index: The "U.S. City Average, All Items" Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor (Base: 1982-1984=100), or any successor index thereto.

Date of Taking: As defined in Section 15.1(d).

Default Notice: As defined in Section 21.4(b).

Encumbrance: As defined in Article XXXI.

Environmental Authority: Any department, agency or other body or component of any Government that exercises any form of jurisdiction or authority under any Environmental Law.

Environmental Authorization: Any license, permit, order, approval, consent, notice, registration, filing or other form of permission or authorization required under any Environmental Law.

Environmental Laws: All applicable federal, state, local and foreign laws and regulations relating to pollution of the environment (including without limitation, ambient air, surface water, ground water, land surface or subsurface strata), including without limitation laws and regulations relating to emissions, discharges, Releases or threatened Releases of Hazardous Materials or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials. Environmental Laws include but are not limited to CERCLA, FIFRA, RCRA, SARA and TSCA.

Environmental Liabilities: Any and all obligations to pay the amount of any judgment or settlement, the cost of complying with any settlement, judgment or order for injunctive or other equitable relief, the cost of compliance or corrective action in response to any notice, demand or request from an Environmental Authority, the amount of any civil penalty or criminal fine, and any court costs and reasonable amounts for attorney's fees, fees for witnesses and experts, and costs of investigation and preparation for defense of any claim or any Proceeding, regardless of whether such Proceeding is threatened, pending or completed, that may be or have been asserted against or imposed upon Lessor, Lessee, any Predecessor, the Leased Property or any property used therein and arising out of:

(a) Failure of Lessee, Lessor, any Predecessor or the Leased Property to comply at any time with all Environmental Laws;

(b) Presence of any Hazardous Materials on, in, under, at or in any way affecting the Leased Property;

(c) A Release at any time of any Hazardous Materials on, in, at, under or in any way affecting the Leased Property;

(d) Identification of Lessee, Lessor or any Predecessor as a potentially responsible party under CERCLA or under any Environmental Law similar to CERCLA;

(e) Presence at any time of any above-ground and/or underground storage tanks, as defined in RCRA or in any applicable Environmental Law on, in, at or under the Leased Property or any adjacent site or facility; or

(f) Any and all claims for injury or damage to persons or property arising out of exposure to Hazardous Materials originating or located at the Leased Property, or resulting from operation thereof or any adjoining property.

Event of Default: As defined in Section 16.1

FIFRA: The Federal Insecticide, Fungicide, and Rodenticide Act, as amended.

Financial Statements: For any fiscal year or other accounting period for Lessee, statements of earnings and retained earnings and of changes in financial position for such period and for the period from the beginning of the respective fiscal year to the end of such period and the related balance sheet as at the end of such period, together with the notes thereto, all in reasonable detail and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with generally accepted accounting principles and audited by independent certified public accountants acceptable to Lessor in its sole discretion.

Fiscal Quarter: The 3-month periods ending on March 31, June 30, September 30 and December 31, except that the first Fiscal Quarter shall be the period from the Commencement Date through the first to occur of such dates, and the last Fiscal Quarter shall be the period from the first day after the expiration of the next to last Fiscal Quarter of the Term through the last day of the Term.

Fiscal Year: The 12-month period from January 1 to December 31, except that the first Fiscal Year shall be the period from the Commencement Date through the following December 31, and the last Fiscal Year shall be the period from January 1 of the calendar year in which the termination of this Lease occurs through the last day of the Term.

Fixtures: All equipment, machinery, fixtures, and other items of property required for or incidental to the use of the Leased Improvements as a hotel, including all components thereof, now and hereafter permanently affixed to or incorporated into the Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating,

plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, all of which to the greatest extent permitted by law are deemed to constitute real estate, together with all replacements, modifications, alterations and additions thereto.

Food and Beverage Revenues: All revenues, receipts and income of any kind derived directly or indirectly by Lessee from or in connection with the sale of food, alcoholic and non-alcoholic beverages, merchandise, services and entertainment from or in a Restaurant or otherwise in the Hotel, whether on a cash basis or credit, paid or collected, determined in accordance with generally accepted accounting principles, excluding, however: (i) federal, state and municipal excise, sales, and use taxes collected directly from patrons and guests or as a part of the sales price of any goods, services or displays, such as gross receipts, admissions, cabaret or similar or equivalent taxes and paid over to federal, state or municipal governments, (ii) the amount of all credits, rebates or refunds to customers, guests or patrons, and all service charges, finance charges, interest and discounts attributable to charge accounts and credit cards, to the extent the same are paid to Lessee by its customers, guests or patrons, or to the extent the same are paid for by Lessee to, or charged to Lessee by, credit card companies, (iii) gratuities or service charges actually paid to employees, (iv) sales other than sales in the ordinary course of business, (v) the cost of meals to Lessee's employees, and the cost of charitable, promotional or other complimentary meals given by Lessee in the ordinary course of business and in accordance with its normal policies for giving such meals, as is customary for similar operations, (vi) revenues derived from vending machines operated by Lessee for the convenience of its employees, (vii) receipts for returns to shippers, manufacturers or suppliers, (viii) proceeds of business interruption or other insurance, and (ix) items constituting "allowances" under the Uniform System.

Franchise Agreement: Any franchise agreement, management agreement, including the Management Agreement or license agreement with a franchisor or Manager under which the Hotel is operated, which agreement shall be subject to Lessor's approval.

Furniture and Equipment: All furniture, furnishings, wall coverings, fixtures and hotel equipment and systems located at, or used in connection with, the Hotel, together with all replacements therefor and additions thereto, including, without limitation, (i) all equipment and systems required for the operation of kitchens and bars, laundry and dry cleaning facilities, (ii) office equipment, (iii) material handling equipment, cleaning and engineering equipment, (iv) telephone and computerized accounting systems, and (v) vehicles.

Government: The United States of America, any state, district or territory thereof, any foreign nation, any state, district, department, territory or other political division thereof, or any political subdivision of any of the foregoing.

Gross Revenues: All revenues, receipts, and income of any kind derived directly or indirectly by Lessee from or in connection with the Hotel (including Suite Revenues, Food and Beverage Revenues and Sundry Revenues and rentals or other payments from tenants, lessees, licensees or concessionaires but not including their gross receipts) whether on a cash basis or credit, paid or collected, determined in accordance with generally accepted accounting

principles, excluding, however: (i) funds furnished by Lessor, (ii) federal, state and municipal excise, sales, and use taxes collected directly from patrons and guests or as a part of the sales price of any goods, services or displays, such as gross receipts, admissions, cabaret or similar or equivalent taxes and paid over to federal, state or municipal governments, (iii) the amount of all credits, rebates or refunds to customers, guests or patrons, and all service charges, finance charges, interest and discounts attributable to charge accounts and credit cards, to the extent the same are paid to Lessee by its customers, guests or patrons, or to the extent the same are paid for by Lessee to, or charged to Lessee by, credit card companies, (iv) gratuities or service charges actually paid to employees, (v) proceeds of insurance and condemnation (other than business interruption insurance and temporary condemnation proceeds which shall be included in Gross Revenues), (vi) proceeds from sales other than sales in the ordinary course of business, (vii) all loan proceeds from financing or refinancings of the Hotel or interests therein or components thereof, (viii) judgments and awards, except any portion thereof arising from normal business operations of the Hotel, and (ix) items constituting "allowances" under the Uniform System.

Hazardous Materials: All chemicals, pollutants, contaminants, wastes and toxic substances, including without limitation:

- (a) Solid or hazardous waste, as defined in RCRA or any other Environmental Law;
- (b) Hazardous substances, as defined in CERCLA or any other Environmental Law;
- (c) Toxic substances, as defined in TSCA or any other Environmental Law;
- (d) Insecticides, fungicides, or rodenticides, as defined in FIFRA or any other Environmental Law; and
- (e) Gasoline or any other petroleum product or byproduct, polychlorinated biphenyl, asbestos and urea formaldehyde.

Hotel: The hotel to be constructed by Lessee on the Leased Property and any replacement hotel constructed on the Leased Property during the Term.

Impositions: Collectively, all taxes (including, without limitation, all Real Estate Taxes, ad valorem, sales and use, single business, gross receipts, transaction privilege, rent or similar taxes as the same relate to or are imposed upon Lessee or its business conducted upon the Leased Property), assessments (including, without limitation, all assessments for public improvements or benefit, whether or not commenced or completed prior to the date hereof and whether or not to be completed within the Term), ground rents, water, sewer or other rents and charges, excises, tax inspection, authorization and similar fees and all other governmental charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character in respect of the Leased Property or the business conducted thereon by Lessee (including all interest and penalties thereon caused by any failure in payment by Lessee), which at any time prior to, during or with respect to the Term hereof may be assessed or imposed on or with respect to or be a lien upon (a) Lessor's interest in the Leased Property, (b) the Leased Property, or any part thereof or any rent therefrom or any estate, right, title or interest therein, or

(c) any occupancy, operation, use or possession of, or sales from, or activity conducted on or in connection with the Leased Property, or the leasing or use of the Leased Property or any part thereof by Lessee. Nothing contained in this definition of Impositions shall be construed to require Lessee to pay (1) any tax based on net income (whether denominated as a franchise or capital stock or other tax) imposed on Lessor or any other person, or (2) any net revenue tax of Lessor or any other person, or (3) any tax imposed with respect to the sale, exchange or other disposition by Lessor of any Leased Property or the proceeds thereof, or (4) any single business, gross receipts (other than a tax on any rent received by Lessor from Lessee), transaction, privilege or similar taxes as the same relate to or are imposed upon Lessor, except to the extent that any tax, assessment, tax levy or charge that Lessee is obligated to pay pursuant to the first sentence of this definition and that is in effect at any time during the Term hereof is totally or partially repealed, and a tax, assessment, tax levy or charge set forth in clause (1) or (2) is levied, assessed or imposed expressly in lieu thereof.

Indemnified Party: Either of a Lessee Indemnified Party or a Lessor Indemnified Party.

Indemnifying Party: Any party obligated to indemnify an Indemnified Party pursuant to Sections 8.3 or 20.1.

Insurance Requirements: All terms of any insurance policy required by this Lease and all requirements of the issuer of any such policy.

Inventory: All "Inventories of Merchandise" and "Inventories of Supplies" as defined in the Uniform System.

Land: As defined in Section 1.1.

Lease: This Lease.

Leased Improvements: All buildings, structures and other improvements of every kind, including but not limited to, alleyways and connecting tunnels, sidewalks, utility pipes, conduits and lines (on-site and offsite), parking areas and roadways appurtenant to such buildings and structures presently situated upon the Land (which are being transferred to Lessee pursuant to a deed of even date herewith executed by Queensbay Hotel, LLC in favor of Lessee).

Leased Property: As defined in Section 1.1.

Leasehold Mortgage: Any deed of trust, mortgage or other written security agreement entered into by Lessee encumbering Lessee's interest under this Lease.

Leasehold Mortgagee: The beneficiary, mortgagee, secured party, or other holder of a promissory note or other written obligation which is secured by any Leasehold Mortgage.

Leasehold Mortgagee's Cure Period: As defined in Section 21.4(b).

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting either the Leased Property or the maintenance, construction, use or alteration thereof (whether by

Lessee or otherwise), whether now in force or hereafter enacted and in force, including (a) all laws, rules or regulations pertaining to the environment, occupational health and safety and public health, safety or welfare, and (b) any laws, rules or regulations that may (1) require repairs, modifications or alterations in or to the Leased Property or (2) in any way adversely affect the use and enjoyment thereof; and all permits, licenses and authorizations and regulations relating thereto and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lessee: The Lessee designated on this Lease and its respective permitted successors and assigns.

Lessee Indemnified Party: Lessee, any Affiliate of Lessee, any other Person against whom any claim for indemnification may be asserted hereunder as a result of a direct or indirect ownership interest (including a stockholder's interest) in Lessee, the officers, directors, stockholders, employees, agents and representatives of Lessee, and the respective heirs, personal representatives, successors and assigns of any such officer, director, stockholder, employee, agent or representative.

Lessee's Personal Property: As defined in Section 6.2.

Lessor: The Lessor designated on this Lease and its respective successors and assigns.

Lessor Indemnified Party: Lessor, any Affiliate of Lessor, any other Person against whom any claim for indemnification may be asserted hereunder as a result of a direct or indirect ownership interest (including a stockholder's or partnership interest) in Lessor, the officers, directors, stockholders, employees, agents and representatives of the general partner of Lessor and any partner, agent, or representative of Lessor, and the respective heirs, personal representatives, successors and assigns of any such officer, director, partner, stockholder, employee, agent or representative.

Management Agreement: Any management agreement or franchise agreement, including the Franchise Agreement, with Manager or a franchisor under which the Hotel is operated, which agreement shall be subject to Lessor's approval.

Manager: NHG, LLC, or any successor manager that is retained by Lessee to operate the Hotel pursuant to this Lease, the Franchise Agreement and/or Management Agreement.

Monetary Cure Period: As defined in Section 21.4(b).

New Lease: As defined in Section 21.4(b).

Non-Monetary Cure Period: As defined in Section 21.4(b).

Notice: As defined in Article XXX.

Officer's Certificate: A certificate of Lessee reasonably acceptable to Lessor, signed by the chief financial officer or another officer, member, partner, manager or other person authorized to sign on behalf of Lessee who is familiar with its financial records.

Overdue Rate: On any date, a rate equal to the Base Rate plus 5 % per annum, but in no event greater than the maximum rate then permitted under applicable law to be charged on the indebtedness bearing interest at such rate.

Payment Date: Any due date for the payment of any installment of Base Rent.

Person: Any Government, natural person, corporation, partnership or other legal entity.

Personal Property Taxes: All personal property taxes imposed on the furniture, furnishings or other items of personal property located on, and used in connection with, the operation of the Leased Improvements as a hotel, together with all replacement, modifications, alterations and additions thereto.

Predecessor: Any Person whose liabilities arising under any Environmental Law have or may have been retained or assumed by Lessor or Lessee, either contractually or by operation of law, relating to the Leased Property.

Primary Intended Use: As defined in Section 7.2(b).

Proceeding: Any judicial action, suit or proceeding (whether civil or criminal), any administrative proceeding (whether formal or informal), any investigation by a governmental authority or entity (including a grand jury), and any arbitration, mediation or other non judicial process for dispute resolution.

RCRA: The Resource Conservation and Recovery Act, as amended.

Real Estate Taxes: All real estate and possessory interest taxes, including general and special assessments, if any, which are imposed upon the Land, and any improvements thereon.

Release: A "Release" as defined in CERCLA or in any Environmental Law, unless such Release has been properly authorized and permitted in writing by all applicable Environmental Authorities or is allowed by such Environmental Law without authorizations or permits.

Rent: Collectively, the Base Rent and Additional Charges.

Restaurant: Any restaurant or cocktail lounge which may be located in the Hotel at any time and from time to time.

SARA: The Superfund Amendments and Reauthorization Act of 1986, as amended.

State: The State of California.

Suite Revenues: All revenues, receipts, and income of any kind derived directly or indirectly by Lessee from or in connection with the rental of guest rooms or suites, whether to

individuals, groups or transients, at the Hotel, whether on a cash basis or credit, paid or collected, determined in accordance with generally accepted accounting principles, excluding the following:

(a) The amount of all credits, rebates or refunds to customers, guests or patrons, and all service charges, finance charges, interest and discounts attributable to charge accounts and credit cards, to the extent the same are paid to Lessee by its customers, guests or patrons, or to the extent the same are paid for by Lessee to, or charged to Lessee by, credit card companies;

(b) All sales taxes or any other taxes imposed on the rental of such guest rooms or suites;

(c) Gratuities or service charges actually paid to employees;

(d) Proceeds of business interruption and other insurance; and

(e) Food and Beverage Revenues or Sundry Revenues.

Sundry Revenues: All revenues, receipts, and income derived from the Hotel's meeting rooms, telephones, TV and movie rentals, internet access, check room, washroom, laundry, valet, vending machines, and other sources not specified herein as Suite Revenues or Food and Beverage Revenues.

Taking: A taking or voluntary conveyance during the Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any Condemnation or other eminent domain Proceeding affecting the Leased Property whether actually commenced.

Term: As defined in Section 1.2.

TSCA: The Toxic Substances Control Act, as amended.

Unavoidable Delays: Delays due to strikes, lock-outs, labor unrest, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the control of either party hereto unless such lack of funds is caused by the failure of the other party hereto to perform any obligations of such party under this Lease or any guaranty of this Lease.

Uneconomic for its Primary Intended Use: A state or condition of the Hotel such that, in the good faith judgment of Lessee, reasonably exercised and evidenced by the resolution of the board of directors or other governing body of Lessee, the Hotel cannot be operated on a commercially practicable basis for its Primary Intended Use, taking into account, among other relevant factors, the number of usable rooms and projected revenues, such that Lessee intends to, and shall, complete the cessation of operations from the Leased Hotel.

Uniform System: The Uniform System of Accounts for Hotels (9th Revised Edition, 1996) as published by the Hotel Association of New York City, Inc., as same may hereafter be revised.

Unsuitable for its Primary Intended Use: A state or condition of the Hotel such that, in the good faith judgment of Lessee, reasonably exercised and evidenced by the resolution of the board of directors or other governing body of Lessee, due to casualty damage or loss through Condemnation, the Hotel cannot function as an integrated hotel facility consistent with standards applicable to a well maintained and operated hotel.

Working Capital: Funds reasonably necessary for the day-to-day operation of the Hotel's business for a thirty (30) day period, including, without limitation, amounts sufficient for the maintenance of change and petty cash funds, operating bank accounts, payrolls, accounts payable, accrued current liabilities, and funds required to maintain Inventories.

ARTICLE III

RENT

3.1 Rent. Lessee will pay to Lessor in lawful money of the United States of America which shall be legal tender for the payment of public and private debts, in immediately available funds, at Lessor's address set forth in Article XXX or at such other place or to such other Person as Lessor from time to time may designate in a Notice, all Base Rent and Additional Charges, during the Term, as follows:

(a) Base Rent: The annual sum of \$444,000.00 (as adjusted pursuant to Section 3.1(d)), payable in advance in equal, consecutive monthly installments, on or before the first day of each calendar month of the Term ("Base Rent"); provided, however, that the first full monthly payment of Base Rent shall be payable during the second calendar month of the Term, and that the first and last monthly payments of Base Rent shall be prorated as to any partial month; and

(b) Intentionally Omitted.

(c) Intentionally Omitted.

(d) CPI Adjustments to Base Rent. After each third (3rd) Fiscal Year during the Term, the Base Rent shall be adjusted from time to time as follows:

(1) If the most recently published Consumer Price Index as of the last day of the last month (the "Adjustment Month") of each such third (3rd) Fiscal Year during the Term is different than the Consumer Price Index as of the last day of the last month immediately preceding the start of each such three (3) Fiscal Year period (the "Comparison Month"), the Base Rent for the next Fiscal Year shall be adjusted by the percentage change in the Consumer Price Index calculated as follows:

(A) The difference between the Consumer Price Index for the most recent Adjustment Month shall be divided by the Consumer Price Index for the Comparison Month.

(B) The Base Rent shall be multiplied by the quotient obtained in subparagraph (d)(1)(A) above; provided, however, that the cumulative increase of the Consumer Price Index for any three (3) year period during the Term, commencing on the date hereof, shall not exceed seven and one-half percent (7.5%).

(C) The product obtained in subparagraph (d)(1)(B) above shall be added to the Base Rent.

Adjustments in the Base Rent shall be effective on the first day of the first calendar month of the Fiscal Year to which such adjusted Base Rent applies.

(2) If (i) a significant change is made in the number or nature (or both) of items used in determining the Consumer Price Index, or (ii) the Consumer Price Index shall be discontinued for any reason, the Bureau of Labor Statistics shall be requested to furnish a new index comparable to the Consumer Price Index, together with information which will make possible a conversion to the new index in computing the adjusted Base Rent hereunder. If for any reason the Bureau of Labor Statistics does not furnish such an index and such information, the parties will instead mutually select, accept and use such other index or comparable statistics on the cost of living in Los Angeles, California that is computed and published by an agency of the United States or a responsible financial periodical of recognized authority.

3.2 Intentionally Omitted.

3.3 Additional Charges. In addition to the Base Rent, (a) Lessee also will pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions that Lessee assumes or agrees to pay under this Lease, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) of this Section 3.3, Lessee also will promptly pay and discharge every fine, penalty, interest and cost that may be added for non-payment or late payment of such items (the items referred to in clauses (a) and (b) of this Section 3.3 being additional rent hereunder and being referred to herein collectively as the "Additional Charges"), and Lessor shall have all legal, equitable and contractual rights, powers and remedies provided either in this Lease or by statute or otherwise in the case of non-payment of the Additional Charges as in the case of non-payment of the Base Rent. If any installment of Base Rent or Additional Charges (but only as to those Additional Charges that are payable directly to Lessor) shall not be paid on its due date, Lessee will pay Lessor on demand, as Additional Charges, a late charge (to the extent permitted by law) computed at the Overdue Rate on the amount of such installment, from the due date of such installment to the date of payment thereof. To the extent that Lessee pays any Additional Charges to Lessor pursuant to any requirement of this Lease, Lessee shall be relieved of its obligation to pay such Additional Charges to the entity to which they would otherwise be due and Lessor shall pay same from monies received from Lessee.

3.4 Net Lease Provision. The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount of the installments of Base Rent and Additional Charges throughout the Term, all as more fully set forth in Article V, but subject to any other provisions of this Lease that expressly provide for adjustment or abatement of Rent or other charges or expressly provide that certain expenses or maintenance shall be paid or performed by Lessor.

3.5 Annual Budget. Not later than thirty (30) days prior to the commencement of each Fiscal Year, Lessee shall submit the Annual Budget to Lessor. The Annual Budget shall contain the following, to the extent included in the operating budgets and capital budgets provided to Lessee by Manager under the management agreement for the Hotel:

(a) Lessee's reasonable estimate of Gross Revenues (including room rates and Suite Revenues) for the forthcoming Fiscal Year itemized on schedules on a quarterly basis as approved by Lessor and Lessee, as same may be revised or replaced from time to time by Lessee and approved by Lessor, together with the assumptions, in narrative form, forming the basis of such schedules;

(b) Lessee's reasonable estimate of the operating expenses of the Leased Property;

(c) An estimate of the amounts to be dedicated to the repair, replacement, or refurbishment of Furniture and Equipment;

(d) An estimate of any amounts Lessee will provide for required or desirable capital improvements to the Hotel or any of its components;

(e) A cash flow projection; and

(f) A business plan, which shall describe business objectives and strategies for the forthcoming Fiscal Year, and shall include without limitation an analysis of the market area in which the Hotel competes, a comparison of the Hotel and its business with competitive hotels, an analysis of categories of potential guests, and a description of sales and marketing activities designed to achieve and implement identified objectives and strategies.

3.6 Books and Records. Lessee shall keep full and adequate books of account and other records reflecting the results of operation of the Hotel on an accrual basis, all in accordance with generally accepted accounting principles and the obligations of Lessee under this Lease Agreement. The books of account and all other records relating to or reflecting the operation of the Hotel shall be kept either at the Hotel or at Manager's central offices, and shall be available to Lessor and its representatives and its auditors or accountants, at all reasonable times, upon prior written notice to Lessee and Manager, for examination, audit, inspection, and transcription; provided, however that Lessor may only inspect or audit records in Manager's possession subject to the terms of Lessee's access thereto under the Management Agreement. All of such books and records pertaining to the Hotel including, without limitation, books of account, guest records and front office records, at all times shall be the property of Lessor and shall not be removed from the Hotel or Lessee's offices or Manager's offices by Lessee without Lessor approval.

ARTICLE IV

IMPOSITIONS

4.1 Payment of Impositions. Subject to Article XII (relating to permitted contests), Lessee will pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for non-payment, such payments to be made directly to the taxing or other authorities where feasible, and will promptly furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof. If any such Imposition may, at the option of the taxpayer, lawfully be paid in installments (whether interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay it (and any accrued interest on the unpaid balance of such Imposition) in installments and in such event, shall pay such installments during the Term (subject to Lessee's right of contest pursuant to the provisions of Article XII) as they become due and before any fine, penalty, premium, further interest or cost may be added thereto. To the extent required or permitted by applicable law, Lessor, at its expense, shall, prepare and file all tax returns in respect of Lessor's net income, gross receipts, sales and use, single business, transaction privilege, rent, ad valorem and franchise taxes, and to the extent required or permitted by applicable laws and regulations, Lessee, at its expense, shall, prepare and file all other tax returns and reports in respect of any Imposition as may be required by governmental authorities. If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, it shall be paid over to or retained by Lessee if no Event of Default shall have occurred hereunder and be continuing. If an Event of Default shall have occurred and be continuing, any such refund shall be paid over to or retained by Lessor. Any such funds retained by Lessor due to an Event of Default shall be applied as provided in Article XVI. Lessor and Lessee shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. Lessee shall file all Personal Property Tax returns in such jurisdictions where it is legally required so to file.

4.2 Notice of Impositions. Lessor shall give prompt Notice to Lessee of all Impositions payable by Lessee hereunder of which Lessor at any time has knowledge, provided that Lessor's failure to give any such Notice shall in no way diminish Lessee's obligations hereunder to pay such Impositions, but such failure shall obviate any default hereunder for a reasonable time after Lessee receives Notice of any Imposition which it is obligated to pay during the first taxing period applicable thereto.

4.3 Adjustment of Impositions. Impositions imposed in respect of the tax-fiscal period during which the Term terminates shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof after termination shall survive such termination.

4.4 Utility Charges. Lessee will be solely responsible for obtaining and maintaining utility services to the Leased Property and will pay or cause to be paid all charges for electricity, gas, oil, water, sewer and other utilities used in the Leased Property during the Term.

4.5 Insurance Premiums. Lessee will pay or cause to be paid all premiums for the insurance coverages required to be maintained by it under Article XIII.

ARTICLE V

NO TERMINATION OR ABATEMENT

5.1 No Termination, Abatement, etc. Except as otherwise specifically provided in this Lease, Lessee shall remain bound by this Lease in accordance with its terms and shall neither take any action without the written consent of Lessor (which shall not be unreasonably withheld or delayed) to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of the Rent, or setoff against the Rent, nor shall the obligations of Lessee be otherwise affected by reason of (a) any damage to, or destruction of, any Leased Property or any portion thereof from whatever cause or any Taking of the Leased Property or any portion thereof, (b) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Property, or any portion thereof, or the interference with such use by any Person other than Lessor, (c) any claim which Lessee has or might have against Lessor by reason of any default or breach of any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor, or (e) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Lessee from any such obligations as a matter of law. Lessee hereby specifically waives all rights, arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law to (1) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (2) entitle Lessee to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Lease or by termination of this Lease other than by reason of an Event of Default.

5.2 Abatement Procedures. In the event of a partial Taking as described in Section 15.5, this Lease shall not terminate, but the Base Rent shall be abated in the manner and to the extent that is fair, just and equitable to both Lessee and Lessor, taking into consideration, among other relevant factors, the number of usable rooms, the amount of square footage, or the revenues affected by such partial Taking. If Lessor and Lessee are unable to agree upon the amount of such abatement within thirty (30) days after such partial Taking, the matter may be submitted by either party to a court of competent jurisdiction for resolution.

ARTICLE VI

OWNERSHIP

6.1 Ownership of the Leased Property. Lessee acknowledges that the Leased Property is the property of Lessor and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease.

6.2 Lessee's Personal Property. Lessee will acquire and maintain throughout the Term such Inventory and Furniture and Equipment as is required to operate the Leased Property in the manner contemplated by this Lease. Lessee may (and shall as provided hereinbelow), at its expense, install, affix or assemble or place on any parcels of the Land, any items of personal property (including Inventory) owned by Lessee. Lessee, at the commencement of the Term, and from time to time thereafter, shall provide Lessor with an accurate list of all such items of Lessee's personal property (collectively, the "Lessee's Personal Property"). Lessee may, subject to the first sentence of this Section 6.2 and the conditions set forth below, remove any of Lessee's Personal Property set forth on such list at any time during the Term or upon the expiration or any prior termination of the Term. All of Lessee's Personal Property, other than Inventory, not removed by Lessee within ten days following the expiration or earlier termination of the Term shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without first giving Notice thereof to Lessee, without any payment to Lessee and without any obligation to account therefor. Lessee will, at its expense, restore the Leased Property to the condition required by Section 9.1(d), including repair of all damage to the Leased Property caused by the removal of Lessee's Personal Property, whether effected by Lessee or Lessor. Upon the expiration or earlier termination of the Term, Lessor or its designee shall have the option to purchase all Inventory on hand at the Leased Property at the time of such expiration or termination for a sale price equal to the fair market value of such Inventory. Lessee may make such financing arrangements, title retention agreements, leases or other agreements with respect to Lessee's Personal Property as it sees fit provided that Lessee first advises Lessor of any such arrangement and such arrangement expressly provides that if Lessee defaults thereunder, Lessor (or its designee) may assume Lessee's obligations and rights under such arrangement.

6.3 Lessor's Lien. To the fullest extent permitted by applicable law, Lessee grants to Lessor a lien and security interest on all Lessee's personal property now or hereinafter placed in or upon the Leased Property to secure the payment and performance of all of Lessee's obligations under this Lease; provided, however, Lessor shall subordinate its lien and security interest to that of any non-Affiliate of Lessee which finances such Lessee's personal property or any non-Affiliate conditional seller of such Lessee's personal property, the terms and conditions of such subordination to be satisfactory to Lessor in the exercise of reasonable discretion. Lessee shall, upon the request of Lessor, execute such financing statements or other documents or instruments reasonably requested by Lessor to perfect the lien and security interests herein granted.

ARTICLE VII

PHYSICAL CONDITION; USE

7.1 Condition of the Leased Property. Lessee acknowledges receipt and delivery of possession of the Leased Property. Lessee has examined and otherwise has knowledge of the condition of the Leased Property and has found the same to be satisfactory for its purposes hereunder. Lessee is leasing the Leased Property "as is" in its present condition. Lessee waives any claim or action against Lessor in respect of the condition of the Leased Property. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY, OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. LESSEE ACKNOWLEDGES THAT THE LEASED PROPERTY HAS BEEN INSPECTED BY LESSEE AND IS SATISFACTORY TO IT.

7.2 Use of the Leased Property.

(a) Lessee will proceed with all due diligence and will exercise reasonable efforts to obtain and to maintain all approvals needed to use and operate the Leased Property and the Hotel under applicable local, state and federal law.

(b) Lessee shall use or cause to be used the Leased Property only as a first-class hotel in accordance with this Lease and the Master Lease, and for such other uses as may be necessary or incidental to such use or such other use as otherwise approved by Lessor (the "Primary Intended Use"). Lessee shall not use the Leased Property or any portion thereof for any other use without Lessor's prior written consent, which may be granted, denied or conditioned in Lessor's sole discretion. Lessee shall not use or permit the Leased Property to be used in a manner which will cause the cancellation or increase the premium of any insurance policy covering the Leased Property or any part thereof (unless another adequate policy satisfactory to Lessor is available and Lessee pays any premium increase), and Lessee shall not sell or permit to be kept, used or sold in or about the Leased Property any article which may be prohibited by law or fire underwriter's regulations. Lessee shall, at its sole cost, comply with all of the requirements pertaining to the Leased Property of any insurance board, association, organization or company necessary for the maintenance of insurance, as herein provided, covering the Leased Property and Lessee's Personal Property.

(c) Subject to Articles XIV, XV, XIX and XX, Lessee shall (1) operate continuously the Leased Property as a hotel facility, (2) keep in full force and effect and comply with the Franchise Agreement and/or Management Agreement, (3) not terminate or amend the Franchise Agreement or Management Agreement without Lessor's consent (which shall not be unreasonably withheld or delayed), (4) maintain appropriate certifications and licenses for such use, and (5) will seek to maximize the Gross Revenues generated therefrom consistent with sound business practices.

(d) Lessee shall not commit or suffer to be committed any waste on the Leased Property, or in the Hotel or cause or permit any nuisance thereon.

(e) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, or Lessee's Personal Property, to be used in such a manner as (1) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) leasehold interest therein or to any portion thereof, or (2) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof, except as necessary in the ordinary and prudent operation of the Hotel on the Leased Property.

7.3 Lessor to Grant Easements, etc. At Lessee's request, so long as no Event of Default has occurred and is continuing, Lessor will, from time to time, at Lessee's cost and expense (but subject to Lessor's approval, which shall not be unreasonably withheld or delayed), (a) grant easements and other rights in the nature of easements respecting the Leased Property to third parties, (b) release existing easements or other rights in the nature of easements which are for the benefit of the Leased Property, (c) dedicate or transfer unimproved portions of the Leased Property for road, highway or other public purposes, (d) execute petitions to have the Leased Property annexed to any municipal corporation or utility district, (e) execute amendments to any covenants and restrictions affecting the Leased Property and (f) execute and deliver to any person any instrument appropriate to confirm or effect such grants, releases, dedications, transfers, petitions and amendments (to the extent of its interests in the Leased Property), but only upon delivery to Lessor of an Officer's Certificate stating that such grant, release, dedication, transfer, petition or amendment does not interfere with the proper conduct of the business of Lessee on the Leased Property and does not materially reduce the value of the Leased Property.

ARTICLE VIII

COMPLIANCE WITH LEGAL REQUIREMENTS

8.1 Compliance with Legal and Insurance Requirements, etc. Subject to Section 8.3(b) and Article XII (relating to permitted contests), Lessee, at its expense, will promptly (a) comply with all applicable Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, and (b) procure, maintain and comply with all appropriate licenses and other authorizations required for any use of the Leased Property and Lessee's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part thereof.

8.2 Legal Requirement Covenants. Subject to Section 8.3(b), Lessee shall not use or permit the Leased Property and Lessee's Personal Property to be used for any unlawful purpose, or permit or suffer to exist any unlawful use of the Leased Property by others. Lessee shall acquire and maintain all appropriate licenses, certifications, permits and other authorizations and approvals needed to operate the Leased Property in its customary manner for the Primary Intended Use, and any other lawful use conducted on the Leased Property as may be permitted from time to time hereunder. Lessee's use of the Leased Property and maintenance, alteration,

and operation of the same, and all parts thereof, shall at all times conform to all Legal Requirements, unless the same are finally determined by a court of competent jurisdiction to be unlawful (and Lessee shall cause all invitees or others within its control so to comply with all Legal Requirements). Upon prior Notice to Lessor, Lessee may, however, contest the legality or applicability of any such Legal Requirement or any licensure or certification decision if Lessee maintains such action in good faith, with due diligence, without prejudice to Lessor's rights hereunder, and at Lessee's sole expense. If by the terms of any such Legal Requirement compliance therewith pending the prosecution of any such proceeding may legally be delayed without the incurrance of any charge or liability of any kind, or the filing of any lien, against the Hotel or Lessee's leasehold interest therein and without subjecting Lessee or Lessor to any liability, civil or criminal, for failure so to comply therewith, Lessee may delay compliance therewith until the final determination of such proceeding. If any lien, charge or civil or criminal liability would be incurred by reason of any such delay, Lessee, on Lessor's prior written consent, which shall not be unreasonably withheld or delayed, may nonetheless contest as aforesaid and delay as aforesaid provided that such delay would not subject Lessor to criminal liability and Lessee both (a) furnishes to Lessor security reasonably satisfactory to Lessor against any loss or injury by reason of such contest or delay and (b) prosecutes the contest with due diligence and in good faith.

8.3 Environmental Covenants. In addition to, and not in diminution of, Lessee's covenants and undertakings in Sections 8.1 and 8.2, Lessor and Lessee shall:

(a) At all times hereafter until the later of (i) such time as all liabilities, duties or obligations of Lessee to Lessor under this Lease have been satisfied in full and (ii) such time as Lessee completely vacates the Leased Property and surrenders possession of it to Lessor, Lessee shall fully comply with all Environmental Laws applicable to the Leased Property and the operations thereon. Lessee shall give Lessor prompt Notice of (1) all Environmental Liabilities; (2) all pending, threatened or anticipated Proceedings, and all notices, demands, requests or investigations, relating to any Environmental Liability or relating to the issuance, revocation or change in any Environmental Authorization required for operation of the Leased Property; (3) all Releases at, on, in, under or in any way affecting the Leased Property, or any Release known by Lessee at, on, in or under any property adjacent to the Leased Property; and (4) all facts, events or conditions that could reasonably lead to the occurrence of any of the above-referenced matters.

(b) Lessor shall defend, indemnify and save harmless any and all Lessee Indemnified Parties from and against any and all Environmental Liabilities other than (i) Environmental Liabilities resulting from conditions disclosed in any environmental audit obtained by Lessor and provided to Lessee prior to the execution of this Lease (the "Environmental Audit"), and (ii) Environmental Liabilities arising after the date of this Lease from any cause except Lessor's gross negligence or willful misconduct.

(c) Lessee shall defend, indemnify and save harmless any and all Lessor Indemnified Parties from and against any and all Environmental Liabilities which were (i) resulting from conditions disclosed in the Environmental Audit, and (ii) arise after the date of this Lease, except to the extent caused by Lessor's gross negligence or willful misconduct.

(d) If any Proceeding is brought against any Indemnified Party in respect of an Environmental Liability with respect to which it may claim indemnification under either Section 8.3(b) or (c), the Indemnifying Party, upon request, shall at its sole expense resist and defend such Proceeding, or cause it to be resisted and defended by counsel designated by the Indemnified Party and approved by the Indemnifying Party, which approval shall not be unreasonably withheld or delayed; provided, however, that such approval shall not be required in the case of defense by counsel designated by any insurance company undertaking such defense pursuant to any applicable policy of insurance. Each Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel will be at the sole expense of such Indemnified Party unless such counsel has been approved by the Indemnifying Party, which approval shall not be unreasonably withheld or delayed. The Indemnifying Party shall not be liable for any settlement of any such Proceeding made without its consent, which shall not be unreasonably withheld or delayed, but if settled with the consent of the Indemnifying Party, or if settled without its consent (if its consent shall be unreasonably withheld or delayed), or if there be a final, nonappealable judgment for an adversary party in any such Proceeding, the Indemnifying Party shall indemnify and hold harmless the Indemnified Parties from and against any liabilities incurred by such Indemnified Parties by reason of such settlement or judgment.

(e) At any time any Indemnified Party has reason to believe circumstances exist which could reasonably result in an Environmental Liability, upon reasonable prior Notice to Lessee stating such Indemnified Party's basis for such belief, an Indemnified Party shall be given immediate access to the Leased Property (including, but not limited to, the right to enter upon, investigate, drill wells, take soil borings, excavate, monitor, test, cap and use available land for the testing of remedial technologies), Lessee's employees, and to all relevant documents and records regarding the matter as to which a responsibility, liability or obligation is asserted or which is the subject of any Proceeding; provided that such access may be conditioned or restricted as may be reasonably necessary to ensure compliance with law and the safety of personnel and facilities or to protect confidential or privileged information. All Indemnified Parties requesting such immediate access and cooperation shall endeavor to coordinate such efforts to result in as minimal interruption of the operation of the Leased Property as practicable.

(f) The indemnification rights and obligations provided for in this Article VIII shall be in addition to any indemnification rights and obligations provided for elsewhere in this Lease.

(g) The indemnification rights and obligations provided for in this Article VIII shall survive the termination of this Lease.

All amounts for which any Indemnified Party seeks indemnification shall be computed net of (a) any actual income tax benefit resulting therefrom to such Indemnified Party, (b) any insurance proceeds received (net of tax effects) with respect thereto, and (c) any amounts recovered (net of tax effects) from any third parties based on claims the Indemnified Party has against such third parties which reduce the damages that would otherwise be sustained; provided that in all cases, the timing of the receipt or realization of insurance proceeds or income tax benefits or recoveries from third parties shall be taken into account in determining the amount of reduction of damages. Each Indemnified Party agrees to use its reasonable efforts to pursue, or

assign to Lessee or Lessor, as the case may be, any claims or rights it may have against any third party which would materially reduce the amount of damages otherwise incurred by such Indemnified Party.

Notwithstanding anything to the contrary contained in this Lease, if Lessor shall become entitled to the possession of the Leased Property by virtue of the termination of this Lease or repossession of the Leased Property, then Lessor may assign its indemnification rights under this Section 8.3 (but not any other rights hereunder) to any Person to whom Lessor subsequently transfers the Leased Property, subject to the following conditions and limitations, each of which shall be deemed to be incorporated into the terms of such assignment, whether or not specifically referred to therein:

(1) The indemnification rights referred to in this section may be assigned only if a known Environmental Liability then exists or if a Proceeding is then pending or, to the knowledge of Lessee or Lessor, then threatened respecting the Leased Property; and

(2) Such indemnification rights shall be limited to Environmental Liabilities relating to or specifically affecting the Leased Property.

ARTICLE IX

MAINTENANCE AND REPAIR

9.1 Maintenance and Repair.

(a) Lessee, at its sole expense, will keep the Leased Property, and all private roadways, sidewalks and curbs appurtenant thereto that are under Lessee's control, including windows and plate glass, mechanical, electrical and plumbing systems and equipment (including conduit and ductware), underground utilities, and parking lot surfaces, in good order and repair, except for ordinary wear and tear (whether or not the need for such repairs occurred as a result of Lessee's use, any prior use, the elements or the age of the Leased Property, or any portion thereof), and, except as otherwise provided in Article XIV or Article XV, with reasonable promptness, make all necessary and appropriate repairs replacements, and improvements thereto of every kind and nature, whether interior or exterior, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise), or required by any governmental agency having jurisdiction over the Leased Property. To the extent reasonably achievable, all repairs shall be at least equivalent in quality to the original work. Lessee will not take or omit to take any action, the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for its Primary Intended Use.

(b) Lessor shall not under any circumstances be required to build or rebuild any improvement on the Leased Property, or to make any repairs, replacements, alterations, restorations or renewals of any nature or description to the Leased Property, whether ordinary or extraordinary, foreseen or unforeseen, or to make any expenditure whatsoever or to maintain the Leased Property in any way. Lessor may give, record and post, as appropriate, notices of nonresponsibility under any mechanic's lien laws now or hereafter existing.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (1) constituting the request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (2) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof or to make any agreement that may create, or in any way be the basis for any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property, or any portion thereof.

(d) Upon the expiration or prior termination of the Term, Lessee will, vacate and surrender the Leased Property to Lessor in the condition in which the Leased Property was originally received from Lessor, except as repaired, rebuilt, restored, altered or added to as permitted or required by this Lease and except for ordinary wear and tear (subject to Lessee's obligation to maintain the Leased Property in good order and repair, as would a prudent owner, during the Term), or damage by casualty or Condemnation (subject to Lessee's obligations to restore or repair).

ARTICLE X

ALTERATIONS

10.1 Alterations. Lessee may make such additions, modifications or improvements to the Hotel and other Leased Improvements from time to time as Lessee deems desirable for its permitted uses and purposes, provided that such action will not significantly alter the character or purposes or significantly detract from the value or operating efficiency thereof and will not significantly impair the revenue-producing capability of the Leased Property or adversely affect Lessee's ability to comply with this Lease. Lessee shall pay the cost of such additions, modifications or improvements to the Leased Property, and all such additions, modifications and improvements shall, without payment by Lessor at any time, be included under this Lease and upon expiration or earlier termination of this Lease shall pass to and become Lessor's property. Lessee shall not demolish the Hotel or other Leased Property without Lessor's approval, which shall not be unreasonably withheld if Lessee is demolishing the Hotel or other Leased Property in connection with the replacement thereof pursuant to Section 7.5.

ARTICLE XI

LIENS

11.1 Liens. Subject to the provisions of Article XII relating to permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any attachment, levy, claim or encumbrance in respect of the Rent, not including, however, (a) this Lease and the Master Lease, (b) the matters included as exceptions in the title policy insuring Lessor's interest in the Leased Property or set forth in Exhibit "B" attached hereto, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor

or any easements granted pursuant to Section 7.3, (d) liens for those taxes upon Lessor which Lessee is not required to pay hereunder, (e) liens for Impositions or for sums resulting from noncompliance with Legal Requirements so long as (1) they are not yet payable or are payable without the addition of any fine or penalty or (2) such liens are in the process of being contested as permitted by Article XII, (f) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due provided that (1) the payment of such sums shall not be postponed under any related contract for more than sixty (60) days after the completion of the action giving rise to such lien and such reserve or other appropriate provisions as shall be required by law or generally accepted accounting principles shall have been made therefor or (2) any such liens are in the process of being contested as permitted by Article XII hereof, and (g) any liens which are the responsibility of Lessor pursuant to Article XXXI.

ARTICLE XII

PERMITTED CONTESTS

12.1 Permitted Contests. Lessee may contest the amount or validity of any Imposition to be paid by Lessee or any Legal Requirement or Insurance Requirement or any lien, attachment, levy, encumbrance, charge or claim ("Claims") not otherwise permitted by Article XI, by appropriate legal proceedings in good faith and with due diligence (but this shall not be deemed or construed in any way to relieve, modify or extend Lessee's covenants to pay or its covenants to cause to be paid any such charges at the time and in the manner as in this Article provided), on condition, however, that such legal proceedings shall not operate to relieve Lessee from its obligations hereunder and shall not cause the sale or risk the loss of any portion of the Leased Property, or any part thereof, or cause Lessor or Lessee to be in default under any mortgage, deed of trust, security deed or other agreement encumbering the Leased Property or any interest therein. Upon the request of Lessor, Lessee shall either (a) provide a bond or other assurance reasonably satisfactory to Lessor that all Claims which may be assessed against the Leased Property together with interest and penalties, if any, thereon will be paid, or (b) deposit within the time otherwise required for payment with a bank or trust company as trustee upon terms reasonably satisfactory to Lessor, as security for the payment of such Claims, money in an amount sufficient to pay the same, together with interest and penalties in connection therewith, as to all Claims which may be assessed against or become a Claim on the Leased Property, or any part thereof, in said legal proceedings. Lessee shall furnish Lessor and any lender of Lessor with reasonable evidence of such deposit within five days of the same. Lessor shall join in any such proceedings if required legally to prosecute such contest; provided, however, that Lessor shall not thereby be subjected to any liability for the payment of any costs or expenses in connection with any proceedings brought by Lessee; and Lessee shall indemnify and save harmless Lessor from any liability for such costs or expenses. Lessee shall be entitled to any refund of any Claims and such charges and penalties or interest thereon which have been paid by Lessee or paid by Lessor and for which Lessor has been fully reimbursed. If Lessee fails to pay any Claims when due or to provide the security therefor as provided in this Article and diligently to prosecute any contest, Lessor may, upon ten days advance Notice to Lessee, pay such charges together with any interest and penalties and Lessee shall pay the amount advanced to Lessor as Additional Charges at the next Payment Date provided for in this Lease; provided, however, that should Lessor reasonably determine that the giving of such Notice would risk loss to the Leased Property or cause damage to Lessor, then Lessor shall give such Notice as is practical under the

circumstances. Lessor reserves the right to contest any of the Claims at its expense not pursued by Lessee. Lessor and Lessee agree to cooperate in coordinating the contest of any Claims.

ARTICLE XIII

INSURANCE

13.1 General Insurance Requirements. During the Term, Lessor and Lessee shall at all times keep the Leased Property insured with the kinds and amounts of insurance described below, or such other insurance coverage(s) as may be required by the Franchise Agreement or Management Agreement. This insurance shall be written by companies authorized to issue insurance in the State. The policies must name Lessor and Master Lessor as the insureds or as additional named insureds, as the case may be. Losses shall be payable to Lessor or Lessee as provided in this Lease. Any loss adjustment shall require the written consent of Lessor and Lessee, each acting reasonably and in good faith. Lessee shall deposit evidence of the insurance with Lessor. Lessee shall at its expense maintain the following insurance policies on the Leased Property, including the Leased Improvements, Fixtures and Lessee's Personal Property:

(a) Loss of income insurance on the "Special Form", in the amount of one year of Base Rent for the benefit of Lessor.

(b) Property insurance on the "Special Form" (formerly "All Risk" form) (including earthquake and flood (if available) in reasonable amounts as determined by Lessor) in an amount not less than 100% of the then full replacement cost thereof (as defined in Section 13.2) or such other amount which is acceptable to Lessor and Lessee;

(c) Insurance for loss or damage (direct and indirect) from steam boilers, pressure vessels or similar apparatus, now or hereafter installed in the Hotel, in the minimum amount of \$5,000,000 or in such greater amounts as are then customary;

(d) Personal property insurance on Lessee's Personal Property on the "Special Form" in the full amount of the replacement cost thereof;

(e) Commercial general liability insurance, with amounts not less than \$10,000,000 covering each of the following: bodily injury, death, or property damage liability per occurrence, personal and advertising injury, general aggregate, products and completed operations, with respect to Lessor, and "all risk legal liability" (including liquor law or "dram shop" liability, if liquor or alcoholic beverages are served on the Leased Property) with respect to Lessor and Lessee;

(f) Insurance covering such other hazards and in such amounts as may be customary for comparable properties in the area of the Leased Property and is available from insurance companies, insurance pools or other appropriate companies authorized to do business in the State at rates which are economically practicable in relation to the risks covered, as Lessor may reasonably request;

(g) Fidelity bonds with limits and deductibles as may be reasonably requested by Lessor, covering Lessee's employees in job classifications normally bonded under prudent hotel management practices in the United States or otherwise required by law;

(h) Vehicle liability insurance for owned, non-owned, and hired vehicles, in the amount of \$5,000,000;

(i) Business interruption insurance covering loss of profits and necessary continuing expenses for interruptions caused by any occurrence covered by the insurance referred to in Section 13.1(b)(i) and (ii), in amounts generally prevailing and with reasonable deductible limits;

(j) Employer liability insurance; and

(k) Such other insurance as Lessor may reasonably request for facilities such as the Leased Property and the operation thereof.

13.2 Replacement Cost. The term "full replacement cost" as used herein shall mean the actual replacement cost of the Leased Property requiring replacement from time to time including an increased cost of construction endorsement, if available, and the cost of debris removal. If either party believes that full replacement cost (the then-replacement cost less such exclusions) has increased or decreased at any time during the Lease Term, it may have such full replacement cost re-determined.

13.3 Worker's Compensation. Lessee, at its sole cost, shall at all times maintain adequate worker's compensation insurance coverage for all persons, if any, employed on the Leased Property. Such worker's compensation insurance shall be in accordance with the requirements of applicable local, state and federal law.

13.4 Waiver of Subrogation. Each party releases any claims that it might have against the other party for damage to the Leased Property, the Fixtures, the Hotel or Lessee's Personal Property to the extent covered by the insurance policies carried by Lessee, and Lessee shall cause all property insurance policies to contain a waiver of any right of subrogation on the part of the insurer against Lessor.

13.5 Form Satisfactory, Etc. All of the policies of insurance to be maintained by Lessee shall be written in a form, with deductibles and by insurance companies satisfactory to Lessor. Lessee shall pay all of the premiums therefor, and deliver such policies or certificates thereof to Lessor prior to their effective date (and, with respect to any renewal policy, thirty (30) days prior to the expiration of the existing policy), and if Lessee fails either to effect such insurance as herein called for or to pay the premiums therefor, or to deliver such policies or certificates thereof to Lessor at the times required, Lessor may, but shall have no obligation, to effect such insurance and pay the premiums therefor, and Lessee shall reimburse Lessor for any premium or premiums paid by Lessor upon written demand therefor, and Lessee's failure to make the payment within thirty (30) days after Notice of such failure from Lessor shall constitute an Event of Default. Each insurer mentioned in this Article XIII shall agree, by endorsement to the policy or policies issued by it, or by independent instrument furnished to Lessor, that it will

give to Lessor thirty (30) days' written notice before the policy or policies in question shall be materially altered, allowed to expire or canceled.

13.6 Increase in Limits. If either Lessor or Lessee at any time deems the limits of the personal injury or property damage under any liability insurance then carried to be either excessive or insufficient, Lessor and Lessee shall endeavor in good faith to agree on the proper and reasonable limits for such insurance to be carried, and such insurance shall thereafter be carried with the limits thus agreed on until further change.

13.7 Blanket Policy. Notwithstanding anything to the contrary contained in this Article XIII, Lessee or Lessor may bring the insurance provided for herein within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Lessee (or Manager) or Lessor; provided, however, that the coverage afforded to Lessor and Lessee will not be reduced or diminished or otherwise be different from that which would exist under a separate policy meeting all other requirements of this Lease by reason of the use of such blanket policy of insurance, and provided further that the requirements of this Article XIII are otherwise satisfied.

13.8 Reports On Insurance Claims. Lessee shall promptly investigate and make a complete and timely written report to the appropriate insurance company as to all accidents, claims for damage relating to the ownership, operation, and maintenance of the Hotel, any damage or destruction to the Hotel and the estimated cost of repair thereof and shall prepare any and all reports required by any insurance company in connection therewith. All such reports shall be timely filed with the insurance company as required under the terms of the insurance policy involved, and a final copy of such report shall be furnished to Lessor. Lessee shall be authorized to adjust, settle, or compromise any insurance loss, or to execute proofs of such loss, in the aggregate amount of \$25,000 or less, with respect to any single casualty or other event.

ARTICLE XIV

DAMAGE AND DESTRUCTION

14.1 Insurance Proceeds. Subject to Section 14.5, all proceeds payable by reason of any loss or damage to the Leased Property, or any portion thereof, and insured under any policy of insurance required by Article XIII shall be paid to Lessor and held in trust by Lessor in an interest-bearing account, shall be made available, if applicable, for reconstruction or repair, as the case may be, of any damage to or destruction of the Leased Property, or any portion thereof, and, if applicable, shall be paid out by Lessor from time to time for the reasonable costs of such reconstruction or repair upon satisfaction of reasonable terms and conditions specified by Lessor. Notwithstanding the foregoing, if the amount of proceeds is \$100,000 or more and any Leasehold Mortgage requires the proceeds to be held by an insurance trustee, the proceeds shall instead be held by an insurance trustee selected by the Leasehold Mortgagee and approved by Lessor. Subject to the terms of any Leasehold Mortgage, any excess proceeds of insurance (and accrued interest) remaining after the completion of the restoration or reconstruction of the Leased Property, as hereinafter set forth, shall be paid to Lessee. If neither Lessor nor Lessee is required or elects to repair and restore, and this Lease is terminated without purchase by Lessee as described in Section 14.2, all such insurance proceeds shall be allocated between Lessor and Lessee in proportion to the value of their respective interests in the damaged improvements and

personal property, provided, however, that the allocation to Lessee shall not be less than the unpaid balance of any Leasehold Mortgage. All salvage resulting from any risk covered by insurance shall belong to Lessor.

14.2 Reconstruction in the Event of Damage or Destruction. Except as provided in Section 14.5, if during the Term the Leased Property is totally or partially destroyed, Lessee shall restore the Hotel to substantially the same condition as existed immediately before the damage or destruction and otherwise in accordance with the terms of this Lease. Such damage or destruction shall not terminate this Lease. If the cost of the repair or restoration exceeds the amount of proceeds received by Lessee from the insurance it maintains as required under Article XIII, before commencement of reconstruction, Lessee shall deliver to Lessor (or the insurance trustee, if it is holding any available insurance proceeds) any excess amounts needed to restore the Hotel or evidence satisfactory to Lessor (such as a construction loan agreement with a lender in the business of making construction loans for hotels) of the availability of the required amounts.

14.3 Lessee's Property. All insurance proceeds payable by reason of any loss of or damage to any of Lessee's Personal Property shall be paid to Lessee.

14.4 Abatement of Rent. Any damage or destruction due to casualty notwithstanding, this Lease shall remain in full force and effect and Lessee's obligation to make rental payments and to pay all other charges required by this Lease shall remain unabated during any period required for the applicable repair and restoration.

14.5 Damage Near End of Term. Notwithstanding any provisions of Section 14.2 to the contrary, if damage to or destruction of the Hotel rendering it Unsuited for its Primary Intended Use occurs during the last ten (10) years of the Term, Lessor may terminate this Lease by giving Notice to Lessee within thirty (30) days after the date of damage or destruction, whereupon all accrued Rent shall be paid immediately, and this Lease shall automatically terminate five (5) days after the date of such Notice.

14.6 Waiver. Lessee hereby waives any statutory rights of termination that may arise by reason of any damage or destruction of the Hotel.

ARTICLE XV

CONDEMNATION

15.1 Definitions.

(a) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

(b) "Condemnation" means a Taking resulting from (1) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor, or (2) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

(c) "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

(d) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

15.2 Parties' Rights and Obligations. If there is any Condemnation of all or any part of the Leased Property or any interest in this Lease, the rights and obligations of Lessor and Lessee shall be determined by this Article XV.

15.3 Total Taking. If title to the fee or Lessor's leasehold interest of the whole of the Leased Property is condemned by any Condemnor, this Lease shall terminate as of the Date of Taking by the Condemnor. If title to the fee or Lessor's leasehold interest of less than the whole of the Leased Property is so taken or condemned, which nevertheless renders the Leased Property Unsuitable or Uneconomic for its Primary Intended Use, Lessee shall have the option, by Notice to Lessor, at any time prior to the Date of Taking, to terminate this Lease as of the Date of Taking. Upon such date, if such Notice has been given, this Lease shall thereupon cease and terminate, and all Base Rent and Additional Charges paid or payable by Lessee hereunder shall be apportioned as of the Date of Taking, and Lessee shall promptly pay Lessor such amounts.

15.4 Allocation of Award. Lessee's share of any condemnation award shall be no less than the total condemnation award less the value of Lessor's remainder interest in the Leased Property, considered as if unimproved and as if this Lease had not terminated. To the extent that Lessee is entitled to any condemnation award, it shall be paid to the most senior Leasehold Mortgagee. In any Condemnation proceedings Lessor and Lessee shall each seek its Award in conformity herewith, at its respective expense.

15.5 Partial Taking. If title to less than the whole of the Leased Property is condemned, and the Leased Property is still suitable for its Primary Intended Use, and not Uneconomic for its Primary Intended Use, or if Lessee is entitled but does not elect to terminate this Lease as provided in Section 15.3, Lessee at its cost shall with all reasonable dispatch restore the untaken portion of any Leased Improvements so that such Leased Improvements constitute a complete architectural unit of the same general character and condition (as nearly as may be possible under the circumstances) as the Leased Improvements existing immediately prior to the Condemnation. Lessor shall contribute to the cost of restoration that part of its Award specifically allocated to such restoration, if any, together with severance and other damages awarded for the taken Leased Improvements; provided, however, that the amount of such contribution shall not exceed such cost.

15.6 Temporary Taking. If the whole or any part of the Leased Property (other than the fee or Lessor's leasehold interest) or of Lessee's interest under this Lease is condemned by any Condemnor for its temporary use or occupancy, this Lease shall not terminate, and Lessee shall continue to pay, in the manner and at the terms herein specified, the full amounts of Base Rent and Additional Charges. Except only to the extent that Lessee may be prevented from so doing pursuant to the order of the Condemnor, Lessee shall continue to perform and observe all of its other obligations under this Lease, as though such Condemnation had not occurred. In the

event of any Condemnation as in this Section 15.6 described, the entire amount of any Award made for such Condemnation allocable to the Term, whether paid by way of damages, rent or otherwise, shall be paid to Lessee. Upon the termination of any such period of temporary use or occupancy, Lessee will, at its sole cost and expense (subject to Lessor's contribution as set forth below), restore the Leased Property as nearly as may be reasonably possible to its condition immediately prior to such Condemnation, unless such period of temporary use or occupancy extends beyond the expiration of the Term, in which case Lessee shall not be required to make such restoration. If restoration is required, Lessor shall contribute to the cost of such restoration that portion of its entire Award that is specifically allocated to such restoration in the judgment or order of the court, if any, and Lessee shall fund the balance of such costs in a manner reasonably satisfactory to Lessor.

ARTICLE XVI

EVENTS OF DEFAULT; LESSOR REMEDIES

16.1 Events of Default. If any one or more of the following events (individually, an "Event of Default") occurs:

(a) if Lessee fails to make payment of the Base Rent within five (5) business days after it becomes due and payable; or

(b) if Lessee fails to observe or perform any other term, covenant or condition of this Lease and such failure is not cured by Lessee within a period of thirty (30) days after receipt by Lessee of Notice thereof from Lessor, unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case it shall not be deemed an Event of Default if Lessee proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof; or

(c) if Lessee shall file a petition in bankruptcy or reorganization for an arrangement pursuant to any federal or state bankruptcy law or any similar federal or state law, or shall be adjudicated a bankrupt or shall make an assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due, or if a petition or answer proposing the adjudication of Lessee as a bankrupt or its reorganization pursuant to any federal or state bankruptcy law or any similar federal or state law shall be filed in any court and Lessee shall be adjudicated a bankrupt and such adjudication shall not be vacated or set aside or stayed within sixty (60) days after the entry of an order in respect thereof, or if a receiver of Lessee or of the whole or substantially all of the assets of Lessee shall be appointed in any proceeding brought by Lessee or if any such receiver, trustee or liquidator shall be appointed in any proceeding brought against Lessee and shall not be vacated or set aside or stayed within sixty (60) days after such appointment; or

(d) if Lessee is liquidated or dissolved, or begins proceedings toward such liquidation or dissolution, or, in any manner, permits the sale or divestiture of substantially all of its assets; or

(e) if the estate or interest of Lessee in the Leased Property or any part thereof is voluntarily or involuntarily transferred, assigned, conveyed, levied upon or attached in any proceeding (unless Lessee is contesting such lien or attachment in good faith in accordance with Article XII); or

(f) if, except as a result of damage, destruction or a partial or complete Condemnation or Unavoidable Delay, Lessee voluntarily ceases operations on the Leased Property for a period in excess of 30 days; or

(g) if an event of default has been declared by the franchisor under the Franchise Agreement or the Manager under the Management Agreement, and such default is not cured by the earlier of (A) ten days following notice from Lessor or (B) such earlier date as is required for Lessee to avoid termination of the Franchise Agreement by the franchisor or the Management Agreement by the Manager;

then, and in any such event, Lessor may exercise one or more remedies available to it herein or at law or in equity, including but not limited to its right to terminate this Lease by giving Lessee not less than ten days' Notice of such termination.

If litigation is commenced with respect to any alleged default under this Lease, the prevailing party in such litigation shall receive, in addition to its damages incurred, such sum as the court shall determine as its reasonable attorneys' fees, and all costs and expenses incurred in connection therewith.

No Event of Default (other than a failure to make a payment of money) shall be deemed to exist under clause (b) during any time the curing thereof is prevented by an Unavoidable Delay, provided that upon the cessation of such Unavoidable Delay, Lessee remedies such default or Event of Default without further delay.

16.2 Surrender. If an Event of Default occurs and is continuing, whether this Lease has been terminated pursuant to Section 16.1, to the maximum extended permitted by law, Lessee shall, if requested by Lessor so to do, immediately surrender to Lessor the Leased Property including, without limitation, any and all books, records, files, licenses, permits and keys relating thereto, and quit the same and Lessor may enter upon and repossess the Leased Property by summary proceedings, ejectment or otherwise, and may remove Lessee and all other persons and any and all personal property from the Leased Property, subject to rights of any hotel guests and to any requirement of law. Lessee hereby waives any and all requirements of applicable laws for service of notice to re-enter the Leased Property. Lessor shall be under no obligation to, but may if it so chooses, relet the Leased Property or otherwise mitigate Lessor's damages.

16.3 Damages. To the maximum extent permitted by law, neither (a) the termination of this Lease, (b) the repossession of the Leased Property, (c) the failure of Lessor to relet the Leased Property, nor (d) the reletting of all or any portion thereof, shall relieve Lessee of its liability and obligations hereunder, all of which shall survive any such termination, repossession or reletting. In the event of any such termination, Lessee shall forthwith pay to Lessor all Rent

due and payable with respect to the Leased Property to and including the date of such termination.

Lessee shall forthwith pay to Lessor, at Lessor's option, as damages for Lessee's default, either:

(1) Without termination of Lessee's right to possession of the Leased Property, installments of Rent and other sums payable by Lessee to Lessor under this Lease as the same becomes due and payable, in accordance with the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it become due, if Lessee has the right to sublet or assign, subject only to reasonable limitations), which Rent and other sums shall bear interest at the Overdue Rate, and Lessor may enforce, by action or otherwise, any other term or covenant of this Lease; or

(2) If Lessor elects to terminate this Lease, the sum of:

(A) (i) the worth at the time of award of the amount of any unpaid rent which had been earned at the time of such termination; plus (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Lessee proves could have been reasonably avoided; plus (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Lessee proves could have been reasonably avoided; plus (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including but not limited to, lessee improvement expenses, brokerage commissions and advertising expenses incurred, expenses of remodeling the Leased Premises or any portion thereof for a new lessee, whether for the same or a different use, and any special concessions made to obtain a new lessee; and (v) at Lessor's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The worth at the time of award is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

16.4 Waiver. If this Lease is terminated pursuant to Section 16.1, Lessee waives, to the extent permitted by applicable law, (a) any right to a trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article XVI, and (b) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt and Lessor waives any right to "pierce the corporate veil" of Lessee other than to the extent funds shall have been fraudulently paid by Lessee to any Affiliate of Lessee following a default resulting in an Event of Default.

16.5 Application of Funds. Any payments received by Lessor under this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order that Lessor may determine or as may be prescribed by the laws of the State.

ARTICLE XVII

LESSOR'S RIGHT TO CURE

17.1 Lessor's Right to Cure Lessee's Default. If Lessee fails to make any payment or to perform any act required to be made or performed under this Lease, including, without limitation, Lessee's failure to comply with any Franchise Agreement or Management Agreement, and does not cure the failure within the relevant time periods provided in Section 16.1, Lessor, without waiving or releasing any obligation of Lessee, and without waiving or releasing any obligation or default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and, subject to Section 16.4, take all such action thereon as, in Lessor's opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessor, shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE XVIII

HOLDING OVER

18.1 Holding Over. If Lessee for any reason remains in possession of the Leased Property after the expiration or earlier termination of the Term, such possession shall be as a tenant at sufferance during which time Lessee shall pay as rental each month one hundred fifty percent (150%) of the aggregate of (a) one-twelfth (1/12th) of the aggregate Base Rent payable with respect to the last Fiscal Year of the Term, (b) all Additional Charges accruing during the applicable month and (c) all other sums, if any, payable by Lessee under this Lease with respect to the Leased Property. During such period, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenancies at sufferance, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XIX

RISK OF LOSS

19.1 Risk of Loss. The risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property in consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than those caused by Lessor and those claiming from, through or under Lessor) is assumed by Lessee, and Lessor shall in no event be answerable or accountable

therefor, nor shall any of the events mentioned in this Section entitle Lessee to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XX

INDEMNIFICATION

20.1 Indemnification. Notwithstanding the existence of any insurance, and without regard to the policy limits of any such insurance or self-insurance, but subject to Section 16.4 and Article VIII, Lessee will protect, indemnify, hold harmless and defend Lessor from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses), to the extent permitted by law, imposed upon or incurred by or asserted against Lessor Indemnified Parties arising out of the Leased Property or their use or operation during the Term, including but not limited to: (a) any accident, injury to or death of persons or loss of or damage to property occurring on or about the Leased Property or adjoining sidewalks, including without limitation any claims under liquor liability, "dram shop" or similar laws, (b) any past, present or future use, misuse, non-use, condition, management, maintenance or repair by Lessee or any of its agents, employees or invitees of the Leased Property or Lessee's Personal Property or any litigation, proceeding or claim by governmental entities or other third parties to which a Lessor Indemnified Party is made a party or participant related to such use, misuse, non-use, condition, management, maintenance, or repair thereof by Lessee or any of its agents, employees or invitees, including any failure of lessee or any of its agents, employees or invitees to perform any obligations under this Lease or imposed by applicable law (other than arising out of Condemnation proceedings), (c) any Impositions that are the obligations of Lessee, (d) any failure on the part of Lessee to perform or comply with this Lease, and (e) the non-performance of any of the terms and provisions of any and all existing and future subleases of the Leased Property to be performed by the landlord thereunder.

Lessor shall indemnify, save harmless and defend Lessee Indemnified Parties from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses imposed upon or incurred by or asserted against Lessee Indemnified Parties as a result of (a) the gross negligence or willful misconduct of Lessor arising in connection with this Lease or (b) any failure on the part of Lessor to perform or comply with any of its obligations under this Lease.

Any amounts that become payable by an Indemnifying Party under this Section shall be paid within ten days after liability therefor on the part of the Indemnifying Party is determined by litigation or otherwise, and if not timely paid, shall bear a late charge (to the extent permitted by law) at the Overdue Rate from the date of such determination to the date of payment. An Indemnifying Party, at its expense, shall contest, resist and defend any such claim, action or proceeding asserted or instituted against the Indemnified Party. The Indemnified Party, at its expense, shall be entitled to participate in any such claim, action, or proceeding, and the Indemnifying Party may not compromise or otherwise dispose of the same without the consent of the Indemnified Party, which may not be unreasonably withheld or delayed. Nothing herein shall be construed as indemnifying a Lessor Indemnified Party against its own (or Lessor's) grossly negligent acts or omissions or willful misconduct.

Lessee's or Lessor's liability for a breach of this Article shall survive any termination of this Lease.

ARTICLE XXI

ASSIGNMENT AND SUBLETTING; LEASEHOLD MORTGAGES

21.1 Subletting and Assignment. Subject to Master Lessor's consent and the provisions of Article XVII and Section 21.2 and any other express conditions or limitations set forth herein, Lessee may, but only with the consent of Lessor (which shall not be unreasonably withheld or delayed), assign this Lease or sublet all or any part of the Leased Property, as reasonably determined by Lessor. In the case of a subletting, the sublessee shall comply with the provisions of Section 21.2, and in the case of an assignment, the assignee shall assume in writing and agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be, and become, jointly and severally liable with Lessee for the performance thereof. In case of either an assignment or subletting, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the covenants and conditions to be performed by Lessee hereunder. Lessee shall promptly deliver an original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance satisfactory to Lessor.

21.2 Attornment. Lessee shall insert in each sublease permitted under Section 21.1 provisions to the effect that (a) such sublease is subject and subordinate to all of the terms and provisions of this Lease and to the rights of Lessor hereunder and the Master Lease and the rights of Master Lessor thereunder, (b) if this Lease terminates before the expiration of such sublease, the sublessee thereunder will, at Lessor's option, attorn to Lessor and waive any right the sublessee may have to terminate the sublease or to surrender possession thereunder as a result of the termination of this Lease, and (c) if the sublessee receives a Notice from Lessor or Lessor's assignees, if any, stating that an uncured Event of Default exists under this Lease, the sublessee shall thereafter be obligated to pay all rentals accruing under its sublease directly to the party giving such Notice, or as such party may direct. All rentals received from the sublessee by Lessor or Lessor's assignees, if any, as the case may be, shall be credited against the amounts owing by Lessee under this Lease.

21.3 Right of First Negotiation. If at any time during the Term, Lessee wishes to assign this Lease or sublet all or a material part of the Leased Property to a party other than an Affiliate of Lessee or Leasehold Mortgagee, it shall give Lessor notice of such intention and the terms and conditions on which it will offer, or has been offered, said assignment or sublease. Lessor will have an option to accept such assignment or sublease on the terms and conditions set forth in Lessee's notice, such option to be exercised by notice to Lessee within sixty (60) days after the giving of Lessee's notice. If Lessor exercises such option, the closing of the assignment or sublease shall be held on a date set forth in Lessor's notice which shall be no less than sixty (60) days after the date of Lessor's notice. If Lessor shall not exercise such option within the time period set forth above, or shall notify Lessee within such time that it has waived such option, and within one hundred eighty (180) days after the giving of such notice Lessee shall assign or sublease the Leased Property at a price which is not less favorable than the price and

otherwise on terms and conditions not less favorable to Lessee than those set forth in Lessee's offering notice (but no such assignment or sublease shall be made at a price less than the same price offered to Lessor or on terms and conditions less favorable to Lessee than were offered to Lessor without first sending Lessor a new notice as to the changed price and any such changed terms and conditions, in which event Lessor shall have a further period in which to elect to accept such assignment or sublease at the new price or on the changed terms and conditions, as aforesaid, said further period to be ten (10) business days in the case of a proposed assignment or sublease at a changed price which is less than the price in Lessee's initial notice and is otherwise on terms and conditions not less favorable to Lessee as are set forth in Lessee's offering notice, and thirty (30) working days in all other instances), all such rights under this Section 21.3 with respect to such right shall be deemed void and of no further force and effect. If an assignment or sublease is not effected within the aforesaid one hundred eighty (180) day period, the rights of Lessor to a similar Lessee's notice on any subsequent transfers whether to the same or a different purchaser and whether on the same or different terms and conditions, shall be reinstated. Notwithstanding the foregoing, this Section 21.3 shall not be applicable to an assignment or transfer of this Lease as a result of a foreclosure under any Leasehold Mortgage or an assignment in lieu of foreclosure to a Leasehold Mortgage or any of its Affiliates or to any transfer by the Leasehold Mortgagee or its Affiliate following foreclosure or assignment in lieu of foreclosure but shall thereafter be binding upon any party obtaining the leasehold estate under this Lease by assignment from Leasehold Mortgagee or its Affiliate.

21.4 Leasehold Mortgages.

(a) Right of Tenant to Enter into Leasehold Mortgages. Notwithstanding anything to the contrary contained in this Lease, Lessee may encumber its interest under this Lease with Leasehold Mortgages without Lessor's consent or approval. If the Leasehold Mortgage secures a construction loan, Lessee shall use the proceeds of it to provide funds for the construction of improvements on the Leased Property, including but not limited to interest and financing costs, soft and hard costs of construction, possessory interest and property taxes and assessments, insurance premiums and other costs of the Leased Property during the period of construction and until break even operations are achieved following completion. Lessee may perform any and all acts and execute any and all instruments necessary or proper to consummate any loan transaction and perfect the security therefor to be given the Leasehold Mortgagee. Lessee shall deliver to Lessor a copy of the promissory note, deed of trust, or security agreement executed by Lessee in connection with any Leasehold Mortgage within twenty (20) days from the date of execution thereof by Lessee.

(b) Leasehold Mortgagee's Rights. With respect to any Leasehold Mortgagee who shall have delivered to Lessor a written notice stating its name, address and a general description of the Leasehold Mortgage it holds on the Leased Property, the following provisions shall apply:

(1) Lessor, when giving notice to Lessee with respect to any default or termination under the provisions of this Lease, shall also serve a copy of such notice upon any Leasehold Mortgagee, and no such notice to Lessee shall be effective unless a copy of such notice is so served upon the Leasehold Mortgagee. Upon the occurrence of any Event of Default, Lessor shall deliver to each and every Leasehold Mortgagee a notice (a "Default

Notice") stating the nature of the Event of Default and the date of its occurrence. Lessor may not exercise any of its remedies (including, without limitation, termination of this Lease) available upon the occurrence of any Event of Default by Lessee until the Leasehold Mortgagee's Cure Period has expired;

(2) Any Leasehold Mortgagee may do any act or thing required of Lessee hereunder, and all such acts or things done and performed shall be accepted by Lessor and be as effective to prevent a forfeiture of Lessee's rights hereunder as if done or performed by Lessee, including the right to commence an action against the Lessee for the appointment of a receiver and to obtain possession of the Leased Property under and in accordance with the Leasehold Mortgage;

(3) Any Leasehold Mortgagee (in its own name or in the name of an Affiliate) may acquire and succeed to the interest of Lessee hereunder without Lessor's consent by foreclosure of the Leasehold Mortgage or by a deed or assignment in lieu of foreclosure and may transfer this Lease to a bona fide purchaser; provided, however, any such bona fide purchaser shall execute an agreement running to Lessor assuming Lessee's obligations under this Lease. In the event of a transfer to a Leasehold Mortgagee or its Affiliate, the Leasehold Mortgagee shall forthwith give notice to Lessor in writing of any such transfer setting forth the name and address or fax number of the transferee and the effective date of such transfer, together with a copy of the document by which such transfer was made. The transferee shall assume the performance of the obligations of the Lessee under this Lease during the period of its ownership of the leasehold estate under this Agreement, and as a condition to the completion of this transfer must cure, remedy or correct any event of default existing at the time of such transfer if the same is reasonably susceptible of being cured by the transferee at that time;

(4) If there is an Event of Default under Section 16.1(a), Leasehold Mortgagee shall have a period of thirty (30) days (the Monetary Cure Period), after receipt from Lessor of a written notice that such Event of Default has occurred, in which to make the payment to Lessor necessary to cure the Event of default. If after any such payment by a Leasehold Mortgagee, Lessee makes the payment to Lessor, Lessor shall promptly refund the payment to such Leasehold Mortgagee;

(5) If there is an Event of Default which cannot be cured by the payment of money, the default shall be cured:

(A) If a Leasehold Mortgagee cures, remedies or corrects a default in a manner reasonably satisfactory to Lessor within a period of thirty (30) days (the "Non-Monetary Cure Period"; a Monetary Cure Period and a Non-Monetary Cure Period may each sometimes be referred to herein as a "Leasehold Mortgagee's Cure Period") after the later to occur of (i) receipt from Lessor of a written notice that such an event of default has occurred or (ii) the expiration of any cure period available to Lessee under this Lease for such default; provided, however, if the curing of such default requires activity over a longer period of time, such default may be cured, if within the Non-Monetary Cure Period, a Leasehold Mortgagee commences and thereafter diligently continues to perform whatever may be required to cure the particular default in a manner reasonably satisfactory to Lessor; or

(B) If during Leasehold Mortgagee's Cure Period, the Leasehold Mortgagee notifies Lessor of its intent to commence foreclosure, and within sixty (60) days after the mailing of a Default Notice by Leasehold Mortgagee, it (i) actually commences foreclosure proceedings and prosecutes the foreclosure with reasonable diligence, the Leasehold Mortgagee's Cure Period shall be extended by the time necessary to complete such foreclosure proceedings; or (ii) if Leasehold Mortgagee is prevented from commencing or continuing foreclosure by any order, judgment, or decree of any court or regulatory body of competent jurisdiction or automatic stay in bankruptcy, and the Leasehold Mortgagee diligently seeks release from or reversal of the order, judgment or decree, the Leasehold Mortgagee's Cure Period shall be extended by the time necessary to obtain the release from or reversal of the order, judgment or decree and thereafter to complete such foreclosure proceedings plus the thirty-five (35) day period referred to in the next sentence. Within thirty-five (35) days after such foreclosure sale and the vesting of title free of redemption in the purchaser thereat (whether such purchaser is the Leasehold Mortgagee), the purchaser shall, as a condition to the completion of such transfer, cure, remedy, or correct the default, or commence and thereafter diligently pursue the performance of the thing or work required to be done to cure, correct, and remedy the default, in a manner satisfactory to Lessor. If the Event of Default is a default by Lessee which Leasehold Mortgagee is not capable of curing on a commercially reasonable basis, Lessor may not terminate this Lease so long as Leasehold Mortgagee is continuing to pay any rent, if any, due under this Lease and is diligently proceeding to cure all defaults by Lessee which such Leasehold Mortgagee is capable of curing on a commercially reasonable basis. In addition, Lessor will waive any defaults of Lessee which no Leasehold Mortgagee is capable of curing on a commercially reasonable basis if and when a Leasehold Mortgagee assumes Lessee's rights and obligations under this Lease subsequent to foreclosure of its security interest in Lessee's leasehold estate or pursuant to receipt of an assignment of Lessee's rights in the leasehold estate in lieu of such foreclosure.

(C) If a Leasehold Mortgagee obtains title to Lessee's leasehold estate pursuant to foreclosure of its security on Lessee's leasehold estate or through an assignment of Lessee's leasehold estate in lieu of such foreclosure, such Leasehold Mortgagee's liability to Lessor shall be limited to Lessee's obligations under this Lease incurred during the period while such Leasehold Mortgagee is in possession of the Leased Property or is the owner of the leasehold estate; such Leasehold Mortgagee shall have no liability to Lessor for any obligations of Lessee incurred after a transfer of the leasehold estate from such Leasehold Mortgagee to a third party. In any event, Lessor's recourse against any Leasehold Mortgagee who becomes the owner of the leasehold estate shall be limited to its interest in the Leasehold Estate. Notwithstanding the foregoing, Lessee shall remain liable to Lessor for all rent, if any, which may become due during the period of time that a Leasehold Mortgagee shall be the owner of the Leasehold Estate.

(c) New Lease. If (a) either (i) Lessee's interest under this Lease shall be sold, assigned (other than for security purposes) or otherwise transferred pursuant to the exercise of any right, power or remedy by a Leasehold Mortgagee or pursuant to judicial proceedings, or (ii) this Lease shall be rejected under the powers reserved to Lessee and its trustee in bankruptcy under the Federal Bankruptcy Code or similar state or federal legislation, or (iii) this Lease shall have been terminated pursuant to the terms hereof by reason of a default or shall otherwise have terminated, (b) no rent shall then be due and payable to Lessor, and (c) the Leasehold Mortgagee

or any other purchaser of Lessee's interest hereunder shall have arranged for the correction of any default susceptible of being corrected by the Lessee under the "New Lease" (defined below), then Lessor, within ninety (90) days after receiving written request therefor (which period shall be extended for so long as Leasehold Mortgagee is prevented by an automatic stay in bankruptcy, injunction or other court order from making such request, in which case Leasehold Mortgagee shall have until thirty (30) days after obtaining relief therefrom to make the request) and upon payment to Lessor of all of Lessor's expenses, including, without limitation, reasonable attorneys' fees and expenses incident thereto, will execute and deliver a new lease of the Leased Property to the Leasehold Mortgagee or its nominee, purchaser, assignee or transferee, as the case may be, for the remainder of the term of this Lease (a "New Lease"), and with the same terms as are contained herein and having the same priority as this Lease. Concurrently with execution of such New Lease, notwithstanding anything to the contrary contained in this Lease, Lessor acknowledges ownership, during the New Lease, of the improvements on the Leased Property by the new Lessee under the New Lease. Upon the execution and delivery of such New Lease, Lessor, at the expense of the Lessee under the New Lease, shall take such steps as shall be necessary to cancel and discharge this Lease of record, remove Lessee from the Leased Property and record the New Lease or a memorandum of the New Lease in the official records of Los Angeles County, California.

(1) Termination of Lease. Notwithstanding anything to the contrary contained in this Lease, any attempted exercise by Lessee of a right granted by this Lease or at law or in equity to terminate this Lease shall be void without Lessee first obtaining the written consent of the most senior Leasehold Mortgagee, if any. Lessor acknowledges that if Lessee has any right to terminate this Lease, such senior Leasehold Mortgagee shall have the sole and exclusive right to exercise such election to terminate this Lease during the period that such Leasehold Mortgagee has a security interest or lien pursuant to a deed of trust in the Lessee's leasehold estate.

ARTICLE XXII

ESTOPPEL CERTIFICATES; FINANCIAL STATEMENTS

22.1 Officer's Certificates; Financial Statements; Lessor's Estoppel Certificates and Covenants.

(a) At any time and from time to time upon not less than ten (10) days Notice by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications), the date to which the Rent has been paid, whether to the knowledge of Lessee there is any existing default or Event of Default exists thereunder by Lessor or Lessee, and such other information as may be reasonably requested by Lessor. Any such certificate furnished pursuant to this Section may be relied upon by Lessor, any lender and any prospective purchaser of the Leased Property.

(b) Lessee will furnish the following statements to Lessor:

(1) with reasonable promptness, such information respecting the financial condition and affairs of Lessee including audited financial statements prepared by the same certified independent accounting firm that prepares the returns for Lessor or such other accounting firm as may be approved by Lessor, as Lessor may request from time to time; and

(2) the most recent Financial Statements of Lessee within forty-five (45) days after each quarter of any Fiscal Year (or, in the case of the final quarter in any Fiscal Year, the most recent audited Financial Statements of Lessee within ninety (90) days); and

(3) on or about the 20th day of each month, a detailed profit and loss statement for the Leased Property for the preceding month, a balance sheet for the Leased Property as of the end of the preceding month, and a detailed accounting of revenues for the Leased Property for the preceding month, each in form acceptable to Lessor

(c) At any time and from time to time upon not less than ten (10) days Notice by Lessee, Lessor will furnish to Lessee or to any person designated by Lessee an estoppel certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications), the date to which Rent has been paid, whether to the knowledge of Lessor there is any existing default or Event of Default on Lessee's part hereunder, and such other information as may be reasonably requested by Lessee.

ARTICLE XXIII

INSPECTIONS

23.1 Lessor's Right to Inspect. Lessee shall permit Lessor and its authorized representatives as frequently as reasonably requested by Lessor to inspect the Leased Property and Lessee's accounts and records pertaining thereto and make copies thereof, during usual business hours upon reasonable advance Notice, subject only to any business confidentiality requirements reasonably requested by Lessee.

ARTICLE XXIV

WAIVERS

24.1 No Waiver. No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or of any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXV

REMEDIES CUMULATIVE

25.1 Remedies Cumulative. To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXVI

ACCEPTANCE OF SURRENDER

26.1 Acceptance of Surrender. No surrender to Lessor of this Lease or of the Leased Property or any part thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXVII

NO MERGER

27.1 No Merger of Title. There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person or entity may acquire, own or hold, directly or indirectly: (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the leasehold estate create under the Master Lease.

ARTICLE XXVIII

CONVEYANCE OR MORTGAGE BY LESSOR

28.1 Conveyance by Lessor. If Lessor or any successor owner of the Leased Property conveys the Leased Property other than as security for a debt, and the grantee or transferee of the Leased Property expressly assumes all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

28.2 Other Interests. This Lease and Lessee's interest hereunder shall at all times be subject and subordinate to the Master Lease and the lien of any deeds of trust, mortgages, or other interests heretofore or hereafter granted by Lessor or which otherwise encumber or affect the Leased Property and to any and all advances to be made thereunder and to all renewals,

modifications, consolidations, replacements, substitutions, and extensions thereof (all of which are herein called the "Mortgage"); provided, however, that with respect to any Mortgage hereinafter granted, such subordination is conditioned upon delivery to Lessee of a non-disturbance agreement which provides that Lessee shall not be disturbed in its possession of the Leased Property hereunder following a foreclosure of such Mortgage (or delivery of a deed-in-lieu-of-foreclosure) and that the holder of such Mortgage or the purchaser at a foreclosure sale (or grantee under such deed-in-lieu-of-foreclosure) shall perform all obligations of Lessor under this Lease. In confirmation of such subordination, however, Lessee shall, at Lessor's request, promptly execute, acknowledge and deliver any instrument which may be required to evidence subordination to any Mortgage and to the holder thereof. If Lessee fails to deliver such subordination and if the Mortgage does not change any term of this Lease, Lessor may, in addition to any other remedies for breach of covenant hereunder, execute, acknowledge, and deliver the instrument as the agent or attorney-in-fact of Lessee, and Lessee hereby irrevocably constitutes Lessor its attorney-in-fact for such purpose, Lessee acknowledging that the appointment is coupled with an interest and is irrevocable.

ARTICLE XXIX

QUIET ENJOYMENT

29.1 Quiet Enjoyment. So long as Lessee pays all Rent as the same becomes due and complies with all of the terms of this Lease and performs its obligations hereunder, in each case within the applicable grace periods, if any, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor, but subject to all liens and encumbrances subject to which the Leased Property was conveyed to Lessor, to the extent not released in connection with the transactions contemplated by this Lease, or hereafter consented to by Lessee or provided for herein. Notwithstanding the foregoing, Lessee may by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Section.

ARTICLE XXX

NOTICES

30.1 Notices. All notices, demands, requests, consents approvals and other communications ("Notice" or "Notices") hereunder shall be in writing and personally served or mailed (by registered or certified mail, return receipt requested and postage prepaid), if to Lessor at c/o Kam Babaoff, 444 West Ocean Blvd., Ste. 1108, Long Beach, CA 90802, and if to Lessee at 700 Queensway Dr, Long Beach, CA 90802, or to such other address or addresses as either party may hereafter designate. Personally delivered Notice shall be effective upon receipt, and Notice given by mail shall be complete at the time of deposit in the U.S. Mail system, but any prescribed period of Notice and any right or duty to do any act or make any response within any prescribed period or on a date certain after the service of such Notice given by mail shall be extended five (5) days.

ARTICLE XXXI

BREACH BY LESSOR

31.1 Lessee's Right to Cure. Subject to Section 31.2, if Lessor breaches any covenant to be performed by it under this Lease, Lessee, after Notice to and demand upon Lessor, without waiving or releasing any obligation hereunder, and in addition to all other remedies available to Lessee, may (but shall be under no obligation at any time thereafter to) make such payment or perform such act for the account and at the expense of Lessor. All sums so paid by Lessee and all costs and expenses (including, without limitation, reasonable attorneys' fees) so incurred, together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessee, shall be paid by Lessor to Lessee on demand or, following entry of a final, nonappealable judgment against Lessor for such sums, may be offset by Lessee against the Base Rent payments next accruing or coming due. The rights of Lessee hereunder to cure and to secure payment from Lessor in accordance with this Section 31.1 shall survive the termination of this Lease.

31.2 Breach by Lessor. It shall be a breach of this Lease if Lessor fails to observe or perform any term, covenant or condition of this Lease on its part to be performed and such failure continues for a period of thirty (30) days after Notice thereof from Lessee, unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to continue if Lessor, within such 30-day period, proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof; provided, however, that such default shall be cured by Lessor in any event prior to the date on which the default becomes an event of default under the terms of any Franchise Agreement or Management Agreement. The time within which Lessor shall be obligated to cure any such failure also shall be subject to extension of time due to the occurrence of any Unavoidable Delay.

ARTICLE XXXII

MISCELLANEOUS

32.1 Miscellaneous. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of termination of this Lease shall survive such termination. If any term or provision of this Lease or any application thereof is invalid or unenforceable, the remainder of this Lease and any other application of such term or provisions shall not be affected thereby. If any late charges or any interest rate provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by a written instrument in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of the State, but not including its conflicts of laws rules.

32.2 Transition Procedures. Upon the expiration or termination of the Term of this Lease, for whatever reason, Lessor and Lessee shall do the following (and the provisions of this Section 32.2 shall survive the expiration or termination of this Lease until they have been fully performed) and, in general, shall cooperate in good faith to effect an orderly transition of the management and/or lease of the Hotel:

(a) Transfer of Licenses. Lessee shall use reasonable efforts (i) to transfer to Lessor or Lessor's nominee all licenses, operating permits and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities, that may be necessary for the operation of the Hotel (collectively, "Licenses"), or (ii) if such transfer is prohibited by law or Lessor otherwise elects, to cooperate with Lessor or Lessor's nominee in connection with the processing by Lessor or Lessor's nominee of any applications for, all Licenses; provided, in either case, that the costs and expenses of any such transfer or the processing of any such application shall be paid by Lessor or Lessor's nominee.

(b) Leases and Concessions. Lessee shall assign to Lessor or Lessor's nominee simultaneously with the termination of this Lease, and the assignee shall assume, all leases and concession agreements in effect with respect to the Hotel then in Lessee's.

(c) Books and Records. Lessee shall deliver all books and records for the Hotel kept by Lessee pursuant to Section 3.6 to Lessor or Lessor's nominee, simultaneously with the termination of this Lease, but such books and records shall thereafter be available to Lessee at all reasonable times for inspection, audit, examination, and transcription for a period of one (1) year and Lessee may retain (on a confidential basis) copies or computer records thereof.

32.3 Waiver of Presentment, Etc. Lessee waives all presentments, demands for payment and for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance and waives all notices of the existence, creation, or incurring of new or additional obligations, except as expressly granted herein.

32.4 Memorandum of Lease. Lessor and Lessee shall promptly, upon the request of either party, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the State in which reference to this Lease, and all options contained herein, shall be made. Lessee shall pay all costs and expenses of recording such memorandum of this Lease.

ARTICLE XXXIII

MASTER LEASE

33.1 Actions under Master Lease. If Lessor, as tenant under the Master Lease, becomes entitled to make or forbear making any election, give or receive any notice, grant or withhold any approval, do any act, or otherwise enforce any right or exercise any remedy under any of the provisions of the Master Lease, then Lessor, in its sole and absolute discretion, (i) may either take or forbear taking such action as it deems appropriate for the protection of its interest as tenant so long as such action or forbearance does not result in any unreasonable interference with Lessee's use and enjoyment of the Leased Premises, or (ii) may assign to Lessee, without

recourse on or liability of any kind to Lessor, such rights as Lessor may have with respect to the matter in question under the Master Lease.

33.2 Compliance with Master Lease. Except as otherwise provided herein, from and after the Commencement Date, Lessee assumes and agrees to be bound by and to keep and perform each and every one of the covenants, agreements and obligations with respect to the Leased Premises to be performed by Lessor, as tenant under the Master Lease, and covenants to indemnify, defend (using attorneys selected by Lessor and reasonably acceptable to Lessee, whose reasonable fees and disbursements Lessee shall pay), protect and hold harmless Lessor and its successors and assigns from and against any and all proceedings, damages, costs, claims and expenses, including, without limitation, reasonable attorneys' fees and disbursements, arising after the Commencement Date and incurred by reason of Lessee's failure to perform duly, timely and completely any of such covenants, agreements and obligations. The terms and provisions of the Master Lease are hereby incorporated into this Lease by reference, provided that wherever the word "Landlord" appears in the Master Lease, it shall be deemed to refer to Lessor, wherever the word "Tenant" appears in the Master Lease, it shall be deemed to refer to Lessee and wherever the word "Premises" appears in the Master Lease, it shall be deemed to refer to the Leased Premises. In the event of any inconsistencies between the terms and conditions of the Master Lease and the terms and conditions of this Lease, the terms and conditions of this Lease shall govern and shall prevail. Notwithstanding the foregoing, Lessee shall have no rights or obligations under the following provisions of the Master Lease, which are hereby excluded from incorporation into this Lease: Sections 2.2, 3.2, 5.2, 5.11, 5.12, 5.15, 6.1, 7.1, 7.2, 7.3, 9.1, 9.2, 9.3, 9.4, Article X and Section 11.1 of the Master Lease.

33.3 No Obligation of Lessor; Limitation on Liability. Notwithstanding anything to the contrary contained in this Lease, the parties acknowledge and agree that Lessor shall not be obligated to perform, and shall not be liable for the performance or nonperformance by the Master Lessor of, any of the obligations of the Master Lessor and, further, that Lessee shall have no right or claim against Lessor by reason of any default upon the part of the Master Lessor. Lessee acknowledges receipt of a copy of the Master Lease and agrees that during the Term, Lessee will not violate any of the terms and conditions of the Master Lease that are binding upon Lessee. Notwithstanding anything to the contrary contained herein, except as otherwise provided in Section 33.1, Lessee shall not have the right to exercise any of Lessor's rights (including, without limitation, audit rights, assignment and subletting rights and rights of first refusal), options or elections permitted or authorized under the Master Lease, or to institute any action or proceeding against the Master Lessor for the enforcement of the Master Lease. Lessor's liability under this Lease shall be limited to its interest in the Leased Property under the Master Lease.

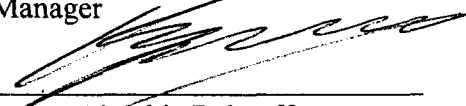
IN WITNESS WHEREOF, the parties have executed this Lease by their duly authorized officers as of the date first above written.

"LESSOR"

QW LAND HOLDING COMPANY, LLC,
a California limited liability company

By: Baywood/Studebaker Properties, LLC,
an Arizona limited liability company,
its sole member

By: Ensemble Investments, LLC
an Arizona limited liability company
Its Manager

By: 
Name: Kambiz Babaoff
Title: Manager

"LESSEE"

QUEENSBAY HOTEL, LLC,
a Delaware limited liability company

By: Ensemble Hotel Partners, LLC,
a California limited liability company,
Managing Member

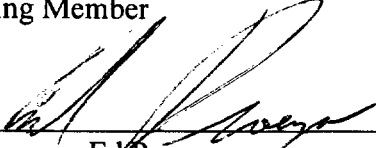
By: 
Name: Ed Proenza
Title: Senior Vice President

EXHIBIT A

DESCRIPTION OF LAND

PARCEL A:

PARCEL I:

THAT CERTAIN PARCEL OF LAND SITUATED IN THE HARBOR DISTRICT OF THE CITY OF LONG BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT MONUMENT L.B.H.D. "A-11 AUX." AS RECORDED IN BOOK 81, PAGE 50, RECORD OF SURVEYS OF SAID COUNTY; THENCE NORTH 923.69 FEET; THENCE EAST 1,300.31 FEET TO THE TRUE POINT OF BEGINNING, SAID POINT OF BEGINNING HAVING COORDINATES NORTH 4,024,511.04; EAST 4,227,521.00 OF ZONE 7 OF THE CALIFORNIA COORDINATE SYSTEM; THENCE SOUTH 24° 28' 38" WEST 64.11 FEET; THENCE SOUTH 67° 39' 40" EAST 26.83 FEET TO THE BEGINNING TO A TANGENT CURVE CONCAVE SOUTHWESTERLY AND HAVING A RADIUS OF 46.00 FEET; THENCE EASTERLY ALONG SAID CURVE 49.59 FEET TO A TANGENT LINE; THENCE SOUTH 5° 53' 30" EAST 26.35 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE WESTERLY AND HAVING A RADIUS OF 129.33 FEET; THENCE SOUTHERLY ALONG SAID CURVE 77.44 FEET TO A TANGENT LINE; THENCE SOUTH 28° 24' 50" WEST 65.03 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE EASTERLY AND HAVING A RADIUS OF 150.67 FEET; THENCE SOUTHERLY ALONG SAID CURVE 126.53 FEET TO A TANGENT LINE; THENCE SOUTH 19° 42' 07" EAST 444.54 FEET; THENCE SOUTH 63° 13' 04" EAST 486.41 FEET; THENCE SOUTH 65° 17' 23" EAST 258.54 FEET; THENCE NORTH 24° 42' 37" EAST 41.13 FEET; THENCE NORTH 52° 38' 26" WEST 74.93 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE NORTHEASTERLY AND HAVING A RADIUS OF 400.00 FEET; THENCE NORTHERLY ALONG SAID CURVE 367.50 FEET TO A TANGENT LINE; THENCE NORTH 279.08 FEET; THENCE NORTH 52° 38' 26" WEST 746.54 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPT ALL STRUCTURES AND IMPROVEMENTS APPURTENANT AND ATTACHED TO THE SAID LAND, AS CONVEYED IN A DEED RECORDED ON JANUARY 9, 1987 AS INSTRUMENT NO. 87-35761, OFFICIAL RECORDS.

ALSO EXCEPT ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES AND ALL MINERALS AND ALL MINERAL RIGHTS OF EVERY KIND AND CHARACTER IN, UNDER OR THAT MAY BE PRODUCED AND SEVERED THEREFROM TOGETHER WITH ALL RIGHTS OF EVERY KIND AND DESCRIPTION WHATSOEVER TO DRILL FOR, DEVELOP, TAKE, REMOVE AND SEVER THE SAME, OR ANY PART THEREOF, FROM SAID PREMISES WITHOUT, HOWEVER, THE RIGHT OF SURFACE ENTRY.

PARCEL II: (EXISTING WATER PARCEL)

THAT CERTAIN PARCEL SITUATED IN THE HARBOR DISTRICT OF THE CITY OF LONG BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT MONUMENT L.B.H.D. "A-11 AUX.", AS RECORDED IN BOOK 81, PAGE 50, RECORD OF SURVEYS OF SAID COUNTY; THENCE SOUTH 132.70 FEET; THENCE EAST 2,128.52 FEET TO THE TRUE POINT OF BEGINNING, SAID POINT OF BEGINNING HAVING COORDINATES NORTH 4,023,454.65; EAST 4,228,348.21 OF ZONE 7 OF THE CALIFORNIA COORDINATE SYSTEM; THENCE NORTH 30° 45' 52" EAST 374.77 FEET; THENCE NORTH 52° 38' 26" WEST 483.77 FEET; THENCE SOUTH 291.29 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE NORTHEASTERLY AND HAVING A RADIUS OF 358.00 FEET; THENCE SOUTHERLY ALONG SAID CURVE 328.91 FEET TO THE BEGINNING OF A TANGENT LINE; THENCE SOUTH 52° 38' 26" EAST 65.50 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPT ALL STRUCTURES AND IMPROVEMENTS APPURTENANT AND ATTACHED TO SAID LAND, AS CONVEYED IN A DEED RECORDED JANUARY 9, 1987 AS INSTRUMENT NO. 87-35761, OFFICIAL RECORDS.

ALSO EXCEPT ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES AND ALL MINERALS AND ALL MINERAL RIGHTS OF EVERY KIND AND CHARACTER IN, UNDER OR THAT MAY BE PRODUCED AND SAVED THEREFROM, TOGETHER WITH ALL RIGHTS OF EVERY KIND AND DESCRIPTION WHATSOEVER TO DRILL FOR, DEVELOP, TAKE, REMOVE AND SEVER THE SAME, OR ANY PART THEREOF, FROM SAID PREMISES WITHOUT, HOWEVER, THE RIGHT OF SURFACE ENTRY.

PARCEL B: (ADDITIONAL WATER PARCEL)

THAT CERTAIN PARCEL SITUATED IN THE HARBOR DISTRICT OF THE CITY OF LONG BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT MONUMENT L.B.H.D. "A-11 AUX.", AS RECORDED IN BOOK 81 PAGE 50, RECORD OF SURVEYS OF SAID COUNTY; THENCE SOUTH 132.70 FEET; THENCE EAST 2,128.52 FEET TO THE TRUE POINT OF BEGINNING HAVING COORDINATES NORTH 4,023,454.65; EAST 4,228,349.21 OF ZONE 7 OF THE CALIFORNIA COORDINATE SYSTEM; THENCE NORTH 30° 45' 52" EAST 347.77 FEET; THENCE SOUTH 52° 38' 26" EAST 50.00 FEET; THENCE SOUTH 27° 00' 07" WEST 378.46 FEET TO A LINE WHICH BEARS SOUTH 52° 38' 26" EAST AND WHICH PASSES THROUGH THE TRUE POINT OF BEGINNING; THENCE NORTH 52° 38' 26" WEST 75.00 FEET TO THE TRUE POINT OF BEGINNING.

EXHIBIT A

EXHIBIT B

PERMITTED TITLE EXCEPTIONS