City of Vernon

4305 Santa Fe Avenue, Vernon, California 90058
Telephone (323) 583-8811 x 355
SUCCESSOR AGENCY OF THE VERNON REDEVELOPMENT AGENCY

July 20, 2013

Via E-Mail to RedevelopmentAdministration@dof.ca.gov with Citrix Fileshare and US Postal Service Express Mail Parcel No. EQ 164 773 592 US

California Department of Finance
915 L Street
Sacramento, California 95814
Attention: Kylie Le, CPA
Jennifer Lung

Re: Report of Long-Range Property Management Plan by the Successor Agency to the Former Vernon Redevelopment Agency pursuant to Health & Safety Code section 34191.5 with Oversight Board Approval Resolution OB-21 along with the California Department of Finance Checklist and Speadsheet with Related Supporting Materials

Dear Mmes. Le and Lung:

We write this report to advise you of the July 11, 2013 approval of the Long-Range Property Management Plan by the Oversight Board to the Successor Agency of the former Vernon Redevelopment Agency as evidenced in their Resolution OB-21, a copy of which is included in this transmittal.

Pursuant to California Health and Safety Code section 34191.5(b), the Successor Agency of the Vernon Redevelopment Agency ("Successor Agency") was required to submit to the Oversight Board ("Oversight Board") for the Successor Agency, a long-range property management plan as set out in Health and Safety Code Section 34191.5(c) addressing the disposition and use of the real properties of the Former Vernon Redevelopment Agency (the "Plan").

On the effective date of AB X1 26, the former Vernon Redevelopment Agency held fee simple title to real properties located at 4900 Pacific Boulevard and 4528 Bandini Boulevard. The Plan addresses their disposition and use. Specifically, and as set forth in more detail in the Plan, the Pacific property is subject to disposition at fair market value following receipt of an appraisal ordered by the Successor Agency and multiple offers; the Bandini property is subject to disposition for governmental-use without consideration in connection with the pending expansion of the California Interstate 710, potential relocation of Vernon Fire Station No. 4 incident to the interstate expansion, or any combination thereof as to be determined.

This report and enclosures, including the Plan, are transmitted by United States Postmaster Express Mail and electronically. The United States Postmaster transmittal is the complete submittal. The electronic version is sent through the cloud-based Citrix Fileshare server and contains uploaded PDF that would

otherwise not be accepted by typical e-mail servers. Finance is asked to download the uploaded PDF from that e-mail within fourteen calendar days. The United States Postmaster transmittal contains hard copies of all enclosures, except for voluminous environmental documents concerning the Pacific property which are included in a compact disc in the United States Postmaster transmittal and have not been uploaded on the cloud-based server.

The Successor Agency does not waive any legal or equitable rights that the Successor Agency or City of Vernon may have, including, but not limited to, the right to not be bound at any future time to the valuation opinions or statements contained in the Plan in any litigation with the California Department of Transportation or any other party or entity, public or non-public, or any like challenges, through administrative or judicial proceedings, concerning all or any portion of alternative valuation opinions or statements by any public entity concerning any property in the Plan, including, but not limited to, the valuation opinion statements concerning 4528 Bandini and Fire Station No. 4 which is adjacent to 4528 Bandini and not part of the Plan; this reservation of rights specifically includes the right not to be bound by any determinations rendered or actions or omissions to act by any public agency in connection with the Plan, data in the Plan, or any and all related legal and factual issues. In connection therewith, and independent of this report concerning the Plan, the Successor Agency expressly reserves any and all rights, privileges, and defenses available under law and equity.

Should you desire additional information regarding the matters referenced above or from the Successor Agency for any other reason, please contact Mr. Alex Kung, Assistant to the Executive Director for the Successor Agency, at (323) 583-8811 ext. 355, or our special outside counsel, Gustavo Lamanna of Kane, Ballmer & Berkman at (213) 452-0131. Thank you very much.

Sincerely,

SUCCESSOR AGENCY OF THE
VERNON REDEVELOPMENT AGENCY

Gustavo Lamanna
Special Counsel

List of Report Enclosures

1. Long-Range Property Management Plan Checklist, Finance form, with Attachments, including OB-21
2. Long-Range Property Management Plan Summary Spreadsheet
3. Long-Range Property Management Plan Exhibit A: 4900 Pacific with Attachments
4. Long-Range Property Management Plan Exhibit B: 4528 Bandini with Attachments

5305 Santa Fe Avenue, Vernon, California 90058 – Telephone (323) 583-8811

LONG-RANGE PROPERTY MANAGEMENT PLAN CHECKLIST

Instructions: Please use this checklist as a guide to ensure you have completed all the required components of your Long-Range Property Management Plan. Upon completion of your Long-Range Property Management Plan, email a PDF version of this document and your plan to:

Redevelopment_Administration@dof.ca.gov

The subject line should state "[Agency Name] Long-Range Property Management Plan". The Department of Finance (Finance) will contact the requesting agency for any additional information that may be necessary during our review of your Long-Range Property Management Plan. Questions related to the Long-Range Property Management Plan process should be directed to (916) 445-1546 or by email to Redevelopment_Administration@dof.ca.gov.

Pursuant to Health and Safety Code 34191.5, within six months after receiving a Finding of Completion from Finance, the Successor Agency is required to submit for approval to the Oversight Board and Finance a Long-Range Property Management Plan that addresses the disposition and use of the real properties of the former redevelopment agency.

GENERAL INFORMATION:

Agency Name: **Successor Agency to the former Vernon Redevelopment Agency**

Date Finding of Completion Received: April 17, 2013 (see attached FOC from Finance)

Date Oversight Board Approved LRPMP: July 11, 2013 (see attached OB-21 Resolution)

Long-Range Property Management Plan Requirements

For each property the plan includes the date of acquisition, value of property at time of acquisition, and an estimate of the current value.

☒ Yes ☐ No

For each property the plan includes the purpose for which the property was acquired.

☒ Yes ☐ No

For each property the plan includes the parcel data, including address, lot size, and current zoning in the former agency redevelopment plan or specific, community, or general plan.

☒ Yes ☐ No

For each property the plan includes an estimate of the current value of the parcel including, if available, any appraisal information.

☒ Yes ☐ No

For each property the plan includes an estimate of any lease, rental, or any other revenues generated by the property, and a description of the contractual requirements for the disposition of those funds.

☒ Yes ☐ No

For each property the plan includes the history of environmental contamination, including designation as a brownfield site, any related environmental studies, and history of any remediation efforts.

☒ Yes ☐ No

For each property the plan includes a description of the property's potential for transit-oriented development and the advancement of the planning objectives of the successor agency.

☒ Yes ☐ No

For each property the plan includes a brief history of previous development proposals and activity, including the rental or lease of the property.

☒ Yes ☐ No

For each property the plan identifies the use or disposition of the property, which could include 1) the retention of the property for governmental use, 2) the retention of the property for future development, 3) the sale of the property, or 4) the use of the property to fulfill an enforceable obligation.

☒ Yes ☐ No

The plan separately identifies and list properties dedicated to governmental use purposes and properties retained for purposes of fulfilling an enforceable obligation.

☒ Yes ☐ No

ADDITIONAL INFORMATION

- If applicable, please provide any additional pertinent information that we should be aware of during our review of your Long-Range Property Management Plan.
  - A. The Successor Agency, with the approval of its Oversight Board, entered into a purchase and sale agreement with a third party, GBD Properties, Inc., a wholly-owned subsidiary of Whole Foods Market, Inc., which conditions the sale of 4900 Pacific Boulevard on, among other things, the approval of the Long-Range Property Management Plan by the Department of Finance. The Successor Agency and Oversight Board would also like Finance to be aware that this buyer has committed to purchase the subject property, above the fair market value demonstrated in the attached appraisal.
  - B. The estimate of current value of one property on Pacific is based on an available appraisal. The current value for the other property on Bandini set for governmental use is an estimate of the current value without any appraisal or warranty as Caltrans is likely to engage separate valuations when and as appropriate.
  - C. As this Long-Range Property Management Plan contains all real properties owned by the Former Vernon Redevelopment Agency and one of the two properties is subject to a purchase and sale agreement, the Successor Agency and Oversight Board have directed Successor Agency staff and special counsel to be available at all times to assist Finance in their review of this Long-Range Property Management Plan.

Agency Contact Information

Name:	Alex Kung	Name:	Gustavo Lamanna
Title:	Assistant to Exec Dir	Title:	Special Counsel
Phone:	323-583-8811 x355	Phone:	213-452-0131
Email:	akung@ci.vernon.ca.us gustavo@kbblaw.com	Email:	
Date:	07/11/2013	Date:	07/11/2013

Department of Finance Local Government Unit Use Only:

DETERMINATION ON LRPMP: ☐ APPROVED ☐ DENIED

APPROVED/DENIED BY: _____ DATE: _____

APROVAL OR DENIAL LETTER PROVIDED: ☐ YES DATE AGENCY NOTIFIED: _____

Form DF-LRPMP (11/15/12)

ATTACHMENTS TO LONG-RANGE PROPERTY MANAGEMENT PLAN CHECKLIST WHICH FOLLOWING THIS COVER PAGE

FOC BY FINANCE (1 PAGE)

OB-21 RESOLUTION (52 PAGES)

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 17, 2013

Mr. Alex Kung, Assistant to the City Administrator
City of Vernon
4305 Santa Fe Avenue
Vernon, CA 90058

Dear Mr. Kung:

Subject: Request for a Finding of Completion

The California Department of Finance (Finance) received the City of Vernon's request for a Finding of Completion.

Finance has completed its review of your request, which may have included reviewing supporting documentation submitted to substantiate payment or obtaining confirmation from the county auditor-controller. Pursuant to Health and Safety Code (HSC) section 34179.7, we are pleased to inform you that Finance concurs that the Agency has made full payment of the amounts determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5.

This letter serves as notification that a Finding of Completion has been granted. The Agency may now do the following:

- Place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Loan repayments will be governed by criteria in HSC section 34191.4 (a) (2).

- Utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC section 34191.4 (c).

Additionally, the Agency is required to submit a Long-Range Property Management Plan to Finance for review and approval, per HSC section 34191.5 (b), within six months from the date of this letter.

Please direct inquiries to Andrea Scharffer, Staff Finance Budget Analyst, or Chris Hill, Principal Program Budget Analyst, at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Gustavo Lamanna, Esq, Counsel to Successor Agency
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor Controller
California State Controller's Office

RESOLUTION NO. OB-21

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON APPROVING THE LONG-RANGE PROPERTY MANAGEMENT PLAN WHICH INCLUDES, AMONG OTHER THINGS, THE DISPOSITION OF 4900 PACIFIC BOULEVARD TO GBD PROPERTIES UNDER A PURCHASE AND SALE CONTRACT, AND THE GOVERNMENTAL USE DISPOSITION OF 4528 BANDINI BOULEVARD

WHEREAS, on April 17, 2013, the Successor Agency to the Redevelopment Agency of the City of Vernon (the "Successor Agency") received its Finding of Completion and became required to seek approval of a long-range property management plan (the "Plan") before October 17, 2013, to address the disposition and use of the real properties of the former Vernon Redevelopment Agency in furtherance of Health & Safety Code sections 34191.3 and 34191.5; and

WHEREAS, Successor Agency staff circulated a draft Plan on June 6, 2013, seeking comments in the month of June 2013, to allow for time to review and consider the Plan, including, but not limited to, the terms of the proposed disposition the two properties of the former Vernon Redevelopment Agency; the first is located at 4900 Pacific Boulevard and proposed for disposition to GBD Properties, Inc. under a purchase and sale contract; the second is located at 4528 Bandini Boulevard and proposed for governmental use; the Plan submitted on June 6, 2013, was a draft and subject to revision before final consideration on July 11, 2013; and

WHEREAS, the Oversight Board to the Successor Agency ("Oversight Board") received the draft Plan on June 6, 2013, accepted the invitation of the Successor Agency staff to set a public hearing in June 2013 for a study session and declined to set the study session

at the June 6, 2013 public hearing; and

WHEREAS, on June 6, 2013, the Oversight Board recognized the proposed disposition of 4900 Pacific Boulevard property under the terms of the proposed contract which it previously authorized and considered implementation options for the proposed governmental-use disposition of the second property located at 4528 Bandini Boulevard; the options included governmental-use dispositions to the City of Vernon, on the one hand, or the California Department of Transportation ("Caltrans"), on the other hand, or a combination of both; and

WHEREAS, as to the second property located at 4528 Bandini Boulevard, Successor Agency staff considered the June 6, 2013 comments of the oversight board and developed a recommendation with a governmental use disposition appropriate under all circumstances because the City of Vernon and Caltrans qualify for the governmental-use option under the statutory provisions of the Plan; and

WHEREAS, the 4528 Bandini Boulevard property was initially acquired by the former Vernon Redevelopment Agency for the expansion of City of Vernon Fire Station No. 4 and the expansion did not move forward, for a number of intervening reasons, including the proposed expansion of Interstate 710 by Caltrans, which identified Fire Station No. 4 as a property to be condemned by Caltrans for the proposed Interstate 710 expansion; and

WHEREAS, while the Caltrans expansion does identify Fire Station No. 4 as property necessary for the Caltrans project, it is presently uncertain what portions of 4528 Bandini Boulevard property will be condemned; until the scope of the Caltrans condemnation of 4528 Bandini Boulevard is ascertained, it is also uncertain whether

the City of Vernon intends to utilize any of the 4528 Bandini Boulevard site for the proposed expansion of City of Vernon Fire Station No. 4; therefore, Successor Agency staff has proposed a Plan where the disposition of the 4528 Bandini Boulevard property for governmental use considers the combination of governmental use thereon; the disposition is proposed with a grant deed restricted by covenants in the form of a restricted grant deed or similar instrument accomplishing the goals herein and reserving the appropriate rights of the City for Fire Station No. 4 and Caltrans as to Interstate 710 expansion; and

WHEREAS, the disposition of the 4528 Bandini Boulevard is proposed from the Successor Agency to the City of Vernon maintaining the status quo and restricting the future use of the 4528 Bandini Boulevard property within a restricted grant deed which contains the equivalent of covenants running with the land as conditions, covenants, and restrictions; these legal terms within a restricted grant deed reserve the right of the City to those portions of 4528 Bandini not condemned by Caltrans in the event Caltrans does not utilize the entire site at 4528 Bandini for the expansion of Interstate 710; the Plan contains the aforesaid restricted grant deed, or similar instrument approved by the oversight board, recognizes these governmental uses and the potential for a future governmental use that may involve an unknown combination of the following two governmental uses: (a) the City governmental use which is established and necessary under the existing long-term acquisition plan of 4528 Bandini Boulevard for City of Vernon Fire Station No. 4; and (b) the Caltrans governmental use which is an intervening governmental use for expansion of California Interstate 710; and

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON AS FOLLOWS:

SECTION 1: The Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Vernon hereby finds and determines that the above recitals are true and correct.

SECTION 2: The Oversight Board hereby approves the Plan, as presented by Successor Agency staff at the July 11, 2013 public hearing of the Oversight Board of the Successor Agency.

SECTION 3: Pursuant to Health and Safety Code section 34179(h), all actions taken by the Oversight Board may be reviewed by the State of California Department of Finance, and, therefore, this Resolution shall not be effective for three (3) business days, pending a request for review by the State of California Department of Finance.

SECTION 4: The Interim Secretary of the Oversight Board, shall certify to the passage, approval and adoption of this resolution, and the Interim Secretary shall cause this resolution and the Interim Secretary's certification to be properly filed.

APPROVED AND ADOPTED this 11th day of July, 2013.

Name: Johathan Fuhrman

Title: Chairman / Vice Chairman

ATTEST:

Dana Reed, Interim Secretary

STATE OF CALIFORNIA)
) ss
COUNTY OF LOS ANGELES)

I, Dana Reed, acting on behalf of the Oversight Board as its Interim Secretary, do hereby certify that the foregoing Resolution, being Resolution No. OB-21, was duly passed, approved and adopted by the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Vernon at a special meeting of the Oversight Board duly held on Thursday, July 11, 2013, and thereafter was duly signed by the Chairman or Vice Chairman of the Oversight Board.

Executed this 15 day of July, 2013, at Vernon, California.

Dana Reed, Interim Secretary

(SEAL)

CITY CLERK'S OFFICE

INTEROFFICE MEMORANDUM

DATE: July 16, 2013

TO: Alex Kung, Successor Agency Staff

FROM: Deborah Juarez, Records Management Assistant

RE: Resolution No. OB-21 – A Resolution of the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Vernon Approving the Long-Range Property Management Plan Which Includes, Among Other Things, the Disposition of 4900 Pacific Boulevard to GBD Properties Under a Purchase and Sale Contract, and the Governmental Use Disposition of 4528 Bandini Boulevard

Transmitted herewith is a copy of Resolution No. OB-21 referenced above, which was approved by the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Vernon on July 11, 2013.

Thank you.

Attachment

c: Gustavo Lamanna
Resolution No. OB-21

RECEIVED
JUL 0 8 2013
CITY CLERK'S OFFICE

SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY STAFF REPORT

DATE: July 8, 2013

TO: Honorable Chairperson and Members of the Oversight Board to the Successor Agency for the Vernon Redevelopment Agency

FROM: Alex Kung, Successor Agency Staff AK

RE: Approval of the Long-Range Property Management Plan, which includes the sale of Angelus Can pursuant to Oversight Board instruction under an Approved Contract for Sale of 4900 Pacific Boulevard and Disposition of Austin Trucking for Government Use regarding 4528 Bandini Boulevard

Background:

Pursuant to Community Redevelopment Law and specifically those obligations imposed on the City of Vernon acting as the Successor Agency to the former Vernon Redevelopment Agency ("Successor Agency") by the dissolution statutes, Successor Agency staff retained the professional services of Keyser Marston & Associates for completion of the statutory long-range property management plan for submittal to the oversight board of the Successor Agency ("Oversight Board") and the California Department of Finance. Said plan includes the proposed contract with GBD Properties, the wholly-owned entity of Whole Foods Market, Inc. for the disposition of 4900 Pacific Boulevard along with the governmental use disposition proposal for the other Former Vernon Redevelopment Agency property located at 4538 Bandini Boulevard and occupied by Austin Trucking and abutting Fire Station Number 4 at Bandini and CA I-710.

The Long-Range Property Management Plan was presented and submitted to the Oversight Board on June 6, 2013. The plan was also distributed to the Successor Agency on June 18, 2013. At the June 6, 2013 meeting the Oversight Board members discussed the governmental use disposition of the Austin Trucking site at 4528 Bandini Boulevard and the contemplated government use by the City of Vernon concerning Fire Station No. 4 and future phased expansion of California Interstate 710.

Discussion:

In response to those comments on the governmental use disposition on June 6, 2013, Successor Agency staff recommends a disposition of this Austin Trucking - Bandini property according to a restricted grant deed or similar instrument which would reconcile the government use between the City of Vernon and the California Department of Transportation ("CalTrans"). Both entities are public entities and, particularly as to Caltrans, the public process is long and implementation

is well-outside the immediate future. There are also interests of the Oversight Board to not keep the dissolution process pending and contingent on the progress of the Interstate 710 process.

Considering these comments, the plan has been revised from the versions submitted June 6, 2013 to the Oversight Board and June 18, 2013 to the Successor Agency. The recommendation is to submit the plan, as revised herein, to Finance following Oversight Board approval. Notwithstanding the foregoing, the disposition of the Austin Trucking site will proceed with the public process following the submittal of the plan and be subject to approval by the Department of Finance.

The Oversight Board and Successor Agency will also, *ex post*, consider the comments of the public concerning the disposition on Austin Trucking – Bandini for governmental use by and between the City of Vernon and Caltrans. Note that unlike the Austin Trucking – Bandini, the Oversight Board and Successor Agency undertook the public process and approval for the 4900 Pacific Boulevard property prior to submittal of the plan to the Department of Finance yet the sale of 4900 Pacific is contingent on approval of the plan by the Department of Finance. On the other hand, following submittal of the revised plan to the Department of Finance, the Oversight Board and Successor Agency will consider the method of reconciling the governmental use between the City of Vernon and Caltrans; this would not be inconsistent with the plan submitted because both public entities would qualify as governmental use.

Successor Agency staff recommends moving forward with the revised plan in this fashion with a completed plan submittal following Oversight Board approval of this action to keep the transaction on 4900 Pacific Boulevard on track. Given the nature of the governmental use disposition, staff and counsel for the Successor Agency believe the plan is not likely to change because the governmental use disposition of Bandini is consistent with the uses by the City of Vernon and Caltrans, or any combination of both. The only way a governmental use disposition would occur is if both the Fire Station No. 4 governmental use and Interstate 710 expansion do not move forward. This appears highly unlikely given the current state of facts presented to Successor Agency staff and counsel. Under the terms of this revised plan, the Oversight Board and Successor Agency must *ex post* approve and consider the recommendation made in response to the comments of the Oversight Board on June 6, 2013 to reconcile the interests of the City of Vernon and CalTrans concerning the disposition of the Austin Trucking – Bandini property via the proposed restricted grant deed.

The proposed government use restricted grant deed contemplates the potential of the two government uses: City of Vernon for Fire Station No. 4 and Caltrans for I-710 expansion. In addition, consistent with the long-range property management of property, the proposed deed also contemplates the continued use of the Bandini property by Austin Trucking on the existing terms which qualify as an enforceable obligation.

The proposed deed also allows for the continued interim occupancy for a tenant on similar or better terms as this Austin Trucking use is perhaps the highest and best use of this Bandini property given the competing clouds of the City of Vernon and Caltrans.

Lastly, the proposed grant deed also considers the option of disposition in the unlikely event the City of Vernon and Caltrans do not move forward with their proposed government use; under this limited option if these government uses do not materialize, the proposed grant deed has the

following safeguards for the Successor Agency and Oversight Board: the City of Vernon would absorb the burden for a proposed seven-year sunset from the recordation of the restricted grant deed; following that seven-year sunset period, the government use restriction would allow for a disposition of the property, including, but not limited to, redevelopment of the property, as and if appropriate at that future time.

It is appropriate for the Oversight Board to now approve this plan and authorize immediate submittal to the Department of Finance subject to the following revisions to the plan submitted to the Oversight Board on June 6, 2013 and Successor Agency on June 18, 2013:

1. Government Use Restricted Grant Deed which, following the public process used for the 4900 Pacific Boulevard under Health & Safety Code sections 33430 and 33431 and approval by the Department of Finance may implement the disposition of the 4528 Bandini Boulevard property for governmental use; a proposed restricted grant deed is attached hereto;
2. Include the Resolution of the Successor Agency approving and ratifying the contract authorized by the Oversight Board concerning the sale of 4900 Pacific Boulevard to GBD Properties; this resolution is attached hereto; and
3. Include the Grant Deed the former Vernon Redevelopment Agency received when it acquired the property. This Grant Deed is attached hereto.

Recommendation:
Successor Agency staff asks the Oversight Board to approve the Long-Range Property Management Plan submitted on June 6, 2013 to the Oversight Board and June 18, 2013 to the Successor Agency as revised herein by the attachments hereto which implement the comments of the Oversight Board and staff recommendation above and authorize the immediate transmittal of the plan to the Department of Finance.

Attachments:

1. Proposed Government Use Restricted Grant Deed regarding Austin Trucking – Bandini property concerning government uses for Fire Station No. 4, I-710 Expansion, or any combination of both
2. Successor Agency Resolution SA-14 Approving Sale of Angelus Can – Pacific property
3. Grant Deed received by the former Vernon Redevelopment Agency concerning Austin Trucking – Bandini property recorded February 20, 1991 as LA County Recorder Instrument No. 91-241951

Attachment 1

WHEN RECORDED MAIL TO:

City of Vernon
City Administration Offices
Attention: Mr. Alex Kung
Assistant to City Administrator
4305 Santa Fe Avenue
Vernon, CA 90058

Assessor Parcel No: 6304-030-906

(Space Above For Recorder's Use)

GOVERNMENTAL-USE RESTRICTED GRANT DEED

[Former Vernon Redevelopment Agency real property disposition to City of Vernon for governmental use for Fire Station No. 4, Department of Transportation expansion of California Interstate 710, any combination of both, or pursuant to any governmental use authorized under that certain Long-Range Property Management Plan transmitted and approved by the California Department of Finance per AB X1 26, as amended by AB 1484, including but not limited to California Health & Safety Code section 34191.5(b); government use restriction contained herein sunsets seven years from recordation and the restriction is removed if the government use of Fire Station No. 4, Department of Transportation expansion of California Interstate 710, or any combination of both do not impact the property described herein]
(4528 Bandini Boulevard, Vernon, CA 90058)

State of California)

County of Los Angeles)

THIS GOVERNMENTAL-USE RESTRICTED GRANT DEED is made this ___th day of _____, 2013 by the SUCCESSOR AGENCY FOR THE FORMER VERNON REDEVELOPMENT AGENCY, a public body designated under California Health & Safety Code sections 34173 acting on behalf of the REDEVELOPMENT AGENCY OF THE CITY OF VERNON, a dissolved public body, corporate and politic ("Grantor"), to the CITY OF VERNON (the "Grantee").

WHEREAS, Grantor holds legal title to an undivided interest in that certain real property located in the City of Vernon, County of Los Angeles, State of California, more particularly described as follows:

Those portions of Lots 91 and 110 of Tract 1, in the Rancho Laguna, so called as shown on map designated at Exhibit "A", Case No. B-25296 of the Superior Courts, said map being filed as Clerk's Filed Map 880, in the County Clerk of said County, more particularly described as follows:

Beginning at a point in the Easterly prolongation of the center line of Bandini Boulevard, as described in deed to said County of Los Angeles, recorded in Book 3860 Page 214, Official

Records, in the office of the county recorder of said county, distant along said Easterly prolongation North 67° 57' 49" West, 53.32 feet from the intersection of said Easterly prolongation with the center line of Atlantic Boulevard, formerly Pasadena Avenue, as described in deed to said County of Los Angeles, recorded in Book 864 Page 317 of said Official Records; thence along said Easterly prolongation and said center line of Bandini Boulevard, North 67° 57' 49" West, 846.68 feet; thence at right angles, South 22° 02' 11" West, a distance of 132.00 feet; thence South 2° 01' 43" West, a distance of 72.37 feet to a point on a line parallel with and distant 200.00 feet Southerly, measured at right angles, from said center line of Bandini Boulevard, said point being the true point of beginning of this description; thence along said parallel line, North 67° 57' 49" West, a distance of 99.76 feet; thence North 22° 02' 11" East, a distance of 150.00 feet to a line parallel with and distant 50.00 feet Southerly, measured at right angles, from said center line of Bandini Boulevard; thence along said last mentioned parallel line, North 67° 57' 49" West, a distance of 100.00 feet; thence South 22° 02' 11" West, at right angles and parallel with the course above-described as having a length of 132.00 feet, a distance of 275.00 feet to a line parallel with and distant 325.00 feet Southerly, measured at right angles, from said center line of Bandini Boulevard; thence along said last mentioned parallel line, South 67° 57' 49" East, a distance of 245.28 feet to the intersection thereof with the Southerly prolongation of that certain course hereinabove described as having a length of 72.37 feet; thence along said Southerly prolongation, North 2° 01' 43" East, a distance of 133.03 feet to said true point of beginning.

EXCEPT therefrom all oil, gas, naphtha and other hydrocarbon substances in, under or that may be produced from said land, as excepted in deed to the State of California, recorded July 19, 1951, in Book 36797 Page 164 of said Official Records.

APN: 6304-030-906

WHEREAS, Grantor desires to convey to Grantee in fee simple all of its right, title and interest in and to the aforesaid parcels of real property (the "Real Property") subject to the conditions, limitations, and requirements of this instrument, the redevelopment dissolution statutes, AB X1 26, as amended by AB 1484 ("Dissolution Statutes"), and that certain long-range property management plan submitted to and approved by the Department of Finance under the Dissolution Statutes (the "Plan").

WHEREAS, the Real Property was acquired pursuant to that certain Corporation Grant Deed dated January 7, 1991 and recorded in the Official Records of the Los Angeles County Recorder on February 20, 1991 as Instrument No. 91-241951.

WHEREAS, the Grantor is charged with implementing the Dissolution Statutes and Plan under the direction of the Oversight Board to the Successor Agency of the Former Vernon Redevelopment Agency ("Oversight Board"); in connection thereto, the Grantor has proposed the Real Property be retained for governmental use under the terms of the Dissolution Statutes and Plan.

WHEREAS, the Grantor is currently leasing the Real Property to a third party and using net proceeds, if any, to service the Real Property for the continued use as vacant land subject to future disposition. The service of the Real Property includes, but is not limited to, obligations

under the lease, insurance, and related landlord costs and expenses. The lease with the third party, Austin Trucking, Inc., is contained within the Plan within Exhibit B of the Plan, and incorporated herein by this reference (the "Interim Lease").

WHEREAS, the Grantor and the Oversight Board are subject to the Dissolution Statutes and shortly after satisfaction of the Plan, the Grantor and Oversight Board are to be dissolved in the regular course upon satisfaction of the Dissolution Statutes.

WHEREAS, the Real Property was acquired for a public use of a fire station expansion but the expansion did not move forward because, among other things, the higher public use by the State of California for the expansion of the abutting Interstate 710 intervened and created a cloud of uncertainty as to the future disposition of the Real Property. Therefore, the use of the Real Property as leased vacant land continued and the obligations to service and maintain the Real Property are currently undertaken by the Grantor with the consent of the Oversight Board.

WHEREAS, at the time of making this Governmental-Use Restricted Grant Deed, it is presently unknown to the Grantor and its Oversight Board the extent to which two governmental entities will be using the Real Property for governmental use. Grantor, its Oversight Board, and the Grantee do agree that at the time of making this Governmental-Use Restricted Grant Deed the obligations of the Interim Lease, or such other interim lease on similar or better terms, are expected to continue on the Real Property until the Real Property is to be devoted to governmental use and net proceeds, if any, are to be devoted to the maintenance of the Real Property and obligations under the enforceable obligation under the Interim Lease, or such other obligations imposed by an interim use on similar or more favorable terms.

WHEREAS, the governmental-use restriction on the Real Property is to restrict the Real Property and the Real Property for a period of seven (7) years from the recordation of this Governmental-Use Restricted Grant Deed. The restriction limits the use of the Real Property to the Interim Lease, or such other interim lease on similar or better terms, and to such governmental uses established by the following two government entities or such combination of governmental uses on the Real Property established by the following two governmental entities. The first governmental entity is the Grantee, which currently operates its Fire Station No. 4 in land abutting the Real Property. The second governmental entity is the State of California, operating through its Department of Transportation ("Caltrans") in connection with the proposed expansion of California Interstate 710—the interstate abutting the Real Property. Caltrans has identified the Grantor's Fire Station No. 4 as property to be condemned for the aforesaid Caltrans project. In connection with the Caltrans condemnation, Grantee is likely to move forward with continued operation of Fire Station No. 4, however, at this time, it is unknown the extent and feasibility for the Grantor's governmental use for a fire station on the Real Property. This uncertainty is caused by, among other things, the extent of land from the Real Property to be condemned by Caltrans for aforesaid project. Lastly, in connection with its duties under the Dissolution Statutes, the Grantor proposed alternate government uses, including redevelopment, if the government use in connection with Fire Station No. 4, or similar fire station on the Real Property, or the Caltrans project, or any combination of both, do not move forward within seven (7) years from the recordation of this Governmental-Use Restricted Grant Deed. At the time of making this grant deed, alternate uses seems highly unlikely but are nonetheless included and

contemplated herein as a reservation in favor of the Grantee in the event the aforesaid governmental uses by the Grantee or Caltrans do not commence within seven (7) years of the recordation date of this Governmental-Use Restricted Grant Deed. If upon the passage of seven (7) years following the recordation of this Governmental-Use Restricted Grant Deed, Caltrans does not condemn Fire Station No. 4 which is adjacent to the Real Property, Grantee may record a notice of removal of governmental-use restrictions on the Real Property thereby removing all restrictions contained in this grant deed. Notwithstanding the foregoing, the Grantee agrees it accepts all liabilities in connection with the Interim Lease, and may negotiate similar or better terms for the interim occupancy of the Real Property for a period of not less than seven (7) years from the date of recordation of this Governmental-Use Restricted Grant Deed. During this seven (7) year period the Grantor and its Oversight Board intend to implement the Dissolution Statutes and Plan and consider Grantee's covenant herein as part of the Plan. As part of the Dissolution Statutes and Plan, Grantor is obligated to continue to honor the Interim Lease as an enforceable obligation concerning the Real Property until such other uses are authorized; therefore, upon acceptance of this Governmental-Use Restricted Grant Deed, Grantee would be accepting the Real Property with the necessity to continue to honor the existing enforceable obligation concerning the Interim Lease, and may enter into such other interim lease on similar or better terms on the Real Property until such uses by the Grantee and/or Caltrans arise within the seven (7) year period following the recordation of this Governmental-Use Restricted Grant Deed. The governmental uses in this paragraph, including the Interim Lease, or such similar or better interim lease, are hereinafter collectively referred to as the "Governmental Use."

WHEREAS, in order to implement the Dissolution Statutes and Plan given the uncertainties as to which entity will engage in the Governmental Use, the Grantor proposes to convey the Real Property to the Grantee with the restrictions herein, including the limited use of the Real Property for the Governmental Use. In connection therewith, the Grantee proposes to accept the Real Property from the Grantor subject to the restriction and limitation to use for the Governmental Use so long as Grantee may assume all rights, obligations, and interests of the Grantee. The Oversight Board, in implementing the Dissolution Statutes and Plan further instructs the Grantor to give this grant deed to Grantee and Grantee agrees to accept the terms of this grant deed along with the covenants, conditions and restrictions along with equitable servitudes running with the land imposed upon the Real Property conveyed by this grant deed.

NOW THEREFORE, for the Grantee's acceptance of the obligations herein as consideration, the receipt and sufficiency of which are hereby acknowledged by Grantor, the Grantor does hereby grant, bargain, sell and convey unto the Grantee in fee simple the Real Property with all and singular the ways, easements, rights, privileges and appurtenance thereto or in any way appertaining, all improvements thereon and all the estate, right, title, interest and claim, either at law or in equity, of the Grantor as to Grantor's entire undivided interest in the said Real Property subject to the Governmental Use. Grantor and Grantee agree and confirm the restrictions and limitations of the Governmental Use burden, restrict, and limit the use of the Real Property for a period of seven (7) years following the recordation of this Governmental-Use Restricted Grant Deed; furthermore, the burdens, restrictions, and limitations may be removed by the Grantee at anytime following the passage of seven (7) years following the recordation of this Governmental-Use Restricted Grant Deed by recordation of a notice of passage of restriction period whereby the burdens, restrictions, and limitations of the Governmental Use are removed and no longer burden, restrict, or limit the Real Property.

IN WITNESS WHEREOF, Grantor has caused this grant deed to be executed by its representative thereunto duly authorized by the Oversight Board as of the day and year first above written. Grantee confirms acceptance of the terms hereinabove by signing this grant deed in the space provided hereinbelow.

"GRANTOR"

REDEVELOPMENT AGENCY OF THE CITY OF VERNON, a dissolved public entity under AB X1 26, as amended by AB 1484

By: SUCCESSOR AGENCY TO THE FORMER VERNON REDEVELOPMENT AGENCY, a public entity designated under Health & Safety Code section 34173

By: _____

APPROVED AS TO FORM AND LEGALITY:

KANE, BALLMER & BERKMAN
Special Counsel to Grantor

By: _____

Grantee Acceptance

The terms in this grant deed and the acceptance of the interest in Real Property conveyed by this grant dated from the Grantor are hereby accepted by the Grantee.

"GRANTEE"

CITY OF VERNON, a chartered city

By: _____

Acknowledgement

State of California)
)
County of Los Angeles)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)
)
County of Los Angeles)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

Attachment 2

RESOLUTION NO. SA-14

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VERNON ACTING AS THE BOARD OF THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON APPROVING AND RATIFYING THE PROPOSED CONTRACT FOR THE SALE AND DISPOSITION OF 4900 PACIFIC BOULEVARD, VERNON, CA 90058 UNDER CALIFORNIA HEALTH & SAFETY CODE SECTION 33430 AND IN FURTHERANCE OF AB X1 26, AS AMENDED BY AB 1484, INCLUDING, BUT NOT LIMITED TO, CALIFORNIA HEALTH & SAFETY CODE SECTION 34191.5(B)

WHEREAS, the Vernon Redevelopment Agency ("RDA") was a redevelopment agency in the City of Vernon, duly created pursuant to the California Community Redevelopment Law (Part 1, commencing with Section 33000 of Division 24 of the California Health and Safety Code, hereinafter "Redevelopment Law"); and

WHEREAS, legislation known as Assembly Bill 1X26 ("AB26") was signed into law by the Governor of California on June 28, 2011, dissolving redevelopment agencies and making certain changes to the Redevelopment Law, including adding Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170); and

WHEREAS, AB26 was amended when the Governor signed Assembly Bill 1484 ("AB 1484") on June 27, 2012; and

WHEREAS, the Vernon Redevelopment Agency Successor Agency is the successor agency ("Successor Agency") to the RDA under AB26, as amended; and

WHEREAS, California Health and Safety Code Section 34191.5 which was included in AB 1484 and amends AB26, requires that there be a long-range property management plan governing the disposition of property of the RDA; said plan is to be considered and approved by the oversight board to the Successor Agency in connection with the wind

down of the dissolved redevelopment agency's affairs pursuant to AB26, as amended; and

WHEREAS, following receipt and careful consideration over the last several months by the Successor Agency and its oversight board of multiple offers, on March 21, 2013, the oversight board of the Successor Agency authorized and directed staff of the Successor Agency to contract with the successful bidder for the RDA property located at 4900 Pacific Boulevard, Vernon, CA 90058 (the "Property"); the successful bidder was GBD Properties, a wholly-owned subsidiary of Whole Foods Market, Inc.; and

WHEREAS, to approve the sale of the Property, as instructed by the oversight board and in furtherance of AB 26, as amended, the Successor Agency is to approve and ratify a contract for the sale of the Property, as contemplated above; and

WHEREAS, in accordance with California Health and Safety Code section 33431, the Successor Agency is required to provide a notice of publication of the disposition of the Property prior to the sale of the Property; the sale of the Property as instructed by the oversight board is such a disposition; this proposed disposition is allowable under AB26 as part of a proposed long range property management plan under California Health & Safety Code section 34191.5; and

WHEREAS, prior to the public hearing of the Successor Agency presently set for July 2, 2013, notices of the proposed disposition under Health & Safety Code section 33430 were ordered for June 20 and 27 in the Vernon Sun; evidence of the publication was provided to the Successor Agency on or before the July 2, 2013 public hearing date; the notices of aforesaid disposition of the Property published in the

Vernon Sun on June 20, 2013 and June 27, 2013 are attached hereto as Exhibit "1" and their complete contents are incorporated herein by reference; and

WHEREAS, in conformance with AB26 and California Health & Safety Code section 33431, prior to the adoption and approval of the contract to be approved and ratified by the Successor Agency under the direction and authorization of the oversight board, the Successor Agency provided notice to the public of the proposed disposition and made the terms of the disposition available for public inspection at the office of the secretary of the Successor Agency care of the City Clerk of the City of Vernon, located on the second floor of City Hall, 4305 Santa Fe Avenue, Vernon, California 90058 at the public counter of the City Clerk; and

WHEREAS, the proposed contract concerning the sale of the Property is with GBD Properties, Inc. and attached to this Resolution as Exhibit "A" (the "Proposed Contract for Sale of the Property"); and

WHEREAS, the Proposed Contract for Sale of the Property attached to this Resolution as Exhibit A contains the price and terms approved and authorized by the oversight board to the Successor Agency; and

WHEREAS, the Successor Agency, reviewed and approved the evidence of staff's satisfaction of the conditions for the sale of the Property under Health & Safety Code section 33430, which includes the disposition to take place under a long-range property management plan to be considered by the oversight board to the Successor Agency on July 11, 2013, and then transmitted for approval consideration by the Department of Finance; and

WHEREAS, the Successor Agency finds all conditions precedent to its action under Health & Safety Code section 33430 have taken place; and

WHEREAS, the Proposed Contract for Sale of Property is consistent with the requirements of AB26, as amended, and the authorization and direction provided by the oversight board to staff of the Successor Agency on March 21, 2013; and

WHEREAS, the Successor Agency approves and ratifies the Proposed Contract for Sale of the Property; said approval and ratification is made in reliance on the authorization of the oversight board to the Successor Agency and pursuant to the terms of AB26, as amended; and

WHEREAS, according to California Health & Safety Code section 34179(h), the Department of Finance may review actions of oversight boards. Oversight board actions are not effective until five business days after notice is provided to the department unless the department seeks review. If the department requests a review, the department has forty days to review or return the action for reconsideration; and

WHEREAS, all of the prerequisites with respect to the approval of this Resolution have been met.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VERNON ACTING AS THE BOARD OF THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON AS FOLLOWS:

SECTION 1: The City Council of the City of Vernon acting as the Board of the Successor Agency of the Redevelopment Agency of the City of Vernon hereby finds and determines that the recitals contained hereinabove are true and correct.

SECTION 2: The City Council of the City of Vernon acting as the Board of the Successor Agency of the Redevelopment Agency of the City of Vernon hereby approves and ratifies the Proposed Contract for Sale of Property, attached to this Resolution as Exhibit "A."

SECTION 3: As noted in the Proposed Contract for Sale of Property, the City Council acting as the Board of the Successor Agency to Redevelopment Agency of the City of Vernon specifically conditions the Proposed Contract for Sale of Property to the prerequisites of AB26, as amended, which includes the requirement for the disposition proposed therein to be approved by the oversight board and Department of Finance under the long-range property management plan pursuant to California Health & Safety Code section 34191.5.

SECTION 4: The Executive Officer of the Successor Agency, or designee, is hereby authorized and directed to take such other actions and execute such other documents as are necessary to effectuate the intent of this Resolution on behalf of the Successor Agency, including the approval and ratification of the Proposed Contract for Sale of Property, if and as required.

SECTION 5: The Interim City Clerk of the City of Vernon, as interim secretary to the Successor Agency, shall certify to the passage, approval and adoption of this Resolution, and shall cause this resolution and the Interim City Clerk's certification as interim secretary to be properly filed according to the customs and practices of the Interim Secretary in the books and records of the Successor Agency.

SECTION 6: Pursuant to California Health & Safety Code section 34179(h), the Department of Finance may review an oversight board action. The Successor Agency is subject its oversight board

under the terms of AB26, as amended. An action of the oversight board shall become effective five business days after notice in the manner specified by the department is provided unless the department requests review. The Assistant Executive Director of the Successor Agency, Mr. Alex Kung, c/o Vernon City Hall, 4305 Santa Fe Avenue, Vernon, CA 90058 Telephone (323) 583-8811 Extension 355 (akung@ci.vernon.ca.us) is designated as the official for notice of review by the department. Except as otherwise provided in California Health & Safety Code section 34179(h), in the event the department requests a review of a given oversight board action, the department shall have 40 days from the date of this request to approve the oversight board action or return it to the oversight board for reconsideration; the oversight board shall resubmit the modified action for department approval and the modified oversight board action shall not become effective until approved by the department.

APPROVED AND ADOPTED this 2nd day of July, 2013.

Name: W. Michael McCormick

Title: Chairman / ~~Vice Chairman~~

ATTEST:

Dana Reed, Interim Secretary

APPROVED AS TO FORM:

Gustavo Lamanna, Esq.
Kane, Ballmer & Berkman,
Special Counsel to the Successor Agency

STATE OF CALIFORNIA)
) ss
COUNTY OF LOS ANGELES)

I, Dana Reed, acting on behalf of the Successor Agency as its Interim Secretary, do hereby certify that the foregoing Resolution, being Resolution No. SA-14, was duly passed, approved and adopted by the Successor Agency of the Redevelopment Agency of the City of Vernon at a regular meeting of the Successor Agency duly held on July 2, 2013, and thereafter was duly signed by the Chairman or Vice Chairman of the Successor Agency.

Executed this 2nd day of July, at Vernon, California.

Dana Reed, Interim Secretary

(SEAL)

EXHIBIT A

STANDARD OFFER, AGREEMENT AND ESCROW INSTRUCTIONS FOR PURCHASE OF REAL ESTATE

(Non-Residential)

AIR Commercial Real Estate Association

April 30, 2013
(Date for Reference Purposes)

1. Buyer.

1.1 GBD Properties, Inc. and/or Assignee ("Buyer") hereby offers to purchase the real property, hereinafter described, from the owner thereof ("Seller") (collectively, the "Parties" or individually, a "Party"), through an escrow ("Escrow") to close 30 or 7 days after the waiver or expiration of the ~~Buyer's Contingencies~~ Contingency Period (as defined in addendum Paragraph 27), as extended. ("Expected Closing Date") to be held by Commerce Escrow Company (Attn: Tina Debow) ("Escrow Holder") whose address is 1545 Wilshire Boulevard, Suite 600, Los Angeles, CA 90017, Phone No. (213)484-0855, Facsimile No. (213)201-5184 upon the terms and conditions set forth in this agreement ("Agreement"). Buyer shall have the right to assign Buyer's rights hereunder, but any such assignment shall not relieve Buyer of Buyer's obligations herein unless Seller expressly releases Buyer.

1.2 The term "Date of Agreement" as used herein shall be the date when by execution and delivery (as defined in paragraph 20.2) of this document or a subsequent counteroffer thereto, Buyer and Seller have reached agreement in writing whereby Seller agrees to sell, and Buyer agrees to purchase, the Property upon terms accepted by both Parties.

2. Property.

2.1 The real property ("Property") that is the subject of this offer consists of (insert a brief physical description) approximately 274,807 square feet of various industrial buildings located on approximately 429,066 square feet of industrial zoned land

is located in the City of Vernon, County of Los Angeles, State of California, is commonly known by the street address of 4900 Pacific Boulevard

and is legally described as: to be provided via Chicago Title during escrow

(APN: 6308-003-022,023,021,019).

2.2 If the legal description of the Property is not complete or is inaccurate, this Agreement shall not be invalid and the legal description shall be completed or corrected to meet the requirements of Chicago Title Company (Attn: Mike Slinger) ("Title Company"), which shall issue the title policy hereinafter described.

2.3 The Property includes, at no additional cost to Buyer, the permanent improvements thereon, including those items which pursuant to applicable law are a part of the property, as well as the following items, if any, owned by Seller and at present located on the Property: electrical distribution systems (power panel, bus ducting, conduits, disconnects, lighting fixtures); telephone distribution systems (lines, jacks and connections only); space heaters; heating, ventilating, air conditioning equipment ("HVAC"); air lines; fire sprinkler systems; security and fire detection systems; carpets; window coverings; wall coverings; and all easements, right of ways, entitlements, and appurtenances to the Property (collectively, the "Improvements").

2.4 The fire sprinkler monitor: ☐ is owned by Seller and included in the Purchase Price, ☐ is leased by Seller, and Buyer will need to negotiate a new lease with the fire monitoring company, ☑ ownership will be determined during Escrow, or ☐ there is no fire sprinkler monitor.

2.5 Except as provided in Paragraph 2.3, the Purchase Price does not include Seller's personal property, furniture and furnishings, and all of which shall be removed by Seller prior to Closing.

3. Purchase Price.

3.1 Subject to the provisions of Paragraph 35, the ~~The~~ purchase price ("Purchase Price") to be paid by Buyer to Seller for the Property shall be $12,657,447.00, payable as follows:

(a) Cash down payment, including the Deposit as defined in paragraph 4.3 (or if an all cash transaction, the Purchase Price): $12,657,447.00

(Strike if not applicable) ~~(b) Amount of "New Loan" as defined in paragraph 5.1, if any: $~~

~~(c) Buyer shall take title to the Property subject to and/or assume the following existing deed(s) of trust ("Existing Deed(s) of Trust") securing the existing promissory note(s) ("Existing Note(s)");~~

~~(i) An Existing Note ("First Note") with an unpaid principal balance as of the Closing of approximately $ Said First Note is payable at $ per month, including interest at the rate of % per annum until paid (and/or the entire unpaid balance is due on);~~

~~(ii) An Existing Note ("Second Note") with an unpaid principal balance as of the Closing of approximately $ Said Second Note is payable at $ per month, including interest at the rate of % per annum until paid (and/or the entire unpaid balance is due on);~~

(Strike if not applicable) ~~(d) Buyer shall give Seller a deed of trust ("Purchase Money Deed of Trust") on the property, to secure the promissory note of Buyer to Seller described in paragraph 6 ("Purchase Money Note") in the amount of $~~

Total Purchase Price: $12,657,447.00

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~~3.2 If Buyer is taking title to the Property subject to, or assuming, an Existing Deed of Trust and such deed of trust permits the beneficiary to demand payment of fees including, but not limited to, points, processing fees, and appraisal fees as a condition to the transfer of the Property, Buyer agrees to pay such fees up to a maximum of 1.5% of the unpaid principal balance of the applicable Existing Note.~~

4. **Deposits.**

4.1 ☐ Buyer has delivered to Broker a check in the sum of $N/A, payable to Escrow Holder, to be delivered by Broker to Escrow Holder within 2 or ____ business days after both Parties have executed this Agreement and the executed Agreement has been delivered to Escrow Holder, or ☑ within 2 or ____ business days after both Parties have executed this Agreement and the executed Agreement has been delivered to Escrow Holder Buyer shall deliver to Escrow Holder a check in the sum of $150,000.00, which Escrow Holder will hold subject to the provisions of this Agreement, including, without limitation, the provisions of Paragraph 9.5 below. If said check is not received by Escrow Holder within said time period then Seller may elect to unilaterally terminate this transaction by giving written notice of such election to Escrow Holder whereupon neither Party shall have any further liability to the other under this Agreement. Should Buyer and Seller not enter into an agreement for purchase and sale, Buyer's check or funds shall, upon request by Buyer, be promptly returned to Buyer.

4.2 Additional deposits:

(a) Within 5 business days after the Date of Agreement, Buyer shall deposit with Escrow Holder the additional sum of $N/A to be applied to the Purchase Price at the Closing.

(b) Within 5 business days after the expiration of the Contingency Period (as defined in Paragraph 27 below) ~~contingencies discussed in paragraph 9.1 (a) through (k) are approved or waived~~, Buyer shall deposit with Escrow Holder the additional sum of $150,000.00 to be applied to the Purchase Price at the Closing.

4.3 Escrow Holder shall deposit the funds deposited with it by Buyer pursuant to paragraphs 4.1 and 4.2 (collectively the "Deposit"), in a State or Federally chartered bank in an interest bearing ~~account whose term is~~ account(s) whose term(s) are appropriate and consistent with the timing requirements of this transaction. Escrow Holder will utilize the number of interest-bearing accounts necessary to ensure that 100% of the Escrow Deposit (and accrued interest thereon) enjoys FDIC insurance coverage. The interest therefrom shall accrue to the benefit of Buyer, ~~who hereby acknowledges that there may be penalties or interest forfeitures if the applicable instrument is redeemed prior to its specified maturity~~. Buyer's Federal Tax Identification Number is _____. NOTE: Such interest bearing account cannot be opened until Buyer's Federal Tax Identification Number is provided.

4.4 Notwithstanding the foregoing, within 5 days after Escrow Holder receives the monies described in paragraph 4.1 above, Escrow Holder shall release $100 of said monies to Seller as and for independent consideration for Seller's execution of this Agreement and the granting of the contingency period to Buyer as herein provided. Such independent consideration is non-refundable to Buyer but shall be credited to the Purchase Price in the event that the purchase of the Property is completed.

~~5. Financing Contingency. (Strike if not applicable)~~

~~5.1 This offer is contingent upon Buyer obtaining from an insurance company, financial institution or other lender, a commitment to lend to Buyer a sum equal to at least _____% of the Purchase Price, on terms reasonably acceptable to Buyer. Such loan ("New Loan") shall be secured by a first deed of trust or mortgage on the Property. If this Agreement provides for Seller to carry back junior financing, then Seller shall have the right to approve the terms of the New Loan. Seller shall have 7 days from receipt of the commitment setting forth the proposed terms of the New Loan to approve or disapprove of such proposed terms. If Seller fails to notify Escrow Holder, in writing, of the disapproval within said 7 days it shall be conclusively presumed that Seller has approved the terms of the New Loan.~~

~~5.2 Buyer hereby agrees to diligently pursue obtaining the New Loan. If Buyer shall fail to notify the Broker, Escrow Holder and Seller, in writing within _____ days following the Date of Agreement, that the New Loan has not been obtained, it shall be conclusively presumed that Buyer has either obtained said New Loan or has waived this New Loan contingency.~~

~~5.3 If, after due diligence, Buyer shall notify the Broker, Escrow Holder and Seller, in writing, within the time specified in paragraph 5.2 hereof, that Buyer has not obtained said New Loan, this Agreement shall be terminated, and Buyer shall be entitled to the prompt return of the Deposit, plus any interest earned thereon, less only Escrow Holder and Title Company cancellation fees and costs, which Buyer shall pay.~~

~~6. Seller Financing (Purchase Money Note). (Strike if not applicable)~~

~~6.1 If Seller approves Buyer's financials (see paragraph 6.5) the Purchase Money Note shall provide for interest on unpaid principal of the sale of _____% per annum, with principal and interest paid as follows: _____~~

~~The Purchase Money Note and Purchase Money Deed of Trust shall be on the current forms commonly used by Escrow Holder, and be junior and subordinate only to the Existing Note(s) and/or the New Loan expressly called for by this Agreement.~~

~~6.2 The Purchase Money Note and/or the Purchase Money Deed of Trust shall contain provisions regarding the following (see also paragraph 40.2 (b)):~~

~~(a) Prepayment. Principal may be prepaid in whole or in part at any time without penalty, at the option of the Buyer.~~

~~(b) Late Charge. A late charge of 6% shall be payable with respect to any payment of principal, interest, or other charges, not made within 10 days after it is due.~~

~~(c) Due On Sale. In the event the Buyer sells or transfers title to the Property or any portion thereof, then the Seller may, at Seller's option, require the entire unpaid balance of said Note to be paid in full.~~

~~6.3 If the Purchase Money Deed of Trust is to be subordinate to other financing, Escrow Holder shall, at Buyer's expense prepare and record on Seller's behalf a request for notice of default and/or sale with regard to each mortgage or deed of trust to which it will be subordinate.~~

~~6.4 WARNING: CALIFORNIA LAW DOES NOT ALLOW DEFICIENCY JUDGEMENTS ON SELLER FINANCING. IF BUYER ULTIMATELY DEFAULTS ON THE LOAN, SELLER'S SOLE REMEDY IS TO FORECLOSE ON THE PROPERTY.~~

~~6.5 Seller's obligation to provide financing is contingent upon Seller's reasonable approval of Buyer's financial condition. Buyer to provide a current financial statement and copies of its Federal tax returns for the last 3 years to Seller within 10 days following the Date of Agreement. Seller has 10 days following receipt of such documentation to satisfy itself with regard to Buyer's financial condition and to notify Escrow Holder as to whether or not Buyer's financial condition is acceptable. If Seller fails to notify Escrow Holder, in writing, of the disapproval of this contingency within said time period, it shall be conclusively presumed that Seller has approved Buyer's financial condition. If Seller is not satisfied with Buyer's financial condition or if Buyer fails to deliver the required documentation then Seller may notify Escrow Holder in writing that Seller Financing will not be available, and Buyer shall have the option, within 10 days of the receipt of such notice, to either terminate this transaction or to purchase the Property without Seller financing. If Buyer fails to notify Escrow Holder within said time period of its election to terminate this transaction then Buyer shall be conclusively presumed to have elected to purchase the Property without Seller financing. If Buyer elects to terminate, Buyer's Deposit shall be refunded less Title Company and Escrow Holder cancellation fees and costs, all of which shall be Buyer's obligation.~~

7. **Real Estate Brokers.**

7.1 The following real estate broker(s) ("Brokers") and brokerage relationships exist in this transaction and are consented to by the Parties (check the applicable boxes):

☑ Cushman & Wakefield of California, Inc. represents Seller exclusively ("Seller's Broker");

☑ The Clover Company & Cushman & Wakefield of California, Inc. represents Buyer exclusively ("Buyer's Broker"); or

☐ _____ represents both Seller and Buyer ("Dual Agency").

The Parties acknowledge that Brokers are the procuring cause of this Agreement. See paragraph 24 regarding the nature of a real estate agency relationship. Buyer shall use the services of Buyer's Broker exclusively in connection with any and all negotiations and offers with respect to the Property for a period of 1 year from the date inserted for reference purposes at the top of page 1.

7.2 Buyer and Seller each represent and warrant to the other that he/she/it has had no dealings with any person, firm, broker or finder in connection with the negotiation of this Agreement and/or the consummation of the purchase and sale contemplated herein, other than the Brokers

INITIALS _____ INITIALS _____

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named in paragraph 7.1, and no broker or other person, firm or entity, other than said Brokers is/are entitled to any commission or finder's fee in connection with this transaction as the result of any dealings or acts of such Party. Buyer and Seller do each hereby agree to indemnify, defend, protect and hold the other harmless from and against any costs, expenses or liability for compensation, commission or charges which may be claimed by any broker, finder or other similar party, other than said named Brokers by reason of any dealings or act of the indemnifying Party.

8. Escrow and Closing.

8.1 Upon acceptance hereof by Seller, this Agreement, including any counteroffers incorporated herein by the Parties, shall constitute not only the agreement of purchase and sale between Buyer and Seller, but also instructions to Escrow Holder for the consummation of the Agreement through the Escrow. Escrow Holder shall not prepare any further escrow instructions restating or amending the Agreement unless specifically so instructed by the Parties or a Broker herein. Subject to the reasonable approval of the Parties, Escrow Holder may, however, include its standard general escrow provisions.

8.2 As soon as practical after the receipt of this Agreement and any relevant counteroffers, Escrow Holder shall ascertain the Date of Agreement as defined in paragraphs 1.2 and 20.2 and advise the Parties and Brokers, in writing, of the date ascertained.

8.3 Escrow Holder is hereby authorized and instructed to conduct the Escrow in accordance with this Agreement, applicable law and custom and practice of the community in which Escrow Holder is located, including any reporting requirements of the Internal Revenue Code. In the event of a conflict between the law of the state where the Property is located and the law of the state where the Escrow Holder is located, the law of the state where the Property is located shall prevail.

8.4 Subject to satisfaction of the contingencies herein described, Escrow Holder shall close this escrow (the "Closing") by recording a general warranty deed (a grant deed in California) and the other documents required to be recorded, and by disbursing the funds and documents in accordance with this Agreement.

8.5 Buyer and Seller shall each pay one-half of the Escrow Holder's charges and Seller shall pay the usual recording fees and any required documentary transfer taxes. Seller shall pay the premium for a standard coverage owner's or joint protection policy of title insurance. (See also paragraph 11)

8.6 Escrow Holder shall verify that all of Buyer's contingencies have been satisfied or waived prior to Closing. The matters contained in paragraphs 9.1 subparagraphs (b), (c), (d), (e), (g), (i), (n), and (o), 9.4, 9.5, 12, 13, 14, 15, 16, 20, 21, 22, and 24 are, however, matters of agreement between the Parties only and are not instructions to Escrow Holder.

8.7 If this transaction is terminated for non-satisfaction and non-waiver of a Buyer's Contingency, as defined in paragraph 9.2, then neither of the Parties shall thereafter have any liability to the other under this Agreement, except to the extent of a breach of any affirmative covenant or warranty in this Agreement. In the event of such termination, Buyer shall be promptly refunded all funds deposited by Buyer with Escrow Holder, less only the $100 provided for in paragraph 4.4 and the Title Company and Escrow Holder cancellation fees and costs, all of which shall be Buyer's obligation. If this transaction is terminated as a result of Seller's breach of this Agreement then Seller shall pay the Title Company and Escrow Holder cancellation fees and costs.

8.8 The Closing shall occur on the Expected Closing Date, or as soon thereafter as the Escrow is in condition for Closing; provided, however, that if the Closing does not occur by the Expected Closing Date and said Date is not extended pursuant to this Agreement or by mutual instructions of the Parties, a Party not then in default under this Agreement may notify the other Party, Escrow Holder, and Brokers, in writing that, unless the Closing occurs within 5 business days following said notice, the Escrow shall be deemed terminated without further notice or instructions.

8.9 Except as otherwise provided herein, the termination of Escrow shall not relieve or release either Party from any obligation to pay Escrow Holder's fees and costs or constitute a waiver, release or discharge of any breach or default that has occurred in the performance of the obligations, agreements, covenants or warranties contained therein.

8.10 If this sale of the Property is not consummated for any reason other than Seller's breach or default, then at Seller's request, and as a condition to any obligation to return Buyer's deposit (see paragraph 21), Buyer shall within 5 days after written request deliver to Seller, at no charge, copies of all surveys, engineering studies, soil reports, maps, master plans, feasibility studies and other similar items prepared by or for Buyer that pertain to the Property. Provided, however, that Buyer shall not be required to deliver any such report if the written contract which Buyer entered into with the consultant who prepared such report specifically forbids the dissemination of the report to others.

9. Contingencies to Closing. SEE ADDENDUM PARAGRAPH 27

9.1 The Closing of this transaction is contingent upon the satisfaction or waiver of the following contingencies. **IF BUYER FAILS TO NOTIFY ESCROW HOLDER, IN WRITING, OF THE DISAPPROVAL OF ANY OF SAID CONTINGENCIES WITHIN THE TIME SPECIFIED THEREIN, IT SHALL BE CONCLUSIVELY PRESUMED THAT BUYER HAS APPROVED SUCH ITEM, MATTER OR DOCUMENT.** Buyer's conditional approval shall constitute disapproval, unless provision is made by the Seller within the time specified therefore by the Buyer in such conditional approval or by this Agreement, whichever is later, for the satisfaction of the condition imposed by the Buyer. Escrow Holder shall promptly provide all Parties with copies of any written disapproval or conditional approval which it receives. With regard to subparagraphs (a) through (m) the pre-printed time periods shall control unless a different number of days is inserted in the spaces provided.

(a) *Disclosure.* Seller shall make to Buyer, through Escrow, all of the applicable disclosures required by law (See AIR Commercial Real Estate Association ("AIR") standard form entitled "Seller's Mandatory Disclosure Statement") and provide Buyer with a completed Property Information Sheet ("Property Information Sheet") concerning the Property, duly executed by or on behalf of Seller in the current form or equivalent to that published by the AIR within 10 or * days following the Date of Agreement. Buyer has 10 days from the receipt of said disclosures to approve or disapprove the matters disclosed.

(b) *Physical Inspection.* Buyer has 10 or * days from the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the physical aspects and size of the Property.

(c) *Hazardous Substance Conditions Report.* Buyer has 30 or * days from the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the environmental aspects of the Property. Seller recommends that Buyer obtain a Hazardous Substance Conditions Report concerning the Property and relevant adjoining properties. Any such report shall be paid for by Buyer. A "Hazardous Substance" for purposes of this Agreement is defined as any substance whose nature and/or quantity of existence, use, manufacture, disposal or effect, render it subject to Federal, state or local regulation, investigation, remediation or removal as potentially injurious to public health or welfare. A "Hazardous Substance Condition" for purposes of this Agreement is defined as the existence on, under or relevantly adjacent to the Property of a Hazardous Substance that would require remediation and/or removal under applicable Federal, state or local law.

(d) *Soil Inspection.* Buyer has 30 or * days from the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the condition of the soils on the Property. Seller recommends that Buyer obtain a soil test report. Any such report shall be paid for by Buyer. Seller shall provide Buyer copies of any soils report that Seller may have within 10 days of the Date of Agreement.

(e) *Governmental Approvals.* Buyer has 30 or * days from the Date of Agreement to satisfy itself with regard to approvals and permits from governmental agencies or departments which have or may have jurisdiction over the Property and which Buyer deems necessary or desirable in connection with its intended use of the Property, including, but not limited to, permits and approvals required with respect to zoning, planning, building and safety, fire, police, handicapped and Americans with Disabilities Act requirements, transportation and environmental matters, including, without limitation, Air Quality Management District permits.

(f) *Conditions of Title.* Escrow Holder shall cause a current commitment for title insurance ("Title Commitment") concerning the Property issued by the Title Company, as well as legible copies of all documents referred to in the Title Commitment ("Underlying Documents"), and a scaled and dimensioned plot showing the location of any easements to be delivered to Buyer within 10 or * days following the Date of Agreement. Buyer has 10 30 days from the receipt of the Title Commitment, the Underlying Documents, and the plot plan and the survey and CLTA title supplement referenced in Paragraph 9.1(g) below to satisfy itself with regard to disapprove the condition of title or any matters shown on the survey. The disapproval by Buyer of any monetary encumbrance, which by the terms of this Agreement is not to remain against the Property after the Closing, shall not be considered a failure of this contingency, as Seller shall have the obligation, at Seller's expense, to satisfy and remove such disapproved monetary encumbrance at or before the Closing.

(g) *Survey.* Subject to the provisions of Paragraph 9.1(f) above, Buyer has 30 or * days from the receipt of the Title Commitment and Underlying Documents to satisfy itself with regard to any ALTA CLTA title supplement based upon a survey prepared to American Land Title Association ("ALTA") standards for an owner's policy by a licensed surveyor, showing the legal description and boundary lines of the Property, any easements of record, and any improvements, poles, structures and things located within 10 feet of either side of the Property boundary lines. Any such survey shall to be a current ALTA survey and be prepared at Buyer's direction and expense. If Buyer has obtained a survey and approved the ALTA title supplement, Buyer may elect within the period allowed for Buyer's approval of a survey to have an ALTA extended coverage owner's form of title policy, in which event Buyer shall pay any additional premium attributable thereto. The survey will state the amount of Land Square Feet (as defined in Paragraph 35 below) within the Property.

(h) *Existing Leases and Tenancy Statements.* Seller shall within 10 or * days of the Date of Agreement provide both Buyer and Escrow Holder with legible copies of all leases, subleases or rental arrangements (collectively, "Existing Leases") affecting the Property, and with a

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tenancy statement ("Estoppel Certificate") in the latest form or equivalent to that published by the AIR, executed by Seller and/or each tenant and subtenant of the Property. Seller shall use its best efforts to have each tenant complete and execute an Estoppel Certificate. If any tenant fails or refuses to provide an Estoppel Certificate then Seller shall complete and execute an Estoppel Certificate for that tenancy. Buyer has 10 days from the receipt of said Existing Leases and Estoppel Certificates to satisfy itself with regard to the Existing Leases and any other tenancy issues.

(i) *Owner's Association.* Seller shall within 10 or ~~*~~ days of the Date of Agreement provide Buyer with a statement and transfer package from any owner's association servicing the Property. Such transfer package shall at a minimum include: copies of the association's bylaws, articles of incorporation, current budget and financial statement. ~~Buyer has 10 days from the receipt of such documents to satisfy itself with regard to the association.~~

(j) *Other Agreements.* Seller shall within 10 or ~~*~~ days of the Date of Agreement provide Buyer with legible copies of all other agreements ("Other Agreements") known to Seller that will affect the Property after Closing. ~~Buyer has 10 days from the receipt of said Other Agreements to satisfy itself with regard to such Agreements.~~

(k) *Financing.* ~~If paragraph 5 hereof dealing with a financing contingency has not been stricken, the satisfaction or waiver of such New Loan contingency.~~

~~(l) *Existing Notes.* If paragraph 3.1(c) has not been stricken, Seller shall within 10 or ____* days of the Date of Agreement provide Buyer with legible copies of the Existing Notes, Existing Deeds of Trust and related agreements (collectively, "Loan Documents") to which the Property will remain subject after the Closing. Escrow Holder shall promptly request from the holders of the Existing Notes a beneficiary statement ("Beneficiary Statement") confirming: (1) the amount of the unpaid principal balance, the current interest rate, and the date to which interest is paid, and (2) the nature and amount of any impounds held by the beneficiary in connection with such loan. Buyer has 10 or ____* days from the receipt of the Loan Documents and Beneficiary Statements to satisfy itself with regard to such financing. Buyer's obligation to close is conditioned upon Buyer being able to purchase the Property without acceleration or change in the terms of any Existing Notes or changes to Buyer except as otherwise provided in this Agreement or approved by Buyer, provided, however, Buyer shall pay the transfer fee referred to in paragraph 3.2 hereof. Likewise if Seller is to carry back a Purchase Money Note then Seller shall within 10 or ____* days of the Date of Agreement provide Buyer with a copy of the proposed Purchase Money Note and Purchase Money Deed of Trust. Buyer has 10 or ____* days from the receipt of such documents to satisfy itself with regard to the form and content thereof.~~

~~(m) *Personal Property.* In the event that any personal property is included in the Purchase Price, Buyer has 10 or ____* days from the Date of Agreement to satisfy itself with regard to the title condition of such personal property. Seller recommends that Buyer obtain a UCC-1 report. Any such report shall be paid for by Buyer. Seller shall provide Buyer copies of any liens or encumbrances affecting such personal property that it is aware of within 10 or ____* days of the Date of Agreement.~~

~~_____ (n) *Destruction, Damage or Loss.* There shall not have occurred prior to the Closing, a destruction of, or damage or loss to, the Property or any portion thereof, from any cause whatsoever, which would cost more than $10,000.00 to repair or cure. If the cost of repair or cure is $10,000.00 or less, Seller shall repair or cure the loss prior to the Closing. Buyer shall have the option, within 10 days after receipt of written notice of a loss costing more than $10,000.00 to repair or cure, to either terminate this Agreement or to purchase the Property notwithstanding such loss, but without reduction or offset against the Purchase Price. If the cost to repair or cure is more than $10,000.00, and Buyer does not elect to terminate this Agreement, Buyer shall be entitled to any insurance proceeds applicable to such loss. Unless otherwise notified in writing, Escrow Holder shall assume no such destruction, damage or loss has occurred prior to Closing.~~

(o) *Condemnation.* If, prior to the Closing, the Property becomes subject to a taking by virtue of eminent domain, to any extent whatsoever, Buyer may, in Buyer's sole discretion, terminate this Agreement, whereupon the Escrow Holder shall return to Buyer immediately the total amount composing the Escrow Deposit (notwithstanding any provisions of this Agreement) theretofore paid by Buyer under this Agreement. If Buyer does not elect to terminate this Agreement hereunder and proceeds to close on the purchase of the Property, then Seller shall assign to Buyer all interest of Seller in and to any condemnation awards which may be payable to Seller on account of such occurrence; provided that, if any such awards are actually paid prior to the Closing, Seller shall be entitled to retain such awards and Buyer shall be entitled to a credit against the Purchase Price in an amount equal to the amount of such awards retained by Seller.

(pn) *Material Change.* Buyer shall have 10 days following receipt of written notice of a Material Change within which to satisfy itself with regard to such change. "Material Change" shall mean a substantial adverse change in the use, occupancy, tenants, title, or condition of the Property that occurs after the date of this offer and prior to the Closing. Unless otherwise notified in writing, Escrow Holder shall assume that no Material Change has occurred prior to the Closing.

(qn) *Seller Performance.* The delivery of all documents and the due performance by Seller of each and every undertaking and agreement to be performed by Seller under this Agreement.

(ro) *Brokerage Fee.* Payment at the Closing of such brokerage fee as is specified in this Agreement or later written instructions to Escrow Holder executed by Seller and Brokers ("Brokerage Fee"). It is agreed by the Parties and Escrow Holder that Brokers are a third party beneficiary of this Agreement insofar as the Brokerage Fee is concerned, and that no change shall be made with respect to the payment of the Brokerage Fee specified in this Agreement, without the written consent of Brokers.

9.2 All of the contingencies specified in subparagraphs (a) through (qn) of paragraph 9.1 are for the benefit of, and may be waived by, Buyer, and may be elsewhere herein referred to as "Buyer's Contingencies."

9.3 If any of Buyer's Contingencies or any other matter subject to Buyer's approval is disapproved as provided for herein in a timely manner ("Disapproved Item"), Seller shall have the right within 10 days following the receipt of notice of Buyer's disapproval to elect to cure such Disapproved Item prior to the Expected Closing Date ("Seller's Election"). Seller's failure to give to Buyer within such period, written notice of Seller's commitment to cure such Disapproved Item on or before the Expected Closing Date shall be conclusively presumed to be Seller's Election not to cure such Disapproved Item. If Seller elects, either by written notice or failure to give written notice, not to cure a Disapproved Item, Buyer shall have the right, within 10 days after the later of the expiration of the Contingency Period (as extended) or Seller's Election to either accept title to the Property subject to such Disapproved Item, or to terminate this Agreement, whereupon Escrow Holder will immediately return to Buyer the Escrow Deposit, plus any interest accruing thereon. ~~Buyer's failure to notify Seller in writing of Buyer's election to accept title to the Property subject to the Disapproved Item without deduction or offset shall constitute Buyer's election to terminate this Agreement.~~ Unless expressly provided otherwise herein, Seller's right to cure shall not apply to the remediation of Hazardous Substance Conditions ~~or to the Financing Contingency.~~ Unless the Parties mutually instruct otherwise, if the time periods for the satisfaction of contingencies or for Seller's and Buyer's elections would expire on a date after the Expected Closing Date, the Expected Closing Date shall be deemed extended for 3 business ~~days~~ (7) days following the expiration of: (a) the ~~applicable contingency period(s)~~ Contingency Period, as extended, (b) the period within which the Seller may elect to cure the Disapproved Item, or (c) if Seller elects not to cure, the period within which Buyer may elect to proceed with this transaction, whichever is later.

9.4 Buyer understands and agrees that until such time as all Buyer's Contingencies have been satisfied or waived, Seller and/or its agents may solicit, entertain and/or accept back-up offers to purchase the Property.

9.5 The Parties acknowledge that extensive local, state and Federal legislation establish broad liability upon owners and/or users of real property for the investigation and remediation of Hazardous Substances. The determination of the existence of a Hazardous Substance Condition and the evaluation of the impact of such a condition are highly technical and beyond the expertise of Brokers. The Parties acknowledge that they have been advised by Brokers to consult their own technical and legal experts with respect to the possible presence of Hazardous Substances on the Property or adjoining properties, and Buyer and Seller are not relying upon any investigation by or statement of Brokers with respect thereto. The Parties hereby assume all responsibility for the impact of such Hazardous Substances upon their respective interests herein.

10. Documents Required at or Before Closing:

10.1 Five days prior to the Closing date Escrow Holder shall obtain an updated Title Commitment concerning the Property from the Title Company and provide copies thereof to each of the Parties.

10.2 Seller shall deliver to Escrow Holder in time for delivery to Buyer at the Closing:

(a) Grant or general warranty deed, duly executed and in recordable form, conveying fee title to the Property to Buyer, subject to no matters unless approved in writing by Buyer.

~~(b) If applicable, the Beneficiary Statements concerning Existing Note(s).~~

~~_____ (c) If applicable, the Existing Leases and Other Agreements together with duly executed assignments thereof by Seller and Buyer. The assignment of Existing Leases shall be on the most recent Assignment and Assumption of Lessor's Interest in Lease form published by the AIR or its equivalent.~~

(d) If applicable, Estoppel Certificates executed by Seller and/or the tenant(s) of the Property.

(e) An affidavit executed by Seller to the effect that Seller is not a "foreign person" within the meaning of Internal Revenue Code Section 1445 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least 3 business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to the Internal Revenue Service such sum as is required by applicable Federal law with respect to purchases from foreign sellers.

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(f) If the Property is located in California, an affidavit executed by Seller to the effect that Seller is not a "nonresident" within the meaning of California Revenue and Tax Code Section 18662 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least 3 business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to the Franchise Tax Board such sum as is required by such statute.

(g) If applicable, a bill of sale, duly executed, conveying title to any included personal property to Buyer.

(h) If the Seller is a corporation, a duly executed corporate resolution authorizing the execution of this Agreement and the sale of the Property.

10.3 Buyer shall deliver to Seller through Escrow:

(a) The cash portion of the Purchase Price and such additional sums as are required of Buyer under this Agreement shall be deposited by Buyer with Escrow Holder, by federal funds wire transfer, or any other method acceptable to Escrow Holder in immediately collectable funds, no later than 2:00 P.M. on the business day prior to the Expected Closing Date provided, however, that Buyer shall not be required to deposit such monies into Escrow if at the time set for the deposit of such monies Seller is in default or has indicated that it will not perform any of its obligations hereunder. Instead, in such circumstances in order to reserve its rights to proceed Buyer need only provide Escrow with evidence establishing that the required monies were available.

(b) If a Purchase Money Note and Purchase Money Deed of Trust are called for by this Agreement, the duly executed originals of those documents, the Purchase Money Deed of Trust being in recordable form, together with evidence of fire insurance on the improvements in the amount of the full replacement cost naming Seller as a mortgage loss payee, and a real estate tax service contract (at Buyer's expense), assuring Seller of notice of the status of payment of real property taxes during the life of the Purchase Money Note.

~~(c) The Assignment and Assumption of Lessor's interest in Lease form specified in paragraph 10.2(a) above, duly executed by Buyer.~~

(d) Assumptions duly executed by Buyer of the obligations of Seller that accrue after Closing under any Other Agreements.

~~(e) If applicable, a written assumption duly executed by Buyer of the loan documents with respect to Existing Notes.~~

(f) If the Buyer is a corporation, a duly executed corporate resolution authorizing the execution of this Agreement and the purchase of the Property.

10.4 At Closing, Escrow Holder shall cause to be issued to Buyer a standard coverage (or ALTA extended, if elected pursuant to 9.1(g)) owner's form policy of title insurance effective as of the Closing, issued by the Title Company in the full amount of the Purchase Price, insuring title to the Property vested in Buyer, subject only to the exceptions approved by Buyer. In the event there is a Purchase Money Deed of Trust in this transaction, the policy of title insurance shall be a joint protection policy insuring both Buyer and Seller.

IMPORTANT: IN A PURCHASE OR EXCHANGE OF REAL PROPERTY, IT MAY BE ADVISABLE TO OBTAIN TITLE INSURANCE IN CONNECTION WITH THE CLOSE OF ESCROW SINCE THERE MAY BE PRIOR RECORDED LIENS AND ENCUMBRANCES WHICH AFFECT YOUR INTEREST IN THE PROPERTY BEING ACQUIRED. A NEW POLICY OF TITLE INSURANCE SHOULD BE OBTAINED IN ORDER TO ENSURE YOUR INTEREST IN THE PROPERTY THAT YOU ARE ACQUIRING.

11. Prorations and Adjustments.

11.1 *Taxes.* Applicable real property taxes and special assessment bonds shall be prorated through Escrow as of the date of the Closing, based upon the latest tax bill available. The Parties agree to prorate as of the Closing any taxes assessed against the Property by supplemental bill levied by reason of events occurring prior to the Closing. Payment of the prorated amount shall be made promptly in cash upon receipt of a copy of any supplemental bill.

11.2 *Insurance.* WARNING: Any insurance which Seller may have maintained will terminate on the Closing. Buyer is advised to obtain appropriate insurance to cover the Property.

11.3 ~~*Rentals, Interest and Expenses.* Scheduled rentals, interest on Existing Notes,~~ utilities, and operating expenses shall be prorated as of the date of Closing. The Parties agree to promptly adjust between themselves outside of Escrow any rents received after the Closing.

11.4 ~~*Security Deposit.* Security Deposits held by Seller shall be given to Buyer as a credit to the cash required of Buyer at the Closing.~~

11.5 *Post Closing Matters.* Any item to be prorated that is not determined or determinable at the Closing shall be promptly adjusted by the Parties by appropriate cash payment outside of the Escrow when the amount due is determined.

11.6 ~~*Variations in Existing Note Balances.* In the event that Buyer is purchasing the Property subject to an Existing Deed of Trust(s), and in the event that a Beneficiary Statement as to the applicable Existing Note(s) discloses that the unpaid principal balance of such Existing Note(s) at the closing will be more or less than the amount set forth in paragraph 3.1(c) hereof ("Existing Note Variation"), then the Purchase Money Note(s) shall be reduced or increased by an amount equal to such Existing Note Variation. If there is to be no Purchase Money Note, the cash required at the Closing per paragraph 3.1(a) shall be reduced or increased by the amount of such Existing Note Variation.~~

11.7 *Variations in New Loan Balance.* In the event Buyer is obtaining a New Loan and the amount ultimately obtained exceeds the amount set forth in paragraph 5.1, then the amount of the Purchase Money Note, if any, shall be reduced by the amount of such excess.

11.8 *Owner's Association Fees.* Escrow Holder shall: (i) bring Seller's account with the association current and pay any delinquencies or transfer fees from Seller's proceeds, and (ii) pay any up front fees required by the association from Buyer's funds.

12. Representations and Warranties of Seller and Disclaimers.

12.1 Seller's warranties and representations shall survive the Closing and delivery of the deed for a period of 3 years, and any lawsuit or action based upon them must be commenced within such time period. Seller's warranties and representations are true, material and relied upon by Buyer and Brokers in all respects. Seller hereby makes the following warranties and representations to Buyer and Brokers:

(a) *Authority of Seller.* Seller is the owner of the Property and/or has the full right, power and authority to sell, convey and transfer the Property to Buyer as provided herein, and to perform Seller's obligations hereunder.

~~(b) *Maintenance During Escrow and Equipment Condition At Closing.* Except as otherwise provided in paragraph 9.1(a) hereof, Seller shall maintain the Property until the Closing in its present condition, ordinary wear and tear excepted.~~

(c) *Hazardous Substances/Storage Tanks.* Seller has no knowledge, except as otherwise disclosed to Buyer in writing, of the existence or prior existence on the Property of any Hazardous Substance, nor of the existence or prior existence of any above or below ground storage tank.

(d) *Compliance.* Seller has no knowledge of any aspect or condition of the Property which violates applicable laws, rules, regulations, codes or covenants, conditions or restrictions, or of improvements or alterations made to the Property without a permit where one was required, or of any unfulfilled order or directive of any applicable governmental agency or casualty insurance company requiring any investigation, remediation, repair, maintenance or improvement be performed on the Property.

(e) *Changes in Agreements.* Prior to the Closing, Seller will not violate or modify any Existing Lease or Other Agreement, or create any new leases or other agreements affecting the Property, without Buyer's written approval, which approval will not be unreasonably withheld.

(f) *Possessory Rights.* Seller has no knowledge that anyone will, at the Closing, have any right to possession of the Property, except as disclosed by this Agreement or otherwise in writing to Buyer.

(g) *Mechanics' Liens.* There are no unsatisfied mechanics' or materialmens' lien rights concerning the Property.

(h) *Actions, Suits or Proceedings.* Seller has no knowledge of any actions, suits or proceedings pending or threatened before any commission, board, bureau, agency, arbitrator, court or tribunal that would affect the Property or the right to occupy or utilize same, *including any condemnation or similar proceedings.*

(i) *Notice of Changes.* Seller will not knowingly cause or allow the occurrence of a Material Change but will promptly notify Buyer and Brokers in writing of any Material Change (see paragraph 9.1(c)) affecting the Property that becomes known to Seller prior to the Closing.

(j) *No Tenant Bankruptcy Proceedings.* Seller has no notice or knowledge that any tenant of the Property is the subject of a bankruptcy or insolvency proceeding.

(k) *No Seller Bankruptcy Proceedings.* Seller is not the subject of a bankruptcy, insolvency or probate proceeding.

(l) *Personal Property.* Seller has no knowledge that anyone will, at the Closing, have any right to possession of any personal property included in the Purchase Price nor knowledge of any liens or encumbrances affecting such personal property, except as disclosed by this Agreement or otherwise in writing to Buyer.

12.2 Buyer hereby acknowledges that, except as otherwise stated in this Agreement, Buyer is purchasing the Property in its existing condition *subject to the representations and warranties of Seller contained herein during the period referenced in this Section* 12.2 and will, by the time called for herein, make or have waived all inspections of the Property Buyer believes are necessary to protect its own interest in, and its contemplated use of, the Property. The Parties acknowledge that, except as otherwise stated in this Agreement, no representations, inducements, promises, agreements, assurances, oral or written, concerning the Property, or any aspect of the occupational safety and health laws, Hazardous Substance laws, or any other act, ordinance or law, have been made by either Party or Brokers, or relied upon by either Party hereto.

12.3 In the event that Buyer learns that a Seller representation or warranty might be untrue prior to the Closing, and Buyer elects to purchase the Property anyway then, and in that event, Buyer waives any right that it may have to bring an action or proceeding against Seller or Brokers regarding said representation or warranty.

12.4 Any environmental reports, soils reports, surveys, and other similar documents which were prepared by third party consultants and provided to Buyer by Seller or Seller's representatives, have been delivered as an accommodation to Buyer and without any representation or warranty as to the

sufficiency, accuracy, completeness, and/or validity of said documents, all of which Buyer relies on at its own risk. Seller believes said documents to be accurate, but Buyer is advised to retain appropriate consultants to review said documents and investigate the Property.

13. Possession.
Possession of the Property shall be given to Buyer at the Closing ~~subject to the rights of tenants under Existing Leases.~~

14. Buyer's Entry.
At any time during the Escrow period, Buyer, and its agents and representatives, shall have the right at reasonable times and subject to rights of tenants, to enter upon the Property for the purpose of making inspections and tests specified in this Agreement. No destructive testing shall be conducted, however, without Seller's prior approval which shall not be unreasonably withheld. Following any such entry or work, unless otherwise directed in writing by Seller, Buyer shall return the Property to the condition it was in prior to such entry or work, including the recompaction or removal of any disrupted soil or material as Seller may reasonably direct. All such inspections and tests and any other work conducted or materials furnished with respect to the Property by or for Buyer shall be paid for by Buyer as and when due and Buyer shall indemnify, defend, protect and hold harmless Seller and the Property of and from any and all claims, liabilities, losses, expenses (including reasonable attorneys' fees), damages, including those for injury to person or property, arising out of or relating to any such work or materials or the acts or omissions of Buyer, its agents or employees in connection therewith.

15. Further Documents and Assurances.
The Parties shall each, diligently and in good faith, undertake all actions and procedures reasonably required to place the Escrow in condition for Closing as and when required by this Agreement. The Parties agree to provide all further information, and to execute and deliver all further documents, reasonably required by Escrow Holder or the Title Company.

16. Attorneys' Fees.
If any Party or Broker brings an action or proceeding (including arbitration) involving the Property whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "Prevailing Party" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred.

17. Prior Agreements/Amendments.
17.1 This Agreement supersedes any and all prior agreements between Seller and Buyer regarding the Property.
17.2 Amendments to this Agreement are effective only if made in writing and executed by Buyer and Seller.

18. Broker's Rights.
18.1 If this sale is not consummated due to the default of either the Buyer or Seller, the defaulting Party shall be liable to and shall pay to Brokers the Brokerage Fee that Brokers would have received had the sale been consummated, if Buyer is the defaulting party, payment of said Brokerage Fee is in addition to any obligation with respect to liquidated or other damages.
~~18.2 Upon the Closing, Brokers are authorized to publicize the facts of this transaction.~~

19. Notices.
19.1 Whenever any Party, Escrow Holder or Brokers herein shall desire to give or serve any notice, demand, request, approval, disapproval or other communication, each such communication shall be in writing and shall be delivered personally, by ~~messenger or by mail~~ *overnight courier or by certified mail (return receipt requested)*, postage prepaid, to the address set forth in this Agreement or by facsimile transmission*or an overnight, nationally recognized courier (e.g. Federal Express or UPS)*.
19.2 Service of any such communication shall be deemed made on the date of actual receipt if personally delivered. ~~Any such communication sent by regular mail shall be deemed given 48 hours after the same is mailed.~~ Communications sent by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed delivered 24 hours after delivery of the same to the Postal Service or courier. Communications transmitted by facsimile transmission shall be deemed delivered upon telephonic confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If such communication is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.
19.3 Any Party or Broker herein may from time to time, by notice in writing, designate a different address to which, or a different person or additional persons to whom, all communications are thereafter to be made.

20. Duration of Offer.
20.1 If this offer is not accepted by ~~Seller~~ *Buyer* on or before ~~5:00~~ *4:00* P.M. according to the time standard applicable to the city of Vernon on the date of May 2, 2013, it shall be deemed automatically revoked.
20.2 The acceptance of this offer, or of any subsequent counteroffer hereto, that creates an agreement between the Parties as described in paragraph 1.2, shall be deemed made upon delivery to the other Party or either Broker herein of a duly executed writing unconditionally accepting the last outstanding offer or counteroffer.

21. LIQUIDATED DAMAGES. (This Liquidated Damages paragraph is applicable only if initialed by both Parties).
THE PARTIES AGREE THAT IT WOULD BE IMPRACTICABLE OR EXTREMELY DIFFICULT TO FIX, PRIOR TO SIGNING THIS AGREEMENT, THE ACTUAL DAMAGES WHICH WOULD BE SUFFERED BY SELLER IF BUYER FAILS TO PERFORM ITS OBLIGATIONS UNDER THIS AGREEMENT. THEREFORE, IF, AFTER THE SATISFACTION OR WAIVER OF ALL CONTINGENCIES PROVIDED FOR THE BUYER'S BENEFIT, BUYER BREACHES THIS AGREEMENT, SELLER SHALL BE ENTITLED TO LIQUIDATED DAMAGES IN THE AMOUNT OF THE THEN EXISTING ESCROW DEPOSIT. UPON PAYMENT OF SAID SUM TO SELLER, BUYER SHALL BE RELEASED FROM ANY FURTHER LIABILITY TO SELLER, AND ANY ESCROW CANCELLATION FEES AND TITLE COMPANY CHARGES SHALL BE PAID BY SELLER.

Buyer Initials *Seller Initials*

~~22. ARBITRATION OF DISPUTES. *(This Arbitration of Disputes paragraph is applicable only if initialed by both Parties.)*~~
~~22.1 ANY CONTROVERSY AS TO WHETHER SELLER IS ENTITLED TO THE LIQUIDATED DAMAGES AND/OR BUYER IS ENTITLED TO THE RETURN OF DEPOSIT MONEY, SHALL BE DETERMINED BY BINDING ARBITRATION BY, AND UNDER THE COMMERCIAL RULES OF THE AMERICAN ARBITRATION ASSOCIATION ("COMMERCIAL RULES"). ARBITRATION HEARINGS SHALL BE HELD IN THE COUNTY WHERE THE PROPERTY IS LOCATED. ANY SUCH CONTROVERSY SHALL BE ARBITRATED BY 3 ARBITRATORS WHO SHALL BE IMPARTIAL REAL ESTATE BROKERS WITH AT LEAST 5 YEARS OF FULL TIME EXPERIENCE IN BOTH THE AREA WHERE THE PROPERTY IS LOCATED AND THE TYPE OF REAL ESTATE THAT IS THE SUBJECT OF THIS AGREEMENT. THEY SHALL BE APPOINTED UNDER THE COMMERCIAL RULES. THE ARBITRATORS SHALL HEAR AND DETERMINE SAID CONTROVERSY IN ACCORDANCE WITH APPLICABLE LAW, THE INTENTION OF THE PARTIES AS EXPRESSED IN THIS AGREEMENT AND ANY AMENDMENTS THERETO, AND UPON THE EVIDENCE PRODUCED AT AN ARBITRATION HEARING. PRE-ARBITRATION DISCOVERY SHALL BE PERMITTED IN ACCORDANCE WITH THE COMMERCIAL RULES OR STATE LAW APPLICABLE TO ARBITRATION PROCEEDINGS. THE AWARD SHALL BE EXECUTED BY AT LEAST 2 OF THE 3 ARBITRATORS, BE RENDERED WITHIN 30 DAYS AFTER THE CONCLUSION OF THE HEARING, AND MAY INCLUDE ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY PER PARAGRAPH 16 HEREOF. JUDGMENT MAY BE ENTERED ON THE AWARD IN ANY COURT OF COMPETENT JURISDICTION NOTWITHSTANDING THE FAILURE OF A PARTY DULY NOTIFIED OF THE ARBITRATION HEARING TO APPEAR THEREAT.~~
~~22.2 BUYER'S RESORT TO OR PARTICIPATION IN SUCH ARBITRATION PROCEEDINGS SHALL NOT BAR SUIT IN A COURT OF COMPETENT JURISDICTION BY THE BUYER FOR DAMAGES AND/OR SPECIFIC PERFORMANCE UNLESS AND~~

~~UNTIL THE ARBITRATION RESULTS IN AN AWARD TO THE SELLER OF LIQUIDATED DAMAGES, IN WHICH EVENT SUCH AWARD SHALL ACT AS A BAR AGAINST ANY ACTION BY BUYER FOR DAMAGES AND/OR SPECIFIC PERFORMANCE.~~

~~22.3 NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.~~

~~WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.~~

~~Buyer's Initials~~ ~~Seller's Initials~~

23. Miscellaneous.

23.1 Binding Effect. This Agreement shall be binding on the Parties without regard to whether or not paragraphs 21 and 22 are initialed by both of the Parties. Paragraphs 21 and 22 are each incorporated into this Agreement only if initialed by both Parties at the time that the Agreement is executed.

23.2 Applicable Law. This Agreement shall be governed by, and paragraph 22.3 is amended to refer to, the laws of the state in which the Property is located. Any litigation or arbitration between the Parties hereto concerning this Agreement shall be initiated in the county in which the Property is located.

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

23.4 Counterparts. This Agreement may be executed by Buyer and Seller in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Escrow Holder, after verifying that the counterparts are identical except for the signatures, is authorized and instructed to combine the signed signature pages on one of the counterparts, which shall then constitute the Agreement.

~~23.5 Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.~~

23.6 Conflict. Any conflict between the printed provisions of this Agreement and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

23.7 1031 Exchange. Both Seller and Buyer agree to cooperate with each other in the event that either or both wish to participate in a 1031 exchange. Any party initiating an exchange shall bear all costs of such exchange.

23.8 Days. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Agreement shall mean and refer to calendar days.

24. Disclosures Regarding The Nature of a Real Estate Agency Relationship.

24.1 The Parties and Brokers agree that their relationship(s) shall be governed by the principles set forth in the applicable sections of the California Civil Code, as summarized in paragraph 24.2.

24.2 When entering into a discussion with a real estate agent regarding a real estate transaction, a Buyer or Seller should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Buyer and Seller acknowledge being advised by the Brokers in this transaction, as follows:

(a) *Seller's Agent.* A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or subagent has the following affirmative obligations: (1) *To the Seller:* A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Seller. (2) *To the Buyer and the Seller:* a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(b) *Buyer's Agent.* A selling agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations. (1) *To the Buyer:* A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Buyer. (2) *To the Buyer and the Seller:* a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(c) *Agent Representing Both Seller and Buyer.* A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer. (1) In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Seller or the Buyer. b. Other duties to the Seller and the Buyer as stated above in their respective sections (a) or (b) of this paragraph 24.2. (2) In representing both Seller and Buyer, the agent may not without the express permission of the respective Party, disclose to the other Party that the Seller will accept a price less than the listing price or that the Buyer will pay a price greater than the price offered. (3) The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect their own interests. Buyer and Seller should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(d) *Further Disclosures.* Throughout this transaction Buyer and Seller may receive more than one disclosure, depending upon the number of agents assisting in the transaction. Buyer and Seller should each read its contents each time it is presented, considering the relationship between them and the real estate agent in this transaction and that disclosure. Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this transaction may be brought against Broker more than one year after the Date of Agreement and that the liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Agreement shall not exceed the fee received by such Broker pursuant to this Agreement; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

24.3 *Confidential Information:* Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. Construction of Agreement. In construing this Agreement, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Agreement. Whenever required by the context, the singular shall include the plural and vice versa. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Agreement shall mean and refer to calendar days. This Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

26 Additional Provisions:

Additional provisions of this offer, if any, are as follows or are attached hereto by an addendum consisting of paragraphs 27 through 35. (If there are no additional provisions write "NONE".)

27. Notwithstanding anything else herein and to the contrary elsewhere in this Agreement, Buyer shall have ninety (90) days from the later of the Date of this Agreement or the Date of receipt of all Due Diligence Materials (as set forth in Paragraph 10 of the Letter of Intent dated April 8, 2013 mutually agreed upon by Buyer and Seller, attached hereto) ("Contingency Period") to satisfy and/or waive all of Buyer's contingencies outlined in Section 9. All such Due Diligence Materials must be submitted to Buyer within three (3) business days of the date of this Agreement. Prior to the expiration of the Contingency

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Period (or any extension thereof pursuant to the provisions of Paragraph 30 below), Buyer shall have the absolute right to terminate this Agreement for any reason or no reason at all, whereupon Buyer will be entitled to (and Escrow Holder will immediately remit to Buyer after notice thereof) a full refund of the Escrow Deposit.

28. Except as provided elsewhere in this Agreement, Buyer hereby agrees to purchase the Property in its "As-Is, Where-Is" condition, with all faults, and Seller will make no representations or warranties with respect thereto. Buyer acknowledges they are purchasing the Property for land value only. In the event of any damage or destruction to the existing buildings during the escrow period, Buyer shall not have the right to terminate this transaction.

29. Notwithstanding anything else herein and to the contrary elsewhere in this Agreement, within three (3) business days from mutual execution of the Agreement, Seller shall provide Buyer with all Due Diligence Materials affecting the Property, that are in Seller's possession in satisfaction of Paragraph 10 of the Letter of Intent dated April 8, 2013 mutually agreed upon by Buyer and Seller, attached hereto.

30. Notwithstanding anything else herein and to the contrary elsewhere in this Agreement, Buyer, at its sole discretion, may chose to extend the Contingency Period a maximum of three (3) times for a period of thirty (30) days each, by providing written notification to Escrow Officer prior to the Contingency Period expiration date (or any extension thereof).

31. Notwithstanding anything else herein and to the contrary elsewhere in this Agreement, prior to Closing, Buyer shall agree to keep any non-public information provided by Seller confidential, and not to provide any of said Due Diligence Materials to anyone other than Buyer's agents, employees, consultants, and attorneys, without the consent of Seller.

32. The Property and transaction are subject to Part 1.85 of Division 24 of the Health & Safety Code which was added by Assembly Bill No. 26 (2011-2012 1st Ex. Sess.), as amended by Assembly Bill No. 1484 (2012-2013 Reg. Sess.), set forth in Sections 34170 through 34191.5 of the Health & Safety Code. This Agreement was authorized on March 21, 2013 by the Oversight Board to the Successor Agency of the Former Vernon Redevelopment Agency.

Seller shall obtain any approvals associated with or required by Part 1.85 withing sixty (60) days from mutual execution hereof by Buyer and Seller. Should Seller fail to obtain said approvals, Buyer shall have the right to terminate this Agreement, and Buyer will be entitled to the Escrow Deposit. Notwithstanding any provision contained herein to the contrary, as an express condition to Closing, exclusive possession of the Property will be delivered to Buyer, free of all tenancies and/or occupancies, otherwise vacant and with all leases theretofore encumbering the Property having been terminated. Should the Property not be free and clear of all tenancies and/or occupancies as of the Closing such that Seller would not be able to deliver exclusive possession thereto to Buyer, Buyer will have the right to extend the Closing or terminate this Agreement upon written notice thereof to Seller, whereupon, in the event of termination, Buyer will be entitled to (and Escrow Holder will immediately remit to Buyer after notice thereof) a full refund of the Escrow Deposit plus any accrued interest thereon.

33. "Assignee" shall mean (1) any entity directly or indirectly controlling, controlled by or under common control with Whole Foods Market, Inc.; or (2) if that other entity is a member or partner, any company for which such entity acts in any such capacity. The term "control" as used in the immediately preceding sentence, shall mean the power to direct the management or the power to control election of the board of directors. It shall be a presumption that control with respect to a corporation or limited liability company is the right to exercise or control, directly or indirectly, more than fifty percent (50%) of the voting rights attributable to the controlled corporation or limited liability company, and, with respect to any partnership, trust, other entity or association, control is the possession, indirectly or directly, of the power to direct or cause the direction of the management or policies of the controlled entity. For purposes of this definition, any general partner shall be considered an "Assignee" of Whole Foods Market, Inc.

34. Prior to Closing, Buyer shall keep confidential any materials provided by Seller in connection with Buyer's due diligence review except that Buyer may disclose such information to its officers, employees, attorneys,

Buyer Approved 5-1-13

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accountants and consultants. No materials provided by Seller that are publicly available or which Buyer has already obtained from third parties will be subject to the sentence immediately preceding.

35. The Parties agree the Purchase Price as reflected in both Paragraph 3.1 and the letter of intent dated April 8, 2013, was calculated by multiplying the Twenty Nine and 50/100 Dollars ($29.50) price per square foot times Four Hundred Twenty Nine Thousand Sixty Six square feet (429,066 sf) as reflected in unverified marketing materials concerning the Property. On April 24, 2013, Seller learned there exists an ALTA/ACSM Land Title Survey prepared by O.K.O. Engineering, Inc. bearing Job Number 2010-113A with a date of survey of May 24, 2010, and date of last revision of January 14, 2011 (the "Acquisition Survey"). The Acquisition Survey will be disclosed to Buyer with the Due Diligence Materials. According to the Acquisition Survey, the land area is reported as Four Hundred Twenty Seven Thousand Two Hundred Three square feet (427,203 sf). Notwithstanding the provisions of Paragraph 3.1 and upon its receipt and review of the Acquisition Survey, and if Buyer elects the survey in Paragraph 9.1(g), the Purchase Price may be adjusted once and be the product of (i) the number of square feet of land area for the Property times (ii) Twenty Nine and 50/100 Dollars ($29.50). If Buyer elects to order a survey under Paragraph 9.1(g) and the land area is below that of the Acquisition Survey, then Buyer shall submit its survey to Seller with a requested form of amendment to the Agreement to revise the Purchase Price accordingly.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS AGREEMENT OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS AGREEMENT.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PROPERTY. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PROPERTY, THE INTEGRITY AND CONDITION OF ANY STRUCTURES AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PROPERTY FOR BUYER'S INTENDED USE.

WARNING: IF THE PROPERTY IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THIS AGREEMENT MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED.

NOTE:
1. THIS FORM IS NOT FOR USE IN CONNECTION WITH THE SALE OF RESIDENTIAL PROPERTY.
2. IF EITHER PARTY IS A CORPORATION, IT IS RECOMMENDED THAT THIS AGREEMENT BE SIGNED BY TWO CORPORATE OFFICERS.

The undersigned Buyer offers and agrees to buy the Property on the terms and conditions stated and acknowledges receipt of a copy hereof.

BROKER:	BUYER:
THE CLOVER COMPANY	GBD PROPERTIES, INC.
Attn: Pat Gilhooly	By: [signature]
Title: Principal	Date: 4/30/13
Address: 8675 Washington Boulevard, Suite 201 Culver City, CA 90232	Name Printed: Tricia Yost
Telephone:(310) 815-8611	Title: Assistant Secretary
Facsimile:(310) 815-8612	Telephone:(512) 542-0216
Email:pgilhooly@cloverco mpany.com	Facsimile:(512) 482-7216
Federal ID No.	Email: tricia.yost@wholefoods.com
Broker/Agent DRE License #:	By:
	Date:
	Name Printed:
	Title:
	Address:
	Telephone:(___)
	Facsimile:(___)
	Email:
	Federal ID No.

27. Acceptance.
27.1 Seller accepts the foregoing offer to purchase the Property and hereby agrees to sell the Property to Buyer on the terms and conditions therein specified.
27.2 Seller acknowledges that Brokers have been retained to locate a Buyer and are the procuring cause of the purchase and sale of the Property set forth in this Agreement. In consideration of real estate brokerage service rendered by Brokers, Seller agrees to pay Brokers a real estate Brokerage Fee in a sum equal to 5 % of the Purchase Price to be divided between the Brokers as follows: Seller's Broker 2.5 % and Buyer's Broker 2.5 %. This Agreement shall serve as an irrevocable instruction to Escrow Holder to pay such Brokerage Fee to Brokers out of the proceeds accruing to the account of Seller at the Closing.
27.3 Seller acknowledges receipt of a copy hereof and authorizes Brokers to deliver a signed copy to Buyer.

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NOTE: A PROPERTY INFORMATION SHEET IS REQUIRED TO BE DELIVERED TO BUYER BY SELLER UNDER THIS AGREEMENT.

BROKER:	SELLER: SEE SELLER'S SIGNATURE BLOCK ATTACHMENT
CUSHMAN & WAKEFIELD OF CALIFORNIA, INC.	~~CITY OF VERNON, ACTING as SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON~~
Attn: Jeff Sanita	
Title: Senior Director	~~By:~~
Address: 970 West 190th Street, Suite 550 Torrance, CA 90502	~~Date:~~
Telephone: (310) 525-1906	~~Name Printed: Alan Kung~~
Facsimile: (213) 947-1772	~~Title:~~
Email: jeff.sanita@cushwake.com	~~Telephone: (323) 583-8811~~
Federal ID No.:	~~Facsimile: (323) 826-1422~~
	~~Email: akung@ci.vernon.ca.us~~
Broker/Agent DRE License #: 1242202	~~By:~~
	~~Date:~~
	~~Name Printed: Gustavo Lemanna~~
	~~Title: Special Counsel~~
	~~Address: 4305 Santa Fe Avenue Vernon, CA 90058~~
	~~Telephone: (213) 452-0121~~
	~~Facsimile: (213) 235-0931~~
	~~Email: glemanna@lbblaw.com~~
	~~Federal ID No.:~~

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

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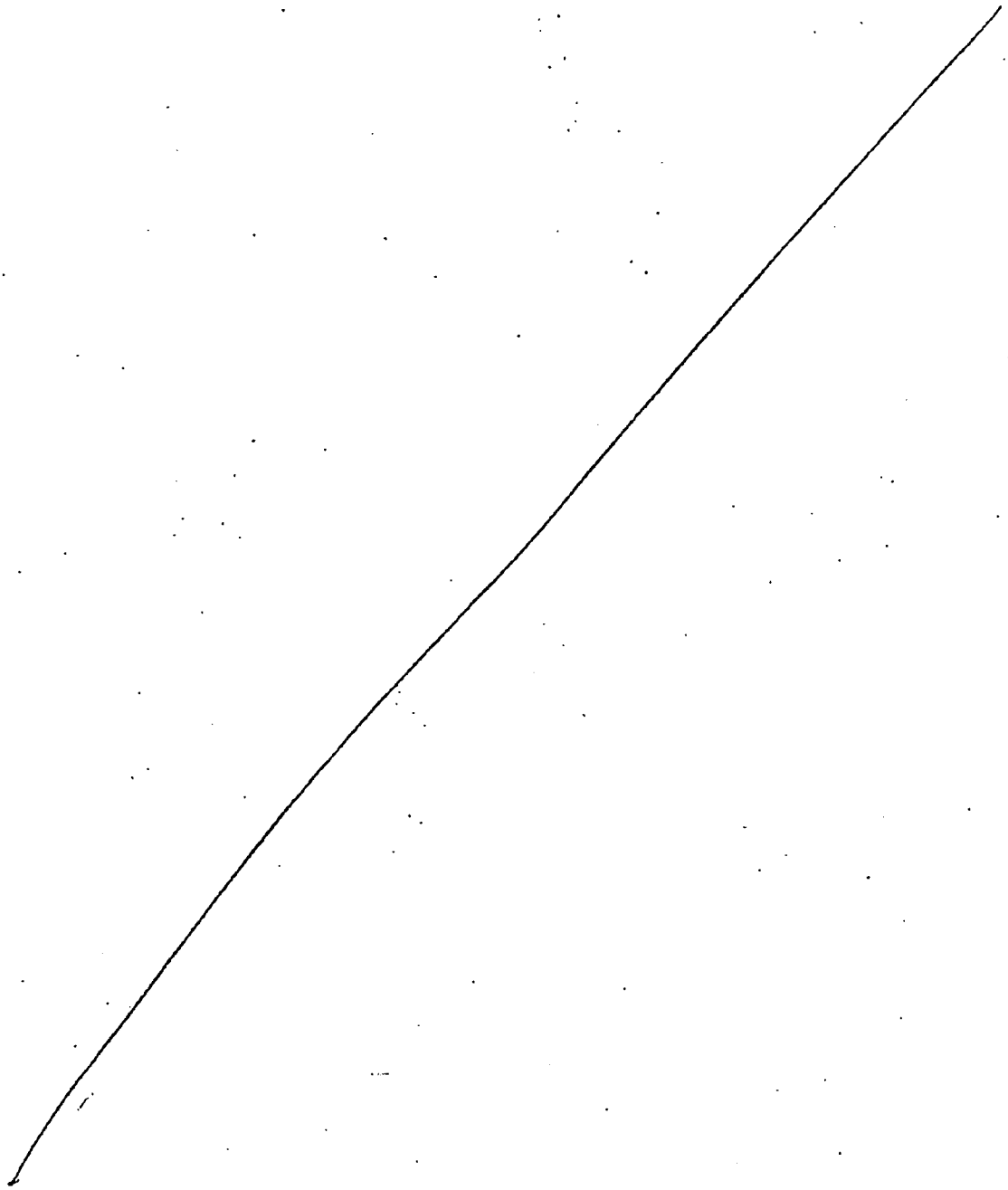


SELLER SIGNATURE BLOCK ATTACHMENT
affixed to that certain
Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate (Non-Residential) AIR Commercial Real Estate Association form from Buyer Whole Foods Market, Inc. and/or Assignee regarding their proposed purchase of the Property 4900 Pacific Blvd, Vernon, CA 90058

Seller: SUCCESSOR AGENCY TO THE FORMER VERNON REDEVELOPMENT AGENCY, a public entity designated under California Health & Safety Code section 34173

By: City of Vernon, acting as the Successor Agency of the Former Vernon Redevelopment Agency, pursuant to California Health & Safety Code sections 34173(e) and 34173(g)

By:_____
Alex Kung, Assistant to the Executive Director, under authority conferred by the Oversight Board to the Successor Agency of the Former Vernon Redevelopment Agency on March 21, 2013

Notice Address:
Alex Kung, Assistant to Exec. Director
Vernon City Hall, Administration
4305 Santa Fe Avenue
Vernon, CA 90058
Telephone: (323) 583-8811
Facsimile: (323) 826-1422
Email: akung@ci.vernon.ca.us
With Copies to each of:
City Clerk
Vernon City Hall
(see street address above)
City Attorney
Vernon City Hall
(see street address above)
Special Counsel
(see address below)

APPROVED AS TO FORM AND CONTENT
AS DIRECTED ON MARCH 21, 2013
BY THE OVERSIGHT BOARD TO THE
SUCCESSOR AGENCY OF THE FORMER
VERNON REDEVELOPMENT AGENCY

KANE, BALLMER & BERKMAN
Special Counsel to the
Successor Agency to the Former
Vernon Redevelopment Agency

By:_____
Gustavo Lemanna
Kane, Ballmer & Berkman
Special Counsel to the Successor Agency
515 South Figueroa Street, Suite 1850
Los Angeles, CA 90071
Telephone: (213) 452-0131 / Facsimile: (213) 625-0931
Email: gustavo@kbblaw.com

Jeffrey P. Sanks
Senior Director

CUSHMAN & WAKEFIELD

Cushman & Wakefield of California, Inc.
970 W. 190th Street, Suite 550
Torrance, CA 90502
(310) 525-1906 Direct
(213) 947-1772 Fax
jeff.sanks@cushwake.com

April 8, 2013

Via Email Only

Whole Foods
c/o John McMillan
Executive Director
Cushman & Wakefield of California, Inc.
970 West 190th Street, Suite 550
Torrance, CA 90502

c/o Pat Gilhooly
Principal
The Clover Company
8675 Washington Blvd, Suite 201
Culver City, CA 90232

Re: 4900 Pacific Blvd, Vernon, CA 90640
Counter Offer to Purchase Dated March 1, 2013

Dear Gentlemen:

Thank you for the above-referenced Counter Offer to Purchase. On behalf of City of Vernon, Acting as Successor Agency of The Redevelopment Agency of the City of Vernon, I have been authorized to submit the following replacement proposal to purchase the above-referenced property, following the March 21, 2013 Oversight Board meeting. The terms of the replacement proposal are as follows:

✓ 1.	Premises:	ACCEPTED	4900 Pacific Blvd, Vernon, CA Approximately 274,807 square feet of various industrial buildings located on approximately 429,066 square feet of industrial zoned land. A complete legal description will be provided via Chicago Title during escrow.
✓ 2.	Buyer:	ACCEPTED	Whole Foods, and/or Assignee.
✓ 3.	Purchase Price:		$12,657,447 ($29.50 psf). All cash payable at the close of escrow.
✓ 4.	Deposit:	ACCEPTED	Following the execution of a purchase contract between Buyer and Seller, Buyer shall deposit $150,000 ("Deposit") into escrow to be held by Commerce Escrow Company in an interest bearing account. Said Deposit shall be refundable to Buyer, but held in escrow, and shall be applied to the Purchase Price at closing. Buyer may, at its sole discretion, elect not to proceed with the acquisition, at which time the initial deposit of $150,000 will be immediately refunded to the Buyer. After completing Buyer's Due Diligence Review, should Buyer elect to proceed with the acquisition, Buyer shall deposit an additional $150,000 into escrow for a total deposit of $300,000 ("Total Deposit"). Said Total Deposit shall become non-refundable to Buyer except for Seller's default, but held in escrow, and shall be applied to the Purchase Price at closing.
5.	Contingency Period:	ACCEPTED	Buyer shall have ninety (90) days from the receipt of all of the Due

No warranty or representation, express or implied, is made as to the accuracy of the information contained herein, and same is submitted subject to errors, omission, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions, imposed by our principals.

			Diligence Materials noted below that may be in Seller's possession, to complete Buyer's Due Diligence Review of the property, which shall include, but not be limited to, Buyer's review of the environmental condition, soil compaction, title, zoning, government approvals, physical inspection, ALTA survey, existing leases, entitlement approvals, etc. <u>There shall be no financing contingency.</u> Buyer, at its sole discretion, may choose to extend the Contingency Period a maximum of three (3) times, by providing written notification to Escrow Officer at least thirty (30) days in advance of the Contingency Period expiration date.
6.	Close of Escrow:	ACCEPTED	Escrow shall close on or before seven (7) days from the expiration of the Contingency Period, subject to Paragraph 12.
7.	Prorations and Costs:	ACCEPTED	Seller shall be responsible for the cost of a CLTA Title Policy, and all transfer and documentary fees and taxes. Escrow fees shall be split equally between Buyer and Seller, per local custom.
8.	Escrow Company:	ACCEPTED	Commerce Escrow Company Attention: Tina Debow 1545 Wilshire Blvd, Suite 600 Los Angeles, CA 90017 Phone#: 213-353-4060 Fax#: 213-201-5188
9.	Title Company:	ACCEPTED	Chicago Title Attention: Mike Slinger 700 S. Flower Street, Suite 800 Los Angeles, CA 90017 Phone#: 213-612-4131 Fax#: 213-612-4133
10.	Due Diligence Materials:	ACCEPTED	Within three (3) business days after mutual execution of the purchase contract, Seller shall provide Buyer with any Due Diligence Materials affecting the Property that are in Seller's possession, including the following: a) Environmental Reports. b) Preliminary Title Report. c) ALTA Survey. d) Building plans. e) Demolition bids. f) Physical Inspection and/or Roof Report. g) Seismic Reports. h) Ground leases and Tenant leases, if any. i) Copies of all permits that affect the property, including AQMD. j) Copies of all correspondence with the City of Vernon, or other municipal agencies, that may affect the property. k) Any and all agreements, contracts, licenses in existence that may impair the clear and unencumbered title to the property.

l) Copies of all invoices and bills of the property including but not limited to tax bill(s), insurance policies, utilities, repairs, maintenance and salaries for the Twelve (12) calendar months immediately preceding the Effective Date hereof.
m) All notes and security instruments affecting the Property.

Buyer shall agree to keep any information provided by Seller confidential, and not to provide any of said Due Diligence Materials to anyone other than Buyer's agents, employees, consultants, and attorneys, without the consent of Seller.

11. Condition of Property:	ACCEPTED	Buyer agrees that the purchase of the Property will be in "As-Is" "Where-Is" condition (with all faults, and Seller will make no representations or warranties with respect thereto.
12. Approvals:	ACCEPTED	The Premises and transaction are subject to Part 1.85 of Division 24 of the Health & Safety Code which was added by Assembly Bill No. 26 (2011-2012 1st Ex. Sess.), as amended by Assembly Bill No. 1484 (2012-2013 Reg. Sess.), set forth in sections 34170 through 34191.5 of the Health & Safety Code. This counter-offer was authorized on February 7, 2013 by the Oversight Board to the Successor Agency of the Former Vernon Redevelopment Agency. Seller shall obtain any approvals associated with or required by Part 1.85 within sixty (60) days from mutual execution hereof by Buyer and Seller. Should Seller fail to obtain said approvals, Buyer shall have the right to terminate these purchase discussions at no penalty to Buyer.
13. Dual Agency:	ACCEPTED	Buyer and Seller hereby acknowledge, accept and approve of Cushman & Wakefield of California, Inc., representing both parties in this transaction.
14. Non-Binding:	ACCEPTED	If ACCEPTED, this proposal is not a legally binding contract; rather it is only intended to be a Letter of Intent setting forth the terms and conditions which may be incorporated into a mutually acceptable purchase contract or escrow instructions. Only a purchase contract or escrow instructions approved and fully executed by both Buyer and Seller, shall bind the parties.
15. Expiration:		If not ACCEPTED in writing by 5:00 PM, Friday, April 12, 2013, this proposal shall be of no further force or effect.

(SIGNATURES CONTINUED ON THE NEXT PAGE)

We look forward to working with you on a mutually acceptable sale transaction. Please feel free to contact either of us with any questions regarding this proposal.

Sincerely,

CUSHMAN & WAKEFIELD OF CALIFORNIA, INC.

Jeffrey P. Sanita
Senior Director
DRE #: 01242202
310/525-1906

JPS/lk

AGREED & APPROVED

SELLER: City of Vernon, Acting as Successor Agency of The Redevelopment Agency of the City of Vernon

By: _____

Print Name: Alex Kong

Date: 4/8/13

AGREED & ACCEPTED

BUYER: Whole Foods

By: _____

Print Name: Paul Hartwell

Date: 4-9-13

APPROVED AS TO FORM
SPECIAL COUNSEL: Kane, Ballmer & Berkman

By: _____

Print Name: GUSTAVO LAMADRID

Date: 4-8-13

EXHIBIT 1

Vernon Sun

A Free and Independent Press Preserves the People's "Right to Know"

THURSDAY, JUNE 20, 2013 | VOLUME 5, NUMBER 37

LEGAL | LEGAL

NOTICE OF PROPERTY DISPOSITION
UNDER CALIFORNIA HEALTH & SAFETY CODE SECTIONS
33433 AND 33391
MADE PURSUANT TO AND IN FURTHERANCE OF AB X1 26
AS AMENDED BY AB 1484 AND TO BE INCLUDED IN A LONG-
RANGE PROPERTY MANAGEMENT PLAN PER CALIFORNIA
HEALTH & SAFETY CODE SECTION 34191.5(B)
PUBLICATION REQUIRED UNDER
CALIFORNIA HEALTH & SAFETY CODE SECTION 33433

[illegible]

DATE OF HEARING: TUESDAY, JULY 2, 2013
TIME OF HEARING: 6:00 P.M. or as soon thereafter as can be heard
PLACE OF HEARING: CITY COUNCIL CHAMBERS
VERNON CITY HALL
4305 Santa Fe Avenue, First Floor
Vernon, CA 90058
CONTACT NAME: [illegible]
[illegible]
MAILING ADDRESS: 4305 Santa Fe Avenue, Vernon, CA 90058
CONTACT NUMBER: (323) [illegible] extension 265
E-MAIL ADDRESS: [illegible]

[illegible]

Publish Date: June 20, 2013 and June 27, 2013

Vernon Sun

A Free and Independent Press Preserves the People's "Right to Know"

Page 10 THURSDAY, JUNE 27, 2013 VOLUME 5, NUMBER 38

LEGAL LEGAL

NOTICE OF PROPERTY DISPOSITION UNDER CALIFORNIA HEALTH & SAFETY CODE SECTIONS 33430 AND 33431

MADE PURSUANT TO AND IN FURTHERANCE OF AB X1 26, AS AMENDED BY AB 1484, AND TO BE INCLUDED IN A LONG-RANGE PROPERTY MANAGEMENT PLAN PER CALIFORNIA HEALTH & SAFETY CODE SECTION 34191.5(B)

[PUBLICATION REQUIRED UNDER CALIFORNIA HEALTH & SAFETY CODE SECTION 33431]

NOTICE OF PUBLIC HEARING BY THE SUCCESSOR AGENCY TO THE FORMER VERNON REDEVELOPMENT AGENCY REGARDING THE DISPOSITION OF APPROXIMATELY 229,068 SQUARE FEET OF INDUSTRIAL ZONED LAND WITH ALL IMPROVEMENTS THEREON LOCATED AT 4900 PACIFIC BOULEVARD IN THE CITY OF VERNON, BOUNDED BY PACIFIC BOULEVARD ON THE WEST, LEONIS BOULEVARD ON THE NORTH, FRUITLAND AVENUE ON THE SOUTH AND SEVILLE AVENUE ON THE EAST AND ACQUIRED BY THE FORMER VERNON REDEVELOPMENT AGENCY IN FEE; DISPOSITION PROPOSED AS PURSUANT TO THE TERMS AND CONDITIONS OF THAT CERTAIN STANDARD OFFER, AGREEMENT AND ESCROW INSTRUCTIONS FOR PURCHASE OF REAL ESTATE (NON-RESIDENTIAL) DATED APRIL 30, 2013, WITH GBD PROPERTIES, INC. AND/OR ASSIGNEE AS BUYER AND THE SUCCESSOR AGENCY TO THE FORMER VERNON REDEVELOPMENT AGENCY AS THE SELLER SUBJECT TO ALL OF THE TERMS, CONDITIONS AND SPECIFIC DESCRIPTION AND IDENTIFICATION OF SAID LAND IN SAID AGREEMENT, AVAILABLE FOR PUBLIC INSPECTION AT THE OFFICE OF THE SECRETARY TO THE SUCCESSOR AGENCY TO THE FORMER VERNON REDEVELOPMENT AGENCY, CARE OF THE OFFICE OF THE CITY CLERK FOR THE CITY OF VERNON LOCATED AT VERNON CITY HALL, 4305 SANTA FE AVENUE, SECOND FLOOR, VERNON, CALIFORNIA 90058.

NOTICE IS HEREBY GIVEN that the Successor Agency of the Former Vernon Redevelopment Agency ("Successor Agency") will hold a public hearing on July 2, 2013, at the hour of 9:00 a.m., or as soon thereafter as the matter can be heard in the City Council Chambers, First Floor, Vernon City Hall, 4305 Santa Fe Avenue, Vernon, California, pursuant to the California Community Redevelopment Law (Health and Safety Code sections 33000 et seq., including Assembly Bill X1 26, as amended by Assembly Bill 1484 ("CRL"), for the purpose of considering the sale of a certain industrial land with improvements thereon in the redevelopment project area described in the Redevelopment Plan for the Industrial Redevelopment Project of the Former Vernon Redevelopment Agency adopted and approved by Ordinance No. 992 on November 27, 1990 to GBD Properties, Inc., or its assignee (the "Buyer").

The proposed transaction will be made in accordance with the CRL and pursuant to the proposed Standard Offer, Agreement and Escrow Instructions for the Purchase of Real Estate (Non-Residential) by and between the Successor Agency and Buyer dated April 30, 2013, as may be amended (the "Agreement"). The Agreement was authorized by the Oversight Board to the Successor Agency on March 21, 2013 as part of the winding down of the Former Vernon Redevelopment Agency under the CRL. The property disposition contemplated herein by the Agreement is to be incorporated and included in the long-range property management plan of the Successor Agency pursuant to AB X1 26, as amended by AB 1484, including but not limited to CRL section 34191.5. The Agreement involves that certain property in the City of Vernon bearing and using for reference the single street address 4900 Pacific Boulevard but includes all legal parcels bearing the street addresses 4850, 4900, 5000, and 5050 Pacific Boulevard, said land is within the redevelopment project area of the Former Vernon Redevelopment Agency and bounded on the north by Leonis Boulevard, on the south by Fruitland Avenue, on the west by Pacific Boulevard, and on the east by Seville Avenue and designated the "Subject Site" on the map accompanying this Notice. The Agreement includes the purchase price of the building and improvements on the Subject Site. Pursuant to CRL section 33431, the Successor Agency will be conducting a public hearing on the matters in this Notice related to the transaction and Agreement.

DATE OF HEARING:	TUESDAY, JULY 2, 2013
TIME OF HEARING:	9:00 A.M. (or as soon thereafter as the matter can be heard)
PLACE OF HEARING:	CITY COUNCIL CHAMBERS VERNON CITY HALL 4305 Santa Fe Avenue, First Floor Vernon, CA 90058
CONTACT NAME:	Mr. Alex Kung, Assistant to the Executive Director Successor Agency to the Former Vernon Redevelopment Agency
MAILING ADDRESS:	4305 Santa Fe Avenue, Vernon, CA 90058
CONTACT NUMBER:	(323) 583-8811 extension 255
E-MAIL ADDRESS:	akung@ci.vernon.ca.us

The Public Hearing will be held by the Successor Agency to consider the approval and ratification of the Agreement, as authorized and directed by the Oversight Board to the Successor Agency on March 21, 2013, to facilitate the sale of the Subject Site to the Buyer and include aforesaid transaction as part of the long-range property management plan of the Successor Agency required by AB X1 26, as amended by AB 1484, under CRL section 34191.5(b).

The Agreement is available for public inspection and copying during regular office hours (7:00 a.m. to 5:30 p.m., Monday through Thursday) at the office of the Secretary of the Successor Agency, care of the City Clerk, Vernon City Hall, 4305 Santa Fe Avenue, Second Floor, Vernon, California 90058.

This project is covered by the Final Environmental Impact Report for the City of Vernon Redevelopment Plan for the Industrial Redevelopment Project approved and adopted by Resolution RA-28 on November 20, 1990 ("FEIR") by the Former Vernon Redevelopment Agency. The FEIR is a Program EIR prepared in compliance with the California Environmental Quality Act (CEQA) Guidelines Section 15168.

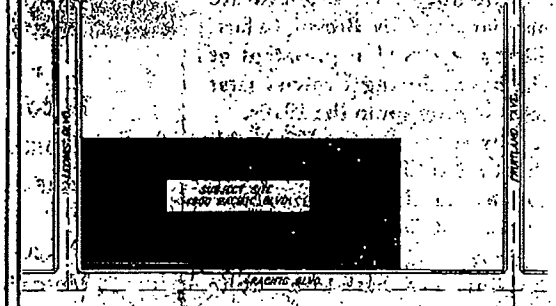
At any time before the date and time set forth above for the Public Hearing by the Successor Agency, any written comments on or objections to the Agreement may be filed with the Secretary to the Successor Agency, care of the City Clerk, located in Vernon City Hall, 4305 Santa Fe Avenue, Second Floor, Vernon, California 90058. Comments may also be submitted during such period on the transaction referred to in this Notice. All persons wishing to question, comment, object to, or be heard on such matters at the Public Hearing will be given an opportunity to appear and be so heard. If you later desire to challenge actions of the Successor Agency in connection with the matters referred to in this Notice, you could be limited to raising issues that you or someone else raised at the Public Hearing or in written correspondence to the Successor Agency prior to the Public Hearing.

The information referred to in this Notice will be made available in alternative format upon request. To request an agenda in alternative format or to request a sign language or oral interpreter for the public hearing or any other accommodation request under the Americans with Disabilities Act, please contact the City Clerk's Office at (323) 583-8811 at least three (3) working days prior to the hearing to ensure availability and accommodation.

Dana Read
Interim Secretary
care of Office of the City Clerk
City of Vernon

Publish Dates: June 20, 2013, June 27, 2013

Subject Site



CITY CLERK'S OFFICE

INTEROFFICE MEMORANDUM

DATE: July 3, 2013

TO: Alex Kung, Assistant to the City Administrator
Successor Agency Members

FROM: Deborah Juarez, Records Management Assistant

RE: Resolution No. SA-14 – A Resolution of the City Council of the City of Vernon Acting as the Board of the Successor Agency of the Redevelopment Agency of the City of Vernon Approving and Ratifying the Proposed Contract for the Sale and Disposition of 4900 Pacific Boulevard, Vernon, CA 90058 Under California Health & Safety Code Section 33430 and in Furtherance of AB X1 26, as Amended by AB 1484, Including, but Not Limited to, California Health & Safety Code Section 34191.5(B)

Transmitted herewith is a copy of Resolution No. SA-14 referenced above, which was approved by the Board of the Successor Agency of the Redevelopment Agency of the City of Vernon on July 2, 2013.

Thank you.

Attachment

c: Gustavo Lamanna
Resolution No. SA-14

RECEIVED
JUN 2 7 2013
CITY CLERK'S OFFICE

SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY STAFF REPORT

DATE: June 27, 2013

TO: Honorable Chairperson and Members of the Successor Agency for the Vernon Redevelopment Agency

FROM: Alex Kung, Successor Agency Staff

RE: Sale of Angelus Can Pursuant to Oversight Board instruction and Proposed Contract for Sale of 4900 Pacific Boulevard

Background:
Pursuant to Community Redevelopment Law and specifically those obligations imposed on the City of Vernon acting as the Successor Agency to the former Vernon Redevelopment Agency ("Successor Agency") by the dissolution statutes, Successor Agency staff received authorization by our oversight board to contract with Whole Foods Market, Inc. for the disposition of the property located at 4900 Pacific Boulevard, Vernon, CA 90058 (the "Property").

Discussion of Requested Action:
Health & Safety Code section 33430 states, in relevant part, an agency may within a survey area sell or otherwise dispose of any real property. The Property is within the survey area and disposition was instructed by the oversight board under the dissolution statutes. Said disposition is included in the long-range property management plan established under Health & Safety Code section 34191.5(b). Our oversight board is set to consider that plan on July 11, 2013.

Health & Safety Code section 33431 states, in relevant part, that a sale under section 33430 may be made without public bidding but only after a public hearing, notice of which shall be given by publication for not less than once a week for two weeks in a newspaper of general circulation published in the County in which the land lies. This is the public hearing to consider the disposition of the Property pursuant to the oversight board instruction; the resolution containing the requested action calls for the Successor Agency board to approve and ratify the proposed contract for the sale of the Property as noted above. Publication of this hearing was approved and took place in conformance with section33431 on June 20 and 28 in the Vernon Sun—a newspaper of general circulation.

Recommendation:
As Health & Safety Code sections 33430 and 33431 have been satisfied, staff now asks the Successor Agency to approve and ratify the sale of the Property pursuant to the terms of the proposed disposition affixed as Exhibit "A" to the resolution accompanying this staff report.

Attachment 3

FIRST AMERICAN TITLE COMPANY OF L.A.
"SUBDIVISION"
RECORDING REQUESTED BY

91 241951

REDEVELOPMENT AGENCY OF THE
CITY OF VERNON
4305 Santa Fe Avenue
Vernon, California 90058

125065

SPACE ABOVE THIS LINE FOR RECORDER'S USE

CORPORATION GRANT DEED

THE UNDERSIGNED GRANTOR(s) DECLARE(s)
DOCUMENTARY TRANSFER TAX is $
computed on full value of property conveyed, or
computed on full value less value of liens or encumbrances remaining at time of sale, and

By this instrument dated January 7,1991, for a valuable consideration,

DE WITT TRANSFER AND STORAGE COMPANY, A California Corporation
a corporation organized under the laws of the State of California
hereby GRANTS to

REDEVELOPMENT AGENCY OF THE CITY OF VERNON, A Public Body, Corporate and Politic

the following described real property in the State of California, County of Los Angeles

LEGAL DESCRIPTION ATTACHED HERETO AND MADE A PART HEREOF:

STATE OF CALIFORNIA
COUNTY OF
Los Angeles } ss.

On January 15, 1991, before me, the undersigned, a Notary Public in and for said County and State, personally appeared W.W. DeWitt and Dorothy E. Doyle known to me to be the President, and known to me to be the Secretary of the Corporation that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the Corporation therein named, and acknowledged to me that such Corporation executed the within instrument pursuant to its bylaws or a resolution of its Board of Directors.

WITNESS my hand and official seal.

Signature Rose B. Canale

DE WITT TRANSFER AND STORAGE COMPANY, a Corporation

BY W.W. DeWitt President

BY: Dorothy E. Doyle Secretary

MAIL TAX STATEMENTS AS DIRECTED

9007712-51

STATE OF CALIFORNIA,
COUNTY OF Los Angeles } ss.

91 24195

On January 15, 1991 before me, the undersigned, a Notary Public in and for said State, personally appeared M. W. DeWitt And Dorothy E. Doyle known to me to be the President And Secretary of the DeWitt Cartage And Storage Company the Corporation that executed the within instrument, known to me to be the person who executed the within instrument, on behalf of the Corporation, therein named, and acknowledged to me that such Corporation executed the same.

WITNESS my hand and official seal.

Rose D. Canale
Notary Public in and for said State.

OFFICIAL SEAL
ROSE D. CANALE
NOTARY PUBLIC - CALIFORNIA
PRINCIPAL OFFICE IN
LOS ANGELES COUNTY
My Commission Exp. Aug. 23, 1992

900772-51

Those portions of Lots 91 and 110 of Tract 1, in the Rancho Laguna, as called as shown on map designated as Exhibit "A", Case No. B-25296, of the Superior Court, said map being filed as Clerk's Filed Map 880, in the County Clerk of said County, more particularly described as follows:

Beginning at a point in the Easterly prolongation of the center line of Bandini Boulevard, as described in deed to said County of Los Angeles, recorded in Book 3860 Page 214, Official Records, in the office of the county recorder of said county, distant along said Easterly prolongation North 67° 57' 49" West, 53.32 feet from the intersection of said Easterly prolongation with the center line of Atlantic Boulevard, formerly Pasadena Avenue, as described in deed to said County of Los Angeles, recorded in Book 864 Page 317 of said Official Records; thence along said Easterly prolongation and said center line of Bandini Boulevard, North 67° 57' 49" West, 846.68 feet; thence at right angles, South 22° 02' 11" West, a distance of 132.00 feet; thence South 2° 01' 43" West, a distance of 72.37 feet to a point on a line parallel with and distant 200.00 feet Southerly, measured at right angles, from said center line of Bandini Boulevard, said point being the true point of beginning of this description; thence along said parallel line, North 67° 57' 49" West, a distance of 79.76 feet; thence North 22° 02' 11" East, a distance of 150.00 feet to a line parallel with and distant 50.00 feet Southerly, measured at right angles, from said center line of Bandini Boulevard; thence along said last mentioned parallel line, North 67° 57' 49" West, a distance of 100.00 feet; thence South 22° 02' 11" West, at right angles and parallel with the course above-described as having a length of 132.00 feet, a distance of 275.00 feet to a line parallel with and distant 325.00 feet Southerly, measured at right angles, from said center line of Bandini Boulevard; thence along said last mentioned parallel line, South 67° 57' 49" East, a distance of 245.28 feet to the intersection thereof with the Southerly prolongation of that certain course hereinabove described as having a length of 72.37 feet; thence along said Southerly prolongation, North 2° 01' 43" East, a distance of 133.03 feet to said true point of beginning. 91 241951

EXCEPT therefrom all oil, gas, naphtha and other hydrocarbon substances in, under or that may be produced from said land, as excepted in deed to the State of California, recorded July 17, 1931, in Book 36777 Page 164 of said Official Records.

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by Grant Deed dated the 7th day of January 1991, from De Witt Transfer and Storage Company is hereby accepted by the Redevelopment Agency of the City of Vernon on the 15th day of January, 1991, and the grantee consents to recordation by a duly authorized officer.

Dated: January 15, 1991

REDEVELOPMENT AGENCY OF THE CITY OF VERNON

By: Leonis C. Malburg
LEONIS C. MALBURG, Chairman

ATTEST:
BRUCE V. MALKENHORST, Secretary

APPROVED AS TO FORM:
David B. Brearley
DAVID B. BREARLEY, Legal Counsel

91 241951

Image Summary List

STEWART TITLE, S03, 1914
6/11/2013 11:26 AM KS70

State	County	Type	Date	Instrument	Party 1	Pages	Status
Order Number: None Title Officer: None Comments:							
CA	LOS ANGELES	D	02/20/1991	1991.241951	DEWIT	4	completed

SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY

LONG-RANGE PROPERTY MANAGEMENT PLAN SUBMITTAL DATED JULY 20, 2013

DOCUMENTS WHICH FOLLOW THIS COVER PAGE

SUMMARY OF PLAN ON FINANCE SPREADSHEET (4 PAGES)

EXHIBIT A : 4900 PACIFIC

EXHIBIT B : 4528 BANDINI

Successor Agency: Successor Agency to the Vernon Redevelopment Agency
County: LOS ANGELES

LONG RANGE PROPERTY MANAGEMENT PLAN: PROPERTY INVENTORY DATA

		HSC 34191.5 (c)(2)		HSC 34191.5 (c)(1)(A)				
No.	Property Type	Permissable Use	Permissable Use Detail	Acquisition Date	Value at Time of Purchase	Estimated Current Value	Value Basis	Date of Estimated Current Value
1	Industrial Real Property	Sale of Property	Private Party Sale for grocery store distribution; Purchase Agreement included	March 9, 2011	15,217,310	12,000,000	Appraised	11/20/2012
2	Industrial Real Property	Governmental Use	Caltrans for I-710 or City for Fire Station 4	March 6, 1990	770,000	Actual Value per Interim Lease with 6,000/mo Lease Revenue	Market	7/20/2013
3								
4								
5								
6								

Successor Agency: Successor Agency to the V
County: LOS ANGELES

LONG RANGE PROPERTY MANAGEMENT PLAN: PROPERTY

		HSC 341	SALE OF PROPERTY		HSC 34191.5 (c)(1)(B)	HSC 34191.5 (c)(1)(C)			
No.	Property Type	Permissable Use	Proposed Sale Value	Proposed Sale Date	Purpose for which property was acquired	Address	APN #	Lot Size	Current Zoning
1	Industrial Real Property	Sale of Property	12,657,447	Plan Approval	Industrial Development	4900 Pacific	6308-3-901, -902, -903, -904	427,203	General Industrial
2	Industrial Real Property	Governmental Use	By Gov Use	Res Grant Deed	Fire Station Expansion	4528 Bandini	6304-30-906	42,810	M-2 Heavy
3									
4									
5									
6									

Successor Agency: Successor Agency to the V
County: LOS ANGELES

LONG RANGE PROPERTY MANAGEMENT PLAN: PROPERTY

			HSC 3419	HSC 34191.5 (c)(1)(D)	HSC 34191.5 (c)(1)(E)		HSC 34191.5 (c)(1)(F)	HSC 3419
No.	Property Type	Permissable Use	Estimate of Current Parcel Value	Estimate of Income/Revenue	Contractual requirements for use of income/revenue		History of environmental contamination, studies, and/or remediation, and designation as a brownfield site	Description of property's potential for transit oriented development
1	Industrial Real Property	Sale of Property	12,000,000	42,968/mo (lease expired; tenant vacated)	Former Vernon Redevelopment Agency obligations		Phase I approved, additional review underway, tenant required to remediate if any contamination	Not conducive
2	Industrial Real Property	Governmental Use	6,000/mo leased fee	6,000/mo	Former Vernon Redevelopment Agency obligations		No known issues	Not conducive
3								
4								
5								
6								

Successor Agency: Successor Agency to the V
County: LOS ANGELES

LONG RANGE PROPERTY MANAGEMENT PLAN: PROPERTY

		HSC 34191.5 (c)(1)(G)		HSC 34191.5 (c)(1)(H)
No.	Property Type	Permissable Use	Advancement of planning objectives of the successor agency	History of previous development proposals and activity
1	Industrial Real Property	Sale of Property	In conformance	Property acquired for a development that did not materialize
2	Industrial Real Property	Governmental Use	Fire Station Expansion considered but unlikely due to I 710 expansion by CalTrans	Fire Station Expansion considered but ceased due to identification of parcel as part of I 710 expansion
3				
4				
5				
6				

SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY

LONG-RANGE PROPERTY MANAGEMENT PLAN SUBMITTAL DATED JULY 20, 2013

DOCUMENTS WHICH FOLLOW THIS COVER PAGE

EXHIBIT A
4900 PACIFIC DOCUMENTS

PROPERTY INFORMATION

LONG-RANGE PROPERTY MANAGEMENT PLAN

Property Address

4850 – 5050 Pacific Avenue (commonly known as 4900 Pacific Avenue)

Vernon, California 90058

Acquisition Information

Acquisition of the parcel was approved in Resolution RA 401. Parcel was acquired March 9, 2011 at a cost of $15,217,310 (see Attachment 1). Parcel initially acquired for a development but after proposed developer rescinded, the Former Vernon Redevelopment Agency acquired for the purposes in the resolution.

Purpose Acquired

Parcel was initially targeted for acquisition for an industrial development project and ultimately acquired for the purposes in the attached resolution.

Parcel Data

Four Assessor Parcel Numbers

APN 6308-003-019 (as acquired); now re-numbered 6308-003-901

APN 6308-003-021 (as acquired); now re-numbered 6308-003-902

APN 6308-003-022 (as acquired); now re-numbered 6308-003-903

APN 6308-003-023 (as acquired); now re-numbered 6308-003-904

9.087 acres (427,203 square feet); zoned General Industrial

Current Value

December 2012 appraisal by Curtis-Rosenthal, Inc. valued the site, as if vacant, at $12,000,000 (See Attachment 2)

Lease/rental Income and Contractual Requirements

Property was leased to Angelus Sanitary Can Machine Company (Angelus). The lease expired July 8, 2013. Tenant vacated at the expiration of term. Rent was $42,968 per month. (See Attachment 3)

Rental income is used to satisfy Agency obligations.

Environmental Contamination

The property has been used for industrial production for many years and has a history of environmental assessments and work. (See Attachment 4) Additional environmental review is underway. The current lessee is required to remediate the property contamination (if any) upon expiration of the lease and vacation of the property.

Potential for Transit-Oriented Development

The parcel is located in a heavy industrial district. This specific parcel and its environs are not conducive to transit-oriented development. The nearest potential transit station site is more than 2,000 feet away and there are no current plans for development of this transit corridor.

Previous Development Proposals – Existing Leases

As noted above, the property is currently leased to Angelus. Angelus has leased the property since July 2010. Angelus originally purchased the property in 1967 and has occupied the property for its own industrial use since then. As noted above the lease expired July 8, 2013 and Angelus vacated. A prior developer proposed an industrial development but as dissolution legislation was proposed rescinded the proposal.

There is currently a proposal to acquire the property for the development of a grocery store distribution center. (See Attachment 5)

Proposed Disposition of Property

The property is proposed to be sold for fair market value. Proceeds will used to satisfy existing Agency obligations including pass-thru agreements. In the event the existing contract for the sale of the property for a grocery store distribution center does not materialize, the Successor Agency reserves the right to dispose of the property, including, but not limited to, accepting back-up offers for the property for alternative developments, or redevelopment, if and as appropriate.

SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY

LONG-RANGE PROPERTY MANAGEMENT PLAN SUBMITTAL DATED JULY 20, 2013

DOCUMENTS WHICH FOLLOW THIS COVER PAGE

ATTACHMENT 1
TO EXHIBIT A : 4900 PACIFIC

RESOLUTION NO. RA-401

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON APPROVING AND AUTHORIZING THE EXPENDITURE OF DEVELOPMENT COSTS REGARDING PROPERTY LOCATED AT 4850-5050 PACIFIC BOULEVARD IN THE CITY OF VERNON

WHEREAS, both the City of Vernon ("the City") and the Redevelopment Agency of the City of Vernon ("the Agency") are empowered singly and jointly to promote economic development within the City, including the promotion of opportunities for the creation or retention of employment, the stimulation of economic activity, expansion of infrastructure, and an increase of the revenue and tax bases; and

WHEREAS, the Agency is engaged in activities necessary and appropriate to carry out its obligations under the California Redevelopment Law (Health & Safety Code §§ 33,000, el, seq.), within the City of Vernon; and

WHEREAS, the Agency's goal is to eliminate conditions of blight in the Project Area and prevent reoccurrence by undertaking the acquisition of sites within the Project Area suitable for modern industrial development; and

WHEREAS, the Public Improvements and Facilities Programs set forth in the Agency's Redevelopment Implementation Plan 2010-2014, proposes to continue the program of assisting in the funding of necessary public improvements and facilities. Public improvement deficiencies, as well as deficiencies in the infrastructure necessary to support redevelopment, have been identified in the Project Area. Agency assistance for public improvements and upgrades and expansions

of infrastructure will help facilitate the elimination of blight and redevelopment of the Project Area; and

WHEREAS, the Agency has assumed a purchase and sale agreement to purchase property located at 4850-5050 Pacific Boulevard in the City of Vernon (the "Property") for Electrical Infrastructure Development purposes; and

WHEREAS, the Agency shall, pursuant to its powers under (Health Safety Code §§ 33,220), in furtherance of the Project, advance funds, in sufficient amounts, to the City's Light & Power Department to complete all the Electrical Infrastructure Improvements on the Property, in the amounts presently set forth on Attachment A hereto; and

WHEREAS, the Agency has determined that it is to the City's advantage and in the public interest of the inhabitants of the City, to provide that the Agency provide the development costs of the proposed project on the subject property for ultimate use by City's utility.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON AS FOLLOWS:

SECTION 1: The Board of Directors of the Agency hereby finds and determines that the recitals contained hereinabove are true and correct.

SECTION 2: The Board of Directors of the Agency hereby approves the advance to the City of Vernon of development costs in an amount sufficient to complete all the Electrical Infrastructure Improvements on the subject property, including but not limited to those amounts set forth in Attachment A.

SECTION 3: The Board of Directors of the Agency hereby authorizes the Executive Director to perform such acts and deeds as may be necessary or convenient to effect the purposes of this Resolution and the transaction herein approved or authorized.

SECTION 4: The Secretary of the Agency shall certify to the passage, approval and adoption of this Resolution, and the Secretary shall cause this Resolution and the Secretary's certification to be entered in the File of Resolutions of the Board of Directors of the Agency.

APPROVED AND ADOPTED this 7th day of March, 2011.

Name: Hilario Gonzales

Title: Chairman / ~~Vice Chairman~~

ATTEST:

Willard G. Yamaguchi, Secretary

STATE OF CALIFORNIA)
) ss
COUNTY OF LOS ANGELES)

I, Willard G. Yamaguchi, Secretary of the Redevelopment Agency of the City of Vernon, do hereby certify that the foregoing Resolution, being Resolution No. RA-401, was duly passed, approved and adopted by the Board of Directors of the Redevelopment Agency of the City of Vernon at a special meeting of the Board of Directors duly held on Monday, March 7, 2011, and thereafter was duly signed by the Chair or Vice Chair of the City of Vernon.

Executed this 9 day of March, 2011, at Vernon, California.

Willard G. Yamaguchi, Secretary

(SEAL)

ATTACHMENT A

Attachment A

Infrastructure Cost Estimate Schedule
2/3/11

1. Electrical Infrastructure Improvements	**$15,181,100**
1a. Infrastructure improvements[1]	$13,801,000
1b. General contract and overhead	$1,380,100
2. Other Infrastructure Costs	**$5,032,845**
2a. Sanitary sewer capacity units[1]	$3,563,520
2b. Recycled water line[1]	$855,750
2c. Storm water system[2]	$50,000
2d. Railroad spur[3]	$300,000
2e. Street improvements[3]	$100,000
2f. Stubbing a potable water line to site[3]	$30,000
2g. General contract and overhead	$133,575
3. Site Preparation Costs	$1,648,000
3a. Demolition and Rough Grading[2]	$648,000
3b. Remediation[3]	$1,000,000
4. Land Acquisition Costs	**$15,367,310[4]**

[1] See attached excerpt from Davis Langdon report dated 9/20/10. Estimate is based on assumption that contract will be competitively bid, payment of prevailing wages, and no small business set aside requirements. Estimate excludes costs associated with hazardous material handling, disposal and abatement; design, testing, inspection, or construction management fees; architectural and design fees; scope change and post contract contingencies; contingency for design development; assessments, taxes, finance, legal and development charges; builder's risk, project wrap-up and other owner provided insurance program; third party commissioning; and cost escalation beyond a start date of September, 2010.

[2] Per Anthony Mason and Associates.

[3] Estimate provided by City of Vernon.

[4] Includes purchase price, option cost, and costs of option extension periods.

LA\2147925.4

CITY CLERK'S OFFICE

INTEROFFICE MEMORANDUM

DATE: March 8, 2011

TO: Rory Burnett, Finance Director/City Treasurer
Carlos Fandino, Director of Light & Power
Joaquin Leon, RDA Finance Director/Treasurer
Mike Montgomery, RDA Executive Director/Legal Counsel
Mark Whitworth, City Administrator/Fire Chief

FROM: Willard Yamaguchi, City Clerk WY

RE: Resolution No. RA-401 – A Resolution of the Board of Directors of the Redevelopment Agency of the City of Vernon Approving and Authorizing the Expenditure of Development Costs Regarding Property Located at 4850 – 5050 Pacific Boulevard in the City of Vernon

Transmitted herewith is a copy of Resolution No. RA-401 referenced above, which was approved by the Redevelopment Agency of the City of Vernon on March 7, 2011.

Thank you.

WY:dj

Attachment

c: Resolution No. RA-401

RDA Approved 3/7/11
Res. RA-401

STAFF REPORT
REDEVELOPMENT AGENCY

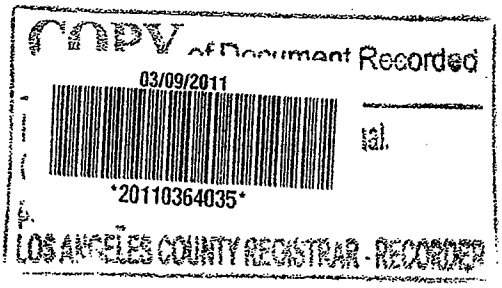
DATE: March 3, 2011

TO: Honorable Chairman and Members of the Board of the Redevelopment Agency

FROM: Mike Montgomery, Executive Director

RE: Electric Power Project

The City has assigned the "Angeles Can" purchase agreement to the RDA to close the escrow. The proposed Resolution provides that the Agency will finance the City's construction of the electrical generation facility on the property, which will be operated by Light & Power.



OFFICIAL BUSINESS

DOCUMENT ENTITLED TO FREE
RECORDING PER GOVERNMENT
CODE SECTION 6103

Recorded at Request of and
When Recorded Mail to:

THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON
4305 Santa Fe Avenue
Vernon, CA 90058
Attn: Chairman

Mail Tax Statements to:

Same as above

****

SPACE ABOVE FOR RECORDER'S USE

GRANT DEED

THE UNDERSIGNED GRANTOR(S) DECLARE(S):

DOCUMENTARY TRANSFER TAX IS NOT SHOWN PURSUANT TO SECTION 11932 OF THE REVENUE AND TAXATION CODE, AS AMENDED.

PACIFIC XC, L.P., A CALIFORNIA LIMITED PARTNERSHIP

HEREBY GRANT(S) TO

THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON

THE FOLLOWING REAL PROPERTY IN THE CITY OF VERNON, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA DESCRIBED ON ATTACHED EXHIBIT A

ASSESSORS PARCEL NOS. 6308-003-019; 6308-003-021; 6308-003-022; and 6308-003-023.

SUBJECT TO: Taxes and Assessments and all other covenants, conditions, restrictions, reservations, rights, rights of way, easements, encumbrances, liens and title matters of record visible from an inspection of the Property and all matters which an accurate survey of the Property would disclose.

CONTINUED ON PAGE TWO

IN WITNESS WHEREOF, THE GRANTOR HAS CAUSED THIS GRANT DEED TO BE EXECUTED AS OF THE 7 DAY OF MARCH, 2011

PACIFIC XC, L.P.,
a California limited partnership

By: _____
Name: NEIL MISHKEL
Its: _____

ACKNOWLEDGMENT

State of California
County of Orange)

On March 7, 2011 before me, Sarah Lynne Pulido, Notary Public
(insert name and title of the officer)

personally appeared Neil Mishurda,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

SARAH LYNNE PULIDO
Commission # 1861475
Notary Public - California
Orange County
My Comm. Expires Aug 16, 2013

Signature Sarah Lynne Pulido (Seal)

SEPARATE STATEMENT OF
DOCUMENTARY TRANSFER TAX

County Recorder
Los Angeles County

Dear Sir:

In accordance with California Revenue and Taxation Code Section 11932, it is requested that this Statement of Documentary Transfer Tax due not be recorded with the attached deed, but be affixed to the deed after recordation and before return as directed on the deed.

The deed names **PACIFIC XC, L.P.**, a California Limited Partnership, as the Grantor and **THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON**, as the Grantee. The land and improvements being transferred are located in the City of Vernon , County of Los Angeles, State of California.

The amount of the documentary transfer tax due on the attached deed is $0.00. Exempt from Documentary Tax Pursuant to R&T Code § 11922.

Very truly yours,

PACIFIC XC, L.P.,
a California limited partnership

By: _____
Name: ERIC MISTRETTA
Its: _____

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

PARCEL A:

PARCEL 1:

THE NORTHERLY 60 FEET OF LOTS 12, 13, 14, 15 AND 16 AND THE EASTERLY HALF OF THE NORTHERLY 60 FEET OF THE ALLEY RUNNING NORTH AND SOUTH, NOW VACATED IN BLOCK 29, OF HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 6 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ALSO THAT PORTION OF 51ST STREET, NOW VACATED, LYING EAST OF PACIFIC BOULEVARD AND LYING BETWEEN BLOCKS 29 AND 30 OF SAID HUNTINGTON PARK EXTENSION NO. 2.

EXCEPT THE SOUTH HALF OF THE WEST 147.50 FEET OF SAID PORTION OF 51ST STREET.

ALSO EXCEPT THAT PORTION OF LOT 12, BLOCK 29, AND OF SAID VACATED STREET INCLUDED IN THE 17 FOOT STRIP CONVEYED TO THE ATCHISON TOPEKA AND SANTA FE RAILWAY COMPANY BY DEED RECORDED IN BOOK 5956 PAGE 311 OF DEEDS.

PARCEL 2:

LOTS 5 AND 6, IN BLOCK 29, HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 6 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDED OF SAID COUNTY.

ALSO THOSE PORTIONS OF THE SOUTH HALF OF 51ST STREET AND OF THE WEST HALF OF THE 15 FOOT ALLEY RUNNING NORTH AND SOUTH IN SAID BLOCK, NOW VACATED, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF SAID LOT 6; THENCE NORTH ALONG THE PROLONGATION OF THE WEST LINE OF SAID LOT 30 FEET TO THE CENTER LINE OF 51ST STREET, AS SHOWN ON SAID MAP; THENCE EAST ALONG SAID CENTER LINE 147.5 FEET TO A POINT IN THE NORTH PROLONGATION OF THE CENTER LINE OF SAID ALLEY; THENCE SOUTH ALONG SAID LAST MENTIONED CENTER LINE TO A POINT IN THE EAST PROLONGATION OF THE SOUTH LINE OF SAID LOTS; THENCE WEST 7.60 FEET TO THE SOUTHEAST CORNER OF SAID LOT 5; THENCE NORTH TO THE NORTHEAST CORNER OF SAID LOT 6; THENCE WEST 140 FEET TO THE BEGINNING.

PARCEL 3:

LOTS 1, 2, 7, 8, 9, 10, 11 AND THE SOUTH 55 FEET OF LOTS 12, 13, 14, 15, 16 AND ALSO THE ALLEY RUNNING EAST AND WEST NOW VACATED, ALSO THE SOUTH 100 FEET OF THE WEST ONE-HALF, AND THE SOUTH 200 FEET OF THE EAST ONE-HALF OF THE ALLEY RUNNING NORTH AND SOUTH NOW VACATED, ALL IN BLOCK 30 OF HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 6 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THOSE PORTIONS OF LOTS 11 AND 12, BLOCK 30, AND THE VACATED STREET AND ALLEY INCLUDED IN THE BOUNDARY OF THE 17 FOOT STRIP CONVEYED TO THE ATCHISON, TOPEKA AND SANTA FE RAILWAY CO., BY DEED RECORDED IN BOOK 5956 PAGE 311 OF DEEDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL B:

LOTS 3 AND 4 IN BLOCK 30 OF HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 6 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THE WEST HALF OF THE ADJOINING ALLEY, NOW VACATED, TITLE TO WHICH WOULD PASS WITH THE LEGAL CONVEYANCE OF SAID LOTS 3 AND 4.

PARCEL C:

LOTS 5 AND 6 AND THE NORTH 75 FEET OF LOTS 12, 13, 14, 15 AND 16, ALL IN BLOCK 30 OF HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 6 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ALSO THE NORTHERLY 75 FEET OF THE NORTH AND SOUTH ALLEY NOW VACATED, IN SAID BLOCK 30, AND ALSO THE SOUTHERLY 25 FEET OF 50TH STREET, LYING BETWEEN THE NORTH LINE OF SAID BLOCK 30 AND THE SOUTH LINE OF BLOCK 35 OF HUNTINGTON PARK EXTENSION NO. 2, NOW VACATED.

EXCEPT THE WEST 17 FEET OF THE EAST 18 FEET OF THE NORTHERLY 75 FEET OF SAID LOT 12, AS CONVEYED TO ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BY DEED RECORDED IN BOOK 5956 PAGE 311 OF DEEDS.

ALSO EXCEPT THE EAST 18 FEET OF THE SOUTHERLY 25 FEET OF SAID VACATED 50TH STREET.

PARCEL D:

LOTS 1 AND 2 OF TRACT NO. 11254, IN THE CITY OF VERNON, CO & ST IN BOOK 206 PAGE 17 OF MAPS.

PARCEL E:

PARCEL 1:

LOT 1 IN BLOCK 36 OF HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 6 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ALSO THAT PORTION OF THE WEST HALF OF THE 15 FOOT ALLEY RUNNING NORTH AND SOUTH IN SAID BLOCK NOW VACATED LYING EASTERLY AND ADJOINING SAID LOT 1.

PARCEL 2:

LOT 2, THE SOUTH 17 FEET OF LOT 3 AND THE SOUTH 117 FEET OF LOTS 7, 8, 9, 10 AND 11 IN BLOCK 36 OF HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 6 OF SAID MAP RECORDS.

ALSO THAT PORTION OF THE WEST HALF OF THE 15 FOOT ALLEY RUNNING NORTH AND SOUTH IN SAID BLOCK NOW VACATED, LYING EASTERLY OF AND ADJOINING SAID LOT 2, AND THE SOUTH 17 FEET OF LOT 3, AND THAT PORTION OF THE EAST ONE HALF OF SAID ALLEY LYING WEST OF AND ADJOINING THE SOUTH 117 FEET OF SAID LOT 7.

EXCEPTING FROM THE ABOVE DESCRIBED PORTION OF SAID LOT 11, THE WESTERLY 17 FEET OF THE EASTERLY 18 FEET THEREOF, AS CONVEYED TO THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BY DEED RECORDED IN BOOK 5956 PAGE 311 OF DEEDS.

PARCEL 3:

AN EASEMENT FOR RAILROAD SPUR TRACK PURPOSES OVER THOSE PORTION OF LOTS 11 AND 12 IN BLOCK 36 AND OF THE 15 FOOT ALLEY RUNNING EAST AND WEST IN SAID BLOCK, NOW VACATED, DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE NORTH LINE OF THE SOUTH 117 FEET OF SAID LOT 11 WITH A LINE PARALLEL WITH AND DISTANT WESTERLY 18 FEET, MEASURED AT RIGHT ANGLES FROM THE EAST LINE OF SAID LOT 11, THENCE

NORTHERLY PARALLEL WITH THE EAST LINE OF SAID BLOCK, 80 FEET, THENCE SOUTHWESTERLY IN A DIRECT LINE, TO A POINT ON THE NORTH LINE OF THE SOUTH 117 FEET OF SAID LOT 11, DISTANT WEST 850 FEET FROM THE POINT OF BEGINNING, THENCE EAST 8.50 FEET TO THE POINT OF BEGINNING.

PARCEL 4:

ALL THAT PORTION OF 49TH STREET AS SHOWN ON THE MAP OF HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11, PAGE 6, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY VACATED BY RESOLUTION NO. 2835, A COPY OF WHICH RECORDED JUNE 10, 1966 AS INSTRUMENT NO. 3467, OF OFFICIAL RECORDS.

PARCEL F:

PARCEL 1:

LOT 4, THE NORTHERLY 33 FEET OF LOT 3, THE NORTHERLY 13 FEET OF LOTS 7 TO 11, INCLUSIVE, THE SOUTHERLY 83 FEET OF LOTS 12 TO 16, INCLUSIVE, IN BLOCK 36 OF THE HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 6 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER, ALSO THE 15 FOOT ALLEY, NOW VACATED, EXTENDING EAST AND WEST IN SAID BLOCK AND THE EASTERLY HALF OF THE 15 FOOT ALLEY, NOW VACATED, EXTENDING NORTH AND SOUTH IN SAID BLOCK, LYING WEST OF AND ADJOINING THE NORTHERLY 13 FEET OF LOT 7 AND THE SOUTH 83 FEET OF LOT 16 AND ADJOINING THE 15 FOOT ALLEY FIRST ABOVE MENTIONED IN SAID BLOCK;

ALSO THAT PORTION OF THE WEST HALF OF SAID LAST MENTIONED ALLEY LYING EAST OF AND ADJOINING LOT 4 AND THE NORTHERLY 33 FEET OF LOT 3.

EXCEPTING FROM THE ABOVE DESCRIBED PORTION OF LOTS 11 AND 12 AND FROM THE 15 FOOT ALLEY, NOW VACATED, EXTENDING EAST AND WEST IN SAID BLOCK, THE WEST 17 FEET OF THE EAST 18 FEET THEREOF, AS DESCRIBED IN DEED TO THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, RECORDED IN BOOK 5956 PAGE 311 OF DEEDS, RECORDS OF SAID COUNTY.

PARCEL 2:

THE SOUTHERLY 45 FEET OF LOT 5 IN SAID BLOCK 36 OF SAID HUNTINGTON PARK EXTENSION NO. 2, IN SAID CITY, COUNTY AND STATE;

ALSO THAT PORTION OF THE WEST HALF OF THE 15 FOOT ALLEY, NOW VACATED, EXTENDING NORTH AND SOUTH IN SAID BLOCK, LYING EASTERLY AND ADJOINING THE SOUTHERLY 45 FEET OF SAID LOTS.

PARCEL 3:

THE SOUTHERLY 17 FEET OF THE NORTHERLY 47 FEET OF LOTS 12 TO 16, INCLUSIVE, AND THE EASTERLY HALF OF THE SOUTHERLY 17 FEET OF THE NORTHERLY 47 FEET OF THE ALLEY ADJOINING SAID LOT 16 ON THE WEST, EXTENDING NORTH AND SOUTH, NOW VACATED, IN SAID BLOCK 36 OF SAID HUNTINGTON PARK EXTENSION NO. 2, IN SAID CITY, COUNTY AND STATE.

EXCEPTING FROM THE ABOVE DESCRIBED PORTION OF SAID LOT 12, THE WESTERLY 17 FEET OF THE EASTERLY 18 FEET THEREOF, AS CONVEYED TO THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, AS PER DEED RECORDED IN BOOK 5956 PAGE 311 OF DEEDS.

PARCEL 4:

A RIGHT OF WAY FOR RAILROAD TRACK PURPOSES OVER THOSE PORTIONS OF LOT 12 IN SAID BLOCK 36 AND FORTY-EIGHT STREET, VACATED, NOW LEONIS BOULEVARD, ADJOINING SAID LOT 12 ON THE NORTH, OF SAID HUNTINGTON PARK EXTENSION NO. 2, IN SAID CITY, COUNTY AND STATE, DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE SOUTHERLY LINE OF THE NORTHERLY 30 FEET OF SAID LOT 12 WITH A LINE PARALLEL WITH AND DISTANT WESTERLY 18 FEET, MEASURED AT RIGHT ANGLES TO THE EASTERLY LINE OF SAID LOT 12; THENCE NORTHERLY PARALLEL WITH THE EASTERLY LINE OF SAID LOT 12, 60 FEET; THENCE WESTERLY PARALLEL WITH THE NORTHERLY LINE OF SAID LOT 12, 8.5 FEET; THENCE SOUTHWESTERLY IN A DIRECT LINE TO A POINT IN A LINE PARALLEL WITH AND DISTANT SOUTHERLY 30 FEET FROM AND MEASURED AT RIGHT ANGLES TO THE NORTHERLY LINE OF SAID LOT 12, DISTANT THEREON WESTERLY 17 FEET FROM THE POINT OF BEGINNING; THENCE EASTERLY ALONG SAID PARALLEL LINE 17 FEET TO THE POINT OF BEGINNING.

PARCEL 5:

A RIGHT OF WAY FOR RAILROAD SPUR TRACK PURPOSES OVER THE PORTION OF LOT 11 IN BLOCK 41 AND THAT PORTION OF FORTY EIGHTH STREET, VACATED, NOW LEONIS BOULEVARD, ADJOINING SAID LOT 11 ON THE SOUTH OF SAID HUNTINGTON PARK EXTENSION NO. 2, IN SAID CITY, COUNTY AND STATE, DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE NORTH LINE OF THE SOUTH 30 FEET OF SAID FORTY-EIGHTH STREET, VACATED, NOW LEONIS BOULEVARD, WITH A LINE PARALLEL WITH AND DISTANT WESTERLY 18 FEET MEASURED AT RIGHT ANGLES, TO THE EASTERLY LINE OF SAID FORTY-EIGHTH STREET, VACATED, NOW LEONIS BOULEVARD; THENCE NORTHERLY PARALLEL WITH THE EASTERLY LINE OF SAID LOT 11, 80 FEET; THENCE SOUTHWESTERLY IN A DIRECT LINE TO A POINT

IN THE NORTH LINE OF SAID SOUTH 30 FEET OF SAID FORTYEIGHTH STREET, VACATED, NOW LEONIS BOULEVARD, DISTANT WESTERLY THEREON, 8.50 FEET FROM THE POINT OF BEGINNING; THENCE EASTERLY ALONG SAID LINE 8.50 FEET TO THE POINT OF BEGINNING.

END OF LEGAL DESCRIPTION

BOE-502-A (P1) REV. 11 (07-10) ASSR-70 (REV. 8-10)

COUNTY OF LOS ANGELES • OFFICE OF THE ASSESSOR
500 WEST TEMPLE STREET, ROOM 225
LOS ANGELES, CA 90012-2770 • Telephone 213.974.3211
Email: helpdesk@assessor.lacounty.gov
Website: assessor.lacounty.gov
Si desea ayuda en Español, llame al número 213.974.3211

PRELIMINARY CHANGE OF OWNERSHIP REPORT

To be completed by the transferee (buyer) prior to a transfer of subject property, in accordance with section 480.3 of the Revenue and Taxation Code. A *Preliminary Change of Ownership Report* must be filed with each conveyance in the County Recorder's office for the county where the property is located. Please answer all questions in each section, and sign and complete the certification before filing. This form may be used in all 58 California counties. If a document evidencing a change in ownership is presented to the Recorder for recordation without the concurrent filing of a *Preliminary Change of Ownership Report*, the Recorder may charge an additional recording fee of twenty dollars ($20).

NOTICE: The property which you acquired may be subject to a supplemental assessment in an amount to be determined by the County Assessor. Supplemental assessments are not paid by the title or escrow company at close of escrow, and are not included in lender impound accounts. **You may be responsible for the current or upcoming property taxes even if you do not receive the tax bill.**

FOR RECORDER'S USE ONLY
DOCUMENT NO. / RECORDING DATE

SELLER/TRANSFEROR	ASSESSOR'S PARCEL NUMBER
PACIFIC XC, L.P., a California limited partnership	6308-003-019; 021, 022, & 023
BUYER/TRANSFEREE	**BUYER'S DAYTIME TELEPHONE NUMBER**
The Redevelopment Agency of the City of Vernon	(323) 583-8811

STREET ADDRESS OR PHYSICAL LOCATION OF REAL PROPERTY
9400 Pacific Blvd., City of Vernon, CA

MAIL PROPERTY TAX INFORMATION TO (NAME)
The Redevelopment Agency of the City of Vernon

ADDRESS	CITY	STATE	ZIP CODE
4305 Santa Fe Avenue	City of Vernon	CA	90058

☐ YES ☑ NO This property is intended as my principal residence. If YES, please indicate the date of occupancy or intended occupancy. MO DAY YEAR

PART 1. TRANSFER INFORMATION *Please complete all statements.*

YES NO

☐ ☑ A. This transfer is solely between spouses *(addition or removal of a spouse, death of a spouse, divorce settlement, etc.)*.

☐ ☑ B. This transfer is solely between domestic partners currently registered with the California Secretary of State *(addition or removal of a partner, death of a partner, termination settlement, etc.)*.

☐ ☑ • C. This is a transfer between: ☐ parent(s) and child(ren) ☐ grandparent(s) and grandchild(ren).

☐ ☑ • D. This transaction is to replace a principal residence by a person 55 years of age or older. Within the same county? ☐ YES ☐ NO

☐ ☑ • E. This transaction is to replace a principal residence by a person who is severely disabled as defined by Revenue and Taxation Code section 69.5. Within the same county? ☐ YES ☐ NO

☐ ☑ F. This transaction is only a correction of the name(s) of the person(s) holding title to the property *(e.g., a name change upon marriage)*. If YES, please explain: _____

☐ ☑ G. The recorded document creates, terminates, or reconveys a lender's interest in the property.

☐ ☑ H. This transaction is recorded only as a requirement for financing purposes or to create, terminate, or reconvey a security interest *(e.g., cosigner)*. If YES, please explain: _____

☐ ☑ I. The recorded document substitutes a trustee of a trust, mortgage, or other similar document.

J. This is a transfer of property:

☐ ☑ 1. to/from a revocable trust that may be revoked by the transferor and is for the benefit of ☐ the transferor, and/or ☐ the transferor's spouse ☐ registered domestic partner.

☐ ☑ 2. to/from a trust that may be revoked by the creator/grantor/trustor who is also a joint tenant, and which names the other joint tenant(s) as beneficiaries when the creator/grantor/trustor dies.

☐ ☑ 3. to/from an irrevocable trust for the benefit of the ☐ creator/grantor/trustor and/or ☐ grantor's/trustor's spouse ☐ grantor's/trustor's registered domestic partner.

☐ ☑ 4. to/from an irrevocable trust from which the property reverts to the creator/grantor/trustor within 12 years.

☐ ☑ K. This property is subject to a lease with a remaining lease term of 35 years or more including written options.

☐ ☑ L. This is a transfer between parties in which proportional interests of the transferor(s) and transferee(s) in each and every parcel being transferred remain exactly the same after the transfer.

☐ ☑ M. This is a transfer subject to subsidized low-income housing requirements with governmentally imposed restrictions.

☐ ☑ • N. This transfer is to the first purchaser of a new building containing an active solar energy system.

* If you checked YES to statements C, D, or E, you may qualify for a property tax reassessment exclusion, which may allow you to maintain your previous tax base. If you checked YES to statement N, you may qualify for a property tax new construction exclusion. A claim form must be filed and all requirements met in order to obtain any of these exclusions. Contact the Assessor for claim forms.

Please provide any other information that will help the Assessor understand the nature of the transfer.

THIS DOCUMENT IS NOT SUBJECT TO PUBLIC INSPECTION

BOE-502-A (P2) REV. 11 (07-10) ASSR-70 (REV. 8-10)

PART 2. OTHER TRANSFER INFORMATION

Check and complete as applicable.

A. Date of transfer, if other than recording date: _____

B. Type of transfer:

☑ Purchase ☐ Foreclosure ☐ Gift ☐ Trade or exchange ☐ Merger, stock, or partnership acquisition (Form BOE-100-B)

☐ Contract of sale. Date of contract: _____ ☐ Inheritance. Date of death: _____

☐ Sale/leaseback ☐ Creation of a lease ☐ Assignment of a lease ☐ Termination of a lease. Date lease began: _____

Original term in years *(including written options)*: _____ Remaining term in years *(including written options)*: _____

☐ Other. Please explain: _____

C. Only a partial interest in the property was transferred. ☐ YES ☑ NO If YES, indicate the percentage transferred: _____ %

PART 3. PURCHASE PRICE AND TERMS OF SALE

Check and complete as applicable.

A. Total purchase or acquisition price. Do not include closing costs or mortgage insurance. $ 15,217,310

Down payment: $_____ Interest rate: _____ % Seller-paid points or closing costs: $_____

Balloon payment: $_____

☐ Loan carried by seller ☐ Assumption of Contractual Assessment* with a remaining balance of: $_____

*An assessment used to finance property-specific improvements that constitutes a lien against the real property.

B. The property was purchased: ☑ Through real estate broker. Broker name: Cushman & Wakefield Phone number: (213) 955-6494

☐ Direct from seller ☐ From a family member

☐ Other. Please explain: _____

C. Please explain any special terms, seller concessions, financing, and any other information (e.g., buyer assumed the existing loan balance) that would assist the Assessor in the valuation of your property.

_____

_____

PART 4. PROPERTY INFORMATION

Check and complete as applicable.

A. Type of property transferred

☐ Single-family residence
☐ Multiple-family residence. Number of units: _____
☐ Other. Description: (i.e., timber, mineral, water rights, etc.) _____
☐ Co-op/Own-your-own
☐ Condominium
☐ Timeshare
☐ Manufactured home
☐ Unimproved lot
☑ Commercial/Industrial

B. ☐ YES ☑ NO Personal/business property, or incentives, are included in the purchase price. Examples are furniture, farm equipment, machinery, club memberships, etc. Attach list if available.
If YES, enter the value of the personal/business property: $_____

C. ☐ YES ☑ NO A manufactured home is included in the purchase price.
If YES, enter the value attributed to the manufactured home: $_____
☐ YES ☑ NO The manufactured home is subject to local property tax. If NO, enter decal number: _____

D. ☑ YES ☐ NO The property produces rental or other income.
If YES, the income is from: ☑ Lease/rent ☐ Contract ☐ Mineral rights ☐ Other: _____

E. The condition of the property at the time of sale was: ☐ Good ☐ Average ☐ Fair ☑ Poor

CERTIFICATION

I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing and all information hereon, including any accompanying statements or documents, is true and correct to the best of my knowledge and belief. This declaration is binding on each and every buyer/transferee.

SIGNATURE OF BUYER/TRANSFEREE OR CORPORATE OFFICER	DATE
▶ Hilario Gonzales	March 7, 2011
NAME OF BUYER/TRANSFEREE/LEGAL REPRESENTATIVE/CORPORATE OFFICER (PLEASE PRINT)	TITLE
Hilario Gonzales, The Revelopment Agency of the City of Vernon	Chairman

E-MAIL ADDRESS

The Assessor's office may contact you for additional information regarding this transaction.

SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY

LONG-RANGE PROPERTY MANAGEMENT PLAN SUBMITTAL DATED JULY 20, 2013

DOCUMENTS WHICH FOLLOW THIS COVER PAGE

ATTACHMENT 2
TO EXHIBIT A : 4900 PACIFIC

CURTIS-ROSENTHAL, INC.
REAL ESTATE APPRAISAL & CONSULTING

LOS ANGELES
SAN FRANCISCO
NEWPORT BEACH

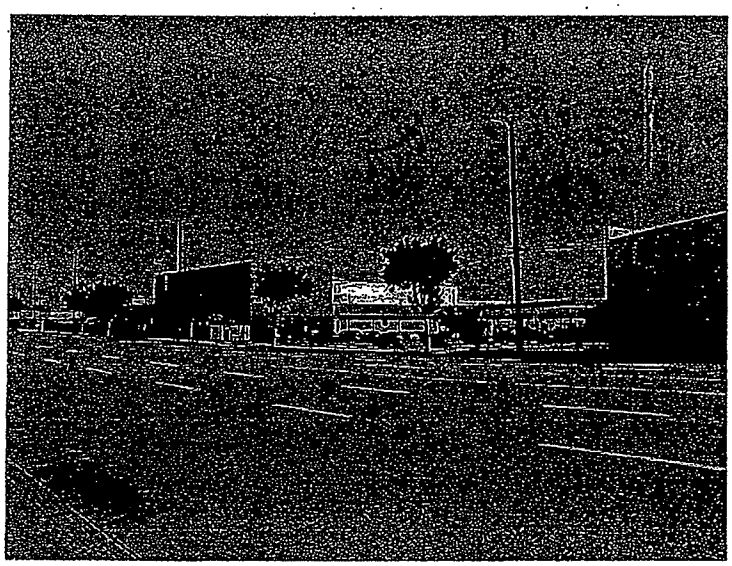
David M. Rosenthal, MAI, FRICS
William H. Curtis (1955 - 2003)

APPRAISAL REPORT

Effectively Vacant Land Site
(Currently Improved with Heavy Industrial Manufacturing/Warehouse Project)

4850-5050 Pacific Boulevard
Vernon, California 90058

File Number: 9102-12



5959 W. Century Blvd. Suite 1010 Los Angeles, CA 90045 T: 310.215.0482 F: 310.215.3089 www.CurtisRosenthal.com

CURTIS-ROSENTHAL, INC.
REAL ESTATE APPRAISAL & CONSULTING

LOS ANGELES
SAN FRANCISCO
NEWPORT BEACH

David M Rosenthal, MAI, FRICS
William H. Curtis (1955 – 2003)

Dawn Olson, MRICS
Thomas Curtis
Robert Hara
Michael Bergstrom
Thomas Meighen
Marian Peak
Paul Fastuca
Anthony Palma
Yemen Fowler
Landon Scott
Cathrine Baghdan

December 7, 2012

Nicholas G. Rodriguez, City Attorney
City of Vernon
4305 Santa Fe Avenue
Vernon, California 90058

RE: Effectively Vacant Land
(Currently Improved with a Heavy Industrial Manufacturing/Warehouse Project)
4850-5050 Pacific Boulevard
Vernon, California 90058
File No. 9102-12

Dear Mr. Rodriquez:

Per your request, we have appraised the above referenced property. Our appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP).

Our analyses and conclusions are contained in this **Summary** appraisal report, which is intended to comply with the reporting requirements set forth under USPAP Standards Rule 2-2(b). This transmittal letter is an integral part of the appraisal report and may only be used in conjunction with the entire report.

In conformance with the Scope of Work rule of USPAP, the sections below describe the Scope of Work for this assignment.

Client – The client for this assignment is Nicholas G. Rodriguez, City Attorney for the City of Vernon (the general counsel of and attorney designated by the Successor Agency).

Intended User - The intended user of this report is exclusively the Client stated above. There are no other authorized users of this report.

Intended Use - The intended use of this assignment is to assist with the potential disposition of the subject property by the Successor Agency of the Vernon Redevelopment Agency.

Purpose of This Assignment - The purpose of this assignment is to develop an opinion of the **Market Value** (as defined herein) of the **Leased Fee Estate** in the subject property as of the effective date of value.

Please see Definitions Section in the Addenda for definition of relevant terms.

Effective Date of Value - The effective date of value for this assignment is November 20, 2012, based on the last date that we inspected the property.

Relevant Characteristics of the Subject Property - The appraised property is located at 4850-5050 Pacific Boulevard in the incorporated City of Vernon, in Los Angeles County, California.

The subject property consists of a 1922/1923/1939/1959-built, single-story (plus mezzanine offices), Class S/C metal/concrete tilt-up construction, heavy industrial (manufacturing/warehouse) project consisting of four separate buildings totaling 274,807± sf of Gross Building Area (GBA). The subject improvements are situated on a nearly rectangular shaped, I (General Industrial) zoned, interior site consisting of four separate contiguous parcels totaling 427,203± square feet; or 9.807± acres.

The subject improvements include several older, functionally obsolete Class S metal buildings which do not conform with the current City of Vernon zoning code requirements and will most likely need to be demolished.

As of the effective date of this appraisal analysis, the subject property is currently 52% occupied by a single tenant with 131,582± sf (48%) of vacant space. Currently, Angelus Sanitary Can Machine Company (the former property owner) leases 143,225 ± sf of the subject property, along with 5.81± acres of the subject site, at a current contract rental rate of $42,968 per month ($0.30 psf) on a Triple Net (NNN) basis with no scheduled increases and a lease expiration date of July 8, 2013 (7 months remaining). The tenant reportedly plans to vacate upon expiration of their lease term.

We note that the subject is located in an older established area of industrial uses and the existing subject improvements are considered to add only a limited amount of contributory value (if any) over and above the underlying land value alone. The subject property is considered to be an effectively vacant land site and the existing subject improvements are considered to be an interim use which will have reached the end of its economic life expectancy upon the expiration of the existing lease term. The Highest and Best Use of the subject property (as improved) is to continue the existing interim use and hold for future development upon the expiration of the existing lease.

In addition, the subject property is currently being offered "for sale" (listing began in November 2011) as currently improved (land and building) as well as a future development site by John McMillan, Jeff Sanita, and Tim Wallace of Cushman & Wakefield (213-955-5100), at an asking price of $15,950,000 which equate to $58.04 psf of building area and/or $37.17 psf of site area. The asking sale price is much higher than our market value estimate for the subject property.

Reportedly, there have been two separate to purchase the subject property; however, our client (the property owner) specifically requested that we (the appraisers) not be provided with the specific details of these purchase offers. We do understand that in each of the two purchase offers, the intentions of the buyers are to redevelop the subject site and the purchase offers are based on the value of the land alone, with no value attributable to the existing subject improvements.

Conditions of the Assignment – This assignment is subject to the following Special Limiting Condition:

Special Limiting Condition #1: *We note that the subject property is improved with a heavy industrial project and there some potential that some environment contamination issues are present on the subject site. We are not aware of any environmental contamination impacting the subject site. We remind the user of this report, however, that the appraisers are not qualified to detect such substances, and it is an explicit assumption of our analysis that the subject is a "clean site" with no contamination or toxicity. We recommend that any interested party consult with an expert in the field of environmental hazards in order to determine whether environmental contamination problems exist on the subject site. If such a study is performed, and environmental contamination problems are found to exist on the subject site, then we reserve the right to revise our analysis and conclusions of value.*

Special Limiting Condition #2: *Substantial volatility in the capital markets has increased uncertainty in the real property marketplace. It is difficult to predict what may happen in the capital markets going forward. As a result, it is difficult to predict what may happen to real property values over time. Our valuation of the subject property considered the best information that was available at the time of our analysis. Due to on-going volatility in the marketplace, users of this appraisal should consider the current market uncertainty when determining the level of confidence they choose to place on these analyses and conclusions. Users are reminded that the appraisal conclusions in this report are effective as of the stated date of valuation.*

Otherwise, there are no other Special Limiting Conditions, Assumptions, Extraordinary Assumptions, or Hypothetical Conditions.

Our analysis of the subject property included an on-site inspection of the subject property, research of general data relating to the subject locale, research of improved sales and recent rentals in the subject district, as well as research of other market-related influences affecting the subject property. These influences include achievable rent levels, absorption rates, marketing times and current development trends. In our analysis, we gave consideration to the applicability of each of the traditional approaches to value, including the Cost, Sales Comparison and Income approaches. The methodology and data utilized in our valuation of the subject property are detailed in the Valuation Section of this appraisal report.

Significant Valuation Issues

In our analysis, we have considered the applicability of each of the traditional approaches to value including the Cost, Sales Comparison, and Income approaches. Ultimately, based on the nature of our analysis of the subject as an effectively vacant site, the Fee Simple market value estimate of value utilized data and conclusions exclusively from the Sales Comparison Approach since this procedure is considered the most applicable in valuing land and is the primary method used by participants in the subject marketplace. Based on current market practice, the Cost Approach and Income Approach are not considered applicable in the valuation of vacant land.

Further, our Leased Fee market value estimate is based on the current lease contract in-place for the subject property as of the effective date of this analysis. The tenant reportedly plans to vacate upon expiration of their lease term. As of the effective date of this analysis, there are 7 months remaining on the lease term.

Otherwise, there are no other significant valuation issues noted.

As a result of our investigation and analysis, it is our opinion that the **"As Is" Market Value** (as defined herein) of the **Leased Fee Estate** in the subject property as of the date of valuation, November 20, 2012, is:

ELEVEN MILLION EIGHT HUNDRED THOUSAND DOLLARS

$11,800,000

Our analyses and conclusions are based on the Scope of Work described above and the General Assumptions and Limiting Conditions that are made a part of this appraisal report. Special attention should be given to Special Limiting Condition #1.

Thank you for the opportunity to have been of service to your company. If you should require any further assistance or should you have any questions regarding the material discussed in this report, please do not hesitate to call.

Sincerely,

CURTIS-ROSENTHAL, INC.

Thomas E. Curtis, CGREA
CA #AG015747

David M. Rosenthal, MAI, FRICS
CA #AG001641

CURTIS-ROSENTHAL, INC.
REAL ESTATE APPRAISAL & CONSULTING

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EXECUTIVE SUMMARY

PROPERTY IDENTIFICATION:		4850-5050 Pacific Boulevard Vernon, California 90058
FILE NUMBER:		9102-12
INTENDED USER:		Nicholas G. Rodriguez, City Attorney City of Vernon
LEGAL DESCRIPTION:		Refer to Legal Description Report Heading
THOMAS BROTHERS MAP GUIDE:		862-C6
CENSUS TRACT:		524.23
ASSESSOR PARCEL NUMBER:		612-014-03
PROPERTY TYPE:		Industrial Heavy Light Industrial Project
LAND AREA:		
	Square Feet	427,203
	Acres	9.807
BUILDING AREA:		274,807
ZONING:		I (General Industrial Zone)
HIGHEST AND BEST USE:		
	As If Vacant	Future Industrial Development
	As Improved	Existing Use
CRITICAL DATES:		
	Date of Inspection	November 20, 2012
	Date of Value	November 20, 2012
INTEREST APPRAISED:		Fee Simple Market Value
EXTRAORDINARY ASSUMPTION(S):		None
HYPOTHETICAL CONDITION(S):		None
SPECIAL LIMITING CONDITION(S):		See Scope of Work

OPINION OF VALUE CONCLUSIONS	
COST APPROACH:	Not Applicable
SALES COMPARISON APPROACH:	$12,000,000
INCOME APPROACH:	Not Applicable
VALUE CONCLUSION - Fee Simple	**$12,000,000**
VALUE CONCLUSION - Leased Fee	**$11,800,000**
EXPOSURE TIME ESTIMATE	**6 to 12 Months**

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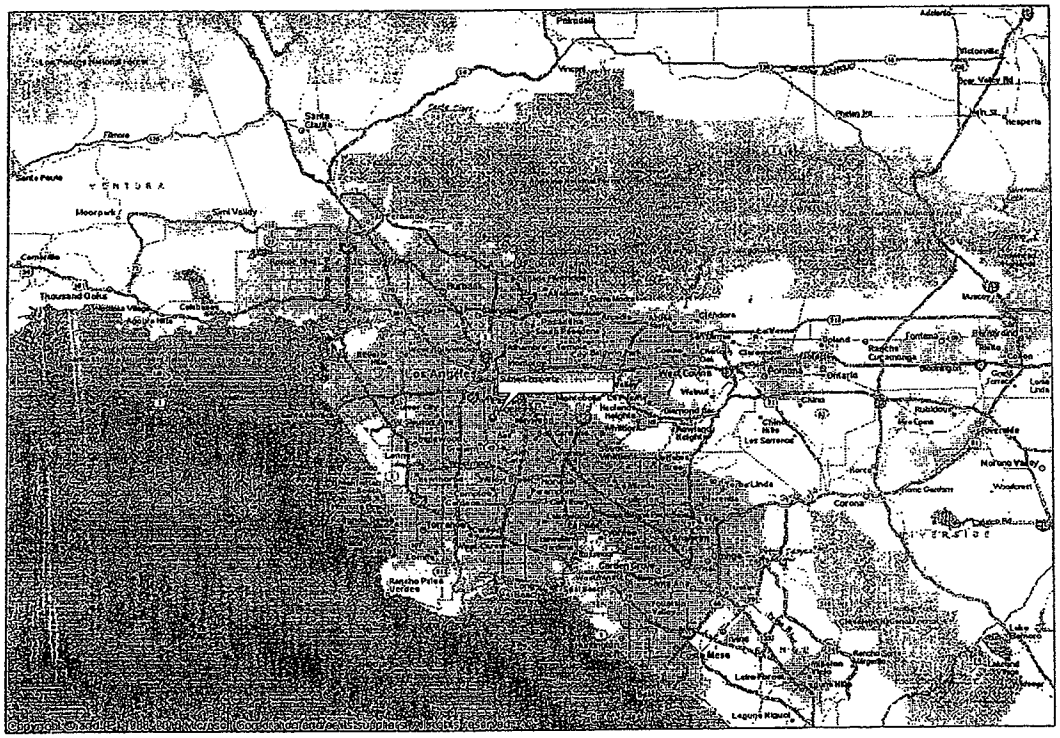
MARKET AREA ANALYSIS

The subject property is situated in the incorporated City of Vernon, in Los Angeles County. Los Angeles County is part of the Greater Los Angeles area, which includes Los Angeles, Orange, San Bernardino, Riverside and Ventura counties.

The location map below shows the general location of the subject property.



The Greater Los Angeles area is the most populous region in the state of California. California is now the largest and one of the most economically and politically important states in the country. Below is a table of population statistics for the Los Angeles Area and California.

Population Statistics			
City of Vernon (1/12)[1]	Los Angeles County (1/12)[1]	California (1/12)[1]	United States (1/12)[2]
120	9,884,632	37,678,563	312,934,796

Source
[1] California Department of Finance (Demographics Research Unit)
[2] www.census.gov

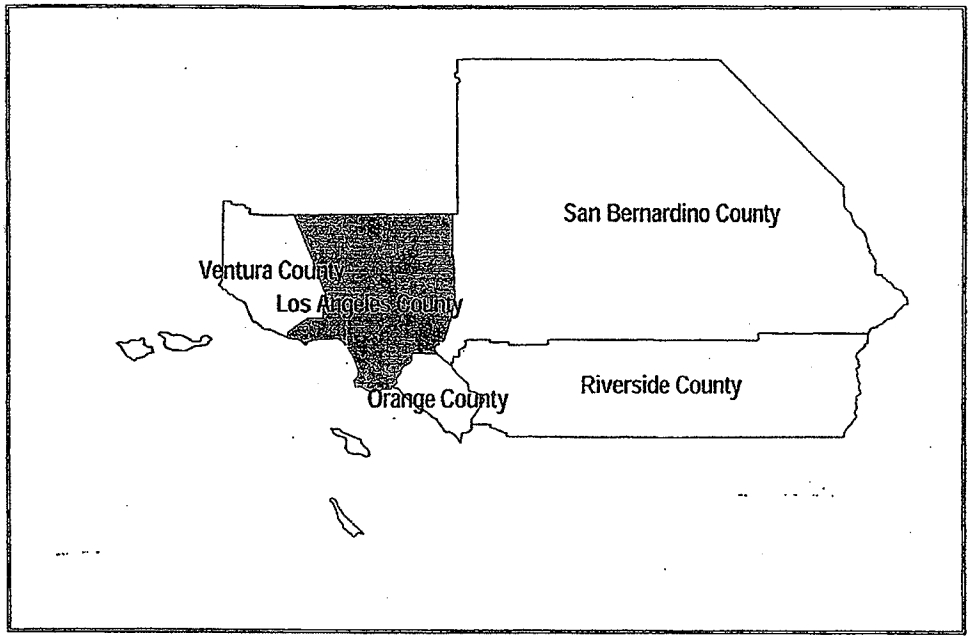
GREATER LOS ANGELES AREA

Components of Greater Los Angeles

The Los Angeles Metropolitan Area is widely considered to comprise the five counties of Los Angeles, Orange, Riverside, San Bernardino, and Ventura. The map below shows the components of Greater Los Angeles, which form four-Metropolitan Statistical Areas (MSA). These are as follows: Los Angeles, Orange County, Oxnard-Ventura, and Riverside-San Bernardino.

A map of the region is located below.

Counties Comprising the Los Angeles Region

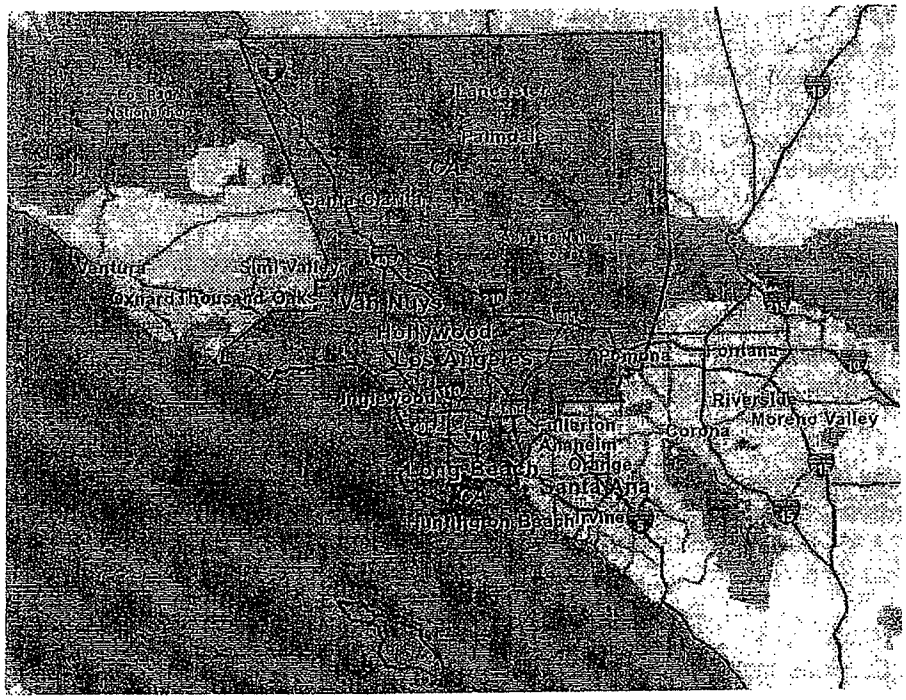


The region is well served by several international airports (including Los Angeles International), Amtrak (the national passenger rail service), and several east-west and north-south interstate highway systems. Intra-regional transportation service includes a network of freeways, a commuter rail system, several bus systems, and a small but growing system of "subway" and "light-rail" trains.

LOS ANGELES COUNTY

Los Angeles County is one of California's original 27 counties and was established February 18, 1850. Originally the County occupied a comparatively small area along the coast between Santa Barbara and San Diego, but within a year it expanded rapidly, as far east as the Colorado River. During subsequent years, Los Angeles County slowly reduced in size, with the last major detachment occurring in 1889 with the creation of Orange County. However, it remains one of the nation's largest counties with approximately 4,084 square miles, an area some 800 square miles larger than the combined area of the states of Delaware and Rhode Island; and marginally smaller than the state of Connecticut.

The County has a relatively central location within the region. Although it lies on the coast, it stretches inland approximately 100 miles. It includes the islands of San Clemente and Santa Catalina and is bordered on the east by Orange and San Bernardino Counties, on the north by Kern County, on the west by Ventura County, and on the south by the Pacific Ocean. Its coastline is 81 miles long.



Population

Los Angeles County is considered the capital of Greater Los Angeles. It contains 88 separate incorporated cities, more than twice as many as in any of the other Greater Los Angeles counties. It is the most populated county in the nation. According to Department of Finance estimates for January 2010, the county's population is more than 9.8 million, an increase of 0.4 percent new residents from the previous year. In fact, Los Angeles County experienced the single largest absolute population growth in California between 2009 and 2010. The most populated city within the county is the City of Los Angeles with more than 4.09 million residents, or 39 percent of the total county population. The total population in Los Angeles County is projected to reach over 10.89 million by the year 2020.

Transportation

Los Angeles County is served by a diversified transportation system, including highways, freeways, rail, airports and seaports.

Freeways: The system serves the entire county, connecting it with surrounding counties in Southern California. Major north/south freeways include the San Diego (I-405), the Golden State (I-5), the Harbor (I-110), and the Long Beach (I-710). Major east/west freeways serving the county are the Ventura (US Hwy-101 and State Hwy 134), the Hollywood (US Hwy-101), the Santa Monica/San Bernardino (I-10), the Riverside (State Hwy-91), and the Pomona (State Hwy -60).

Water: The ports of Los Angeles and Long Beach offer a combined 10,500 acres of land and some 40-miles of waterways. These modern facilities handle a variety of cargo classifications, including container, dry bulk, liquid bulk, auto and general cargo. On a combined basis, these two deep-water ports rank third in the world in container handling, after Hong Kong and Singapore.

Air: Los Angeles International Airport (LAX) is a major transportation hub both for passengers and cargo, and has experienced substantial growth over the past 15 years. In fact, LAX ranks third in the world for the number of passengers and tonnage of air cargo handled.

Rail: Services include Southern Pacific Railway, which operates freight service and Amtrak trains. Major switching facilities are located near downtown and in the South Bay area. The Metro Blue, Red and Green Lines provide commuter rail services. In addition to the Metro Rail Lines, Los Angeles County is served by the Metro Link, a commuter train system that connects commuters living and working in six counties: Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura.

National Economy[1]

Over the past year, we have often been greeted by friends and colleagues with the comment that "your job must be really interesting," or "you economists are very much in demand." Indeed, economics does give the appearance to be a countercyclical business where the more problems in the economy, the greater the demand for our views. However, after the polite greetings, the real story is that current economic difficulties call for a re-examination of the business and policy fundamentals that underlie the recovery, and that re-examination has been very uncomfortable to many. Therefore, when in doubt, call in the economists for this economic recovery has truly been an unhappy one, with the outward evidence of disappointing growth, high unemployment and a seemingly unending stagnation in the housing sector.

We continue to view this economy as threading a thin needle between below-historical growth rates associated with the idealized economic recovery and the decline in growth associated with the non-idealized recession. There is no easy economic policy that will quickly resolve problems that have been developing for more than 40 years. So, what are we facing?

Our key theme in the second half of this year was one of moderate, subpar economic growth accompanied by modest inflation pressures, and no change in the Federal Funds target rate. As we transition into 2012, our growth outlook reflects more of the same for the year ahead. We expect the economy to expand 2.0 percent for the year ahead, with small gains from many sectors of the economy as opposed to a major contribution from any one segment (Figure 1).

We build our outlook upon the idea that consumer spending will continue to add to economic growth. However, the slow pace of job gains, marginal improvement in personal income and modest inflation pressures in the first half of the year will keep consumer spending in check. We expect approximately 1.5 million jobs to be added over next year, for an average of 123,000 jobs per month. The pace of job growth will be disappointing as structural challenges in the labor market persist. The disconnect between the skills among the American labor force and the skills in demand by firms remains the biggest challenge to stability in the labor market.

The sluggish pace of job gains should result in only a marginal improvement in personal income. Inflation is likely to remain somewhat elevated in the first half of the year at 2.3 percent but should moderate in the second half of 2012 (Figure 2). "The inflation environment in light of only marginal personal income gains will restrain personal consumption to 1.5 percent in the first half of the year before giving way to somewhat stronger growth in the second half of the year.

[1] Wells Fargo Securities, Annual Economic Outlook 2012

Reiterating our view of "more of the same" in 2012, business fixed investment will remain a strong support to growth over the next year. The main driver of business investment over the past year—investments in capital equipment—should remain strong, but will not reach the double digit gains observed in 2011. The composition of business fixed investment should shift toward structures as stability in the commercial real estate market begins to slowly return. Short-term interest rates should remain low for most of the year, while longer-term borrowing rates should begin to rise in the latter half of 2012. As promised, the Fed should remain on hold for the duration of year.

Figure 1

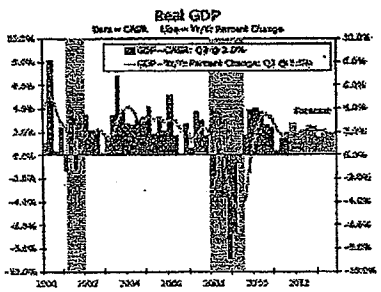
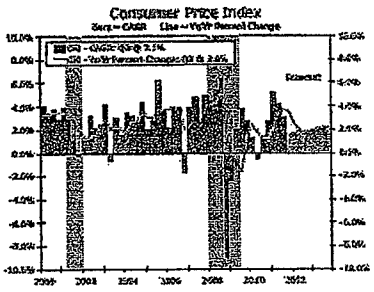


Figure 2



Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities, LLC

We expect the government sector to remain a drag on economic growth in the year ahead. State and local governments will continue the process of aligning spending with the slower pace of revenue growth. Local governments will likely continue to aggressively reduce spending over the next 12 months in light of falling property tax collections and fewer resources from the federal and state governments.

At the federal level, the process of reigning in spending will begin as a result of the first $900 billion federal budget cuts from the Budget Control Act passed earlier this year. The first wave of cuts are spread out over the next 10 years, thus the impact will likely be minimal in the year ahead. However, the more aggressive $1.2 trillion in cuts set to begin in 2013 have the potential to weigh heavily on growth the following year. Continued stalemate in Washington will likely do the same. Nonetheless, federal spending will likely remain more restrained than in years past and should detract from economic growth in the second half of the year.

On the trade front, we expect to see the pace of export growth pull back slightly in light of a modest recession in Europe. However, exports to emerging market economies should continue to help support domestic global producers and, in turn, a moderate pace of corporate profit growth. Import growth will likely remain constrained with the slower pace of consumer spending. Imports should begin to pick up in the latter part of 2012 as employment growth and consumer spending continues to improve. In the year ahead, we expect net exports to subtract a modest 0.1 percent from headline GDP growth as the trade balance begins to widen in the second half of the year.

A discussion of our forecast for next year would not be complete without addressing the risks to our outlook, which mostly come in the form of policy risks. On the fiscal policy front, we expect unemployment benefits and the Social Security payroll tax reduction to be continued in 2012. However, the recent failure of the Deficit Reduction Committee in Congress reflects the underlying theme of policymakers' inability to make tough fiscal policy choices. In light of the additional costs of these payroll extensions after the collapse of the deficit reduction talks, there is a moderate risk that these policies will not be extended, which would put slight downward pressure on personal consumption and, in turn, headline GDP growth next year.

On the monetary policy front, discussions of additional quantitative easing (QE) have emerged in recent weeks. Given our inflation forecast for the first half of the year, we believe that another QE program is unlikely. However, if such a program were implemented, our outlook for interest rates would be adjusted downward in the short run, but, depending on the size of the program, another round of QE would not likely affect our outlook for economic growth.

Our outlook also calls for continued global growth in 2012, though at a below average pace. Growth in Asia will likely remain intact as receding inflation has lowered the probability of excessive central bank tightening in the near term. We look for the expansion in Latin America to also proceed, although growth will likely slow over the next year. Our base-case scenario assumes that the sovereign debt crisis in Europe does not "blow up" and that the Eurozone experiences only a mild recession through early 2012. That said, there is a significant risk that the sovereign debt situation could incite another global financial crisis, which would downgrade our outlook for both U.S. and global growth in 2012.

A Game Changer to Households: Credit Constraint

Persistent employment and income growth below the perceived long-term trend has forced many households to reevaluate their expected income and spending patterns. During the Great Recession, two major shocks affected households' perceptions of wealth. First, both real estate and financial assets declined more quickly and significantly than households had anticipated (Figure 3). Second, while the value of financial and housing wealth dropped quickly, the value of the outstanding debt accumulated over the prior years did not. As a result, debt quickly exceeded the wealth—particularly in housing—such that the net worth position for many households was negative on their real estate.

Figure 3

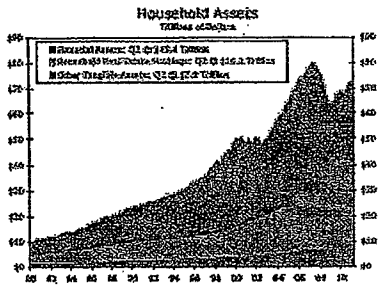
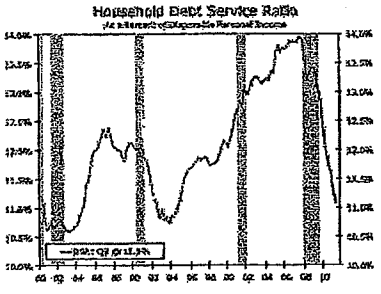


Figure 4



Source: Federal Reserve Board and Wells Fargo Securities, LLC

From the viewpoint of economics, the rapid drop in wealth and the associated recession gave rise to a credit or liquidity constraint for households. Under these conditions, households are unable to borrow due to their lack of liquidity, and moreover, their current income is below what they formerly perceived as their permanent income. As a result, households quickly adjust their current consumption to reflect their current income, despite their previously held beliefs about their lifetime income expectations. At least in the short run, households would reduce their consumption and increase their savings—a result clearly visible in the 2008-2010 experience of the American household.

In addition, for many households, concerns about job and income stability suggest that the liquidity/credit constraint may also be binding in the future; therefore, households will reduce current consumption even if they had retained the same job at the same income. Simply put, the chance of a period of low income (associated with unemployment) sometime in the future will lead some households to cut spending today.

With the liquidity constraint, households need savings today to get through the tough patch tomorrow. Therefore, households boost savings, or pay down debt, for insurance against the impact of a potential future decline in income. Moreover, when households anticipate that credit has become less available and there will be a possible lower borrowing constraint in the future, households will reduce current consumption even if not credit constrained today.

This credit constraint helps explain the weakness of consumer spending in the current expansion relative to prior recoveries. As illustrated in Figure 4, households have rapidly reduced their debt service by paying down debt and deleveraging the household balance sheet. Effectively, the Great Recession has altered expectations for future income and employment for many households. Therefore, these households will attempt to restore balance to their long-run consumption and saving patterns commensurate with future earning power. Households will also overcompensate in the short run to increase saving to protect against unforeseen future events.

Events in this cycle have weighed heavily on consumer and business confidence. From the viewpoint of lenders, the weaker balance sheets and income prospects have also increased the perceived credit risk for many potential borrowers. Volatility leads to risk aversion and makes it more difficult for both borrowers and lenders to gauge permanent income. As a result, the credit constraint has become a long-term structural issue for the balance sheets of households to an extent not typical of an economic recovery. Further complicating the consumer situation is the altering of the labor market framework, where long-term unemployment has been more persistent than many had expected and has changed the long-run view of expected lifetime earnings of many workers. Moreover, at least a modest amount of this long-term unemployment represents a depreciation of workers' skills, thereby creating further downward pressure on lifetime earnings. Taken together, the economy cannot rely on the consumer to fuel growth in the same way the consumer has in prior economic expansions.

A Game Changer to Economic Growth: Housing

Several years of declining home prices across many metropolitan markets is the change that has led to a revaluation of the role of residential construction in the classic business cycle recovery and even the long-term trend of the economy. The feedback effects of the these price declines were felt on both the demand and supply sides of the housing marketplace, leading to a deep and prolonged lull in residential building (Figure 5). On the demand side, sharp and significant price declines brought into question the intrinsic value of homes and certainly the investment aspect of homes as part of retirement planning. Households have made the choice to back away from the housing market, thereby reducing demand as reflected in the demographics of Figure 6. On the supply side, the rapid decline in prices has made it difficult for builders, who are often small entrepreneurs with very small cash cushions, to compete with large inventories of discounted homes. For mortgage lenders, the rapid decline in the value of the housing collateral suggested that credit standards were too lenient and would have to be raised in the future. This choice to tighten credit standards by lenders, plus the diminished liquidity in the follow-on mortgage-backed-security market, reduced the ability of households to obtain financing and consequently further weakened home demand.

Housing had been a significant driver of recoveries after most recessions in the United States since WWII. However, the overhang of distressed and foreclosed properties and underwater mortgages suggest that the simple game of supply and demand has changed. A new framework appears to be in place. Demand has downshifted in response to the new reality that home prices have a downside. There is now risk to wealth from poorly timed home purchases, which may limit mobility. On the supply side, building depends on credit availability. With the risks of lending now relearned, the supply of credit directed to housing is also more limited, as well as more expensive for buyers given stricter down-payment requirements.

Given the large multiplier effect of new home construction, the current sluggish pace of housing market activity has continued to weigh on growth. Employment in the construction sector has declined dramatically since the housing bust. Even with some recovery in the housing market, many of the construction jobs lost will not return. This leaves a large portion of the labor force without the skills needed to compete in a more service-oriented economy. Furthermore, home price declines and negative equity have harmed labor mobility. This has prevented some workers from taking advantage of job opportunities in other parts of the country, which has typically been a strength of the U.S. labor market and has supported previous recoveries.

Figure 5

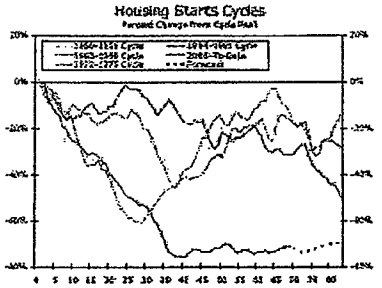
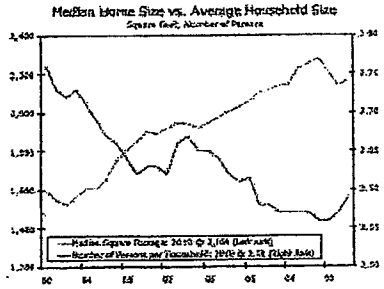


Figure 6



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

A Game Changer to State and Local Government: Subpar Growth, Subpar Revenues

The thoughtful observer will recognize that the old models of state and local government decision making must face the new realities of slower revenue growth, and that the new pace of revenue growth will fall short in covering the spending promises of prior generations. Over the past year, state governments have cut back considerably on outlays and increased revenues to rebalance their spending with the new slower pace of revenue growth. These policy changes played an important role in creating sustainable and balanced budgets among some state governments. However, these policy changes have come with side effects that have been felt more acutely in some states than others. Budget cuts at the state level affected everything from employment and local funding to education and healthcare funding. Given that many of the economic forces which led to states having to rebalance their budgets remain in place—namely, slow revenue growth and increasing pension liabilities—the reduced level of state and local spending is likely to continue. We suspect that the state and local government sector will become less of a drag to growth over the next year; however, this sector will not significantly add to economic growth either.

Early estimates of state budget shortfalls indicate that budget gaps for the fiscal year ending in June will be much lower than in previous years (Figure 7). While state and local budgets are showing signs of improvement, the potential for revenue shortfalls still exist in light of federal spending cuts and a slow pace of economic growth.

Slower future revenue growth among state and local governments, combined with large budget gaps left over from revenue declines during the recession, have prompted the dramatic budget reductions that took place over the past year. Another, less publicized, reason for the large budget cuts on the part of state governments lies in the fact that many state legislatures around the nation decided to also reduce taxes (Figure 8). These tax policy changes were in part expirations of existing taxes that were implemented as a means to reduce the large budget shortfalls in prior years along with some additional reductions in business taxes.

Now that many states are achieving fiscal balance, our concern has shifted to local governments and municipalities. Historically, municipalities are heavily dependent on two sources of revenues—state and federal government transfers and local property taxes. The federal budget cuts will likely minimally affect municipalities. The main concern, however, is the ongoing decline in home prices around the country, which will lower the assessed value of local properties and, in turn, lower local revenues. As assessments lag changes in market prices by about three years, the effects of these declines will continue to weigh on local revenues for years to come.

Figure 7

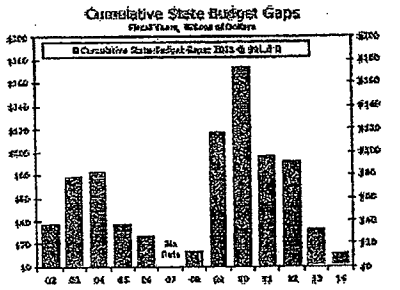
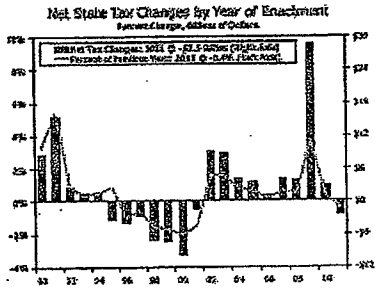


Figure 8



Source: National Conference of State Legislatures and Wells Fargo Securities, LLC

Fiscal restraint enacted by many states and local governments has detracted from both job and economic growth over the past year. Job losses have been particularly hard on areas with a high dependence on public sector employment or government contractors. Many of the government job losses have been concentrated in public education at a time when future American workers need to be better educated than ever to compete successfully in today's global economy. In addition, cuts to Medicaid and Medicare repayments should adversely affect job gains in the health care industry, which has been one of the few bright spots in the employment picture since the Great Recession ended. Another issue facing the state and local government sector in the second half of the year is the prospect of $1.2 trillion in spending cuts triggered by the failure of the Deficit Reduction Committee. These federal cuts may put some pressure on state and local governments, as many discretionary federal grant programs will likely be adversely affected. However, we expect the cuts to these programs to be minimal in 2012 and thus not a major impediment to state budgeting in the next year. Our outlook for the state and local government sector is for a moderation in the size of budget gaps over the next year. Revenue growth at the state level will continue to slowly recover as the U.S. economic recovery continues. Given the slow pace of economic growth, combined with revenue collections that remain below their prerecession levels for many states, it will take years before the scale of many state and local governments return to prerecession levels. Job growth will be very limited over the next year in the government sector with the ongoing restructuring in this segment of the economy. The new rules of the game call for spending growth that is more in line with the new, slower pace of revenue growth, a formula that ensures that the state and local government sector of the economy will not meaningfully add to economic growth in the year ahead.

Housing Outlook: Another Tough Year for Homebuilders

Residential construction continues to struggle across much of the country amid a glut of excess single-family homes and condominiums. Starts of single-family homes are expected to hit a modern-era low of 420,000 units in 2011 and improve only modestly during the coming year, rising around 8 percent to 455,000 units (Figure 9). Overall starts were down less dramatically in 2011, thanks largely to a 35 percent rise in multifamily starts. Most of that increase was in apartments. Apartment construction should increase further in 2012, helping to push multifamily starts up 25 percent.

Single-family construction is essentially dead in the water, with the exception of a few infill developments in some better performing metro areas. New single-family construction continues to be weighed down by the oversupply of existing homes, which has been bloated by the backlog of foreclosures and bank-owned properties (Figure 10). The latest data place the inventory of existing homes at around 2.86 million units. We conservatively estimate that the shadow inventory totals an additional 2.0 million units, made up of homes either already in the foreclosure process or homes where the mortgage is currently 90 days or more past due.

With so much supply on the market, home prices have continued to drift lower. The S&P/Case-Shiller Home Price Index has fallen every month since April and is expected to slide an additional 6 percent by the middle of 2012 as distressed transactions account for a larger proportion of overall sales. The prospect of so much additional supply coming onto the market is also weighing on appraisals, which has led to a spike in contract cancelations and also discouraged many would be home sellers from putting their home on the market.

Figure 9

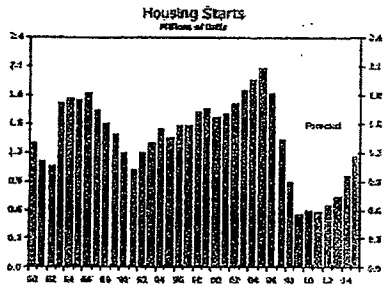
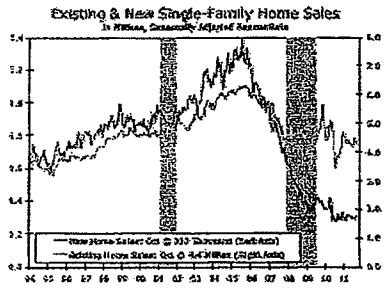


Figure 10



Source: U.S. Department of Commerce, National Association of Realtors and Wells Fargo Securities, LLC

The competition from foreclosures has severely limited the pricing power of new homebuilders, which has reduced their ability and incentive to build. Inventories of new homes are at a modern era low of just 163,000 units, and builders are limiting new construction to niche markets, such as infill locations or partially built-out developments where lot prices have fallen substantially.

Amid the gloom, there are a few bright spots. The Northeast continues to do relatively well, particularly Boston and New York. The Washington, D.C., region has been strong for quite some time and seems to be weathering concerns about a slowdown in government spending. Activity also remains strong in most of the Texas markets, particularly Austin, San Antonio and Houston. Even California is looking a little bit better, particularly Los Angeles and San Francisco, which are benefitting from growth in international trade and the entertainment and technology sectors.

While there will likely be a few positive developments in 2012, for the most part the year is likely to look like a rerun of 2011. Sales will likely languish during the early part of the year and pick up modestly in the spring and summer, but we are still a long way off from a true recovery in homebuilding. Conditions will not improve on a sustained basis until the backlog of distressed properties is cleared, which will enable the price discovery process to play out. From there appraisals and underwriting standards will normalize, which should set the stage for a sustainable recovery. There are other issues to be decided as well, including the issue of what the federal government's role in financing homeownership should be and what to do with Fannie Mae, Freddie Mac and the Federal Housing Administration (FHA).

Apartment construction remains the lone, unambiguous bright spot, and the recovery in that market still has quite a ways to go. Vacancy rates for apartments have fallen 1.5 percentage points to 5.6 percent over the past year and rents have increased 2.1 percent. Construction activity began to rev back up during the second half of the year and is expected to rise further in 2012. Development activity is still being constrained by concerns about sluggish job growth and credit availability. Sales remain strong, however, and the relatively high prices apartment communities are fetching should keep the development pipeline growing.

Residential improvements are also taking on renewed significance, having risen to 23 percent of private residential construction spending this year from around 16 percent at the height of the housing boom. Some of this increase reflects investor purchases of foreclosed properties, which are being repaired and remarketed either as for-sale properties or rentals. Homeowners are also likely spending a bit more refreshing their homes now that their time horizon for selling their current home has lengthened. This year's rash of violent storms also contributed to the rise in renovation spending. Most of these trends can be expected to remain in place in 2012.

Consumer Outlook: Spending to Remain Constrained

Consumer spending remains constrained by a lack of real income growth and continued deleveraging. Real after-tax income grew just 0.9 percent in 2011 and is expected to rise 1.0 percent in 2012. Income growth has been restrained by sluggish job growth and higher inflation, particularly for necessities, such as food and gasoline. Despite only tepid income gains, consumers managed to boost their spending by 2.3 percent in 2011 (Figure 11). That modest gain came at the cost of a 1.8 percentage point drop in the saving rate (Figure 12). Moreover, consumers benefitted from a temporary two percentage point reduction in Social Security taxes that may or may not be renewed for 2012.

Figure 11

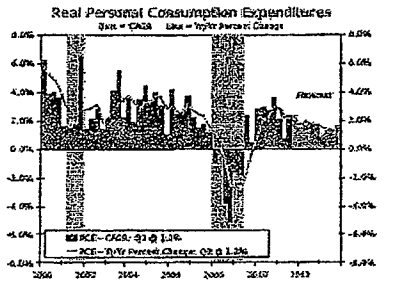
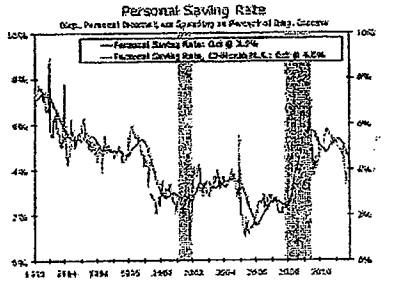


Figure 12



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Our forecast assumes the temporary payroll tax cut is extended another year. The initial tax cut provided little immediate relief, as it was more than offset by the surge in energy prices that occurred early last spring. Failure to extend the temporary tax break, however, would likely have a more immediate negative effect and result in much weaker income gains during the early part of the year. Even if the payroll tax cut is extended, consumer spending is expected to slow following the 2011 holiday shopping season. Sales during the holiday season are off to a surprisingly strong start and look to be in line with our forecast of a 5.2 percent gain. Holiday spending was led by purchases of highly popular, and relatively high-priced, tablet computers and smart phones. Once this euphoria dies down, spending should quickly fall back in line with real after-tax income growth, which, unfortunately, is expected to rise just 1.0 percent in 2012.

The sluggish pace of income growth incorporates a modest improvement in job growth and slightly lower inflation rate during the coming year. Businesses are expected to add an average of 123,000 workers per month in 2012, while state and local governments continue to trim payrolls. Inflation is expected to moderate, as energy prices subside amid a slowing global economy.

Even with slightly stronger job growth, consumers hardly appear to be won over. The Consumer Confidence index ended the year at a level more typical at the depths of a recession than two and half years into recovery. Consumers' view of current economic conditions is fairly dire and expectations for the future have been scaled back. One of the more disturbing aspects of the consumer confidence data published by the Conference Board is that for most of the second half of this year, more consumers expected their income to fall over the next six months than expected it to increase. The difference between these two responses has been a fairly reliable indicator of consumer spending in recent years, although the most recent data show a sharp deviation in the two series, with spending rising despite renewed worries about slower income growth.

Consumers' worries about the economy appear to be well placed and are the key reasons we see consumer spending slowing right after the holiday season. Consumers simply lack the wherewithal to increase spending more than a 2 percent annual rate on a sustained basis. With the saving rate already drawn down and many consumers apparently putting their holiday purchases on credit, some payback appears to be in order for early 2012. Hiring should gain momentum over the course of the year, however, providing a bit more income growth in the second half of the year.

California Economy[2]

California Economy: Gaining Momentum

California's recovery has gained considerable momentum over the past year. The state's gross domestic product grew 2.0 percent in 2011 and likely accelerated during the first half of this year. Most measures of aggregate economic activity have shown consistent improvement in recent quarters. Nonfarm employment rose 1.6 percent from the middle of 2011 to the middle of 2012, and the unemployment rate fell 1.2 percentage points to 10.7 percent. Sales of existing single-family homes have increased 16.7 percent over the past year and permits for new home construction have risen 16.1 percent. The state's coincident index has risen 3.0 over the past year, compared to a 2.2 percent rise over the previous year and the leading index remains solidly in positive territory.

The employment data probably best capture the extent of the damage wrought by the Great Recession. Employment peaked in July 2007 and fell 9.0 percent before bottoming in February 2010 (**Figure 1**). During that period, California lost 1.4 million jobs, accounting for just over 16 percent of the nation's job loss, even though California accounted for just 11 percent of nation's employment base prior to the recession. The unemployment rate spiked 7.6 percentage points and topped out at 12.4 percent, 2.3 percentage points higher than the national rate (**Figure 2**).

Figure 1

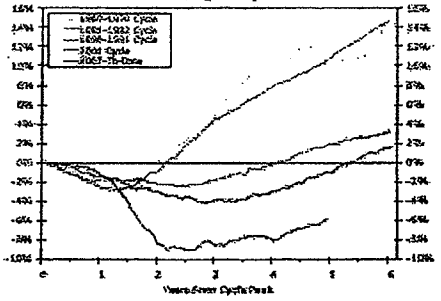
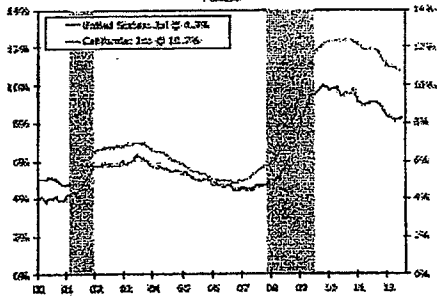


Figure 2



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

California's economy reached its trough nearly two and a half years ago. Private sector employers have added 541,500 jobs since employment bottomed out in February 2010, accounting for 12.6 percent of the growth in private sector jobs across the country. Additions have been broad based across industries, but the public sector continues to be a drag on employment. California's unemployment rate has fallen 1.7 percent points over this period but at 10.7 percent, remains well above the national rate and is the third highest in the nation.

[2] Wells Fargo Securities, California Economic Outlook, August 2012 (Excerpts)

After a sluggish start, California's economy appears to have solid momentum going into the second half of this year. House prices have likely bottomed and have posted year-over-year gains across most of the state. Employment growth has accelerated over the past three months, fueled largely by gains in the tech sector. Growth in social networking and hand-held computing devices has been phenomenal in recent months, with Twitter opening a new headquarters in San Francisco and a slew of major leases to firms like Pinterest, Yelp and AirbnB. While most of that growth is centered in the Bay area, tech companies are also gobbling up space in Los Angeles and San Diego. Demand for space in southern California is also being driven by gains in healthcare and financial services firms. Moreover, international trade continues to fuel gains in wholesale trade and distribution, driving demand for industrial space in the Inland Empire.

While most indicators continue to show healthy gains in demand, risks remain for California's recovery. Concerns are beginning to mount that the underwhelming IPO for Facebook and lingering questions about the long-term potential for social networking and interactive entertainment might set the state for a letdown along the lines of what was seen following the dot-com crash a decade ago. Moreover, the slowdown in global economic growth, particularly in China, may soon undermine the strong gains in international trade. The fiscal cliff presents another looming threat to the state, with thousands of defense contracting jobs in jeopardy if the full sequester were to go through as current law plans.

Summary and Outlook

California's economic challenges are generally greater and more immediate than those in other parts of the country, but so are the opportunities within the state. The progress made to date probably surprises many people who have been mesmerized by all the headlines surrounding municipal bankruptcies and the seemingly never-ending state budget battles, but California's economic recovery has made significant strides. The housing market has seemed to find some solid ground over the past year, with prices stabilizing and sales activity increasing. The pace of hiring has also picked up and now slightly exceeds the nation. The state's unemployment rate has finally begun to recede but remains exceptionally high. However, even with recent gains, the Golden State still faces a long and arduous road to recovery and will need another two and a half to three years simply to recover the jobs lost during the Great Recession.

We remain relatively optimistic about California's near-term outlook. Overall, employment is expected to rise 2.2 percent in 2012 and ramp up to a 2.5 percent gain in 2013. The improvement will be driven by stronger gains in some of the state's lagging sectors, most notably in construction and manufacturing. Layoffs in the state and local government should also moderate over the next year. Personal income growth is expected to improve over the next few quarters, producing a 4.4 percent gain in 2012 and a 4.5 percent rise in 2013. Gains in employment and income will help further the recovery in the housing sector, leading to solid gains in homebuilding and helping spawn a rebound in residential development.

The outlook is clearly not without risks. The global economic slowdown is already leading to some moderation in international trade through the state's major ports and might also undermine the recent growth in exports. Uncertainty about the fiscal cliff is casting a cloud over the state's important defense industry. The National Association of Manufacturers estimates that 148,000 jobs would be lost by the end of 2014 if the federal budget sequester takes effect early next year, for which current law calls. Budget challenges at the state and local level present another threat.

Winning the battle of perception remains a critical challenge. Many popular business rankings place California's business environment at or near the bottom. California is clearly a more expensive and complicated place to do business but also has the ability to attract many of the best minds in technology, life sciences, alternative energy and entertainment. The opportunity for growth in these industries, which California-based businesses currently dominate, remains huge, and few other places in the world have the concentration of entrepreneurs, venture capital and the legal and professional infrastructure needed to move innovations to products like California does. When entrepreneurs decide they want to change the world, a disproportionate share still set course for California, which helps make the economy one of the most dynamic in the world.

County Economy[3]

Los Angeles County lagged its neighbor counties in recovery from the Great Recession over the past two years, but it finally gathered momentum in 2012. The monthly unemployment rate fell by two percentage points in less than a year from the cyclical peak of 13.2% in July 2011 to 11.2% in May 2012. The overall rate of job growth picked up slightly during the first few months of this year, while a number of industries experienced an uptick in activity and more robust job growth.

Trends in Major Industries

Aerospace and Technology: The aerospace and technology sector includes manufacturing and service industries in aerospace, information technology, electronics, and biomedical technology. With 180,200 jobs in 2011, these industries accounted for 4.7% of nonfarm jobs in Los Angeles County last year. Total employment across these industries grew by 1.6% last year and has increased by 1.3% year-to-date since the start of this year. The biggest gains were in management, scientific and technical consulting, followed by computer systems and design, pharmaceutical and medicine manufacturing, scientific research and development services, and aerospace. Internet service providers, web portals and data processing jobs were down since the start of the year. Many of the jobs in these sectors call for skilled and educated workers and often pay above average wages and salaries. Modest job growth is expected overall, although declines are likely to continue with further consolidation in the Internet sector, and in the computer and electronic product manufacturing sector.

Entertainment: Activity in the entertainment industry continues to improve. The motion picture and sound recording industry alone saw a 3.5% annual increase in jobs to 125,100 last year, and was up by 2.1% on a year-to-date basis through May. Within the leisure and hospitality industry, the arts, entertainment, and recreation segment posted a 1.2% decline last year to 67,600 jobs, and continued to lose jobs through May of this year, falling by an additional 2.2%. Production of feature films and commercials was up slightly this year compared to the same period a year ago, while television and other film production was down slightly. While most people think of the glitz and glamour of the movie industry, it is a major employer with many high paying jobs as well as a significant export industry for the county economy, with worldwide box office receipts growing before, during, and after the Great Recession. Slight to modest growth is expected in this industry over the balance of 2012 and into 2013.

[3] LAEDC 2012-2013, Mid-Year Economic Forecast and Industry Outlook for Southern Calif., (Excerpts)

International Trade: International trade continues to play an important role in the state's economy. Anchored by the two largest container ports in the nation, the Los Angeles Customs District (LACD) has ranked first or second among customs districts nationally in terms of two-way trade for over two decades.

Much of the nation's imported consumer goods from Asia and the Pacific Rim enter the United States through the twin ports at Long Beach and Los Angeles. Based on the LAEDC's Cluster Industry Study, this is also one of the county's largest industries, with close to 160,000 workers in 2010. Two-way trade through the LACD rose by 11.5% last year to a new record of $386.7 billion. It should exceed $400 billion this year and continue to grow in 2013.

Tourism: Tourism in Los Angeles County has continued to improve, although growth has slowed a bit this year. New hotels and a number of major hotel renovations are drawing business and leisure travelers. Los Angeles is also gaining prominence as a convention city, and the spectacle of having three local professional sports teams in playoff games at the same venue (Staples Center) and over the same week, garnered national media attention in the spring. Year-to-date through May 2012, hotel occupancy rates were up by 4.7% and average daily room rates increased by 4.3% compared with the same period in 2011, resulting in a 9.2% rise in room revenue countywide. This sector should see modest gains in 2013 (see Major Industries of the Southern California Economy for more detail).

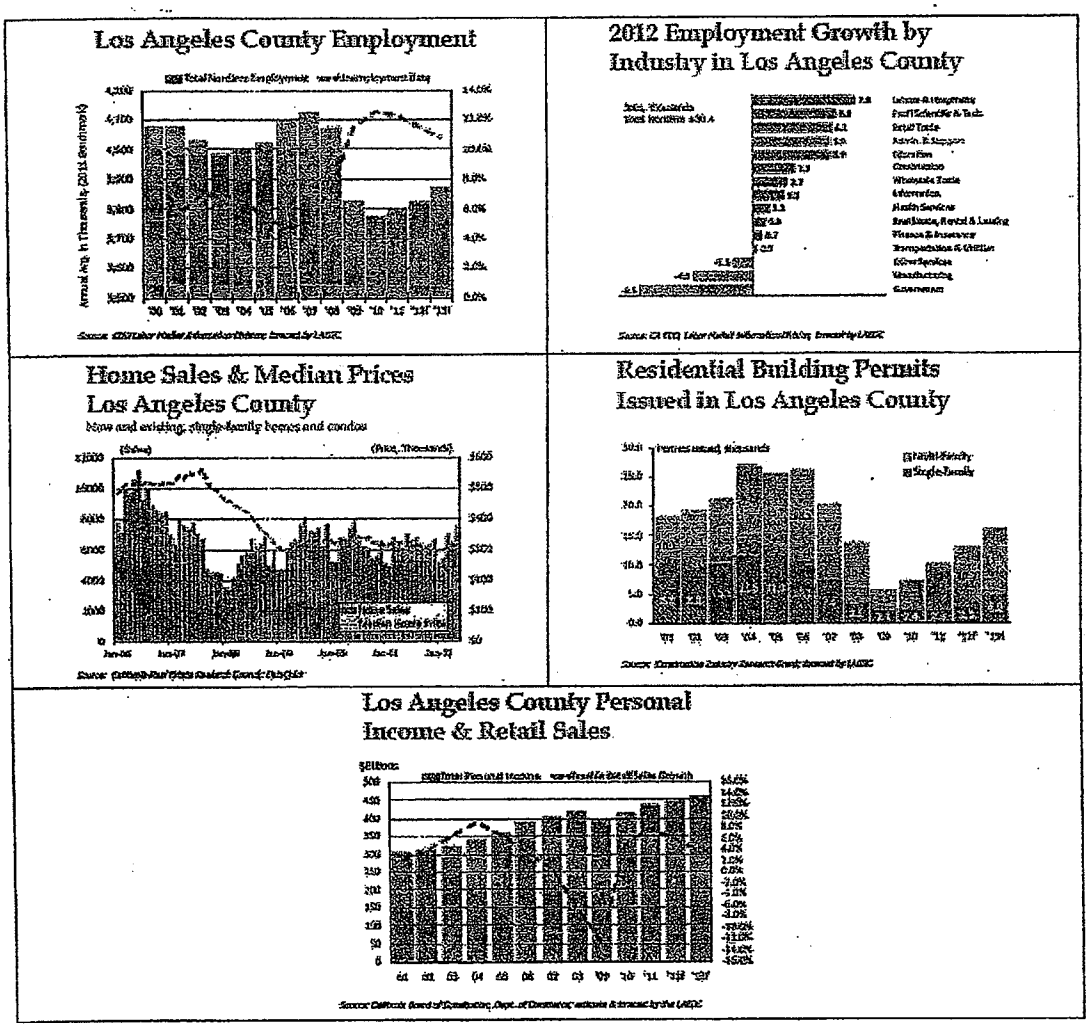
Education: Private education posted job gains throughout the recession and has continued to add jobs this year. With nearly 118,000 jobs in 2011, it accounted for just over 3% of all nonfarm jobs in the county. Most of the growth has occurred in higher education and other post-secondary education. Employment in private education was up 7.6% in the first five months of this year, and should show growth through both the balance of 2012 and in 2013.

Health Services: As with education, the health services sector grew throughout the recession and continued to do so last year. Serving a county population of nearly 10 million, its 417,000 jobs in 2011 made up over 11% of total nonfarm jobs in the county. Employment rose by 1.5% last year and modest increases are expected this year and next.

Local Government: County and municipal governments in Southern California have struggled with budget shortfalls for several years. Tax revenues and other receipts plunged during the recession and have been slow to recover. Because state and local budgets are intertwined, especially with education, the state's chronic budget problems spill over to the local level. With 433,500 jobs in 2011, local government represented the vast majority of all government jobs in the county. Total employment in this sector has decreased for three years in a row, with further declines of 1.5% expected in each of the next two years.

Los Angeles County Forecast

While the county economy has embarked on its journey to recovery, the pace will be slow. Nonfarm job gains of less than one percent in 2011 and 2012 will be followed by a 1.2% increase next year. It will take several years to return to the job levels that preceded the recession, but most industries are expected to add jobs this year and next, the exceptions being government and manufacturing. The unemployment rate should improve to 11.5% this year and 10.8% in 2013. As the labor market heals, taxable sales will respond with modest single digit percentage gains this year and next.



Current Economic Conditions[4]

Four industries account for 95 percent of year-over net job gains

The seasonally adjusted unemployment rate in Los Angeles County decreased over the month to 10.5 percent in October 2012 from a revised 10.6 percent in September 2012 and was below the rate of 12.2 one year ago. Civilian employment increased by 10,000 to 4,300,000 in October 2012, while unemployment decreased by 8,000 to 502,000 over the month. The civilian labor force increased by 4,000 over the month to 4,803,000 in October 2012. (All of the above figures are seasonally adjusted.) The unadjusted unemployment rate for the county was 10.3 percent in October 2012.

The California seasonally adjusted unemployment rate was 10.1 percent in October 2012, 10.2 percent in September 2012, and 11.5 percent a year ago in October 2011. The comparable estimates for the nation were 7.9 percent in October 2012, 7.8 percent in September 2012, and 8.9 percent a year ago.

Between September 2012 and October 2012, total nonfarm employment in Los Angeles County increased by 41,200 jobs to reach 3,885,300.

- For the second consecutive month, government (up 24,900) had the most month-over job gains and accounted for over 60 percent of the gains in total nonfarm employment. The jobs additions were concentrated in local government (up 19,700) followed by state government (up 4,800) and federal government (up 400). The local government gains consisted of local government educational services (up 22,000) offset by job losses in county government (down 1,500) and city government (down 800).

- Educational and health services added 9,600 jobs, divided between educational services (up 6,300) and health care and social assistance (up 3,300). Job increases in colleges, universities and professional schools (up 4,500) made up the bulk of the increase in educational services, while most of the gains in health care and social assistance were in ambulatory heath care services sector (up 2,100).

- All sectors of trade, transportation, and utilities (up 7,100) posted job increases over the month, with gains in retail trade (up 4,900), wholesale trade (up 1,800) and transportation, warehousing, and utilities (up 400). Other gainers included leisure and hospitality (up 2,500), other services (up 600), financial activities (up 500), and professional and business services (up 500).

[4] California Labor Market Information Division, Los Angeles/Long Beach/Glendale (Los Angeles County), September 21, 2012.

- Among the industries that lost jobs over the month were information (down 3,400), manufacturing (down 1,000), and construction (down 100). Information losses were in motion picture and sound recording (down 3,800) offset by minor gains in other information sectors. Manufacturing lost jobs in durable goods (down 600) and nondurable goods (down 400). Other industries that experienced job gains in August include construction (up 600) and financial activities (up 500).

Between October 2011 and October 2012, Los Angeles County nonfarm employment increased 57,800 jobs, or 1.5 percent.

- Over the year, four industries had gains of over 10,000 jobs and accounted for 95 percent of the net job gains. These industries were professional and business services (29.9 percent), leisure and hospitality (29.2 percent), trade, transportation, and utilities (18.2 percent) and educational and health services (17.6 percent).

- Professional and business services lead all gaining industries, with 17,300 jobs added. The majority of the additions were in administrative and support and waste services (up 10,400). Professional, scientific, and technical services (up 5,000) and management of companies (up 1,900) made up the remaining gains. Almost all of the year-over gains in leisure and hospitality (up 16,900) were in accommodation and food services (up 15,600).

- Trade, transportation, and utilities, Los Angeles County's largest industry, added 10,500 jobs, mostly in retail trade (up 9,000). Educational and health services posted job additions of 10,200, mainly in educational services (up 7,400). Other industries that gained jobs were financial services (up 7,800), information (up 3,800), construction (up 1,100), other services (up 800), and mining and logging (up 100).

- The two industries that lost jobs over the year were government (down 5,400) and manufacturing (down 5,300). Government losses were in local government (down 6,800) and federal government (down 1,200), offset by job additions in state government (up 2,600). Manufacturing lost jobs in durable goods (down 3,100) and nondurable goods (down 2,200).

Largest Employers

The largest employers in Los Angeles County are shown below:

Employer Name	Location	Industry
AHMC Healthcare Inc	Alhambra	Hospitals
	Lake View	
All Nations Church	Terrace	Churches
American Honda Motor Co Inc	Torrance	Automobile & Truck Brokers (Whls)
Calif Institute of Technology	Pasadena	Schools-Universities & Colleges Academic
California State-Northridge	Northridge	Schools-Universities & Colleges Academic
Cedars-Sinai Medical Ctr	West Hollywood	Hospitals
Century Plaza Towers	Los Angeles	Office Buildings & Parks
Contractor State License Ctr	Burbank	Schools-Business & Vocational
FX NETWORKS LLC	Los Angeles	Television-Cable & CATV
Kaiser Foundation Hospital	Los Angeles	Hospitals
LAC & USC MEDICAL CTR	Los Angeles	Hospitals
Long Beach City Hall	Long Beach	City Government-Executive Offices
Long Beach Memorial Med Ctr	Long Beach	Hospitals
Los Angeles County Sheriff	Monterey Park	Sheriff
Los Angeles Police Dept	Los Angeles	Police Departments
Nestle USA	Glendale	Food Products & Manufacturers
Pomona Valley Hospital Med Ctr	Pomona	Hospitals
Pro Parts	Canoga Park	Automobile Parts & Supplies-Retail-New
Providence Health-San Fernando	Burbank	Health Services
Providence Health-Southern Ca	Burbank	Health Services
Santa Monica College	Santa Monica	Schools-Universities & Colleges Academic
Sony Pictures Entertainment	Culver City	Motion Picture Producers & Studios
UCLA	Los Angeles	Schools-Universities & Colleges Academic
UCLA Health System	Los Angeles	Schools-Universities & Colleges Academic
Walt Disney Co	Burbank	Motion Picture Producers & Studios

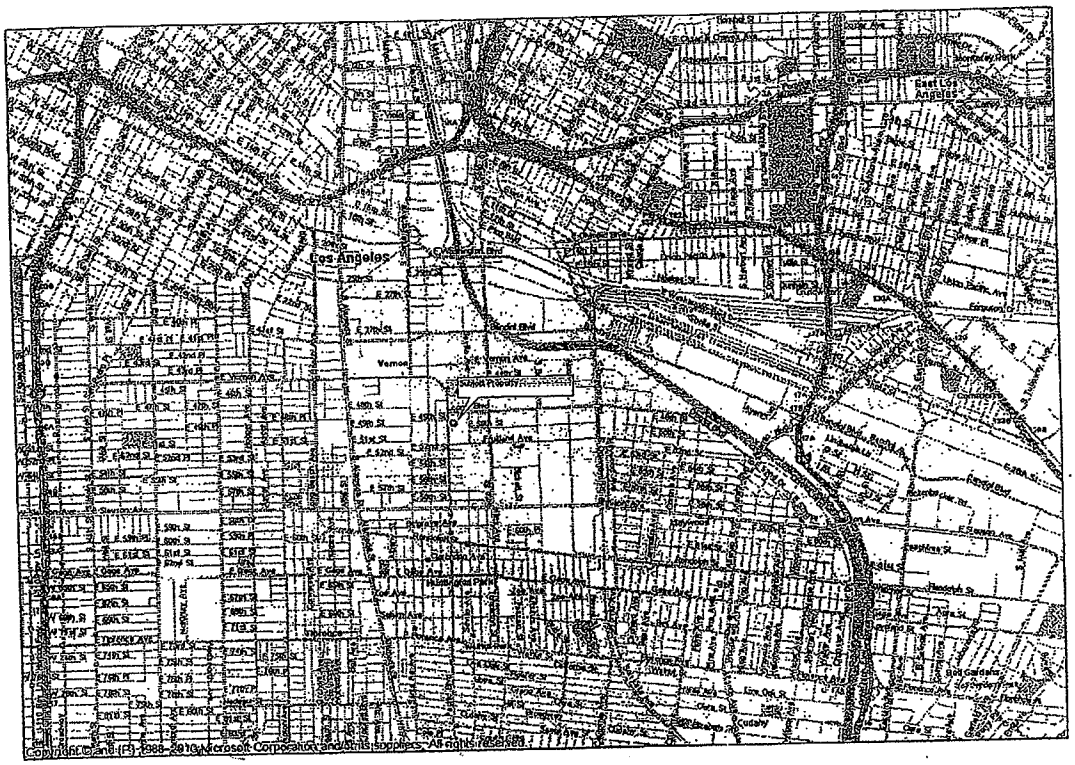
Source: America's Labor Market Information System (ALMIS) Employer Database – 2012

Conclusion – Market Area Analysis

Despite the current uncertainty in the national, state, and local economic climate, the Greater Los Angeles area still holds a leading role among the trading nations of the Pacific Rim. With its extensive and still-developing transportation systems, its vast marketplace in terms of total purchasing power and diversity of consumers, and the establishment of various industrial and commercial headquarters, the region is well positioned to continue economic leadership in the Pacific Rim and the rest of the state and country.

Ultimately, the positive features of the Greater Los Angeles area including favorable climate, cultural appeal, and historic presence as a leading metropolitan area are considered to be beneficial traits and are expected to be sufficient to maintain the region as a leading commercial and economic center despite any recessionary pressure and should serve as a means of sustaining long term economic growth.

AREA MAP



CURTIS-ROSENTHAL, INC.
REAL ESTATE APPRAISAL & CONSULTING

City of Vernon

The subject property is located within the incorporated City of Vernon, within the Central Los Angeles Industrial market. Vernon is situated a mile south of downtown Los Angeles, approximately 12 miles northeast of Los Angeles International Airport, and approximately 14 miles southeast of the Burbank-Glendale-Pasadena Airport. On September 16, 1905, businessman John B. Leonis and ranchers J.J. and Tom Furlong founded the City of Vernon. Vernon was incorporated as the first industrial city in the Southwestern United States. The City of Vernon now has over 1,200 primarily industrial businesses employing over 44,000 people within its 5.2 square miles.

The proximity of the city in relation to the Los Angeles highway, port and railway infrastructure, along with its exceptional freeway access, creates an ideal industrial environment within the City of Vernon. Major arteries surrounding the City of Vernon include the Santa Monica Freeway (Interstate 10), the Santa Ana Freeway (Interstate 5), the Long Beach Freeway (Interstate 710), and the Harbor Freeway (Interstate 110).

Large industrial sites are common within the City of Vernon, as the community was mapped in the early 1900's during a period of land abundance. Today, there are only a limited amount of vacant land sites are available within the City of Vernon, limiting new development primarily to the reconstruction and rehabilitation of existing structures. In addition, speculative development of larger buildings has been limited in Vernon over the past decade due to legislation along with the City purchasing shuttered manufacturing sites in an effort to lure heavy power/manufacturing users to the City. Overall, it is anticipated that the subject neighborhood will continue to be a solid industrial environment into the foreseeable future.

On the next page is a current demographic profile for the City of Vernon.

Demographic Profile – City of Vernon, Los Angeles County, California[5]

Population

The current year population in the City of Vernon is 91. In 2000, the Census count in the market area was 91. The rate of change since 2000 was 0 percent annually. The five-year projection for the population in the market area is 91, representing a change of 0 percent annually from 2010 to 2015. Currently, the population is 48.4 percent male and 51.6 percent male and 51.5 percent female.

Households

The household count in the City of Vernon has changed from 25 in 2000 to 24 in the current year, a change of -0.4 percent annually. The five year projection of households is 24, a change of 0 percent annually from the current year total. Average household size is currently 3.79, compared to 3.64 in the year 2000. The number of families in the current year is 22 in this city.

Income

Current median household income is $67,840 in this city, compared to $54,442 for all U.S. households. Median household income is projected to be $67,840 in five years. In 2000, median household income was $60,000, compared to $31,875 in 1990. Current average household income is $78,125 in this city, compared to $70,173 for all U.S. households. Average household income is projected to be $78,125 in five years. In 2000, average household income was $66,300, compared to $40,769 in 1990. Current per capita income is $20,604 in this city, compared to the U.S. per capita income of $26,739. The per capita income is projected to be $20,604 in five years. In 2000, the per capita income was $17,812, compared to $16,056 in 1990.

Housing

Currently, 15.4 percent of the 26 housing units in the City of Vernon are owner occupied; 76.9 percent, renter occupied; and 7.7 percent are vacant. In 2000, there were 26 housing units - 15.4 percent owner occupied, 80.8 percent renter occupied and 3.8 percent vacant. The rate of change in housing units since 2000 is 0 percent. Median home value in this city is $433,333, compared to a median home value of $157,913 for the U.S. In five years, median home value is projected to change by 0 percent annually to $433,333. From 2000 to the current year, median home value changed by 6.6 percent annually.

Employment

Currently, 95.0 percent of the civilian labor force in the City of Vernon is employed and 5.0 percent are unemployed. In comparison, 89.2 percent of the U.S. civilian labor force is employed, and 10.8 percent are unemployed. In five years the rate of employment in the market area will be 95.2 percent of the civilian labor force, and unemployment will be 4.8 percent. The percentage of the U.S. civilian labor force that will be employed in five years is 91.2 percent and 8.8 percent will be unemployed. In 2000, 65.5 percent of the population aged 16 years or older in this city participated in the labor force, and 0.0 percent were in the Armed Forces. In 2000, 69.4 percent of the city's population drove alone to work, and 0.0 percent worked at home. The average travel time to work in 2000 was 23.1 minutes in the market area, compared to the U.S. average of 25.5 minutes.

[5] Source: www.src.stdbonline.com (2011)

Neighborhood Discussion

The subject property is located on the east side of Pacific Avenue between Leonis and Fruitland Avenues. Pacific Avenue is an arterial street within the subject neighborhood. The surrounding development consists of primarily industrial uses along Pacific Avenue and in each direction surrounding the subject property.

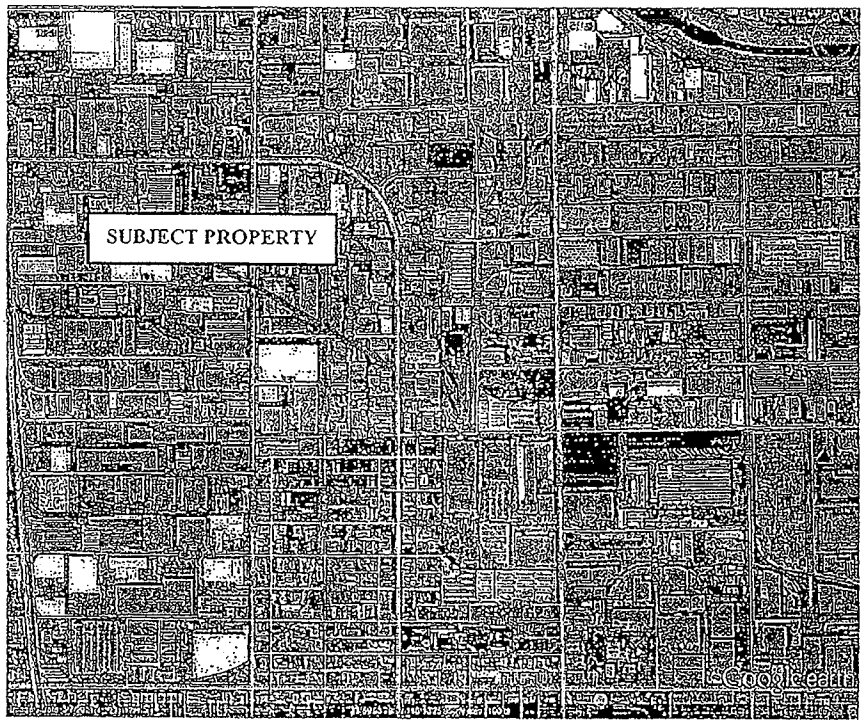
The immediate area of the subject is generally characterized as an older established industrial area with industrial buildings of various ages and sizes. Overall, this market area is nearly 95% built-up with only a limited amount of vacant land available for new development. Any new development projects are typically redevelopment of older existing uses.

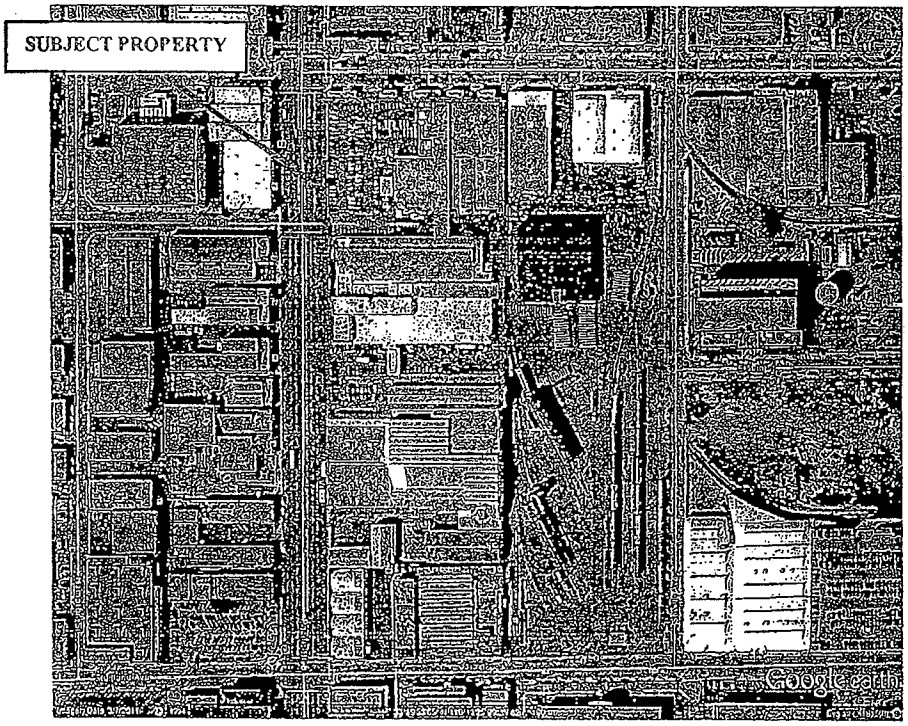
The major streets in the area include Pacific Boulevard, Slauson Avenue, Alameda Street, Soto Street, Leonis Boulevard/District Boulevard, 37th Street/Bandini Boulevard, Gage Avenue, and Downey Road. Freeway access to the subject property is considered average to good. The closest freeway is the Santa Monica (Interstate 10) Freeway which is located approximately 2 miles to the northwest of the subject. In addition, the Long Beach (Interstate 710) Freeway located approximately 2.7 miles to the east of the subject and the Harbor (Interstate 110) Freeway is located approximately 3.25 miles to the west of the subject.

The Long Beach (Interstate 710) Freeway is located approximately two miles to the northeast of the subject via Atlantic Boulevard. Access to the Santa Ana (Interstate 5) Freeway is located approximately 2.20 miles to the north of the subject. There is good access to and from the neighborhood due to the proximity of several arterial streets and freeways. Overall, access to and from the neighborhood is considered to be average to good.

A profile of the surrounding demographics is provided on the page immediately following the aerial photographs.

AERIAL PHOTOGRAPH(S)





Local Demographics

The following information reflects the demographic profile of the subject's immediate neighborhood. The following table illustrates current demographic trends of the surrounding area. This study is centered at the subject's location at 4900 Pacific Boulevard in Vernon:

TREND	1-Mile Radius	3-Mile Radius	5-Mile Radius
Population	8,212	397,126	1,207,754
Total Households	2,122	89,687	298,040
Median Age	26.4	25.4	26.3
Median Household Income	$32,436	$34,077	$31,125
Per Capita Income	$12,001	$10,354	$11,234
Average Household Income	$46,609	$45,295	$42,971

Source: www.src.esri.com (2011).

Los Angeles County Industrial Market Report – 3rd Qtr. 2012[6]

LOS ANGELES INDUSTRIAL MARKET

LOS ANGELES'S VACANCY INCREASES TO 5.3%

Net Absorption Negative (2,449,751) SF in the Quarter

The Los Angeles Industrial market ended the third quarter 2012 with a vacancy rate of 5.3%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (2,449,751) square feet in the third quarter. Vacant sublease space increased in the quarter, ending the quarter at 2,806,331 square feet. Rental rates ended the third quarter at $7.10, an increase over the previous quarter. A total of 12 buildings delivered to the market in the quarter totaling 619,516 square feet, with 1,660,304 square feet still under construction at the end of the quarter.

Absorption

Net absorption for the overall Los Angeles Industrial market was negative (2,449,751) square feet in the third quarter 2012. That compares to positive 466,721 square feet in the second quarter 2012, positive 1,775,938 square feet in the first quarter 2012, and positive 1,645,377 square feet in the fourth quarter 2011.

Tenants moving out of large blocks of space in 2012 include: Midas Express Inc moving out of (234,771) square feet at 19914 Via Baron, ICA Home Decor moving out of (183,000) square feet at 525 W Manville St in Dominguez North Industrial Center, and Spicers Paper moving out of (100,077) square feet at 12202 E Slauson Ave.

Tenants moving into large blocks of space in 2012 include: Michael Kors moving into 613,375 square feet at Gateway Pointe - Bldg B Phase I, Acme Furniture moving into 500,000 square feet at 20002 E Business Pky - Phase two Bldg 11, and 3PL Global, LLC moving into 279,764 square feet at South Bay Distribution Center - Bldg 5.

The Flex building market recorded net absorption of negative (291,779) square feet in the third quarter 2012, compared to negative (232,524) square feet in the second quarter 2012, positive 29,030 in the first quarter 2012, and positive 241,784 in the fourth quarter 2011.

The Warehouse building market recorded net absorption of negative (2,157,972) square feet in the third quarter 2012 compared to positive 699,245 square feet in the second quarter 2012, positive 1,746,908 in the first quarter 2012, and positive 1,403,593 in the fourth quarter 2011.

Vacancy

The industrial vacancy rate in the Los Angeles market area increased to 5.3% at the end of the third quarter 2012. The vacancy rate was 5.0% at the end of the second and first quarters of 2012, and 5.2% at the end of the fourth quarter 2011.

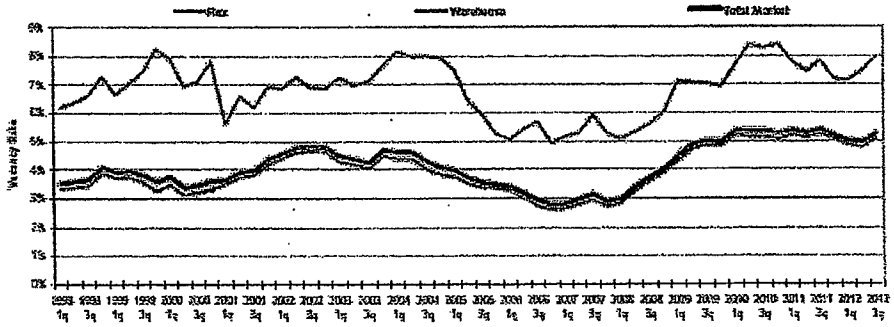
Flex projects reported a vacancy rate of 8.0% at the end of the third quarter 2012, 7.5% at the end of the second quarter 2012, and 7.2% at the end of the first quarter 2012 and the end of the fourth quarter 2011.

Warehouse projects reported a vacancy rate of 5.1% at the end of the third quarter 2012, 4.8% at the end of second quarter 2012, 4.9% at the end of the first quarter 2012, and 5.1% at the end of the fourth quarter 2011.

Largest Lease Signings

The largest lease signings occurring in 2012 included: the 500,000-square-foot lease signed by Acme Furniture at 20002 E Business Pky - Phase two Bldg 11 in the Lower SGV market; the 278,000-square-foot deal signed by ITT Exelis at 7821 Orion Ave in the SFV East market; and the 270,764-square-foot lease signed by 3PL Global, LLC at South Bay Distribution Center - Bldg Five in the Carson/Rancho Dominguez market.

VACANCY RATES BY BUILDING TYPE 1998-2012



Source: CoStar Property®

[6] Source: CoStar Comps – 3rd Quarter 2012

LOS ANGELES INDUSTRIAL MARKET

Sublease Vacancy

The amount of vacant sublease space in the Los Angeles market increased to 2,896,331 square feet by the end of the third quarter 2012, from 2,480,798 square feet at the end of the second quarter 2012. There was 2,172,997 square feet vacant at the end of the first quarter 2012 and 2,353,900 square feet at the end of the fourth quarter 2011.

Los Angeles's Flex projects reported vacant sublease space of 281,180 square feet at the end of third quarter 2012, up from the 182,263 square feet reported at the end of the second quarter 2012. There were 61,333 square feet of sublease space vacant at the end of the first quarter 2012, and 52,997 square feet at the end of the fourth quarter 2011.

Warehouse projects reported increased vacant sublease space from the second quarter 2012 to the third quarter 2012. Sublease vacancy went from 2,298,535 square feet to 2,525,151 square feet during that time. There was 2,111,664 square feet at the end of the first quarter 2012, and 2,300,903 square feet at the end of the fourth quarter 2011.

Rental Rates

The average quoted asking rental rate for available industrial space was $7.10 per square foot per year at the end of the third quarter 2012 in the Los Angeles market area. This represented a 1.0% increase in quoted rental rates from the end of the second quarter 2012, when rents were reported at $7.03 per square foot.

The average quoted rate within the Flex sector was $14.54 per square foot at the end of the third quarter 2012, while Warehouse rates stood at $6.68. At the end of the second quarter 2012, Flex rates were $14.49 per square foot, and Warehouse rates were $6.62.

Deliveries and Construction

During the third quarter 2012, 12 buildings totaling 619,516 square feet were completed in the Los Angeles market area. This compares to four buildings totaling 212,014 square feet that were completed in the second quarter 2012, three buildings totaling 540,794 square feet completed in the first quarter 2012, and 138,653 square feet in three buildings completed in the fourth quarter 2011.

There were 1,660,304 square feet of industrial space under construction at the end of the third quarter 2012.

Some of the notable 2012 deliveries include: 179 S Grand Ave - Bldg 11, a 300,000-square-foot facility that delivered in first quarter 2012 and is now 100% occupied, and 20000 S Western Ave, a 272,245-square-foot building that delivered in third quarter 2012 and is now 0% occupied.

The largest projects underway at the end of third quarter 2012 were Xebec Commerce Center, a 264,900-square-foot building with 0% of its space pre-leased, and FedEx Distribution Center, a 230,000-square-foot facility that is 100% pre-leased.

Inventory

Total industrial inventory in the Los Angeles market area amounted to 993,123,597 square feet in 36,836 buildings as of the end of the third quarter 2012. The Flex sector consisted of 63,876,662 square feet in 2,912 projects. The Warehouse sector consisted of 929,246,935 square feet in 33,924 buildings. Within the industrial market there were 4,614 owner-occupied buildings accounting for 191,455,144 square feet of industrial space.

Sales Activity

Tallying industrial building sales of 15,000 square feet or larger, Los Angeles industrial sales figures rose during the second quarter 2012 in terms of dollar volume compared to the first quarter of 2012.

In the second quarter, 82 industrial transactions closed with a total volume of $480,054,862. The 82 buildings totaled 5,783,844 square feet and the average price per square foot equated to $83.00 per square foot. That compares to 102 transactions totaling $388,522,880 in the first quarter. The total square footage was 5,010,385 for an average price per square foot of $77.54.

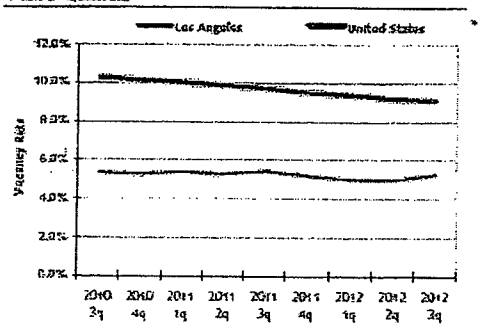
Total year-to-date industrial building sales activity in 2012 is up compared to the previous year. In the first six months of 2012, the market saw 184 industrial sales transactions with a total volume of $868,577,742. The price per square foot has averaged $80.47 this year. In the first six months of 2011, the market posted 178 transactions with a total volume of $772,943,421. The price per square foot averaged $86.85.

Cap rates have been higher in 2012, averaging 7.73%, compared to the first six months of last year when they averaged 7.45%.

One of the largest transactions that has occurred within the last four quarters in the Los Angeles market is the sale of 16501 Trojan Way in La Mirada. This 497,620-square-foot industrial building sold for $63,200,000, or $127.00 per square foot. The property sold on 6/14/2012.

U.S. VACANCY COMPARISON

Past 9 Quarters



Source: CoStar Property®

Reports compiled by: Paula Boreiner, David Blake and Scott Stephenson, CoStar Research Managers.

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THIRD QUARTER 2012 – LOS ANGELES

LOS ANGELES INDUSTRIAL MARKET

TOTAL INDUSTRIAL MARKET STATISTICS

Third Quarter 2012

Market	Existing Inventory # Bldg	Existing Inventory Total RBA	Vacancy Direct SF	Vacancy Total SF	Vacancy Vac %	YTD Net Absorption	YTD Deliveries	Under Const. SF	Quoted Rates
Antelope Valley Ind	385	9,526,541	421,757	426,357	4.5%	(3,892)	0	0	$7.02
Carson/Rancho Dominga Ind	1,258	76,365,818	3,449,053	3,693,288	4.8%	873,244	224,560	216,407	$6.17
Central LA Ind	4,954	97,466,510	4,386,429	4,459,679	4.6%	(970,856)	6,000	99,800	$9.65
Commerce Area Ind	1,656	76,072,249	4,217,269	4,433,114	5.9%	(1,041,924)	0	0	$5.76
Conejo Valley Ind	841	24,899,888	2,060,025	2,143,755	8.6%	205,603	41,962	0	$8.19
Eastern SGV Ind	1,027	25,207,860	1,397,471	1,461,176	5.8%	469,676	0	0	$5.41
El Segundo/Hawthorne Ind	978	26,325,863	994,087	1,007,087	3.8%	(144,737)	0	207,642	$9.70
Gardena/110 Corridor Ind	1,687	36,313,112	1,414,929	1,414,929	3.9%	(114,095)	28,644	0	$6.58
Long Beach Area Ind	1,626	28,480,203	2,568,883	2,614,121	9.2%	15,304	230,801	337,986	$6.97
Lower SGV Ind	1,537	81,466,812	5,158,370	5,845,979	7.2%	571,776	300,000	0	$6.06
Lynwood/Paramount Ind	933	13,102,263	679,986	675,986	5.2%	154,767	1,259	0	$5.62
Mid Counties-LA Ind	2,677	94,570,292	4,432,794	4,718,500	5.0%	328,849	0	0	$6.20
Northwest SGV Ind	1,297	22,430,644	1,070,499	1,092,559	4.9%	(17,236)	0	74,051	$6.77
SCV/Lancaster/Palmdale Ind	668	27,954,751	1,291,408	1,208,842	5.7%	184,255	0	0	$7.49
SFV East Ind	5,036	86,287,993	2,998,554	3,236,049	3.8%	159,856	0	230,000	$8.85
SFV West Ind	1,987	46,705,380	2,860,242	3,102,481	6.6%	(219,877)	0	0	$7.91
Southwest SGV Ind	925	10,667,037	476,687	477,944	4.5%	(18,079)	6,051	8,000	$7.31
Torrance/Beach Cities Ind	1,042	36,782,978	2,817,099	2,839,436	7.7%	(304,397)	265,958	264,900	$7.74
Upper SGV Ind	1,247	26,194,329	1,093,587	1,098,216	4.2%	144,579	0	0	$6.82
Ventura County Ind	2,166	49,862,186	2,495,725	2,653,698	5.3%	279,136	174,409	61,548	$7.20
Vernon Area Ind	2,202	82,047,940	2,463,677	2,723,598	3.3%	(834,438)	0	0	$5.95
Westside Ind	1,107	20,431,958	803,019	866,647	4.2%	84,114	0	160,000	$18.12
Totals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: CoStar Property®

The subject property is located in the Vernon Area Industrial Submarket which reports a 3rd Quarter 2012 vacancy rate of 3.3%, with negative <834,438 sf> of net absorption, with no new deliveries this year and no new space currently under construction.

IDENTIFICATION OF SUBJECT PROPERTY

Location	4850-5050 Pacific Boulevard Vernon, California 90058 *(the subject is located on the east side of Pacific Boulevard 200'± north of Fruitland Avenue and 21' ±south of Leonis Boulevard)*
Legal Description	A legal description of the subject property is provided in the Addenda Section of this report.
Assessor's Parcel Number	6308-003-901, 902, 903, and 904
Shape	Nearly rectangular shaped
Size:	427,203± square feet; or 9.807± acres
Topography	Level at street grade
Improvements	1922/1923/1939/1959-built, single-story (plus mezzanine offices), heavy industrial (manufacturing /warehouse) project consisting of three separate buildings.
Access	Access to the subject site is available along the east side of Pacific Boulevard which is an arterial street (120' wide) that runs in a north/south direction in the vicinity of the subject. In addition, there is rail access via a BNSF rail spur running along the easterly boundary line of the subject site. The most accessible freeway to the subject is the Santa Monica (Interstate 10) Freeway which is located approximately 2 miles to the northwest of the subject.
Utilities	Natural gas, electricity, sewer and water service are available to the site.

Zoning

According to the City of Vernon Planning Department, the subject site is zoned I (General Industry Zone). This zoning designation is intended to provide for the orderly development and operation of most types of industrial use and to promote the concentration of such uses in a manner that will foster mutually beneficial relationships with each other. The regulation of uses and establishment of Development Standards and Site Planning Standards set forth in the I Zone are those deemed necessary to promote the orderly operation and efficient functioning of the City.

The minimum lot size is set at 1 acre and the maximum allowable FAR is 2:1. In addition, there are stringent truck access and maneuvering requirements.

According to minimum zoning requirements, the subject property is required to provide 1 space for every 1,000 sf of building area for industrial uses. Based on the current use of the subject property a total of approximately 274± on-site parking spaces are required (1.00:1,000 sf). The subject currently provides a total of on 223± marked on-site parking spaces (0.81:1,000 sf).

The subject property, as currently improved, is considered to be a legal, non-conforming use of the subject site based on the current zoning standards, and the below standard amount of on-site parking currently provided as well as the below standard truck access and maneuvering.

Further, we note there are requirements for compliance on legal non-confirming buildings with the zoning standards if more than twenty-five percent (25%) of the floor area of a non-conforming building is vacant for a continuous period of two years or more.

Environmental Conditions

We note that the subject property is improved with heavy industrial project and there some potential that some environment contamination issues are present on the subject site. No environmental hazards report has been made available to us for use in our analysis of the subject property. We are unaware of the use of the subject site prior to the existing development. Our on-site inspection of the subject property revealed no obvious or apparent evidence of soil contamination or the presence of toxic/hazardous substances. We are not aware of any environmental/toxic contamination impacting the subject site. The subject property is assumed to be free and clear of any such contamination.

We remind the user of this report, however, that THE APPRAISERS ARE NOT QUALIFIED TO DETECT SUCH SUBSTANCES, AND IT IS AN EXPLICIT ASSUMPTION OF OUR ANALYSIS THAT THE SUBJECT IS A "CLEAN SITE" WITH NO CONTAMINATION OR TOXICITY.

We recommend that any interested party consult with an expert in the field of environmental hazards in order to determine whether environmental contamination problems exist on the subject site. If such a study is performed, and environmental contamination problems are found to exist on the subject site, then we reserve the right to revise our analysis and conclusions. *Please refer to Special Limiting Condition #1.*

Soil Conditions

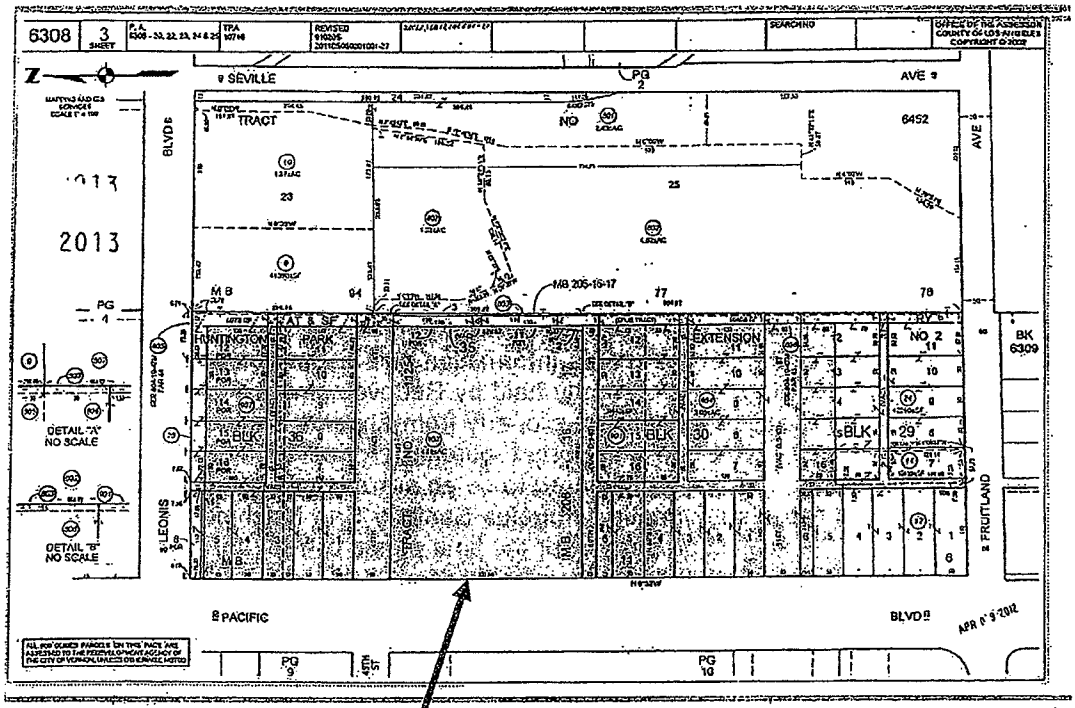
The site appears to have adequate drainage and there are no obvious signs of building settlement. We are not soils engineers and are not qualified to detect drainage problems or other adverse soil conditions, and we assume for purposes of our analysis that there are no adverse soil conditions.

Flood Zone

According to FEMA Flood Maps, the subject site is located in Zone X, per Flood Panel Map No. 06037C1805F dated September 26, 2008. Zone X is an area of moderate or minimal flood hazards. Flood insurance is available in participating communities but not required by regulation in this zone.

Earthquake Hazard	All properties in Southern California are subject to some earthquake risk. The subject is not known to be located in a Special Study Zone for seismic activity. We are not seismic engineers and are not qualified to detect or determine earthquake hazards. It is recommended that any interested party obtain a complete geological study to determine any potential hazard specifically germane to the subject locale.
Easements, Encumbrances, and Restrictions	Although we requested, we were not provided with and have not reviewed a recent Preliminary Title Report for the subject property. Based on our physical on-site inspection of the subject property there appears to be no obvious easements, restrictions, or encumbrances that would negatively affect the use, value, or marketability of the subject site. We assume for purposes of our analysis that there are no easements, restrictions, or encumbrances adversely impacting the site. Further, we are unaware of any current restrictions impacting the subject other than zoning restrictions imposed by local government and quasi-governmental agencies for common utilities, public right-of-ways etc. We emphasize to the user of this report that our valuation analysis and stated conclusions specifically assume the subject to be free and clear of any negative easements, restrictions, and encumbrances impacting the subject site.

PLAT MAP



Subject Site

Ownership and Property History

Below is a summary of the parcel ownership history according to our review of the Los Angeles County Assessor's records information:

Transaction	Buyer	Seller	Sale Date	Purchase Price
Most Recent Sale	Redevelopment Agency of the City of Vernon	Angelus Sanitary Can Machine Company	March 9, 2011	$11,000,000
Most Recent Sale	Angelus Sanitary Can Machine Company	N/A	1967 through 1999	N/A

Based on our review of the public records information and discussion with the property ownership, the subject property is currently held by Redevelopment Agency of the City of Vernon which had acquired the subject property from Angelus Sanitary Can Machine Company on March 9, 2011 for a reported purchase price of $11,000,000 (sale-leaseback transaction). This was considered to be an arm's length transaction. Per our review of the public records information Angelus Sanitary Can Machine Company had previously acquired the subject property over the time period of 1967 through 1999.

We note, that the subject property is currently being offered "for sale" (listing began in November 2011) as currently improved (land and building) as well as a future development site by John McMillan, Jeff Sanita, and Tim Wallace of Cushman & Wakefield (213-955-5100), at an asking price of $15,950,000 which equate to $58.04 psf of building area and/or $37.17 psf of site area.

Reportedly, there have been two separate to purchase the subject property; however, our client (the property owner) specifically requested that we (the appraisers) not be provided with the specific details of these purchase offers. We do understand that in each of the two purchase offers, the intentions of the buyers are to redevelop the subject site and the purchase offers are based on the value of the land alone, with no value attributable to the existing subject improvements.

The appraisers are unaware of any subsequent transfers of the subject property during the previous 3+ years, nor any offers, listings, escrows, or pending sales of the subject property, other than that previously mentioned.

Assessed Value and Taxes

Under California Proposition 13, the real estate tax rate is limited to 1.00% of assessed value plus limited amounts for bonded indebtedness.

Per the most current information available from the County Treasurer & Tax Collector, a summary of the current assessed values for the subject property is provided below:

APN	Land	Improvement	Total	Total Taxes	Delinquent Taxes
6308-003-901	$906,780	$426,360	$1,333,140	$17,372.05	$0.00
6308-003-902	$1,145,460	$493,680	$1,639,140	$21,133.56	$0.00
6308-003-903	$4,346,220	$2,114,460	$6,460,680	$83,656.48	$0.00
6308-003-904	$2,896,800	$2,022,660	$4,919,460	$64,265.10	$0.00
Totals	**$9,295,260**	**$5,057,160**	**$14,352,420**	**$186,427.19**	**$0.00**

ASSESSED YEAR:	7-1-2012 to 6-30-2013
TAX RATE AREA:	10-716
TAX RATE:	1.22786%

According to California Proposition 13, the subject property would be reassessed upon sale or other transfer of ownership, or if/when significant remodeling/new construction is completed. The new assessed value would be based on the current market value of the subject property at the time of sale or respective date of valuation (this typically corresponds with the purchase price paid for the property). It appears that that subject property has not been reassessed since the most recent acquisition date in March 2011. Further, since the subject property is currently owned by a municipality, the subject property is not currently being taxed.

Our inquiry with the County Tax Auditor's Office did not reveal any past-due taxes currently impacting the subject property.

Our appraised value estimate of the subject is slightly lower than the current reported assessed value.

IMPROVEMENTS DESCRIPTION

The subject property consists of a 1922/1923/1939/1959-built, single-story (plus mezzanine offices), Class S/C metal/concrete tilt-up construction, heavy industrial (manufacturing/warehouse) project consisting of four separate buildings totaling 274,807± sf of Gross Building Area (GBA).

A brief overview of the subject improvements is provided below:

1. Shell

Type of Use:	Heavy Industrial (Manufacturing/Warehouse) Project
Number of Buildings:	Four
Year Built:	1922/1923/1939/1959-built
Number of Stories:	Single-story (plus mezzanine offices)
Gross Building Area[1]:	274,807± sf
Number of Units/Tenant Spaces:	Two (previously a single tenant building)
Construction:	Class 'S and C' (metal and concrete tilt-up)
Foundation:	Continuous reinforced concrete perimeter.
Exterior Walls:	Metal and painted concrete tilt-up
Roof:	Flat with built-up composition covering
Site Coverage Ratio:	60%± (estimated)

[1] The Los Angeles County Assessor's records indicate a combined total Gross Building Area (GBA) of 230,935 sf for the subject property. The broker's current listing flyer for the subject property indicated a total GBA of 274,807sf for the subject property. For the purposes of this appraisal analysis, we have utilized the total building area per the broker's current listing flyer for the subject property. For exact measurements, we recommend that interested parties retain a surveyor, or other qualified professional.

II.a. Typical Interior Finish (Office)

Floors:	Floor covering varies and includes carpeting, vinyl and ceramic tiling
Ceilings:	T-bar suspended drop ceilings
Walls/Partitions:	Painted drywall
Lighting:	String fluorescent light fixtures and incandescent spot lighting
HVAC:	Central HVAC
Fire Protection:	Fully sprinklered

II.b. Typical Interior Finish (Warehouse)

Walls:	Metal and/or painted concrete tilt-up walls
Floors:	Concrete slab
Ceiling Height:	18' to 26'± feet (estimated)
Lighting:	String fluorescent lighting
Fire Protection:	Fully sprinklered

III. Systems

Plumbing:	Plumbing fixtures are considered to be of a generally average quality.
HVAC:	Space heaters
Power Supply:	3,600 amps (estimated), 3 Phase

IV. Parking

Type:	Surface parking
Total:	Approximately 100± on-site parking on open surface asphalt paved parking (0.36:1,000 sf).

V. Site Improvements

Asphalt paved parking areas, mature landscaping, miscellaneous concrete flat work, power vault, trash enclosures, signage, and exterior lighting.

General Comments

The subject of our analysis consists of a 1922/1923/1939/1959-built, single-story (plus mezzanine offices), Class S/C metal/concrete tilt-up construction, heavy industrial (manufacturing/warehouse) project consisting of four separate buildings totaling 274,807± sf of Gross Building Area (GBA).

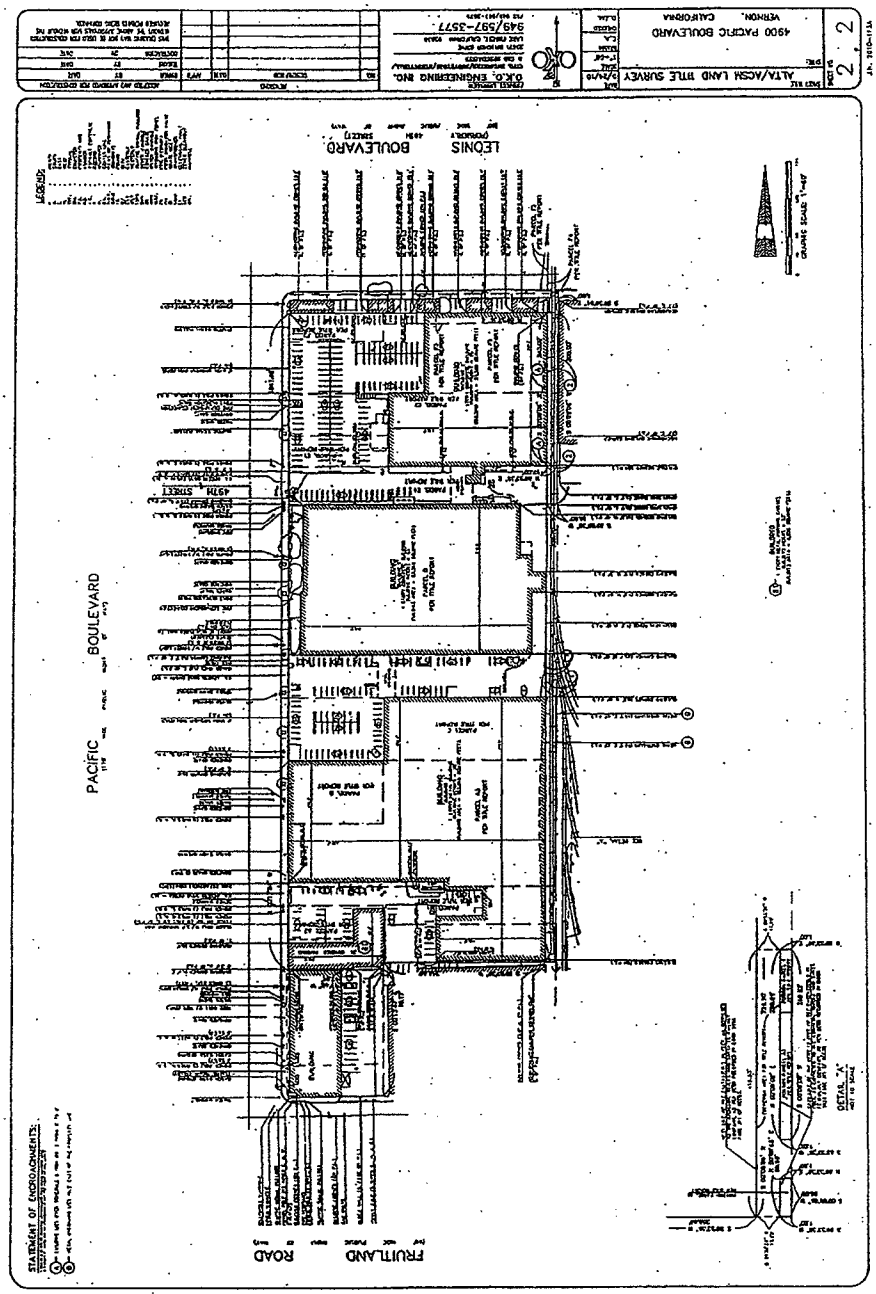
The subject improvements include several older, functionally obsolete Class S metal buildings which do not conform with the current zoning code and will most likely need to be demolished.

As of the effective date of this appraisal analysis, the subject property is currently 52% occupied by a single tenant with 131,582± sf (48%) of vacant space. Angelus Sanitary Can Machine Company (the former property owner) has a lease agreement for 143,225 ± sf of the subject building along with 5.81± acres of the subject site at a current contract rental rate of $42,968 per month ($0.30 psf) on a Triple Net (NNN) basis with no scheduled increases and a lease expiration date of July 8, 2013.

In our opinion, the subject improvements are considered average overall quality of construction including the basic structural system, the exterior walls and roof, mechanical systems, and average to fair for overall condition based on its age, with some deferred maintenance in the vacant space (roof leaks and a general lack of upkeep). The functional utility of the subject is considered to be commensurate with prevailing market standards.

Beginning on the next page is a diagram of the subject improvements. For additional detail, photographs of the subject property are attached in the Addenda.

Site Diagram



Effective Age/Economic Life

The typical physical life expectancy for an average quality Class S/C heavy industrial (manufacturing/warehouse) building according to the Marshall and Swift Valuation Service, is 50 years. The subject property was originally constructed in 1922/1923/1939/1959, and appears to have been adequately maintained over the years, and is currently considered average to fair for overall condition. The subject property had no evidence of any significant deferred maintenance apparent at the time of our on-site inspection other than some roof leaks and a general lack of upkeep in the vacant portion of the subject improvements. The economic life estimate for the subject property is as follows:

Year Built:	1922/1923/1939/1959
Actual Age:	90/89/73/53 years
Economic Life Expectancy:[7]	50± years
Effective Age:	48± years
Remaining Economic Life:	2± years

Effective age divided by estimated economic life equals depreciation percentage. The subject property is currently considered good for overall condition based on its age, with no significant deferred maintenance apparent at the time of our on-site inspection. No significant structural repairs were identified as being necessary that would impact marketability and no significant repairs necessary. Therefore, the amount of depreciation that has occurred is calculated as follows.

Effective Age/Economic Life = Depreciation %

48 Years / 50 Years = 96%

Functional Utility and ADA Compliance

The functional utility is consistent with prevailing market standards. We are not qualified to determine whether the subject site is compliance with the Americans with Disabilities Act of 1990, and we assume for purposes of our analysis that it is in compliance.

[7] Per Marshall and Swift Valuation Service

HIGHEST AND BEST USE

Highest and Best Use is defined as "the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, and financially feasible, and that results in the highest value."[8]

Analysis of Land (As If Vacant)

Physically Possible: The subject site consists of a 9.807±acre; nearly rectangular shaped, interior site consisting of four separate parcels fronting along an arterial traffic streets in an older established area of industrial uses in the City of Vernon. Ingress and egress to the site are considered average from an arterial street. The topography of the site is level (at street grade) and drainage is considered adequate. No physical impediments that would prevent the site from being developed to its highest and best use were observed.

Legally Permissible: As previously stated, the subject property is zoned M (Manufacturing Zone). The allowable uses in this district include a variety of heavy industrial uses. The allowable uses under this zoning designation are outlined in the "Zoning" section of this report. Given the subject's location on an arterial traffic street in an area of industrial uses in the City of Vernon, industrial uses are deemed most probable.

Financially Feasible: The subject's immediate neighborhood primarily consists of primarily an older established area of heavy industrial uses. Given the current depressed real estate market conditions, new development is not considered likely at the present time due to a lack of availability of financing, increasing vacancy rates, and volatility in the real estate market, and declining property values. Therefore, if the subject were vacant, and suitable for development, it is our opinion that the highest and best use would be to hold for future industrial development until market conditions have improved.

Maximally Productive: Physically the subject site would not specifically preclude any type of development. Legally the zoning allows for a limited amount of uses including industrial uses, which coincides with our Feasibility discussion previously cited. There remains a demand for industrial uses in the local market, as evidenced by the continued sales in the area *(albeit at a slowed pace and reduced sale prices)*. Thus, is our opinion to hold for future industrial development is the most productive use, pending improvement in local real estate market conditions.

Thus the Highest and Best Use of the subject site "as if vacant" would be to hold for future industrial development.

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[8] The Appraisal of Real Estate, Ibid, p. 269.

ANALYSIS OF PROPERTY (As Improved)

The analysis of the subject property as improved relies on the same basic criteria outlined under the discussion of Highest and Best Use of the subject site assumed vacant. However, the current discussion focuses on whether the existing improvement program offers any contributory value.

The existing improvements on the subject site were originally constructed in 1922/1923/1939/1959 and are at the end of their useful life expectancy. The subject improvements include several older, functionally obsolete Class S metal buildings which do not conform to the current zoning code and will most likely need to be demolished. There is only minimal, if any, value attributable to the existing subject improvements. However, based on the current lease contract currently in-place for a portion of the subject property, the existing improvements are considered to offer a limited amount of interim contributory value over and above the underlying land value. The existing subject improvements are considered to be an interim use which will have reached the end of their economic life expectancy upon the expiration of the existing lease term. Thus, we conclude that the Highest and Best Use of the subject property (as improved) is to continue the existing interim use and hold for future development upon the expiration of the existing lease. The subject property is considered to be an effectively vacant land site.

VALUATION TECHNIQUES OVERVIEW

Three approaches to value form the foundation for current appraisal theory. These approaches are Cost Approach, Sales Comparison Approach, and Income Capitalization Approach.

Cost Approach (Not Utilized)

This approach is based upon the proposition that the informed purchaser would pay no more for a property than the cost of producing a substitute property with the same utility. It is particularly applicable when the subject property involves relatively new improvements that represent the highest and best use of the land, or when relatively unique or specialized improvements are located on the site for which there exist no comparable properties on the market.

Sales Comparison Approach (Utilized)

This, traditionally, is an appraisal procedure in which the market value estimate is predicated upon prices paid in actual market transactions and current listings. The former fixes the lower limit of value in a static or advancing market (price-wise), and fixes the higher limit of value in a declining market. The latter fixes the high limit in any market. It is a process of analyzing sales of similar, recently sold properties in order to derive an indication of the most probable sales price of the property being appraised.

The reliability of this technique is dependent upon:

1. The availability of comparable sales data;
2. The verification of the sales data; and,
3. The degree of comparability or extent of adjustment necessary for time differences affecting the sales price.

Income Capitalization Approach (Not Utilized)

This approach is widely applied in appraising income-producing properties. Anticipated present and future income, as well as any future reversions, is discounted to the present value through capitalization. This approach relies upon market data to establish current economic rents and expense levels to arrive at an expected net income.

COST APPROACH

The Cost Approach to value is based primarily on the economic principal of substitution. A cornerstone of this approach to value is the assumption that an informed buyer would not pay more for a property than the sum cost of acquiring a comparable vacant site and constructing an improvement program of similar utility.

The fundamental steps of the Cost Approach are outlined below:

1. Estimate the value of the site assumed vacant and available for development to its Highest and Best use.
2. Estimate the total reproduction or replacement costs associated with the improvement program. These costs include direct (hard) costs such as building materials and labor, as well as indirect (soft) costs such as financing charges, real estate taxes during construction, professional fees, carrying charges, etc. Reproduction costs are used when it is necessary to estimate the costs to exactly replicate a building in every detail. Typically, a replacement cost estimate is more appropriate and useful. The replacement cost estimate is based on the expense associated with developing a similar building of equal utility and function.
3. Estimate an appropriate level of entrepreneurial profit. This cost reflects the required return of the developers (distinct form contractor's profit and overhead which is incorporated as a direct cost) for assuming the time, coordination, and risk associated with project development.
4. Add together the total construction costs associated with development (i.e. - direct costs, indirect costs, and entrepreneurial profit).
5. Subtract any observed levels of depreciation impacting the subject property. Depreciation may stem from physical deterioration, functional obsolescence, or economic obsolescence. The total construction cost adjusted for accrued depreciation yields the Replacement or Reproduction Cost less Depreciation.
6. Add the total depreciated improvement value to the estimated land value to derive the value indication by the Cost Approach.

The Cost Approach was not utilized due to the fact that our Highest and Best Use analysis concluded that the existing improvements are considered to add only a limited/marginal amount of contributory value to the subject site. The existing subject improvements are considered to be a legal, non-conforming use. Further, the existing improvements are considered to be an interim use and do not represent the Highest and Best Use of the property. Our Fee Simple valuation analysis therefore considers the property as an effectively vacant land site that is available for development to its Highest and Best Use. Therefore, no Cost Approach is performed in this appraisal since the Cost Approach is not considered applicable to the valuation of vacant land.

SALES COMPARISON APPROACH

The Sales Comparison Approach is a method of valuation that compares prices paid for similar properties in an open and free marketplace. A survey of the market in the subject area was made in an effort to locate comparable land sales, which would aid in forming an opinion of the value for the subject property (as an effectively vacant land site).

Our research parameters are summarized below.

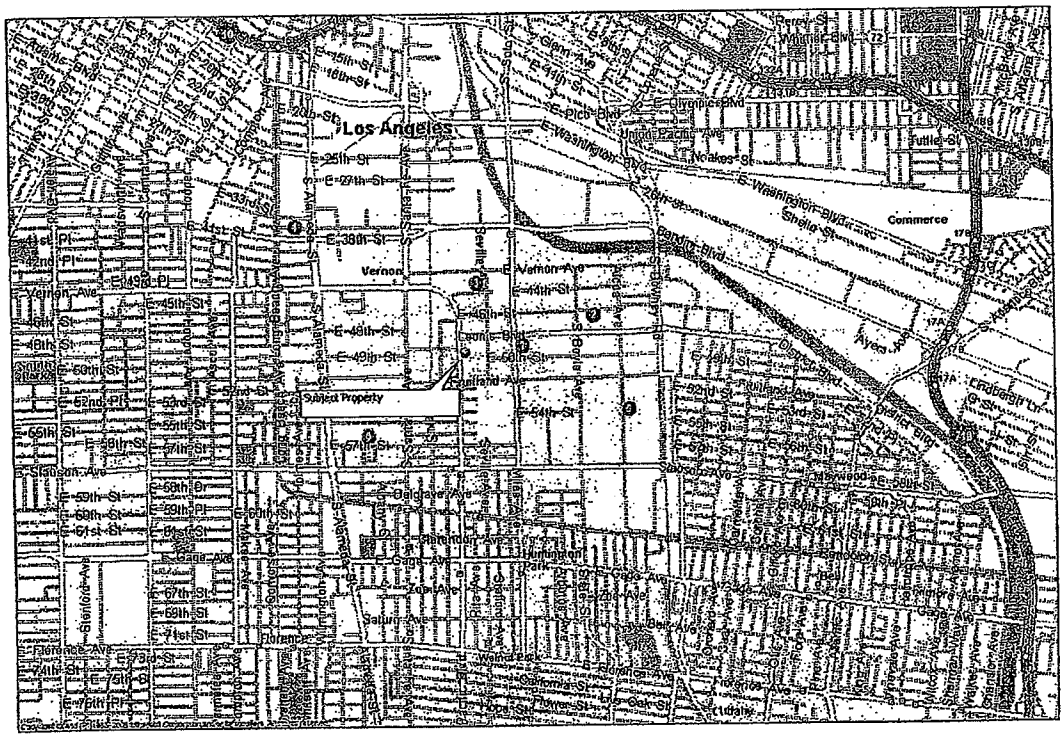
LAND COMPARABLES PRIMARY SEARCH PARAMETERS	
Location	2± mile radius around the subject property
Sale Date	January 2010 to present and current escrows and listings
Property Type	Vacant (or effectively vacant) industrial zoned acreage land sales
Size	5± acres and greater
METHOD (S) OF ANALYSIS	
Price Per Square Foot of Site Area	Our research in the marketplace indicated that most investors would analyze sales comparables on this basis.

Comments Regarding Search for Comparable Land Sales

A thorough survey of the market in the subject area was made in an effort to locate comparable sales, escrows, and listings of similar industrial zoned vacant (or effectively vacant) acreage land sites, which would aid in forming an opinion of value for the subject site, as if vacant. There was only a limited amount of recent comparable industrial zoned acreage sale comparables identified in the immediate City of Vernon market area in which the subject is located. Therefore, our search was expanded to include sites that have sold over a more extended time period. Of the sales data discovered and investigated, the following are considered most pertinent to this appraisal since they represent transactions that have recently taken place among purchasers who could have easily considered the subject site if it were available in the marketplace.

Subsequent to the presentation of data, further comments relating to our analysis and valuation are provided.

Comparable Land Sales Map



SUMMARY OF LAND SALES

Item	Street Address	Sale Date	Zone	Cash Eqv. Price
	City / State / Zip Code	Document No.	Sq. Ft.	Price psf
	Assessors Parcel Number(s)	Buyer	Acres	
	Confirmation Source	Seller	Lot Position	

1	4900 S. Soto Street	July 13, 2012	I	$5,550,000
	Vernon CA 90058	1040185	172,498	$32.17
	6303-023-008	SRS Real Estate	3.96	
	Broker	Gamm Enterprises	Interior	

Comments: This is an owner-user purchase of an older 1946-built, 94,250 sf single tenant industrial building located on a rectangular shaped, interior, industrial zoned land site located on Soto Street in Vernon. The buyer reportedly plans to utilize these buildings as an art studio. The improvements were considered to be of nominal value. The financing included a 50% 1st T.D. and a 40% 2nd T.D. both from Bank of America (specific terms were N/A).

2	4700-4719 S. Boyle Avenue	April 17, 2012	I	$15,625,000
	Vernon CA 90058	572382	642,074	$24.34
	6303-020-001, 010, 011, and 012,	45th Street LLC	14.74	
	CoStar/Broker	FFI Properties Inc.	Corner	

Comments: This is a recent sale of an older two-building industrial project located on Boyle Avenue in Vernon. This property included a 1948/1961-built, 407,587 sf industrial project considered to be of limited value (the broker indicated that this property sold at a slight premium over land value). This property was mostly vacant at the time of sale. The buyer is an investor. The financing included a 50% 1st T.D. form Community Bank (specific terms were N/A).

3	2651 E. 45th Street	April 17, 2012	I	$4,900,000
	Vernon CA 90058	569337	149,210	$32.84
	6308-005-021	L&D Real Estate Holdings LLC /CR Laurence	3.43	
	Broker	45th Street LLC	Corner	

Comments: This is an owner-user purchase of an older 19xx-built, 86,500 sf single tenant industrial building with an asphalt paved lot which is situated on a rectangular shaped, corner, industrial zoned parcel located at the northwest corner of 45th Street and Seville Avenue in Vernon. The improvements were considered to add any value to the land and this property was marketed for sale as an industrial development site. The buyer plans to construct an industrial building on this site to expand their business operations. The financing included a 50% 1st T.D. and a 40% 2nd T.D. both from Bank of America (specific terms were N/A).

4	4051 S. Alameda Street	March 26, 2012	M2-2	$17,790,000
	Los Angeles CA 90058	456856	592,416	$30.03
	5117-019-016 to 020, 5117-020--029 to 040, and 5117-021-020 to 023	Pima Alameda Partners LLC	13.60	
	CoStar/Broker	Ralph Horowitz	Corner	

Comments: This is a recent sale of the former "South Central Farm" site - a vacant acreage land site bounded by Martin Luther King Blvd to the north, Alameda Street to the east, 41st Street to the south, and Long Beach Boulevard to the west. The buyer plans to construct an industrial project on this site. This was an "all cash" purchase.

5	5400 Alcoa Avenue	December 8, 2011	I	$3,100,000
	Vernon CA 90058	1657307	101,438	$30.56
	6310-002-024	Regent Realty LLC	2.33	
	CoStar/Broker	Kudenoff Of Kroener Family LP	Interior	

Comments: This is a sale of an older 1951-built, 50,800 sf single tenant industrial building located on a rectangular shaped, interior, industrial zoned land site located on Alcoa Avenue in Vernon. The buyer owns and operates a property across the street from this site and reportedly plans to utilize this site for additional parking needed to expand their existing facility. The broker indicated that the buyer paid a slight premium for this property to divide this site. The financing included a 75% 1st T.D. from Wells Fargo Bank (specific terms were N/A).

6	2001 E. 57th Street	March 17, 2010	I	$14,400,000
	Vernon CA 90058	360784	466,092	$30.90
	6308-017-906 and 907	Noran Real Estate Holdings, LLC	10.70	
	CoStar/Broker	City of Vernon	Corner	

Comments: This is a slightly dated sale of an industrial zoned acreage land site located on 57th Street in Vernon. The buyer is an owner-user which plans to construct at 250,000 sf manufacturing plant on this site. The listing broker indicated that the buyer paid a slight premium for this property as it met their specific size and location needs. This was an "all cash" purchase.

Analytical Comments and Conclusion of Land Value

All of the comparable land sales represent sites in the general marketplace of the subject property. They were chosen because of their location, time of sale, size, zoning, and development potential based on the nature of the subject site and locale.

In analyzing the market data, we gave consideration to the features of comparison deemed most important in the subject market. These include rights conveyed, condition of sale, market conditions at time of sale, location, size, highest and best use potential, and other factors deemed relevant.

On the following page is an adjustment matrix which displays each of the comparison categories relative to the data items and the subject property. This matrix is a visual tool to allow the user of this report to better understand our thought process in analyzing and reconciling the market data into a defensible opinion of value for the subject property.

The adjustments applied are not necessarily representative of paired-data analysis and are not intended to be viewed in a precise or absolute context. Rather, they are intended to offer general insight with regard to the order of maghitude afforded each of the adjustment categories, as determined by the appraisers by virtue of our investigations into the subject marketplace.

LAND MATRIX TABLE

	SUBJECT	ONE	TWO	THREE	FOUR	FIVE	SIX
Sale Price	N/A	$5,550,000	$15,625,000	$4,900,000	$17,790,000	$3,100,000	$14,400,000
Site Size (sf)	427,203	172,498	642,074	149,210	592,416	101,438	466,092
$ psf	N/A	$32.17	$24.34	$32.84	$30.03	$30.56	$30.90
Rights Conveyed	Fee Ownership						
Adjusted $ psf	N/A	$32.17	$24.34	$32.84	$30.03	$30.56	$30.90
Financing Terms	Conventional						
Adjusted $ psf	N/A	$32.17	$24.34	$32.84	$30.03	$30.56	$30.90
Condition of Sale	Conventional						
Adjusted $ psf	N/A	$32.17	$24.34	$32.84	$30.03	$30.56	$30.90
Δ In Market Conditions	November-12						
Adjusted $ psf	N/A	$32.17	$24.34	$32.84	$30.03	$30.56	$30.90
General Location	Vernon						
Specific Location	Average						
Site Size (sf)	427,203		5%	-5%		-5%	
Site Configuration	Interior		5%	-5%	-5%		-5%
Site Shape	Nearly Rectangular						
Topography	Level						
Utility Status	All Available						
Zone/Density	I				-5%		
Other	N/A	-5%				-5%	
Subtotal of Adjustments	N/A	-5%	10%	-10%	-10%	-10%	-5%
FINAL INDICATORS	N/A	$30.67	$26.77	$29.56	$27.03	$27.50	$29.35
Total % Adjustment	N/A	-5%	10%	-10%	-10%	-10%	-5%
Overall Comparison	N/A	Superior	Inferior	Superior	Superior	Superior	Superior

Discussion of Individual Data Items

- **Comparable Land Sale Number One** is considered slightly superior in comparison to the subject for "other" features including some limited remaining value in the older existing improvements at the time of sale. The sales price per square foot achievable for the subject site would likely be slightly lower than the sales price per square foot indicated by this comparable.

- **Comparable Land Sale Number Two** considered slightly inferior in comparison to the subject for its much larger site size on a price per square foot basis and for site configuration which includes a separate non-contiguous smaller parcel at the northwest corner of Boyle Avenue and Leonis Boulevard. The sales price per square foot achievable for the subject site would likely be slightly higher than the sales price per square foot indicated by this comparable.

- **Comparable Land Sale Number Three** is considered slightly superior in comparison to the subject for its smaller site size on a price per square foot basis and for corner site configuration. The sales price per square foot achievable for the subject site would likely be slightly lower than the sales price per square foot indicated by this comparable.

- **Comparable Land Sale Number Four** is considered superior in comparison to the subject its full block site configuration and for zoning (City of Los Angeles has greater flexibility in its zoning). The sales price per square foot achievable for the subject site would likely be slightly lower than the sales price per square foot indicated by this comparable.

- **Comparable Land Sale Number Five** is considered slightly superior for condition of sale based on its nature as an assemblage purchase by the buyer who own a property located across the street from this site. In addition, this comparable is considered slightly superior in comparison to the subject its smaller site size on a price per square foot basis. The sales price per square foot achievable for the subject site would likely be slightly lower than the sales price per square foot indicated by this comparable.

- **Comparable Land Sale Number Six** is considered slightly superior in comparison to the subject based on its street-to-street site configuration. The sales price per square foot achievable for the subject site would likely be slightly lower than the sales price per square foot indicated by this comparable.

Range of Unit Value Indicators-

The Price Per Square Foot is an indicator of value that compares the physical aspects of the comparable sales. Differences in date of sale, location, site area, site configuration, zoning, highest and best use potential, and conditions of sale will cause variances in this measure. A summary of the analyzed data is provided below:

Price PSF - Land		
	Unadjusted	Adjusted
Minimum:	$24.34	$26.77
Maximum:	$32.84	$30.57
Range:	$8.50	$3.80

The comparable land sales data reported indicate a wide unadjusted range from $24.34 psf to $32.84 psf. After adjustments, the comparable land sales data reported indicate an adjusted range from $26.77 psf to $30.57 psf. In our opinion, based on the subject's location, zoning, and configuration, the achievable unit value of the subject site would most likely fall toward the middle of the adjusted range indicated by the comparable sales data.

Conclusion of Site Value

In our opinion, the subject's location, visibility, size, configuration, zoning, and nature of the subject as a commercial site within a dense area of existing commercial high-rise office development warrant the selection of a unit value from toward the middle of the adjusted range. Therefore, we conclude that based on our analysis and market inquiries, the subject property would most likely achieve a unit value falling within the range of approximately **$28.00± per square foot of site area.**

Thus, the Market Value of the subject site (as if vacant), as of the date of valuation, is estimated as follows:

Site Size (sf)	x	Unit Value	=	Market Value
427,203	x	$28.00	=	$11,961,684
		Market Land Value (Rounded)	=	**$12,000,000**

Broker Opinions – Market Land Value Estimate

In order to augment our rental analysis, we have also surveyed several active local area commercial real estate brokers and market participants who are familiar with the subject property in order to solicit their opinions regarding the appropriate market value applicable to the subject property. Each of the brokers we spoke with indicated that clearly the existing subject improvements no longer add any additional value to the subject site.

Our survey of local market participants is presented below:

Survey of Broker Opinions – Market Land Value Estimate			
Name	Company	Phone Number	Land Value Est.
Paul Sablock	Jones Lang LaSalle	(213) 239-6230	$25± psf of site area
Brandon Gill	CB Richard Ellis	(213) 613-3754	$30± psf of site area
Jack Cline	Lee & Associates	(323) 767-2025	$25± to $30± psf of site area

Based on the knowledgeable brokers and market participants interviewed, the general consensus was that an appropriate market value for the subject site would fall into the range of approximately $25± psf to $30± psf of site area.

Therefore, based on the preceding data and discussion, together with our best judgment and experience, we estimate the Market Value of the subject property, utilizing the Sales Comparison Approach as of the stated date of valuation is **$12,000,000 (rounded)**.

INCOME APPROACH

Fundamentally, the Income Approach derives a value estimate based on the expectation of future benefits. The benefits being measured commonly take the form of an annuity (such as an annual net cash flow), and a reversion or sales proceed to be redeemed at the end of the projected holding period. This approach to value offers two primary methods of analysis: Direct Capitalization, and the use of a Discounted Cash Flow model.

As previously noted, the Income Approach was not utilized due to the fact that our Highest and Best Use analysis concluded that the existing improvements do not represent the Highest and Best Use of the property, as the site is worth more vacant than as improved. Our valuation analysis therefore considers the property as a vacant site that is available for development to its Highest and Best Use. For the purposes of this analysis, the subject is considered to be an effectively vacant land site. Therefore, no Income Approach is performed in this appraisal since the Income Approach is not considered applicable to the valuation of vacant land.

RECONCILIATION AND ESTIMATE OF FEE SIMPLE MARKET VALUE

The approaches considered in our analysis of the Fee Simple Market Value of the subject property indicated the following values:

COST APPROACH:	**Not Applicable**
SALES COMPARISON APPROACH:	**$12,000,000**
INCOME APPROACH:	**Not Applicable**

Since the subject property consists of an effectively vacant land site, only the Sales Comparison Approach is considered relevant with respect to estimating the Fee Simple value of the subject property. The Cost Approach and Income Approach are not considered applicable in the valuation of vacant land. The Sales Comparison Approach is a strong indicator of value when there are a significant number of sale properties that are similar to the subject in physical, functional, and locational characteristics. The sales that were considered in this approach reflected properties with many qualities similar to the subject. Given the nature of the subject property, and current market practice, exclusive consideration is given to the Sales Comparison Approach.

Therefore, based on the data and analysis above, we estimate the **Market Value** of the **Fee Simple Interest** in the subject property as of the date of valuation, April 10, 2012, is:

TWELVE MILLION DOLLARS

$12,000,000

The Fee Simple value conclusion will serve as the basis for our analysis of the Leased Fee Interest in the subject property, which is presented on the following pages.

ANALYSIS OF "AS IS" LEASED FEE INTEREST

As noted previously, the existing subject improvements do not represent the Highest and Best Use of the property, as the site is worth more vacant than as improved. The existing use appears to be an interim use. In order to estimate the value of the subject property, as leased as of the effective date of value, we have undertaken an analysis of the current terms of the existing lease impacting the subject property. We have then discounted the benefits associated with the lease (rent and reversion value) into a present value estimate.

As noted previously, the existing tenant at the subject property, Angelus Sanitary Can Machine Company (the former property owner) currently occupies 52% of the subject property with the remaining space vacant. The current contract rental rate is $42,968 per month ($0.30 psf) on a Triple Net (NNN) basis with no scheduled increases and a lease expiration date of July 8, 2013 (7 months remaining). The tenant reportedly plans to vacate upon expiration of their lease term.

Please see Reconstructed Rent Roll below.

RECONSTRUCTED RENT ROLL

Property Address: 4850-5050 Pacific Boulevard
Vernon, California 90058

Tenant	Occupied Area (SF)	Vacant Area (SF)	Percentage Of Total Area	Start Date	End Date	Lease Type	Remaining Months	Contract Monthly Rent	Contract Rent $/PSF/Mo
Angelus Sanitary Can Machine Co.	143,225	0	52.1%	7/9/2010	7/8/2013	NNN	7	$42,968.00	$0.30
VACANT	0	131,582	47.9%	---	---	---	0	$0.00	$0.00

CURRENT OCCUPANCY		
Occupied	143,225	52.1%
Vacant	131,582	47.9%
Total	274,807	100.0%

Valuation of a leased fee interest requires identifying, and then quantifying all of the rights associated with this type of estate; these are summarized below:

- The right to receive any rent (or other benefit) stipulated under the lease agreement;
- Reversionary rights associated with repossession at the termination of the lease.

The reversionary benefits at lease expiration based on the projected future value of the subject property as an effectively vacant land site.

As of the date of this appraisal analysis, there were 7 months remaining on the lease agreement. Therefore, in order to calculate a reversion value, we have first estimated the current market value of the property (land only). This was calculated in the Sales Comparison Approach to Value, as presented previously.

Reversion Value Estimate

In order to estimate the current market value of the subject property (site only), we have performed an analysis by using the Sales Comparison Approach. This value estimate will be used only to estimate the residual value of the reversionary interest in the subject site at the end of the lease term, 7 months in the future.

Therefore, based on our Fee Simple Sales Comparison Approach value conclusion (which was presented previously) we have applied a reversionary value of $12,000,000 when the Lease agreement expires on July 8, 2013.

Contract Rent

The current lease rate for the occupied space at the subject property is $42,968 per month ($0.30 psf) on a Triple Net (NNN) basis. The remaining space at the subject property is currently vacant and in fair overall condition with some roof leaks and a general lack of upkeep noted.

In projecting the rental income over the duration of the lease agreement, we have utilized the terms provided for in the current lease agreement, and have assumed the tenant will vacate upon the expiration of the lease term. Thus, as of the effective date of this analysis, there are 7 months remaining.

In order to determine the current market value of the Leased Fee Interest of the subject property, we have discounted the contract rental payments per lease agreement. These benefits include the right to receive rent during the term of the lease, and the value of the reversion at the termination of the lease (which was previously determined).

A key component in the discounting the future benefits of the lease agreement is to determine an appropriate discount rate. This is necessary because we are calculating the present value of the estimated future benefits. The projected income must be discounted due to the premise that a dollar today is worth more than a dollar in the future.

The choice of a discount rate is influenced by markets for capital, opportunity costs of capital, risk and perceptions of risk, uncertainty, inflation expectations, and differences in the rate of borrowing and lending, as well as other factors. For example, a risky Internet start-up with little in the way of a demonstrated track record would require a higher discount rate than a company with a long history of growth and profitability and more obvious future prospects.

Accordingly, the discount rate selected should represent the rate of return required by a prospective investor. This rate is typically greater than the prevailing cost of capital thus providing for an entrepreneurial profit to the investor. In choosing a discount rate, we have taken into consideration two key factors:

1. *The "safe" rate of return e.g. the rate of return on a U.S. Treasury note.* In this regard, we note that the US Treasury bond rates (as of December 16, 2011) were as follows:

BOND TYPE	BOND RATE
5-Year Bond	0.81%
10-Year Bond	1.85%
30-Year Bond	2.86%

In addition, we have considered:

2. *The risk associated with the investment.* In this regard, in addition to the above source, we have also referred to the PwC Real Estate Investor Survey (4th Quarter 2012) published by PricewaterhouseCoopers, LLC. This survey lists the required discount rates for a variety of investments, as indicated by a pool of investors.

Based on the survey, the required discount rates for a variety of product types are as follows:

PROPERTY TYPE	DISCOUNT RATE
National Regional Mall Market:	5.75% to 14.00%
National CBD Office Market:	5.25% to 12.00%
National Industrial Market:	5.75% to 13.00%
National Apartments Market:	5.25% to 14.00%

Source: PwC Real Estate Investor Survey 4th Quarter 2012

The survey tends to offer a disparate range of indicators since they are based upon national investor criteria and may not isolate local conditions and markets. In our opinion, the discount rate for a property such as the subject should be selected from the middle to lower end of the indicated range based on the following positive factors associated with the subject's current lease agreement:

Positive Factors

- The lease carries a relatively low risk of default based on the strength of the tenant.

Negative Factors

- No increases.
- Short term remaining on the lease.

Based on our analysis, if the subject lease agreement were at market rate, a discount rate falling within the range of approximately 9.00% to 11.00% would be considered appropriate for the subject property. Taking all relevant factors into consideration, it is our opinion that a discount rate of approximately **10.00%** is appropriate for discounting the periodic benefits and reversion value. The selection of this rate considers the risk characteristics of the subject lease, in comparison to other types of real estate.

On the following page is a summary of our Discounted Cash Flow Analysis.

DISCOUNTED CASH FLOW ANALYSIS

Assumptions

Discount Rate	10.00%
Reversion	
Current Fee Value (Land)	$12,000,000
Value Growth Rate	0.00%
Term (years)	0.58
Future Value Factor (Land)	1.0000
Estimated Reversion	$12,000,000

Yr	Base Rent	PV Factor	Present Value
1	$300,776	0.96107	$289,070
	$12,000,000	0.96107	$11,532,790

Ground Rent PV	$11,821,860
Rounded	$11,800,000

Conclusion of Leased Fee Value

Discounting the projected lease payments and estimated reversion value results in a rounded present value of **$11,800,000 (rounded)**.

Therefore, based on the data and analysis presented previously, we estimate the **"As Is" Market Value** of the **Leased Fee Interest** in the subject property, as of the date of valuation, November 20, 2012, is:

ELEVEN MILLION EIGHT HUNDRED THOUSAND DOLLARS

$11,800,000

The preceding analyses and conclusions are subject to the Scope of Work described herein and the General Assumptions and Limiting Conditions, which are contained in the addendum of this report. Special attention should be given to Special Limiting Conditions #1 and #2, which are restated below:

Special Limiting Condition #1: *We note that the subject property is improved with a heavy industrial project and there some potential that some environment contamination issues are present on the subject site. We are not aware of any environmental contamination impacting the subject site. We remind the user of this report, however, that the appraisers are not qualified to detect such substances, and it is an explicit assumption of our analysis that the subject is a "clean site" with no contamination or toxicity. We recommend that any interested party consult with an expert in the field of environmental hazards in order to determine whether environmental contamination problems exist on the subject site. If such a study is performed, and environmental contamination problems are found to exist on the subject site, then we reserve the right to revise our analysis and conclusions of value.*

Special Limiting Condition #2: *Substantial volatility in the capital markets has increased uncertainty in the real property marketplace. It is difficult to predict what may happen in the capital markets going forward. As a result, it is difficult to predict what may happen to real property values over time. Our valuation of the subject property considered the best information that was available at the time of our analysis. Due to on-going volatility in the marketplace, users of this appraisal should consider the current market uncertainty when determining the level of confidence they choose to place on these analyses and conclusions. Users are reminded that the appraisal conclusions in this report are effective as of the stated date of valuation.*

EXPOSURE TIME ESTIMATION

Exposure Time[9]

> *"1. The time a property remains on the market.*
> *2. The estimated length of time the property interest being appraised would have to have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market."*

Below is a table showing the exposure time for each of the comparable sales data reported previously in the Sales Comparison Approach of the Market Value analysis. The sales report a range of exposure times from 4 month to 26 months.

Summary of Exposure Times for Comparable Sales		
Comp #	**Address**	**Exposure Time**
1	4900 S. Soto Street, Vernon	26 Months
2	4700-4719 S. Boyle Street, Vernon	10 Months
3	2651 E. 45th Street, Vernon	N/A
4	4051 S. Alameda Street, Los Angeles	23 Months
5	5400 Alcoa Avenue, Vernon	7 Months
6	2001 E. 57th Street, Vernon	4 Months

In addition, we inquired with several knowledgeable local brokers about the most probable exposure time required to sell the subject property. The surveyed brokers gave a fairly consistent response of six to twelve months. Based on our survey, and assuming that any future sale of the subject property would be based on terms of sale prevalent in the subject market, as well as a realistic list price that was sensitive to existing market conditions, we estimate that a reasonable exposure time assumption for the subject property is six to twelve months.

[9] The Dictionary of Real Estate Appraisal, Fifth Edition, page 73.

CERTIFICATION

We certify that to the best of our knowledge and belief:

The statements of fact contained in this report are true and correct.

The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.

We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.

We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

Our analyses, opinions, and conclusions were developed, and this report has been prepared in accordance with the standards and reporting requirements of the Uniform Standards of Professional Appraisal Practice and in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.

David M. Rosenthal has completed the requirements of continuing education for the Appraisal Institute.

Thomas E. Curtis has made an inspection of the property that is the subject of this report. David M. Rosenthal has not made an inspection of the property that is the subject of this report.

Thomas E. Curtis has performed the selection of comparable properties, collection and verification of data, and preliminary analysis. David M. Rosenthal has reviewed and approved the final selection of comparable properties, and the final analysis and conclusion of value.

No one else has provided any significant professional assistance to the persons signing this report.

Disclosure of the contents of this appraisal report is governed by the Bylaws and Regulations of the Appraisal Institute. In furtherance of the aims of the Institute to Members, we may be required to submit to authorized committees of said Institute, copies of this report and any subsequent changes or modifications thereof.

This appraisal assignment was not based on a requested minimum value, a specific valuation, or the approval of a loan.

We have not provided any services regarding the subject property within the prior three years, as an appraiser or in any other capacity.

Respectfully submitted,

CURTIS-ROSENTHAL, INC.

Thomas E. Curtis, CGREA
CA AG#015747

David M. Rosenthal, MAI, FRICS
CA AG#001641

ADDENDA

DEFINITIONS

GENERAL ASSUMPTIONS AND LIMITING CONDITONS

APPRAISAL REPORT TYPE

APPRAISER QUALIFICATIONS

PARTIAL LIST OF CLIENTS

LEGAL DESCRIPTION

PHOTOGRAPHS OF SUBJECT PROPERTY

PLAT MAPS OF COMPARABLE LAND SALES

DEFINITIONS[10]

"The following definition of **Market Value** is used by agencies that regulate federally insured financial institutions in the United States:

> The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.
>
> Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
>
> a. buyer and seller are typically motivated;
>
> b. both parties are well-informed or well-advised, and acting in what they consider their best interests;
>
> c. a reasonable time is allowed for exposure in the open market;
>
> d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
>
> e. the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
>
> 12 C.F.R. Part 34.42(g): 55 *Federal Register* 3496, August 24, 1990, as amended at 57 *Federal Register* 12202, April 9, 1992; 59 *Federal Register* 29499, June 7, 1994)"

Fee Simple Estate – "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Leased Fee Estate – "A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease)."

Market Rent - "The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs)."

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[10] All definitions are from The Dictionary of Real Estate Appraisal, 5th Edition, published by the Appraisal Institute, 2010

GENERAL ASSUMPTIONS & LIMITING CONDITIONS

This appraisal report has been made with the following **general assumptions:**

1) No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

2) The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

3) Responsible ownership and competent property management are assumed.

4) The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.

5) All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.

6) It is assumed that there are no hidden or apparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

7) It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.

8) It is assumed that there is compliance with all applicable zoning and use regulations and restrictions, unless nonconformity has been stated, defined, and considered in the appraisal report.

9) It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

10) It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

This appraisal report has been made with the following **general limiting conditions**:

1) The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal, and are invalid if so used.

2) Possession of this report, or a copy thereof, does not carry with it the right of publication.

3) The appraisers, by reason of this appraisal, are not required to give further consultation, testimony, or be in attendance in court with reference to the property in question, unless arrangements have been previously made.

4) Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or the firm with which the appraisers are connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.

5) Any value estimates provided in the report apply to the entire property, and any pro-ration or division of the total into fractional interests will invalidate the value estimate, unless such pro-ration or division of interests has been set forth in the report.

6) The appraisers assume that the reader or user of this report has been provided with copies of available building plans and all leases and amendments, if any, encumbering the property.

7) No survey was furnished so the appraisers relied on the assessor's plat map to ascertain the physical dimensions and acreage of the subject property. Should a survey prove these characteristics inaccurate, it may be necessary for this appraisal to be adjusted.

8) The forecasts, projections, or operating estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes in future conditions.

9) Complete building plans and specifications were not available for use in the preparation of this appraisal. The analysis, therefore, is subject to review of the final plans and specifications when available.

10) Any proposed improvements are assumed to have been completed unless otherwise stipulated. Any construction is assumed to conform to the building plans referenced in the report.

11) Since earthquakes are not uncommon in the area, no responsibility is assumed due to their possible effect on individual properties, unless detailed geologic reports are made available.

12) No termite inspection report was available. The appraisers personally inspected the subject property and found no significant evidence of termite damage or infestation. No guarantee that none exists, however, should be construed.

13) No consideration has been given in this appraisal as to the value of the property considered by the appraisers to be personal, located on the premises, or the cost of moving/relocating such personal property. Only the real estate has been considered.

14) In this appraisal assignment, the existence of potentially hazardous materials used in the construction or maintenance of the building, such as the presence of asbestos or urea formaldehyde foam insulation, and/or the existence of toxic waste, which may or may not be present on the property, has not been considered. The appraisers not qualified to detect such substances. We urge the client to retain an expert in the field, if desired.

15) Unless otherwise stated, no responsibility is assumed for any damages sustained in connection with actual or potential deficiencies or hazards such as, but not limited to, inadequacies or defects in the structure, design, mechanical equipment or utility services associated with the improvements, air or water pollution, lead paint, noise, flooding, storms or wind, traffic and other neighborhood hazards, radon gas, asbestos, natural or artificial radiation, or hazardous materials or toxic substances of any description, whether on or off the property appraised. The appraisers are not qualified to detect hazardous waste or materials on, in or under the land or the improvements. Such a determination requires the investigation of a qualified expert in hazardous materials and assessment. In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of the building, such as the presence of asbestos or urea formaldehyde foam insulation, and/or existence of toxic waste, which may or may not be present on the property, has not been considered. The appraisers are not qualified to detect such substances. We urge the client to retain an expert in this field, if desired.

16) The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the subject property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to-cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subject's physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to cure any deficiencies would be needed for the Department of Justice to determine compliance.

17) The appraisers made no engineering survey of the subject property. Except as specifically stated, data relative to size and area has been taken from sources considered reliable, but no guarantee of accuracy is expressed or implied. Interested parties should retain a surveyor or other qualified professional for exact measurements of the subject property.

18) No recent historical operating statements for the subject property were provided for our review. Therefore, for the purposes of this analysis, the projected operating expenses for the subject property are based on the expense characteristics of office building properties similar to the subject property. We assume that the expenses estimated in our Pro Forma operating expense statement are representative of actual expenses that the subject will incur. If any future data reveals that our operating expense estimates differ greatly from the actual operating expenses for the subject, then we reserve the right to revise our analyses and conclusions.

Nondiscrimination Statement: The Appraisal shall be completed without regard to race, color, religion, national origin, sex, marital status or any other prohibited basis, and will not contain references which could be regarded as discriminatory.

SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS

*The applicability of any **Special Assumptions, Special Limiting Conditions, Extraordinary Assumptions** or **Hypothetical Conditions** is addressed in the **Scope of Work** section of this report.*

APPRAISAL REPORT TYPE

The Uniform Standards of Professional Appraisal Practice describe three types of appraisal reports:

1. A **"Self-Contained"** report fully describes all relevant aspects of the work undertaken and the property that is the subject of the report, with a comprehensive level of detail.

2. A **"Summary"** report provides a less detailed, yet concise, presentation of the relevant aspects of the work undertaken.

3. A **"Restricted Use"** report states only essential material with a minimal presentation of information.

Our appraisal report is a **Summary Report**, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice.

Professional Qualifications of THOMAS E. CURTIS, CGREA

EDUCATION

Bachelor of Arts Degree, 1983
Loyola Marymount University, Los Angeles, California
Major in Business Administration - concentration in Finance

PROFESSIONAL DESIGNATIONS

State of California, Office of Real Estate Appraisers
Certified General Real Estate Appraiser (#AG015747)

State of Arizona, Board of Appraisal
Certified General Real Estate Appraiser (#31493)

State of Nevada Department of Business and Industry, Real Estate Division
Certified General Real Estate Appraiser (#A.0206257-CG)

Appraisal Institute
Past Member – Board of Directors (Southern California Chapter)

EXPERIENCE

CURTIS - ROSENTHAL, Inc., 1992 to date - Senior Real Estate Appraiser/Team Leader
Independent appraisal and consulting firm. Perform field appraisals and review appraisals, management and training of staff appraisers. Properties appraised include: residential, apartments, commercial, industrial, special purpose, vacant land and proposed construction.

The Dockins Company, Inc., 1988-1992 - Real Estate Appraiser

Alan Fradkin and Associates, 1987-1988 - Real Estate Appraiser

EXPERT WITNESS

Accepted as an expert witness in Los Angeles County Superior Court

APPRAISAL CLASSES AND SEMINARS COMPLETED

CLASSES

Appraisal Institute
* 7-Hour National USPAP Update
* Business Practices and Ethics
* Condemnation Appraising
* Report Writing and Valuation Analysis
* Advanced Sales Comparison and Cost Approaches
* Highest & Best Use and Market Analysis
* Standards of Professional Practice
* Advance Income Capitalization
* Residential Valuation
* Basic Valuation Procedures

Santa Monica College
* Principles of Real Estate
* Real Estate Appraisal I
* Real Estate Appraisal II

SEMINARS

Appraisal Institute
* Special Appraisal Issues
* USPAP Update
* OREA State Laws and Regulations
* Appraising Land in Southern California
* Appraising Apartments
* Subdivision Valuation
* Analyzing Operating Expenses

Professional Qualifications of DAVID M. ROSENTHAL, MAI, FRICS

PROFESSIONAL DESIGNATIONS

Appraisal Institute
MAI Member, Appraisal Institute (MAI #8024)
Member of the Regional Ethics & Counseling Panel, 1994-1997, 2000-2003

Royal Institution of Chartered Surveyors
Fellow of the Royal Institution of Chartered Surveyors, (FRICS #1291058)

State of California, Office of Real Estate Appraisers
Certified General Real Estate Appraiser (#AG001641)

EDUCATION

Master of Management Degree (MBA), 1980
J.L. Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois - Concentrations in Finance and Accounting

Bachelor of Science Degree, 1978
University of Florida, Gainesville, Florida
Major in Business Administration - concentration in Finance

EXPERIENCE

CURTIS - ROSENTHAL, Inc., 1983 to present – President & CEO
Founding principal of regional commercial real estate appraisal and consulting firm. Perform field appraisals and review appraisals for: Commercial Mortgage Lenders (CMBS, Life Insurance Companies, Banks, Pension Funds), Public Agencies (City Governments, Redevelopment Agencies, Transit Agencies), Law Firms (Real Estate Litigation, Estate Planning, Lease Negotiation), Corporations (Valuation for Financial Reporting), and Accounting Firms. Properties appraised include: retail, office, industrial, apartments, condominiums, mixed-use, special purpose, and vacant land. Areas of experience include southern and northern California, Arizona and Nevada.

Security Pacific National Bank, 1981-1982 - Corporate Loan Officer
Responsible for portfolio of loans consisting primarily of real estate companies. Projects financed included construction and renovation of income properties and development of new residential tracts.

EXPERT WITNESS

Accepted as an expert witness in the following courts:
Federal Bankruptcy Court - California Central District
Superior Court - Los Angeles County, and Orange County
Municipal Court - Orange County

INSTRUCTOR

University of California at Los Angeles, 1988
UCLA Extension, Financial Institutions Management Program - Guest Lecturer

Loyola Marymount University, 1987 - 2011
College of Business Administration, Finance Department - Guest Lecturer

PROFESSIONAL AFFILIATIONS

California Bankers Association
California Mortgage Bankers Association (CMBA), Affiliate Member
- Organizing Committee for Commercial Real Estate Finance Conference, 2003 – 2009
- Organizing Committee for Deal Makers Forum, 2003, 2005, 2007

Entrepreneurs Organization (EO, formerly YEO/WEO)
Los Angeles Mortgage Association (LAMA), Co-Founder, Co-Chair 2000 – present
Southern California Real Estate Alliance (SCREA), Co-Chair 1995-1996, 2003
International Council of Shopping Centers (ICSC)
Western Real Estate Business Magazine, Editorial Advisory Board
Western Independent Bankers

SPEAKING ENGAGEMENTS

Appraisal Institute
- Western Regional Conference, Seminar Moderator 1996-1999
- SF Bay Area Fall Conference, Seminar Moderator 1998
- LA Westside Group, Speaker April 2004

California Bankers Association
- Chief Credit Officers Symposium, Speaker 2008
- Annual Conference, Speaker 2009

California Mortgage Bankers Association
- Commercial Real Estate Finance Conference, Seminar Moderator 2003-2009
- Deal Makers Conference, Seminar Moderator 2003, 2007; Seminar Panelist 2005

California CPA Education Foundation
- Seminar Speaker 1998

Crittenden National Conference
- Seminar Panelist 2009

Institute of Management Accountants
- Seminar Speaker 1997

International Right of Way Association, IRWA/AI Joint Conference
- Seminar Moderator 2002

National Council of Real Estate Investment Fiduciaries (NCREIF), National Conference
- Seminar Moderator 2005

Southern California Developers Forum
- Seminar Panelist 2004

Western Independent Bankers
- Troubled Asset Forum Speaker 2009

PUBLICATIONS

California Real Estate Journal
- "Telling the Story – A Solutions Approach to Appraisal", September 2003

Real Estate News Television (RENTV.com)
- "Economic Update", Regular Column 2002 to present

Real Estate Southern California
- "When Will Things Get Better?", September 2008
- "What Happened to CMBS?", September 2007
- "The ABC's of CDO's", September 2006
- "The CMBS Market Comes of Age", March 2006
- "Real Estate Cycles – A Long Term Perspective", September 2005
- "Invest in Your Relationships", September 2004

Western Real Estate Business
- "Orange County Industrial Market Update, Q1 2006", April 2006

PARTIAL LIST OF CLIENTS SERVED

COMMERCIAL BANKS

Americas United Bank
Banco Popular
Bank of America
Bank of Manhattan
Bank of Hemet
Bank of the West
Bank One Arizona
Beach Business Bank
Builders Bank
California Business Bank
Capital One Bank
Cathay Bank
Centennial Bank
Citigroup
City National Bank
Eastern International Bank
EverTrust Bank
Farmers & Merchants Bank
FDIC
First Commerce Bank
First Foundation Bank
First National Bank of Northern California
Greater Bay Bancorp
Hanmi Bank
JP Morgan Chase Bank
Key Bank
Korea Exchange Bank
LaJolla Bank
Macquarie Bank
Marshall & Isley Bank
Mellon First Business Bank
Mercantile National Bank
MidFirst Bank
NARA Bank
Northern Trust Bank
Pacific Capital Bank
Pacific Commerce Bank
Pacific Mercantile Bank
Pacific Premier Bank
Pacific Western Bank
Philippine National Bank
Provident Bank
Royal Business Bank
Silvergate Bank
Sunwest Bank
US Bancorp
Wedbush Bank
Wells Fargo Bank
Wilshire State Bank
Zions Bank

CREDIT UNIONS

Altura Credit Union
Business Partners, LLC
California Coast Credit Union
California Credit Union
Orange County's Credit Union
Premier America Credit Union
Telesis Community Credit Union

INSURANCE COMPANIES

AEGON USA
Allianz Life Insurance Company
Allstate Investments, LLC
American Equity Investment Life Insurance Co.
American National Insurance Company
American United Life Insurance Company
Chubb Group of Insurance Companies
Columbian Mutual Life Insurance Company
Genworth Financial
Golden State Mutual Life
Great West Life Insurance Company
Hartford Insurance Company
Home Life Insurance Company
IDS Life Insurance Company
ING Life Insurance Company
John Hancock Real Estate Finance
Kansas City Life Insurance Company
Lafayette Life Insurance Company
MetLife Capital Financial Corporation
Principal Global Investors
Protective Life Insurance Company
Prudential Mortgage Capital
Riversource
Southern Farm Bureau Life Insurance
Stancorp Mortgage Investors, LLC
State Farm Insurance Company
Sun Life Insurance Company
SunAmerica Insurance Company
Symetra Financial
Thrivent Financial for Lutherans
Union Central Life Insurance Company
Union Labor Life Insurance Company
United Olympic Life Insurance Company

CURTIS-ROSENTHAL, INC.
REAL ESTATE APPRAISAL & CONSULTING

PARTIAL LIST OF CLIENTS SERVED

COMMERCIAL MORTGAGE BANKERS/ BROKERS

Alison Mortgage Company
Amherst Real Estate Capital
Arroyo and Coates Financial Group
Balboa Financial
Barry S. Slatt Mortgage Company
Berkadia Commercial Mortgage
Bond Street Capital
Buchanan Street Partners
Burnham Capital Markets
Churchill Mortgage Corporation
Cohen Financial
Dwyer-Curlett, Inc.
George Elkins Mortgage Banking
George Smith Partners, Inc.
Highland Realty Capital, Inc.
Holiday Fenoglio Fowler, LP
iCap Realty Advisors
Johnson Capital
Koss Financial Corporation
LJ Melody Company
Love Funding Corporation
Marcus and Millichap Capital Corporation
Mason McDuffie Financial Corporation
Meridian Capital Group, Inc.
Newmark Realty Capital, Inc.
NorthMarq Capital, Inc.
Pacific Southwest Realty Services
Partners Realty Capital, LLC
Pathfinder Mortgage Corporation
Sunrise Mortgage & Investment Company
Terrix Financial Corporation

MULTI-FAMILY LENDERS

ABN/AMRO Apartment Lending
Ameriprise Financial
Amerisphere Multi-Family Finance
Arbor National Mortgage
Beech Street Capital
CW Capital
Deutsche Bank Mortgage Capital
Mark One Capital, Inc.
PNC/ARCS Commercial Mortgage
Prudential Huntoon Paige
Walker & Dunlop

PENSION FUNDS / ADVISORS

American Realty Advisors
CALPERS
California State Teachers Retirement System
Construction Laborers Pension Trust
Emerson International
Equitable Real Estate Investment Mgt., Inc.
Essex Property Trust
Guggenheim Trust Company, LLC
Heitman/JMB Institutional Realty Advisors
J.P. Morgan Investment Management
Lucent Asset Management Corp.
Olympic Realty Advisors
Principal Real Estate Investors Standard
Management Company

CMBS SPECIAL SERVICERS

Midland Loan Services
Helios AMC, LLC
Berkadia Commercial Mortgage
TriMont Real Estate Advisors

CMBS LENDERS

Barclays Capital Real Estate, Inc.
Bridger Commercial Funding
CIBC World Markets Corp.
Column Financial
Credit Suisse First Boston Corporation
CW Capital
Deustche Banc Mortgage Capital
JP Morgan Mortgage Capital
Key Commercial Mortgage
Morgan Stanley
Natixis Real Estate Capital, Inc.
Nomura Securities, Inc.
ORIX Capital Markets, LLC
RBS Greenwich Capital
UBS Securities, LLC

PARTIAL LIST OF CLIENTS SERVED

PUBLIC AGENCIES

California Housing Finance Association
Carson Redevelopment Agency
City of Inglewood
City of Los Angeles
City of Palos Verdes
City of Pasadena
City of San Louis Obispo, Housing Authority
City of San Mateo
City of Santa Monica
City of Whittier
Compton Unified School District
Consulate General of Poland
County of San Mateo
Inglewood Redevelopment Agency
Inglewood Unified School District
Los Angeles Community College District
Los Angeles Housing Department
Los Angeles Unified School District
Los Angeles World Airports (LAWA)
Metropolitan Transit Authority (MTA)
Mountains Recreation & Conservation Authority
Newport Harbor Nautical Museum
Oakland Community Housing, Inc.
Philippine Consulate
Rosamond Community Services District
San Fernando Valley Economic Development Corp.
Santa Monica College
Santa Monica-Malibu Unified School District
Simi Valley Unified School District
The Port of Long Beach
The Port of Los Angeles
US Postal Service

CORPORATIONS

Alta Hospital System
ATT Wireless Services, Inc.
Best California Gas Co.
Bridgestone Retail Operations
Brotman Hospital
California Sports, Inc.
Chevron Oil Company
Getty Oil Company
Los Angeles Orthopedic Hospital Foundation
Mercury Air Cargo, Inc.
Mobil Oil Corporation
Neiman-Marcus Group, Inc.
Pandemic Studios
Rite Aid Corporation
Safeway Corporation
Salvation Army
Santa Monica Home Owners Corporation
Thrifty Oil Company
Wal-Mart Stores, Inc.
Whirlpool Financial Corporation

DEVELOPERS

Athena Group, LLC
California Landmark Development
Catellus Development Corporation
Champion Real Estate Services
Cloverfield Group
Combined Properties
Daiwa House Corporation
First City
Goldrich and Kest Industries
Haseko, Inc.
HB Drollinger Company
Held Properties, Inc.
Koar Development Group, LLC
O&S Holdings
Regency Centers
Roberts Companies
Soboroff Partners
Trammel Crowe

PARTIAL LIST OF CLIENTS SERVED

ATTORNEYS

Allen Matkins Leck Gamble Mallory & Natsis
Arter & Hadden
Bird, Marella
Booth, Mitchel & Strange, LLP
Brownstein, Hyatt, Farber, Schreck, LLP
Bryan Cave
Burhenn & Gest, LLP
Cadden & Fuller, LLP
Charlston, Revich, & Williams
Chrystie and Berle
Coudert Brothers, LLP
Cox, Castle, & Nicholson
DeCastrow, West, Chodorow, Glickfield & Nass
Engstrom, Lipscomb and Lack
Frandzel and Share
Gianelli and Morris
Gibson, Dunn and Crutcher, LLP
Goodson and Wachtel
Greenberg, Glusker, Fields, Claman and Machtinger
Greenberg Traurig
Haight, Brown, & Bonesteel
Hoffman, Saban and Watanmaker
Holt Ney Zatcoff & Wasserman, LLP
Inman, Weisz, & Steinberg
Jeffer, Mangels, Butler, & Marmaro
K&L Gates, LLP
Kane, Ballmer & Berkman
Katten, Muchin, Zavis and Weitzman
King, Holmes, Paterno & Berliner, LLP
Levin & Seligman
Levinson & Lieberman
Loeb and Loeb
Manatt, Phelps, Phillips, & Kanter
Luce, Forward, Hamilton & Scripps LLP
Manatt, Phelps & Phillips, LLP
Marlin and Saltzman
McDermott, Will & Emery
McGuire Woods
McNicholas & McNicholas, LLP
Mindlin and Tigerman
Mitchell, Silberberg, & Knupp
Morris, Polich and Purdy, LLP
Munger, Tolles, & Olson
Murchison & Cumming
Musick, Peeler & Garrett, LLP
Nixon Peabody, LLP
O'Melvany and Meyers
Orbach, Huff & Suarez, LLP
Pillsbury, Madison, and Sutro
Pircher, Nichols, and Meeks
Resch, Polster, Alpert and Berger
Robinson, Diamant, & Brill
Rodi, Pollock, Pettker, Christian & Pramov
Rucker and Clarkson
Shapiro, Poesell, & Close
Shiotani & Inouye
Sidley and Austin
Smith and Hilbig
Thomashow, Brown and Paiallii, LLP
Tilem and Gole
Troy and Gould
Weinstock, Manion, Reisman, Shore & Neum
White & Case
Wolf, Rifkin, Shapiro & Shulman
Youngerman and McNutt, LLP

LEGAL DESRIPTION

PARCEL A:

PARCEL 1:

THE NORTHERLY 60 FEET OF LOTS 12, 13, 14, 15 AND 16 AND THE EASTERLY HALF OF THE NORTHERLY 60 FEET OF THE ALLEY RUNNING NORTH AND SOUTH, NOW VACATED IN BLOCK 29, OF HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 6 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ALSO THAT PORTION OF 51ST STREET, NOW VACATED, LYING EAST OF PACIFIC BOULEVARD AND LYING BETWEEN BLOCKS 29 AND 30 OF SAID HUNTINGTON PARK EXTENSION NO. 2.

EXCEPT THE SOUTH HALF OF THE WEST 147.50 FEET OF SAID PORTION OF 51ST STREET.

ALSO EXCEPT THAT PORTION OF LOT 12, BLOCK 29, AND OF SAID VACATED STREET INCLUDED IN THE 17 FOOT STRIP CONVEYED TO THE ATCHISON TOPEKA AND SANTA FE RAILWAY COMPANY BY DEED RECORDED IN BOOK 5956 PAGE 311 OF DEEDS.

PARCEL 2:

LOTS 5 AND 6, IN BLOCK 29, HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 6 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDEL OF SAID COUNTY.

ALSO THOSE PORTIONS OF THE SOUTH HALF OF 51ST STREET AND OF THE WEST HALF OF THE 15 FOOT ALLEY RUNNING NORTH AND SOUTH IN SAID BLOCK, NOW VACATED, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF SAID LOT 6; THENCE NORTH ALONG THE PROLONGATION OF THE WEST LINE OF SAID LOT 30 FEET TO THE CENTER LINE OF 51ST STREET, AS SHOWN ON SAID MAP; THENCE EAST ALONG SAID CENTER LINE 147.5 FEET TO A POINT IN THE NORTH PROLONGATION OF THE CENTER LINE OF SAID ALLEY; THENCE SOUTH ALONG SAID LAST MENTIONED CENTER LINE TO A POINT IN THE EAST PROLONGATION OF THE SOUTH LINE OF SAID LOTS; THENCE WEST 7.60 FEET TO THE SOUTHEAST CORNER OF SAID LOT 5; THENCE NORTH TO THE NORTHEAST CORNER OF SAID LOT 6; THENCE WEST 140 FEET TO THE BEGINNING.

PARCEL 3:

LOTS 1, 2, 7, 8, 9, 10, 11 AND THE SOUTH 55 FEET OF LOTS 12, 13, 14, 15, 16 AND ALSO THE ALLEY RUNNING EAST AND WEST NOW VACATED, ALSO THE SOUTH 100 FEET OF THE WEST ONE-HALF, AND THE SOUTH 200 FEET OF THE EAST ONE-HALF OF THE ALLEY RUNNING NORTH AND SOUTH NOW VACATED, ALL IN BLOCK 30 OF HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 6 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THOSE PORTIONS OF LOTS 11 AND 12, BLOCK 30, AND THE VACATED STREET AND ALLEY INCLUDED IN THE BOUNDARY OF THE 17 FOOT STRIP CONVEYED TO THE ATCHISON, TOPEKA AND SANTA FE RAILWAY CO., BY DEED RECORDED IN BOOK 5956 PAGE 311 OF DEEDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL B:

LOTS 3 AND 4 IN BLOCK 30 OF HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 6 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THE WEST HALF OF THE ADJOINING ALLEY, NOW VACATED, TITLE TO WHICH WOULD PASS WITH THE LEGAL CONVEYANCE OF SAID LOTS 3 AND 4.

PARCEL C:

LOTS 5 AND 6 AND THE NORTH 75 FEET OF LOTS 12, 13, 14, 15 AND 16, ALL IN BLOCK 30 OF HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 6 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ALSO THE NORTHERLY 75 FEET OF THE NORTH AND SOUTH ALLEY NOW VACATED, IN SAID BLOCK 30, AND ALSO THE SOUTHERLY 25 FEET OF 50TH STREET, LYING BETWEEN THE NORTH LINE OF SAID BLOCK 30 AND THE SOUTH LINE OF BLOCK 35 OF HUNTINGTON PARK EXTENSION NO. 2, NOW VACATED.

EXCEPT THE WEST 17 FEET OF THE EAST 18 FEET OF THE NORTHERLY 75 FEET OF SAID LOT 12, AS CONVEYED TO ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BY DEED RECORDED IN BOOK 5956 PAGE 311 OF DEEDS.

ALSO EXCEPT THE EAST 18 FEET OF THE SOUTHERLY 25 FEET OF SAID VACATED 50TH STREET.

PARCEL D:

LOTS 1 AND 2 OF TRACT NO. 11254, IN THE CITY OF VERNON, CO & ST IN BOOK 206 PAGE 17 OF MAPS.

PARCEL E:

PARCEL 1:

LOT 1 IN BLOCK 36 OF HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 6 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ALSO THAT PORTION OF THE WEST HALF OF THE 15 FOOT ALLEY RUNNING NORTH AND SOUTH IN SAID BLOCK NOW VACATED LYING EASTERLY AND ADJOINING SAID LOT 1.

PARCEL 2:

LOT 2, THE SOUTH 17 FEET OF LOT 3 AND THE SOUTH 117 FEET OF LOTS 7, 8, 9, 10 AND 11 IN BLOCK 36 OF HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 6 OF SAID MAP RECORDS.

ALSO THAT PORTION OF THE WEST HALF OF THE 15 FOOT ALLEY RUNNING NORTH AND SOUTH IN SAID BLOCK NOW VACATED, LYING EASTERLY OF AND ADJOINING SAID LOT 2, AND THE SOUTH 17 FEET OF LOT 3, AND THAT PORTION OF THE EAST ONE HALF OF SAID ALLEY LYING WEST OF AND ADJOINING THE SOUTH 117 FEET OF SAID LOT 7.

EXCEPTING FROM THE ABOVE DESCRIBED PORTION OF SAID LOT 11, THE WESTERLY 17 FEET OF THE EASTERLY 18 FEET THEREOF, AS CONVEYED TO THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BY DEED RECORDED IN BOOK 5956 PAGE 311 OF DEEDS.

PARCEL 3:

AN EASEMENT FOR RAILROAD SPUR TRACK PURPOSES OVER THOSE PORTION OF LOTS 11 AND 12 IN BLOCK 36 AND OF THE 15 FOOT ALLEY RUNNING EAST AND WEST IN SAID BLOCK, NOW VACATED, DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE NORTH LINE OF THE SOUTH 117 FEET OF SAID LOT 11 WITH A LINE PARALLEL WITH AND DISTANT WESTERLY 18 FEET, MEASURED AT RIGHT ANGLES FROM THE EAST LINE OF SAID LOT 11, THENCE

NORTHERLY PARALLEL WITH THE EAST LINE OF SAID BLOCK, 80 FEET, THENCE SOUTHWESTERLY IN A DIRECT LINE, TO A POINT ON THE NORTH LINE OF THE SOUTH 117 FEET OF SAID LOT 11, DISTANT WEST 850 FEET FROM THE POINT OF BEGINNING, THENCE EAST 8.50 FEET TO THE POINT OF BEGINNING.

PARCEL 4:

ALL THAT PORTION OF 49TH STREET AS SHOWN ON THE MAP OF HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11, PAGE 6, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY VACATED BY RESOLUTION NO. 2835, A COPY OF WHICH RECORDED JUNE 10, 1966 AS INSTRUMENT NO. 3467, OF OFFICIAL RECORDS.

PARCEL F:

PARCEL 1:

LOT 4, THE NORTHERLY 33 FEET OF LOT 3, THE NORTHERLY 13 FEET OF LOTS 7 TO 11, INCLUSIVE, THE SOUTHERLY 83 FEET OF LOTS 12 TO 16, INCLUSIVE, IN BLOCK 36 OF THE HUNTINGTON PARK EXTENSION NO. 2, IN THE CITY OF VERNON, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 6 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER, ALSO THE 15 FOOT ALLEY, NOW VACATED, EXTENDING EAST AND WEST IN SAID BLOCK AND THE EASTERLY HALF OF THE 15 FOOT ALLEY, NOW VACATED, EXTENDING NORTH AND SOUTH IN SAID BLOCK, LYING WEST OF AND ADJOINING THE NORTHERLY 13 FEET OF LOT 7 AND THE SOUTH 83 FEET OF LOT 16 AND ADJOINING THE 15 FOOT ALLEY FIRST ABOVE MENTIONED IN SAID BLOCK;

ALSO THAT PORTION OF THE WEST HALF OF SAID LAST MENTIONED ALLEY LYING EAST OF AND ADJOINING LOT 4 AND THE NORTHERLY 33 FEET OF LOT 3.

EXCEPTING FROM THE ABOVE DESCRIBED PORTION OF LOTS 11 AND 12 AND FROM THE 15 FOOT ALLEY, NOW VACATED, EXTENDING EAST AND WEST IN SAID BLOCK, THE WEST 17 FEET OF THE EAST 18 FEET THEREOF, AS DESCRIBED IN DEED TO THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, RECORDED IN BOOK 5956 PAGE 311 OF DEEDS, RECORDS OF SAID COUNTY.

PARCEL 2:

THE SOUTHERLY 45 FEET OF LOT 5 IN SAID BLOCK 36 OF SAID HUNTINGTON PARK EXTENSION NO. 2, IN SAID CITY, COUNTY AND STATE;

ALSO THAT PORTION OF THE WEST HALF OF THE 15 FOOT ALLEY, NOW VACATED, EXTENDING NORTH AND SOUTH IN SAID BLOCK, LYING EASTERLY AND ADJOINING THE SOUTHERLY 45 FEET OF SAID LOTS.

PARCEL 3:

THE SOUTHERLY 17 FEET OF THE NORTHERLY 47 FEET OF LOTS 12 TO 16, INCLUSIVE, AND THE EASTERLY HALF OF THE SOUTHERLY 17 FEET OF THE NORTHERLY 47 FEET OF THE ALLEY ADJOINING SAID LOT 16 ON THE WEST, EXTENDING NORTH AND SOUTH, NOW VACATED, IN SAID BLOCK 36 OF SAID HUNTINGTON PARK EXTENSION NO. 2, IN SAID CITY, COUNTY AND STATE.

EXCEPTING FROM THE ABOVE DESCRIBED PORTION OF SAID LOT 12, THE WESTERLY 17 FEET OF THE EASTERLY 18 FEET THEREOF, AS CONVEYED TO THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, AS PER DEED RECORDED IN BOOK 5956 PAGE 311 OF DEEDS.

PARCEL 4:

A RIGHT OF WAY FOR RAILROAD TRACK PURPOSES OVER THOSE PORTIONS OF LOT 12 IN SAID BLOCK 36 AND FORTY-EIGHT STREET, VACATED, NOW LEONIS BOULEVARD, ADJOINING SAID LOT 12 ON THE NORTH, OF SAID HUNTINGTON PARK EXTENSION NO. 2, IN SAID CITY, COUNTY AND STATE, DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE SOUTHERLY LINE OF THE NORTHERLY 30 FEET OF SAID LOT 12 WITH A LINE PARALLEL WITH AND DISTANT WESTERLY 18 FEET, MEASURED AT RIGHT ANGLES TO THE EASTERLY LINE OF SAID LOT 12; THENCE NORTHERLY PARALLEL WITH THE EASTERLY LINE OF SAID LOT 12, 60 FEET; THENCE WESTERLY PARALLEL WITH THE NORTHERLY LINE OF SAID LOT 12, 8.5 FEET; THENCE SOUTHWESTERLY IN A DIRECT LINE TO A POINT IN A LINE PARALLEL WITH AND DISTANT SOUTHERLY 30 FEET FROM AND MEASURED AT RIGHT ANGLES TO THE NORTHERLY LINE OF SAID LOT 12, DISTANT THEREON WESTERLY 17 FEET FROM THE POINT OF BEGINNING; THENCE EASTERLY ALONG SAID PARALLEL LINE 17 FEET TO THE POINT OF BEGINNING.

PARCEL 5:

A RIGHT OF WAY FOR RAILROAD SPUR TRACK PURPOSES OVER THE PORTION OF LOT 11 IN BLOCK 41 AND THAT PORTION OF FORTY EIGHTH STREET, VACATED, NOW LEONIS BOULEVARD, ADJOINING SAID LOT 11 ON THE SOUTH OF SAID HUNTINGTON PARK EXTENSION NO. 2, IN SAID CITY, COUNTY AND STATE, DESCRIBED AS FOLLOWS:

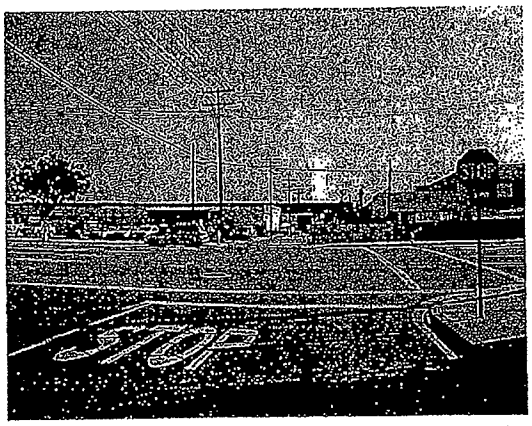
BEGINNING AT THE INTERSECTION OF THE NORTH LINE OF THE SOUTH 30 FEET OF SAID FORTY-EIGHTH STREET, VACATED, NOW LEONIS BOULEVARD, WITH A LINE PARALLEL WITH AND DISTANT WESTERLY 18 FEET MEASURED AT RIGHT ANGLES, TO THE EASTERLY LINE OF SAID FORTY-EIGHTH STREET, VACATED, NOW LEONIS BOULEVARD; THENCE NORTHERLY PARALLEL WITH THE EASTERLY LINE OF SAID LOT 11, 80 FEET; THENCE SOUTHWESTERLY IN A DIRECT LINE TO A POINT

IN THE NORTH LINE OF SAID SOUTH 30 FEET OF SAID FORTYEIGHTH STREET, VACATED, NOW LEONIS BOULEVARD, DISTANT WESTERLY THEREON, 8.50 FEET FROM THE POINT OF BEGINNING; THENCE EASTERLY ALONG SAID LINE 8.50 FEET TO THE POINT OF BEGINNING.

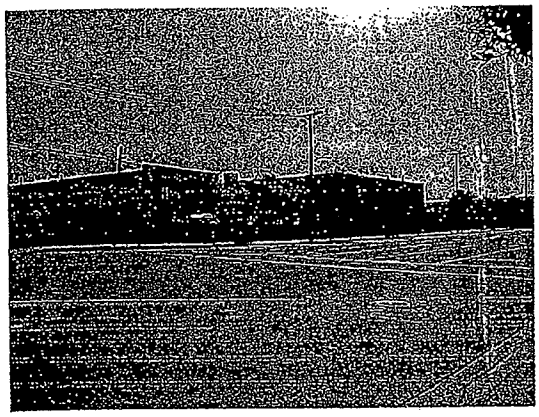
END OF LEGAL DESCRIPTION

PHOTOGRAPHS OF SUBJECT PROPERTY

Front View of Subject Property



Front View of Subject Property



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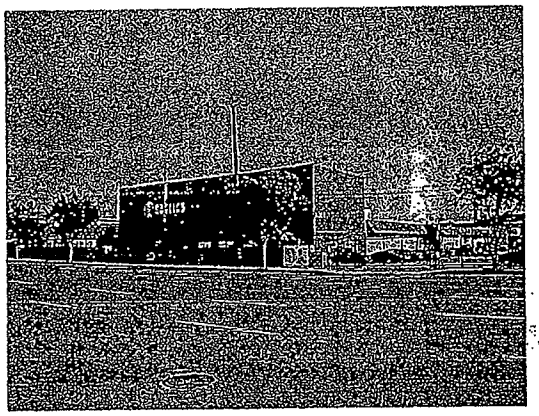
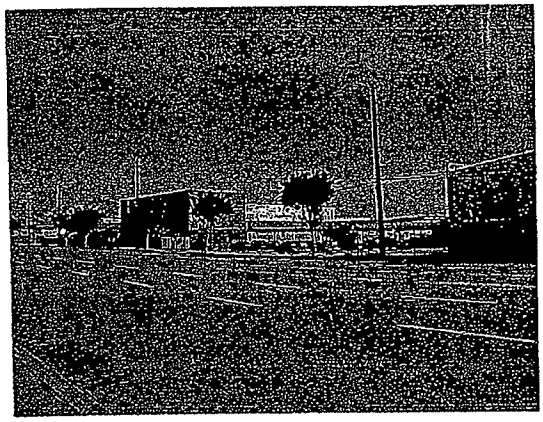


Front View of Subject Property



Front View of Subject Property

Front View of Subject Property

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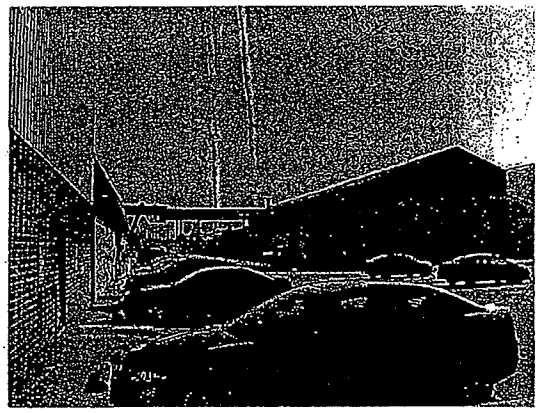
PHOTOGRAPHS OF SUBJECT PROPERTY

Front View of Subject Property

Front View of Subject Property

Front View of Subject Property



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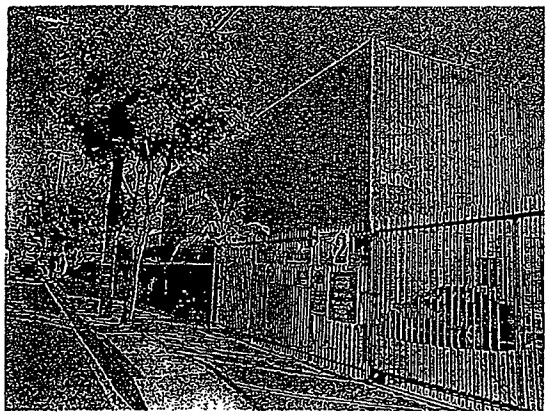

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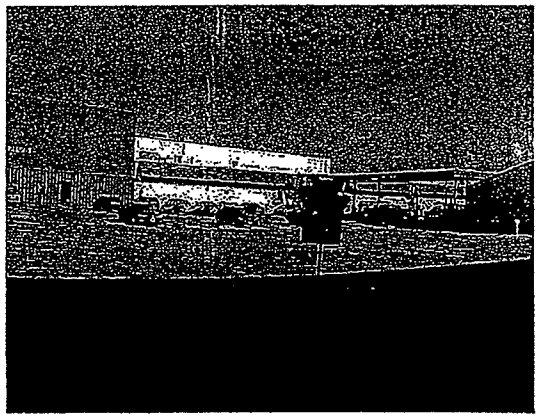
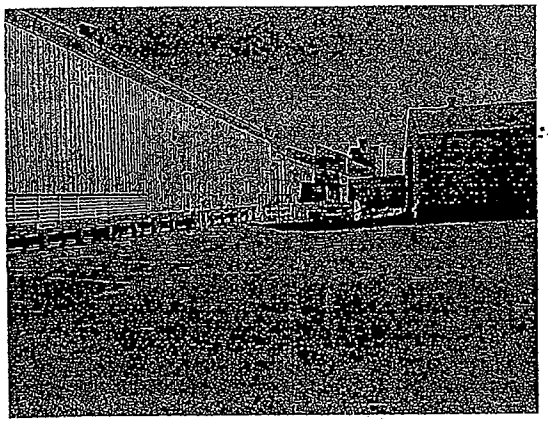


View of Subject Property

PHOTOGRAPHS OF SUBJECT PROPERTY



View of Subject Property

View of Subject Property

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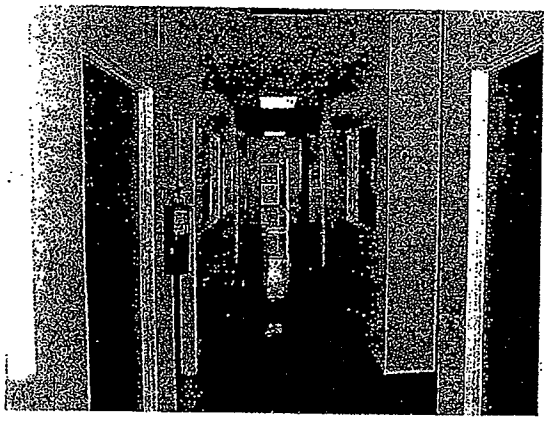
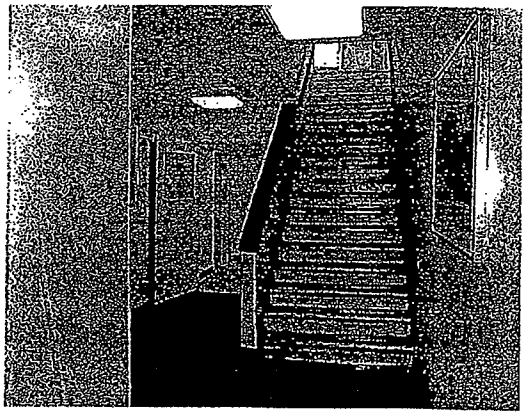
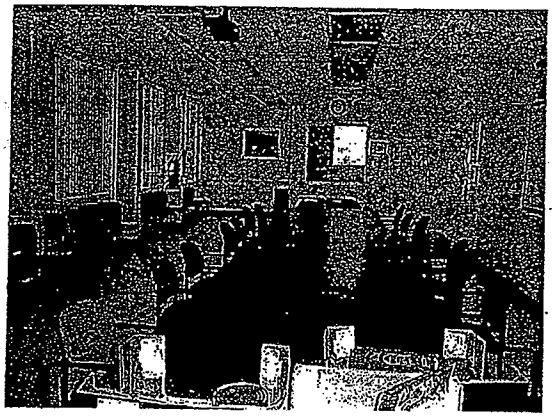
PHOTOGRAPHS OF SUBJECT PROPERTY



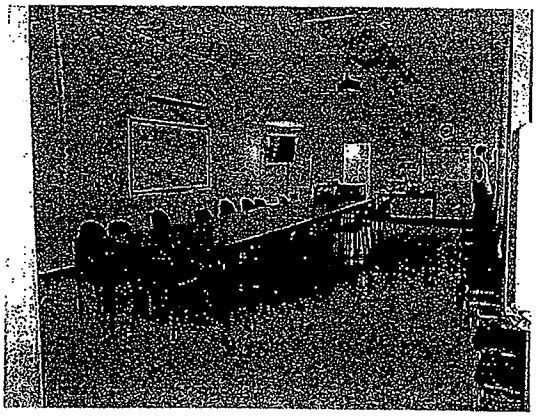
Interior View of Subject Property



Interior View of Subject Property



Interior View of Subject Property



Interior View of Subject Property

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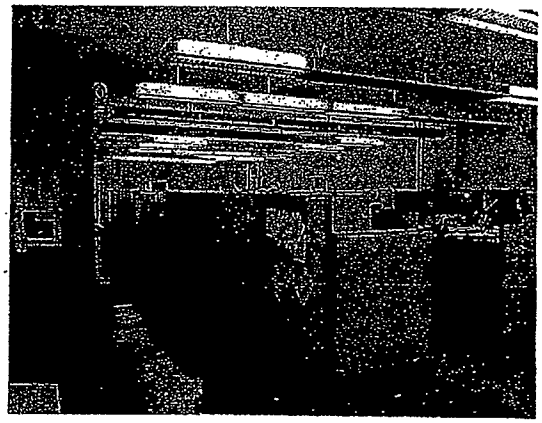
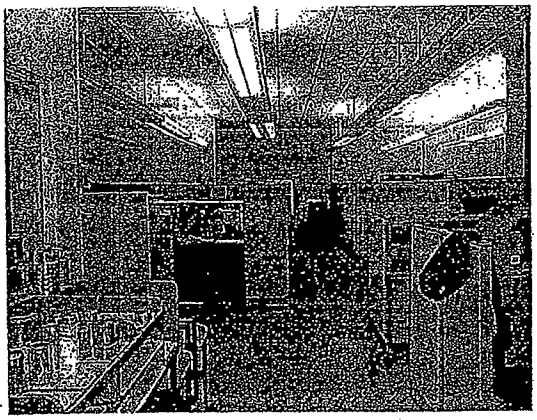


Interior View of Subject Property

PHOTOGRAPHS OF SUBJECT PROPERTY



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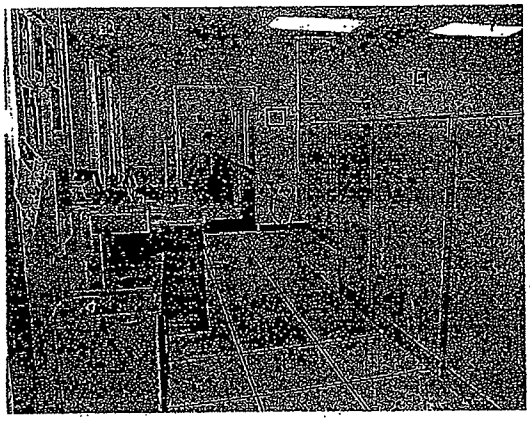

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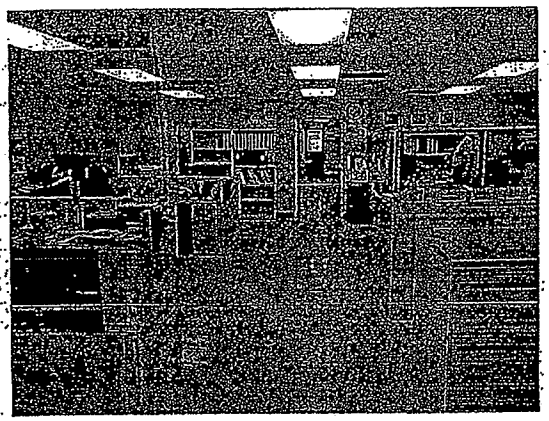

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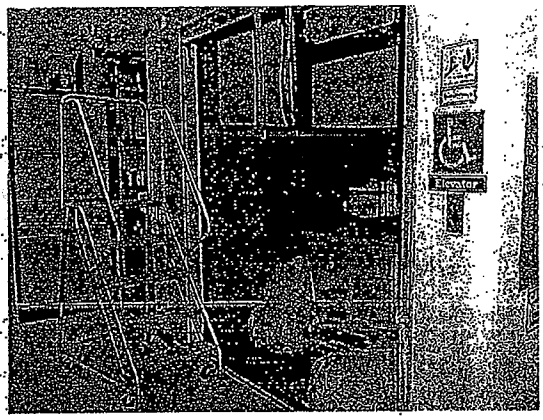

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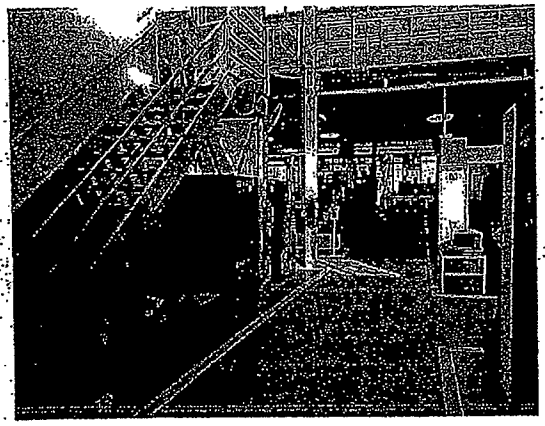

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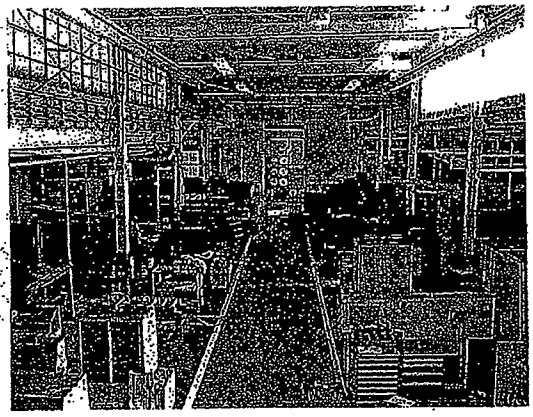
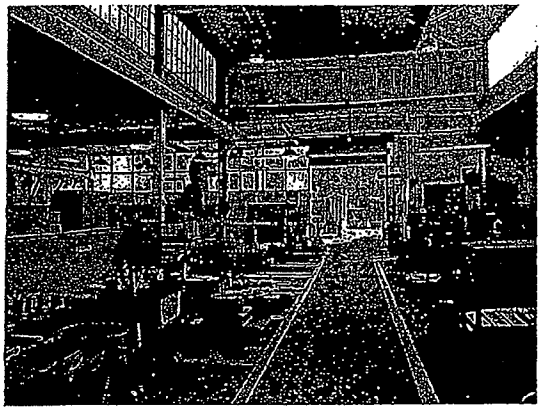


Interior View of Subject Property

PHOTOGRAPHS OF SUBJECT PROPERTY

Interior View of Subject Property

Interior View of Subject Property



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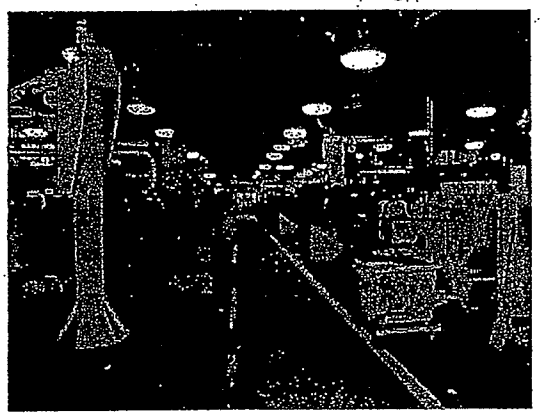

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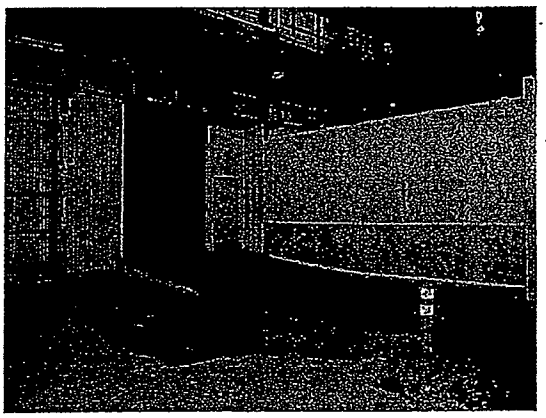

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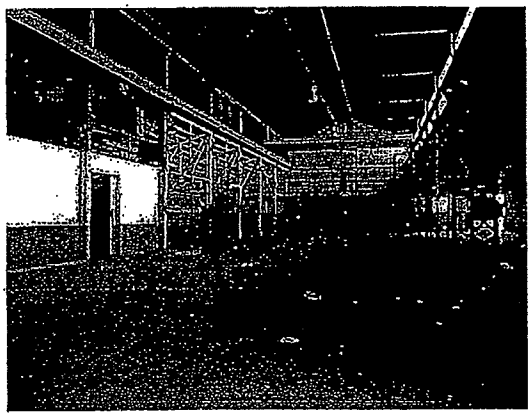
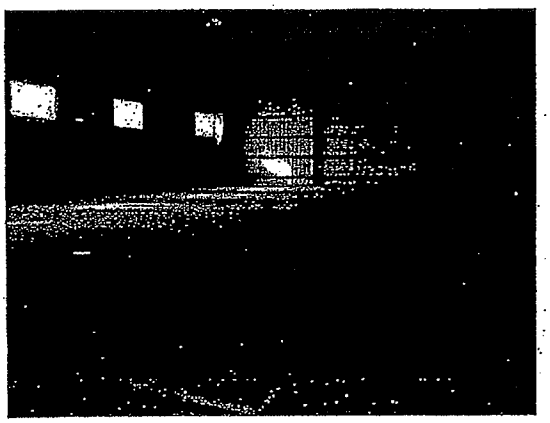


Interior View of Subject Property

PHOTOGRAPHS OF SUBJECT PROPERTY



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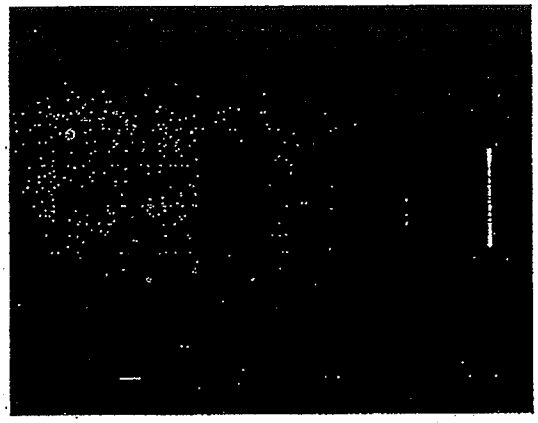

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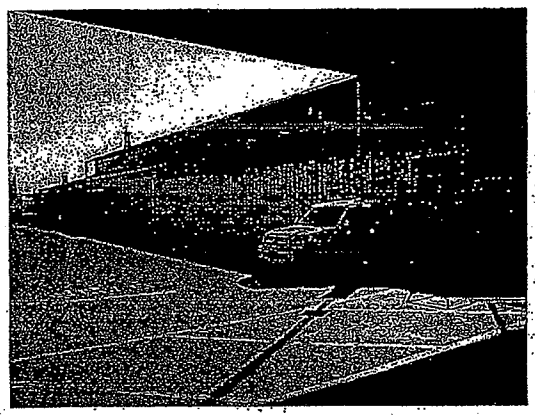
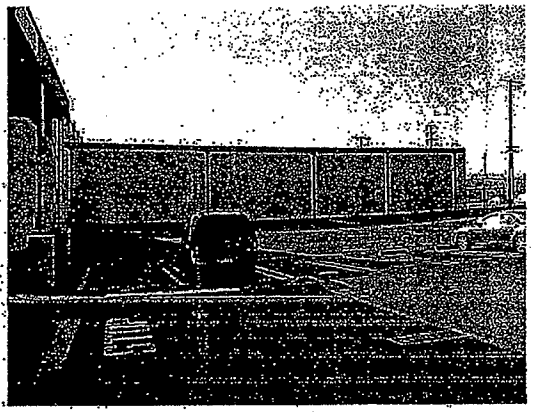


Rear View of Subject Property

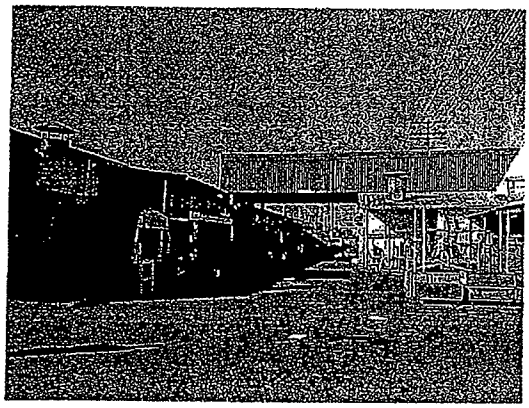


Interior View of Subject Property

Rear View of Subject Property

Rear View of Subject Property

PHOTOGRAPHS OF SUBJECT PROPERTY



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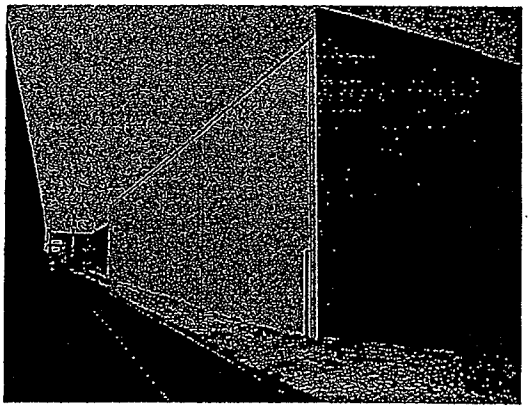

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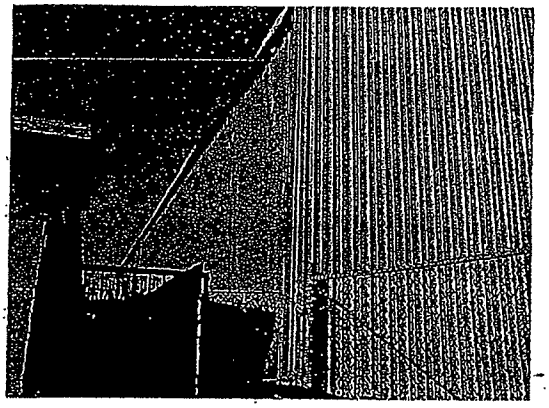
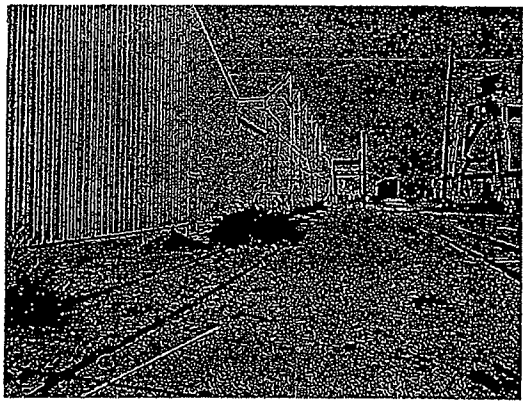


Rear View of Subject Property

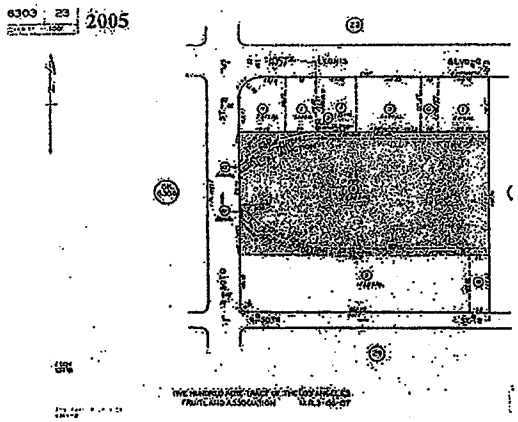


Rear View of Subject Property

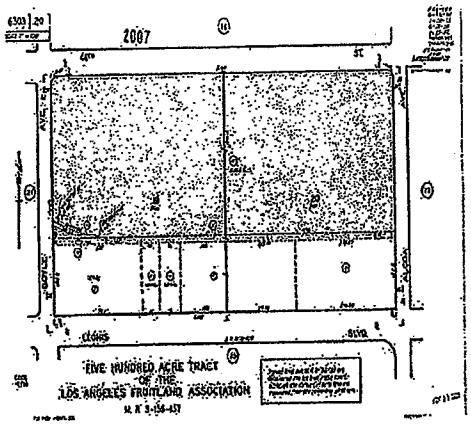
Street Scene – Pacific Boulevard Facing North

Street Scene – Pacific Boulevard Facing South

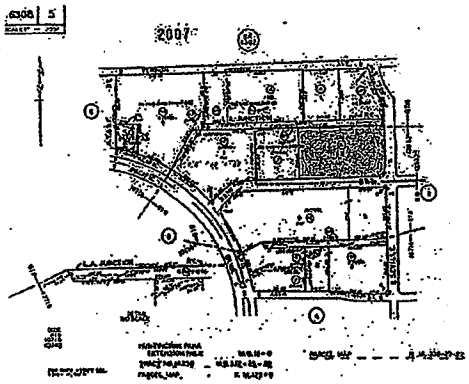
PLAT MAPS OF COMPARABLE LAND SALES



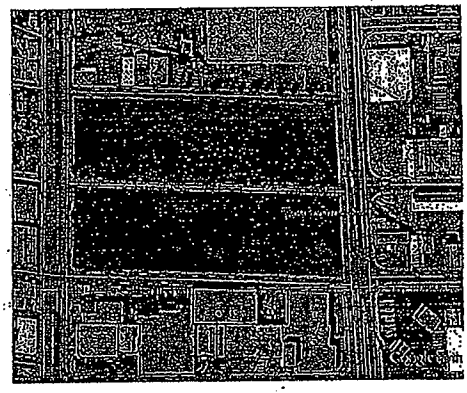
Land Sale Number One



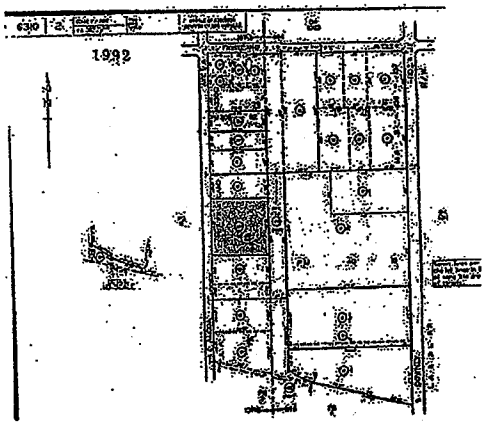
Land Sale Number Two



Land Sale Number Three



Land Sale Number Four



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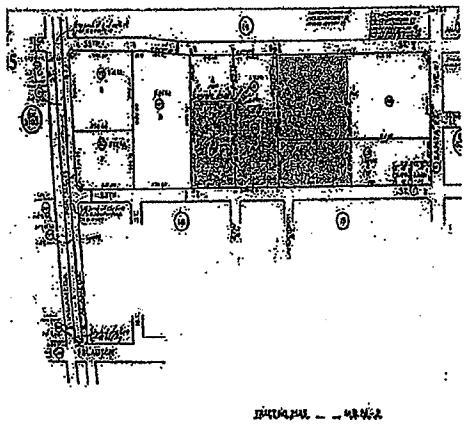

Land Sale Number Six

SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY

LONG-RANGE PROPERTY MANAGEMENT PLAN SUBMITTAL DATED JULY 20, 2013

DOCUMENTS WHICH FOLLOW THIS COVER PAGE

ATTACHMENT 3
TO EXHIBIT A : 4900 PACIFIC

AIR COMMERCIAL REAL ESTATE ASSOCIATION
STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE – NET
(DO NOT USE THIS FORM FOR MULTI-TENANT BUILDINGS)

1. Basic Provisions ("Basic Provisions").

1.1 Parties: This Lease ("Lease"), dated for reference purposes only July 9, 2010 is made by and between ~~Xebec Realty Partners, Inc., a Delaware corporation~~ Pacific XC, LP ("Lessor") and Angelus Sanitary Can Machine Co. ("Lessee"), (collectively the "Parties," or individually a "Party").

1.2 Premises: That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, and commonly known as 4500 Pacific Boulevard, Vernon Building I and II located in the County of Los Angeles, State of California and generally described as (describe briefly the nature of the property and, if applicable, the "Project", if the property is located within a Project) Two (2) industrial buildings totaling approximately 143,225 square feet that are part of a larger property. ("Premises"). SEE ADDENDUM (See also Paragraph 2)

1.3 ~~Term: years and months ("Original Term")~~ SEE ADDENDUM commencing Blank ("Commencement Date") and ending Blank ("Expiration Date"). SEE ADDENDUM (See also Paragraph 3)

~~1.4 Early Possession: If the Premises are available Lessee may have non exclusive possession of the Premises commencing ("Early Possession Date"). (See also Paragraphs 3.2 and 3.3)~~

1.5 Base Rent: $42,968.00 per month ("Base Rent"), payable on the First day of each month commencing upon the close of escrow. (See also Paragraph 4)

☐ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Paragraph ____

1.6 Base Rent and Other Monies Paid Upon Execution:

(a) Base Rent: $42,968.00 for the period of each month of lease term.

(b) Security Deposit: $42,968.00 ("Security Deposit"). (See also Paragraph 5)

(c) Association Fees: $0.00 for the period ____

(d) Other: $0.00 for ____

(e) Total Due Upon Execution of this Lease: $85,936.00

1.7 Agreed Use: General manufacturing of equipment that seams lids on beverage cans and other cans and related parts, services, and all activities pertaining thereto. (See also Paragraph 6)

1.8 Insuring Party: Lessor is the "Insuring Party" unless otherwise stated herein. (See also Paragraph 8)

1.9 Real Estate Brokers: (See also Paragraph 15)

(a) Representation: The following real estate brokers (the "Brokers") and brokerage relationships exist in this transaction (check applicable boxes):

☐ N/A represents Lessor exclusively ("Lessor's Broker");
☐ ____ represents Lessee exclusively ("Lessee's Broker"); or
☐ ____ represents both Lessor and Lessee ("Dual Agency").

(b) Payment to Brokers: Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Broker the fee agreed to in their separate written agreement (or if there is no such agreement, the sum of N/A or ____ % of the total Base Rent) for the brokerage services rendered by the Brokers.

1.10 Guarantor. The obligations of the Lessee under this Lease are to be guaranteed by N/A ("Guarantor"). (See also Paragraph 37)

1.11 Attachments. Attached hereto are the following, all of which constitute a part of this Lease:

☑ an Addendum consisting of Paragraphs 51 through 54; and other changes
☐ a plot plan depicting the Premises;
☐ a current set of the Rules and Regulations;
☐ a Work Letter;
☑ other (specify): SEE EXHIBIT A- SITE PLAN; EXHIBIT B- OPTIONS TO RENEW; EXHIBIT C- EQUIPMENT TO BE MOVED; EXHIBIT D- EQUIPMENT AT END OF LEASE TO BE REMOVED; EXHIBIT E- EQUIPMENT TO BE LEFT; EXHIBIT F- WAIVER OF SUBROGATION ENDORSEMENTS

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2. Premises.

2.1 Letting. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. While the approximate square footage of the Premises may have been used in the marketing of the Premises for purposes of comparison, the Base Rent stated herein is NOT tied to square footage and is not subject to adjustment should the actual size be determined to be different. Note: Lessee is advised to verify the actual size prior to executing this Lease.

2.2 Condition. Lessor shall deliver the Premises to Lessee broom-clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs ("Start Date"). and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("HVAC"), loading doors, sump pumps, if any, and all other such elements in the Premises, other than those constructed by Lessee, shall be in good operating condition on said date, that the structural elements of the roof, bearing walls and foundation of any buildings on the Premises (the "Building") shall be free of material defects, and that the Premises do not contain hazardous levels of any mold or fungi defined as toxic under applicable state or federal law. If a non-compliance with said warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, at Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Building. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense. SEE ADDENDUM

2.3 Compliance. Lessor makes no representation as to and warrants that to the best of its knowledge the improvements on the Premises comply with the building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances ("Applicable Requirements") that were in effect at the time that each improvement, or portion thereof, was constructed. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 50), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. NOTE: Lessee is responsible for determining whether or not the Applicable Requirements, and especially the zoning, are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed. If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building ("Capital Expenditure"), Lessor and Lessee shall allocate the cost of such work as follows: See Addendum

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and an amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modification), then Lessor shall pay for such Capital Expenditure and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease or any extension thereof, on the date that on which the Base Rent is due, an amount equal to 144th of the portion of such costs reasonably attributable to the Premises. Lessee shall pay interest on the balance but may prepay its obligation at any time. If, however, such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall either: (i) immediately cease such changed use or intensity of use and/or take such other steps as may be necessary to eliminate the requirement for such Capital Expenditure, or (ii) complete such Capital Expenditure at its own expense. Lessee shall not, however, have any right to terminate this Lease.

2.4 Acknowledgements. Lessee acknowledges that: (a) it has been given an opportunity to inspect and measure the Premises, (b) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the size and condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (c) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, (d) it is not relying on any representation as to the size of the Premises made by Brokers or Lessor, (e) the square footage of the Premises was not material to Lessee's decision to lease the Premises and pay the Rent stated herein, and (f) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

INITIALS INITIALS

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2.5 Lessee as Prior Owner/Occupant. The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. See 2.3 ~~or Addendum~~. In such event, Lessee shall be responsible for any necessary corrective work.

3. Term.

3.1 Term. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

~~3.2 Early Possession. Any provision herein granting Lessee Early Possession of the Premises is subject to and conditioned upon the Premises being available for such possession prior to the Commencement Date. Any grant of Early Possession only conveys a non-exclusive right to occupy the Premises. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such Early Possession. All other terms of this Lease (including but not limited to the obligations to pay Real Property Taxes and insurance premiums and to maintain the Premises) shall be in effect during such period. Any such Early Possession shall not affect the Expiration Date.~~

~~3.3 Delay In Possession. Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.~~

~~3.4~~ Lessee Compliance. Lessor shall not be required to deliver possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. Rent.

4.1. Rent Defined. All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("Rent").

4.2 Payment. Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. All monetary amounts shall be rounded to the nearest whole dollar. In the event that any invoice prepared by Lessor is inaccurate such inaccuracy shall not constitute a waiver and Lessee shall be obligated to pay the amount set forth in this Lease. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25 in addition to any Late Charge and Lessor, at its option, may require all future Rent be paid by cashier's check. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent, insurance and Real Property Taxes, and any remaining amount to any other outstanding charges or costs.

~~4.3 Association Fees. In addition to the Base Rent, Lessee shall pay to Lessor each month an amount equal to any owner's association or condominium fees levied or assessed against the Premises. Said monies shall be paid at the same time and in the same manner as the Base Rent.~~

5. Security Deposit. Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount already due Lessor, for Rents which will be due in the future, and/ or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. ~~If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition.~~ Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 90 days after the expiration or termination of this Lease, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease. SEE ADDENDUM

6. Use.

6.1 Use. Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. ~~Other than guide, signal and seeing eye dogs,~~ Lessee shall not keep or allow in the Premises any pets, animals, birds, fish, or reptiles. Lessor shall not unreasonably withhold or delay its consent to any

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written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements on the Premises or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Premises. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use. SEE ADDENDUM

6.2 Hazardous Substances.

(a) **Reportable Uses Require Consent.** The term "Hazardous Substance" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises (in violation of Applicable Requirements, and otherwise in compliance with the terms of this Lease), which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "Reportable Use" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance (in violation of Applicable Requirements, and otherwise in compliance with the terms of this Lease), that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance (in violation of Applicable Requirements, and otherwise in compliance with the terms of this Lease), with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property (in violation of Applicable Requirements, and otherwise in compliance with the terms of this Lease), to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance (in violation of Applicable Requirements and otherwise in compliance with the terms of this Lease), has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance (in violation of Applicable Requirements and otherwise in compliance with terms of this Lease) to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** See Addendum ~~Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought into the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from adjacent properties not caused or contributed to by Lessee). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.~~

~~(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.~~

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to Lessee's occupancy, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30

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days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination. SEE ADDENDUM

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the such Requirements, without regard to whether such Requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements. Likewise, Lessee shall immediately give written notice to Lessor of: (i) any water damage to the Premises and any suspected seepage, pooling, dampness or other condition conducive to the production of mold; or (ii) any mustiness or other odors that might indicate the presence of mold in the Premises.

6.4 **Inspection; Compliance.** Lessor and Lessor's "Lender" (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable notice, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a Hazardous Substance Condition (see paragraph 9.1) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination. In addition, Lessee shall provide copies of all relevant material safety data sheets (MSDS) to Lessor within 10 days of the receipt of a written request therefor.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** SEE ADDENDUM Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.2 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fire protection system, fixtures, walls (interior and exterior), foundations, ceilings, roofs, roof drainage systems, floors, windows, doors, plate glass and skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. Lessee shall, during the term of this Lease, keep the exterior appearance of the Building in a first class condition (including, e.g. graffiti removal) consistent with the exterior appearance of other similar facilities of comparable age and size in the vicinity, including, when necessary, the exterior repainting of the Building.

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, on Lessee the customary, maintenance and repair of the Premises, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler, and pressure vessels, (iii) fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, (v) roof covering and drains, and (vi) clarifiers. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly pay to Lessor a sum equal to 115% of the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if L an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (i.e. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance but may prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 9 (Damage or Destruction) and 14 (Condemnation), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, or the equipment therein, all of which obligations are intended to be that of the Lessee. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises, and they expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term "**Utility Installations**" refers to all floor and window coverings, air and/or vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term "**Trade Fixtures**" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "**Alterations**" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "**Lessee Owned Alterations and/or Utility Installations**" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

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(b) Consent. Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent Lessee may, however, make non-structural Alterations or Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) Liens; Bonds. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 Ownership; Removal; Surrender; and Restoration.

(a) Ownership. ~~Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all~~ An Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. ~~Unless otherwise instructed per paragraph 7.4(b) hereof, all~~ Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

~~(b) Removal. By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.~~

(c) Surrender; Restoration. Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, ~~and in good condition except for ordinary wear and tear which Lessee was not obligated to remedy under Section 7.1 (a), and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee.~~ Lessee shall ~~remove~~ completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee ~~to the same required by Applicable Requirements~~ or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Premises) ~~even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements.~~ Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. Insurance; Indemnity.

8.1 Payment For Insurance. Lessee shall pay for all insurance required under Paragraph 8 except to the extent of the cost attributable to liability insurance carried by Lessor under Paragraph 8.2(b) in excess of $2,000,000 per occurrence. Premiums for policy periods commencing prior to or extending beyond the Lease term shall be prorated to correspond to the Lease term. Payment shall be made by Lessee to Lessor within 10 days following receipt of an invoice.

8.2 Liability Insurance.

(a) Carried by Lessee. Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $2,000,000 ~~$1,000,000~~ per occurrence with an annual aggregate of not less than $4,000,000 ~~$2,000,000~~. Lessee shall add Lessor as an additional insured by means of an endorsement at least as broad as the Insurance Service Organization's "Additional Insured-Managers or Lessors of Premises" Endorsement. The policy shall not contain any cross-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. Lessee shall provide an endorsement on its liability policy(ies) which provides that its insurance shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. ~~Lessee shall also carry Worker's Comp insurance as required by law, plus at least $5,000,000.00 of umbrella coverage, plus $1,000,000.00 auto property coverage.~~

(b) Carried by Lessor. Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

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8.3 **Property Insurance - Building, Improvements and Rental Value.**

(a) **Building and Improvements.** The Insuring Party Lessee shall obtain and keep in force a policy or policies in the name of Lessee Lessor, with loss payable to Lessee or the owner, and Lessor as an Additional Insured. Lessor, any ground lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be written on a equal to the full insurable replacement cost as is (excluding reconstruction costs which are over and above) of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee not by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $100,000 $1,000 per occurrence, and Lessee shall be liable for such deductible amount in the event of an insured Loss.

(b) **Rental Value.** The insuring Party shall obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period. Lessee shall be liable for any deductible amount in the event of such loss.

(c) **Adjacent Premises.** If the Premises are part of a larger building, or of a group of buildings owned by Lessor which are adjacent to the Premises, the Lessee shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

8.4 **Lessee's Property; Business Interruption Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property and Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a commercial deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property and Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance is in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies duly licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least A-, VI, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 10 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same. SEE ADDENDUM

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby. SEE ADDENDUM

8.7 **Indemnity.** Except for claims based on facts or circumstances arising before the Start Date and Lessor's gross negligence or willful misconduct, and subject to Paragraph 8.8 below, Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee since August 30, 2007. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor and its Agents from Liability.** Notwithstanding the negligence or breach of this Lease by Lessor or its agents, neither Lessor nor its agents shall be liable under any circumstances for: (i) injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, indoor air quality, the presence of mold or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other sources or places, (ii) any damages arising from any act or neglect of any other tenant of Lessor or from the failure of Lessor or its agents to enforce the provisions of any other lease in the Project, or (iii) injury to Lessee's business or for any loss of income or profit therefrom. Instead, it is intended that Lessee's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Lessee is required to maintain pursuant to the provisions of paragraph 8.

8.9 **Failure to Provide Insurance.** Lessee acknowledges that any failure on its part to obtain or maintain the insurance required

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herein will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, for any month or portion thereof that Lessee does not maintain the required insurance and/or does not provide Lessor with the required binders or certificates evidencing the existence of the required insurance, the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or $100, whichever is greater. The parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to maintain the required insurance. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to maintain such insurance, prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Lessee of its obligation to maintain the insurance specified in this Lease.

9. **Damage or Destruction.** SEE ADDENDUM

9.1 **Definitions.**

(a) "Premises Partial Damage" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 6 months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total. Notwithstanding the foregoing, Premises Partial Damage shall not include damage to windows, doors, and/or other similar items which Lessee has the responsibility to repair or replace pursuant to the provisions of Paragraph 7.1.

(b) "Premises Total Destruction" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 6 months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) "Insured Loss" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "Replacement Cost" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) "Hazardous Substance Condition" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance , in, on, or under the Premises which requires remediation.

9.2 **Partial Damage - Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $10,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds (except as to the deductible which is Lessee's responsibility) as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage - Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such

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funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 Abatement of Rent; Lessee's Remedies.

(a) Abatement. In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) Remedies. If Lessor is obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 Termination; Advance Payments. Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

10. Real Property Taxes.

10.1 Definition. As used herein, the term "Real Property Taxes" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Premises or the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Building address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises are located. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Premises, and (ii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

10.2 Payment of Taxes. In addition to Base Rent, Lessee shall pay to Lessor an amount equal to the Real Property Tax installment due at least 20 days prior to the applicable delinquency date. If any such installment shall cover any period of time prior to or after the expiration or termination of this Lease, Lessee's share of such installment shall be prorated. In the event Lessee incurs a late charge on any Rent payment, Lessor may estimate the current Real Property Taxes, and require that such taxes be paid in advance to Lessor by Lessee monthly in advance with the payment of the Base Rent. Such monthly payments shall be an amount equal to the amount of the estimated installment of taxes divided by the number of months remaining before the month in which said installment becomes delinquent. When the actual amount of the applicable tax bill is known, the amount of such equal monthly advance payments shall be adjusted as required to provide the funds needed to pay the applicable taxes. If the amount collected by Lessor is insufficient to pay such Real Property Taxes when due, Lessee shall pay Lessor, upon demand, such additional sum as is necessary. Advance payments may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a Breach by Lessee in the performance of its obligations under this Lease, then any such advance payments may be treated by Lessor as an additional Security Deposit.

10.3 Joint Assessment. If the Premises are not separately assessed, Lessee's liability shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be conclusively determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available.

10.4 Personal Property Taxes. Lessee shall pay, prior to delinquency, all taxes assessed against and levied upon Lessee Owned Alterations, Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. Utilities and Services. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered or billed to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor, of all charges jointly metered or billed. There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions. SEE ADDENDUM

12. Assignment and Subletting.

12.1 Lessor's Consent Required.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "assign or assignment") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. "Net Worth of Lessee" shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

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(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

(f) Lessor may reasonably withhold consent to a proposed assignment or subletting if Lessee is in Default at the time consent is requested.

(g) Notwithstanding the foregoing, allowing a de minimis portion of the Premises, ie. 20 square feet or less, to be used by a third party vendor in connection with the installation of a vending machine or payphone shall not constitute a subletting.

12.2 Terms and Conditions Applicable to Assignment and Subletting.

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $500 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment, entering into such sublease, or entering into possession of the Premises or any portion thereof, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

12.3 Additional Terms and Conditions Applicable to Subletting. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. In the event that the amount collected by Lessor exceeds Lessee's then outstanding obligations any such excess shall be refunded to Lessee. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessee or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. Default; Breach; Remedies.

13.1 **Default; Breach.** A "Default" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "Breach" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period: SEE ADDENDUM

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee. THE ACCEPTANCE BY LESSOR OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LESSOR'S RIGHTS, INCLUDING LESSOR'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

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(c) The failure of Lessee to allow Lessor and/or its agents access to the Premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Lessee, where such actions continue for a period of 3 business days following written notice to Lessee.

(d) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 42, (viii) material safety data sheets (MSDS), or (ix) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(e) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof, other than those described in subparagraphs 13.1(a), (b), (c) or (d), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. §101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(g) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(h) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 Remedies. SEE ADDENDUM If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor an amount equal to 115% of the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (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 the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 Inducement Recapture. Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "Inducement Provisions," shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration therefore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

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13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall immediately pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The Parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("Interest") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.** SEE ADDENDUM

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent the actual and reasonable cost to perform such cure, provided, however, that such offset shall not exceed an amount equal to the greater of one month's Base Rent or the Security Deposit, reserving Lessee's right to seek reimbursement from Lessor for any such expense in excess of such offset. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "Condemnation"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the Building, or more than 25% of that portion of the Premises not occupied by any building, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation paid by the condemnor for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.**

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.9 above, and unless Lessor and the Brokers otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee or anyone affiliated with Lessee acquires any rights to the Premises or other premises owned by Lessor and located within the same Project, if any, within which the Premises is located, (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.9, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as "Responding Party") shall within 10 days after written notice from the other Party (the "Requesting Party") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "Estoppel Certificate" form published by the AIR Commercial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

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(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall within 10 days after written notice from Lessor deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor or its partners, members, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 72 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.**

(a) No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent.

(b) The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

(c) **THE PARTIES AGREE THAT THE TERMS OF THIS LEASE SHALL GOVERN WITH REGARD TO ALL MATTERS RELATED THERETO AND HEREBY WAIVE THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE TO THE EXTENT THAT SUCH STATUTE IS INCONSISTENT WITH THIS LEASE.**

~~25. Disclosure Regarding The Nature of a Real Estate Agency Relationship.~~

~~(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:~~

~~(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability~~

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of the property that are not known to, or visible to diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations: To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or visible to diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licensees, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advice about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this Lease may be brought against Broker more than one year after the Start Date and that the liability (including court costs and attorneys' fees), of any Broker with respect to any such lawsuit and/or legal proceeding shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or wilful misconduct of such Broker.

(c) Lessor and Lessee agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. No Right To Holdover. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee. SEE ADDENDUM

27. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. Covenants and Conditions; Construction of Agreement. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. Binding Effect; Choice of Law. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. Subordination; Attornment; Non-Disturbance.

30.1 Subordination. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "Lender") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 Attornment. In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of the new owner, this Lease will automatically become a new lease between Lessee and such new owner, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations, except that such new owner shall not (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor which was not paid or credited to such new owner.

30.3 Non-Disturbance. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "Non-Disturbance Agreement") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall, if requested by Lessee, use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 Self-Executing. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. Attorneys' Fees. If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or

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to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "Prevailing Party" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation).

32. Lessor's Access; Showing Premises; Repairs. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee.

33. Auctions. SEE ADDENDUM ~~Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.~~

34. Signs. Lessor may place on the Premises ordinary "For Sale" signs at any time and ordinary "For Lease" signs during the last 6 months of the term hereof. Except for ordinary "for sublease" signs, Lessee shall not place any sign upon the Premises without Lessor's prior written consent. All signs must comply with all Applicable Requirements.

35. Termination; Merger. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest

36. Consents. Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. Guarantor.

37.1 Execution. The Guarantors, if any, shall each execute a guaranty in the form most recently published by the AIR Commercial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 Default. It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. Quiet Possession. Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. Options. If Lessee is granted an Option, as defined below, then the following provisions shall apply:

39.1 Definition. "Option" shall mean: (a) the right to extend or reduce the term of or renew this Lease or to extend or reduce the term of or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase, the right of first offer to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 Options Personal To Original Lessee. Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 Multiple Options. In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 Effect of Default on Options.

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.

40. Multiple Buildings. If the Premises are a part of a group of buildings controlled by Lessor, Lessee agrees that it will abide by and conform to all reasonable rules and regulations which Lessor may make from time to time for the management, safety, and care of said properties, including the

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care and cleanliness of the grounds and including the parking, loading and unloading of vehicles, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessee also agrees to pay its fair share of common expenses incurred in connection with such rules and regulations.

41. Security Measures. Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. Reservations. Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. Performance Under Protest. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay. A Party who does not initiate suit for the recovery of sums paid "under protest" with 6 months shall be deemed to have waived its right to protest such payment.

44. Authority; Multiple Parties; Execution.

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each Party shall, within 30 days after request, deliver to the other Party satisfactory evidence of such authority.

(b) If this Lease is executed by more than one person or entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such document.

(c) This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

45. Conflict. Any conflict between the printed provisions of this Lease and typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. Offer. Preparation of this Lease by either Party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. Amendments. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

48. Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

49. Arbitration of Disputes. An Addendum requiring the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease

☑ is ☐ is not attached to this Lease.

50. Americans with Disabilities Act. Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES IS LOCATED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: Los Angeles, CA	Executed at: St. Louis, Missouri
On: 7/7/2010	On: July 6, 2010
By LESSOR: PACIFIC XC, LP	By LESSEE: Angelus Sanitary Can Machine Co.
NM	
INITIALS	INITIALS

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By: X [signature]	By: X [signature]
Name Printed: NEIL MISHURDA	Name Printed: Gregory L. Coonrod
Title: EXEC V.P.	Title: VP
By:	By:
Name Printed:	Name Printed:
Title:	Title:
Address: 3010 Old Ranch Pkwy, Ste. 470	Address: 8020 Forsyth Blvd St. Louis, MO 63105
Telephone: (562) 546-0200	Telephone: ( ) 314-862-8000
Facsimile: (562) 546-0255	Facsimile: ( ) 314-863-4139
Federal ID No.	Federal ID No. 95-0498670
BROKER:	BROKER: CB Richard Ellis, Inc.
Attn:	Attn: Brandon Gill/Brandon Burns
Title:	Title: First Vice President/Vice President
Address:	Address: 500 Citadel Drive, Suite 301 Commerce, CA 90040
Telephone: ( )	Telephone: (323) 838-3145
Facsimile: ( )	Facsimile: (323) 838-3170
Federal ID No.	Federal ID No.
Broker/Agent DRE License #:	Broker/Agent DRE License #: Broker: 00409987; Gill: 01262330; Burns: 01194795

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 800 W 6th Street, Suite 800, Los Angeles, CA 90017. Telephone No. (213) 687-8777; Fax No.: (213) 687-8616.

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NM
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FORM STN-11-8/08E

Execution Original

ADDENDUM TO STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE— NET BUILDINGS I and II , 4900 PACIFIC BLVD., VERNON, CA

Pacific XC, LP, (Lessor)
Angelus Sanitary Can Machine Company (Lessee)

THIS LEASE ADDENDUM ("**Addendum**") is attached to and made a part of the Standard Industrial/Commercial Single-Tenant Lease-Net dated as of July 9, 2010 (the "**Lease**"), by and between Pacific XC, LP, ("**Lessor**"), and Angelus Sanitary Can Machine Company ("**Lessee**")

Unless otherwise defined herein, capitalized terms used in this Addendum shall have the same meanings as set forth in the Lease to which it is attached. In the event of any conflict or inconsistency between this Addendum and the Lease, this Addendum shall control.

The following provisions are added to the Lease; where applicable, Paragraph numbers below correspond to Paragraph numbers in the Lease:

1.2 **Premises.** The Premises are comprised of so called Buildings I and II totaling approximately 143,225 square feet on approximately 5.81 acres of land (as depicted and outlined on attached Exhibit A) located at 4900 Pacific Blvd., Vernon, California.

1.3 **Term.** The "Commencement Date" means the date upon which the "Closing" occurs under (and as defined in) that certain Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate, dated April 6, 2010, as amended between, XEBEC REALTY PARTNERS, INC., as Buyer, and ANGELUS SANITARY CAN MACHINE COMPANY as Seller. The Closing is anticipated to occur on July 9, 2010.

The "Term" means from the Commencement Date until 11:59 pm on the day before the third (3rd) anniversary of the Commencement Date, unless the Lease shall be terminated sooner pursuant to the terms of the Lease and provided, however, that Lessor may at any time after the 1st anniversary of the Closing terminate this Lease by notifying Lessee (the "Termination Notice") of such termination, whereupon the Lease term shall automatically be amended without further action so as to expire on the first anniversary of the date of the Termination Notice.

2.2 **Condition.** Lessee is leasing the Premises "AS IS", and with all faults and defects, and acknowledges that neither Lessor nor Lessor's agents have made any oral or written representations or warranties with respect to the condition of the Premises except as expressly set forth in the Lease.

2.3 **Compliance.** If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises and/or Building, the remediation of any Hazardous Substance or the reinforcement or other physical modification of the Premises and/or Building ("**Capital Expenditure**"), then Lessee shall not be obligated to make or be liable for such Capital Expenditure, however, Lessee shall cease any business operations within the affected Premises, or occupancy of such portion of the Premises, if such continued operations or occupancy absent the Capital Expenditures is then in violation of Applicable Requirements. Unless Lessee elects to cease business operations or occupancy within the affected Premises as stated in this Section 2.3, then Lessee shall i) cure or correct, at Lessee's cost, any violation of Applicable Requirements due to Lessee's continued business operations at the Premises; and ii) incur a Capital Expenditure required by any Applicable Requirements if the Capital Expenditure is solely due to a change in Lessee's continuing business operations at the Premises. The foregoing shall be in addition to Lessee's indemnity obligations under Section 6.2(d) and remediation obligation under 7.4(c) of this Lease. Such cessation of business operations at the Premises shall not otherwise alter or affect Lessee rent and other obligations under this Lease. Lessor has no obligation as landlord under this Lease to make any Capital Expenditure.

5. **Security Deposit.** Lessee shall provide a security deposit of one month's base rent, being Forty Two Thousand Nine Hundred Sixty Eight Dollars ($42,968.00). Lessee acknowledges and agrees that the Security Deposit may be applied towards any rent or other sum in default or otherwise owing to Lessor by Lessee following the expiration or earlier termination of this Lease as allowed under Section 1951.2 of the California Civil Code. In connection therewith, Lessee hereby waives the provisions of Section 1950.7 of the California Civil Code. If Lessor sells its interest in the Premises during the Term and if Lessor deposits with the purchaser of the Premises the

then unappropriated portion of the Security Deposit, Lessor shall be discharged from any further liability with respect to the Security Deposit.

6.2(a) Lessee's current business operations and its use of Hazardous Substances in those operations at the Premises are approved by Lessor.

6.2(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor and its Lender harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses (including consultant and other professional expenses of Lessor and its Lender), penalties, and reasonable attorneys' fees ("Environmental Damages") arising out of or involving any Hazardous Substance brought onto the Premises, or migrating off of the Premises after being brought onto the Premises, by or for Lessee or any third party since August 30, 2007 and as may arise pursuant to Section 7.4(c). Notwithstanding the foregoing, except in connection with Lessee's obligations pursuant to Section 7.4(c), Lessee shall have no liability under this indemnity or Lease with respect to underground contamination or migration of any Hazardous Substance under the Premises or for the actions of any third party crossing the Premises at the direction or request of Lessor (including, emergency vehicles responding to Lessor's request) to get to Building 3 on the adjacent parcel, as may be subsequently permitted by Lessee in its sole discretion, in connection with the demolition or redevelopment of Building 3 by Lessor, its contractors, employees, representatives or other persons. Except with respect to Lessee's obligations pursuant to Section 7.4(c), Lessee's indemnity hereunder shall be limited to the effects of any contamination or injury to person, property or the environment created by Lessee since August 30, 2007, and the cost of investigation, removal, remediation, restoration and/or abatement of such Hazardous Substance, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement. Except with respect to Lessee's obligations pursuant to Section 7.4(c), the foregoing indemnity shall not extend to any Environmental Damages arising out of or involving Hazardous Substances which existed on or under the Premises prior to August 30, 2007 (being the date on which Lessee originally acquired title to the Premises) or Environmental Damages arising from or caused by the gross negligence or willful misconduct of Lessor, its agents or employees with respect to Hazardous Substances. Lessee represents and warrants that, to the knowledge of Paul Kelly, Lessee's Senior Executive Vice President, there has not been a release of Hazardous Materials since August 30, 2007 in violation of Applicable Requirements. Lessee further represents and warrants (i) that Paul Kelly is the employee of Lessee with the most knowledge about the handling of Hazardous Substances, the releases thereof and the compliance with Applicable Requirements regarding Hazardous Substances at the Property and (ii) that he is the most qualified to substantiate the representation and warranty.

6.2(g) **Hazardous Substance Condition; Lessor Termination Option.** Notwithstanding the provisions of Paragraph 6.2(g) of the Lease, Lessor shall only have obligations under the Lease with respect to a Hazardous Substance Condition which has been caused by Lessor, and Lessor shall be at no liability or expense, nor shall Lessor be required to elect to terminate the Lease, for a Hazardous Substance Condition which has not been caused by Lessor.

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), 14 (Condemnation) and this subparagraph, Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located) and Alterations in as good order, condition and repair as exists as of the date of this Lease, less ordinary wear and tear. To the extent Lessee is unable to so repair, whether due to age, functional obsolescence or otherwise, and determines that a replacement is required, Lessee may, but shall not be required to, replace such item, but any such replacement shall be at Lessee's sole cost and expense. Lessee's obligations shall include providing janitorial services to the office portions of the Premises consistent with Lessee's past practices when it owned the Premises. Lessee's expenses incurred to

provide janitorial services to the Premises shall be payable in their entirety by Lessee directly to the provider of janitorial services. In all events, Lessor has no obligation or liability of any kind for loss or damage to Lessee Owner Alterations, Utility Installations, Trade Fixtures or other Lessee personal property or for any replacement.

7.3(d) **Equipment Relocation.** Lessee advises Lessor that Lessee will be relocating the equipment listed on Exhibit C attached hereto from Building III to Buildings I and II, as shown thereon, which will require that Lessee connect to the Utility Installations. Lessor consents to the relocation, reinstallation and connection of the items listed on Exhibit C, provided that i) Lessee furnishes to Lessor a copy of the plans, if applicable, for same (although Lessee advises Lessor that for most, if not all, of such relocation work there will be no plans); ii) such work is completed in accordance with all Applicable Requirements; iii) Lessee completes such work in a lien free manner as required by Section 7.3(c); and iv) any such connection does not materially and adversely modify the Utility Installations and their performance. In the event Lessee ceases to lease Building 3 which is the subject of a separate lease between the parties, then Lessee may erect a fence at Lessee's sole cost to fence and secure the area separating Buildings 1 and 2 from the property on which Building 3 is located.

7.4(c) **Surrender of Premises.** Notwithstanding anything in this Lease to the contrary, but subject to Sections 6.2(d) and 7.1(a), upon termination of the Lease, Lessee's only obligations regarding vacating the Premises at the end of the Lease term, or whenever the same may otherwise be required pursuant to the Lease, shall be to:

(i) surrender the Premises in "broom clean" condition and Lessee shall have no obligation to restore the Premises, the parties acknowledging that Lessor intends to demolish the Premises upon vacation by Lessee.

(ii) promptly submit to the City of Vernon upon termination of the Lease through an independent qualified engineer registered in California, or a chemist with an appropriate degree in chemistry a certification that Lessee has complied with the Section 13.67 of the City of Vernon Ordinances Number 961 or similar ordinance then in affect requiring action by Lessee because of a City Permit, Permit or Other Permit (the "Ordinance") for hazardous materials at the Premises from August 30, 2007 to the date of surrender of the Premises (the "Certification") and continue to diligently work in a commercially reasonable manner with the City to obtain such closure letter or letters from the City or such other agency thereof, or other party or parties as may be required to fulfill Lessee's obligations pursuant to the Ordinance, reasonably satisfactory to Lessee and Lessor (hereafter a "Closure Letter" or if more than one, the "Closure Letters") after filing the Certification. All costs and expenses, (including legal, consultant and other professional fees), incurred in order for Lessee to satisfy all Ordinance requirements and to obtain the Closure Letters shall be paid by and be the sole liability of Lessee. Notwithstanding anything to the contrary in this Lease, but provided that Lessee is not in Default under this Lease and Lessee has timely and properly surrendered occupancy and physical possession of the Premises in accordance with the Lease, then so long as Lessee timely files the Certification and thereafter continues to diligently work in a commercially reasonable manner with the City to satisfy all Ordinance requirements, to obtain from it the Closure Letters and to fulfill the Closure Obligations, then Lessee shall have no liability of any kind or nature to Lessor for any delay in Lessor's redevelopment of the Premises, whether monetary or otherwise, arising as a result of any delay in the City of Vernon or other governmental agency issuing, (or other requirements imposed by the City or such other governmental agency, for any reason, as a condition to issuing), the Closure Letters or any demolition, grading, building or other permits or development approvals or occupancy permit sought by Lessor, shall not be deemed a holdover tenant as a result of the failure of the City to issue timely the Closure Letters and shall not be liable to Lessor for rent or any other monetary obligations as a result of the failure of the City to issue timely the Closure Letters except to the following sole and limited extent:

If, due to the lack of a Closure Letter(s) or Lessee's failure to satisfy all Ordinance requirements and to fulfill its Closure Obligations, Lessor is adversely delayed in being issued by the City of Vernon either a demolition permit, or a grading permit, or a building permit, or an occupancy permit for a third party tenant who has agreed to re-occupy the Premises or user/owner under a build to suit (any of the foregoing being a "Project Delay") then the parties agree that as stipulated and liquidated damages to Lessor for the Project Delay, (actual damages being difficult to ascertain), Lessee shall pay to Lessor an amount equal to Base Rent, prorated on a weekly basis, for the period of the Project Delay in lieu of any other claims against, or liability of, Lessee to Lessor for any or all other damages, costs, expenses, claims or liabilities which Lessor may incur or suffer as a result of a Project Delay. If there has been a Project Delay, Lessor shall provide written notice to Lessee, with reasonable documentation substantiating the Project Delay, together with an invoice for payment of the Base Rent due for each month that the Project Delay

continues. Lessee shall pay such invoice within ten (10) business days of receipt and this obligation shall survive the termination or other expiration of this Lease. Lessee's failure to timely pay the Base Rent as and when required shall enable Lessor to pursue such payment pursuant to the same remedies for failure to pay Base Rent as set forth in this Lease.

BY INITIALING THIS SECTION, LESSOR AND LESSEE AGREE THAT IN THE EVENT OF THE FAILURE TO OBTAIN A CLOSURE LETTER(S) OR FAILURE TO FULFILL THE CLOSURE OBLIGATIONS AS REQUIRED HEREIN: (A) IT WOULD BE IMPRACTICAL OR EXTREMELY DIFFICULT TO FIX ACTUAL DAMAGES RELATED TO SUCH EVENT; (B) AN AMOUNT EQUAL TO THE BASE RENT TO THE EXTENT REQUIRED PURSUANT TO THE FOREGOING PARAGRAPH SHALL CONSTITUTE LIQUIDATED DAMAGES PAYABLE TO LESSOR ON ACCOUNT OF SUCH EVENT; (C) THE PAYMENT OF THE LIQUIDATED DAMAGES TO LESSOR SHALL CONSTITUTE THE EXCLUSIVE REMEDY OF LESSOR FOR SUCH EVENT; AND (D) PAYMENT OF THOSE SUMS TO LESSOR AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT INSTEAD, IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO LESSOR PURSUANT TO SECTIONS 1671, 1676 AND 1677 OF THE CALIFORNIA CIVIL CODE. WITHOUT LIMITING THE FOREGOING PROVISIONS OF THIS PARAGRAPH, LESSOR WAIVES ANY AND ALL RIGHTS WHICH LESSOR OTHERWISE WOULD HAVE HAD UNDER CALIFORNIA CIVIL CODE SECTION 3389 TO SPECIFICALLY ENFORCE ANY OF LESSEE'S OBLIGATION TO OBTAIN A CLOSURE LETTER OR TO CLOSE OUT THE CITY PERMITS AND THE PERMITS AS REQUIRED IN THIS SECTION 7.4(C).

LESSOR'S INITIALS LESSEE'S INITIALS

Lessor covenants to work in good faith and to cooperate with Lessee in seeking to obtain the Closure Letter from the City and fulfill the Closure Obligations, so long as Lessor incurs no third party expense or liability (or such expense or liability is paid for by Lessee) and any demands on the time of Lessor and its employees do not unreasonably interfere with their other responsibilities in more than a de minimus manner. Lessor agrees to provide Lessee, its consultants, environmental service providers and other professionals reasonable access to the Premises as may be reasonably required after the termination of the Lease in order for Lessee to fulfill the Closure Obligations and obtain a Closure Letter(s), including during any period of Project Delay, subject to arrangements reasonably satisfactory to Lessor being made with Lessee regarding security, liability for such access and insurance.

(iii) close out at Lessee's sole cost and expense the City Permits, the Permits and the Other Permits (as such terms are defined below) in accordance with Applicable Requirements (the "Closure Obligations").

Lessee represents and warrants to Lessor that, in addition to x) an occupancy permit dated August 12, 2003 from the City of Vernon ("Occupancy Permit") and y) two (2) Health Permits issued on 9//3/2009 and 8/10/2009, respectively, by the City of Vernon; (the foregoing items x) and y)) being collectively referred to as the "City Permits"), the Premises as of the date of this Lease also has, to the knowledge of Paul Kelly, Lessee's Senior Executive Vice President, the following permits in place with respect to certain equipment at the Premises:

1) One Permit to Operate a Methanol underground storage tank (Permit No. G3082 A/N 495921).
2) Three Permits to Operate abrasive blasting systems (Permit No. G3075 A/N 495913; Permit No. G3077 A/N 495915; Permit No. G3078 A/N 495916).
3) Four Permits to Operate air pollution control systems (Permit No. G3079 A/N 495917; Permit No. G3080 A/N 495919; Permit No. G3076 A/N 495914; Permit No. G3088 A/N 495917).
4) One Permit to Operate a heat treating furnace (Permit No. G3081 A/N 495920).
5) Three Permits to Operate spray paint booths (Permit No. G3084 A/N 495923; Permit No. G3085 A/N 495924; Permit No. G3086 A/N 495925).
6) One Permit to Operate a laser cutting machine (Permit No. G3087 A/N 495926).
7) One Conveyance Permit No. 035198 issued by the California Department of Industrial Relations pertaining to the freight elevator.
8) One Permit No. 20444 for Industrial Wastewater Discharge issued by the County Sanitation Districts of Los Angeles County pertaining to the Clarifier and related discharge.

(collectively the "Permits") Lessee represents and warrants (i) that it has provided a copy of the City Permits and the Permits to Lessor; (ii) that such Permits pertain to the respective equipment shown below; and (iii) to the knowledge of Paul Kelly, Lessee's Senior Executive Vice President, there are no governmental permits in place relating to the Premises other than the City Permits and the Permits.

The parties agree that Lessee's Closure Obligations with regard to the Permits shall be as stated below for

each piece of referenced equipment:

Permitted Equipment

Building 1	Permitted by
	State of Calif. Dept. of Industrial Relations, Division of Occupational Safety and Health Close out Action to be taken by Lessee will close out permit in accordance with all then Applicable Requirements.
Freight elevator	
	Air Quality Management District Close out Action to be taken by Lessee: Lessee will close out permit in accordance with all then Applicable Requirements.
Heat treating furnace	
	Air Quality Management District Close out Action to be taken by Lessee :Lessee will have tank pulled in accordance with Applicable Requirements. Lessee will close out permit in accordance with all then Applicable Requirements.
Methanol storage tank	
	Air Quality Management District Close out Action to be taken by Lessee: Lessee will close out permit in accordance with all then Applicable Requirements.
Abrasive blasting cabinet	
	Air Quality Management District Close out Action to be taken by Lessee: Lessee will close out permit in accordance with all then Applicable Requirements.
Air pollution control system	
	Los Angeles County Sanitation District Close out Action to be taken by Lessee: Lessee will close out permit in accordance with all then Applicable Requirements.
Clarifier	

Building 2	Permitted by
	Air Quality Management District Close out Action to be taken by Lessee: Lessee will close out permit in accordance with all then Applicable Requirements but intends to leave booths in place per Exhibit E unless required to be removed as a condition to closing out permit.
Spray paint booth	

Building 3	Permitted by
	Air Quality Management District Close out Action to be taken by Lessee: Lessee will close out permit in accordance with all then Applicable Requirements.
Laser cutting machine	
	Air Quality Management District Close out Action to be taken by Lessee: Lessee will close out permit in accordance with all then Applicable Requirements.
Air pollution control system	
	Air Quality Management District Close out Action to be taken by Lessee: Lessee will close out permit in accordance with all then Applicable Requirements but intends to leave booths in place per Exhibit E unless required to be removed as a condition to closing out permit.
Spray paint booth	
	Air Quality Management District Close out Action to be taken by Lessee: Lessee will close out permit in accordance with all then Applicable Requirements but intends to leave booths in place per Exhibit E unless unless required to be removed as a condition to closing out permit.
Spray paint booth	
	Air Quality Management District Close out Action to be taken by Lessee: Lessee will close out permit in accordance with all then Applicable Requirements.
Abrasive blasting system	
	Air Quality Management District Close out Action to be taken by Lessee: Lessee will close out permit in accordance with all then Applicable Requirements
Air pollution control system	
	Air Quality Management District Close out Action to be taken by Lessee: Lessee will close out permit in accordance with all then Applicable Requirements.
Abrasive blasting system	
	Air Quality Management District Close out Action to be taken by Lessee: Lessee will close out permit in accordance with all then Applicable Requirements.
Air pollution control system	

If a new governmental permit is discovered to have been issued to Lessee pertaining to the Premises, which has close out obligations under then Applicable Requirements, or any operation or equipment exists for which a permit should have been obtained, then Lessee shall be solely responsible for closing out all such permits (collectively the "Other Permits").

Attached hereto as Exhibit D is a list by Building of the equipment and other personal property that Lessee

shall remove from the Premises as a part of its vacating the Premises. Lessee shall not be obligated to restore any damage to the floor or other areas of the Premises caused by Lessee's removal of the Exhibit D items, unless Lessor expressly in writing requires Lessee to do so because Lessor reasonably evidences to Lessee that Lessor intends to retain the Premises, rather than demolish the Premises as presently intended by Lessor. Except as listed on Exhibit D, Lessee may, but shall have no obligation to remove, any other equipment, trade fixtures or other personal property from the Premises when vacating the Premises and all such items shall be deemed abandoned and left "as-is" without warranty or representation of any kind by Lessee (unless Lessee has made arrangements with Lessor to remove the same within fourteen (14) days of the termination of the Lease). Subject to Section 6.2(d), Lessee shall not be obligated under this Lease to remove upon vacating the Premises, or any part thereof, any hazardous materials that were present and in existence prior to August 30, 2007 in, on, under or about the Premises, except to the limited extent that such remediation is necessary so that the Closure Obligations may be fulfilled.

Lessee shall have the right to conduct an on site auction or auctions during the Lease term and not during any holdover period, in order to dispose of unwanted or unneeded Lessee property from the Premises or any Building thereon, provided, however, in such event Lessee shall do so only in compliance with all Applicable Requirements (including applying for and obtaining all necessary governmental permits) and Lessee shall pursuant to Section 6.2(d) and 8.7 indemnify Lessor and its Lender and hold Lessor and its Lender harmless from any and all third party or other liability arising from any such auction.

Attached hereto as Exhibit E is a list of machinery, equipment and other alterations or improvements that Lessee has advised Lessor will be left in place, based on Lessee's current plans as of the date hereof, which remain subject to change. Lessee shall notify Lessor promptly of any changes to the list and any such change shall be subject to the reasonable approval of Lessor. Lessee agrees that it shall be reasonable for Lessor to object to any equipment not previously listed in Exhibit E that requires any Certification or the closing of any permit.

Lessee represents and warrants (i) that Paul Kelly is the employee of Lessee with the most knowledge about the City Permits, the Permits, and the absence of other permits; and (ii) that he is the most qualified to substantiate the representations and warranties made in this Section 7.4(c).

8.5 **Insurance Policies.** The form and content of all insurance certificates and binders shall be subject to the reasonable approval of Lessor. Lessor confirms that it has reviewed Lessee's current insurance coverage and approved the same as complying with the Lease requirements.

8.6 **Waiver of Subrogation.** Paragraph 8.6 of the Lease is supplemented to provide that (i) nothing contained in such Paragraph shall absolve Lessee of its obligations of maintenance and repair and payment of insurance deductibles under the Lease. A copy of the waiver of subrogation endorsements to Lessee's existing worker's compensation, general liability, automobile liability and umbrella liability policies is attached as Exhibit F hereto.

9.8 **(New) Damage and Destruction; Limited Obligation to Repair; Effect of Termination.** Notwithstanding anything contained in Paragraph 9 to the contrary, Lessor's obligation, should it elect to repair the Premises hereunder, shall be limited to the basic shell, (it being agreed that Lessor has no such repair obligation) and Lessee shall, at its expense, be responsible to replace or fully repair all Lessee's personal property, Trade Fixtures, Utility Installations, Lessee Improvements installed by or at the expense of Lessee, and Lessee-Owned Alterations existing at the time of such damage (but Lessee shall have no obligation to restore same). Lessee shall fully cooperate with Lessor in removing Lessee's personal property, Trade Fixtures, and any debris from the Premises to facilitate the making of repairs. If the Lease is terminated pursuant to this Paragraph 9, Lessor shall, subject to the rights of any Lenders, be entitled to receive and retain all insurance proceeds resulting from or attributable to such damage or destruction, except for proceeds payable under policies obtained by Lessee which specifically insure Lessee's personal property and Trade Fixtures. Notwithstanding Article 9, in the event of a Partial Damage Insured Loss, Lessee shall repair such damage to the extent of available insurance proceeds plus the deductible for which Lessee is responsible and Lessor shall have no obligation to repair same.

11. **Utilities.** Subject to Lessee's rights under Section 7.3(d) in relocating equipment into Buildings 1 and 2, Lessee agrees to cooperate fully at all times with Lessor and further agrees that neither Lessee nor its employees, agents, or contractors shall at any time tamper with or otherwise in any manner materially and adversely affect the mechanical installations or facilities of the Premises. Except as a part of its ongoing business operations

and activities, but in accordance with Section 7.3(d), Lessee agrees not to connect any apparatus, device, conduit or pipe to any building system without Lessor's prior written approval. Lessee further agrees that neither Lessee nor its employees, agents, or contractors shall at any time tamper with or otherwise in any manner adversely affect the mechanical installations or facilities of the Premises. Lessee's use of electric current shall not exceed the capacity of the feeders to the Premises, or the risers or wiring installation. If Lessor shall demolish and/or redevelop Buildings III or IV after Lessee's month-to-month lease is terminated, then Lessor covenants to not materially disrupt utilities or access to Lessee's continuing business operations in Buildings I and II of the Premises.

13.2 **Remedies.** Any written notice given under Paragraph 13.2 of the Lease shall be in lieu of, and not in addition to, the notice requirements of California Code of Civil Procedure Section 1161 et seq. In the event Lessor conducts any repair, refurbishment or other work on behalf of Lessee either during the Lease Term or after termination and surrender, Lessor shall be authorized to charge Lessee, in addition to the cost of such work, a construction management fee equal to ten percent (10%) of the cost of such work.

13.6 **Breach by Lessor.**

(c) (New) The obligations of Lessor do not constitute the personal obligations of the individual partners, trustees, members, directors, officers or shareholders of Lessor or its constituent partners, if any. If, as a consequence of such default, Lessee shall recover a money judgment against Lessor, such judgment shall be satisfied only out of the proceeds of sale received upon execution of such judgment and levied thereon against the right, title and interest of Lessor in the Project and out of rent or other income from such property receivable by Lessor or out of consideration received by Lessor from the sale or other disposition of all or any part of Lessor's right, title or interest in the Project, and no action for any deficiency may be sought or obtained by Lessee.

(d) (New) Any claim, demand or right of any kind by Lessee which is based upon or arises in connection with the Lease shall be barred unless Lessee commences an action thereon within the earlier of (i) six (6) months after the date that Lessee discovers the act, omission, event or default upon which the claim, demand or right arises, or (ii) twelve (12) months after the date that the act, omission, event or default upon which the claim, demand or right arises, has occurred.

26. **Holdover Protections.** All of this Paragraph 26 is subject to and limited by Section 7.4(c)(ii) as set forth in this Addendum. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. Subject to Section 7.4(c)(ii), in the event of any holdover by Lessee the rent payable by Lessee under the Lease shall be increased to one hundred fifty percent (150%) of the last rent due and payable by Lessee under the Lease as Lessor's sole remedy during the first two (2) months that Lessee holds over following the expiration of the Term. Subject to Section 7.4(c)(ii), if Lessee holds over more than two (2) months then Lessee in addition to being liable for holdover rent shall also be liable to Lessor for, and indemnify Lessor from, all loss or liability suffered by Lessor as a result of Lessee's hold over.

Except for the items listed on Exhibit D, which Lessee shall remove from the Premises at the end of the lease term in accordance with Section 7.2(d), any other personal property, equipment, Trade Fixtures or Lessee alterations left at the Premises, including those items listed on Exhibit E, shall be deemed abandoned by Lessee (unless Lessee has made arrangements with Lessor to remove the same within fourteen (14) days of the termination of the Lease), and shall not constitute holding over by Lessee. Lessee shall give Lessor written notice of intent to hold over at least 60 days prior to expiration of the lease term. Subject to the foregoing, Lessor may evict Lessee or exercise any other or further remedy as provided in Section 13 of the Lease.

Notwithstanding anything to the contrary in this Lease, Lessee shall not be deemed a hold over tenant or liable for wrongful occupation of real property under Section 3334 of the California Civil Code, and shall not have any other or further liability to Lessor (except as otherwise set forth in Section 7.4(c)(ii) above), due to the failure to obtain the Closure Letters or fulfill the Closure Obligations.

51. (New) **Parking.** Lessee shall be entitled to all of the parking spaces available on the parcel of property on which the Premises is located to the parcel boundary abutting the adjoining parcel shown on the Exhibit A site plan, at no additional cost.

52. (New) **Additional Rent; Operating Expenses.** The Lease is and shall be construed as a "triple-net lease" whereby Lessee shall bear all costs and charges arising from or in connection with the ownership, use, maintenance, repair and operation of the Premises (collectively, the "**NNN Expenses**"), except as expressly set forth

in the Lease to the contrary. All sums of money or charges (other than Base Rent, which shall be payable in the manner elsewhere provided in the Lease) required to be paid by Lessee to Lessor under the Lease shall be due and payable ten (10) days after written demand made and accompanied by any available invoices and such other supporting documentation as Lessee may reasonably require. Lessee's failure to pay any such NNN Expenses when due shall carry with it the same consequences as Lessee's failure to pay Base Rent.

53. (New) **Security Measures.** Lessee assumes all responsibility for the protection of Lessee and its agents, employees, business invitees and licensees and their property from the criminal acts of third parties.

54. (New) **Inconsistencies.** If there is any inconsistency between the provisions of the Lease and of this Addendum, the provisions of this Addendum shall control.

[Signatures begin on next page]

[Signature page to Lease Addendum]

LESSOR:

PACIFIC XC, LP

By: _____
Name: _____
Its: EXEC V.P.

LESSEE:

ANGELUS SANITARY CAN MACHINE COMPANY

By: _____
Gregory L. Coonrod, Vice President

EXHIBIT A

Site Plan

5084924.21

EXHIBIT A

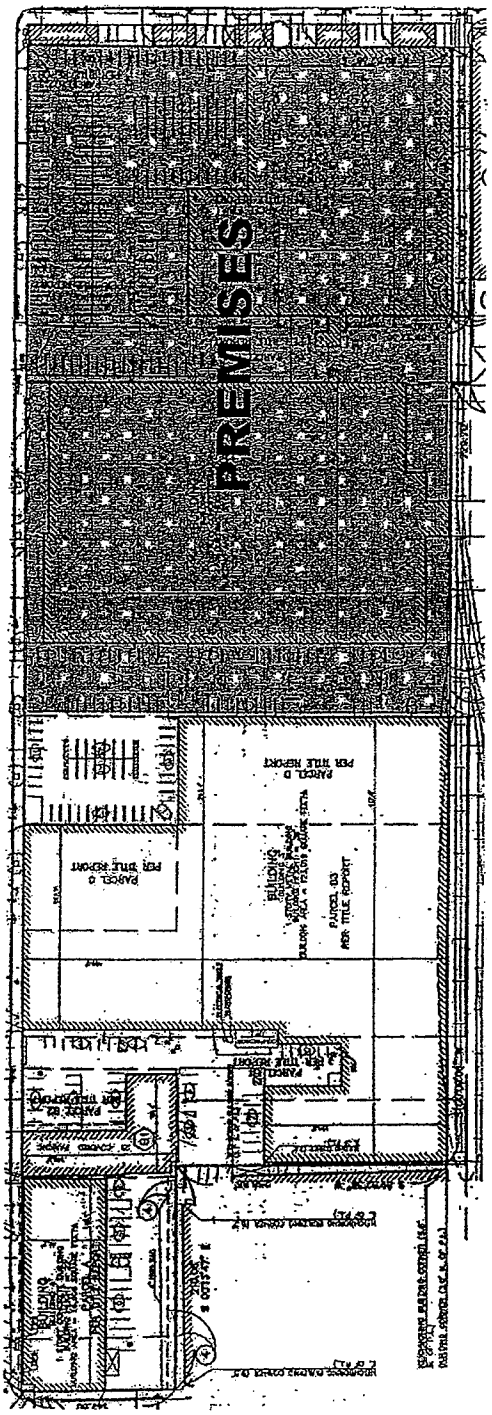


EXHIBIT B

OPTIONS TO RENEW.

1.1 Grant of Option. Tenant shall have the right to extend the Lease Term (the "**Renewal Options**") for two additional period(s) of three (3) years each, with the first Renewal Option commencing on the day following the expiration of the initial Term (the "Expiration Date") and ending at 11:59 pm on the day before the 3rd anniversary of the Expiration Date (the "**First Renewal Term**"), and the second Renewal Option commencing on the day following the end of the First Renewal Term and continuing for a term of three (3) years thereafter (the "**Second Renewal Term**"), subject to the following conditions:

(a) Landlord must receive notice of exercise for each Renewal Option ("**Renewal Notice**") not less than six (6) full calendar months and not more than Twelve (12) calendar months prior to the date on which the term of this Lease (or the prior Renewal Term, as applicable) would otherwise expire;

(b) Tenant may not be in Default under the Lease beyond any applicable cure periods at the time that Tenant delivers its Renewal Notice or at the time Tenant delivers its Binding Notice (as defined below);

(c) As a condition to the exercise of the each Renewal Option other than the first Renewal Option, each prior Renewal Option must have been properly exercised by Tenant.

1.2 Terms Applicable to Premises During Renewal Term. The Base Rent rate per square foot for the Premises during the First Renewal Term and the Second Renewal Term shall be equal to the Prevailing Market (hereinafter defined) rate per square foot for the Premises as of the commencement of the First Renewal Term and the Second Renewal Term, as the case may be, but shall be no less than the Base Rent under this Lease immediately prior to the then expiring Renewal Term. Base Rent during any Renewal Term will be subject to annual percentage increases if such increases are typical in the Prevailing Market rate. In addition to Base Rent, Tenant shall pay, during each of the renewal terms, all Rent, including, without limitation, NNN Expenses, and all other charges required to be paid by Tenant under the terms of the Lease.

1.3 Procedure for Determining Prevailing Market for Second Renewal Term. Within 30 days after receipt of a Tenant's Renewal Notice, Landlord shall advise Tenant of the applicable Base Rent rate for the Premises for the upcoming Renewal Term. Tenant, within 15 days after the date on which Landlord advises Tenant of the applicable Base Rent rate for the Renewal Term, shall either (i) give Landlord final binding written notice ("**Binding Notice**") of Tenant's exercise of its Renewal Option, or (ii) if Tenant disagrees with Landlord's determination, provide Landlord with written notice of rejection (the "**Rejection Notice**"). If Tenant fails to provide Landlord with either a Binding Notice or Rejection Notice within such 15 day period, Tenant's Renewal Option shall be null and void and of no further force and effect. If Tenant provides Landlord with a Binding Notice, Landlord and Tenant shall enter into the Renewal Amendment (as defined below) upon the terms and conditions set forth herein. If Tenant provides Landlord with a Rejection Notice, Landlord and Tenant shall work together in good faith to agree upon the Prevailing Market rate for the Premises during the Renewal Term. When Landlord and Tenant have agreed upon the Prevailing Market rate for the Premises, such agreement shall be reflected in a written agreement between Landlord and Tenant, whether in a letter or otherwise, and Landlord and Tenant shall enter into the Renewal Amendment in accordance with the terms and conditions hereof. Notwithstanding the foregoing, if Landlord and Tenant are unable to agree upon the Prevailing Market rate for the Premises within 30 days after the date Tenant provides Landlord with the Rejection Notice, Landlord and Tenant shall submit this determination of the Prevailing market rate to an MAI licensed appraiser nominated by Landlord but reasonably acceptable to both parties whose decision shall be binding on both Landlord and Tenant.

1.4 Renewal Amendment. If Tenant is entitled to and properly exercises a Renewal Option, Landlord shall prepare an amendment (the "**Renewal Amendment**") to reflect changes in the Base Rent, Term, and other appropriate terms. The Renewal Amendment shall be sent to Tenant within a reasonable time after Landlord's receipt of the Renewal Notice for the First Renewal Term or, with respect to the Second Renewal Term, within a reasonable time after Landlord's receipt of the Binding Notice or other written agreement by Landlord and Tenant regarding the Prevailing Market rate, and Tenant shall execute and return the Renewal Amendment to Landlord within 15 days after Tenant's receipt of same, but an otherwise valid exercise of a Renewal Option shall be fully effective whether or not the Renewal Amendment is executed.

1.5 Definition of Prevailing Market. For purposes of this Renewal Option, "**Prevailing Market**" shall mean the arms length fair market annual rental rate per square foot under renewal leases and amendments entered into on or about the date on which the Prevailing Market is being determined hereunder for space comparable to the Premises in size, class and geographical market area. The determination of Prevailing Market shall take into account any material economic differences between the terms of this Lease and any comparison lease or amendment, such as rent abatements, construction costs and other concessions and the manner, if any, in which the landlord under any such lease is reimbursed for operating expenses and taxes. The determination of Prevailing Market shall also take

into consideration any reasonably anticipated changes in the Prevailing Market rate from the time such Prevailing Market rate is being determined and the time such Prevailing Market rate will become effective under this Lease.

Unless otherwise defined herein, capitalized terms used in this Exhibit B shall have the same meanings as set forth in the Lease and the Addendum attached thereto except that "Tenant" and "Landlord" as used in Exhibit B shall mean the Lessee and Lessor, respectively, as defined under the Lease. In the event of any conflict or inconsistency between this Exhibit B and the Addendum and the Lease, this Exhibit B shall control.

EXHIBIT C

List of Equipment to be Moved from Building 3 to Buildings 1 or 2

Mach No	W/C	Manufacturer	MachineType	Model No	Serial No	Notes	Current Bldg	New Bldg
1001	99	Sodick	Mark XI EDW	A500WH	WH512		3	1
1012	100	Angelus SCMC	Radius Grinder		J-3936		3	1
1021	102	Cincinnati	O.D. Grinder	10"ER	3P2D1U-2		3	1
1025	102	Kellenberger	CNC O.D. Grinder	RS175/1500	650393		3	1
1032	103	Bryant	I.D. Grinder	1316	R11166		3	1
1042	104	Cincinnati	Centerless Grinder	Centermatic	35030005V-0067		3	1
1043	104	Landis	Centerless Grinder	None Found	621-16	Pins	3	1
1051	105	Gallmeyer & Livingston	Surface Grinder	553	553141		3	1
1061	106	Blanchard	Surface Grinder	22CK-42	15081		3	1
1062	106	Blanchard	Surface Grinder	22K-42	14144		3	1
1081	108	Angelus SCMC	Cam Sander		J-9065		3	1
1204	120	Warner & Swasey	Turret Lathe	1A M-3400	1727822	Keep this or 1208	3	1
1208	120	Warner & Swasey	Turret Lathe	No.5 M-4660	2619831	Keep this or 1204	3	1
1216	120	Warner & Swasey	Turret Lathe	No.5 Mod. 4670	2772213		3	1
1602	160	Norton G&E	O.D. Gear Hob	24-H	800-68		3	1
1603	160	Norton G&E	O.D. Gear Hob	48-H	80-466		3	1
1605	160	Barber Colman	O.D. Gear Hob	16-16	4645		3	1
1606	160	Barber Coleman	O.D. Gear Hob	16-16	4700		3	1
1612	161	Gleason	Bevel Gear Shaper	429	645606		3	1
1611	161	Gleason	Bevel Gear Shaper	429	763608		3	1
1622	162	Fellows	I.D. Gear Shaper	20-4GearShaper	3513-1		3	1
1631	163	Mitts Merrill	Key Setter	Hyd. K-5	KM025		3	1
1635	163	Pioneer	Horz. Broach	H1560	C5050		3	1
1641	164	Pfauter	CNC Gear Hob	PE320	28218		3	1
1642	164	Pfauter	CNC Gear Hob	PE320	28219		3	1
1702	170	Armstrong Blum	Vert. Band Saw	81M8	810630		3	1
1703	170	Do All	Band Saw	226 Zephyr	ZY 472651		3	1
1705	170-5	Armstrong Blum	Horz. Band Saw	5AA/M1	E15485		3	1
1707	170-5	Armstrong Blum	Horz. Band Saw	5A/M	E151375		3	1
1711	171-1	Cincinnati	Tool Cutter Grinder	No.2	10711K26		3	1
1712	171	Angelus SCMC	20" Abrasive Saw	20"	J-7413		3	1
1713		Sipeg	14" Abrasive Saw	M-35B	Job No. 4321	Immaterial	3	1
1802	180	Clausing	7 Spindle Drill	2287	20533080		3	1
1803	180	Clausing	5 Spindle Drill	2287	20533094		3	1
1811	180	Angelus SCMC	Indicator Drill		J-5513		3	1
1901	190	Carlton	Radial Drill	4'11"	3A1278	w/Round Table	3	1
1905	190	Carlton	Radial Drill	5'X10'	3A4100		3	1
1906	190	Carlton	Radial Drill	5'X13'	3A4626		3	1
2001	200	Cincinnati	Indicator Mill	1-18	2F1R19786	Drill Department	3	1
2002	220	AirCo Welder #3	AC/DC Heliwelder	M6908062	Heliwelder IV		3	1
2201	220	AirCo	AC/DC Heliwelder IV	1368-0022	AG908071		3	1
2202	220	Mid-States	Wire Welder	CP-205			3	1
2004	220		Wire Welder				3	1
2221	222	Eliet	Hyd. Press	RP-25	11866		3	1
4003	400	Lodge & Shiply	Engine Lathe	2013,2013-17	48426	Tool Room	3	1
4008	400	Bridgeport	Toolmakers V. Mill	Series II	4648	Tool Room	3	1
4014	400	Gallmeyer & Livingston	Surface Grinder	460	460137	Tool Room Tool Room w/4017	3	1
4016	400	Pratt & Whitney	Jig Borer	3121Jig Bore	21801	T.T.	3	1
4020	400	Pacific Abrasive	Belt Sander			Tool Room	3	1
4022	400	Do All Band Saw	Horz. Blade	C-4	234-834413	Tool Room	3	1
4502	450	Chicago	Press Brake	810L	L19908		3	2
4505	450	Lown	Metal Roller	G-500	G-5393		3	2
4506	450	Do-All	Saw	ZW-3620	31-672476		3	2
4508	450	Stryco	Spot Welder	E24-50	23174		3	2
4510	450	Amada	Metal Knotcher	CSH-220	550862		3	2
4511	450	Hammond	Belt Grinder	UBG-62-165	3212		3	2

4510	224	Nugier	Air Over Hyd. Press	H-40-7APBD	2070	Straightening	3	2
4513	450	Di Acro	Hand Radius Bender	No. 3	15310		3	2
4515	450	Roper Whitney	Metal Roller	[illegible]	18-1257		3	2
4518	450	Chicago	Hand Box Brake	BP-1412-6	131510		3	2
4517	450	Lincoln Welder	Shield Arc Welder	SAE	A27491		3	2
4519	450	[illegible]	Drill	NO			3	2
4520	450	Angelus SCMC	Edge Roll		30061		3	2
4521	450	Strippit	Punch Press	Super 30/40 HP	F462680		3	2
4522	450	Cincinnati	120 Metal Shear	[illegible]	15860		3	2
4524	450	Trumpf	CNC Hyd. Press	Trumabend V130	88540		3	2
4601	450	Trumpf	Laser Cutter	L3030	1108		3	2

5084924.21

EXHIBIT D

List of Equipment to be Removed at End of Lease Term from Premises

THIS IS A JOINT LIST FOR BUILDINGS 1, 2 AND 3 UNDER BOTH LEASES. THE REMOVAL UNDER THIS LEASE SHALL ONLY APPLY TO ITEMS LISTED IN BUILDINGS 1 AND 2 OR OTHERWISE LOCATED ON THE PREMISES.

In addition to those items listed on the attached Exhibit D spreadsheet to be removed at the end of the lease term, Lessee shall also remove all air compressors in or adjacent to Building 2 and 3, belt sanders, buffing or polishing equipment, workbenches, and storage racks.

Mach No	LWC	Manufacturer	Machine Type	Model No	Serial No	Notes	Cell
991	99	Sodick	Mark XI EDW	A500WHL	WH512		
1012	100	Angelus SCMC	Radius Grinder		J-3936		
1021	102	Cincinnati	O.D. Grinder	10"-ER	3P2D1U-2		
1025	102	Kellenberger	CNC O.D. Grinder	RS175/1500	650393		
1032	103	Bryant	I.D. Grinder	1316	R11166		
1034	103	Bryant	I.D. Grinder	1316J	N15301	Chuck/Roll	
1042	104	Cincinnati	Centerless Grinder	Centermatic	35030005V-0067		
1043	104	Landis	Centerless Grinder	None Found	621-16	Pins	
1051	105	Gallmyer & Livingston	Surface Grinder	553	553141		
1061	106	Blanchard	Surface Grinder	22CK-42	15081		
1063	106	Blanchard	Surface Grinder	22K-42	14144		
1071	107	Okuma	CNC Lathe	LB15	A-182	Chuck/Roll	
1072	107	Okuma	CNC Lathe	LB15	A-180	Chuck/Roll Bore/Face	
1073	107-1	Okuma	CNC Lathe	LB15	A-181	Chuck/Roll Fin. Grind	
1081	108	Angelus SCMC	Cam Sander		J-9065		
1091	109	Sunnen CNC Hone	CNC Hone	KGM-1000-NTE	1A1-1009	Chuck/Roll	
~~1102~~	~~110~~	~~Clausing-Colchester~~	~~Engine Lathe~~	~~21" Mastiff-VS~~	~~MSO-331~~		
1104	110	Clausing Colchester	Engine Lathe	21" Mastiff-VS	MSO 332		
1105	110	Clausing Colchester	Engine Lathe	25"	MG0073		
1106	110	Lodge & Shipley	Engine Lathe	AVS 213	49269		
1107	110	Cadillac	Engine Lathe	1422	510874		
1204	120	Warner & Swasey	Turret Lathe	1A M- 3400	1727822	Keep this or 1208	
1208	120	Warner & Swasey	Turret Lathe	No 5 M-4660	2619831	Keep this or 1204	
1216	120	Warner & Swasey	Turret Lathe	No.5 Mod. 4670	2272213		
1221	123	Logan	Engine Lathe	14	78400	Chuck/Roll	
1304	132	Warner & Swasey	Auto Chucker	2AC	2322514	Chuck/Roll	
1307	132	Warner & Swasey	Auto Chucker	2AC	2613980	Chuck/Roll	
1308	132	Warner & Swasey	Auto Chucker	2AC	3035129	Chuck/Roll	
1442	144	Gildemister	CNC Auto Bar	GM67CNC	5200-0015		
1451	145	Gildemeister Twin	CNC Auto Bar	P740-ML0007	7400000621		
1501	150	Bullard	Vertical Turret Lathe	36" VTL Dynatrol	33342		
1502	150	Bullard	Vertical Turret Lathe	36" VTL Dynatrol	33523		
1602	160	Norton G&E	O.D. Gear Hob	24-H	800-68		
1603	160	Norton G&E	O.D. Gear Hob	48-H	80-466		
1605	160	Barber Coleman	O.D. Gear Hob	16-16	4645		
1606	160	Barber Coleman	O.D. Gear Hob	16-16	4700		
1612	161	Gleason	Bevel Gear Shaper	429	645605		
1613	161	Gleason	Bevel Gear Shaper	429	763608		
1622	162	Fellows	I.D. Gear Shaper	20-4GearShaper	3513-1		
1634	163	Mitts Merill	Key Setter	2Hyd. K.S.	KM025		
1635	163	Pioneer	Horz. Broach	H1560	C5050		
1641	164	Pfauter	CNC Gear Hob	PE320	28218		
1642	164	Pfauter	CNC Gear Hob	PE320	28219		
1702	170	Armstrong Blum	Vert. Band Saw	81M8	810630		
1703	170	Do-All	Band Saw	26 Zephyr	ZY 472651		
1706	170-6	Armstrong Blum	Horz. Band Saw	15A4/M1	E15885		
1707	170-6	Armstrong Blum	Horz. Band Saw	15A4/M	E151375		
1711	171-1	Cincinnati	Tool Cutter Grinder	No.2	102T1K/26		
1712	171	Angelus SCMC	20" Abrasive Saw	20"	J-17413		
1713		Stone	14" Abrasive Saw	M-35B	Job No. 4321	In maintenance	
1802	180	Clausing	7 Spindle Drill	2287	20533090		
1803	180	Clausing	5 Spindle Drill	2287	20533094		
1806	180	Burgmaster	Multi Spindle Drill	2BR	21721	N.C. Cells	

1812	180	Angelus SCMC	Indicator Drill		J-5513		
1813	320	Fadal	CNC Mill	EMC	6.12002E+11	Chuck/Roll	
1903	190	Carlton	Radial Drill	4'x11"	1A4278	w/Round Table	
1905	190	Carlton	Radial Drill	5'x13"	3A4160		
1906	190	Carlton	Radial Drill	5'x13"	3A4626		
2002	205	Cincinnati	Vert. Mill w/ TT	Dial Type	3J4V1Y-9	Painted - 7S	
2004	205	Kearney & Trecker	Vert. Mill	S-15	5479224	Feed Pockets	
2006	205	Cincinnati	Vert. Mill w/ TT	215-16HP	4J2V5P-2	Feed Rails	
2008	200	Cincinnati	Vert. Mill	315-16HP	4J23V5T-2		
2009	200	Cincinnati	Vert. Mill	Dial Type	4A3V5T-21	Painted - 7S	
2011	201	Cincinnati	Horz. Mill	No. 2	4A2P2A-7	Feed Pockets	
2012	180	Cincinnati	Indicator Mill	1-18	2F1P1J786	Drill Department	
2015	201	Kearney & Trecker	Horz. Mill	TF-17-420	7/9889	D.S. Heads	
2017	201	Kearney & Trecker	Horz. Mill	TF-17 330	56-1004-03		
2019	201	Kearney & Trecker	Horz. Mill	320 TF-17	5675030		
2021	202	Sunstrand	Vert. Mill	Cam Mill	96721750	Look into aft. - Dave	
2031	203	Cincinnati	Horz. Cam Mill	Hydromatic	4B42P1T-1		
2101	210	Gidding & Lewis	Horz. Boring Mach.	340	6192		
2102	210	Gidding & Lewis	Horz. Boring Mach.	340-T	150-203-57	Overhauled	
2200	220	AirCo Welder	AC/DC Heliwelder	M6908062	Heliwelder IV		
2201	220	AirCo	AC/DC Heliwelder IV	1388-0022	AG908071		
2202	220	Mid-States	Wire Welder	CP-205			
2204	220		Wire Welder				
2221	222	Eitel	Hyd. Press	RP-25	11866		
2301	230	Pacific Scientific	Draw Furnace	PFA243618	P1559		
2302	230	Despatch	Draw Furnace	WB4.5	75234		
2303	230	Angelus SCMC	Rail Furnace		J-12838		
2304	230	C.I. Hayes	Vacuum Hardening	V.S.Q.	15236		
2305	230	C.I. Hayes	Vacuum Draw	V.M.H.T.	15231		
2306	230	Vacuum Industries	Vacuum Hardening	GCA 242436	412936V		
2307	230	Cress	Hardening-Tempering	C122012DK	9012		
2309	230	Angelus SCMC	Sub Zero Freezer		J-None		
2310	230	Beavermatic	Hi Temp Carbonizing	24x36x20xIQF	266-6		
2312	231	Knapp	Hi Temperature Forge		2254		
2402		Pang Born	Sand Blaster		53EN2-6618	Assembly???	
2511	251	Sunnen Hone	I.D. Hone	MBB1600	40876		
2701	270	Hendy	Horz. Shaper	A2	167		
2901	290	Cincinnati	T&C Grinder	F01113-2AB	1DF-1ACF-20	T & C	
2902	290	Cincinnati	T&C Grinder	Cimtrol	1D2T6T-225	N.C. Tool Maintenance	
2903	290	Cincinnati	T&C Grinder	F01113-2AB	1D2F1ACF21	N.C. Tool Maintenance	
2905	-	Brown & Sharp	Visual Grind	6-18	5236185-7262	T & C	
2907	290	Cincinnati	T&C Grinder	1671028	39509-85-03-06	T & C	
2908	#REF!	Walter	CNC Tool Grinder	HMC 500	653181	T & C	
3031	303	Gidding & Lewis	NC Mill	15VFC	988-01003-74		
3033	303	Giddings & Lewis	CNC Mill	15-VF	98601019-80		
3071	307	Kerney & Trecker	CNC Mill	KT MM 800	4783287		
3072	307	Kerney & Trecker	CNC Mill	KT MM 800	4783288		
3073	307	Kerny & Trecker	CNC Mill	KT MM 800	48-784298		
3074	307	Kerney & Trecker	CNC Mill	KT MM 800	4785315		
3081	311	OKK	CNC Mill	VM7 III	592		
3082	330	OKK	CNC Mill	VM5-2	1227	Cell #4	
3083	313	OKK	CNC Mill	VM5 III	1893		
3084	313	OKK	CNC Mill	VM5 III	1892		
3085	330	OKK	CNC Mill	VM5-2	1226	Cell #1	
3086	330	OKK	CNC Mill	VM5-2	1225	Cell #2	
3087	311	OKK	CNC Mill	VM7 III	592		
3091	309	Mori Seiki	CNC Mill	HM-50	33		
3101	310	Mori Seiki	CNC Mill	MV-55	7160619		
3102	310	Mori Seiki	CNC Mill	MV-55	7160610		
3103	313	Mori Seiki	CNC Mill	MV-55	684		
3104	313	Mori Seiki	CNC Mills	MV-55	685		
3105	330	Mori Seiki	CNC Mill	MV-40	1110	Cell #3	
3106	330/340	Mori Seiki	CNC Mill	MV-40	1104	Cell #4	
3111	310/311	Mori Seiki	CNC Mill	MV65-50	84		
3112	310/311	Mori Seiki	CNC Mill	MV65-50	80		
3113	310/311	Mori Seiki	CNC Mill	MV65-50	359		
3121	312	Mori Seiki	CNC Mill	MV-55-50	1722		

3141	314	Mori Seiki	CNC Mill	MV-55	1827	
3151	315	Mori Seiki	CNC Mill	MV-55-50	2060	
3152	315	Mori Seiki	CNC Mill	MV-55-50	2064	
3201	320	Okuma	CNC Lathe	LB-15	A 178	Chuck/Roll
3204	320	Okuma	CNC Lathe	LB-15	A179	Chuck/Roll
3251	325	Mori Seiki	CNC Bar Lathe	SL25-A5	2224	
3301	330	Mori Seiki	CNC Lathe	SL-5B	914	Cell #1
3302	330	Mori Seiki	CNC Lathe	SL-5B	915	Cell #1
3303	330	Mori Seiki	CNC Lathe	SL-5B	907	Cell #2
3304	330	Mori Seiki	CNC Lathe	SL-5B	909	Cell #2
3305	330	Mori Seiki	CNC Lathe	SL5-B	974	Cell #4
3306	330	Mori Seiki	CNC Lathe	SL-5B	982	Cell #4
3307	330	Mori Seiki	CNC Lathe	SL-5B	922	Cell #3
3308	330	Mori Seiki	CNC Lathe	SL-5B	940	Cell #3
3309	330/331	Mori Seiki	CNC Turret Lathe	SL-25B5	585	Cell #5
3310	330/331	Mori Seiki	CNC Turret Lathe	SL-25B5	570	Cell #5
3313	331	Mori Seiki	CNC Lathe	SL-5B	1016	
3314	331	Mori Seiki	CNC lathe	SL-5B	1023	
3331	333	Hardinge	Auto Load Turning	GT275P	GTL-118-181	
3501	350	Mori Seiki	CNC Lathe	SL-6B	626	
4003	400	Lodge & Shiply	Engine Lathe	2013,2013-17	48426	Tool Room
4008	400	Bridgeport	Toolmakers V. Mill	Series II	4648	Tool Room
4014	400	Gallmeyer & Livingston	Surface Grinder	460	460137	Tool Room
4016	400	Pratt & Whitney	Jig Borer	3121Jig Bore	21801	Tool Room w/4017 T.T.
4020	400	Pacific Abrasive	Belt Sander			Tool Room
4022	400	Do All Band Saw	Horz. Blade	C-4	234-834413	Tool Room
4502	450	Chicago	Press Brake	810L	L19908	
4505	450	Lown	Metal Roller	G-500	G-5393	
4506	450	Do-All	Saw	ZW-3620	31-672476	
4508	450	Stryco	Spot Welder	E24-50	23174	
4510	450	Amada	Metal Knotcher	CSH-220	550862	
4511	450	Hammond	Belt Grinder	UBG-62-165	3212	
4512	222	Nugier	Air Over Hyd. Press	H40-7APBD	2070	Straightening
4513	450	Di-Arco	Hand Radius Bender	No. 3	1-Y310	
4515	450	Roper Whitney	Metal Roller	383	183-12-77	
4516	450	Chicago	Hand Box Brake	BP0412-6	315101	
4517		Lincoln Welder	Shield Arc Welder	SAE	AZ-7491	
4519		Buffalo	Drill Press	NO. 5		
4520	450	Angelus SCMC	Edge Roll		J-10084	
4521	450	Strippit	Punch Press	Super30-40-HD	17462680	
4522	450	Cincinnati	120" Metal Shear	375	46860	
4524	450	Trumpf	CNC Hyd. Press	Trumabend V130	685406	
4601	460	Trump	Laser Cutter	L3030	110822	

5084924.21

EXHIBIT E

List of Equipment or other alterations that Lessee knows as of date of Lease will be left in place at end of lease term and abandoned to Lessor:

Building 1:

All interior walls and fencing

All overhead cranes

Freight elevator

Pit in heat treat facility

Small shelves and fixture racks

All concrete flooring and improvements, including concrete over 12" tall

(See Building 1 floor plan attached hereto showing locations of certain of the various items listed above.)

Building 2:

All interior walls and fencing

All mezzanine levels and stairs accessing same

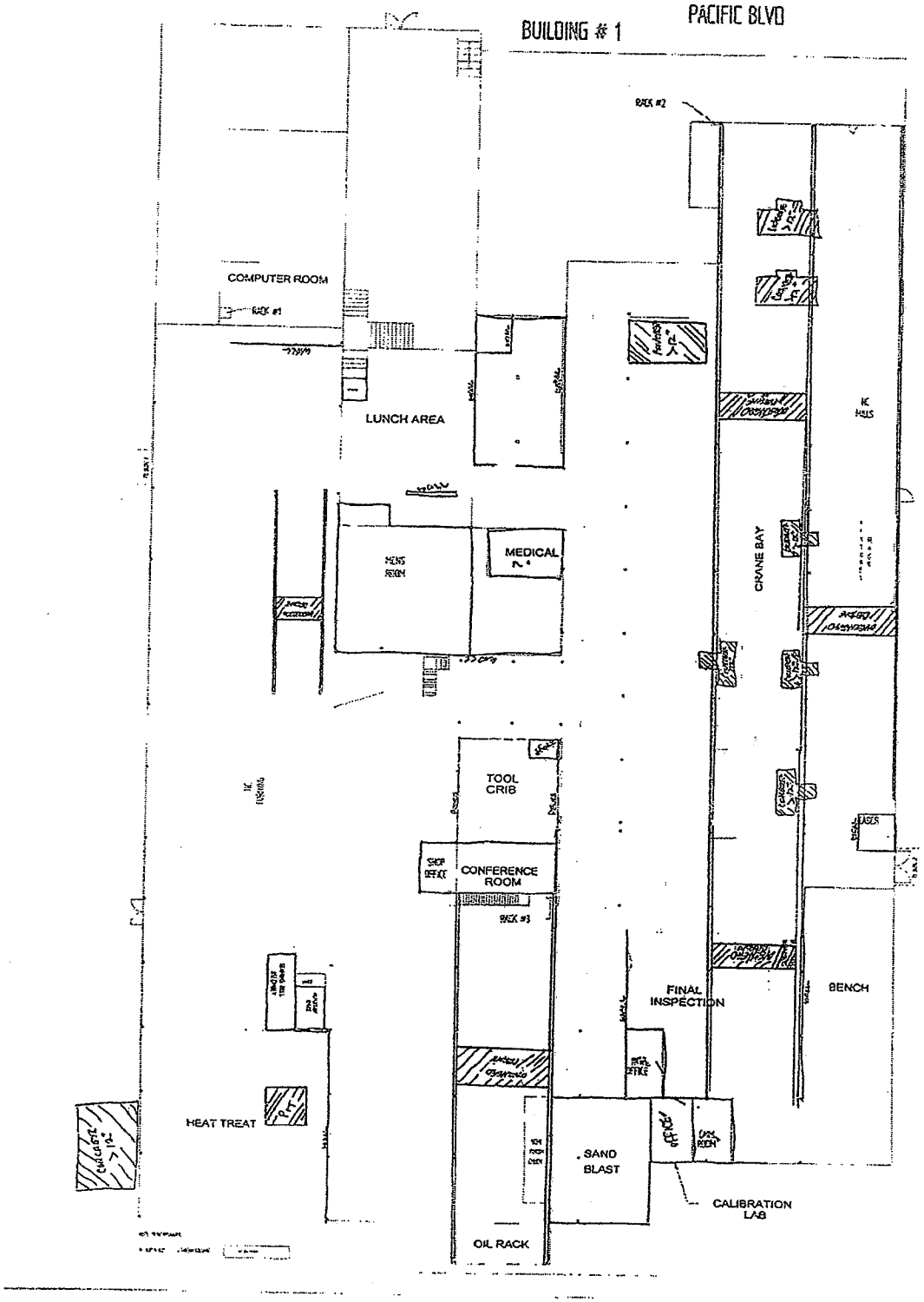
All overhead cranes

Storage system in stock room

Small shelves and fixture racks

All concrete flooring and improvements

(See Building 2 floor plan attached hereto showing locations of certain of the various items listed above.)


BUILDING # 1
PACIFIC BLVD
RACK #2
COMPUTER ROOM
RACK #1
LUNCH AREA
MEDICAL
CRANE BAY
TOOL CRIB
CONFERENCE ROOM
RACK #3
FINAL INSPECTION
BENCH
HEAT TREAT
SAND BLAST
CALIBRATION LAB
OIL RACK

Building 2

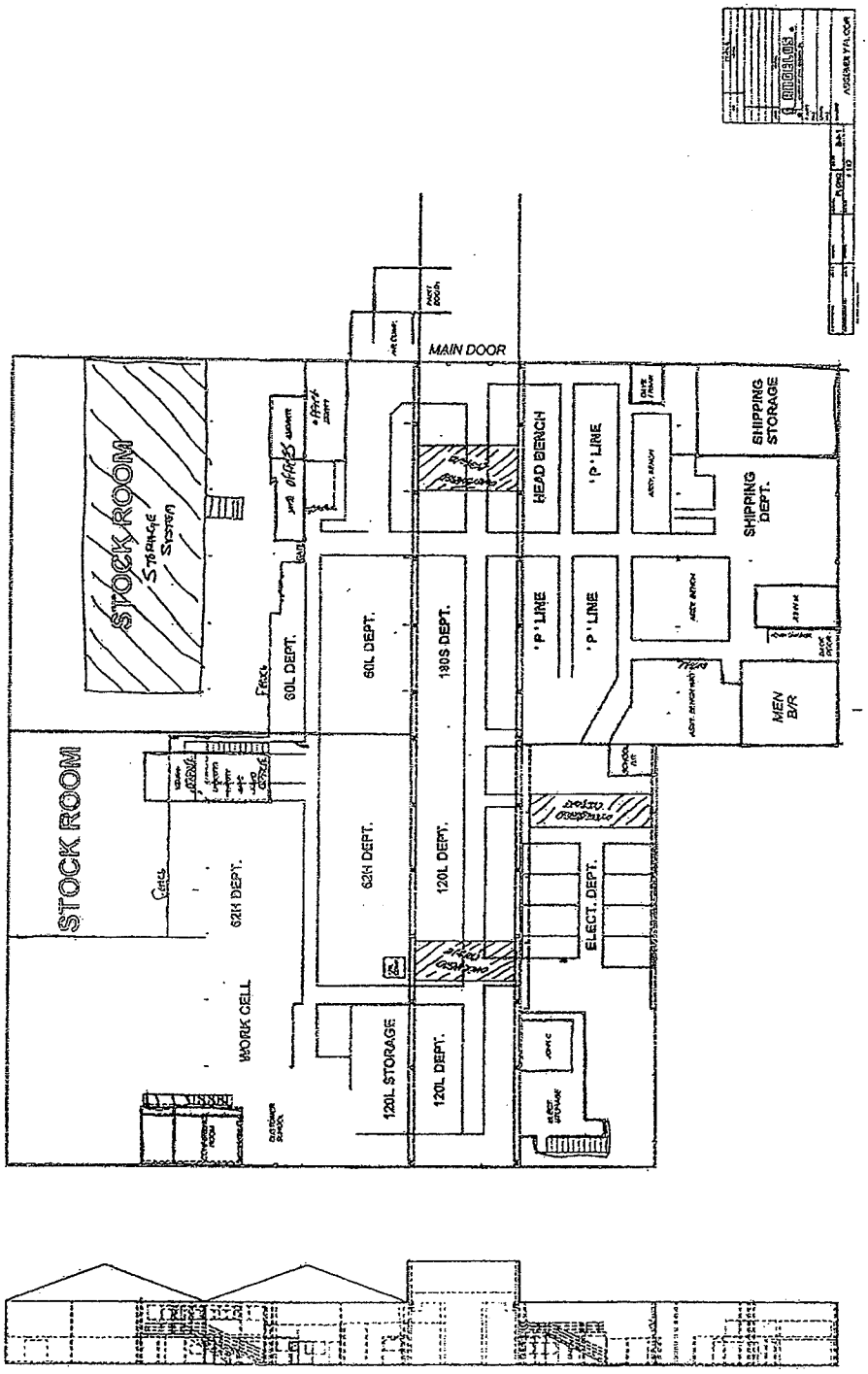

MAIN DOOR
STOCK ROOM
STORAGE
STOCK ROOM
60L DEPT.
60L DEPT.
130S DEPT.
62H DEPT.
62H DEPT.
120L DEPT.
120L STORAGE
120L DEPT.
WORK CELL
HEAD BENCH
'P' LINE
'P' LINE
'P' LINE
SHIPPING STORAGE
SHIPPING DEPT.
MEN B/R
ELECT. DEPT.

Exhibit F

Commercial General Liability

LIBERTY SURPLUS INSURANCE CORPORATION
(A New Hampshire Stock Insurance Company, hereinafter the "Company")

ENDORSEMENT NO. 30

Effective Date:	4/1/2009
Policy Number:	EGLSF109033019
Issued To:	Barry-Wehmiller Group, Inc.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

WAIVER OF TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US

It is hereby agreed that Section IV, item 8. Transfer of Rights of Recovery Against Others to Us, is modified as follows:

SCHEDULE

Name of Person or Organization:

As required by written contract.

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

The TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US Condition (Section IV – COMMERCIAL GENERAL LIABILITY CONDITIONS) is amended by the addition of the following:

We waive any right of recovery we may have against the person or organization shown in the Schedule above because of payments we make for injury or damage arising out of your ongoing operations or "your work" done under a contract with that person or organization. This waiver applies only to the person or organization shown in the Schedule above.

[redacted] 1
CGL 1025 0103

SENTRY INSURANCE A MUTUAL COMPANY
Carrier Code No. 15571

WORKERS' COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY

POLICY NUMBER: 90-14848-01 00 091

WAIVER OF OUR RIGHT TO RECOVER FROM OTHERS ENDORSEMENT

We have the right to recover our payments from anyone liable for an injury covered by this policy. We will not enforce our right against the person or organization named in the Schedule. (This agreement applies only to the extent that you perform work under a written contract that requires you to obtain this agreement from us.)

This agreement shall not operate directly or indirectly to benefit any one not named in the Schedule.

Schedule

"ALL WRITTEN CONTRACTS PROVIDED SUCH CONTRACT WAS MADE PRIOR TO LOSS"

WC 00 03 13 (Ed. 04-84)

Copyright 1983 National Council on Compensation Insurance.

POLICY NUMBER: 90-14848-03

WAIVER OF SUBROGATION

THE COMPANY WAIVES RIGHTS OF SUBROGATION AGAINST ANY PARTY WITH WHICH THE INSURED HAS AGREED IN WRITTEN CONTRACT TO WAIVE SUBROGATION PROVIDED SUCH AGREEMENT WAS MADE PRIOR TO LOSS.

SPEC04 0786

BAR 90-14848-03 00 091
PAGE 001
05-22-09
#04

20. SUBROGATION

a. In the event of any payment under this policy, the Company shall be subrogated to the extent of such payment to all the Insured's rights of recovery thereof. The Insured shall execute all papers required and shall do anything that may be necessary to secure such right any amount so recovered, after deducting the costs, shall be divided between the interests concerned in the proportion of their respective interests. If there should be no recovery, the expense of proceedings shall be borne proportionately by the interests instituting the proceedings.

b. Any release from liability entered into by the Insured in writing prior to loss hereunder shall not affect this policy or the right of the Insured to recover hereunder. The right of subrogation against the Insured or subsidiary or affiliated corporations or companies or any other corporations or companies associated with the Insured through ownership or management is waived.

21. TIME

Wherever reference is made to time in this policy regarding hours of the day or night, it shall be held to be standard time at the place or places where loss occurs.

22. TITLES OF PARAGRAPHS

The several titles of the various paragraphs of this form (and of endorsements and supplemental contracts, if any, now or thereafter attached to this policy) are inserted solely for convenience of reference and shall not be deemed in any way to limit or affect the provisions to which they relate.

SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY

LONG-RANGE PROPERTY MANAGEMENT PLAN SUBMITTAL DATED JULY 20, 2013

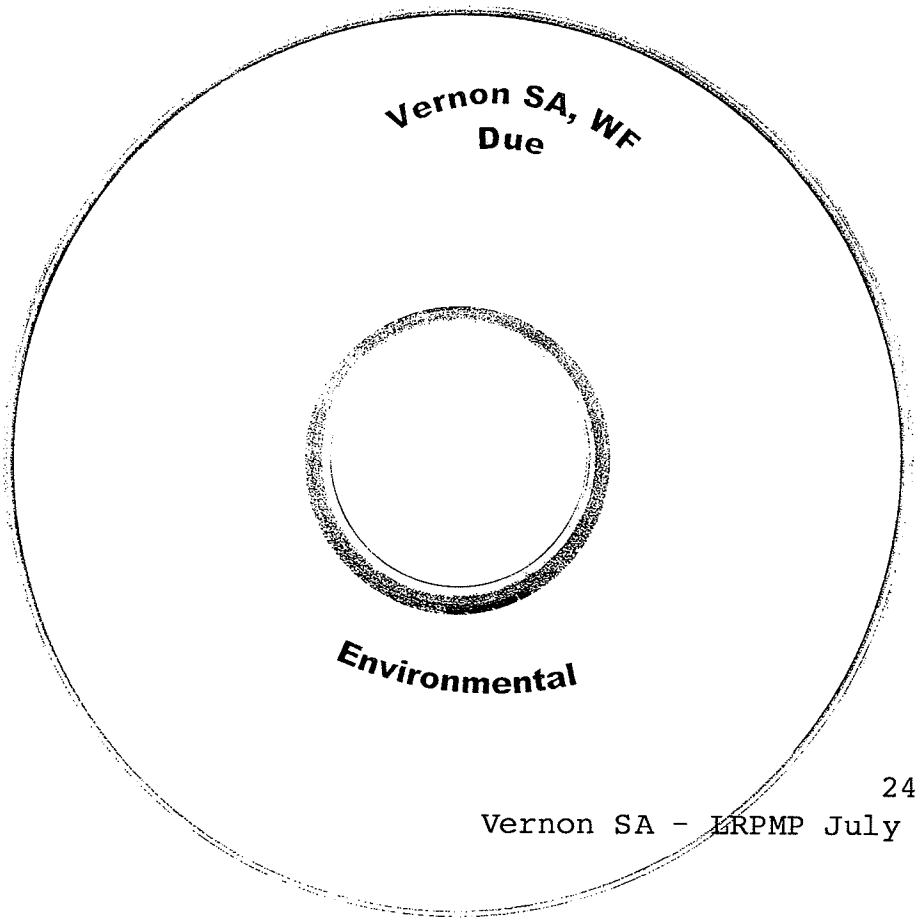
DOCUMENTS WHICH FOLLOW THIS COVER PAGE

ATTACHMENT 4
TO EXHIBIT A : 4900 PACIFIC

SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY

LONG-RANGE PROPERTY MANAGEMENT PLAN SUBMITTAL DATED JULY 20, 2013

ATTACHMENT 4 TO EXHIBIT A : 4900 PACIFIC
IS A CD CONTAINING ENVIRONMENTAL DOCUMENTS.
THE FOLLOWING CD WAS EXPRESS MAILED TO FINANCE



SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY

LONG-RANGE PROPERTY MANAGEMENT PLAN SUBMITTAL DATED JULY 20, 2013

DOCUMENTS WHICH FOLLOW THIS COVER PAGE

ATTACHMENT 5
TO EXHIBIT A : 4900 PACIFIC

STANDARD OFFER, AGREEMENT AND ESCROW INSTRUCTIONS FOR PURCHASE OF REAL ESTATE

(Non-Residential)

AIR Commercial Real Estate Association

April 30, 2013
(Date for Reference Purposes)

1. **Buyer.**

1.1 GBD Properties, Inc. and/or Assignee , ("Buyer") hereby offers to purchase the real property, hereinafter described, from the owner thereof ("Seller") (collectively, the "Parties" or individually, a "Party"), through an escrow ("Escrow") to close ~~30 or~~ 7 days after the waiver or expiration of the ~~Buyer's Contingencies~~ *Contingency Period (as defined in addendum Paragraph 27), as extended,* ("Expected Closing Date") to be held by Commerce Escrow Company (Attn: Tina Debow) ("Escrow Holder") whose address is 1545 Wilshire Boulevard, Suite 600, Los Angeles, CA 90017 , Phone No. (213) 484-0855 , Facsimile No. (213) 201-5184 upon the terms and conditions set forth in this agreement ("Agreement"). Buyer shall have the right to assign Buyer's rights hereunder, but any such assignment shall not relieve Buyer of Buyer's obligations herein unless Seller expressly releases Buyer.

1.2 The term "Date of Agreement" as used herein shall be the date when by execution and delivery (as defined in paragraph 20.2) of this document or a subsequent counteroffer thereto, Buyer and Seller have reached agreement in writing whereby Seller agrees to sell, and Buyer agrees to purchase, the Property upon terms accepted by both Parties.

2. **Property.**

2.1 The real property ("Property") that is the subject of this offer consists of (insert a brief physical description) approximately 274,807 square feet of various industrial buildings located on approximately 429,066 square feet of industrial zoned land is located in the City of Vernon , County of Los Angeles , State of California , is commonly known by the street address of 4900 Pacific Boulevard and is legally described as: to be provided via Chicago Title during escrow (APN: 6308-003-022,023,021,019).

2.2 If the legal description of the Property is not complete or is inaccurate, this Agreement shall not be invalid and the legal description shall be completed or corrected to meet the requirements of Chicago Title Company (Attn: Mike Slinger) ("Title Company"), which shall issue the title policy hereinafter described.

2.3 The Property includes, at no additional cost to Buyer, the permanent improvements thereon, including those items which pursuant to applicable law are a part of the property, as well as the following items, if any, owned by Seller and at present located on the Property: electrical distribution systems (power panel, bus ducting, conduits, disconnects, lighting fixtures); telephone distribution systems (lines, jacks and connections only); space heaters; heating, ventilating, air conditioning equipment ("HVAC"); air lines; fire sprinkler systems; security and fire detection systems; carpets; window coverings; wall coverings; and all easements, right of ways, entitlements, and appurtenances to the Property (collectively, the "Improvements").

2.4 The fire sprinkler monitor: ☐ is owned by Seller and included in the Purchase Price, ☐ is leased by Seller, and Buyer will need to negotiate a new lease with the fire monitoring company, ☑ ownership will be determined during Escrow, or ☐ there is no fire sprinkler monitor.

2.5 Except as provided in Paragraph 2.3, the Purchase Price does not include Seller's personal property, furniture and furnishings, and all of which shall be removed by Seller prior to Closing.

3. **Purchase Price.**

3.1 *Subject to the provisions of Paragraph 35, the* ~~The~~ purchase price ("Purchase Price") to be paid by Buyer to Seller for the Property shall be $12,657,447.00 , payable as follows:

	(a) Cash down payment, including the Deposit as defined in paragraph 4.3 (or if an all cash transaction, the Purchase Price):	$12,657,447.00
(Strike if not applicable)	~~(b) Amount of "New Loan" as defined in paragraph 5.1, if any:~~	~~$~~
	~~(c) Buyer shall take title to the Property subject to and/or assume the following existing deed(s) of trust ("Existing Deed(s) of Trust") securing the existing promissory note(s) ("Existing Note(s)"):~~	
	~~(i) An Existing Note ("First Note") with an unpaid principal balance as of the Closing of approximately:~~	~~$~~
(Strike if not applicable)	~~Said First Note is payable at $ per month, including interest at the rate of % per annum until paid (and/or the entire unpaid balance is due on).~~	
	~~(ii) An Existing Note ("Second Note") with an unpaid principal balance as of the Closing of approximately:~~	~~$~~
(Strike if not applicable)	~~Said Second Note is payable at $ per month, including interest at the rate of % per annum until paid (and/or the entire unpaid balance is due on).~~	
	~~(d) Buyer shall give Seller a deed of trust ("Purchase Money Deed of Trust") on the property, to secure the promissory note of Buyer to Seller described in paragraph 6 ("Purchase Money Note") in the amount of:~~	~~$~~
	Total Purchase Price:	$12,657,447.00

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~~3.2 If Buyer is taking title to the Property subject to, or assuming, an Existing Deed of Trust and such deed of trust permits the beneficiary to demand payment of fees including, but not limited to, points, processing fees, and appraisal fees as a condition to the transfer of the Property, Buyer agree to pay such fees up to a maximum of 1.5% of the unpaid principal balance of the applicable Existing Note.~~

4. Deposits.

4.1 ☐ Buyer has delivered to Broker a check in the sum of $N/A, payable to Escrow Holder, to be delivered by Broker to Escrow Holder within 2 or ____ business days after both Parties have executed this Agreement and the executed Agreement has been delivered to Escrow Holder, or ☑ within 2 or ____ business days after both Parties have executed this Agreement and the executed Agreement has been delivered to Escrow Holder Buyer shall deliver to Escrow Holder a check in the sum of $150,000.00, which Escrow Holder will hold subject to the provisions of this Agreement, including, without limitation, the provisions of Paragraph 9.3 below. If said check is not received by Escrow Holder within said time period then Seller may elect to unilaterally terminate this transaction by giving written notice of such election to Escrow Holder whereupon neither Party shall have any further liability to the other under this Agreement. Should Buyer and Seller not enter into an agreement for purchase and sale, Buyer's check or funds shall, upon request by Buyer, be promptly returned to Buyer.

4.2 Additional deposits:

(a) Within 5 business days after the Date of Agreement, Buyer shall deposit with Escrow Holder the additional sum of $N/A to be applied to the Purchase Price at the Closing.

(b) Within 5 1 business days after the expiration of the Contingency Period (as defined in Paragraph 27 below) ~~contingencies discussed in paragraph 9.1 (a) through (k) are approved or waived~~, Buyer shall deposit with Escrow Holder the additional sum of $150,000.00 to be applied to the Purchase Price at the Closing.

4.3 Escrow Holder shall deposit the funds deposited with it by Buyer pursuant to paragraphs 4.1 and 4.2 (collectively the "Deposit"), in a State or Federally chartered bank in an interest bearing ~~account whose term is~~ account(s) whose term(s) are appropriate and consistent with the timing requirements of this transaction. Escrow Holder will utilize the number of interest-bearing accounts necessary to ensure that 100% of the Escrow Deposit (and accrued interest thereon) enjoys FDIC insurance coverage. The interest therefrom shall accrue to the benefit of Buyer, ~~who hereby acknowledges that there may be penalties or interest forfeitures if the applicable instrument is redeemed prior to its specified maturity~~. Buyer's Federal Tax Identification Number is _____. NOTE: Such interest bearing account cannot be opened until Buyer's Federal Tax Identification Number is provided.

4.4 Notwithstanding the foregoing, within 5 days after Escrow Holder receives the monies described in paragraph 4.1 above, Escrow Holder shall release $100 of said monies to Seller as and for independent consideration for Seller's' execution of this Agreement and the granting of the contingency period to Buyer as herein provided. Such independent consideration is non-refundable to Buyer but shall be credited to the Purchase Price in the event that the purchase of the Property is completed.

~~5. Financing Contingency. (Strike if not applicable)~~

~~5.1 This offer is contingent upon Buyer obtaining from an insurance company, financial institution or other lender, a commitment to lend to Buyer a sum equal to at least _____% of the Purchase Price, on terms reasonably acceptable to Buyer. Such loan ("New Loan") shall be secured by a first deed of trust or mortgage on the Property. If this Agreement provides for Seller to carry back junior financing, then Seller shall have the right to approve the terms of the New Loan. Seller shall have 7 days from receipt of the commitment setting forth the proposed terms of the New Loan to approve or disapprove of such proposed terms. If Seller fails to notify Escrow Holder, in writing, of the disapproval within said 7 days it shall be conclusively presumed that Seller has approved the terms of the New Loan.~~

~~5.2 Buyer hereby agrees to diligently pursue obtaining the New Loan. If Buyer shall fail to notify its Broker, Escrow Holder and Seller, in writing within _____ days following the Date of Agreement, that the New Loan has not been obtained, it shall be conclusively presumed that Buyer has either obtained said New Loan or has waived this New Loan contingency.~~

~~5.3 If, after due diligence, Buyer shall notify its Broker, Escrow Holder and Seller, in writing, within the time specified in paragraph 5.2 hereof, that Buyer has not obtained said New Loan, this Agreement shall be terminated, and Buyer shall be entitled to the prompt return of the Deposit, plus any interest earned thereon, less only Escrow Holder and Title Company cancellation fees and costs, which Buyer shall pay.~~

~~6. Seller Financing (Purchase Money Note). (Strike if not applicable)~~

~~6.1 If Seller approves Buyer's financials (see paragraph 6.6) the Purchase Money Note shall provide for interest on unpaid principal at the rate of _____% per annum, with principal and interest paid as follows: _____~~

~~The Purchase Money Note and Purchase Money Deed of Trust shall be on the current forms commonly used by Escrow Holder, and be junior and subordinate only to the Existing Note(s) and/or the New Loan expressly called for by this Agreement.~~

~~6.2 The Purchase Money Note and/or the Purchase Money Deed of Trust shall contain provisions regarding the following (see also paragraph 10.3 (b)):~~

~~(a) Prepayment. Principal may be prepaid in whole or in part at any time without penalty, at the option of the Buyer.~~

~~(b) Late Charge. A late charge of 6% shall be payable with respect to any payment of principal, interest, or other charges, not made within 10 days after it is due.~~

~~(c) Due On Sale. In the event the Buyer sells or transfers title to the Property or any portion thereof, then the Seller may, at Seller's option, require the entire unpaid balance of said Note to be paid in full.~~

~~6.3 If the Purchase Money Deed of Trust is to be subordinate to other financing, Escrow Holder shall, at Buyer's expense prepare and record on Seller's behalf a request for notice of default and/or sale with regard to each mortgage or deed of trust to which it will be subordinate.~~

~~6.4 WARNING: CALIFORNIA LAW DOES NOT ALLOW DEFICIENCY JUDGEMENTS ON SELLER FINANCING. IF BUYER ULTIMATELY DEFAULTS ON THE LOAN, SELLER'S SOLE REMEDY IS TO FORECLOSE ON THE PROPERTY.~~

~~6.5 Seller's obligation to provide financing is contingent upon Seller's reasonable approval of Buyer's financial condition. Buyer to provide a current financial statement and copies of its Federal tax returns for the last 3 years to Seller within 10 days following the Date of Agreement. Seller has 10 days following receipt of such documentation to satisfy itself with regard to Buyer's financial condition and to notify Escrow Holder as to whether or not Buyer's financial condition is acceptable. If Seller fails to notify Escrow Holder, in writing, of the disapproval of this contingency within said time period, it shall be conclusively presumed that Seller has approved Buyer's financial condition. If Seller is not satisfied with Buyer's financial condition or if Buyer fails to deliver the required documentation then Seller may notify Escrow Holder in writing that Seller Financing will not be available, and Buyer shall have the option, within 10 days of the receipt of such notice, to either terminate this transaction or to purchase the Property without Seller financing. If Buyer fails to notify Escrow Holder within said time period of its election to terminate this transaction then Buyer shall be conclusively presumed to have elected to purchase the Property without Seller financing. If Buyer elects to terminate, Buyer's Deposit shall be refunded less Title Company and Escrow Holder cancellation fees and costs, all of which shall be Buyer's obligation.~~

7. Real Estate Brokers.

7.1 The following real estate broker(s) ("Brokers") and brokerage relationships exist in this transaction and are consented to by the Parties (check the applicable boxes):

☑ Cushman & Wakefield of California, Inc. represents Seller ~~exclusively~~ ("Seller's Broker");

☑ The Clover Company & Cushman & Wakefield of California, Inc. represents Buyer ~~exclusively~~ ("Buyer's Broker"); or

☐ _____ represents both Seller and Buyer ("Dual Agency").

The Parties acknowledge that Brokers are the procuring cause of this Agreement. See paragraph 24 regarding the nature of a real estate agency relationship. Buyer shall use the services of Buyer's Broker exclusively in connection with any and all negotiations and offers with respect to the Property for a period of 1 year from the date inserted for reference purposes at the top of page 1.

7.2 Buyer and Seller each represent and warrant to the other that he/she/it has had no dealings with any person, firm, broker or finder in connection with the negotiation of this Agreement and/or the consummation of the purchase and sale contemplated herein, other than the Brokers

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named in paragraph 7.1, and no broker or other person, firm or entity, other than said Brokers is/are entitled to any commission or finder's fee in connection with this transaction as the result of any dealings or acts of such Party. Buyer and Seller do each hereby agree to indemnify, defend, protect and hold the other harmless from and against any costs, expenses or liability for compensation, commission or charges which may be claimed by any broker, finder or other similar party, other than said named Brokers by reason of any dealings or act of the indemnifying Party.

8. Escrow and Closing.

8.1 Upon acceptance hereof by Seller, this Agreement, including any counteroffers incorporated herein by the Parties, shall constitute not only the agreement of purchase and sale between Buyer and Seller, but also instructions to Escrow Holder for the consummation of the Agreement through the Escrow. Escrow Holder shall not prepare any further escrow instructions restating or amending the Agreement unless specifically so instructed by the Parties or a Broker herein. Subject to the reasonable approval of the Parties, Escrow Holder may, however, include its standard general escrow provisions.

8.2 As soon as practical after the receipt of this Agreement and any relevant counteroffers, Escrow Holder shall ascertain the Date of Agreement as defined in paragraphs 1.2 and 20.2 and advise the Parties and Brokers, in writing, of the date ascertained.

8.3 Escrow Holder is hereby authorized and instructed to conduct the Escrow in accordance with this Agreement, applicable law and custom and practice of the community in which Escrow Holder is located, including any reporting requirements of the Internal Revenue Code. In the event of a conflict between the law of the state where the Property is located and the law of the state where the Escrow Holder is located, the law of the state where the Property is located shall prevail.

8.4 Subject to satisfaction of the contingencies herein described, Escrow Holder shall close this escrow (the "**Closing**") by recording a general warranty deed (a grant deed in California) and the other documents required to be recorded, and by disbursing the funds and documents in accordance with this Agreement.

8.5 Buyer and Seller shall each pay one-half of the Escrow Holder's charges and Seller shall pay the usual recording fees and any required documentary transfer taxes. Seller shall pay the premium for a standard coverage owner's or joint protection policy of title insurance. (See also paragraph 11)

8.6 Escrow Holder shall verify that all of Buyer's contingencies have been satisfied or waived prior to Closing. The matters contained in paragraphs 9.1 subparagraphs (b), (c), (d), (e), (g), (i), (n), and (o), 9.4, 9.5, 12, 13, 14, 16, 18, 20, 21, 22, and 24 are, however, matters of agreement between the Parties only and are not instructions to Escrow Holder.

8.7 If this transaction is terminated for non-satisfaction and non-waiver of a Buyer's Contingency, as defined in paragraph 9.2, then neither of the Parties shall thereafter have any liability to the other under this Agreement, except to the extent of a breach of any affirmative covenant or warranty in this Agreement. In the event of such termination, Buyer shall be promptly refunded all funds deposited by Buyer with Escrow Holder, less only the $100 provided for in paragraph 4.4 and the Title Company and Escrow Holder cancellation fees and costs, all of which shall be Buyer's obligation. If this transaction is terminated as a result of Seller's breach of this Agreement then Seller shall pay the Title Company and Escrow Holder cancellation fees and costs.

8.8 The Closing shall occur on the Expected Closing Date, or as soon thereafter as the Escrow is in condition for Closing; provided, however, that if the Closing does not occur by the Expected Closing Date and said Date is not extended pursuant to this Agreement or by mutual instructions of the Parties, a Party not then in default under this Agreement may notify the other Party, Escrow Holder, and Brokers, in writing that, unless the Closing occurs within 5 business days following said notice, the Escrow shall be deemed terminated without further notice or instructions.

8.9 Except as otherwise provided herein, the termination of Escrow shall not relieve or release either Party from any obligation to pay Escrow Holder's fees and costs or constitute a waiver, release or discharge of any breach or default that has occurred in the performance of the obligations, agreements, covenants or warranties contained therein.

8.10 If this sale of the Property is not consummated for any reason other than Seller's breach or default, then at Seller's request, ~~and as a condition to any obligation to return Buyer's deposit (see paragraph 21),~~ Buyer shall within 5 days after written request deliver to Seller, at no charge, copies of all surveys, engineering studies, soil reports, maps, master plans, feasibility studies and other similar items prepared by or for Buyer that pertain to the Property. Provided, however, that Buyer shall not be required to deliver any such report if the written contract which Buyer entered into with the consultant who prepared such report specifically forbids the dissemination of the report to others.

9. Contingencies to Closing. *SEE ADDENDUM PARAGRAPH 27*

9.1 The Closing of this transaction is contingent upon the satisfaction or waiver of the following contingencies. IF BUYER FAILS TO NOTIFY ESCROW HOLDER, IN WRITING, OF THE DISAPPROVAL OF ANY OF SAID CONTINGENCIES WITHIN THE TIME SPECIFIED THEREIN, IT SHALL BE CONCLUSIVELY PRESUMED THAT BUYER HAS APPROVED SUCH ITEM, MATTER OR DOCUMENT. Buyer's conditional approval shall constitute disapproval, unless provision is made by the Seller within the time specified therefore by the Buyer in such conditional approval or by this Agreement, whichever is later, for the satisfaction of the condition imposed by the Buyer. Escrow Holder shall promptly provide all Parties with copies of any written disapproval or conditional approval which it receives. With regard to subparagraphs (a) through (m) the pre-printed time periods shall control unless a different number of days is inserted in the spaces provided.

(a) *Disclosure.* Seller shall make to Buyer, through Escrow, all of the applicable disclosures required by law (See AIR Commercial Real Estate Association ("AIR") standard form entitled "Seller's Mandatory Disclosure Statement") and provide Buyer with a completed Property Information Sheet ("Property Information Sheet") concerning the Property, duly executed by or on behalf of Seller in the current form or equivalent to that published by the AIR within 10 or ~~_____~~ * ~~_____~~ days following the Date of Agreement. Buyer has 10 days from the receipt of said disclosures to approve or disapprove the matters disclosed.

(b) *Physical Inspection.* Buyer has 10 or ____* days from the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the physical aspects and size of the Property.

(c) *Hazardous Substance Conditions Report.* Buyer has 30 or *_____ days from the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the environmental aspects of the Property. Seller recommends that Buyer obtain a Hazardous Substance Conditions Report concerning the Property and relevant adjoining properties. Any such report shall be paid for by Buyer. A "**Hazardous Substance**" for purposes of this Agreement is defined as any substance whose nature and/or quantity of existence, use, manufacture, disposal or effect, render it subject to Federal, state or local regulation, investigation, remediation or removal as potentially injurious to public health or welfare. A "**Hazardous Substance Condition**" for purposes of this Agreement is defined as the existence on, under or relevantly adjacent to the Property of a Hazardous Substance that would require remediation and/or removal under applicable Federal, state or local law.

(d) *Soil Inspection.* Buyer has 30 or *_____ days from the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the condition of the soils on the Property. Seller recommends that Buyer obtain a soil test report. Any such report shall be paid for by Buyer. Seller shall provide Buyer copies of any soils report that Seller may have within 10 days of the Date of Agreement.

(e) *Governmental Approvals.* Buyer has 30 or ____* days from the Date of Agreement to satisfy itself with regard to approvals and permits from governmental agencies or departments which have or may have jurisdiction over the Property and which Buyer deems necessary or desirable in connection with its intended use of the Property, including, but not limited to, permits and approvals required with respect to zoning, planning, building and safety, fire, police, handicapped and Americans with Disabilities Act requirements, transportation and environmental matters, *including, without limitation, Air Quality Management District permits.*

(f) *Conditions of Title.* Escrow Holder shall cause a current commitment for title insurance ("**Title Commitment**") concerning the Property issued by the Title Company, as well as legible copies of all documents referred to in the Title Commitment ("**Underlying Documents**"), and a scaled and dimensioned plot showing the location of any easements to be delivered to Buyer within 10 or ~~_____~~ * ~~_____~~ days following the Date of Agreement. Buyer has ~~10~~ 30 days from the receipt of the Title Commitment, the Underlying Documents, and the plot plan *and the survey and CLTA title supplement referenced in Paragraph 9.1(g) below* to ~~satisfy itself with regard to~~ *disapprove* the condition of title *or any matters shown on the survey.* The disapproval by Buyer of any monetary encumbrance, which by the terms of this Agreement is not to remain against the Property after the Closing, shall not be considered a failure of this contingency, as Seller shall have the obligation, at Seller's expense, to satisfy and remove such disapproved monetary encumbrance at or before the Closing.

(g) *Survey. Subject to the provisions of Paragraph 9.1(f) above,* Buyer has 30 or ____* days from the receipt of the Title Commitment and Underlying Documents to satisfy itself with regard to any ~~ALTA~~ CLTA title supplement based upon a survey prepared to American Land Title Association ("ALTA") standards for an owner's policy by a licensed surveyor, showing the legal description and boundary lines of the Property, any easements of record, and any improvements, poles, structures and things located within 10 feet of either side of the Property boundary lines. ~~Any such survey shall to be a current ALTA survey and be~~ prepared at Buyer's direction and expense. ~~If Buyer has obtained a survey and approved the ALTA title supplement,~~ Buyer may elect within the period allowed for Buyer's approval of a survey to have an ALTA extended coverage owner's form of title policy, in which event Buyer shall pay any additional premium attributable thereto. *The survey will state the amount of Land Square Feet (as defined in Paragraph 35 below) within the Property.*

(h) *Existing Leases and Tenancy Statements.* Seller shall within 10 or ~~_____~~ * ~~_____~~ days of the Date of Agreement provide both Buyer and Escrow Holder with legible copies of all leases, subleases or rental arrangements (collectively, "**Existing Leases**") affecting the Property, and with a

tenancy statement ("Estoppel Certificate") in the latest form or equivalent to that published by the AIR, executed by Seller and/or each tenant and subtenant of the Property. Seller shall use its best efforts to have each tenant complete and execute an Estoppel Certificate. If any tenant fails or refuses to provide an Estoppel Certificate then Seller shall complete and execute an Estoppel Certificate for that tenancy. Buyer has 10 days from the receipt of said Existing Leases and Estoppel Certificates to satisfy itself with regard to the Existing Leases and any other tenancy issues.

(i) *Owner's Association.* Seller shall within 10 ~~or *~~ days of the Date of Agreement provide Buyer with a statement and transfer package from any owner's association servicing the Property. Such transfer package shall at a minimum include: copies of the association's bylaws, articles of incorporation, current budget and financial statement. ~~Buyer has 10 days from the receipt of such documents to satisfy itself with regard to the association.~~

(j) *Other Agreements.* Seller shall within 10 ~~or *~~ days of the Date of Agreement provide Buyer with legible copies of all other agreements ("Other Agreements") known to Seller that will affect the Property after Closing. ~~Buyer has 10 days from the receipt of said Other Agreements to satisfy itself with regard to such Agreements.~~

(k) ~~*Financing.* If paragraph 5 hereof dealing with a financing contingency has not been stricken, the satisfaction or waiver of such New Loan contingency.~~

~~(l) *Existing Notes.* If paragraph 3.1(c) has not been stricken, Seller shall within 10 or * days of the Date of Agreement provide Buyer with legible copies of the Existing Notes, Existing Deeds of Trust and related agreements (collectively, "Loan Documents") to which the Property will remain subject after the Closing. Escrow Holder shall promptly request from the holders of the Existing Notes a beneficiary statement ("Beneficiary Statement") confirming: (1) the amount of the unpaid principal balance, the current interest rate, and the date to which interest is paid, and (2) the nature and amount of any impounds held by the beneficiary in connection with such loan. Buyer has 10 or * days from the receipt of the Loan Documents and Beneficiary Statements to satisfy itself with regard to such financing. Buyer's obligation to close is conditioned upon Buyer being able to purchase the Property without acceleration or change in the terms of any Existing Notes or charges to Buyer except as otherwise provided in this Agreement or approved by Buyer, provided, however, Buyer shall pay the transfer fee referred to in paragraph 3.2 hereof. Likewise if Seller is to carry back a Purchase Money Note then Seller shall within 10 or * days of the Date of Agreement provide Buyer with a copy of the proposed Purchase Money Note and Purchase Money Deed of Trust. Buyer has 10 or * days from the receipt of such documents to satisfy itself with regard to the form and content thereof.~~

~~(m) *Personal Property.* In the event that any personal property is included in the Purchase Price, Buyer has 10 or * days from the Date of Agreement to satisfy itself with regard to the title condition of such personal property. Seller recommends that Buyer obtain a UCC-1 report. Any such report shall be paid for by Buyer. Seller shall provide Buyer copies of any liens or encumbrances affecting such personal property that it is aware of within 10 or * days of the Date of Agreement.~~

~~(n) *Destruction, Damage or Loss.* There shall not have occurred prior to the Closing, a destruction of, or damage or loss to, the Property or any portion thereof, from any cause whatsoever, which would cost more than $10,000.00 to repair or cure. If the cost of repair or cure is $10,000.00 or less, Seller shall repair or cure the loss prior to the Closing. Buyer shall have the option, within 10 days after receipt of written notice of a loss costing more than $10,000.00 to repair or cure, to either terminate this Agreement or to purchase the Property notwithstanding such loss, but without deduction or offset against the Purchase Price. If the cost to repair or cure is more than $10,000.00, and Buyer does not elect to terminate this Agreement, Buyer shall be entitled to any insurance proceeds applicable to such loss. Unless otherwise notified in writing, Escrow Holder shall assume no such destruction, damage or loss has occurred prior to Closing.~~

(l) *Condemnation.* If, prior to the Closing, the Property becomes subject to a taking by virtue of eminent domain, to any extent whatsoever, Buyer may, in Buyer's sole discretion, terminate this Agreement, whereupon the Escrow Holder shall return to Buyer immediately the total amount composing the Escrow Deposit (notwithstanding any provisions of this Agreement) theretofore paid by Buyer under this Agreement. If Buyer does not elect to terminate this Agreement hereunder and proceeds to close on the purchase of the Property, then Seller shall assign to Buyer all interest of Seller in and to any condemnation awards which may be payable to Seller on account of such occurrence; provided that, if any such awards are actually paid prior to the Closing, Seller shall be entitled to retain such awards and Buyer shall be entitled to a credit against the Purchase Price in an amount equal to the amount of such awards retained by Seller.

~~(o)~~ (m) *Material Change.* Buyer shall have 10 days following receipt of written notice of a Material Change within which to satisfy itself with regard to such change. "Material Change" shall mean a substantial adverse change in the use, occupancy, tenants, title, or condition of the Property that occurs after the date of this offer and prior to the Closing. Unless otherwise notified in writing, Escrow Holder shall assume that no Material Change has occurred prior to the Closing.

~~(p)~~ (n) *Seller Performance.* The delivery of all documents and the due performance by Seller of each and every undertaking and agreement to be performed by Seller under this Agreement.

~~(q)~~ (o) *Brokerage Fee.* Payment at the Closing of such brokerage fee as is specified in this Agreement or later written instructions to Escrow Holder executed by Seller and Brokers ("Brokerage Fee"). It is agreed by the Parties and Escrow Holder that Brokers are a third party beneficiary of this Agreement insofar as the Brokerage Fee is concerned, and that no change shall be made with respect to the payment of the Brokerage Fee specified in this Agreement, without the written consent of Brokers.

9.2 All of the contingencies specified in subparagraphs (a) through ~~(m)~~ (n) of paragraph 9.1 are for the benefit of, and may be waived by, Buyer, and may be elsewhere herein referred to as "Buyer's Contingencies."

9.3 If any of Buyer's Contingencies or any other matter subject to Buyer's approval is disapproved as provided for herein in a timely manner ("Disapproved Item"), Seller shall have the right within 10 days following the receipt of notice of Buyer's disapproval to elect to cure such Disapproved Item prior to the Expected Closing Date ("Seller's Election"). Seller's failure to give to Buyer within such period, written notice of Seller's commitment to cure such Disapproved Item on or before the Expected Closing Date shall be conclusively presumed to be Seller's election not to cure such Disapproved Item. If Seller elects, either by written notice or failure to give written notice, not to cure a Disapproved Item, Buyer shall have the right, within 10 days after the later of the expiration of the Contingency Period (as extended) or Seller's Election to either accept title to the Property subject to such Disapproved Item, or to terminate this Agreement, whereupon Escrow Holder will immediately return to Buyer the Escrow Deposit, plus any interest accruing thereon. ~~Buyer's failure to notify Seller in writing of Buyer's election to accept title to the Property subject to the Disapproved Item without deduction or offset shall constitute Buyer's election to terminate this Agreement.~~ Unless expressly provided otherwise herein, Seller's right to cure shall not apply to the remediation of Hazardous Substance Conditions ~~or to the Financing Contingency.~~ Unless the Parties mutually instruct otherwise, if the time periods for the satisfaction of contingencies or for Seller's and Buyer's elections would expire on a date after the Expected Closing Date, the Expected Closing Date shall be deemed extended for 3 ~~business~~ seven (7) days following the expiration of: (a) the ~~applicable contingency period(s)~~ Contingency Period, as extended, (b) the period within which the Seller may elect to cure the Disapproved Item, or (c) if Seller elects not to cure, the period within which Buyer may elect to proceed with this transaction, whichever is later.

9.4 Buyer understands and agrees that until such time as all Buyer's Contingencies have been satisfied or waived, Seller and/or its agents may solicit, entertain and/or accept back-up offers to purchase the Property.

9.5 The Parties acknowledge that extensive local, state and Federal legislation establish broad liability upon owners and/or users of real property for the investigation and remediation of Hazardous Substances. The determination of the existence of a Hazardous Substance Condition and the evaluation of the impact of such a condition are highly technical and beyond the expertise of Brokers. The Parties acknowledge that they have been advised by Brokers to consult their own technical and legal experts with respect to the possible presence of Hazardous Substances on the Property or adjoining properties, and Buyer and Seller are not relying upon any investigation by or statement of Brokers with respect thereto. The Parties hereby assume all responsibility for the impact of such Hazardous Substances upon their respective interests herein.

10. Documents Required at or Before Closing:

10.1 Five days prior to the Closing date Escrow Holder shall obtain an updated Title Commitment concerning the Property from the Title Company and provide copies thereof to each of the Parties.

10.2 Seller shall deliver to Escrow Holder in time for delivery to Buyer at the Closing:

(a) Grant or general warranty deed, duly executed and in recordable form, conveying fee title to the Property to Buyer, subject to no matters unless approved in writing by Buyer.

~~(b) If applicable, the Beneficiary Statements concerning Existing Note(s).~~

~~(c) If applicable, the Existing Leases and Other Agreements together with duly executed assignments thereof by Seller and Buyer. The assignment of Existing Leases shall be on the most recent Assignment and Assumption of Lessor's Interest in Lease form published by the AIR or its equivalent.~~

(d) If applicable, Estoppel Certificates executed by Seller and/or the tenant(s) of the Property.

(e) An affidavit executed by Seller to the effect that Seller is not a "foreign person" within the meaning of Internal Revenue Code Section 1445 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least 3 business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to the Internal Revenue Service such sum as is required by applicable Federal law with respect to purchases from foreign sellers.

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(f) If the Property is located in California, an affidavit executed by Seller to the effect that Seller is not a "nonresident" within the meaning of California Revenue and Tax Code Section 18662 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least 3 business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to the Franchise Tax Board such sum as is required by such statute.

(g) If applicable, a bill of sale, duly executed, conveying title to any included personal property to Buyer.

(h) If the Seller is a corporation, a duly executed corporate resolution authorizing the execution of this Agreement and the sale of the Property.

10.3 Buyer shall deliver to Seller through Escrow:

(a) The cash portion of the Purchase Price and such additional sums as are required of Buyer under this Agreement shall be deposited by Buyer with Escrow Holder, by federal funds wire transfer, or any other method acceptable to Escrow Holder in immediately collectable funds, no later than 2:00 P.M. on the business day prior to the Expected Closing Date provided, however, that Buyer shall not be required to deposit such monies into Escrow if at the time set for the deposit of such monies Seller is in default or has indicated that it will not perform any of its obligations hereunder. Instead, in such circumstances in order to reserve its rights to proceed Buyer need only provide Escrow with evidence establishing that the required monies were available.

(b) If a Purchase Money Note and Purchase Money Deed of Trust are called for by this Agreement, the duly executed originals of those documents, the Purchase Money Deed of Trust being in recordable form, together with evidence of fire insurance on the improvements in the amount of the full replacement cost naming Seller as a mortgage loss payee, and a real estate tax service contract (at Buyer's expense), assuring Seller of notice of the status of payment of real property taxes during the life of the Purchase Money Note.

(c) ~~The Assignment and Assumption of Lessor's Interest in Lease form specified in paragraph 10.2(c) above, duly executed by Buyer.~~

(d) Assumptions duly executed by Buyer of the obligations of Seller that accrue after Closing under any Other Agreements.

(e) ~~If applicable, a written assumption duly executed by Buyer of the loan documents with respect to Existing Notes.~~

(f) If the Buyer is a corporation, a duly executed corporate resolution authorizing the execution of this Agreement and the purchase of the Property.

10.4 At Closing, Escrow Holder shall cause to be issued to Buyer a standard coverage (or ALTA extended, if elected pursuant to 9.1(g)) owner's form policy of title insurance effective as of the Closing, issued by the Title Company in the full amount of the Purchase Price, insuring title to the Property vested in Buyer, subject only to the exceptions approved by Buyer. In the event there is a Purchase Money Deed of Trust in this transaction, the policy of title insurance shall be a joint protection policy insuring both Buyer and Seller.

IMPORTANT: IN A PURCHASE OR EXCHANGE OF REAL PROPERTY, IT MAY BE ADVISABLE TO OBTAIN TITLE INSURANCE IN CONNECTION WITH THE CLOSE OF ESCROW SINCE THERE MAY BE PRIOR RECORDED LIENS AND ENCUMBRANCES WHICH AFFECT YOUR INTEREST IN THE PROPERTY BEING ACQUIRED. A NEW POLICY OF TITLE INSURANCE SHOULD BE OBTAINED IN ORDER TO ENSURE YOUR INTEREST IN THE PROPERTY THAT YOU ARE ACQUIRING.

11. Prorations and Adjustments.

11.1 *Taxes.* Applicable real property taxes and special assessment bonds shall be prorated through Escrow as of the date of the Closing, based upon the latest tax bill available. The Parties agree to prorate as of the Closing any taxes assessed against the Property by supplemental bill levied by reason of events occurring prior to the Closing. Payment of the prorated amount shall be made promptly in cash upon receipt of a copy of any supplemental bill.

11.2 *Insurance.* WARNING: Any insurance which Seller may have maintained will terminate on the Closing. Buyer is advised to obtain appropriate insurance to cover the Property.

11.3 ~~*Rentals, Interest and Expenses.* Scheduled rentals, interest on Existing Notes,~~ utilities, and operating expenses shall be prorated as of the date of Closing. The Parties agree to promptly adjust between themselves outside of Escrow any rents received after the Closing.

11.4 ~~*Security Deposit.* Security Deposits held by Seller shall be given to Buyer as a credit to the cash required of Buyer at the Closing.~~

11.5 *Post Closing Matters.* Any item to be prorated that is not determined or determinable at the Closing shall be promptly adjusted by the Parties by appropriate cash payment outside of the Escrow when the amount due is determined.

11.6 ~~*Variations in Existing Note Balances.* In the event that Buyer is purchasing the Property subject to an Existing Deed of Trust(s), and in the event that a Beneficiary Statement as to the applicable Existing Note(s) discloses that the unpaid principal balance of such Existing Note(s) at the closing will be more or less than the amount set forth in paragraph 3.1(c) hereof ("Existing Note Variation"), then the Purchase Money Note(s) shall be reduced or increased by an amount equal to such Existing Note Variation. If there is to be no Purchase Money Note, the cash required at the Closing per paragraph 3.1(a) shall be reduced or increased by the amount of such Existing Note Variation.~~

11.7 *Variations in New Loan Balance.* In the event Buyer is obtaining a New Loan and the amount ultimately obtained exceeds the amount set forth in paragraph 5.1, then the amount of the Purchase Money Note, if any, shall be reduced by the amount of such excess.

11.8 *Owner's Association Fees.* Escrow Holder shall: (i) bring Seller's account with the association current and pay any delinquencies or transfer fees from Seller's proceeds, and (ii) pay any up front fees required by the association from Buyer's funds.

12. Representations and Warranties of Seller and Disclaimers.

12.1 Seller's warranties and representations shall survive the Closing and delivery of the deed for a period of 3 years, and any lawsuit or action based upon them must be commenced within such time period. Seller's warranties and representations are true, material and relied upon by Buyer and Brokers in all respects. Seller hereby makes the following warranties and representations to Buyer and Brokers:

(a) *Authority of Seller.* Seller is the owner of the Property and/or has the full right, power and authority to sell, convey and transfer the Property to Buyer as provided herein, and to perform Seller's obligations hereunder.

~~(b) *Maintenance During Escrow and Equipment Condition At Closing.* Except as otherwise provided in paragraph 9.1(n) hereof, Seller shall maintain the Property until the Closing in its present condition, ordinary wear and tear excepted.~~

(c) *Hazardous Substances/Storage Tanks.* Seller has no knowledge, except as otherwise disclosed to Buyer in writing, of the existence or prior existence on the Property of any Hazardous Substance, nor of the existence or prior existence of any above or below ground storage tank.

(d) *Compliance.* Seller has no knowledge of any aspect or condition of the Property which violates applicable laws, rules, regulations, codes or covenants, conditions or restrictions, or of improvements or alterations made to the Property without a permit where one was required, or of any unfulfilled order or directive of any applicable governmental agency or casualty insurance company requiring any investigation, remediation, repair, maintenance or improvement be performed on the Property.

(e) *Changes in Agreements.* Prior to the Closing, Seller will not violate or modify any Existing Lease or Other Agreement, or create any new leases or other agreements affecting the Property, without Buyer's written approval, which approval will not be unreasonably withheld.

(f) *Possessory Rights.* Seller has no knowledge that anyone will, at the Closing, have any right to possession of the Property, except as disclosed by this Agreement or otherwise in writing to Buyer.

(g) *Mechanics' Liens.* There are no unsatisfied mechanics' or materialmens' lien rights concerning the Property.

(h) *Actions, Suits or Proceedings.* Seller has no knowledge of any actions, suits or proceedings pending or threatened before any commission, board, bureau, agency, arbitrator, court or tribunal that would affect the Property or the right to occupy or utilize same, *including any condemnation or similar proceedings.*

(i) *Notice of Changes.* Seller *will not knowingly cause or allow the occurrence of a Material Change* but will promptly notify Buyer and Brokers in writing of any Material Change (see paragraph 9.1(o)) affecting the Property that becomes known to Seller prior to the Closing.

(j) *No Tenant Bankruptcy Proceedings.* Seller has no notice or knowledge that any tenant of the Property is the subject of a bankruptcy or insolvency proceeding.

(k) *No Seller Bankruptcy Proceedings.* Seller is not the subject of a bankruptcy, insolvency or probate proceeding.

(l) *Personal Property.* Seller has no knowledge that anyone will, at the Closing, have any right to possession of any personal property included in the Purchase Price nor knowledge of any liens or encumbrances affecting such personal property, except as disclosed by this Agreement or otherwise in writing to Buyer.

12.2 Buyer hereby acknowledges that, except as otherwise stated in this Agreement, Buyer is purchasing the Property in its existing condition *subject to the representations and warranties of Seller contained herein during the period referenced in this Section* 12.2 and will, by the time called for herein, make or have waived all inspections of the Property Buyer believes are necessary to protect its own interest in, and its contemplated use of, the Property. The Parties acknowledge that, except as otherwise stated in this Agreement, no representations, inducements, promises, agreements, assurances, oral or written, concerning the Property, or any aspect of the occupational safety and health laws, Hazardous Substance laws, or any other act, ordinance or law, have been made by either Party or Brokers, or relied upon by either Party hereto.

12.3 In the event that Buyer learns that a Seller representation or warranty might be untrue prior to the Closing, and Buyer elects to purchase the Property anyway then, and in that event, Buyer waives any right that it may have to bring an action or proceeding against Seller or Brokers regarding said representation or warranty.

12.4 Any environmental reports, soils reports, surveys, and other similar documents which were prepared by third party consultants and provided to Buyer by Seller or Seller's representatives, have been delivered as an accommodation to Buyer and without any representation or warranty as to the

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sufficiency, accuracy, completeness, and/or validity of said documents, all of which Buyer relies on at its own risk. Seller believes said documents to be accurate, but Buyer is advised to retain appropriate consultants to review said documents and investigate the Property.

13. Possession.

Possession of the Property shall be given to Buyer at the Closing ~~subject to the rights of tenants under Existing Leases~~.

14. Buyer's Entry.

At any time during the Escrow period, Buyer, and its agents and representatives, shall have the right at reasonable times and subject to rights of tenants, to enter upon the Property for the purpose of making inspections and tests specified in this Agreement. No destructive testing shall be conducted, however, without Seller's prior approval which shall not be unreasonably withheld. Following any such entry or work, unless otherwise directed in writing by Seller, Buyer shall return the Property to the condition it was in prior to such entry or work, including the recompaction or removal of any disrupted soil or material as Seller may reasonably direct. All such inspections and tests and any other work conducted or materials furnished with respect to the Property by or for Buyer shall be paid for by Buyer as and when due and Buyer shall indemnify, defend, protect and hold harmless Seller and the Property of and from any and all claims, liabilities, losses, expenses (including reasonable attorneys' fees), damages, including those for injury to person or property, arising out of or relating to any such work or materials or the acts or omissions of Buyer, its agents or employees in connection therewith.

15. Further Documents and Assurances.

The Parties shall each, diligently and in good faith, undertake all actions and procedures reasonably required to place the Escrow in condition for Closing as and when required by this Agreement. The Parties agree to provide all further information, and to execute and deliver all further documents, reasonably required by Escrow Holder or the Title Company.

16. Attorneys' Fees.

If any Party or Broker brings an action or proceeding (including arbitration) involving the Property whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "Prevailing Party" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred.

17. Prior Agreements/Amendments.

17.1 This Agreement supersedes any and all prior agreements between Seller and Buyer regarding the Property.

17.2 Amendments to this Agreement are effective only if made in writing and executed by Buyer and Seller.

18. Broker's Rights.

18.1 If this sale is not consummated due to the default of either the Buyer or Seller, the defaulting Party shall be liable to and shall pay to Brokers the Brokerage Fee that Brokers would have received had the sale been consummated. If Buyer is the defaulting party, payment of said Brokerage Fee is in addition to any obligation with respect to liquidated or other damages.

~~18.2 Upon the Closing, Brokers are authorized to publicize the facts of this transaction.~~

19. Notices.

19.1 Whenever any Party, Escrow Holder or Brokers herein shall desire to give or serve any notice, demand, request, approval, disapproval or other communication, each such communication shall be in writing and shall be delivered personally, by ~~messenger or by mail~~ *overnight courier or by certified mail (return receipt requested)*, postage prepaid, to the address set forth in this Agreement or by facsimile transmission*or an overnight, nationally recognized courier (e.g. Federal Express or UPS)*.

19.2 Service of any such communication shall be deemed made on the date of actual receipt if personally delivered. ~~Any such communication sent by regular mail shall be deemed given 48 hours after the same is mailed.~~ Communications sent by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed delivered 24 hours after delivery of the same to the Postal Service or courier. Communications transmitted by facsimile transmission shall be deemed delivered upon telephonic confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If such communication is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

19.3 Any Party or Broker hereto may from time to time, by notice in writing, designate a different address to which, or a different person or additional persons to whom, all communications are thereafter to be made.

20. Duration of Offer.

20.1 If this offer is not accepted by ~~Seller~~ Buyer on or before ~~5:00~~ 4:00 P.M. according to the time standard applicable to the city of Vernon on the date of May 2, 2013. it shall be deemed automatically revoked.

20.2 The acceptance of this offer, or of any subsequent counteroffer hereto, that creates an agreement between the Parties as described in paragraph 1.2, shall be deemed made upon delivery to the other Party or either Broker herein of a duly executed writing unconditionally accepting the last outstanding offer or counteroffer.

21. LIQUIDATED DAMAGES. (This Liquidated Damages paragraph is applicable only if initialed by both Parties).

THE PARTIES AGREE THAT IT WOULD BE IMPRACTICABLE OR EXTREMELY DIFFICULT TO FIX, PRIOR TO SIGNING THIS AGREEMENT, THE ACTUAL DAMAGES WHICH WOULD BE SUFFERED BY SELLER IF BUYER FAILS TO PERFORM ITS OBLIGATIONS UNDER THIS AGREEMENT. THEREFORE, IF, AFTER THE SATISFACTION OR WAIVER OF ALL CONTINGENCIES PROVIDED FOR THE BUYER'S BENEFIT, BUYER BREACHES THIS AGREEMENT, SELLER SHALL BE ENTITLED TO LIQUIDATED DAMAGES IN THE AMOUNT OF THE THEN EXISTING ESCROW DEPOSIT. UPON PAYMENT OF SAID SUM TO SELLER, BUYER SHALL BE RELEASED FROM ANY FURTHER LIABILITY TO SELLER, AND ANY ESCROW CANCELLATION FEES AND TITLE COMPANY CHARGES SHALL BE PAID BY SELLER.

_____ _____

Buyer Initials *Seller Initials*

~~**22. ARBITRATION OF DISPUTES.** *(This Arbitration of Disputes paragraph is applicable only if initialed by both Parties.)*~~

~~22.1 ANY CONTROVERSY AS TO WHETHER SELLER IS ENTITLED TO THE LIQUIDATED DAMAGES AND/OR BUYER IS ENTITLED TO THE RETURN OF DEPOSIT MONEY, SHALL BE DETERMINED BY BINDING ARBITRATION BY, AND UNDER THE COMMERCIAL RULES OF THE AMERICAN ARBITRATION ASSOCIATION ("COMMERCIAL RULES"). ARBITRATION HEARINGS SHALL BE HELD IN THE COUNTY WHERE THE PROPERTY IS LOCATED. ANY SUCH CONTROVERSY SHALL BE ARBITRATED BY 3 ARBITRATORS WHO SHALL BE IMPARTIAL REAL ESTATE BROKERS WITH AT LEAST 5 YEARS OF FULL TIME EXPERIENCE IN BOTH THE AREA WHERE THE PROPERTY IS LOCATED AND THE TYPE OF REAL ESTATE THAT IS THE SUBJECT OF THIS AGREEMENT. THEY SHALL BE APPOINTED UNDER THE COMMERCIAL RULES. THE ARBITRATORS SHALL HEAR AND DETERMINE SAID CONTROVERSY IN ACCORDANCE WITH APPLICABLE LAW, THE INTENTION OF THE PARTIES AS EXPRESSED IN THIS AGREEMENT AND ANY AMENDMENTS THERETO, AND UPON THE EVIDENCE PRODUCED AT AN ARBITRATION HEARING. PRE ARBITRATION DISCOVERY SHALL BE PERMITTED IN ACCORDANCE WITH THE COMMERCIAL RULES OR STATE LAW APPLICABLE TO ARBITRATION PROCEEDINGS. THE AWARD SHALL BE EXECUTED BY AT LEAST 2 OF THE 3 ARBITRATORS, BE RENDERED WITHIN 30 DAYS AFTER THE CONCLUSION OF THE HEARING, AND MAY INCLUDE ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY PER PARAGRAPH 16 HEREOF. JUDGMENT MAY BE ENTERED ON THE AWARD IN ANY COURT OF COMPETENT JURISDICTION NOTWITHSTANDING THE FAILURE OF A PARTY DULY NOTIFIED OF THE ARBITRATION HEARING TO APPEAR THEREAT.~~

~~22.2 BUYER'S RESORT TO OR PARTICIPATION IN SUCH ARBITRATION PROCEEDINGS SHALL NOT BAR SUIT IN A COURT OF COMPETENT JURISDICTION BY THE BUYER FOR DAMAGES AND/OR SPECIFIC PERFORMANCE UNLESS AND~~

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~~UNTIL THE ARBITRATION RESULTS IN AN AWARD TO THE SELLER OF LIQUIDATED DAMAGES, IN WHICH EVENT SUCH AWARD SHALL ACT AS A BAR AGAINST ANY ACTION BY BUYER FOR DAMAGES AND/OR SPECIFIC PERFORMANCE.~~

~~22.3 NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.~~

~~WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.~~

~~Buyer Initials~~ ~~Seller Initials~~

23. Miscellaneous.

23.1 Binding Effect. This Agreement shall be binding on the Parties without regard to whether or not paragraphs 21 and 22 are initialed by both of the Parties. Paragraphs 21 and 22 are each incorporated into this Agreement only if initialed by both Parties at the time that the Agreement is executed.

23.2 Applicable Law. This Agreement shall be governed by, and paragraph 22.3 is amended to refer to, the laws of the state in which the Property is located. Any litigation or arbitration between the Parties hereto concerning this Agreement shall be initiated in the county in which the Property is located.

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

23.4 Counterparts. This Agreement may be executed by Buyer and Seller in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Escrow Holder, after verifying that the counterparts are identical except for the signatures, is authorized and instructed to combine the signed signature pages on one of the counterparts, which shall then constitute the Agreement.

~~**23.5 Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.**~~

23.6 Conflict. Any conflict between the printed provisions of this Agreement and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

23.7 1031 Exchange. Both Seller and Buyer agree to cooperate with each other in the event that either or both wish to participate in a 1031 exchange. Any party initiating an exchange shall bear all costs of such exchange.

23.8 Days. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Agreement shall mean and refer to calendar days.

24. Disclosures Regarding The Nature of a Real Estate Agency Relationship.

24.1 The Parties and Brokers agree that their relationship(s) shall be governed by the principles set forth in the applicable sections of the California Civil Code, as summarized in paragraph 24.2.

24.2 When entering into a discussion with a real estate agent regarding a real estate transaction, a Buyer or Seller should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Buyer and Seller acknowledge being advised by the Brokers in this transaction, as follows:

(a) *Seller's Agent.* A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or subagent has the following affirmative obligations: (1) *To the Seller:* A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Seller. (2) *To the Buyer and the Seller:* a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(b) *Buyer's Agent.* A selling agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations. (1) *To the Buyer:* A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Buyer. (2) *To the Buyer and the Seller:* a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(c) *Agent Representing Both Seller and Buyer.* A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer. (1) In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Seller or the Buyer. b. Other duties to the Seller and the Buyer as stated above in their respective sections (a) or (b) of this paragraph 24.2. (2) In representing both Seller and Buyer, the agent may not without the express permission of the respective Party, disclose to the other Party that the Seller will accept a price less than the listing price or that the Buyer will pay a price greater than the price offered. (3) The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect their own interests. Buyer and Seller should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(d) *Further Disclosures.* Throughout this transaction Buyer and Seller may receive more than one disclosure, depending upon the number of agents assisting in the transaction. Buyer and Seller should each read its contents each time it is presented, considering the relationship between them and the real estate agent in this transaction and that disclosure. Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this transaction may be brought against Broker more than one year after the Date of Agreement and that the liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Agreement shall not exceed the fee received by such Broker pursuant to this Agreement; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

24.3 *Confidential Information:* Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

25. Construction of Agreement. In construing this Agreement, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Agreement. Whenever required by the context, the singular shall include the plural and vice versa. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Agreement shall mean and refer to calendar days. This Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

26 Additional Provisions:

Additional provisions of this offer, if any, are as follows or are attached hereto by an addendum consisting of paragraphs 27 through 35. (If there are no additional provisions write "NONE".)

27. Notwithstanding anything else herein and to the contrary elsewhere in this Agreement, Buyer shall have ninety (90) days from the later of the Date of this Agreement or the Date of receipt of all Due Diligence Materials (as set forth in Paragraph 10 of the Letter of Intent dated April 8, 2013 mutually agreed upon by Buyer and Seller, attached hereto) ("Contingency Period") to satisfy and/or waive all of Buyer's contingencies outlined in Section 9. All such Due Diligence Materials must be submitted to Buyer within three (3) business days of the date of this Agreement. Prior to the expiration of the Contingency

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Period (or any extension thereof pursuant to the provisions of Paragraph 30 below), Buyer shall have the absolute right to terminate this Agreement for any reason or no reason at all, whereupon Buyer will be entitled to (and Escrow Holder will immediately remit to Buyer after notice thereof) a full refund of the Escrow Deposit.

28. Except as provided elsewhere in this Agreement, Buyer hereby agrees to purchase the Property in its "As-Is, Where-Is" condition, with all faults, and Seller will make no representations or warranties with respect thereto. Buyer acknowledges they are purchasing the Property for land value only. In the event of any damage or destruction to the existing buildings during the escrow period, Buyer shall not have the right to terminate this transaction.

29. Notwithstanding anything else herein and to the contrary elsewhere in this Agreement, within three (3) business days from mutual execution of the Agreement, Seller shall provide Buyer with all Due Diligence Materials affecting the Property, that are in Seller's possession in satisfaction of Paragraph 10 of the Letter of Intent dated April 8, 2013 mutually agreed upon by Buyer and Seller, attached hereto.

30. Notwithstanding anything else herein and to the contrary elsewhere in this Agreement, Buyer, at its sole discretion, may chose to extend the Contingency Period a maximum of three (3) times for a period of thirty (30) days each, by providing written notification to Escrow Officer prior to the Contingency Period expiration date (or any extension thereof).

31. Notwithstanding anything else herein and to the contrary elsewhere in this Agreement, prior to Closing, Buyer shall agree to keep any non-public information provided by Seller confidential, and not to provide any of said Due Diligence Materials to anyone other than Buyer's agents, employees, consultants, and attorneys, without the consent of Seller.

32. The Property and transaction are subject to Part 1.85 of Division 24 of the Health & Safety Code which was added by Assembly Bill No. 26 (2011-2012 1st Ex. Sess.), as amended by Assembly Bill No. 1484 (2012-2013 Reg. Sess.), set forth in Sections 34170 through 34191.5 of the Health & Safety Code. This Agreement was authorized on March 21, 2013 by the Oversight Board to the Successor Agency of the Former Vernon Redevelopment Agency.

Seller shall obtain any approvals associated with or required by Part 1.85 withing sixty (60) days from mutual execution hereof by Buyer and Seller. Should Seller fail to obtain said approvals, Buyer shall have the right to terminate this Agreement, and Buyer will be entitled to the Escrow Deposit. Notwithstanding any provision contained herein to the contrary, as an express condition to Closing, exclusive possession of the Property will be delivered to Buyer, free of all tenancies and/or occupancies, otherwise vacant and with all leases theretofore encumbering the Property having been terminated. Should the Property not be free and clear of all tenancies and/or occupancies as of the Closing such that Seller would not be able to deliver exclusive possession thereto to Buyer, Buyer will have the right to extend the Closing or terminate this Agreement upon written notice thereof to Seller, whereupon, in the event of termination, Buyer will be entitled to (and Escrow Holder will immediately remit to Buyer after notice thereof) a full refund of the Escrow Deposit plus any accrued interest thereon.

33. "Assignee" shall mean (1) any entity directly or indirectly controlling, controlled by or under common control with Whole Foods Market, Inc.; or (2) if that other entity is a member or partner, any company for which such entity acts in any such capacity. The term "control" as used in the immediately preceding sentence, shall mean the power to direct the management or the power to control election of the board of directors. It shall be a presumption that control with respect to a corporation or limited liability company is the right to exercise or control, directly or indirectly, more than fifty percent (50%) of the voting rights attributable to the controlled corporation or limited liability company, and, with respect to any partnership, trust, other entity or association, control is the possession, indirectly or directly, of the power to direct or cause the direction of the management or policies of the controlled entity. For purposes of this definition, any general partner shall be considered an "Assignee" of Whole Foods Market, Inc.

34. Prior to Closing, Buyer shall keep confidential any materials provided by Seller in connection with Buyer's due diligence review except that Buyer may disclose such information to its officers, employees, attorneys,

accountants and consultants. No materials provided by Seller that are publicly available or which Buyer has already obtained from third parties will be subject to the sentence immediately preceding.

35. The Parties agree the Purchase Price as reflected in both Paragraph 3.1 and the letter of intent dated April 8, 2013, was calculated by multiplying the Twenty Nine and 50/100 Dollars ($29.50) price per square foot times Four Hundred Twenty Nine Thousand Sixty Six square feet (429,066 sf) as reflected in unverified marketing materials concerning the Property. On April 24, 2013, Seller learned there exists an ALTA/ACSM Land Title Survey prepared by O.K.O. Engineering, Inc. bearing Job Number 2010-113A with a date of survey of May 24, 2010, and date of last revision of January 14, 2011 (the "Acquisition Survey"). The Acquisition Survey will be disclosed to Buyer with the Due Diligence Materials. According to the Acquisition Survey, the land area is reported as Four Hundred Twenty Seven Thousand Two Hundred Three square feet (427,203 sf). Notwithstanding the provisions of Paragraph 3.1 and upon its receipt and review of the Acquisition Survey, and if Buyer elects, the survey in Paragraph 9.1(g), the Purchase Price may be adjusted once and be the product of (i) the number of square feet of land area for the Property times (ii) Twenty Nine and 50/100 Dollars ($29.50). If Buyer elects to order a survey under Paragraph 9.1(g) and the land area is below that of the Acquisition Survey, then Buyer shall submit its survey to Seller with a requested form of amendment to the Agreement to revise the Purchase Price accordingly.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS AGREEMENT OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS AGREEMENT.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PROPERTY. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PROPERTY, THE INTEGRITY AND CONDITION OF ANY STRUCTURES AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PROPERTY FOR BUYER'S INTENDED USE.

WARNING: IF THE PROPERTY IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THIS AGREEMENT MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED.

NOTE:
1. THIS FORM IS NOT FOR USE IN CONNECTION WITH THE SALE OF RESIDENTIAL PROPERTY.
2. IF EITHER PARTY IS A CORPORATION, IT IS RECOMMENDED THAT THIS AGREEMENT BE SIGNED BY TWO CORPORATE OFFICERS.

The undersigned Buyer offers and agrees to buy the Property on the terms and conditions stated and acknowledges receipt of a copy hereof.

BROKER:	BUYER:
THE CLOVER COMPANY	GBD PROPERTIES, INC.
	By:
Attn: Pat Gilhooly	Date: 4/30/13
Title: Principal	Name Printed: Tricia Yost
Address: 8675 Washington Boulevard, Suite 201	Title: Assistant Secretary
Culver City, CA 90232	Telephone:(512) 542-0216
Telephone:(310) 815-8611	Facsimile:(512) 482-7216
Facsimile:(310) 815-8612	Email: tricia.yost@wholefoods.com
Email:pgilhooly@clovercompany.com	
Federal ID No.	By:
	Date:
Broker/Agent ORE License #:	Name Printed:
	Title:
	Address:
	Telephone:(___)
	Facsimile:(___)
	Email:
	Federal ID No.

27. Acceptance.
27.1 Seller accepts the foregoing offer to purchase the Property and hereby agrees to sell the Property to Buyer on the terms and conditions therein specified.
27.2 Seller acknowledges that Brokers have been retained to locate a Buyer and are the procuring cause of the purchase and sale of the Property set forth in this Agreement. In consideration of real estate brokerage service rendered by Brokers, Seller agrees to pay Brokers a real estate Brokerage Fee in a sum equal to 5 % of the Purchase Price to be divided between the Brokers as follows: Seller's Broker 2.5 % and Buyer's Broker 2.5 %. This Agreement shall serve as an irrevocable instruction to Escrow Holder to pay such Brokerage Fee to Brokers out of the proceeds accruing to the account of Seller at the Closing.
27.3 Seller acknowledges receipt of a copy hereof and authorizes Brokers to deliver a signed copy to Buyer.

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NOTE: A PROPERTY INFORMATION SHEET IS REQUIRED TO BE DELIVERED TO BUYER BY SELLER UNDER THIS AGREEMENT.

BROKER:	SELLER: SEE SELLERS SIGNATURE BLOCK ATTACHMENT
CUSHMAN & WAKEFIELD OF CALIFORNIA, INC.	~~CITY OF VERNON, ACTING as SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON~~
Attn: Jeff Sanita	
Title: Senior Director	~~By:~~
Address: 970 West 190th Street, Suite 550	~~Date:~~
Torrance, CA 90502	~~Name Printed: Alex Kung~~
Telephone:(310)525-1906	~~Title:~~
Facsimile:(213)947-1772	~~Telephone:(323)583-8811~~
Email:jeff.sanita@cushwake.com	~~Facsimile:(323)826-1422~~
Federal ID No.:	~~Email: akung@ci.vernon.ca.us~~
Broker/Agent DRE License #: 1242202	~~By:~~
	~~Date:~~
	~~Name Printed: Gustavo Lamanna~~
	~~Title: Special Consel~~
	~~Address: 4305 Santa Fe Avenue~~
	~~Vernon, CA 90058~~
	~~Telephone:(213)452-0131~~
	~~Facsimile:(213)625-0931~~
	~~Email:glamanna@lbblaw.com~~
	~~Federal ID No.:~~

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

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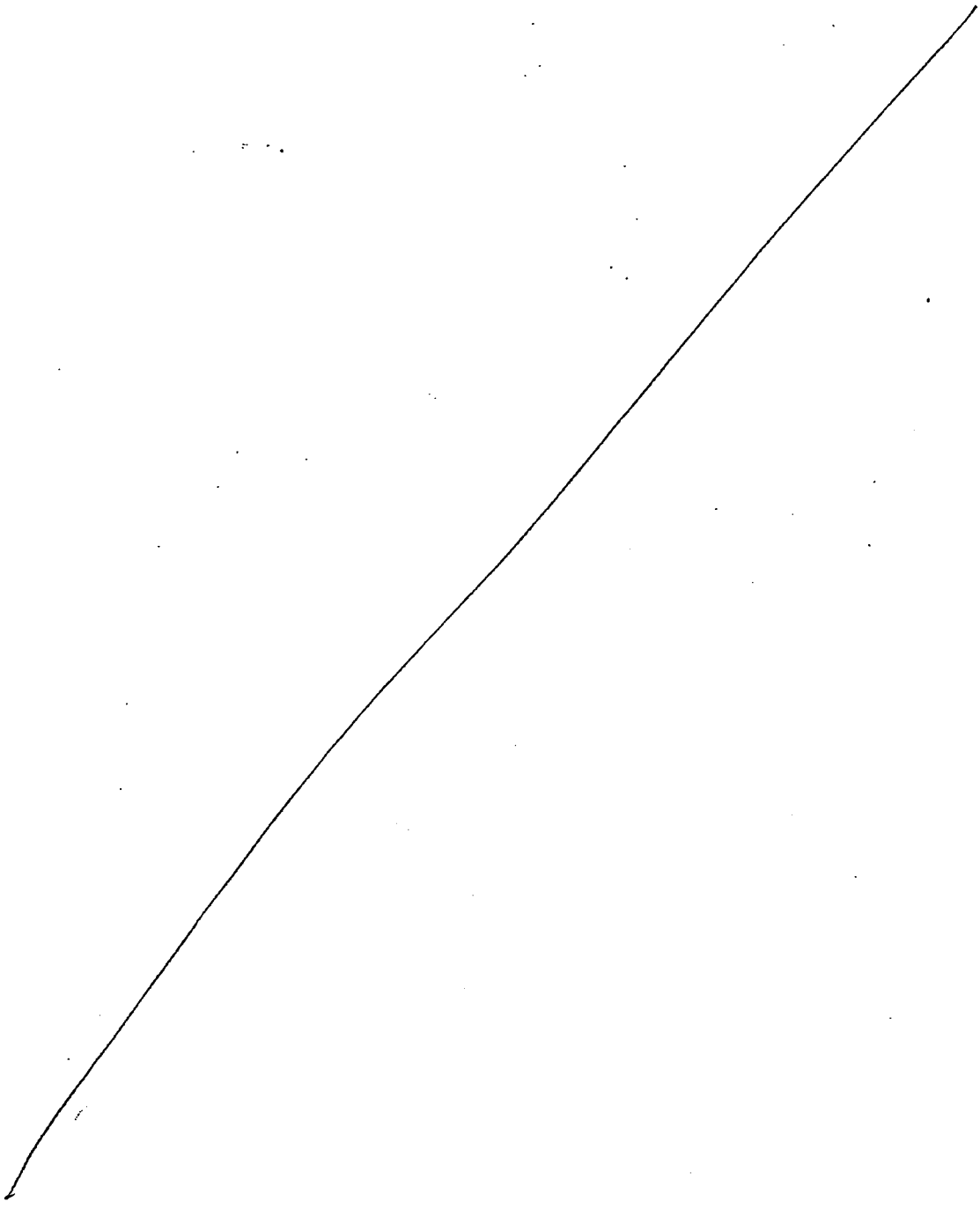

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SELLER SIGNATURE BLOCK ATTACHMENT
affixed to that certain
Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate (Non-Residential) AIR Commercial Real Estate Association form from Buyer Whole Foods Market, Inc. and/or Assignee regarding their proposed purchase of the Property 4900 Pacific Blvd, Vernon, CA 90058

Seller: SUCCESSOR AGENCY TO THE FORMER VERNON REDEVELOPMENT AGENCY, a public entity designated under California Health & Safety Code section 34173

By: City of Vernon, acting as the Successor Agency of the Former Vernon Redevelopment Agency, pursuant to California Health & Safety Code sections 34173(e) and 34173(g)

By:_____
Alex Kung, Assistant to the Executive Director, under authority conferred by the Oversight Board to the Successor Agency of the Former Vernon Redevelopment Agency on March 21, 2013

Notice Address:
Alex Kung, Assistant to Exec. Director
Vernon City Hall, Administration
4305 Santa Fe Avenue
Vernon, CA 90058
Telephone: (323) 583-8811
Facsimile: (323) 826-1422
Email: akung@ci.vernon.ca.us
With Copies to each of:
City Clerk
Vernon City Hall
(see street address above)
City Attorney
Vernon City Hall
(see street address above)
Special Counsel
(see address below)

APPROVED AS TO FORM AND CONTENT
AS DIRECTED ON MARCH 21, 2013
BY THE OVERSIGHT BOARD TO THE
SUCCESSOR AGENCY OF THE FORMER
VERNON REDEVELOPMENT AGENCY

KANE, BALLMER & BERKMAN
Special Counsel to the
Successor Agency to the Former
Vernon Redevelopment Agency

By:_____
Gustavo Lamanna
Kane, Ballmer & Berkman
Special Counsel to the Successor Agency
515 South Figueroa Street, Suite 1850
Los Angeles, CA 90071
Telephone: (213) 452-0131 / Facsimile: (213) 625-0931
Email: gustavo@kbblaw.com

Jeffrey P. Sanita
Senior Director

CUSHMAN & WAKEFIELD

Cushman & Wakefield of California, Inc.
970 W. 190th Street, Suite 550
Torrance, CA 90502
(310) 525-1908 Direct
(213) 947-1772 Fax
jeff.sanita@cushwake.com

Via Email Only

April 8, 2013

Whole Foods
c/o John McMillan
Executive Director
Cushman & Wakefield of California, Inc.
970 West 190th Street, Suite 550
Torrance, CA 90502

c/o Pat Gilhooly
Principal
The Clover Company
8675 Washington Blvd, Suite 201
Culver City, CA 90232

Re: **4900 Pacific Blvd, Vernon, CA 90640**
Counter Offer to Purchase Dated March 1, 2013

Dear Gentlemen:

Thank you for the above-referenced Counter Offer to Purchase. On behalf of City of Vernon, Acting as Successor Agency of The Redevelopment Agency of the City of Vernon, I have been authorized to submit the following replacement proposal to purchase the above-refereneed property, following the March 21, 2013 Oversight Board meeting. The terms of the replacement proposal are as follows:

✓ 1.	**Premises:**	**ACCEPTED**	4900 Pacific Blvd, Vernon, CA Approximately 274,807 square feet of various industrial buildings located on approximately 429,066 square feet of industrial zoned land. A complete legal description will be provided via Chicago Title during escrow.
✓ 2.	**Buyer:**	**ACCEPTED**	Whole Foods, and/or Assignee.
✓ 3.	**Purchase Price:**		**$12,657,447 ($29.50 psf).** All cash payable at the close of escrow.
✓ 4.	**Deposit:**	**ACCEPTED**	Following the execution of a purchase contract between Buyer and Seller, Buyer shall deposit $150,000 ("Deposit") into escrow to be held by Commerce Escrow Company in an interest bearing account. Said Deposit shall be refundable to Buyer, but held in escrow, and shall be applied to the Purchase Price at closing. Buyer may, at its sole discretion, elect not to proceed with the acquisition, at which time the initial deposit of $150,000 will be immediately refunded to the Buyer. After completing Buyer's Due Diligence Review, should Buyer elect to proceed with the acquisition, Buyer shall deposit an additional $150,000 into escrow for a total deposit of $300,000 ("Total Deposit"). Said Total Deposit shall become non-refundable to Buyer except for Seller's default, but held in escrow, and shall be applied to the Purchase Price at closing.
5.	**Contingency Period:**	**ACCEPTED**	Buyer shall have ninety (90) days from the receipt of all of the Due

No warranty or representation, express or implied, is made as to the accuracy of the information contained herein, and same is submitted subject to errors, omission, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions, imposed by our principals.

Diligence Materials noted below that may be in Seller's possession, to complete Buyer's Due Diligence Review of the property, which shall include, but not be limited to, Buyer's review of the environmental condition, soil compaction, title, zoning, government approvals, physical inspection, ALTA survey, existing leases, entitlement approvals, etc. **There shall be no financing contingency.**

Buyer, at its sole discretion, may choose to extend the Contingency Period a maximum of three (3) times, by providing written notification to Escrow Officer at least thirty (30) days in advance of the Contingency Period expiration date.

6.	**Close of Escrow:**	**ACCEPTED**	Escrow shall close on or before seven (7) days from the expiration of the Contingency Period, subject to Paragraph 12.
7.	**Prorations and Costs:**	**ACCEPTED**	Seller shall be responsible for the cost of a CLTA Title Policy, and all transfer and documentary fees and taxes. Escrow fees shall be split equally between Buyer and Seller, per local custom.
8.	**Escrow Company:**	**ACCEPTED**	Commerce Escrow Company Attention: Tina Debow 1545 Wilshire Blvd, Suite 600 Los Angeles, CA 90017 Phone#: 213-353-4060 Fax#: 213-201-5188
9.	**Title Company:**	**ACCEPTED**	Chicago Title Attention: Mike Slinger 700 S. Flower Street, Suite 800 Los Angeles, CA 90017 Phone#: 213-612-4131 Fax#: 213-612-4133
10.	**Due Diligence Materials:**	**ACCEPTED**	**Within three (3) business days after mutual execution of the purchase contract, Seller shall provide Buyer with any Due Diligence Materials affecting the Property that are in Seller's possession, including the following:** a) **Environmental Reports.** b) **Preliminary Title Report.** c) **ALTA Survey.** d) **Building plans.** e) **Demolition bids.** f) **Physical Inspection and/or Roof Report.** g) **Seismic Reports.** h) **Ground leases and Tenant leases, if any.** i) **Copies of all permits that affect the property, including AQMD.** j) **Copies of all correspondence with the City of Vernon, or other municipal agencies, that may affect the property.** k) **Any and all agreements, contracts, licenses in existence that may impair the clear and unencumbered title to the property.**

l) Copies of all invoices and bills of the property including but not limited to tax bill(s), insurance policies, utilities, repairs, maintenance and salaries for the Twelve (12) calendar months immediately preceding the Effective Date hereof.
m) All notes and security instruments affecting the Property.

Buyer shall agree to keep any information provided by Seller confidential, and not to provide any of said Due Diligence Materials to anyone other than Buyer's agents, employees, consultants, and attorneys, without the consent of Seller.

11. **Condition of Property:**	ACCEPTED	Buyer agrees that the purchase of the Property will be in "As-Is" "Where-Is" condition with all faults, and Seller will make no representations or warranties with respect thereto.
12. **Approvals:**	ACCEPTED	The Premises and transaction are subject to Part 1.85 of Division 24 of the Health & Safety Code which was added by Assembly Bill No. 26 (2011-2012 1st Ex. Sess.), as amended by Assembly Bill No. 1484 (2012-2013 Reg. Sess.), set forth in sections 34170 through 34191.5 of the Health & Safety Code. This counter-offer was authorized on February 7, 2013 by the Oversight Board to the Successor Agency of the Former Vernon Redevelopment Agency. Seller shall obtain any approvals associated with or required by Part 1.85 within sixty (60) days from mutual execution hereof by Buyer and Seller. Should Seller fail to obtain said approvals, Buyer shall have the right to terminate these purchase discussions at no penalty to Buyer.
13. **Dual Agency:**	ACCEPTED	Buyer and Seller hereby acknowledge, accept and approve of Cushman & Wakefield of California, Inc., representing both parties in this transaction.
14. **Non-Binding:**	ACCEPTED	If ACCEPTED, this proposal is not a legally binding contract; rather it is only intended to be a Letter of Intent setting forth the terms and conditions which may be incorporated into a mutually acceptable purchase contract or escrow instructions. Only a purchase contract or escrow instructions approved and fully executed by both Buyer and Seller, shall bind the parties.
15. **Expiration:**		If not ACCEPTED in writing by 5:00 PM, Friday, April 12, 2013, this proposal shall be of no further force or effect.

(SIGNATURES CONTINUED ON THE NEXT PAGE)

We look forward to working with you on a mutually acceptable sale transaction. Please feel free to contact either of us with any questions regarding this proposal.

Sincerely,

CUSHMAN & WAKEFIELD OF CALIFORNIA, INC.

Jeffrey P. Sanita
Senior Director
DRE #: 01242202
310/525-1906

JPS/lk

AGREED & APPROVED

SELLER: City of Vernon, Acting as Successor Agency of The Redevelopment Agency of the City of Vernon

By: _____

Print Name: Alex Kong

Date: 4/8/13

AGREED & ACCEPTED

BUYER: Whole Foods

By: _____

Print Name: Paul Hartunian

Date: 4-9-13

APPROVED AS TO FORM
SPECIAL COUNSEL: Kane, Ballmer & Berkman

By: _____

Print Name: GUSTAVO LAHANNA

Date: 4-8-13

RESOLUTION NO. SA-14

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VERNON ACTING AS THE BOARD OF THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON APPROVING AND RATIFYING THE PROPOSED CONTRACT FOR THE SALE AND DISPOSITION OF 4900 PACIFIC BOULEVARD, VERNON, CA 90058 UNDER CALIFORNIA HEALTH & SAFETY CODE SECTION 33430 AND IN FURTHERANCE OF AB X1 26, AS AMENDED BY AB 1484, INCLUDING, BUT NOT LIMITED TO, CALIFORNIA HEALTH & SAFETY CODE SECTION 34191.5(B)

WHEREAS, the Vernon Redevelopment Agency ("RDA") was a redevelopment agency in the City of Vernon, duly created pursuant to the California Community Redevelopment Law (Part 1, commencing with Section 33000 of Division 24 of the California Health and Safety Code, hereinafter "Redevelopment Law"); and

WHEREAS, legislation known as Assembly Bill 1X26 ("AB26") was signed into law by the Governor of California on June 28, 2011, dissolving redevelopment agencies and making certain changes to the Redevelopment Law, including adding Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170); and

WHEREAS, AB26 was amended when the Governor signed Assembly Bill 1484 ("AB 1484") on June 27, 2012; and

WHEREAS, the Vernon Redevelopment Agency Successor Agency is the successor agency ("Successor Agency") to the RDA under AB26, as amended; and

WHEREAS, California Health and Safety Code Section 34191.5 which was included in AB 1484 and amends AB26, requires that there be a long-range property management plan governing the disposition of property of the RDA; said plan is to be considered and approved by the oversight board to the Successor Agency in connection with the wind

down of the dissolved redevelopment agency's affairs pursuant to AB26, as amended; and

WHEREAS, following receipt and careful consideration over the last several months by the Successor Agency and its oversight board of multiple offers, on March 21, 2013, the oversight board of the Successor Agency authorized and directed staff of the Successor Agency to contract with the successful bidder for the RDA property located at 4900 Pacific Boulevard, Vernon, CA 90058 (the "Property"); the successful bidder was GBD Properties, a wholly-owned subsidiary of Whole Foods Market, Inc.; and

WHEREAS, to approve the sale of the Property, as instructed by the oversight board and in furtherance of AB 26, as amended, the Successor Agency is to approve and ratify a contract for the sale of the Property, as contemplated above; and

WHEREAS, in accordance with California Health and Safety Code section 33431, the Successor Agency is required to provide a notice of publication of the disposition of the Property prior to the sale of the Property; the sale of the Property as instructed by the oversight board is such a disposition; this proposed disposition is allowable under AB26 as part of a proposed long range property management plan under California Health & Safety Code section 34191.5; and

WHEREAS, prior to the public hearing of the Successor Agency presently set for July 2, 2013, notices of the proposed disposition under Health & Safety Code section 33430 were ordered for June 20 and 27 in the Vernon Sun; evidence of the publication was provided to the Successor Agency on or before the July 2, 2013 public hearing date; the notices of aforesaid disposition of the Property published in the

Vernon Sun on June 20, 2013 and June 27, 2013 are attached hereto as Exhibit "1" and their complete contents are incorporated herein by reference; and

WHEREAS, in conformance with AB26 and California Health & Safety Code section 33431, prior to the adoption and approval of the contract to be approved and ratified by the Successor Agency under the direction and authorization of the oversight board, the Successor Agency provided notice to the public of the proposed disposition and made the terms of the disposition available for public inspection at the office of the secretary of the Successor Agency care of the City Clerk of the City of Vernon, located on the second floor of City Hall, 4305 Santa Fe Avenue, Vernon, California 90058 at the public counter of the City Clerk; and

WHEREAS, the proposed contract concerning the sale of the Property is with GBD Properties, Inc. and attached to this Resolution as Exhibit "A" (the "Proposed Contract for Sale of the Property"); and

WHEREAS, the Proposed Contract for Sale of the Property attached to this Resolution as Exhibit A contains the price and terms approved and authorized by the oversight board to the Successor Agency; and

WHEREAS, the Successor Agency, reviewed and approved the evidence of staff's satisfaction of the conditions for the sale of the Property under Health & Safety Code section 33430, which includes the disposition to take place under a long-range property management plan to be considered by the oversight board to the Successor Agency on July 11, 2013, and then transmitted for approval consideration by the Department of Finance; and

WHEREAS, the Successor Agency finds all conditions precedent to its action under Health & Safety Code section 33430 have taken place; and

WHEREAS, the Proposed Contract for Sale of Property is consistent with the requirements of AB26, as amended, and the authorization and direction provided by the oversight board to staff of the Successor Agency on March 21, 2013; and

WHEREAS, the Successor Agency approves and ratifies the Proposed Contract for Sale of the Property; said approval and ratification is made in reliance on the authorization of the oversight board to the Successor Agency and pursuant to the terms of AB26, as amended; and

WHEREAS, according to California Health & Safety Code section 34179(h), the Department of Finance may review actions of oversight boards. Oversight board actions are not effective until five business days after notice is provided to the department unless the department seeks review. If the department requests a review, the department has forty days to review or return the action for reconsideration; and

WHEREAS, all of the prerequisites with respect to the approval of this Resolution have been met.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VERNON ACTING AS THE BOARD OF THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON AS FOLLOWS:

SECTION 1: The City Council of the City of Vernon acting as the Board of the Successor Agency of the Redevelopment Agency of the City of Vernon hereby finds and determines that the recitals contained hereinabove are true and correct.

SECTION 2: The City Council of the City of Vernon acting as the Board of the Successor Agency of the Redevelopment Agency of the City of Vernon hereby approves and ratifies the Proposed Contract for Sale of Property, attached to this Resolution as Exhibit "A."

SECTION 3: As noted in the Proposed Contract for Sale of Property, the City Council acting as the Board of the Successor Agency to Redevelopment Agency of the City of Vernon specifically conditions the Proposed Contract for Sale of Property to the prerequisites of AB26, as amended, which includes the requirement for the disposition proposed therein to be approved by the oversight board and Department of Finance under the long-range property management plan pursuant to California Health & Safety Code section 34191.5.

SECTION 4: The Executive Officer of the Successor Agency, or designee, is hereby authorized and directed to take such other actions and execute such other documents as are necessary to effectuate the intent of this Resolution on behalf of the Successor Agency, including the approval and ratification of the Proposed Contract for Sale of Property, if and as required.

SECTION 5: The Interim City Clerk of the City of Vernon, as interim secretary to the Successor Agency, shall certify to the passage, approval and adoption of this Resolution, and shall cause this resolution and the Interim City Clerk's certification as interim secretary to be properly filed according to the customs and practices of the Interim Secretary in the books and records of the Successor Agency.

SECTION 6: Pursuant to California Health & Safety Code section 34179(h), the Department of Finance may review an oversight board action. The Successor Agency is subject its oversight board

under the terms of AB26, as amended. An action of the oversight board shall become effective five business days after notice in the manner specified by the department is provided unless the department requests review. The Assistant Executive Director of the Successor Agency, Mr. Alex Kung, c/o Vernon City Hall, 4305 Santa Fe Avenue, Vernon, CA 90058 Telephone (323) 583-8811 Extension 355 (akung@ci.vernon.ca.us) is designated as the official for notice of review by the department. Except as otherwise provided in California Health & Safety Code section 34179(h), in the event the department requests a review of a given oversight board action, the department shall have 40 days from the date of this request to approve the oversight board action or return it to the oversight board for reconsideration; the oversight board shall resubmit the modified action for department approval and the modified oversight board action shall not become effective until approved by the department.

APPROVED AND ADOPTED this 2nd day of July, 2013.

Name: W. Michael McCormick

Title: Chairman ~~/ Vice Chairman~~

ATTEST:

Dana Reed, Interim Secretary

APPROVED AS TO FORM:

Gustavo Lamanna, Esq.
Kane, Ballmer & Berkman,
Special Counsel to the Successor Agency

STATE OF CALIFORNIA)
) ss
COUNTY OF LOS ANGELES)

I, Dana Reed, acting on behalf of the Successor Agency as its Interim Secretary, do hereby certify that the foregoing Resolution, being Resolution No. SA-14, was duly passed, approved and adopted by the Successor Agency of the Redevelopment Agency of the City of Vernon at a regular meeting of the Successor Agency duly held on July 2, 2013, and thereafter was duly signed by the Chairman or Vice Chairman of the Successor Agency.

Executed this 2nd day of July, at Vernon, California.

Dana Reed, Interim Secretary

(SEAL)

EXHIBIT A

STANDARD OFFER, AGREEMENT AND ESCROW INSTRUCTIONS FOR PURCHASE OF REAL ESTATE

(Non-Residential)

AIR Commercial Real Estate Association

April 30, 2013
(Date for Reference Purposes)

1. Buyer.

1.1 GBD Properties, Inc. and/or Assignee ("Buyer") hereby offers to purchase the real property, hereinafter described, from the owner thereof ("Seller") (collectively, the "Parties" or individually, a "Party"), through an escrow ("Escrow") to close ~~30 or~~ 7 days after the waiver or expiration of the ~~Buyer's Contingencies~~ Contingency Period (as defined in addendum Paragraph 27), as extended. ("Expected Closing Date") to be held by Commerce Escrow Company (Attn: Tina Debow) ("Escrow Holder") whose address is 1545 Wilshire Boulevard, Suite 600, Los Angeles, CA 90017, Phone No. (213)486-0655, Facsimile No. (213)201-5184 upon the terms and conditions set forth in this agreement ("Agreement"). Buyer shall have the right to assign Buyer's rights hereunder, but any such assignment shall not relieve Buyer of Buyer's obligations herein unless Seller expressly releases Buyer.

1.2 The term "Date of Agreement" as used herein shall be the date when by execution and delivery (as defined in paragraph 20.2) of this document or a subsequent counteroffer thereto, Buyer and Seller have reached agreement in writing whereby Seller agrees to sell, and Buyer agrees to purchase, the Property upon terms accepted by both Parties.

2. Property.

2.1 The real property ("Property") that is the subject of this offer consists of (insert a brief physical description) approximately 274,807 square feet of various industrial buildings located on approximately 429,066 square feet of industrial zoned land is located in the City of Vernon, County of Los Angeles, State of California, is commonly known by the street address of 4900 Pacific Boulevard and is legally described as: to be provided via Chicago Title during escrow (APN: 6308-003-022,023,021,019).

2.2 If the legal description of the Property is not complete or is inaccurate, this Agreement shall not be invalid and the legal description shall be completed or corrected to meet the requirements of Chicago Title Company (Attn: Mike Slinger) ("Title Company"), which shall issue the title policy hereinafter described.

2.3 The Property includes, at no additional cost to Buyer, the permanent improvements thereon, including those items which pursuant to applicable law are a part of the property, as well as the following items, if any, owned by Seller and at present located on the Property: electrical distribution systems (power panel, bus ducting, conduits, disconnects, lighting fixtures); telephone distribution systems (lines, jacks and connections only); space heaters; heating, ventilating, air conditioning equipment ("HVAC"); air lines; fire sprinkler systems; security and fire detection systems; carpets; window coverings; wall coverings; and all easements, right of ways, entitlements, and appurtenances to the Property (collectively, the "Improvements").

2.4 The fire sprinkler monitor: ☐ is owned by Seller and included in the Purchase Price, ☐ is leased by Seller, and Buyer will need to negotiate a new lease with the fire monitoring company, ☑ ownership will be determined during Escrow, or ☐ there is no fire sprinkler monitor.

2.5 Except as provided in Paragraph 2.3, the Purchase Price does not include Seller's personal property, furniture and furnishings, and all of which shall be removed by Seller prior to Closing.

3. Purchase Price.

3.1 Subject to the provisions of Paragraph 35, the ~~The~~ purchase price ("Purchase Price") to be paid by Buyer to Seller for the Property shall be $12,657,447.00, payable as follows:

(a) Cash down payment, including the Deposit as defined in paragraph 4.3 (or if an all cash transaction, the Purchase Price): $12,657,447.00

(Strike if not applicable)

~~(b) Amount of "New Loan" as defined in paragraph 5.1, if any: $~~

~~(c) Buyer shall take title to the Property subject to and/or assume the following existing deed(s) of trust ("Existing Deed(s) of Trust") securing the existing promissory note(s) ("Existing Note(s)"):~~

~~(i) An Existing Note ("First Note") with an unpaid principal balance as of the Closing of approximately: $ Said First Note is payable at $ per month, including interest at the rate of % per annum until paid (and/or the entire unpaid balance is due on).~~

~~(ii) An Existing Note ("Second Note") with an unpaid principal balance as of the Closing of approximately: $ Said Second Note is payable at $ per month, including interest at the rate of % per annum until paid (and/or the entire unpaid balance is due on).~~

~~(d) Buyer shall give Seller a deed of trust ("Purchase Money Deed of Trust") on the property, to secure the promissory note of Buyer to Seller described in paragraph 5 ("Purchase Money Note") in the amount of $~~

Total Purchase Price: $12,657,447.00

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~~3.2 If Buyer is taking title to the Property subject to, or assuming, an Existing Deed of Trust and such deed of trust permits the beneficiary to demand payment of fees including, but not limited to, points, processing fees, and appraisal fees as a condition to the transfer of the Property, Buyer agrees to pay such fees up to a maximum of 1.5% of the unpaid principal balance of the applicable Existing Note.~~

4. Deposits.

4.1 ☐ Buyer has delivered to Broker a check in the sum of $N/A, payable to Escrow Holder, to be delivered by Broker to Escrow Holder within 2 or ____ business days after both Parties have executed this Agreement and the executed Agreement has been delivered to Escrow Holder, or ☑ within 2 or ____ business days after both Parties have executed this Agreement and the executed Agreement has been delivered to Escrow Holder Buyer shall deliver to Escrow Holder a check in the sum of $150,000.00, which Escrow Holder will hold subject to the provisions of this Agreement, including, without limitation, the provisions of Paragraph 9.5 below. If said check is not received by Escrow Holder within said time period then Seller may elect to unilaterally terminate this transaction by giving written notice of such election to Escrow Holder whereupon neither Party shall have any further liability to the other under this Agreement. Should Buyer and Seller not enter into an agreement for purchase and sale, Buyer's check or funds shall, upon request by Buyer, be promptly returned to Buyer.

4.2 Additional deposits:

(a) Within 5 business days after the Date of Agreement, Buyer shall deposit with Escrow Holder the additional sum of $N/A to be applied to the Purchase Price at the Closing.

(b) Within 5 1 business days after the expiration of the Contingency Period (as defined in Paragraph 27 below) ~~contingencies discussed in paragraph 9.1 (a) through (c) are approved or waived~~, Buyer shall deposit with Escrow Holder the additional sum of $150,000.00 to be applied to the Purchase Price at the Closing.

4.3 Escrow Holder shall deposit the funds deposited with it by Buyer pursuant to paragraphs 4.1 and 4.2 (collectively the "Deposit"), in a State or Federally chartered bank in an interest bearing ~~account whose term is~~ account(s) whose term(s) are appropriate and consistent with the timing requirements of this transaction. Escrow Holder will utilize the number of interest-bearing accounts necessary to assure that 100% of the Escrow Deposit (and accrued interest thereon) enjoys FDIC insurance coverage. The interest therefrom shall accrue to the benefit of Buyer, ~~who hereby acknowledges that there may be penalties or interest forfeitures if the applicable instrument is redeemed prior to its specified maturity.~~ Buyer's Federal Tax Identification Number is _____. NOTE: Such interest bearing account cannot be opened until Buyer's Federal Tax Identification Number is provided.

4.4 Notwithstanding the foregoing, within 5 days after Escrow Holder receives the monies described in paragraph 4.1 above, Escrow Holder shall release $100 of said monies to Seller as and for independent consideration for Seller's' execution of this Agreement and the granting of the contingency period to Buyer as herein provided. Such independent consideration is non-refundable to Buyer but shall be credited to the Purchase Price in the event that the purchase of the Property is completed.

~~5. Financing Contingency. (Strike if not applicable)~~

~~5.1 This offer is contingent upon Buyer obtaining from an insurance company, financial institution or other lender, a commitment to lend to Buyer a sum equal to at least _____% of the Purchase Price, on terms reasonably acceptable to Buyer. Such loan ("New Loan") shall be secured by a first deed of trust or mortgage on the Property. If this Agreement provides for Seller to carry back junior financing, then Seller shall have the right to approve the terms of the New Loan. Seller shall have 7 days from receipt of the commitment setting forth the proposed terms of the New Loan to approve or disapprove of such proposed terms. If Seller fails to notify Escrow Holder, in writing, of the disapproval within said 7 days it shall be conclusively presumed that Seller has approved the terms of the New Loan.~~

~~5.2 Buyer hereby agrees to diligently pursue obtaining the New Loan. If Buyer shall fail to notify its Broker, Escrow Holder and Seller, in writing within _____ days following the Date of Agreement, that the New Loan has not been obtained, it shall be conclusively presumed that Buyer has either obtained said New Loan or has waived this New Loan contingency.~~

~~5.3 If, after due diligence, Buyer shall notify its Broker, Escrow Holder and Seller, in writing, within the time specified in paragraph 5.2 hereof, that Buyer has not obtained said New Loan, this Agreement shall be terminated, and Buyer shall be entitled to the prompt return of the Deposit, plus any interest earned thereon, less only Escrow Holder and Title Company cancellation fees and costs, which Buyer shall pay.~~

~~6. Seller Financing (Purchase Money Note). (Strike if not applicable)~~

~~6.1 If Seller approves Buyer's financials (see paragraph 6.5) the Purchase Money Note shall provide for interest on unpaid principal at the rate of _____% per annum, with principal and interest paid as follows: _____~~

~~The Purchase Money Note and Purchase Money Deed of Trust shall be on the current forms commonly used by Escrow Holder, and be junior and subordinate only to the Existing Note(s) and/or the New Loan expressly called for by this Agreement.~~

~~6.2 The Purchase Money Note and/or the Purchase Money Deed of Trust shall contain provisions regarding the following (see also paragraph 40.3 (b)):~~

~~(a) Prepayment. Principal may be prepaid in whole or in part at any time without penalty, at the option of the Buyer.~~

~~(b) Late Charge. A late charge of 6% shall be payable with respect to any payment of principal, interest, or other charges, not made within 10 days after it is due.~~

~~(c) Due On Sale. In the event the Buyer sells or transfers title to the Property or any portion thereof, then the Seller may, at Seller's option, require the entire unpaid balance of said Note to be paid in full.~~

~~6.3 If the Purchase Money Deed of Trust is to be subordinate to other financing, Escrow Holder shall, at Buyer's expense prepare and record on Seller's behalf a request for notice of default and/or sale with regard to each mortgage or deed of trust to which it will be subordinate.~~

~~6.4 WARNING: CALIFORNIA LAW DOES NOT ALLOW DEFICIENCY JUDGEMENTS ON SELLER FINANCING. IF BUYER ULTIMATELY DEFAULTS ON THE LOAN, SELLER'S SOLE REMEDY IS TO FORECLOSE ON THE PROPERTY.~~

~~6.5 Seller's obligation to provide financing is contingent upon Seller's reasonable approval of Buyer's financial condition. Buyer to provide a current financial statement and copies of its Federal tax returns for the last 3 years to Seller within 10 days following the Date of Agreement. Seller has 10 days following receipt of such documentation to notify Buyer with regard to Buyer's financial condition and to notify Escrow Holder as to whether or not Buyer's financial condition is acceptable. If Seller fails to notify Escrow Holder, in writing, of the disapproval of this contingency within said time period, it shall be conclusively presumed that Seller has approved Buyer's financial condition. If Seller is not satisfied with Buyer's financial condition or if Buyer fails to deliver the required documentation then Seller may notify Escrow Holder in writing that Seller Financing will not be available, and Buyer shall have the option, within 10 days of the receipt of such notice, to either terminate this transaction or to purchase the Property without Seller financing. If Buyer fails to notify Escrow Holder within said time period of its election to terminate this transaction then Buyer shall be conclusively presumed to have elected to purchase the Property without Seller financing. If Buyer elects to terminate, Buyer's Deposit shall be refunded less Title Company and Escrow Holder cancellation fees and costs, all of which shall be Buyer's obligation.~~

7. Real Estate Brokers.

7.1 The following real estate broker(s) ("Brokers") and brokerage relationships exist in this transaction and are consented to by the Parties (check the applicable boxes):

☑ Cushman & Wakefield of California, Inc. represents Seller exclusively ("Seller's Broker");

☑ The Clover Company & Cushman & Wakefield of California, Inc. represents Buyer exclusively ("Buyer's Broker"); or

☐ _____ represents both Seller and Buyer ("Dual Agency").

The Parties acknowledge that Brokers are the procuring cause of this Agreement. See paragraph 24 regarding the nature of a real estate agency relationship. Buyer shall use the services of Buyer's Broker exclusively in connection with any and all negotiations and offers with respect to the Property for a period of 1 year from the date inserted for reference purposes at the top of page 1.

7.2 Buyer and Seller each represent and warrant to the other that he/she/it has had no dealings with any person, firm, broker or finder in connection with the negotiation of this Agreement and/or the consummation of the purchase and sale contemplated herein, other than the Brokers

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named in paragraph 7.1, and no broker or other person, firm or entity, other than said Brokers is/are entitled to any commission or finder's fee in connection with this transaction as the result of any dealings or acts of such Party. Buyer and Seller do each hereby agree to indemnify, defend, protect and hold the other harmless from and against any costs, expenses or liability for compensation, commission or charges which may be claimed by any broker, finder or other similar party, other than said named Brokers by reason of any dealings or act of the indemnifying Party.

8. Escrow and Closing.

8.1 Upon acceptance hereof by Seller, this Agreement, including any counteroffers incorporated herein by the Parties, shall constitute not only the agreement of purchase and sale between Buyer and Seller, but also instructions to Escrow Holder for the consummation of the Agreement through the Escrow. Escrow Holder shall not prepare any further escrow instructions restating or amending the Agreement unless specifically so instructed by the Parties or a Broker herein. Subject to the reasonable approval of the Parties, Escrow Holder may, however, include its standard general escrow provisions.

8.2 As soon as practical after the receipt of this Agreement and any relevant counteroffers, Escrow Holder shall ascertain the Date of Agreement as defined in paragraphs 1.2 and 20.2 and advise the Parties and Brokers, in writing, of the date ascertained.

8.3 Escrow Holder is hereby authorized and instructed to conduct the Escrow in accordance with this Agreement, applicable law and custom and practice of the community in which Escrow Holder is located, including any reporting requirements of the Internal Revenue Code. In the event of a conflict between the law of the state where the Property is located and the law of the state where the Escrow Holder is located, the law of the state where the Property is located shall prevail.

8.4 Subject to satisfaction of the contingencies herein described, Escrow Holder shall close this escrow (the "Closing") by recording a general warranty deed (a grant deed in California) and the other documents required to be recorded, and by disbursing the funds and documents in accordance with this Agreement.

8.5 Buyer and Seller shall each pay one-half of the Escrow Holder's charges and Seller shall pay the usual recording fees and any required documentary transfer taxes. Seller shall pay the premium for a standard coverage owner's or joint protection policy of title insurance. (See also paragraph 11)

8.6 Escrow Holder shall verify that all of Buyer's contingencies have been satisfied or waived prior to Closing. The matters contained in paragraphs 8.1 subparagraphs (b), (c), (d), (e), (f), (h), and (o), 8.4, 8.5, 12, 13, 14, 16, 18, 20, 21, 22, and 24 are, however, matters of agreement between the Parties only and are not instructions to Escrow Holder.

8.7 If this transaction is terminated for non-satisfaction and non-waiver of a Buyer's Contingency, as defined in paragraph 9.2, then neither of the Parties shall thereafter have any liability to the other under this Agreement, except to the extent of a breach of any affirmative covenant or warranty in this Agreement. In the event of such termination, Buyer shall be promptly refunded all funds deposited by Buyer with Escrow Holder, less only the $100 provided for in paragraph 4.4 and the Title Company and Escrow Holder cancelation fees and costs, all of which shall be Buyer's obligation. If this transaction is terminated as a result of Seller's breach of this Agreement then Seller shall pay the Title Company and Escrow Holder cancelation fees and costs.

8.8 The Closing shall occur on the Expected Closing Date, or as soon thereafter as the Escrow is in condition for Closing; provided, however, that if the Closing does not occur by the Expected Closing Date and said Date is not extended pursuant to this Agreement or by mutual instructions of the Parties, a Party not then in default under this Agreement may notify the other Party, Escrow Holder, and Brokers, in writing that, unless the Closing occurs within 5 business days following said notice, the Escrow shall be deemed terminated without further notice or instructions.

8.9 Except as otherwise provided herein, the termination of Escrow shall not relieve or release either Party from any obligation to pay Escrow Holder's fees and costs or constitute a waiver, release or discharge of any breach or default that has occurred in the performance of the obligations, agreements, covenants or warranties contained therein.

8.10 If this sale of the Property is not consummated for any reason other than Seller's breach or default, then at Seller's request, and as a condition to any obligation to return Buyer's deposit (see paragraph 21), Buyer shall within 5 days after written request deliver to Seller, at no charge, copies of all surveys, engineering studies, soil reports, maps, master plans, feasibility studies and other similar items prepared by or for Buyer that pertain to the Property. Provided, however, that Buyer shall not be required to deliver any such report if the written contract which Buyer entered into with the consultant who prepared such report specifically forbids the dissemination of the report to others.

9. Contingencies to Closing. *SEE ADDENDUM PARAGRAPH 27

9.1 The Closing of this transaction is contingent upon the satisfaction or waiver of the following contingencies. **IF BUYER FAILS TO NOTIFY ESCROW HOLDER, IN WRITING, OF THE DISAPPROVAL OF ANY OF SAID CONTINGENCIES WITHIN THE TIME SPECIFIED THEREIN, IT SHALL BE CONCLUSIVELY PRESUMED THAT BUYER HAS APPROVED SUCH ITEM, MATTER OR DOCUMENT.** Buyer's conditional approval shall constitute disapproval, unless provision is made by the Seller within the time specified therefore by the Buyer in such conditional approval or by this Agreement, whichever is later, for the satisfaction of the condition imposed by the Buyer. Escrow Holder shall promptly provide all Parties with copies of any written disapproval or conditional approval which it receives. With regard to subparagraphs (a) through (m) the pre-printed time periods shall control unless a different number of days is inserted in the spaces provided.

(a) *Disclosure.* Seller shall make to Buyer, through Escrow, all of the applicable disclosures required by law (See AIR Commercial Real Estate Association ("AIR") standard form entitled "Seller's Mandatory Disclosure Statement") and provide Buyer with a completed Property Information Sheet ("Property Information Sheet") concerning the Property, duly executed by or on behalf of Seller in the current form or equivalent to that published by the AIR within 10 or _____* days following the Date of Agreement. Buyer has 10 days from the receipt of said disclosures to approve or disapprove the matters disclosed.

(b) *Physical Inspection.* Buyer has 10 or _____* days from the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the physical aspects and size of the Property.

(c) *Hazardous Substance Conditions Report.* Buyer has 30 or _____* days from the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the environmental aspects of the Property. Seller recommends that Buyer obtain a Hazardous Substance Conditions Report concerning the Property and relevant adjoining properties. Any such report shall be paid for by Buyer. A "Hazardous Substance" for purposes of this Agreement is defined as any substance whose nature and/or quantity of existence, use, manufacture, disposal or effect, render it subject to Federal, state or local regulation, investigation, remediation or removal as potentially injurious to public health or welfare. A "Hazardous Substance Condition" for purposes of this Agreement is defined as the existence on, under or relevantly adjacent to the Property of a Hazardous Substance that would require remediation and/or removal under applicable Federal, state or local law.

(d) *Soil Inspection.* Buyer has 30 or _____* days from the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the condition of the soils on the Property. Seller recommends that Buyer obtain a soil test report. Any such report shall be paid for by Buyer. Seller shall provide Buyer copies of any soils report that Seller may have within 10 days of the Date of Agreement.

(e) *Governmental Approvals.* Buyer has 30 or _____* days from the Date of Agreement to satisfy itself with regard to approvals and permits from governmental agencies or departments which have or may have jurisdiction over the Property and which Buyer deems necessary or desirable in connection with its intended use of the Property, including, but not limited to, permits and approvals required with respect to zoning, planning, building and safety, fire, police, handicapped and Americans with Disabilities Act requirements, transportation and environmental matters, including, without limitation, Air Quality Management District permits.

(f) *Conditions of Title.* Escrow Holder shall cause a current commitment for title insurance ("Title Commitment") concerning the Property issued by the Title Company, as well as legible copies of all documents referred to in the Title Commitment ("Underlying Documents"), and a scaled and dimensioned plot showing the location of any easements to be delivered to Buyer within 10 or _____* days following the Date of Agreement. Buyer has 40 30 days from the receipt of the Title Commitment, the Underlying Documents, and the plot plan and the survey and CLTA title supplement referenced in Paragraph 9.1(g) below to satisfy itself with regard to disapprove the condition of title or any matters shown on the survey. The disapproval by Buyer of any monetary encumbrance, which by the terms of this Agreement is not to remain against the Property after the Closing, shall not be considered a failure of this contingency, as Seller shall have the obligation, at Seller's expense, to satisfy and remove such disapproved monetary encumbrance at or before the Closing.

(g) *Survey.* Subject to the provisions of Paragraph 9.1(f) above, Buyer has 30 or _____* days from the receipt of the Title Commitment and Underlying Documents to satisfy itself with regard to any ALTA CLTA title supplement based upon a survey prepared to American Land Title Association ("ALTA") standards for an owner's policy by a licensed surveyor, showing the legal description and boundary lines of the Property, any easements of record, and any improvements, poles, structures and things located within 10 feet of either side of the Property boundary lines. Any such survey shall to be a current ALTA survey and be prepared at Buyer's direction and expense. If Buyer has obtained a survey and approved the ALTA title supplement, Buyer may elect within the period allowed for Buyer's approval of a survey to have an ALTA extended coverage owner's form of title policy, in which event Buyer shall pay any additional premium attributable thereto. The survey will state the amount of Land Square Feet (as defined in Paragraph 35 below) within the Property.

(h) *Existing Leases and Tenancy Statements.* Seller shall within 10 or _____* days of the Date of Agreement provide both Buyer and Escrow Holder with legible copies of all leases, subleases or rental arrangements (collectively, "Existing Leases") affecting the Property, and with a

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tenancy statement ("Estoppel Certificate") in the latest form or equivalent to that published by the AIR, executed by Seller and/or each tenant and subtenant of the Property. Seller shall use its best efforts to have each tenant complete and execute an Estoppel Certificate. If any tenant fails or refuses to provide an Estoppel Certificate then Seller shall complete and execute an Estoppel Certificate for that tenancy. Buyer has 10 days from the receipt of said Existing Leases and Estoppel Certificates to satisfy itself with regard to the Existing Leases and any other tenancy issues.

(i) *Owner's Association.* Seller shall within 10 or *_____ days of the Date of Agreement provide Buyer with a statement and transfer package from any owner's association servicing the Property. Such transfer package shall at a minimum include: copies of the association's bylaws, articles of incorporation, current budget and financial statement. Buyer has 10 days from the receipt of such documents to satisfy itself with regard to the association.

(j) *Other Agreements.* Seller shall within 10 or ____*____ days of the Date of Agreement provide Buyer with legible copies of all other agreements ("Other Agreements") known to Seller that will affect the Property after Closing. Buyer has 10 days from the receipt of said Other Agreements to satisfy itself with regard to such Agreements.

(k) *Financing.* If paragraph 5 hereof dealing with a financing contingency has not been stricken, the satisfaction or waiver of such New Loan contingency.

(l) *Existing Notes.* If paragraph 3.1(c) has not been stricken, Seller shall within 10 or ____*____ days of the Date of Agreement provide Buyer with legible copies of the Existing Notes, Existing Deeds of Trust and related agreements (collectively, "Loan Documents") to which the Property will remain subject after the Closing. Escrow Holder shall promptly request from the holders of the Existing Notes a beneficiary statement ("Beneficiary Statement") confirming: (1) the amount of the unpaid principal balance, the current interest rate, and the date to which interest is paid, and (2) the nature and amount of any impounds held by the beneficiary in connection with such loan. Buyer has 10 or ____*____ days from the receipt of the Loan Documents and Beneficiary Statements to satisfy itself with regard to such financing. Buyer's obligation to close is conditioned upon Buyer being able to purchase the Property without acceleration or change in the terms of any Existing Note or charges to Buyer except as otherwise provided in this Agreement or approved by Buyer, provided, however, Buyer shall pay the transfer fee referred to in paragraph 3.2 hereof. Likewise if Seller is to carry back a Purchase Money Note then Seller shall within 10 or ____*____ days of the Date of Agreement provide Buyer with a copy of the proposed Purchase Money Note and Purchase Money Deed of Trust. Buyer has 10 or ____*____ days from the receipt of such documents to satisfy itself with regard to the form and content thereof.

(m) *Personal Property.* In the event that any personal property is included in the Purchase Price, Buyer has 10 or ____*____ days from the Date of Agreement to satisfy itself with regard to the title condition of such personal property. Seller recommends that Buyer obtain a UCC-1 report. Any such report shall be paid for by Buyer. Seller shall provide Buyer copies of any liens or encumbrances affecting such personal property that it is aware of within 10 or ____*____ days of the Date of Agreement.

(n) *Destruction, Damage or Loss.* There shall not have occurred prior to the Closing, a destruction of, or damage or loss to, the Property or any portion thereof, from any cause whatsoever, which would cost more than $10,000.00 to repair or cure. If the cost of repair or cure is $10,000.00 or less, Seller shall repair or cure the loss prior to the Closing. Buyer shall have the option, within 10 days after receipt of written notice of a loss costing more than $10,000.00 to repair or cure, to either terminate this Agreement or to purchase the Property notwithstanding such loss, but without deduction or offset against the Purchase Price. If the cost to repair or cure is more than $10,000.00, and Buyer does not elect to terminate this Agreement, Buyer shall be entitled to any insurance proceeds applicable to such loss. Unless otherwise notified in writing, Escrow Holder shall assume no such destruction, damage or loss has occurred prior to Closing.

(o) *Condemnation.* If, prior to the Closing, the Property becomes subject to a taking by virtue of eminent domain, to any extent whatsoever, Buyer may, in Buyer's sole discretion, terminate this Agreement, whereupon the Escrow Holder shall return to Buyer immediately the total amount composing the Escrow Deposit (notwithstanding any provisions of this Agreement) theretofore paid by Buyer under this Agreement. If Buyer does not elect to terminate this Agreement hereunder and proceeds to close on the purchase of the Property, then Seller shall assign to Buyer all interest of Seller in and to any condemnation awards which may be payable to Seller on account of such occurrence; provided that, if any such awards are actually paid prior to the Closing, Seller shall be entitled to retain such awards and Buyer shall be entitled to a credit against the Purchase Price in an amount equal to the amount of such awards retained by Seller.

(p) *Material Change.* Buyer shall have 10 days following receipt of written notice of a Material Change within which to satisfy itself with regard to such change. "Material Change" shall mean a substantial adverse change in the use, occupancy, tenants, title, or condition of the Property that occurs after the date of this offer and prior to the Closing. Unless otherwise notified in writing, Escrow Holder shall assume that no Material Change has occurred prior to the Closing.

(q) *Seller Performance.* The delivery of all documents and the due performance by Seller of each and every undertaking and agreement to be performed by Seller under this Agreement.

(r) *Brokerage Fee.* Payment at the Closing of such brokerage fee as is specified in this Agreement or later written instructions to Escrow Holder executed by Seller and Brokers ("Brokerage Fee"). It is agreed by the Parties and Escrow Holder that Brokers are a third party beneficiary of this Agreement insofar as the Brokerage Fee is concerned, and that no change shall be made with respect to the payment of the Brokerage Fee specified in this Agreement, without the written consent of Brokers.

9.2 All of the contingencies specified in subparagraphs (a) through (m) of paragraph 9.1 are for the benefit of, and may be waived by, Buyer, and may be elsewhere herein referred to as "Buyer's Contingencies."

9.3 If any of Buyer's Contingencies or any other matter subject to Buyer's approval is disapproved as provided for herein in a timely manner ("Disapproved Item"), Seller shall have the right within 10 days following the receipt of notice of Buyer's disapproval to elect to cure such Disapproved Item prior to the Expected Closing Date ("Seller's Election"). Seller's failure to give to Buyer within such period, written notice of Seller's commitment to cure such Disapproved Item on or before the Expected Closing Date shall be conclusively presumed to be Seller's Election not to cure such Disapproved Item. If Seller elects, either by written notice or failure to give written notice, not to cure a Disapproved Item, Buyer shall have the right, within 10 days after the later of the expiration of the Contingency Period (as extended) or Seller's Election to either accept title to the Property subject to such Disapproved Item, or to terminate this Agreement, whereupon Escrow Holder will immediately return to Buyer the Escrow Deposit, plus any interest accruing thereon. Buyer's failure to notify Seller in writing of Buyer's election to accept title to the Property subject to the Disapproved Item without deduction or offset shall constitute Buyer's election to terminate this Agreement. Unless expressly provided otherwise herein, Seller's right to cure shall not apply to the remediation of Hazardous Substance Conditions or to the Financing Contingency. Unless the Parties mutually instruct otherwise, if the time periods for the satisfaction of contingencies or for Seller's and Buyer's elections would expire on a date after the Expected Closing Date, the Expected Closing Date shall be deemed extended for 3 business days (7) days following the expiration of: (a) the applicable contingency period(s) Contingency Period, as extended, (b) the period within which the Seller may elect to cure the Disapproved Item, or (c) if Seller elects not to cure, the period within which Buyer may elect to proceed with this transaction, whichever is later.

9.4 Buyer understands and agrees that until such time as all Buyer's Contingencies have been satisfied or waived, Seller and/or its agents may solicit, entertain and/or accept back-up offers to purchase the Property.

9.5 The Parties acknowledge that extensive local, state and Federal legislation establish broad liability upon owners and/or users of real property for the investigation and remediation of Hazardous Substances. The determination of the existence of a Hazardous Substance Condition and the evaluation of the impact of such a condition are highly technical and beyond the expertise of Brokers. The Parties acknowledge that they have been advised by Brokers to consult their own technical and legal experts with respect to the possible presence of Hazardous Substances on the Property or adjoining properties, and Buyer and Seller are not relying upon any investigation by or statement of Brokers with respect thereto. The Parties hereby assume all responsibility for the impact of such Hazardous Substances upon their respective interests herein.

10. Documents Required at or Before Closing:

10.1 Five days prior to the Closing date Escrow Holder shall obtain an updated Title Commitment concerning the Property from the Title Company and provide copies thereof to each of the Parties.

10.2 Seller shall deliver to Escrow Holder in time for delivery to Buyer at the Closing:

(a) Grant or general warranty deed, duly executed and in recordable form, conveying fee title to the Property to Buyer, subject to no matters unless approved in writing by Buyer.

(b) If applicable, the Beneficiary Statements concerning Existing Note(s).

(c) If applicable, the Existing Leases and Other Agreements together with duly executed assignments thereof by Seller and Buyer. The assignment of Existing Leases shall be on the most recent Assignment and Assumption of Lessor's Interest in Lease form published by the AIR or its equivalent.

(d) If applicable, Estoppel Certificates executed by Seller and/or the tenant(s) of the Property.

(e) An affidavit executed by Seller to the effect that Seller is not a "foreign person" within the meaning of Internal Revenue Code Section 1445 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least 3 business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to the Internal Revenue Service such sum as is required by applicable Federal law with respect to purchases from foreign sellers.

(f) If the Property is located in California, an affidavit executed by Seller to the effect that Seller is not a "nonresident" within the meaning of California Revenue and Tax Code Section 18662 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least 3 business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to the Franchise Tax Board such sum as is required by such statute.

(g) If applicable, a bill of sale, duly executed, conveying title to any included personal property to Buyer.

(h) If the Seller is a corporation, a duly executed corporate resolution authorizing the execution of this Agreement and the sale of the Property.

10.3 *Buyer* shall deliver to Seller through Escrow:

(a) The cash portion of the Purchase Price and such additional sums as are required of Buyer under this Agreement shall be deposited by Buyer with Escrow Holder, by federal funds wire transfer, or any other method acceptable to Escrow Holder in immediately collectable funds, no later than 2:00 P.M. on the business day prior to the Expected Closing Date provided, however, that Buyer shall not be required to deposit such monies into Escrow if at the time set for the deposit of such monies Seller is in default or has indicated that it will not perform any of its obligations hereunder. Instead, in such circumstances in order to reserve its rights to proceed Buyer need only provide Escrow with evidence establishing that the required monies were available.

(b) If a Purchase Money Note and Purchase Money Deed of Trust are called for by this Agreement, the duly executed originals of those documents, the Purchase Money Deed of Trust being in recordable form, together with evidence of fire insurance on the improvements in the amount of the full replacement cost naming Seller as a mortgage loss payee, and a real estate tax service contract (at Buyer's expense), assuring Seller of notice of the status of payment of real property taxes during the life of the Purchase Money Note.

(c) ~~The Assignment and Assumption of Lessor's interest in Lease form specified in paragraph 10.2(c) above, duly executed by Buyer.~~

(d) Assumptions duly executed by Buyer of the obligations of Seller that accrue after Closing under any Other Agreements.

(e) ~~If applicable, a written assumption duly executed by Buyer of the loan documents with respect to Existing Notes.~~

(f) If the Buyer is a corporation, a duly executed corporate resolution authorizing the execution of this Agreement and the purchase of the Property.

10.4 At Closing, Escrow Holder shall cause to be issued to Buyer a standard coverage (or ALTA extended, if elected pursuant to 6.1(g)) owner's form policy of title insurance effective as of the Closing, issued by the Title Company in the full amount of the Purchase Price, insuring title to the Property vested in Buyer, subject only to the exceptions approved by Buyer. In the event there is a Purchase Money Deed of Trust in this transaction, the policy of title insurance shall be a joint protection policy insuring both Buyer and Seller.

IMPORTANT: IN A PURCHASE OR EXCHANGE OF REAL PROPERTY, IT MAY BE ADVISABLE TO OBTAIN TITLE INSURANCE IN CONNECTION WITH THE CLOSE OF ESCROW SINCE THERE MAY BE PRIOR RECORDED LIENS AND ENCUMBRANCES WHICH AFFECT YOUR INTEREST IN THE PROPERTY BEING ACQUIRED. A NEW POLICY OF TITLE INSURANCE SHOULD BE OBTAINED IN ORDER TO ENSURE YOUR INTEREST IN THE PROPERTY THAT YOU ARE ACQUIRING.

11. Prorations and Adjustments.

11.1 *Taxes.* Applicable real property taxes and special assessment bonds shall be prorated through Escrow as of the date of the Closing, based upon the latest tax bill available. The Parties agree to prorate as of the Closing any taxes assessed against the Property by supplemental bill levied by reason of events occurring prior to the Closing. Payment of the prorated amount shall be made promptly in cash upon receipt of a copy of any supplemental bill.

11.2 *Insurance.* WARNING: Any insurance which Seller may have maintained will terminate on the Closing. Buyer is advised to obtain appropriate insurance to cover the Property.

11.3 ~~*Rentals, Interest and Expenses.* Scheduled rentals, interest on Existing Notes, utilities~~, and operating expenses shall be prorated as of the date of Closing. The Parties agree to promptly adjust between themselves outside of Escrow any rents received after the Closing.

11.4 ~~*Security Deposit.* Security Deposits held by Seller shall be given to Buyer as a credit to the cash required of Buyer at the Closing.~~

11.5 *Post Closing Matters.* Any item to be prorated that is not determined or determinable at the Closing shall be promptly adjusted by the Parties by appropriate cash payment outside of the Escrow when the amount due is determined.

11.6 ~~*Variations in Existing Note Balances.* In the event that Buyer is purchasing the Property subject to an Existing Deed of Trust(s), and in the event that a Beneficiary Statement as to the applicable Existing Note(s) discloses that the unpaid principal balance of such Existing Note(s) at the closing will be more or less than the amount set forth in paragraph 3.1(a) hereof ("Existing Note Variation"), then the Purchase Money Note(s) shall be reduced or increased by an amount equal to such Existing Note Variation. If there is to be no Purchase Money Note, the cash required at the Closing per paragraph 3.1(a) shall be reduced or increased by the amount of such Existing Note Variation.~~

11.7 *Variations in New Loan Balance.* In the event Buyer is obtaining a New Loan and the amount ultimately obtained exceeds the amount set forth in paragraph 5.1, then the amount of the Purchase Money Note, if any, shall be reduced by the amount of such excess.

11.8 *Owner's Association Fees.* Escrow Holder shall: (i) bring Seller's account with the association current and pay any delinquencies or transfer fees from Seller's proceeds, and (ii) pay any up front fees required by the association from Buyer's funds.

12. Representations and Warranties of Seller and Disclaimers.

12.1 Seller's warranties and representations shall survive the Closing and delivery of the deed for a period of 3 years, and any lawsuit or action based upon them must be commenced within such time period. Seller's warranties and representations are true, material and relied upon by Buyer and Brokers in all respects. Seller hereby makes the following warranties and representations to Buyer and Brokers:

(a) *Authority of Seller.* Seller is the owner of the Property and/or has the full right, power and authority to sell, convey and transfer the Property to Buyer as provided herein, and to perform Seller's obligations hereunder.

(b) ~~*Maintenance During Escrow and Equipment Condition At Closing.* Except as otherwise provided in paragraph 9.1(n) hereof, Seller shall maintain the Property until the Closing in its present condition, ordinary wear and tear excepted.~~

(c) *Hazardous Substances/Storage Tanks.* Seller has no knowledge, except as otherwise disclosed to Buyer in writing, of the existence or prior existence on the Property of any Hazardous Substance, nor of the existence or prior existence of any above or below ground storage tank.

(d) *Compliance.* Seller has no knowledge of any aspect or condition of the Property which violates applicable laws, rules, regulations, codes or covenants, conditions or restrictions, or of improvements or alterations made to the Property without a permit where one was required, or of any unfulfilled order or directive of any applicable governmental agency or casualty insurance company requiring any investigation, remediation, repair, maintenance or improvement be performed on the Property.

(e) *Changes in Agreements.* Prior to the Closing, Seller will not violate or modify any Existing Lease or Other Agreement, or create any new leases or other agreements affecting the Property, without Buyer's written approval, which approval will not be unreasonably withheld.

(f) *Possessory Rights.* Seller has no knowledge that anyone will, at the Closing, have any right to possession of the Property, except as disclosed by this Agreement or otherwise in writing to Buyer.

(g) *Mechanics' Liens.* There are no unsatisfied mechanics' or materialmens' lien rights concerning the Property.

(h) *Actions, Suits or Proceedings.* Seller has no knowledge of any actions, suits or proceedings pending or threatened before any commission, board, bureau, agency, arbitrator, court or tribunal that would affect the Property or the right to occupy or utilize same, including any condemnation or similar proceedings.

(i) *Notice of Changes.* Seller will not knowingly cause or allow the occurrence of a Material Change but will promptly notify Buyer and Brokers in writing of any Material Change (see paragraph 9.1(o)) affecting the Property that becomes known to Seller prior to the Closing.

(j) *No Tenant Bankruptcy Proceedings.* Seller has no notice or knowledge that any tenant of the Property is the subject of a bankruptcy or insolvency proceeding.

(k) *No Seller Bankruptcy Proceedings.* Seller is not the subject of a bankruptcy, insolvency or probate proceeding.

(l) *Personal Property.* Seller has no knowledge that anyone will, at the Closing, have any right to possession of any personal property included in the Purchase Price nor knowledge of any liens or encumbrances affecting such personal property, except as disclosed by this Agreement or otherwise in writing to Buyer.

12.2 Buyer hereby acknowledges that, except as otherwise stated in this Agreement, Buyer is purchasing the Property in its existing condition subject to the representations and warranties of Seller contained herein during the period referenced in this Section 12.2 and will, by the time called for herein, make or have waived all inspections of the Property Buyer believes are necessary to protect its own interest in, and its contemplated use of, the Property. The Parties acknowledge that, except as otherwise stated in this Agreement, no representations, inducements, promises, agreements, assurances, oral or written, concerning the Property, or any aspect of the occupational safety and health laws, Hazardous Substance laws, or any other act, ordinance or law, have been made by either Party or Brokers, or relied upon by either Party hereto.

12.3 In the event that Buyer learns that a Seller representation or warranty might be untrue prior to the Closing, and Buyer elects to purchase the Property anyway then, and in that event, Buyer waives any right that it may have to bring an action or proceeding against Seller or Brokers regarding said representation or warranty.

12.4 Any environmental reports, soils reports, surveys, and other similar documents which were prepared by third party consultants and provided to Buyer by Seller or Seller's representatives, have been delivered as an accommodation to Buyer and without any representation or warranty as to the

sufficiency, accuracy, completeness, and/or validity of said documents, all of which Buyer relies on at its own risk. Seller believes said documents to be accurate, but Buyer is advised to retain appropriate consultants to review said documents and investigate the Property.

13. Possession.

Possession of the Property shall be given to Buyer at the Closing ~~subject to the rights of tenants under Existing Leases~~.

14. Buyer's Entry.

At any time during the Escrow period, Buyer, and its agents and representatives, shall have the right at reasonable times and subject to rights of tenants, to enter upon the Property for the purpose of making inspections and tests specified in this Agreement. No destructive testing shall be conducted, however, without Seller's prior approval which shall not be unreasonably withheld. Following any such entry or work, unless otherwise directed in writing by Seller, Buyer shall return the Property to the condition it was in prior to such entry or work, including the recompaction or removal of any disrupted soil or material as Seller may reasonably direct. All such inspections and tests and any other work conducted or materials furnished with respect to the Property by or for Buyer shall be paid for by Buyer as and when due and Buyer shall indemnify, defend, protect and hold harmless Seller and the Property of and from any and all claims, liabilities, losses, expenses (including reasonable attorneys' fees), damages, including those for injury to person or property, arising out of or relating to any such work or materials or the acts or omissions of Buyer, its agents or employees in connection therewith.

15. Further Documents and Assurances.

The Parties shall each, diligently and in good faith, undertake all actions and procedures reasonably required to place the Escrow in condition for Closing as and when required by this Agreement. The Parties agree to provide all further information, and to execute and deliver all further documents, reasonably required by Escrow Holder or the Title Company.

16. Attorneys' Fees.

If any Party or Broker brings an action or proceeding (including arbitration) involving the Property whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "Prevailing Party" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred.

17. Prior Agreements/Amendments.

17.1 This Agreement supersedes any and all prior agreements between Seller and Buyer regarding the Property.

17.2 Amendments to this Agreement are effective only if made in writing and executed by Buyer and Seller.

18. Broker's Rights.

18.1 If this sale is not consummated due to the default of either the Buyer or Seller, the defaulting Party shall be liable to and shall pay to Brokers the Brokerage Fee that Brokers would have received had the sale been consummated. If Buyer is the defaulting party, payment of said Brokerage Fee is in addition to any obligation with respect to liquidated or other damages.

~~18.2 Upon the Closing, Brokers are authorized to publicize the facts of this transaction.~~

19. Notices.

19.1 Whenever any Party, Escrow Holder or Brokers herein shall desire to give or serve any notice, demand, request, approval, disapproval or other communication, each such communication shall be in writing and shall be delivered personally, by ~~messenger or by mail~~ *overnight courier or by certified mail (return receipt requested)*, postage prepaid, to the address set forth in this Agreement or by facsimile transmission*or an overnight, nationally recognized courier (e.g. Federal Express or UPS)*.

19.2 Service of any such communication shall be deemed made on the date of actual receipt if personally delivered. ~~Any such communication sent by regular mail shall be deemed given 48 hours after the same is mailed.~~ Communications sent by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed delivered 24 hours after delivery of the same to the Postal Service or courier. Communications transmitted by facsimile transmission shall be deemed delivered upon telephonic confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If such communication is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

19.3 Any Party or Broker herein may from time to time, by notice in writing, designate a different address to which, or a different person or additional persons to whom, all communications are thereafter to be made.

20. Duration of Offer.

20.1 If this offer is not accepted by Seller Buyer on or before ~~5:00~~ 4:00 P.M. according to the time standard applicable to the city of Vernon on the date of May 2, 2013 it shall be deemed automatically revoked.

20.2 The acceptance of this offer, or of any subsequent counteroffer hereto, that creates an agreement between the Parties as described in paragraph 1.2, shall be deemed made upon delivery to the other Party or either Broker herein of a duly executed writing unconditionally accepting the last outstanding offer or counteroffer.

21. LIQUIDATED DAMAGES. (This Liquidated Damages paragraph is applicable only if initialed by both Parties).

THE PARTIES AGREE THAT IT WOULD BE IMPRACTICABLE OR EXTREMELY DIFFICULT TO FIX, PRIOR TO SIGNING THIS AGREEMENT, THE ACTUAL DAMAGES WHICH WOULD BE SUFFERED BY SELLER IF BUYER FAILS TO PERFORM ITS OBLIGATIONS UNDER THIS AGREEMENT. THEREFORE, IF, AFTER THE SATISFACTION OR WAIVER OF ALL CONTINGENCIES PROVIDED FOR THE BUYER'S BENEFIT, BUYER BREACHES THIS AGREEMENT, SELLER SHALL BE ENTITLED TO LIQUIDATED DAMAGES IN THE AMOUNT OF THE THEN EXISTING ESCROW DEPOSIT . UPON PAYMENT OF SAID SUM TO SELLER, BUYER SHALL BE RELEASED FROM ANY FURTHER LIABILITY TO SELLER, AND ANY ESCROW CANCELLATION FEES AND TITLE COMPANY CHARGES SHALL BE PAID BY SELLER.

_____ _____

Buyer Initials *Seller Initials*

~~22. ARBITRATION OF DISPUTES. (This Arbitration of Disputes paragraph is applicable only if initialed by both Parties.)~~

~~22.1 ANY CONTROVERSY AS TO WHETHER SELLER IS ENTITLED TO THE LIQUIDATED DAMAGES AND/OR BUYER IS ENTITLED TO THE RETURN OF DEPOSIT MONEY, SHALL BE DETERMINED BY BINDING ARBITRATION BY, AND UNDER THE COMMERCIAL RULES OF THE AMERICAN ARBITRATION ASSOCIATION ("COMMERCIAL RULES"). ARBITRATION HEARINGS SHALL BE HELD IN THE COUNTY WHERE THE PROPERTY IS LOCATED. ANY SUCH CONTROVERSY SHALL BE ARBITRATED BY 3 ARBITRATORS WHO SHALL BE IMPARTIAL REAL ESTATE BROKERS WITH AT LEAST 5 YEARS OF FULL TIME EXPERIENCE IN BOTH THE AREA WHERE THE PROPERTY IS LOCATED AND THE TYPE OF REAL ESTATE THAT IS THE SUBJECT OF THIS AGREEMENT. THEY SHALL BE APPOINTED UNDER THE COMMERCIAL RULES. THE ARBITRATORS SHALL HEAR AND DETERMINE SAID CONTROVERSY IN ACCORDANCE WITH APPLICABLE LAW, THE INTENTION OF THE PARTIES AS EXPRESSED IN THIS AGREEMENT AND ANY AMENDMENTS THERETO, AND UPON THE EVIDENCE PRODUCED AT AN ARBITRATION HEARING. PRE-ARBITRATION DISCOVERY SHALL BE PERMITTED IN ACCORDANCE WITH THE COMMERCIAL RULES OR STATE LAW APPLICABLE TO ARBITRATION PROCEEDINGS. THE AWARD SHALL BE EXECUTED BY AT LEAST 2 OF THE 3 ARBITRATORS, BE RENDERED WITHIN 30 DAYS AFTER THE CONCLUSION OF THE HEARING, AND MAY INCLUDE ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY PER PARAGRAPH 16 HEREOF. JUDGMENT MAY BE ENTERED ON THE AWARD IN ANY COURT OF COMPETENT JURISDICTION NOTWITHSTANDING THE FAILURE OF A PARTY DULY NOTIFIED OF THE ARBITRATION HEARING TO APPEAR THEREAT.~~

~~22.2 BUYER'S RESORT TO OR PARTICIPATION IN SUCH ARBITRATION PROCEEDINGS SHALL NOT BAR SUIT IN A COURT OF COMPETENT JURISDICTION BY THE BUYER FOR DAMAGES AND/OR SPECIFIC PERFORMANCE UNLESS AND~~

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~~UNTIL THE ARBITRATION RESULTS IN AN AWARD TO THE SELLER OF LIQUIDATED DAMAGES, IN WHICH EVENT SUCH AWARD SHALL ACT AS A BAR AGAINST ANY ACTION BY BUYER FOR DAMAGES AND/OR SPECIFIC PERFORMANCE.~~

~~22.3 NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.~~

~~WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.~~

_____ _____
~~Buyer's Initials~~ ~~Seller's Initials~~

23. Miscellaneous.

23.1 Binding Effect. This Agreement shall be binding on the Parties without regard to whether or not paragraphs 21 and 22 are initialed by both of the Parties. Paragraphs 21 and 22 are each incorporated into this Agreement only if initialed by both Parties at the time that the Agreement is executed.

23.2 Applicable Law. This Agreement shall be governed by, and paragraph 22.3 is amended to refer to, the laws of the state in which the Property is located. Any litigation or arbitration between the Parties hereto concerning this Agreement shall be initiated in the county in which the Property is located.

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

23.4 Counterparts. This Agreement may be executed by Buyer and Seller in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Escrow Holder, after verifying that the counterparts are identical except for the signatures, is authorized and instructed to combine the signed signature pages on one of the counterparts, which shall then constitute the Agreement.

~~23.5 Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.~~

23.6 Conflict. Any conflict between the printed provisions of this Agreement and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

23.7 1031 Exchange. Both Seller and Buyer agree to cooperate with each other in the event that either or both wish to participate in a 1031 exchange. Any party initiating an exchange shall bear all costs of such exchange.

23.8 Days. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Agreement shall mean and refer to calendar days.

24. Disclosures Regarding The Nature of a Real Estate Agency Relationship.

24.1 The Parties and Brokers agree that their relationship(s) shall be governed by the principles set forth in the applicable sections of the California Civil Code, as summarized in paragraph 24.2.

24.2 When entering into a discussion with a real estate agent regarding a real estate transaction, a Buyer or Seller should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Buyer and Seller acknowledge being advised by the Brokers in this transaction, as follows:

(a) *Seller's Agent.* A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or subagent has the following affirmative obligations: (1) *To the Seller:* A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Seller. (2) *To the Buyer and the Seller:* a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(b) *Buyer's Agent.* A selling agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations. (1) *To the Buyer:* A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Buyer. (2) *To the Buyer and the Seller:* a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(c) *Agent Representing Both Seller and Buyer.* A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer. (1) In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Seller or the Buyer. b. Other duties to the Seller and the Buyer as stated above in their respective sections (a) or (b) of this paragraph 24.2. (2) In representing both Seller and Buyer, the agent may not without the express permission of the respective Party, disclose to the other Party that the Seller will accept a price less than the listing price or that the Buyer will pay a price greater than the price offered. (3) The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect their own interests. Buyer and Seller should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(d) *Further Disclosures.* Throughout this transaction Buyer and Seller may receive more than one disclosure, depending upon the number of agents assisting in the transaction. Buyer and Seller should each read its contents each time it is presented, considering the relationship between them and the real estate agent in this transaction and that disclosure. Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this transaction may be brought against Broker more than one year after the Date of Agreement and that the liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Agreement shall not exceed the fee received by such Broker pursuant to this Agreement; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

24.3 *Confidential Information:* Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

25. Construction of Agreement. In construing this Agreement, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Agreement. Whenever required by the context, the singular shall include the plural and vice versa. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Agreement shall mean and refer to calendar days. This Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

26 Additional Provisions:

Additional provisions of this offer, if any, are as follows or are attached hereto by an addendum consisting of paragraphs 27 through 35. (If there are no additional provisions write "NONE".)

27. Notwithstanding anything else herein and to the contrary elsewhere in this Agreement, Buyer shall have ninety (90) days from the later of the Date of this Agreement or the Date of receipt of all Due Diligence Materials (as set forth in Paragraph 10 of the Letter of Intent dated April 8, 2013 mutually agreed upon by Buyer and Seller, attached hereto) ("Contingency Period") to satisfy and/or waive all of Buyer's contingencies outlined in Section 9. All such Due Diligence Materials must be submitted to Buyer within three (3) business days of the date of this Agreement. Prior to the expiration of the Contingency

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Period (or any extension thereof pursuant to the provisions of Paragraph 30 below), Buyer shall have the absolute right to terminate this Agreement for any reason or no reason at all, whereupon Buyer will be entitled to (and Escrow Holder will immediately remit to Buyer after notice thereof) a full refund of the Escrow Deposit.

28. Except as provided elsewhere in this Agreement, Buyer hereby agrees to purchase the Property in its "As-Is, Where-Is" condition, with all faults, and Seller will make no representations or warranties with respect thereto. Buyer acknowledges they are purchasing the Property for land value only. In the event of any damage or destruction to the existing buildings during the escrow period, Buyer shall not have the right to terminate this transaction.

29. Notwithstanding anything else herein and to the contrary elsewhere in this Agreement, within three (3) business days from mutual execution of the Agreement, Seller shall provide Buyer with all Due Diligence Materials affecting the Property, that are in Seller's possession in satisfaction of Paragraph 10 of the Letter of Intent dated April 8, 2013 mutually agreed upon by Buyer and Seller, attached hereto.

30. Notwithstanding anything else herein and to the contrary elsewhere in this Agreement, Buyer, at its sole discretion, may chose to extend the Contingency Period a maximum of three (3) times for a period of thirty (30) days each, by providing written notification to Escrow Officer prior to the Contingency Period expiration date (or any extension thereof).

31. Notwithstanding anything else herein and to the contrary elsewhere in this Agreement, prior to Closing, Buyer shall agree to keep any non-public information provided by Seller confidential, and not to provide any of said Due Diligence Materials to anyone other than Buyer's agents, employees, consultants, and attorneys, without the consent of Seller.

32. The Property and transaction are subject to Part 1.85 of Divsion 24 of the Health & Safety Code which was added by Assembly Bill No. 26 (2011-2012 1st Ex. Sess.), as amended by Assembly Bill No. 1484 (2012-2013 Reg. Sess.), set forth in Sections 34170 through 34191.5 of the Health & Safety Code. This Agreement was authorized on March 21, 2013 by the Oversight Board to the Successor Agency of the Former Vernon Redevelopment Agency.

Seller shall obtain any approvals associated with or required by Part 1.85 within sixty (60) days from mutual execution hereof by Buyer and Seller. Should Seller fail to obtain said approvals, Buyer shall have the right to terminate this Agreement, and Buyer will be entitled to the Escrow Deposit. Notwithstanding any provision contained herein to the contrary, as an express condition to Closing, exclusive possession of the Property will be delivered to Buyer, free of all tenancies and/or occupancies, otherwise vacant and with all leases theretofore encumbering the Property having been terminated. Should the Property not be free and clear of all tenancies and/or occupancies as of the Closing such that Seller would not be able to deliver exclusive possession thereto to Buyer, Buyer will have the right to extend the Closing or terminate this Agreement upon written notice thereof to Seller, whereupon, in the event of termination, Buyer will be entitled to (and Escrow Holder will immediately remit to Buyer after notice thereof) a full refund of the Escrow Deposit plus any accrued interest thereon.

33. "Assignee" shall mean (i) any entity directly or indirectly controlling, controlled by or under common control with Whole Foods Market, Inc.; or (2) if that other entity is a member or partner, any company for which such entity acts in any such capacity. The term "control" as used in the immediately preceding sentence, shall mean the power to direct the management or the power to control election of the board of directors. It shall be a presumption that control with respect to a corporation or limited liability company is the right to exercise or control, directly or indirectly, more than fifty percent (50%) of the voting rights attributable to the controlled corporation or limited liability company, and, with respect to any partnership, trust, other entity or association, control is the possession, indirectly or directly, of the power to direct or cause the direction of the management or policies of the controlled entity. For purposes of this definition, any general partner shall be considered an "Assignee" of Whole Foods Market, Inc.

34. Prior to Closing, Buyer shall keep confidential any materials provided by Seller in connection with Buyer's due diligence review except that Buyer may disclose such information to its officers, employees, attorneys,

accountants and consultants. No materials provided by Seller that are publicly available or which Buyer has already obtained from third parties will be subject to the sentence immediately preceding.

35. The Parties agree the Purchase Price as reflected in both Paragraph 3.1 and the letter of intent dated April 8, 2013, was calculated by multiplying the Twenty Nine and 50/100 Dollars ($29.50) price per square foot times Four Hundred Twenty Nine Thousand Sixty Six square feet (429,066 sf) as reflected in unverified marketing materials concerning the Property. On April 24, 2013, Seller learned there exists an ALTA/ACSM Land Title Survey prepared by O.K.O: Engineering, Inc. bearing Job Number 2010-113A with a date of survey of May 24, 2010, and date of last revision of January 14, 2011 (the "Acquisition Survey"). The Acquisition Survey will be disclosed to Buyer with the Due Diligence Materials. According to the Acquisition Survey, the land area is reported as Four Hundred Twenty Seven Thousand Two Hundred Three square feet (427,203 sf). Notwithstanding the provisions of Paragraph 3.1 and upon its receipt and review of the Acquisition Survey, and if Buyer elects, the survey in Paragraph 9.1(g), the Purchase Price may be adjusted once and be the product of (i) the number of square feet of land area for the Property times (ii) Twenty Nine and 50/100 Dollars ($29.50). If Buyer elects to order a survey under Paragraph 9.1(g) and the land area is below that of the Acquisition Survey, then Buyer shall submit its survey to Seller with a requested form of amendment to the Agreement to revise the Purchase Price accordingly.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS AGREEMENT OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS AGREEMENT.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PROPERTY. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PROPERTY, THE INTEGRITY AND CONDITION OF ANY STRUCTURES AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PROPERTY FOR BUYER'S INTENDED USE.

WARNING: IF THE PROPERTY IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THIS AGREEMENT MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED.

NOTE:
1. THIS FORM IS NOT FOR USE IN CONNECTION WITH THE SALE OF RESIDENTIAL PROPERTY.
2. IF EITHER PARTY IS A CORPORATION, IT IS RECOMMENDED THAT THIS AGREEMENT BE SIGNED BY TWO CORPORATE OFFICERS.

The undersigned Buyer offers and agrees to buy the Property on the terms and conditions stated and acknowledges receipt of a copy hereof.

BROKER:	BUYER:
THE CLOVER COMPANY	GBD PROPERTIES, INC.
Attn: Pat Gilhooly	By:
Title: Principal	Date: 4/30/13
Address: 8675 Washington Boulevard, Suite 201	Name Printed: Tricia Yost
Culver City, CA 90232	Title: Assistant Secretary
Telephone:(310) 815-8611	Telephone:(512) 542-0216
Facsimile:(310) 815-8612	Facsimile:(512) 482-7216
Email:pgilhooly@clovercompany.com	Email: tricia.yost@wholefoods.com
Federal ID No.	By:
	Date:
Broker/Agent DRE License #:	Name Printed:
	Title:
	Address:
	Telephone:(___)
	Facsimile:(___)
	Email:
	Federal ID No.

27. Acceptance.
27.1 Seller accepts the foregoing offer to purchase the Property and hereby agrees to sell the Property to Buyer on the terms and conditions therein specified.
27.2 Seller acknowledges that Brokers have been retained to locate a Buyer and are the procuring cause of the purchase and sale of the Property set forth in this Agreement. In consideration of real estate brokerage service rendered by Brokers, Seller agrees to pay Brokers a real estate Brokerage Fee in a sum equal to 5 % of the Purchase Price to be divided between the Brokers as follows: Seller's Broker 2.5 % and Buyer's Broker 2.5 %. This Agreement shall serve as an irrevocable instruction to Escrow Holder to pay such Brokerage Fee to Brokers out of the proceeds accruing to the account of Seller at the Closing.
27.3 Seller acknowledges receipt of a copy hereof and authorizes Brokers to deliver a signed copy to Buyer.

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NOTE: A PROPERTY INFORMATION SHEET IS REQUIRED TO BE DELIVERED TO BUYER BY SELLER UNDER THIS AGREEMENT.

BROKER:	SELLER: SEE SELLER'S SIGNATURE BLOCK ATTACHMENT
CUSHMAN & WAKEFIELD OF CALIFORNIA, INC.	~~CITY OF VERNON, ACTING as SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON~~
Attn: Jeff Sanita	~~By:~~
Title: Senior Director	~~Date:~~
Address: 970 West 190th Street, Suite 550	~~Name Printed: Alex Yung~~
Torrance, CA 90502	~~Title:~~
Telephone:(310)525-1906	~~Telephone:(323)583-8811~~
Facsimile:(213)947-1772	~~Facsimile:(323)826-1422~~
Email:jeff.sanita@cushwake.com	~~Email:ayung@ci.vernon.ca.us~~
Federal ID No.:	~~By:~~
Broker/Agent DRE License #: 1242202	~~Date:~~
	~~Name Printed: Gustavo Lemanna~~
	~~Title: Special Consel~~
	~~Address: 4305 Santa Fe Avenue~~
	~~Vernon, CA 90058~~
	~~Telephone:(213)452-0131~~
	~~Facsimile:(213)235-0931~~
	~~Email:glemanna@lbblaw.com~~
	~~Federal ID No.:~~

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

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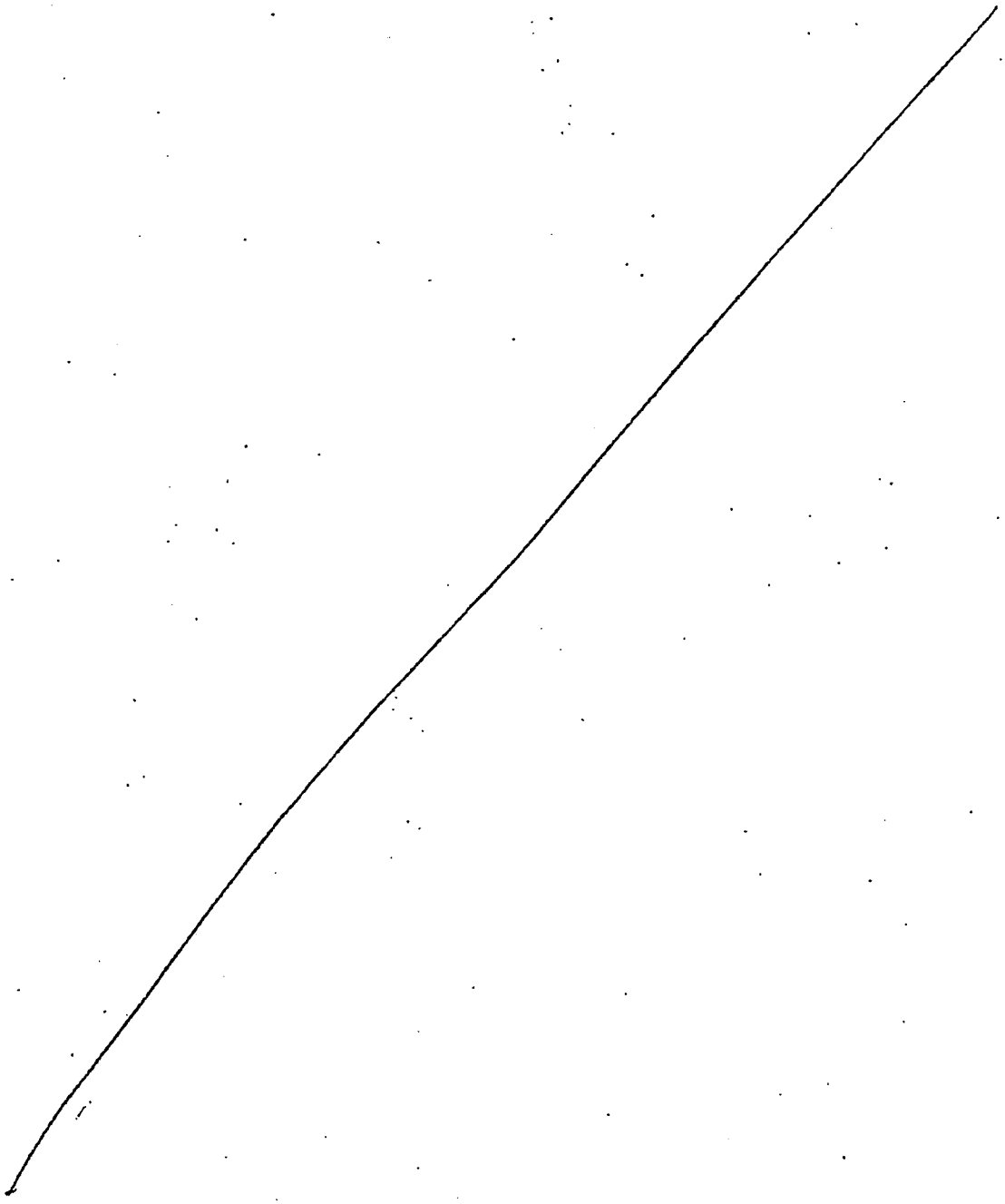

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SELLER SIGNATURE BLOCK ATTACHMENT
affixed to that certain
Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate (Non-Residential) AIR Commercial Real Estate Association form from Buyer Whole Foods Market, Inc. and/or Assignee regarding their proposed purchase of the Property 4900 Pacific Blvd, Vernon, CA 90058

Seller: SUCCESSOR AGENCY TO THE FORMER VERNON REDEVELOPMENT AGENCY, a public entity designated under California Health & Safety Code section 34173

By: City of Vernon, acting as the Successor Agency of the Former Vernon Redevelopment Agency, pursuant to California Health & Safety Code sections 34173(e) and 34173(g)

By:_____
Alex Kung, Assistant to the Executive Director, under authority conferred by the Oversight Board to the Successor Agency of the Former Vernon Redevelopment Agency on March 21, 2013

Notice Address:
Alex Kung, Assistant to Exec. Director
Vernon City Hall, Administration
4305 Santa Fe Avenue
Vernon, CA 90058
Telephone: (323) 583-8811
Facsimile: (323) 826-1422
Email: akung@ci.vernon.ca.us
With Copies to each of:
City Clerk
Vernon City Hall
(see street address above)
City Attorney
Vernon City Hall
(see street address above)
Special Counsel
(see address below)

APPROVED AS TO FORM AND CONTENT
AS DIRECTED ON MARCH 21, 2013
BY THE OVERSIGHT BOARD TO THE
SUCCESSOR AGENCY OF THE FORMER
VERNON REDEVELOPMENT AGENCY

KANE, BALLMER & BERKMAN
Special Counsel to the
Successor Agency to the Former
Vernon Redevelopment Agency

By:_____
Gustavo Lamanna
Kane, Ballmer & Berkman
Special Counsel to the Successor Agency
515 South Figueroa Street, Suite 1850
Los Angeles, CA 90071
Telephone: (213) 452-0131 / Facsimile: (213) 625-0931
Email: gustavo@kbblaw.com

Jeffrey P. Saelin
Senior Director

CUSHMAN & WAKEFIELD

Cushman & Wakefield of California, Inc.
970 W. 190th Street, Suite 650
Torrance, CA 90502
(310) 626-1908 Direct
(213) 947-1772 Fax
jeff.saelin@cushwake.com

April 8, 2013

Via Email Only

Whole Foods
c/o John McMillan
Executive Director
Cushman & Wakefield of California, Inc.
970 West 190th Street, Suite 550
Torrance, CA 90502

c/o Pat Gilhooly
Principal
The Clover Company
8675 Washington Blvd, Suite 201
Culver City, CA 90232

Re: 4900 Pacific Blvd, Vernon, CA 90640
Counter Offer to Purchase Dated March 1, 2013

Dear Gentlemen:

Thank you for the above-referenced Counter Offer to Purchase. On behalf of City of Vernon, Acting as Successor Agency of The Redevelopment Agency of the City of Vernon, I have been authorized to submit the following replacement proposal to purchase the above-referenced property, following the March 21, 2013 Oversight Board meeting. The terms of the replacement proposal are as follows:

✓ 1.	Premises:	ACCEPTED	4900 Pacific Blvd, Vernon, CA Approximately 274,807 square feet of various industrial buildings located on approximately 429,066 square feet of industrial zoned land. A complete legal description will be provided via Chicago Title during escrow.
✓ 2.	Buyer:	ACCEPTED	Whole Foods, and/or Assignee.
✓ 3.	Purchase Price:		$12,657,447 ($29.50 psf). All cash payable at the close of escrow.
✓ 4.	Deposit:	ACCEPTED	Following the execution of a purchase contract between Buyer and Seller, Buyer shall deposit $150,000 ("Deposit") into escrow to be held by Commerce Escrow Company in an interest bearing account. Said Deposit shall be refundable to Buyer, but held in escrow, and shall be applied to the Purchase Price at closing. Buyer may, at its sole discretion, elect not to proceed with the acquisition, at which time the initial deposit of $150,000 will be immediately refunded to the Buyer. After completing Buyer's Due Diligence Review, should Buyer elect to proceed with the acquisition, Buyer shall deposit an additional $150,000 into escrow for a total deposit of $300,000 ("Total Deposit"). Said Total Deposit shall become non-refundable to Buyer except for Seller's default, but held in escrow, and shall be applied to the Purchase Price at closing.
5.	Contingency Period:	ACCEPTED	Buyer shall have ninety (90) days from the receipt of all of the Due

No warranty or representation, express or implied, is made as to the accuracy of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions, imposed by our principals.

Diligence Materials noted below that may be in Seller's possession, to complete Buyer's Due Diligence Review of the property, which shall include, but not be limited to, Buyer's review of the environmental condition, soil compaction, title, zoning, government approvals, physical inspection, ALTA survey, existing leases, entitlement approvals, etc. There shall be no financing contingency.

Buyer, at its sole discretion, may choose to extend the Contingency Period a maximum of three (3) times, by providing written notification to Escrow Officer at least thirty (30) days in advance of the Contingency Period expiration date.

6.	Close of Escrow:	ACCEPTED	Escrow shall close on or before seven (7) days from the expiration of the Contingency Period, subject to Paragraph 12.
7.	Prorations and Costs:	ACCEPTED	Seller shall be responsible for the cost of a CLTA Title Policy, and all transfer and documentary fees and taxes. Escrow fees shall be split equally between Buyer and Seller, per local custom.
8.	Escrow Company:	ACCEPTED	Commerce Escrow Company Attention: Tina Debow 1545 Wilshire Blvd, Suite 600 Los Angeles, CA 90017 Phone#: 213-353-4060 Fax#: 213-201-5188
9.	Title Company:	ACCEPTED	Chicago Title Attention: Mike Slinger 700 S. Flower Street, Suite 800 Los Angeles, CA 90017 Phone#: 213-612-4131 Fax#: 213-612-4133
10.	Due Diligence Materials:	ACCEPTED	Within three (3) business days after mutual execution of the purchase contract, Seller shall provide Buyer with any Due Diligence Materials affecting the Property that are in Seller's possession, including the following:

a) Environmental Reports.
b) Preliminary Title Report.
c) ALTA Survey.
d) Building plans.
e) Demolition bids.
f) Physical inspection and/or Roof Report.
g) Seismic Reports.
h) Ground leases and Tenant leases, if any.
i) Copies of all permits that affect the property, including AQMD.
j) Copies of all correspondence with the City of Vernon, or other municipal agencies, that may affect the property.
k) Any and all agreements, contracts, licenses in existence that may impair the clear and unencumbered title to the property.

l) Copies of all invoices and bills of the property including but not limited to tax bill(s), insurance policies, utilities, repairs, maintenance and salaries for the Twelve (12) calendar months immediately preceding the Effective Date hereof.
m) All notes and security instruments affecting the Property.

Buyer shall agree to keep any information provided by Seller confidential, and not to provide any of said Due Diligence Materials to anyone other than Buyer's agents, employees, consultants, and attorneys, without the consent of Seller.

11. Condition of Property:	ACCEPTED	Buyer agrees that the purchase of the Property will be in "As-Is" "Where-Is" condition (with all faults, and Seller will make no representations or warranties with respect thereto.
12. Approvals:	ACCEPTED	The Premises and transaction are subject to Part 1.85 of Division 24 of the Health & Safety Code which was added by Assembly Bill No. 26 (2011-2012 1st Ex. Sess.), as amended by Assembly Bill No. 1484 (2012-2013 Reg. Sess.), set forth in sections 34170 through 34191.5 of the Health & Safety Code. This counter-offer was authorized on February 7, 2013 by the Oversight Board to the Successor Agency of the Former Vernon Redevelopment Agency. Seller shall obtain any approvals associated with or required by Part 1.85 within sixty (60) days from mutual execution hereof by Buyer and Seller. Should Seller fail to obtain said approvals, Buyer shall have the right to terminate these purchase discussions at no penalty to Buyer.
13. Dual Agency:	ACCEPTED	Buyer and Seller hereby acknowledge, accept and approve of Cushman & Wakefield of California, Inc., representing both parties in this transaction.
14. Non-Binding:	ACCEPTED	If ACCEPTED, this proposal is not a legally binding contract; rather it is only intended to be a Letter of Intent setting forth the terms and conditions which may be incorporated into a mutually acceptable purchase contract or escrow instructions. Only a purchase contract or escrow instructions approved and fully executed by both Buyer and Seller, shall bind the parties.
15. Expiration:		If not ACCEPTED in writing by 5:00 PM, Friday, April 12, 2013, this proposal shall be of no further force or effect.

(SIGNATURES CONTINUED ON THE NEXT PAGE)

We look forward to working with you on a mutually acceptable sale transaction. Please feel free to contact either of us with any questions regarding this proposal.

Sincerely,

CUSHMAN & WAKEFIELD OF CALIFORNIA, INC.

Jeffrey P. Sanita
Senior Director
DRE #: 01242202
310/525-1906

JPS/lk

AGREED & APPROVED

SELLER: City of Vernon, Acting as Successor Agency of The Redevelopment Agency of the City of Vernon

By: _____

Print Name: Alex Kung

Date: 4/8/13

AGREED & ACCEPTED

BUYER: Whole Foods

By: _____

Print Name: Paul Hartunian

Date: 4-9-13

APPROVED AS TO FORM
SPECIAL COUNSEL: Kane, Ballmer & Berkman

By: _____

Print Name: GUSTAVO LAMAHONA

Date: 4-8-13

EXHIBIT 1

Vernon Sun

A Free and Independent Press Preserves the People's "Right to Know"

THURSDAY, JUNE 20, 2013 VOLUME 5: NUMBER 37

LEGAL LEGAL

NOTICE OF PROPERTY DISPOSITION UNDER CALIFORNIA HEALTH & SAFETY CODE SECTIONS 33430 AND 33431

MADE PURSUANT TO AND IN FURTHERANCE OF AB X1 26 AS AMENDED BY AB 1484 AND TO BE INCLUDED IN A LONG-RANGE PROPERTY MANAGEMENT PLAN PER CALIFORNIA HEALTH & SAFETY CODE SECTION 34191.5(B)

PUBLICATION REQUIRED UNDER CALIFORNIA HEALTH & SAFETY CODE SECTION 33431

NOTICE OF PUBLIC HEARING BY THE SUCCESSOR AGENCY TO THE FORMER VERNON REDEVELOPMENT AGENCY REGARDING THE PROPOSITION OF A PROPOSED LEASE FOR LOW INDUSTRIAL ZONED LAND WITH IMPROVEMENTS THEREON LOCATED AT 4001 PACIFIC BOULEVARD IN THE CITY OF VERNON BOUNDED BY PACIFIC BOULEVARD ON THE WEST, LEONIS BOULEVARD ON THE NORTH, FRUIT AND VENICE STREETS ON THE EAST AND [illegible] AND NOTICE OF THE FORMER VERNON REDEVELOPMENT AGENCY'S INTENT TO DISPOSE OF PROPERTY PURSUANT TO THE TERMS AND CONDITIONS OBTAINABLE FROM STANDARD OFFER, AGREEMENT AND ESCROW INSTRUCTIONS FOR PURCHASE OF REAL ESTATE (NON-RESIDENTIAL) DATED APRIL [illegible], 2012 WITH [illegible] AND/OR ASSIGNEE AS BUYER AND THE SUCCESSOR AGENCY TO THE FORMER VERNON REDEVELOPMENT AGENCY AS SELLER AND DESCRIPTION OF THE PROPERTY TO BE SOLD AND THE PROPOSED USE THEREOF, DECLARATION OF FINDINGS AND DETERMINATION AND IDENTIFICATION OF ALL AND ANY AGREEMENTS AVAILABLE FOR PUBLIC INSPECTION AT THE OFFICE OF THE SECRETARY TO THE SUCCESSOR AGENCY TO THE FORMER VERNON REDEVELOPMENT AGENCY, CARE OF THE CITY OF VERNON, CITY HALL, 4305 SANTA FE AVENUE, SECOND FLOOR, VERNON, CALIFORNIA 90058

NOTICE IS HEREBY GIVEN that the Successor Agency to the Former Vernon Redevelopment Agency (the "Successor Agency") will conduct a public hearing on the proposed lease of property commonly known as 4001 Pacific Boulevard, Vernon, California (the "Property") at the regular meeting of the Successor Agency to the Former Vernon Redevelopment Agency (the "Successor Agency") to be held at 12:00 p.m. on Monday, July 1, 2013, at the Vernon City Hall, 4305 Santa Fe Avenue, Second Floor, Vernon, California 90058.

The Property is owned by the Successor Agency and is governed by the Long-Range Property Management Plan for the Former Vernon Redevelopment Agency (the "LRPMP") approved by the Oversight Board to the Successor Agency (the "Oversight Board") on July 20, 2013 and by the California Department of Finance ("DOF") on [illegible], 2013. The Property is currently vacant and is proposed to be leased to [illegible] and/or assignee (the "Buyer") pursuant to the terms and conditions of that certain Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate (Non-Residential) dated April [illegible], 2012 between the Buyer and the Successor Agency (the "Agreement"). The Property is proposed to be leased to the Buyer for the purpose of [illegible]. The Property is more particularly described in the Agreement.

Pursuant to Section 33431 of the California Health and Safety Code, the Successor Agency will conduct a public hearing on the matters set forth in the Notice related to the [illegible] Agreement.

DATE OF HEARING: MONDAY, July 1, 2013
TIME OF HEARING: 12:00 A.M. or as soon thereafter as the matter can be heard
PLACE OF HEARING: CITY COUNCIL CHAMBERS, VERNON CITY HALL, 4305 Santa Fe Avenue, First Floor, Vernon, CA 90058
CONTACT NAME: Alex King, Assistant to the Executive Director, Community Development Department, City of Vernon
MAILING ADDRESS: 4305 Santa Fe Avenue, Vernon, CA 90058
CONTACT NUMBER: (323) 583-8811 extension 264
E-MAIL ADDRESS: aking@ci.vernon.ca.us

The Public Hearing will be held in the Successor Agency's regular meeting agenda for the Successor Agency Meeting of July 1, 2013 at 12:00 p.m. at the Vernon City Hall, 4305 Santa Fe Avenue, Second Floor, Vernon, California 90058. A copy of the Successor Agency Resolution approving the proposed lease of the property is attached to the Oversight Board Resolution approving the proposed lease of the property. The Successor Agency Resolution approving the proposed lease of the property is attached to the Oversight Board Resolution approving the proposed lease of the property. The Successor Agency Resolution approving the proposed lease of the property is attached to the Oversight Board Resolution approving the proposed lease of the property.

The Agreement is available for public inspection and copying during regular business hours (7:00 a.m. to 5:30 p.m., Monday through Thursday) at the office of the Secretary of the Successor Agency, care of the City Clerk, City of Vernon, 4305 Santa Fe Avenue, Second Floor, Vernon, California 90058.

The property to be covered by the Lease is governed by the Long-Range Property Management Plan for the Former Vernon Redevelopment Agency approved by Resolution No. [illegible] of the Oversight Board to the Successor Agency to the Former Vernon Redevelopment Agency and approved by Resolution No. [illegible] of the Vernon City Council (the "LRPMP"). The LRPMP was submitted to the California Department of Finance ("DOF") on [illegible], 2013 and approved by DOF on [illegible], 2013.

All interested parties are invited to attend the Public Hearing and express opinions or comments regarding the proposed Lease. Written comments may be submitted to the Secretary of the Successor Agency at the address listed above prior to the Public Hearing. Written comments should be addressed to the Secretary of the Successor Agency, care of the City Clerk, City of Vernon, 4305 Santa Fe Avenue, Second Floor, Vernon, California 90058. Written comments must be received by the Secretary of the Successor Agency prior to the Public Hearing in order to be considered by the Successor Agency. Written comments may be delivered to the Secretary of the Successor Agency at the Public Hearing.

Dated: [illegible]

Secretary of the Successor Agency to the Former Vernon Redevelopment Agency

Publish Dates: June 20, 2013 - July 7, 2013

[redacted]

Vernon Sun

A Free and Independent Press Preserves the People's "Right to Know"

Page 10 THURSDAY, JUNE 27, 2013 VOLUME 5, NUMBER 38

LEGAL LEGAL

NOTICE OF PROPERTY DISPOSITION UNDER CALIFORNIA HEALTH & SAFETY CODE SECTIONS 33430 AND 33431

MADE PURSUANT TO AND IN FURTHERANCE OF AB XI 26, AS AMENDED BY AB 1484, AND TO BE INCLUDED IN A LONG-RANGE PROPERTY MANAGEMENT PLAN PER CALIFORNIA HEALTH & SAFETY CODE SECTION 34191.5(b)

[PUBLICATION REQUIRED UNDER CALIFORNIA HEALTH & SAFETY CODE SECTION 33431]

NOTICE OF PUBLIC HEARING BY THE SUCCESSOR AGENCY TO THE FORMER VERNON REDEVELOPMENT AGENCY REGARDING THE DISPOSITION OF APPROXIMATELY 20,066 SQUARE FEET OF INDUSTRIAL ZONED LAND WITH ALL IMPROVEMENTS THEREON LOCATED AT 4900 PACIFIC BOULEVARD IN THE CITY OF VERNON, BOUNDED BY PACIFIC BOULEVARD ON THE WEST, LEONIS BOULEVARD ON THE NORTH, FRUITLAND AVENUE ON THE SOUTH, AND BEVILLE AVENUE ON THE EAST AND ACQUIRED BY THE FORMER VERNON REDEVELOPMENT AGENCY IN FEE; DISPOSITION PROPOSED IS PURSUANT TO THE TERMS AND CONDITIONS OF THAT CERTAIN STANDARD OFFER, AGREEMENT AND ESCROW INSTRUCTIONS FOR PURCHASE OF REAL ESTATE (NON-RESIDENTIAL), DATED APRIL 30, 2013, WITH GBD PROPERTIES, INC. AND/OR ASSIGNEE AS BUYER AND THE SUCCESSOR AGENCY TO THE FORMER VERNON REDEVELOPMENT AGENCY AS THE SELLER SUBJECT TO ALL OF THE TERMS, CONDITIONS, AND SPECIFIC DESCRIPTION AND IDENTIFICATION OF SAID LAND IN SAID AGREEMENT, AVAILABLE FOR PUBLIC INSPECTION AT THE OFFICE OF THE SECRETARY TO THE SUCCESSOR AGENCY TO THE FORMER VERNON REDEVELOPMENT AGENCY, CARE OF THE OFFICE OF THE CITY CLERK FOR THE CITY OF VERNON, LOCATED AT VERNON CITY HALL, 4305 SANTA FE AVENUE, SECOND FLOOR, VERNON, CALIFORNIA 90058.

NOTICE IS HEREBY GIVEN that the Successor Agency of the Former Vernon Redevelopment Agency ("Successor Agency") will hold a public hearing on July 2, 2013, at the hour of 9:00 a.m., or as soon thereafter as the matter can be heard in the City Council Chambers, First Floor, Vernon City Hall, 4305 Santa Fe Avenue, Vernon, California, pursuant to the California Community Redevelopment Law (Health and Safety Code sections 33000 et seq., including Assembly Bill XI 26, as amended by Assembly Bill 1484 ("CRL"), for the purpose of considering the sale of a certain industrial land with improvements thereon in the redevelopment project area established in the Redevelopment Plan for the Industrial Redevelopment Project of the Former Vernon Redevelopment Agency adopted and approved by Ordinance No. 992 on November 27, 1990 to GBD Properties, Inc., or its assignee (the "Buyer").

The proposed transaction will be made in accordance with the CRL and pursuant to the proposed Standard Offer, Agreement and Escrow Instructions for the Purchase of Real Estate (Non-Residential), by and between the Successor Agency and Buyer dated April 30, 2013, as may be amended (the "Agreement"). The Agreement was authorized by the Oversight Board to the Successor Agency on March 21, 2013 as part of the winding down of the Former Vernon Redevelopment Agency under the CRL. The property disposition contemplated herein by the Agreement is to be incorporated and included in the long-range property management plan of the Successor Agency pursuant to AB XI 26, as amended by AB 1484, including but not limited to CRL section 34191.5. The Agreement involves that certain property in the City of Vernon bearing and using for reference the single street address 4900 Pacific Boulevard but includes all legal parcels bearing the street addresses 4850, 4900, 5000, and 5050 Pacific Boulevard, said land is within the redevelopment project area of the Former Vernon Redevelopment Agency and bounded on the north by Leonis Boulevard, on the south by Fruitland Avenue, on the west by Pacific Boulevard, and on the east by Beville Avenue and designated the "Subject Site" on the map accompanying this Notice. The Agreement includes the purchase price of the building and improvements on the Subject Site. Pursuant to CRL section 33431, the Successor Agency will be conducting a public hearing on the matters in this Notice related to the transaction and Agreement.

DATE OF HEARING:	TUESDAY, JULY 2, 2013
TIME OF HEARING:	9:00 A.M. (or as soon thereafter as the matter can be heard)
PLACE OF HEARING:	CITY COUNCIL CHAMBERS VERNON CITY HALL 4305 Santa Fe Avenue, First Floor Vernon, CA 90058
CONTACT NAME:	Mr. Alex Kung, Assistant to the Executive Director Successor Agency to the Former Vernon Redevelopment Agency
MAILING ADDRESS:	4305 Santa Fe Avenue, Vernon, CA 90058
CONTACT NUMBER:	(323) 583-8811 extension 256
E-MAIL ADDRESS:	akung@ci.vernon.ca.us

The Public Hearing will be held by the Successor Agency to consider the approval and ratification of the Agreement, as authorized and directed by the Oversight Board to the Successor Agency on March 21, 2013, to facilitate the sale of the Subject Site to the Buyer and include aforesaid transaction as part of the long-range property management plan of the Successor Agency required by AB XI 26, as amended by AB 1484, under CRL section 34191.5(b).

The Agreement is available for public inspection and copying during regular office hours (7:00 a.m. to 5:30 p.m., Monday through Thursday) at the office of the Secretary of the Successor Agency, care of the City Clerk, Vernon City Hall, 4305 Santa Fe Avenue, Second Floor, Vernon, California 90058.

This project is covered by the Final Environmental Impact Report for the City of Vernon Redevelopment Plan for the Industrial Redevelopment Project approved and adopted by Resolution RA-23 on November 20, 1990 ("FEIR") by the Former Vernon Redevelopment Agency. The FEIR is a Program EIR prepared in compliance with the California Environmental Quality Act (CEQA) Guidelines Section 15168.

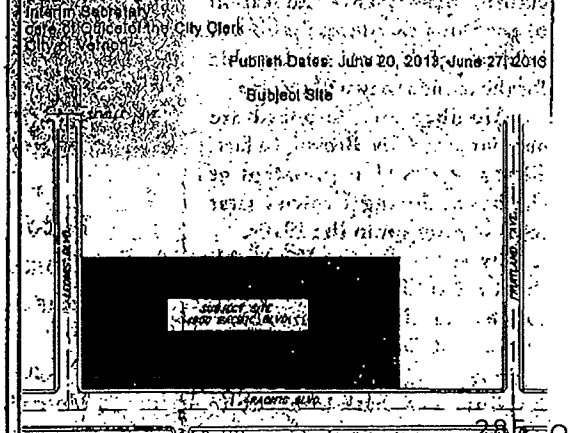
At any time before the date and time set forth above for the Public Hearing by the Successor Agency, any written comments on or objections to the Agreement may be filed with the Secretary to the Successor Agency, care of the City Clerk, located in Vernon City Hall, 4305 Santa Fe Avenue, Second Floor, Vernon, California 90058. Comments may also be submitted during such period on the transaction referred to in this Notice. All persons wishing to question, comment, object to, or be heard on such matters at the Public Hearing will be given an opportunity to appear and be heard. If you later desire to challenge actions of the Successor Agency in connection with the matters referred to in this Notice, you could be limited to raising issues that you or someone else raised at the Public Hearing or in written correspondence to the Successor Agency prior to the Public Hearing.

If any information referred to in this Notice will be made available in alternative formats upon request. To request an agenda in alternative format or to request a sign language or oral interpreter for the public hearing, or any other accommodation request under the Americans with Disabilities Act, please contact the City Clerk's Office at (323) 583-8811 at least five (5) working days prior to the hearing to ensure availability and accommodation.

Dana Rosa
Interim Secretary
care of/Office of the City Clerk
City of Vernon

Publish Dates: June 20, 2013, June 27, 2013

Subject Site



CITY CLERK'S OFFICE

INTEROFFICE MEMORANDUM

DATE: July 3, 2013

TO: Alex Kung, Assistant to the City Administrator
Successor Agency Members

FROM: Deborah Juarez, Records Management Assistant

RE: Resolution No. SA-14 – A Resolution of the City Council of the City of Vernon Acting as the Board of the Successor Agency of the Redevelopment Agency of the City of Vernon Approving and Ratifying the Proposed Contract for the Sale and Disposition of 4900 Pacific Boulevard, Vernon, CA 90058 Under California Health & Safety Code Section 33430 and in Furtherance of AB X1 26, as Amended by AB 1484, Including, but Not Limited to, California Health & Safety Code Section 34191.5(B)

Transmitted herewith is a copy of Resolution No. SA-14 referenced above, which was approved by the Board of the Successor Agency of the Redevelopment Agency of the City of Vernon on July 2, 2013.

Thank you.

Attachment

c: Gustavo Lamanna
Resolution No. SA-14

RECEIVED
JUN 2 7 2013
CITY CLERK'S OFFICE

SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY STAFF REPORT

DATE: June 27, 2013

TO: Honorable Chairperson and Members of the Successor Agency for the Vernon Redevelopment Agency

FROM: Alex Kung, Successor Agency Staff

RE: Sale of Angelus Can Pursuant to Oversight Board instruction and Proposed Contract for Sale of 4900 Pacific Boulevard

Background:
Pursuant to Community Redevelopment Law and specifically those obligations imposed on the City of Vernon acting as the Successor Agency to the former Vernon Redevelopment Agency ("Successor Agency") by the dissolution statutes, Successor Agency staff received authorization by our oversight board to contract with Whole Foods Market, Inc. for the disposition of the property located at 4900 Pacific Boulevard, Vernon, CA 90058 (the "Property").

Discussion of Requested Action:
Health & Safety Code section 33430 states, in relevant part, an agency may within a survey area sell or otherwise dispose of any real property. The Property is within the survey area and disposition was instructed by the oversight board under the dissolution statutes. Said disposition is included in the long-range property management plan established under Health & Safety Code section 34191.5(b). Our oversight board is set to consider that plan on July 11, 2013.

Health & Safety Code section 33431 states, in relevant part, that a sale under section 33430 may be made without public bidding but only after a public hearing, notice of which shall be given by publication for not less than once a week for two weeks in a newspaper of general circulation published in the County in which the land lies. This is the public hearing to consider the disposition of the Property pursuant to the oversight board instruction; the resolution containing the requested action calls for the Successor Agency board to approve and ratify the proposed contract for the sale of the Property as noted above. Publication of this hearing was approved and took place in conformance with section33431 on June 20 and 28 in the Vernon Sun—a newspaper of general circulation.

Recommendation:
As Health & Safety Code sections 33430 and 33431 have been satisfied, staff now asks the Successor Agency to approve and ratify the sale of the Property pursuant to the terms of the proposed disposition affixed as Exhibit "A" to the resolution accompanying this staff report.

SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY

LONG-RANGE PROPERTY MANAGEMENT PLAN SUBMITTAL DATED JULY 20, 2013

DOCUMENTS WHICH FOLLOW THIS COVER PAGE

EXHIBIT B
4528 BANDINI DOCUMENTS

PROPERTY INFORMATION

LONG-RANGE PROPERTY MANAGEMENT PLAN

Property Address

4528 Bandini Boulevard

Vernon, California 90058

Acquisition Information

Acquisition of the parcel was approved on March 6, 1990 in Resolution 5725. The parcel was acquired at a cost of $770,000. (See Attachment 1).

Purpose Acquired

Parcel was acquired for governmental-use to expand Fire Station No. 4.

Parcel Data

Parcel Number 6304-030-906

42,810 square feet; zoned M-2, Heavy Industrial

Current Value

Property is currently leased for $6,000.00 per month to Austin Trucking. This temporary use of the property represents its highest and best use because Caltrans may require the property as part of the on-ramp and off-ramp reconfiguration on the Interstate 710 Freeway. Given the Caltrans cloud, the property has limited current sales value. CalTrans has identified all of Fire Station No. 4 and likely most if not all of the subject property presently occupied by Austin Trucking (See Attachment 2)

Lease/rental Income and Contractual Requirements

Property is currently leased to Austin Trucking, Inc. (Austin). The Agency and Austin entered into a month-to-month lease on March 6, 2002 (Resolution RA-202 in Attachment 2). The lease was amended on October 1, 2007. At that time the rent was increased to $6,000 per month beginning November 1, 2007 (Resolution RA-348 in Attachment 2).

Rental income is used to satisfy Agency obligations.

Environmental Contamination

The property is used as a truck parking lot and trailer storage. There are no known environmental issues.

Potential for Transit-Oriented Development

The parcel is located in a heavy industrial district. This specific parcel and its environs are not conducive to transit-oriented development. The nearest potential transit station site is more than 900 feet away and there are no current plans for development of this transit corridor. Moreover, as noted above, the site is likely to be required for Caltrans use for I-710 on-ramp and off-ramp reconfiguration.

Previous Development Proposals – Existing Leases

There are no previous development proposals for this property.

Proposed Disposition of Property

The property is proposed to be held for governmental-use either by the City or Caltrans or both. Caltrans Interstate 710 Expansion identifies the land on Bandini abutting their Environmental Impact Report (See Attachment 3). In the event the governmental-use for the Caltrans I-710 or Vernon Fire Station No. 4 expansions do not materialize, the Successor Agency reserves the right to dispose of the property, including, but not limited to, for redevelopment, if and as appropriate. This disposition is proposed pursuant to the governmental-use restricted grant deed (See Attachment 4).

SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY

LONG-RANGE PROPERTY MANAGEMENT PLAN SUBMITTAL DATED JULY 20, 2013

DOCUMENTS WHICH FOLLOW THIS COVER PAGE

ATTACHMENT 1
TO EXHIBIT B : 4528 BANDINI

FIRST AMERICAN TITLE COMPANY OF L.A.
"SUBDIVISION"
RECORDING REQUESTED BY

AND WHEN RECORDED MAIL THIS DEED AND UNLESS OTHERWISE SHOWN BELOW MAIL TAX STATEMENTS TO

REDEVELOPMENT AGENCY OF THE
CITY OF VERNON
4305 Santa Fe Avenue
Vernon, California 90058

TITLE ORDER NO 125065 ESCROW NO

91 241951

SPACE ABOVE THIS LINE FOR RECORDER'S USE

CORPORATION GRANT DEED

THE UNDERSIGNED GRANTOR(s) DECLARE(s)
DOCUMENTARY TRANSFER TAX is $
computed on full value of property conveyed, or
computed on full value less value of liens or encumbrances remaining at time of sale, and

By this instrument dated January 7,1991 , for a valuable consideration,

DE WITT TRANSFER AND STORAGE COMPANY, A California Corporation

a corporation organized under the laws of the State of California
hereby GRANTS to

REDEVELOPMENT AGENCY OF THE CITY OF VERNON, A Public Body, Corporate and Politic

the following described real property in the State of California, County of Los Angeles

LEGAL DESCRIPTION ATTACHED HERETO AND MADE A PART HEREOF:

STATE OF CALIFORNIA
COUNTY OF Los Angeles } ss.

On January 15, 1991 before me, the undersigned, a Notary Public in and for said County and State, personally appeared W.W. DeWitt And Dorothy E. Doyle known to me to be the President, and known to me to be the Secretary of the Corporation that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the Corporation therein named, and acknowledged to me that such Corporation executed the within instrument pursuant to its bylaws or a resolution of its Board of Directors

WITNESS my hand and official seal.

Signature Rose B. Canada

DE WITT TRANSFER AND STORAGE COMPANY, a Corporation

BY: W.W. DeWitt President

BY: Dorothy E. Doyle Secretary

MAIL TAX STATEMENTS AS DIRECTED ABOVE

GN1713-91

STATE OF CALIFORNIA,
COUNTY OF Los Angeles

91 241951

On January 15, 1991 before me, the undersigned, a Notary Public in and for said State, personally appeared W. W. DeWitt And Dorothy E. Doyle known to me to be the President And Secretary of the DeWitt Realty and Storage Company the Corporation that executed the within instrument, known to me to be the person who executed the within instrument, on behalf of the Corporation, therein named, and acknowledged to me that such Corporation executed the same.

WITNESS my hand and official seal.

Rose D. Canale
Notary Public in and for said State.

OFFICIAL SEAL
ROSE D. CANALE
NOTARY PUBLIC - CALIFORNIA
PRINCIPAL OFFICE IN
LOS ANGELES COUNTY
My Commission Exp. Aug. 22, 1992

900772-51

Those portions of Lots 91 and 110 of Tract 1, in the Rancho Laguna, as called as shown on map designated as Exhibit "A", Case No. B-25276, of the Superior Court, said map being filed as Clerk's Filed Map 880, in the County Clerk of said County, more particularly described as follows:

Beginning at a point in the Easterly prolongation of the center line of Bandini Boulevard, as described in deed to said County of Los Angeles, recorded in Book 3860 Page 214, Official Records, in the office of the county recorder of said county, distant along said Easterly prolongation North 67° 57' 49" West, 53.32 feet from the intersection of said Easterly prolongation with the center line of Atlantic Boulevard, formerly Pasadena Avenue, as described in deed to said County of Los Angeles, recorded in Book 864 Page 317 of said Official Records; thence along said Easterly prolongation and said center line of Bandini Boulevard, North 67° 57' 49" West, 846.68 feet; thence at right angles, South 22° 02' 11" West, a distance of 132.00 feet; thence South 2° 01' 43" West, a distance of 72.37 feet to a point on a line parallel with and distant 200.00 feet Southerly, measured at right angles, from said center line of Bandini Boulevard, said point being the true point of beginning of this description; thence along said parallel line, North 67° 57' 49" West, a distance of 99.74 feet; thence North 22° 02' 11" East, a distance of 150.00 feet to a line parallel with and distant 50.00 feet Southerly, measured at right angles, from said center line of Bandini Boulevard; thence along said last mentioned parallel line, North 67° 57' 49" West, a distance of 100.00 feet; thence South 22° 02' 11" West, at right angles and parallel with the course above-described as having a length of 132.00 feet, a distance of 279.00 feet to a line parallel with and distant 325.00 feet Southerly, measured at right angles, from said center line of Bandini Boulevard; thence along said last mentioned parallel line, South 67° 57' 49" East, a distance of 249.28 feet to the intersection thereof with the Southerly prolongation of that certain course hereinabove described as having a length of 72.37 feet; thence along said Southerly prolongation, North 2° 01' 43" East, a distance of 133.03 feet to said true point of beginning.

91 241951

EXCEPT therefrom all oil, gas, naphtha and other hydrocarbon substances in, under or that may be produced from said land, as excepted in deed to the State of California, recorded July 17, 1951, in Book 36777 Page 164 of said Official Records.

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by Grant Deed dated the 7th day of January 1991, from De Witt Transfer and Storage company is hereby accepted by the Redevelopment Agency of the City of Vernon on the 15th day of January, 1991, and the grantee consents to recordation by a duly authorized officer.

Dated: January 15, 1991

REDEVELOPMENT AGENCY OF THE CITY OF VERNON

By: Leonis C. Malburg
LEONIS C. MALBURG, Chairman

ATTEST:
BRUCE V. MALKENHORST, Secretary

APPROVED AS TO FORM:
DAVID B. BREARLEY, Legal Counsel

91 241951

Image Summary List

STEWART TITLE, S03, 1914
6/11/2013 11:26 AM KS70

State	County	Type	Date	Instrument	Party 1	Pages	Status
Order Number: None Title Officer: None Comments:							
CA	LOS ANGELES	D	02/20/1991	1991.241951	DEWIT	4	completed

RESOLUTION NO. 5725

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VERNON APPROVING AND AUTHORIZING (1) THE ACQUISITION OF REAL PROPERTY BY THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON;
(2) THE TRANSFER OF FUNDS TO THE REDEVELOPMENT REVOLVING FUND;
(3) THE PAYMENT OF MONIES IN THE REDEVELOPMENT REVOLVING FUND TO THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON; AND
(4) THE EXECUTION OF A REDEVELOPMENT REVOLVING FUND LOAN NO. 1 AGREEMENT BETWEEN THE CITY OF VERNON AND THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON

WHEREAS, the City of Vernon (hereinafter "City") has established the Redevelopment Revolving Fund as authorized by Health and Safety Code Section 33620; and

WHEREAS, Health and Safety Code Section 33392 authorizes a redevelopment agency with the approval of the legislative body of the community to acquire, by negotiation or other means, real property in a project area at any time after formulation of the preliminary plan for such area by the planning commission, and prior to the adoption of the redevelopment plan by the legislative body of the community, and;

WHEREAS, it is necessary and desirable to acquire for redevelopment purposes and the elimination of blight that certain real property consisting of approximately 42,815 sq. ft. located on the south side of Bandini Blvd. in the City of Vernon, County of Los Angeles, State of California, commonly known as 4528 Bandini Blvd (hereinafter "subject property"); and

WHEREAS, the owner of subject property has agreed to sell the subject property to the Redevelopment Agency of the

city of Vernon (hereinafter "Agency") at the appraised value established by the Agency's appraiser, to wit Seven Hundred Seventy Thousand Dollars ($770,000.00); and

WHEREAS, Health and Safety Code 33623 requires that the legislative body approve by resolution adopted by two-thirds vote the payment of monies in the Redevelopment Revolving Fund to the Agency upon such terms and conditions as the legislative body may prescribe; and

WHEREAS, the loan agreement between the City and the Agency (hereinafter designated as Redevelopment Revolving Fund Loan No. 1) appropriately establishes the terms and conditions applicable to the advance of monies to the Agency for the acquisition of the subject property.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VERNON AS FOLLOWS:

SECTION 1: The City Council of the City hereby finds and determines that the recitals contained hereinabove are true and correct.

SECTION 2: The City Council of the City hereby approves the acquisition by the Agency of the subject property, subject to the terms and conditions of Redevelopment Revolving Fund Loan No. 1.

SECTION 3: The City hereby approves and authorizes the transfer from the Light and Power Fund to the Redevelopment Revolving Fund, the sum of Eight Hundred Thousand Dollars ($800,000.00) to be utilized by the Agency in the acquisition of the subject property including the cost of the property,

preliminary title report, escrow fees, title insurance and other costs and expenses incidental to and necessary for the acquisition of the subject property.

SECTION 4: The City hereby approves the Redevelopment Revolving Fund Loan No. 1, a copy of which has been presented to the City Council concurrently with this resolution and the City Council hereby orders said Redevelopment Revolving Fund Loan No. 1 to be received and filed by the City Clerk.

SECTION 5: The City Council of the City hereby authorizes the Mayor and the City Clerk to execute said Redevelopment Revolving Fund Loan No. 1 for, and on behalf of, the City.

SECTION 6: The City Clerk of the City shall certify to the passage of this resolution and thereupon and thereafter the same shall be in full force and effect.

APPROVED AND ADOPTED this 6th day of March, 1990.

LEONIS C. MALBURG, Mayor

ATTEST:

BRUCE V. MALKENHORST, City Clerk

STATE OF CALIFORNIA)
)ss
COUNTY OF LOS ANGELES)

I, BRUCE V. MALKENHORST, City Clerk of the City of Vernon, do hereby certify that the foregoing Resolution, being Resolution No. 5725, was duly adopted by the City Council of the City of Vernon at a regular meeting of the City Council duly held on Tuesday, March 6, 1990, and thereafter duly signed by the Mayor of the City of Vernon.

BRUCE V. MALKENHORST, City Clerk

(SEAL)

REDEVELOPMENT REVOLVING FUND LOAN NO. 1
BY AND BETWEEN
THE CITY OF VERNON, CALIFORNIA
AND
THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON

THIS AGREEMENT is made, entered into and executed in duplicate originals, either copy of which may be considered and used as the original hereof for all purposes this 6th day of March, 1990.

BY AND BETWEEN

THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON, A Public Body, Corporate and politic duly created and established pursuant to the Community Development Act of the State of California, hereinafter referred to as "AGENCY"

AND

THE CITY OF VERNON, a Municipal Corporation, whose address is 4305 Santa Fe Ave., Vernon, CA 90058-0805, hereinafter referred to as "CITY"

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RECITALS

WHEREAS, the AGENCY has determined that the acquisition of that real property consisting of approximately 42,815 square feet located on the south side of Bandini Boulevard in the City of Vernon, County of Los Angeles, State of California, commonly known as 4528 Bandini Boulevard, (hereinafter "subject property") is necessary and desirable for the elimination of blight and for redevelopment purposes; and

WHEREAS, at this time, the necessary acquisition funds are not otherwise available to the AGENCY for the purpose of acquiring the subject property; and

WHEREAS, the CITY has established the Redevelopment Revolving Fund pursuant to the provisions of Health and Safety Code Section 33620, et seq.; and

WHEREAS, the CITY deems it advisable to loan to the AGENCY city funds necessary to acquire the subject property subject to the terms and conditions contained in this Agreement; and

WHEREAS, such funds as may be loaned to the AGENCY through the Redevelopment Revolving Fund, as approved from time to time by the City Council, shall be repaid to the CITY if and when tax increment revenues shall be available to the AGENCY.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

SECTION 1: The foregoing recitals are true and correct and constitute valid consideration for this Agreement.

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SECTION 2: The CITY agrees to deposit the sum of Eight Hundred Thousand Dollars ($800,000.00) into the Redevelopment Revolving Fund and agrees that the AGENCY may withdraw said funds and utilize same in the acquisition of the subject property, subject to the terms of this Agreement.

SECTION 3: All sums as may be withdrawn by the AGENCY from the Redevelopment Revolving Fund for the purpose of acquiring the subject property shall bear interest at a rate of interest per annum equal to ten percent (10%). Such interest payable on the sums so advanced shall accrue and be added to the principal amount of the loan, and all such amounts shall bear interest at said rate and shall compound annually until repaid by the AGENCY to the CITY. All payments of tax increment revenues pursuant to Health and Safety Code Section 33670, in whole or in part, for the repayment of the obligations of the AGENCY as evidenced by this Agreement shall first be applied to the accrued and unpaid interest on the loan, and any additional amounts of tax increment revenues thereafter remaining shall be applied to the outstanding principal balance thereof.

SECTION 4: The loan from the CITY to the AGENCY as hereby approved may be repaid from time to time, in whole or in part, at the option of the AGENCY, solely from the tax increment revenues, if any, if and when tax increment revenues shall be available and paid to the AGENCY for such purpose pursuant to Health and Safety Code Section 33670(b).

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SECTION 5: The AGENCY and the CITY hereby agree that any repayment obligation of the AGENCY with respect to the loan as may hereafter be funded by the CITY from time to time shall at all times be subordinated to any and all other outstanding, or as hereafter may be outstanding, bonds, notes or other forms of indebtedness payable in whole or in part from the tax increment revenues of the AGENCY and shall not constitute a prior lien as to either the tax increment revenues received by the AGENCY or any other legally available funds of the AGENCY.

SECTION 6: The CITY and the AGENCY hereby acknowledge and agree that the amounts which may hereafter be advanced by the CITY to the AGENCY as necessary to acquire the subject property pursuant to this Agreement shall be considered as an indebtedness of the AGENCY as the same is intended for purposes of the filing of a Statement of Indebtedness with the County of Los Angeles pursuant to Health and Safety Code Section 33675. The repayment obligation of the AGENCY hereunder shall be made from the legally available tax increment revenues of the AGENCY and any other funds of the AGENCY, if any, and at the option of the AGENCY, legally available therefor.

SECTION 7: The sums advanced pursuant to this Agreement shall be utilized by the AGENCY solely for the acquisition of the subject property and necessary expenses and costs incidental thereto.

SECTION 8: The CITY and the AGENCY hereby agree to execute any and all ancillary documents as may reasonably be requested by any bondholder or other purchaser of bonds, notes

or other forms of indebtedness of the AGENCY entitled to receive the tax increment revenues of the AGENCY for the repayment of any other indebtedness of the AGENCY for which the tax increment revenues of the AGENCY have been or as may be hereafter be pledged therefor.

SECTION 9: This Agreement shall take effect from and after the date of adoption and approval by the CITY and the AGENCY pursuant to official action of the governing bodies thereof and shall be effective for a duration not to exceed the time as necessary to repay fully the CITY the principal amount of the advances from the Redevelopment Revolving Fund for the acquisition of the subject property, together with interest thereon as evidenced by this Agreement but in no event shall such repayment obligation extend for a duration of time in excess of that provided in any Redevelopment Plan hereafter adopted.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused this Agreement to be executed by their respective officers, duly authorized, as of this date, month and year first above written.

CITY OF VERNON

BY: _____
LEONIS C. MALBURG, Mayor

ATTEST:

BY: _____
BRUCE V. MALKENHORST, City Clerk

APPROVED AS TO FORM:

BY: _____
DAVID B. BREARLEY, City Attorney

REDEVELOPMENT AGENCY OF THE CITY OF VERNON

BY: _____
LEONIS C. MALBURG, Chairman

BY: _____
BRUCE V. MALKENHORST
Executive Director

APPROVED AS TO FORM:

BY: _____
DAVID B. BREARLEY
Legal Counsel

SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY

LONG-RANGE PROPERTY MANAGEMENT PLAN SUBMITTAL DATED JULY 20, 2013

DOCUMENTS WHICH FOLLOW THIS COVER PAGE

ATTACHMENT 2
TO EXHIBIT B : 4528 BANDINI

RESOLUTION NO. RA-202

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON APPROVING AND AUTHORIZING THE EXECUTION OF A PROPERTY LEASE BY AND BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON AND AUSTIN TRUCKING, INC.

WHEREAS, the Redevelopment Agency of the City of Vernon ("Agency") is engaged in activities necessary or appropriate to carry out the California Community Redevelopment Law (Health & Safety Code §§ 33000, et seq.) within the City of Vernon; and

WHEREAS, the Agency determined that the real property in the City of Vernon located at 4528 Bandini Boulevard (the "Property") was desirable and necessary for redevelopment purposes and the elimination of blight; and

WHEREAS, on March 6, 1990, the Agency adopted Resolution No. RA-12 approving the acquisition of the Property and approving Redevelopment Revolving Fund Loan No. 1 to enable the Agency to acquire the Property; and

WHEREAS, the Agency's determination regarding the use of the Property and its need for the elimination of blight has not changed; and

WHEREAS, the Agency finds and determines that the Property is currently vacant and the Agency is not planning to occupy or sell the Property; and

WHEREAS, the Property is not necessary for immediate use and occupancy by the Agency; and

WHEREAS, Austin Trucking, Inc. ("Austin"), a United States Postal transportation company, desires to lease the Property to

operate a truck terminal; and

WHEREAS, Health and Safety Code Section 33434 allows the Agency to lease property acquired pursuant to redevelopment revolving funds if first approved by a resolution adopted by the legislative body after a public hearing; and

WHEREAS, Austin has offered to lease the Property on a month-to-month basis for a rental sum of Three Thousand Five Hundred Dollars ($3,500) plus taxes in the amount of Six Hundred Sixty-Seven Dollars ($667) per month for a total monthly sum of Four Thousand One Hundred Sixty-Seven Dollars ($4,167); and

WHEREAS, by letter dated February 28, 2002, Bruce V. Malkenhorst, Executive Director/Secretary, recommended that a lease be approved with Austin for a monthly cost of Four Thousand One Hundred Sixty-Seven Dollars ($4,167); and

WHEREAS, the Agency wishes to lease the Property to Austin on negotiated terms, which the Agency has determined to be fair and reasonable; and

WHEREAS, the Agency has complied with Health and Safety Code Sections 33436 and 33437; and

WHEREAS, a lease with Austin will contribute to the redevelopment program for the City of Vernon, will contribute to the redevelopment of the project area, and will benefit the health, safety, and public welfare of the City of Vernon; and

WHEREAS, a Notice of Public Hearing was posted on February 27, 2002, notifying all interested parties that a hearing to consider a Lease with Austin for the Property was scheduled for March 6, 2002, at approximately 5 p.m., or as soon thereafter as the matter can be heard; and

WHEREAS, the Agency held a noticed public hearing on March 6, 2002, at which time all interested persons were given an opportunity to be heard; and

WHEREAS, the Agency has heard and considered all evidence, both written and oral, presented in consideration of leasing the Property to Austin.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON AS FOLLOWS:

SECTION 1: The Agency hereby finds and determines that the recitals contained hereinabove are true and correct.

SECTION 2: The Agency further finds that all persons have had the opportunity to be heard or to file written comments to the proposed leasing of the Property to Austin, and after due consideration of the evidence submitted at the public hearing determines that there are compelling reasons to justify the leasing of the Property to Austin.

SECTION 3: The Agency hereby approves the Property Lease with Austin, a copy of which is attached hereto as Exhibit "A" and made a part hereof.

SECTION 4: The Agency hereby authorizes the Chairman and the Secretary to execute said Lease for, and on behalf of, the Agency of the City of Vernon.

SECTION 5: The Secretary of the Agency, or his designee, is hereby directed to send one fully executed Lease to:

Austin Trucking, Inc.
Attn. Matthew Austin, President
1119 South Castlegate Avenue
Compton, CA 90221

SECTION 6: The Secretary of the Agency shall certify to the passage of this resolution, and thereupon and thereafter the same shall be in full force and effect.

APPROVED AND ADOPTED this 6th day of March, 2002.

LEONIS C. MALBURG, Chairman

ATTEST:

BRUCE V. MALKENHORST, Secretary

STATE OF CALIFORNIA)
) ss
COUNTY OF LOS ANGELES)

I, BRUCE V. MALKENHORST, Secretary of the Redevelopment Agency of the City of Vernon, do hereby certify that the foregoing Resolution, being Resolution No. RA-202, was duly adopted by the Board of Directors of the Redevelopment Agency of the City of Vernon (hereinafter "Agency") at a regular meeting of the Agency duly held on Wednesday, March 6, 2002, and thereafter was duly signed by the Chairman of the Agency of the City of Vernon.

BRUCE V. MALKENHORST, City Clerk

(SEAL)

EXHIBIT

A

REDEVELOPMENT AGENCY OF THE CITY OF VERNON
PROPERTY LEASE AGREEMENT

THIS LEASE is made and entered into the _____ day of March, 2002,

BY AND BETWEEN

Redevelopment Agency of the City of Vernon (hereinafter referred to as "Landlord")
4305 Santa Fe Avenue
Vernon, California 90058

AND

Austin Trucking, Inc.
(hereinafter referred to as "Tenant")
1119 South Castlegate Avenue
Compton, California 90221

WITNESSETH:

1. **PREMISES:**

The Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, on the terms and conditions hereinafter set forth, the following "Premises" as more fully shown on Exhibit A attached hereto and made a part hereof by reference: that certain real property and other improvements located thereon within the building situated in the City of Vernon, State of California, commonly known as 4528 Bandini Boulevard, which Premises are described as a parcel of approximately forty thousand square feet of land, parcel no. 6304-030-906.

2. **TERM:**

The term of this lease shall be month-to-month commencing on April 1, 2002. This Lease may be terminated by either party with thirty (30) days written notice.

3. **RENT:**

Tenant shall pay to Landlord as rent for the Premises, the sum of THREE THOUSAND FIVE HUNDRED DOLLARS ($3500) per month, in advance on the first day of each month during the term hereof. Rent shall be payable without notice or demand and without any deduction, off-set, or abatement in lawful money of the United States to the Landlord at the address stated herein for notices or to such other persons or such other places as the Landlord may designate to Tenant in writing.

4. **TAXES AND FEES:**

(a) Real Property Taxes.

Tenant shall also pay to Landlord the amount of SIX HUNDRED SIXTY SEVEN DOLLARS ($667) per month for the City of Vernon's parcel tax on transportation related uses pursuant to Section 5.45 of the Vernon Municipal Code. Such tax payment shall be paid to Landlord in advance on the first day of each month during the term hereof. Such amount shall be payable without notice or demand and without any deduction, off-set, or abatement in lawful money of the United States to the Landlord at the address stated herein for notices or to such other persons or such other places as the Landlord may designate to Tenant in writing.

(b) Landlord shall pay prior to delinquency all other real property taxes, possessory interest taxes, and general assessments levied and assessed against the Premises during the term of this Lease.

(c) Personal Property Taxes.

Tenant shall pay prior to delinquency all taxes assessed against and levied upon the trade fixtures, furnishings, equipment and other personal property of Tenant contained in the Premises.

(d) Permits.

Tenant shall obtain and pay for all necessary federal, state, and local permits, including but not limited to an occupancy permit from the City of Vernon, and shall conduct its operations in conformity to all applicable federal, state, and local rules, regulations, and laws.

(e) Business License.

Tenant shall obtain a City of Vernon business license and pay the applicable fees therefor.

5. UTILITIES:

Tenant shall make all arrangements and pay for telephone service supplied to the Premises together with any taxes thereon and for all connection charges.

Tenant shall pay for electricity, water, and gas. Tenant shall not make line modifications to use such utility services without prior written approval from the Director of the Light and Power Department and without an applicable building permit.

6. ALTERATIONS AND ADDITIONS:

Improvements made to Premises shall only be as authorized in writing by the Landlord and shall become the property of the Landlord at lease end, unless the Landlord gives notice in writing that the Premises must be returned to its

original condition.

7. **INSURANCE AND INDEMNITY:**

The Tenant shall provide insurance coverage as set forth in Exhibit A attached hereto and made a part hereof by reference. Tenant agrees to preserve and save harmless the Landlord and each officer and employee thereof from any liability or responsibility for any accident, loss or damage to persons or property happening or occurring as a proximate result of this Lease or any services to be performed on the Premises or caused by any agent, employee, visitor, or guest of Tenant.

8. **VISITORS:**

All Tenant non-registered employees, visitors, and guests must have Landlord's consent to be on the premises and shall register at the front desk and be in the company of an authorized escort during their stay. The Tenant shall hold harmless the Landlord for any tools, equipment, materials or machinery damaged, lost or stolen while such employees, visitors, and guests are on or about the Premises.

9. **NONDISCRIMINATION:**

The Tenant herein covenants that this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the Tenant himself, or any person claiming under or through him or her,

establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.

The foregoing provisions shall be binding upon and shall obligate the Tenant and any subcontracting party or parties, or other transferees under the lease.

10. PROPERTY USE:

The Tenant is obligated to use the Property for the purpose designated in the Landlord's Redevelopment Plan and shall comply with the covenants, conditions, or restrictions which the Landlord deems necessary to carry out the purposes of the Redevelopment Plan.

11. ASSIGNMENT AND SUBLETTING:

Tenant shall not voluntarily or by operation of law assign, transfer, sublet, mortgage, or otherwise transfer or encumber all or any part of Tenant's interest in this Lease or in the Premises.

12. DEFAULT:

It is agreed between the parties hereto that if any rent or parcel tax payment shall be due hereunder and unpaid, or if Tenant shall default and breach any other covenant or provision of the Lease, then the Landlord, after giving the proper notice required by law, may re-enter the Premises and remove any property and any and all persons therefrom in the manner allowed by law. The Landlord may, at its option, either maintain this Lease in force and effect and recover the rent and other charges

as they become due or, in the alternative, terminate this Lease. In addition, the Landlord may recover all rentals and any other damages and pursue any other rights and remedies which the Landlord may have against Tenant by reason of such default as provided by law.

13. SURRENDER:

On the last day of the term of this Lease, Tenant shall surrender the Premises to Landlord in good condition, broom clean, ordinary wear and tear and damages by fire and elements excepted.

14. HOLDING OVER:

If Tenant, with the Landlord's consent, remains in possession of the Premises after expiration or termination of the terms of this Lease, such possession by Tenant shall be deemed to be a tenancy from month-to-month at a rental in the amount of the last monthly rental plus all other charges payable hereunder, and upon all the provisions of this Lease applicable to such a month-to-month tenancy.

15. BINDING ON SUCCESSORS AND ASSIGNS:

Each provision of this Lease performable by Tenant shall be deemed both a covenant and condition.

16. NOTICES:

Whenever under this Lease a provision is made for any demand, notice or declaration of any kind, it shall be in writing and served either personally or sent by registered or certified United States mail, postage prepaid, addressed at the addresses as set forth below:

LANDLORD: Redevelopment Agency of the City of Vernon
Executive Director
4305 Santa Fe Avenue
Vernon, California 90058-0805

TENANT: Austin Trucking, Inc.
1119 South Castlegate Avenue
Compton, California 90221

Such notice shall be deemed to be received within forty-eight (48) hours from the time of mailing, if mailed as provided for in this paragraph.

17. **WAIVERS:**

No waiver by Landlord of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Tenant of the same or any other provisions.

IN WITNESS WHEREOF the parties hereto have executed this Lease on the date first stated above.

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LANDLORD:
Redevelopment Agency of
the City of Vernon

By: _____
LEONIS C. MALBURG, Chairman

ATTEST:

_____
BRUCE V. MALKENHORST, Secretary

APPROVED AS TO FORM:

_____
EDUARDO OLIVO, Legal Counsel

TENANT:
Austin Trucking, Inc.

By: _____
MATTHEW AUSTIN

Title: PRESIDENT

EXHIBIT

A

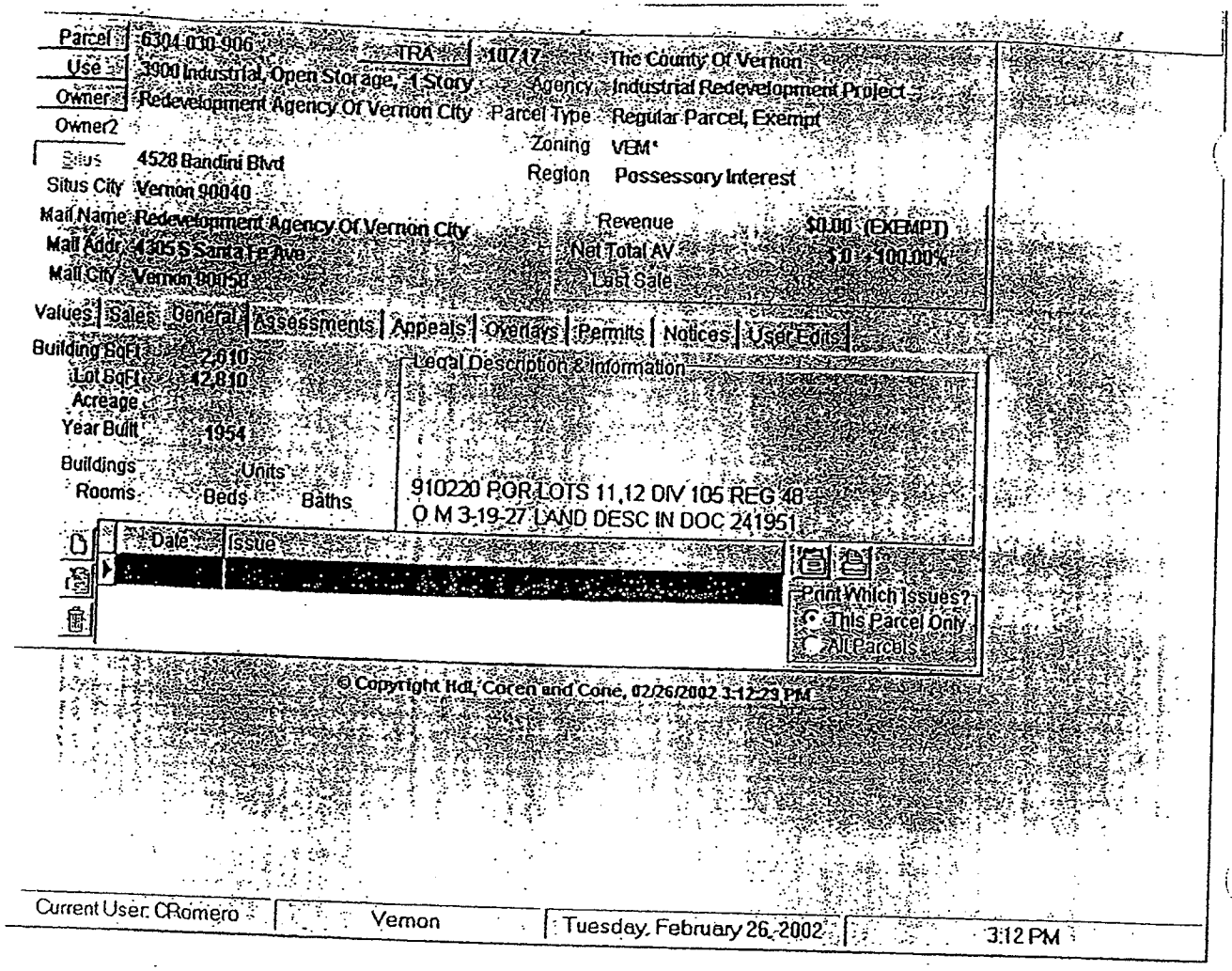

Parcel 6304-030-906
TRA 10717
The County Of Vernon
Use 3900 Industrial, Open Storage, 1 Story
Agency Industrial Redevelopment Project
Owner Redevelopment Agency Of Vernon City
Parcel Type Regular Parcel, Exempt
Owner2
Zoning VEM*
Situs 4528 Bandini Blvd
Region Possessory Interest
Situs City Vernon 90040
Mail Name Redevelopment Agency Of Vernon City
Revenue $0.00 (EXEMPT)
Mail Addr 4305 S Santa Fe Ave
Net Total AV $0 100.00%
Mail City Vernon 90058
Last Sale
Values Sales General Assessments Appeals Overlays Permits Notices User Edits
Building SqFt 2,010
Lot SqFt 42,810
Acreage
Year Built 1954
Buildings Units
Rooms Beds Baths
Legal Description & Information
910220 POR LOTS 11,12 DIV 105 REG 48
O M 3-19-27 LAND DESC IN DOC 241951
Date Issue
Print Which Issues?
This Parcel Only
All Parcels
© Copyright HdL Coren and Cone, 02/26/2002 3:12:29 PM
Current User: CRomero
Vernon
Tuesday, February 26, 2002
3:12 PM

EXHIBIT B

EXHIBIT B

INSURANCE SCHEDULE (AUSTIN TRUCKING LEASE)

Austin Trucking shall provide proof of insurance, including a standard certificate of insurance, in at least the following amounts and coverage (combined single limit permitted):

I.

Hazards	Coverage and Limits		
	Bodily Injury		Property Damage
	Each Person	Each Accident	Each Accident
Automobile Liability			
Owned Automobiles	$ 500,000	$1,000,000	$ 500,000
Hired Automobiles	$ 500,000	$1,000,000	$ 500,000
Non-Owned Automobiles	$ 500,000	$1,000,000	$ 500,000
Workers' Compensation	$ Statutory		
Employers' Liability	$1,000,000 per employer		

II. General and Professional Liability

General Liability	$1,000,000	$2,000,000	$1,000,000
Premises Operations	$1,000,000	$2,000,000	$1,000,000
Elevators (if applicable)	$1,000,000	$2,000,000	$1,000,000
Independent Contractors	$1,000,000	$2,000,000	$1,000,000
Products - Completed Operations	$1,000,000	$2,000,000	$1,000,000
Contract Liability	$1,000,000	$2,000,000	$1,000,000
Professional Liability	$2,000,000	$2,000,000	$2,000,000

a. The general liability policy shall contain the following special endorsements, which shall be noted on or attached to the standard certificate of insurance:

1. An endorsement naming the City of Vernon, its officers, and employees as additional insureds under the policy.
2. An endorsement providing the City of Vernon thirty (30) days notice of cancellation or material reduction of coverage.
3. An endorsement providing coverage for all operations under this Agreement.
4. Such other endorsement as may be required by addendum hereto.

b. In addition to the standard certificate of insurance, proof of general and professional liability coverage shall be furnished in the form checked below. Only certification of the following proofs will be accepted:

X For each policy, a notarized letter from the underwriter or carrier certifying that the coverage and statements in the standard certificate of insurance (attached thereto) are true and correct and that the signator is an officer authorized to so certify.

___ A copy of each policy certified by an officer of the underwriter or carrier and notarized.

SUPPORTING DOCUMENTS

CITY COUNCIL

LEONIS C. MALBURG
Mayor

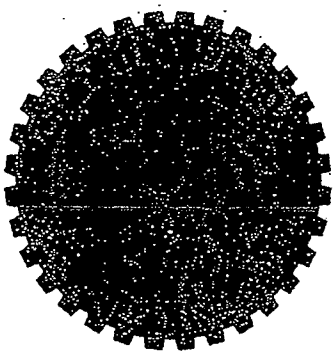
THOMAS A. YBARRA
Mayor Pro-Tem

WM. "BILL" DAVIS
Councilman

H. "LARRY" GONZALES
Councilman

W. MICHAEL MCCORMICK
Councilman

BRUCE V. MALKENHORST
City Administrator/City Clerk
FAX (323) 826-1438



CITY HALL
4305 SANTA FE AVENUE, VERNON, CALIFORNIA 90058
TELEPHONE (323) 583-8811

EDUARDO OLIVO
City Attorney
FAX: (562) 869-1883

KEVIN WILSON
Director of Community Services & Water
FAX: (323) 826-1435

KENNETH J. DeDARIO
Director of Municipal Utilities
FAX: (323) 826-1425

STEVEN E. PARKER
Fire Chief
FAX: (323) 826-1407

BRUCE W. OLSON
Police Chief
FAX: (323) 826-1481

March 19, 2002

Austin Trucking, Inc.
Attn: Matthew Austin
1119 South Castlegate Avenue
Compton, CA 90221

Re: Property Lease Agreement

Dear Mr. Austin:

In accordance with Section 7 of said agreement, you are to furnish the City with proof of insurance as set forth in the Insurance Schedule, Exhibit "B" of such.

Please submit your insurance documents to Joan Francone, Risk Manager, for review and approval. Upon approval of said documentation, this office will forward to you a fully executed duplicate original agreement.

If you have any questions, please contact Joan Francone at 323/583-8811 ext. 322.

Very truly yours,

Nelly Giron
Assistant Chief Deputy City Clerk

NG:mt

cc: Joan Francone
Chris Romero
Martha Valenzuela
Agreement No.02-001
Resolution No.RA-202

SUPPORTING DOCUMENTS

THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON
4305 Santa Fe Avenue, Vernon, California 90058 (323) 583-8811 FAX: (323) 826-1438

September 25, 2002

Austin Trucking, Inc.
Attn: Matthew Austin, President
1119 South Castlegate Avenue
Compton, CA 90221

Re: Property Lease Agreement

Dear Mr. Austin:

The insurance requirement has been met. Transmitted herewith is a duplicate original copy of the above referenced agreement approved by the Vernon City Council on March 6, 2002.

If you have any questions regarding this matter, please call Mr. Christopher Romero at (323) 583-8811 ext. 324.

Very truly yours,

Nelly Girón
Assistant to the Chief Deputy
City Clerk

NG/mt

cc: Christopher Romero
Sharon Johnson
Agreement File #02-001
Resolution No.RA-202

DIRECTORS: *Leonis C. Malburg, Chairman; Thomas A. Ybarra, Vice Chairman; Wm. "Bill" Davis, Director*
H. "Larry" Gonzales, Director; W. Michael McCormick, Director ***EXECUTIVE DIRECTOR/SECRETARY***
Bruce V. Malkenhorst ***LEGAL COUNSEL*** *Eduardo Olivo*

REDEVELOPMENT AGENCY OF THE CITY OF VERNON
PROPERTY LEASE AGREEMENT

THIS LEASE is made and entered into the 16th day of March, 2002,

BY AND BETWEEN — Redevelopment Agency of the City of Vernon (hereinafter referred to as "Landlord")
4305 Santa Fe Avenue
Vernon, California 90058

AND — Austin Trucking, Inc.
(hereinafter referred to as "Tenant")
1119 South Castlegate Avenue
Compton, California 90221

WITNESSETH:

1. PREMISES:

The Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, on the terms and conditions hereinafter set forth, the following "Premises" as more fully shown on Exhibit A attached hereto and made a part hereof by reference: that certain real property and other improvements located thereon within the building situated in the City of Vernon, State of California, commonly known as 4528 Bandini Boulevard, which Premises are described as a parcel of approximately forty thousand square feet of land, parcel no. 6304-030-906.

2. TERM:

The term of this lease shall be month-to-month commencing on April 1, 2002. This Lease may be terminated by either party with thirty (30) days written notice.

3. **RENT:**

Tenant shall pay to Landlord as rent for the Premises, the sum of THREE THOUSAND FIVE HUNDRED DOLLARS ($3500) per month, in advance on the first day of each month during the term hereof. Rent shall be payable without notice or demand and without any deduction, off-set, or abatement in lawful money of the United States to the Landlord at the address stated herein for notices or to such other persons or such other places as the Landlord may designate to Tenant in writing.

4. **TAXES AND FEES:**

(a) Real Property Taxes.

Tenant shall also pay to Landlord the amount of SIX HUNDRED SIXTY SEVEN DOLLARS ($667) per month for the City of Vernon's parcel tax on transportation related uses pursuant to Section 5.45 of the Vernon Municipal Code. Such tax payment shall be paid to Landlord in advance on the first day of each month during the term hereof. Such amount shall be payable without notice or demand and without any deduction, off-set, or abatement in lawful money of the United States to the Landlord at the address stated herein for notices or to such other persons or such other places as the Landlord may designate to Tenant in writing.

(b) Landlord shall pay prior to delinquency all other real property taxes, possessory interest taxes, and general assessments levied and assessed against the Premises during the term of this Lease.

(c) Personal Property Taxes.

Tenant shall pay prior to delinquency all taxes assessed against and levied upon the trade fixtures, furnishings, equipment and other personal property of Tenant contained in the Premises.

(d) Permits.

Tenant shall obtain and pay for all necessary federal, state, and local permits, including but not limited to an occupancy permit from the City of Vernon, and shall conduct its operations in conformity to all applicable federal, state, and local rules, regulations, and laws.

(e) Business License.

Tenant shall obtain a City of Vernon business license and pay the applicable fees therefor.

5. **UTILITIES:**

Tenant shall make all arrangements and pay for telephone service supplied to the Premises together with any taxes thereon and for all connection charges.

Tenant shall pay for electricity, water, and gas. Tenant shall not make line modifications to use such utility services without prior written approval from the Director of the Light and Power Department and without an applicable building permit.

6. **ALTERATIONS AND ADDITIONS:**

Improvements made to Premises shall only be as authorized in writing by the Landlord and shall become the property of the Landlord at lease end, unless the Landlord gives notice in writing that the Premises must be returned to its

original condition.

7. INSURANCE AND INDEMNITY:

The Tenant shall provide insurance coverage as set forth in Exhibit A attached hereto and made a part hereof by reference. Tenant agrees to preserve and save harmless the Landlord and each officer and employee thereof from any liability or responsibility for any accident, loss or damage to persons or property happening or occurring as a proximate result of this Lease or any services to be performed on the Premises or caused by any agent, employee, visitor, or guest of Tenant.

8. VISITORS:

All Tenant non-registered employees, visitors, and guests must have Landlord's consent to be on the premises and shall register at the front desk and be in the company of an authorized escort during their stay. The Tenant shall hold harmless the Landlord for any tools, equipment, materials or machinery damaged, lost or stolen while such employees, visitors, and guests are on or about the Premises.

9. NONDISCRIMINATION:

The Tenant herein covenants that this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the Tenant himself, or any person claiming under or through him or her,

establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.

The foregoing provisions shall be binding upon and shall obligate the Tenant and any subcontracting party or parties, or other transferees under the lease.

10. PROPERTY USE:

The Tenant is obligated to use the Property for the purpose designated in the Landlord's Redevelopment Plan and shall comply with the covenants, conditions, or restrictions which the Landlord deems necessary to carry out the purposes of the Redevelopment Plan.

11. ASSIGNMENT AND SUBLETTING:

Tenant shall not voluntarily or by operation of law assign, transfer, sublet, mortgage, or otherwise transfer or encumber all or any part of Tenant's interest in this Lease or in the Premises.

12. DEFAULT:

It is agreed between the parties hereto that if any rent or parcel tax payment shall be due hereunder and unpaid, or if Tenant shall default and breach any other covenant or provision of the Lease, then the Landlord, after giving the proper notice required by law, may re-enter the Premises and remove any property and any and all persons therefrom in the manner allowed by law. The Landlord may, at its option, either maintain this Lease in force and effect and recover the rent and other charges

as they become due or, in the alternative, terminate this Lease. In addition, the Landlord may recover all rentals and any other damages and pursue any other rights and remedies which the Landlord may have against Tenant by reason of such default as provided by law.

13. SURRENDER:

On the last day of the term of this Lease, Tenant shall surrender the Premises to Landlord in good condition, broom clean, ordinary wear and tear and damages by fire and elements excepted.

14. HOLDING OVER:

If Tenant, with the Landlord's consent, remains in possession of the Premises after expiration or termination of the terms of this Lease, such possession by Tenant shall be deemed to be a tenancy from month-to-month at a rental in the amount of the last monthly rental plus all other charges payable hereunder, and upon all the provisions of this Lease applicable to such a month-to-month tenancy.

15. BINDING ON SUCCESSORS AND ASSIGNS:

Each provision of this Lease performable by Tenant shall be deemed both a covenant and condition.

16. NOTICES:

Whenever under this Lease a provision is made for any demand, notice or declaration of any kind, it shall be in writing and served either personally or sent by registered or certified United States mail, postage prepaid, addressed at the addresses as set forth below:

LANDLORD: Redevelopment Agency of the City of Vernon
Executive Director
4305 Santa Fe Avenue
Vernon, California 90058-0805

TENANT: Austin Trucking, Inc.
1119 South Castlegate Avenue
Compton, California 90221

Such notice shall be deemed to be received within forty-eight (48) hours from the time of mailing, if mailed as provided for in this paragraph.

17. WAIVERS:

No waiver by Landlord of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Tenant of the same or any other provisions.

IN WITNESS WHEREOF the parties hereto have executed this Lease on the date first stated above.

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LANDLORD:
Redevelopment Agency of
the City of Vernon

By: _____
LEONIS C. MALBURG, Chairman

ATTEST:

_____
BRUCE V. MALKENHORST, Secretary

APPROVED AS TO FORM:

_____
EDUARDO OLIVO, Legal Counsel

TENANT:
Austin Trucking, Inc.

By: _____
MATTHEW AUSTIN

Title: PRESIDENT

EXHIBIT

A

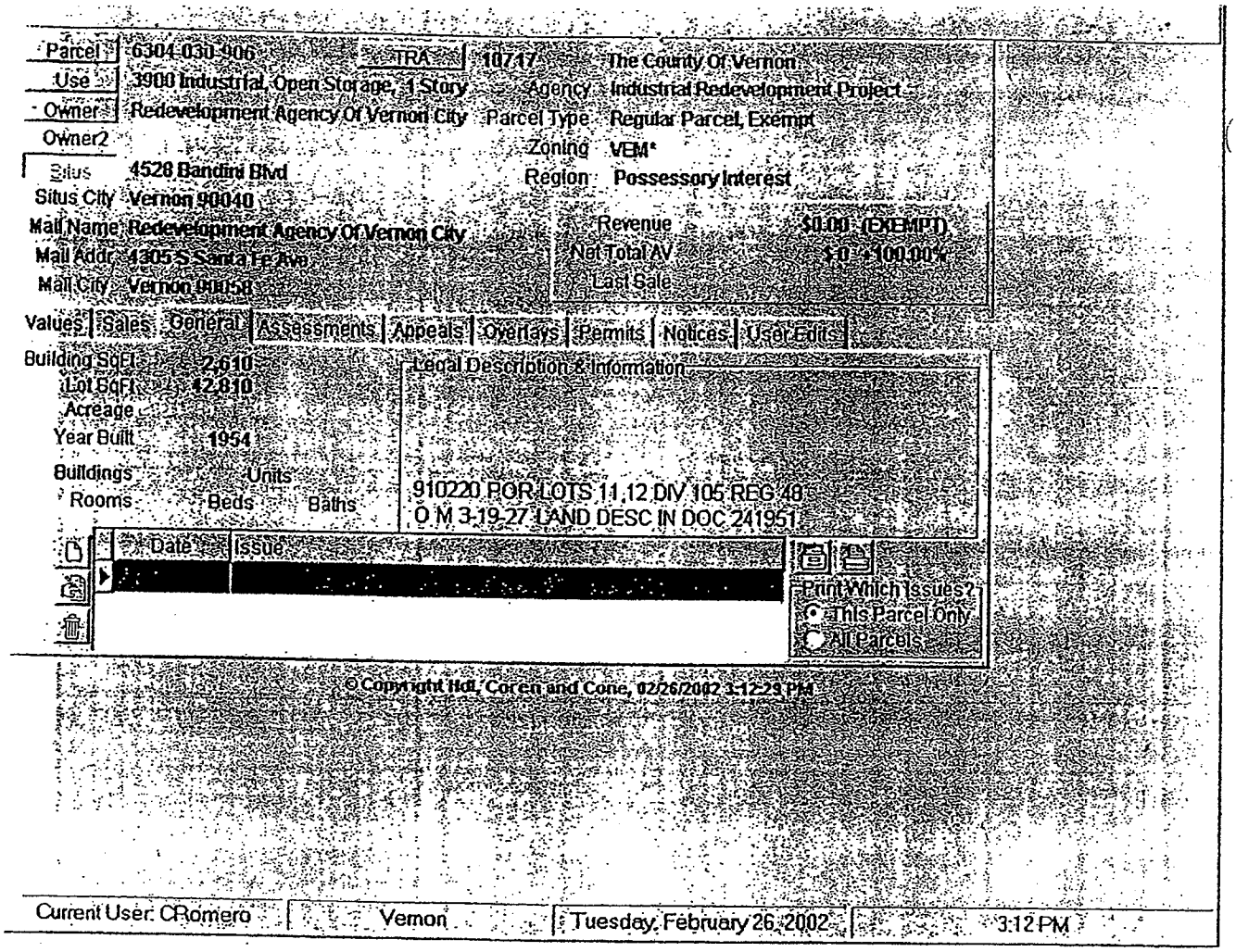
Parcel 6304-030-906
TRA 10717
The County Of Vernon
Use 3900 Industrial, Open Storage, 1 Story
Agency Industrial Redevelopment Project
Owner Redevelopment Agency Of Vernon City
Parcel Type Regular Parcel, Exempt
Owner2
Zoning VEM*
Situs 4528 Bandini Blvd
Region Possessory Interest
Situs City Vernon 90040
Mail Name Redevelopment Agency Of Vernon City
Revenue $0.00 (EXEMPT)
Mail Addr 4305 S Santa Fe Ave
Net Total AV $0 -100.00%
Mail City Vernon 90058
Last Sale
Values Sales General Assessments Appeals Overlays Permits Notices User Edits
Building SqFt 2,610
Lot SqFt 42,810
Acreage
Year Built 1954
Buildings Units
Rooms Beds Baths
Legal Description & Information
910220 POR LOTS 11,12 DIV 105 REG 48
O M 3-19-27 LAND DESC IN DOC 241951
Date Issue
Print Which Issues?
This Parcel Only
All Parcels
©Copyright Hdl, Coren and Cone, 02/26/2002 3:12:29 PM
Current User: CRomero
Vernon
Tuesday, February 26, 2002
3:12 PM

EXHIBIT B

EXHIBIT B

INSURANCE SCHEDULE (AUSTIN TRUCKING LEASE)

Austin Trucking shall provide proof of insurance, including a standard certificate of insurance, in at least the following amounts and coverage (combined single limit permitted):

I.

Hazards	Coverage and Limits		
	Bodily Injury Each Person	Bodily Injury Each Accident	Property Damage Each Accident
Automobile Liability			
Owned Automobiles	$ 500,000	$1,000,000	$ 500,000
Hired Automobiles	$ 500,000	$1,000,000	$ 500,000
Non-Owned Automobiles	$ 500,000	$1,000,000	$ 500,000
Workers' Compensation	$ Statutory		
Employers' Liability	$1,000,000 per employer		

II. General and Professional Liability

General Liability	$1,000,000	$2,000,000	$1,000,000
Premises Operations	$1,000,000	$2,000,000	$1,000,000
Elevators (if applicable)	$1,000,000	$2,000,000	$1,000,000
Independent Contractors	$1,000,000	$2,000,000	$1,000,000
Products - Completed Operations	$1,000,000	$2,000,000	$1,000,000
Contract Liability	$1,000,000	$2,000,000	$1,000,000
Professional Liability	$2,000,000	$2,000,000	$2,000,000

a. The general liability policy shall contain the following special endorsements, which shall be noted on or attached to the standard certificate of insurance:

1. An endorsement naming the City of Vernon, its officers, and employees as additional insureds under the policy.
2. An endorsement providing the City of Vernon thirty (30) days notice of cancellation or material reduction of coverage.
3. An endorsement providing coverage for all operations under this Agreement.
4. Such other endorsement as may be required by addendum hereto.

b. In addition to the standard certificate of insurance, proof of general and professional liability coverage shall be furnished in the form checked below. Only certification of the following proofs will be accepted:

_X_ For each policy, a notarized letter from the underwriter or carrier certifying that the coverage and statements in the standard certificate of insurance (attached thereto) are true and correct and that the signator is an officer authorized to so certify.

___ A copy of each policy certified by an officer of the underwriter or carrier and notarized.

NOTICE OF PUBLIC HEARING TO CONSIDER A LEASE BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON AND AUSTIN TRUCKING, INC. FOR THE PROPERTY LOCATED AT 4528 BANDINI BOULEVARD IN THE CITY OF VERNON, CALIFORNIA

NOTICE IS HEREBY GIVEN that a public hearing will be held in accordance with Health & Safety Code Section 33434 to consider a Lease between the Redevelopment Agency of the City of Vernon and Austin Trucking, Inc. for the property located at 4528 Bandini Boulevard in the City of Vernon, California.

Said hearing is scheduled for March 6, 2002 at 5:00 p.m., or as soon thereafter as the matter can be heard, in the City Council Chambers located at 4305 Santa Fe Avenue, Vernon, CA 90058. The hearing may be continued or adjourned to a stated time and place without further notice.

If you challenge the request for a Property Lease with Austin Trucking, Inc. and the adoption of a resolution approving the Lease, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the Redevelopment Agency of the City of Vernon at, or prior to, the public hearing.

BRUCE V. MALKENHORST
Executive Director/Secretary

AFFIDAVIT OF POSTING

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss.
CITY OF VERNON)

I, William Wilson, Code Enforcement Inspector of the City of Vernon, do hereby certify that I did, on the 27th day of February, 2002, post three (3) copies of:

NOTICE OF PUBLIC HEARING, to be held on March 6, 2002, (see attached copy) regarding a lease between the Redevelopment Agency of the City of Vernon and Austin Trucking, Inc. for the property located at 4528 Bandini Boulevard in the City of Vernon, California..

One in each of the following places to wit: At the northwest corner of 38th Street and Santa Fe Avenue; the northeast corner of Leonis Boulevard and Pacific Boulevard; and on the bulletin board in the lobby of the City Hall of the City of Vernon, located at 4305 Santa Fe Avenue, all in said City, there being no newspaper of general circulation printed and published in the City of Vernon.

Date: 2/28/02 William M Wilson
William Wilson, Code Enforcement Inspector

State of California)
) ss.
County of Los Angeles)

On Feb 28, 2002 before me, Gloria J. Orosco Notary Public, personally appeared William Wilson, personally known to me ~~(or known to me on the basis of satisfactory evidence)~~ to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal

Gloria J. Orosco

GLORIA J. OROSCO
Commission # 1194618
Notary Public - California
Los Angeles County
My Comm. Exp. 2002

RESOLUTION NO. RA-348

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON APPROVING AND AUTHORIZING THE EXECUTION OF AN AMENDMENT NO. ONE TO PROPERTY LEASE AGREEMENT BY AND BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON AND AUSTIN TRUCKING, INC.

WHEREAS, the Redevelopment Agency of the City of Vernon ("Agency") is engaged in activities necessary or appropriate to carry out the California Community Redevelopment Law (Health & Safety Code Sections 33000, et seq.) within the City of Vernon; and

WHEREAS, on March 6, 2002, the Agency adopted Resolution No. RA-202 approving a Property Lease Agreement (the "Lease") with Austin Trucking Inc. ("Austin") to lease real property located at 4528 Bandini Boulevard in the City of Vernon (the "Property"); and

WHEREAS, the Agency's determination regarding the use of the Property and its need for the elimination of blight has not changed; and

WHEREAS, the Agency finds and determines that the Property is currently vacant and the Agency is not planning to occupy or sell the Property; and

WHEREAS, the Property is not necessary for immediate use and occupancy by the Agency; and

WHEREAS, Health and Safety Code Section 33434 allows Agency to lease property acquired pursuant to a redevelopment revolving fund if first approved by a resolution adopted by the legislative body after a public hearing; and

WHEREAS, the Agency and Austin desire to amend the Lease with Austin to increase the monthly rental sum from Three Thousand Five

Hundred Dollars ($3,500) to Six Thousand Dollars ($6,000); and

WHEREAS, Health and Safety Code Section 33436 provides that the following provisions shall be included in all leases that an agency proposes to enter into with respect to the lease of any land in a redevelopment project and shall obligate the contracting party or parties and any subcontracting party or parties, or other transferees under the instrument:

> The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased, nor shall the lessee himself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.

and

/ / /

WHEREAS, Health and Safety Code Section 33437 indicates that an agency shall obligate lessees of property acquired in a redevelopment project to:

(a) Use the property for the purpose designated in the redevelopment plans.

(b) Begin the redevelopment of the project area within a period of time that the agency fixes as reasonable.

(c) Comply with the covenants, conditions, or restrictions that the agency deems necessary to prevent speculation or excess profit taking in undeveloped land, including right of reverter to the agency. Covenants, conditions, and restrictions imposed by an agency may provide for the reasonable protection of lenders.

(d) Comply with other conditions which the agency deems necessary to carry out the purposes of this part; and

WHEREAS, notice of a public hearing was published on September 14, 2007 and September 21, 2007, and was posted on the three official bulletin boards of the City of Vernon on September 13, 2007; and

WHEREAS, an amended lease with Austin will contribute to the redevelopment program for the City of Vernon, will contribute to the redevelopment of the project area, and will benefit the health, safety, and public welfare of the City of Vernon; and

WHEREAS, Agency held the duly noticed public hearing on October 1, 2007, at which time all interested persons were given an opportunity to be heard; and

WHEREAS, Agency has heard and considered all evidence, both written and oral, presented respecting the amended lease of the Property to Austin.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON AS FOLLOWS:

SECTION 1: The Board of Directors of the Agency hereby finds and determines that the recitals contained hereinabove are true and correct.

SECTION 2: The Board of Directors of the Agency further finds that all persons have had the opportunity to be heard or to file written objections to the proposed amended lease of the Property to Austin, and after due consideration of the evidence submitted at the public hearing determines that there are compelling reasons to justify amending the lease of the Property to Austin.

SECTION 3: The Board of Directors of the Agency hereby approves the Amendment No. One to Redevelopment Agency of the City of Vernon Property Lease Agreement with Austin, in substantially the same form as the copy which is attached hereto as Exhibit A and incorporated by reference.

SECTION 4: The Board of Directors of the Agency hereby authorizes the Chairman or Vice Chairman to execute said Amendment to Property Lease Agreement for, and on behalf of Agency, and the Secretary is hereby authorized to attest thereto.

SECTION 5: The Board of Directors of the Agency hereby authorizes the Executive Director, or his designee, to make whatever nonsubstantive, administrative and/or text changes, upon advice of counsel, to the Amendment and to execute any and all documents as shall be required to complete the leasing of the Property consistent with the terms of said Amendment approved herein.

SECTION 6: The Secretary of the Agency, or her designee, is hereby directed to send one fully executed Amendment to:

Matthew Austin, President
Austin Trucking, Inc.
1119 S. Castlegate Avenue
Compton, CA 90221

SECTION 7: The Secretary of Agency shall certify to the passage of this resolution, and thereupon and thereafter the same shall be in full force and effect.

APPROVED AND ADOPTED this 2nd day of October, 2007.

Leonis C. Malburg

Name: Leonis C. Malburg

Title: Chairman / ~~Vice Chairman~~

ATTEST:

MANUELA GIRON, Secretary

STATE OF CALIFORNIA)
) ss
COUNTY OF LOS ANGELES)

I, MANUELA GIRON, Secretary of the Redevelopment Agency of the City of Vernon, do hereby certify that the foregoing Resolution, being Resolution No. RA-348, was duly adopted by the Board of Directors of the Redevelopment Agency of the City of Vernon (hereinafter "Agency") at an adjourned regular meeting of the Agency duly held on Tuesday, October 2, 2007, and thereafter was duly signed by the Chairman or Vice Chairman of the Agency of the City of Vernon.

MANUELA GIRON, Secretary

(SEAL)

EXHIBIT A

AMENDMENT NO. ONE TO REDEVELOPMENT AGENCY OF THE CITY OF VERNON PROPERTY LEASE AGREEMENT

This Amendment No. One to Redevelopment Agency of the City of Vernon Property Lease Agreement ("Amendment") executed this 1st day of October, 2007, is entered into and executed in duplicate originals, either copy of which may be considered and used as the original hereof for all purposes, by and among the REDEVELOPMENT AGENCY OF THE CITY OF VERNON ("the Landlord") and AUSTIN TRUCKING, INC. (the "Tenant").

WHEREAS, the Landlord and Tenant are parties to a Redevelopment Agency of the City of Vernon Property Lease Agreement dated March 6, 2002 (hereinafter referred to as the "Lease") under which Tenant leases property located at 4528 Bandini Boulevard in the City of Vernon (the "Property") from the Landlord for the operation of a truck terminal at the rate of $3,500 per month; and

WHEREAS, the Landlord and the Tenant desire to amend the Lease to increase the rent payment to $6,000 per month.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Paragraph 3, **RENT**, of the Lease is hereby amended to read as follows:

3. **RENT:**

> Tenant shall pay to Landord as rent for the Premises, the sum of SIX THOUSAND DOLLARS ($6000) per month, commencing November 1, 2007, and thereafter in advance on the first day of each month during the term hereof. Rent shall be payable without notice or demand and without any deduction, off-set, or abatement in lawful money of the United States to the Landlord at the address stated herein for notices or to such other persons or such other places as the Landlord may designate to Tenant in writing.

2. Except as expressly modified hereby, all terms and provisions of the Lease shall remain in full force and effect. To the extent of any inconsistency between the provisions of the Lease and the provisions of this Amendment, the provisions of this Amendment shall control.

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IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by and through their authorized officers on the date, month and year first written above.

City of Vernon

By: _____

Name: _____

Title: Mayor / Mayor Pro-Tem

ATTEST:

_____
MANUELA GIRON, City Clerk

APPROVED AS TO FORM:

_____
JEFF A. HARRISON, City Attorney

AUSTIN TRUCKING, INC.

By: _____

Name: Matthew Austin
Title: President

REDEVELOPMENT AGENCY OF THE CITY OF VERNON
4305 Santa Fe Avenue, Vernon, California 90058 (323) 583-8811 FAX: (323) 826-1438

October 16, 2007

Austin Trucking, Inc.
c/o Matthew Austin, President
1119 S. Castlegate Avenue
Compton, CA 90221

Re: Amendment No. One to Property Lease Agreement for Property Located at 4528 Bandini Boulevard in Vernon

Dear Mr. Austin:

Transmitted herewith is a fully executed Amendment No. One as referenced above, approved by City Council on October 2, 2007, through Resolution No. RA-348.

If you have any questions regarding this matter, please call Mr. Robert Toering at (323) 583-8811 ext. 277.

Very truly yours,

Nelly Giron
City Clerk

NG:dr

c: Robert Toering
Martha Valenzuela
Resolution No. RA-348
Agreement No. 07-010R

DIRECTORS: Leonis C. Malburg, Chairman; H. "Larry" Gonzales, Vice Chairman; Wm. "Bill" Davis, Director Thomas A. Ybarra, Director; W. Michael McCormick, Director; EXECUTIVE DIRECTOR Robert J. Toering; LEGAL COUNSEL Jeff A. Harrison; SECRETARY Manuela Giron

AMENDMENT NO. ONE TO REDEVELOPMENT AGENCY OF THE CITY OF VERNON PROPERTY LEASE AGREEMENT

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NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

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2. Except as expressly modified hereby, all terms and provisions of the Lease shall remain in full force and effect. To the extent of any inconsistency between the provisions of the Lease and the provisions of this Amendment, the provisions of this Amendment shall control.

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IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by and through their authorized officers on the date, month and year first written above.

City of Vernon

By: _____

Name: Leonis C. Malburg

Title: Mayor / ~~Mayor Pro Tem~~

ATTEST:

_____
MANUELA GIRON, City Clerk

APPROVED AS TO FORM:

_____
JEFF A. HARRISON, City Attorney

AUSTIN TRUCKING, INC.

By: _____

Name: Matthew Austin
Title: President

NOTICE OF PUBLIC HEARING TO CONSIDER AN AMENDMENT TO PROPERTY LEASE AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF VERNON AND AUSTIN TRUCKING, INC. FOR PROPERTY LOCATED AT 4528 BANDINI BOULEVARD IN THE CITY OF VERNON

The Redevelopment Agency of the City of Vernon will conduct a Public Hearing in accordance with Health & Safety Code Section 33434 which you may attend.

PLACE:	Vernon City Hall City Council Chambers 4305 Santa Fe Avenue Vernon, CA 90058
DATE & TIME:	Monday, October 1, 2007, at 10:00 a.m. (or as soon thereafter as the matter can be heard)
PURPOSE:	To consider an amendment to property lease agreement between the Redevelopment Agency of the City of Vernon and Austin Trucking, Inc. for the property located at 4528 Bandini Boulevard in the City of Vernon

Any interested person may attend and may make an oral presentation to the Redevelopment Agency at the time of the hearing, or may present written comments prior to the hearing.

If you challenge the lease of this property with the City of Vernon and the adoption of a resolution approving the amended lease in court, you may be limited to raising only those issues you or someone else raised at the hearing described in this notice or in written correspondence delivered to the Redevelopment Agency of the City of Vernon at, or prior to, the meeting.

The hearing may be continued or adjourned to a stated time and place without further notice of a public hearing.

Dated: September 13, 2007

MANUELA GIRON, Secretary

AFFIDAVIT OF POSTING

I, Manuela Giron, City Clerk, of the City of Vernon do hereby certify that on the 13th day of September 2007, I did post three copies of the following:

NOTICE OF PUBLIC HEARING - to consider an Amendment to Property Lease Agreement Between the Redevelopment Agency of the City of Vernon and Austin Trucking, Inc. for the Property Located at 4528 Bandini Boulevard in the City of Vernon in accordance with Health & Safety Code Section 33434.

On each of the following places, to wit: on the bulletin board outside the main entrance to the City Hall of the City of Vernon located at 4305 Santa Fe Avenue; at the northwest corner of 38th Street and Santa Fe Avenue; the northeast corner of Leonis Blvd., and Pacific Blvd., all in said City, there being no newspaper of general circulation printed and published in the City of Vernon.

Date: 9/13/07

Manuela Giron
City Clerk

State of California)
)ss
County of Los Angels)

On September 17, 2007 before me, Judith A. Lehr, Notary Public, personally appeared Manuela Giron personally known to me ~~(or proven to me on the basis of satisfactory evidence)~~ to be the person(s) whose name(s) is/~~are~~ subscribed to the instrument and acknowledged to me that ~~he~~/she/~~they~~ executed the same in ~~his~~/her/~~their~~ authorized capacity, and that by ~~his~~/her/~~their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal

JUDITH A. LEHR
Commission # 1646385
Notary Public - California
Los Angeles County
My Comm. Expires Feb 19, 2010

Judith A. Lehr

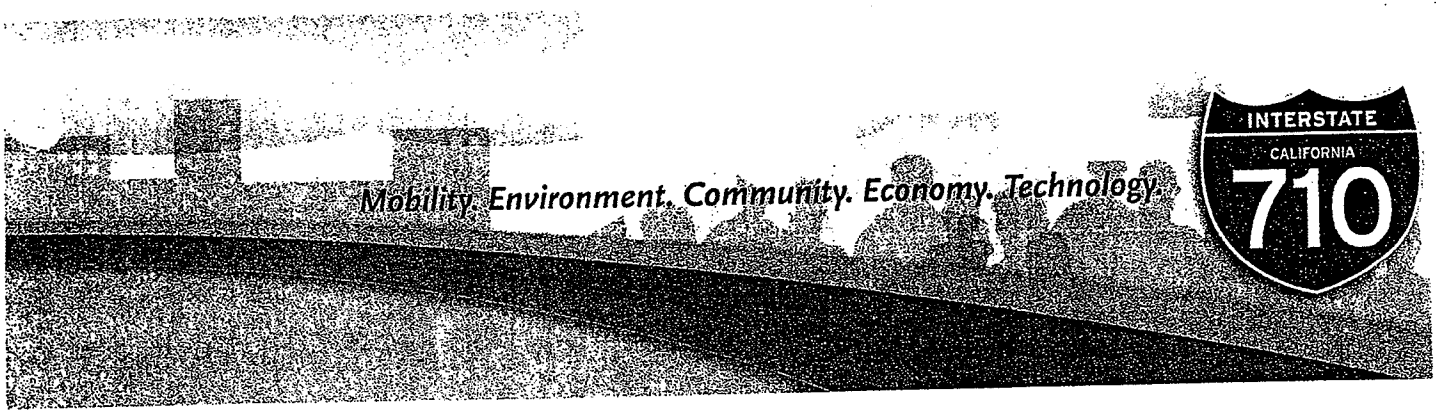
SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY

LONG-RANGE PROPERTY MANAGEMENT PLAN SUBMITTAL DATED JULY 20, 2013

DOCUMENTS WHICH FOLLOW THIS COVER PAGE

ATTACHMENT 3 TO EXHIBIT B : 4528 BANDINI

The Bandini property is proposed to be held for governmental-use. Caltrans has identified this property as included within the Interstate 710 expansion project. See Executive Summary to Draft EIR dated June 2012 (this Attachment 3). Page 18 of the attachment has a photograph of Fire Station No. 4 which abuts the 4528 Bandini Boulevard property and states "Fire Station No. 4 in the City of Vernon would require relocation under all I-710 build alternatives." The subject property was initially acquired for expansion of Fire Station No. 4. Governmental-use retention is requested with the interim lease continuing with the existing tenant under existing, similar or better lease terms. The cloud of Caltrans I-710 expansion limits any other disposition at this time. In the unlikely event that the Caltrans I-710 expansion or Fire Station No. 4 expansion governmental-use do not materialize, the Successor Agency reserves the right to dispose of the property, including, but not limited to, redevelopment of the property, as and if appropriate, pursuant to the Governmental-Use Restricted Grant Deed (Attachment 4).



I-710 CORRIDOR PROJECT

LOS ANGELES COUNTY, CALIFORNIA
District 07-LA-710-PM 4.9/24.9
EA 249900

Draft Environmental Impact Report/ Environmental Impact Statement and Section 4(f) Evaluation

EXECUTIVE SUMMARY

June 2012

Prepared by:
State of California Department of Transportation &
Los Angeles County Metropolitan Transportation Authority

Caltrans

Metro

GATEWAY CITIES

Port of LONG BEACH
The Green Port

THE PORT OF LOS ANGELES

SOUTHERN CALIFORNIA ASSOCIATION of GOVERNMENTS

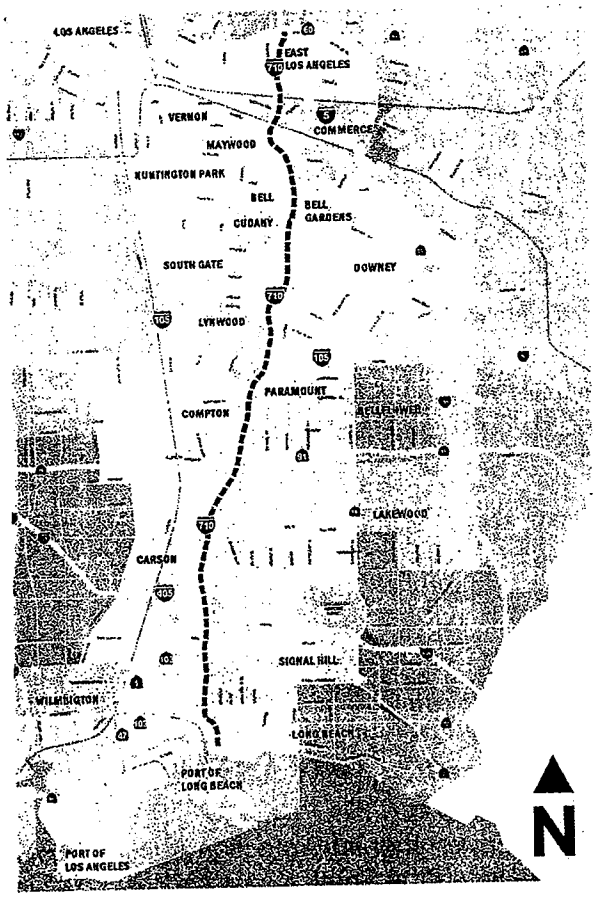
5

EXECUTIVE SUMMARY

S.1 OVERVIEW OF THE PROJECT AREA

The California Department of Transportation (Caltrans), in cooperation with the Los Angeles County Metropolitan Transportation Authority (Metro), the Gateway Cities Council of Governments (GCCOG), the Southern California Association of Governments (SCAG), the Ports of Los Angeles (POLA) and Long Beach (POLB) (collectively known as the Ports), and the Interstate 5 Joint Powers Authority (I-5 JPA) (collectively referred to as the I-710 Funding Partners), proposes to improve Interstate 710 (I-710, also known as the Long Beach Freeway) in Los Angeles County between Ocean Blvd. and State Route 60 SR-60). The proposed project is referred to as the I-710 Corridor Project. I -710 is a major north-south interstate freeway connecting the city of Long Beach to central Los Angeles. Within the I-710 Corridor Project Study Area (Study Area), the I-710 serves as the principal transportation connection for goods movement between POLA and POLB, located at the southern terminus of I-710 and the Burlington Northern Santa Fe (BNSF)/Union Pacific (UP) Railroad rail yards in the cities of Commerce and Vernon.

The existing I-710 Corridor has elevated levels of health risks related to high levels of diesel particulate emissions, traffic congestion, high truck volumes, high accident rates, and many design features in need of modernization (the original freeway was built in the 1950s and 1960s). The I-710 Major Corridor Study (MCS; March 2005), undertaken to address the I-710 Corridor's mobility and safety needs and to explore possible solutions for transportation improvements, was completed in March 2005 and identified a community-based Locally Preferred Strategy consisting of ten general purpose lanes next to four separated freight-movement lanes.



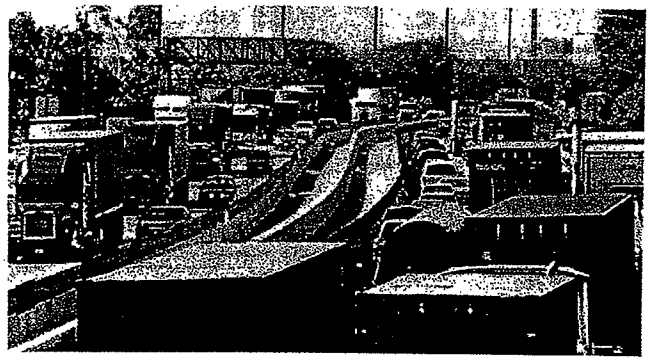
The Study Area for the 1-710 corridor.

The Study Area includes the portion of the I-710 Corridor from Ocean Blvd. in Long Beach to SR-60, a distance of approximately 18 miles. At the freeway-to-freeway interchanges, the Study Area extends one mile east and west of the I-710 mainline for the Interstate 405 (I-405), State Route 91 (SR-91), Interstate 105 (I-105), and I-5 interchanges. This is the general Study Area for the I-710 Corridor Project. Specific study areas have been established for individual environmental analyses (e.g., health risk assessment area of interest, water quality areas, etc.).

S.2 PURPOSE AND NEED

S.2.1 PROJECT NEED

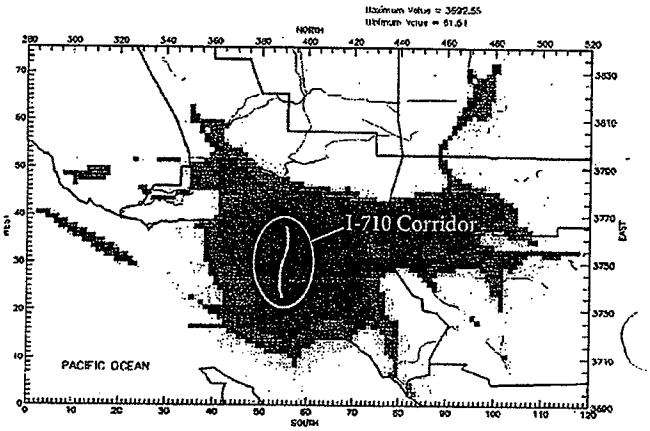
The I-710 Corridor is a vital transportation artery, linking the communities along it and the POLA and POLB to southern California and beyond. An essential component of the regional, statewide, and national transportation system, it serves both passenger and goods movement vehicles. As a result of population growth, employment growth, increased demand for goods movement, increasing traffic volumes, and aging infrastructure, the I-710 Corridor experiences serious congestion and safety issues.



The I-710 is a major goods carrying corridor.

S.2.1.1 AIR QUALITY

The U.S. Environmental Protection Agency (EPA) has designated the South Coast Air Basin (Basin), which includes the Study Area, as an extreme ozone non-attainment area and a non-attainment area for small airborne particulate matter less than 10 and 2.5 microns (PM_{10} and $PM_{2.5}$). Exposure to ozone, PM_{10}, and $PM_{2.5}$ levels above the Federal health standards is associated with many adverse health effects—including decreased lung function, aggravated asthma, increased lung and heart disease symptoms, and chronic bronchitis. Studies such as the South Coast Air Quality Management District (SCAQMD) Multiple Air Toxic Exposure Studies (MATES) have shown that elevated levels of nitrogen dioxide (NO_2) and ultrafine particulates (UFPs) occur very near roadways; these elevated levels are also associated with adverse health effects. The highest levels of estimated cancer risk (approximately 1,200 to 2,000 in a million) in 2005 (the study analysis year), occur in the Study Area, particularly near the Ports, rail yards, and along the I-710 freeway.



South Coast Air Quality Management District data shows high levels of air toxins along I-710 that can be harmful to human health.

These studies show that diesel particulate matter (DPM) is the greatest contributor to air-quality-related cancer risk in the Basin and that approximately half of the DPM is emitted by diesel trucks using the freeway and roadway systems.

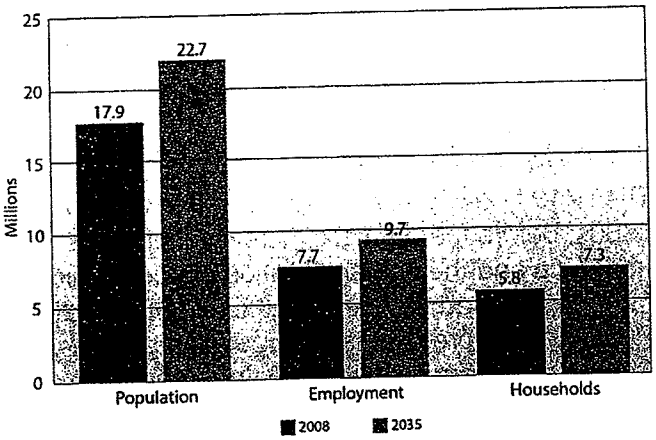
S.2.1.2 CAPACITY, TRANSPORTATION DEMAND, AND SAFETY

CAPACITY. Many segments of the I-710 mainline currently operate at level of service (LOS) E or F throughout the day, creating chokepoints and causing congestion on other segments of the mainline, as well as on parallel arterial highways. A unique factor affecting the capacity of the I-710 Corridor is the large numbers of heavy-duty trucks that use the I-710 Corridor to travel between POLB, POLA, and the rail freight intermodal yards located near I-5, and to warehousing and distribution

points scattered throughout the southern California urban area.

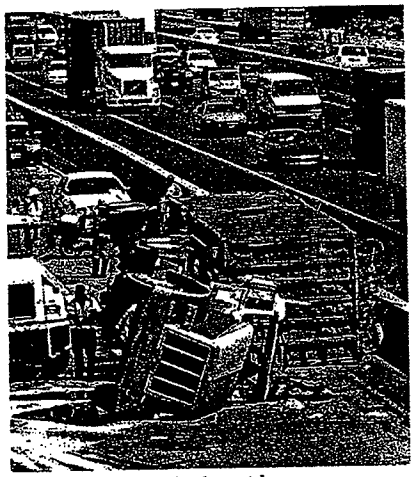
TRANSPORTATION DEMAND. Combined port activity in the Study Area is expected to increase from the handling of 14 million annual twenty-foot equivalent units (TEUs) in 2008 to approximately 43 million annual TEUs in 2035. After considering different port cargo growth scenarios, the projected 43 million annual TEUs was the port cargo growth scenario adopted by the I-710 Corridor Project Committee in April 2009 to provide a conservative basis for the I-710 Corridor Project travel demand forecasting. This forecast is consistent with SCAG's recently adopted 2012 Regional Transportation Plan/Sustainable Communities Strategy (RTP/SCS). The I-710 Corridor is, and is expected to remain, a primary route for trucks carrying containers to and from the ports. This indicates that the existing transportation problems on the I-710 mainline and other Study Area roadways will get worse, which in turn, have the potential to adversely affect the competitive position of the Los Angeles region in the global economy.

By 2035, regional population is forecast to grow by 27 percent, and Study Area population is forecast to grow by 11 percent. Employment will follow a similar pattern, with regional growth of 27 percent and Study Area employment growth of only 7 percent. Growth will be lower in the Study Area because it is almost completely developed. Increases in population, employment, and goods movement between now and 2035 will lead to more traffic on the I-710 freeway and on the streets and roadways within the Study Area as a whole.



SCAG's regional forecast data shows continued population and employment growth within Southern California over the next 25 Years.

SAFETY. I-710 experiences elevated accident rates, exceeding the State average for similar facilities in many locations.



I-710 experiences high accident rates.

High traffic volumes, existing freeway design, freeway congestion, and the interaction between cars and the high volume of trucks in the traffic stream on the I-710 mainline may be contributing factors to these existing accident rates. In the Study Area, according to the Caltrans Traffic Accident Surveillance and Analysis System (TASAS), truck-related accidents range from 29 to

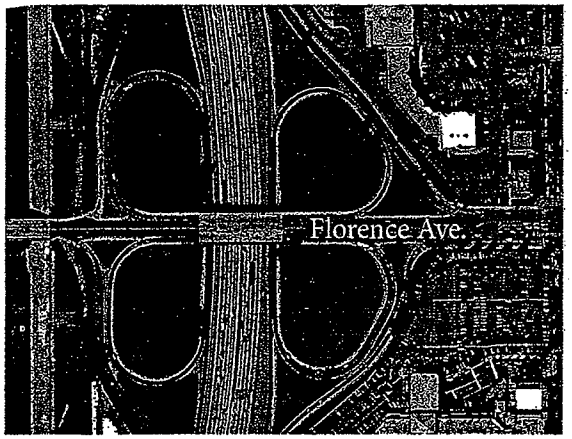
36 percent of the total number of accidents within the I-710 mainline study segments which is higher than the State average.

S.2.1.3 ROADWAY DESIGN

The I-710 freeway was designed in the 1950s and 1960s, before the dramatic increase in imports from Asia and the containerization of oceangoing freight increased the cargo traffic at POLA and POLB and before extensive population growth in Southern California since 1960. In general, the I-710 freeway has remained relatively unchanged from when it was originally constructed. Due to growth in overall traffic volumes and the high level of truck traffic that has occurred in recent years, many aspects of the freeway design do not operate efficiently due to the heavy truck traffic and the size and relative lack of maneuverability of those trucks.

When State Route 7 (I-710) was built in the 1950's, there was still a great deal of agriculture and open space in the surrounding area.

Design features that are most directly associated with the current operational problems in the I-710 Corridor include outdated local interchange designs, spacing between many of the I-710 mainline interchanges with local streets and nonstandard geometric features of freeway-to-freeway interchanges. On the I-710 mainline, nonstandard weaving distances, narrow or nonexistent shoulders, narrow lane widths, varying number of through lanes, nonuniform ramp metering, outdated median barriers (currently being replaced as part of Caltrans' Long Life Pavement Rehabilitation project), and nonstandard pavement all contribute to current operational problems.



The "cloverleaf" interchanges built in the 1950s are not able to handle today's volume of traffic.

S.2.1.4 SOCIAL DEMANDS AND ECONOMIC DEVELOPMENT

Growth projections adopted by SCAG (SCAG 2012 RTP/SCS Growth Forecast) indicate continuing growth in the Study Area. The population in Los Angeles County as a whole is expected to increase from 10.5 million in 2008 to 12.3 million in 2035, an increase of 18 percent. This regional growth will continue to place demand on the I-710 Corridor.

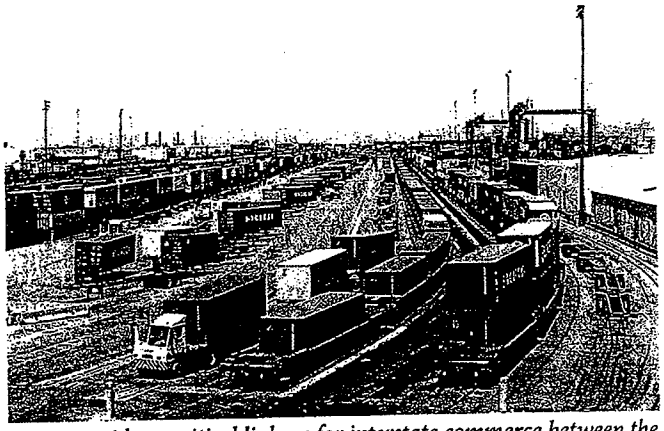
With regard to economic development, the Gateway Cities Subregion experiences high levels of unemployment and poverty. In October 2011, unemployment rates in the Study Area were 8-23 percent of the workforce within the affected communities, which is higher than Los Angeles County (12.6 percent) and State (12.1 percent) unemployment rates.

Highway congestion causes delays affecting personal mobility and goods movement and results in increased economic costs. Los Angeles County's goods movement system serves as

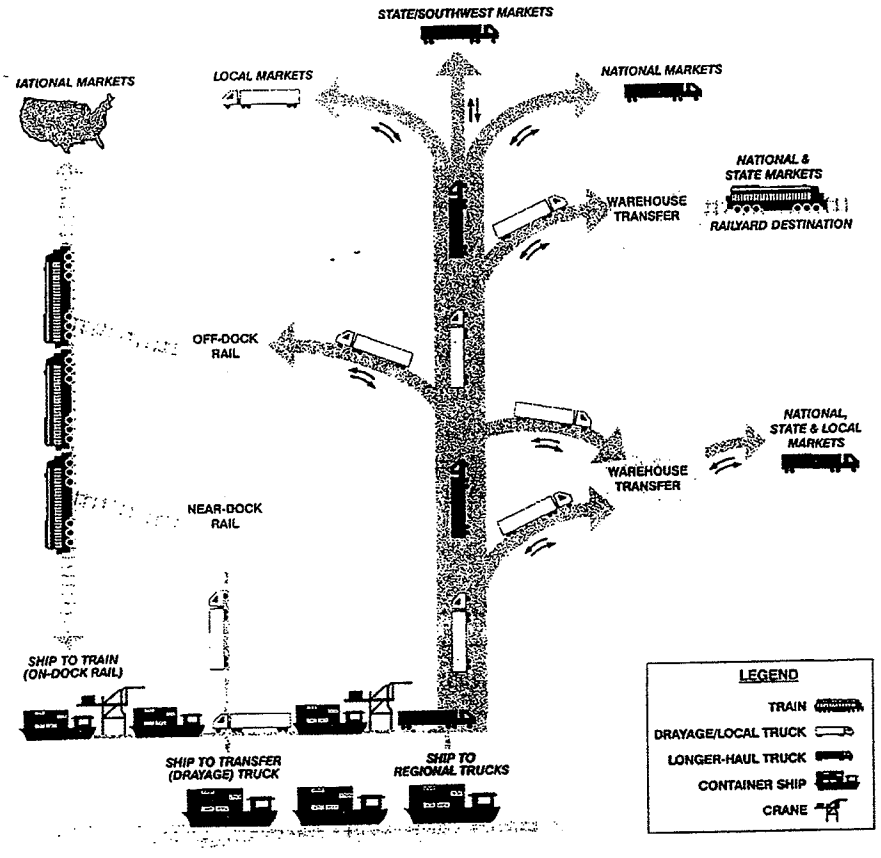
a gateway for both international and domestic commerce, especially within the Study Area, where POLA, POLB, and the BNSF/UP Railroad intermodal rail yards are located.

S.2.1.5 MODAL INTERRELATIONSHIPS AND SYSTEM LINKAGES

The I-710 Corridor serves regional, statewide, and national needs for both the general traveling public and the goods movement industry. The I-710 Corridor is the principal transportation connection between POLB/POLA and the BNSF/UP Railroad intermodal rail yards located in the cities of Vernon and Commerce. BNSF and UP Railroads provide freight movement to destinations throughout the United States.



I-710 provides a critical linkage for interstate commerce between the San Pedro Bay ports, the BNSF and UP rail yards, and the rest of the nation.



Goods are moved to and from the ports by both trains and trucks.

Together, POLB/POLA is one of the largest container ports in the world, and port activity is projected to triple in volume by 2035. The I-710 Corridor also provides key interstate commerce connections to east-west freeways (I-405, SR-91, I-105, I-5, SR-60, and Interstate 10 [I-10]) and I-5. From a system linkage standpoint, no improvements are planned to these facilities except for possible improvements to I-5 (from Interstate 605 [I-605] through the I-710 interchange). Additionally, the proposed Gerald Desmond Bridge Project, which is directly connected to the I-710 Corridor Project, would replace the existing bridge.

With the existing rail network and intermodal facilities approaching capacity, demand for transport of goods by truck on the I-710 Corridor is expected to increase.

S.2.2 PROJECT PURPOSE

The purpose of the I-710 Corridor Project is as follows:

1. Improve Air Quality & Public Health
2. Improve Traffic Safety
3. Modernize the Freeway Design
4. Address Projected Traffic Volumes
5. Address projected Growth in Population, Employment and Activites Related to Goods Movement (based on SCAG population projections and projected container volume increases at the two ports)

The I-710 Corridor Project termini are logical, extending from the southern terminus of the I-710 Corridor to its connection to SR-60. This 18-mile Study Area is of sufficient length to address environmental matters on a broad scope. The I-710 Corridor Project would result in improvements to the current traffic conditions within the I-710 Corridor even if no additional transportation improvements are made in the area. As such, the I-710 Corridor Project has independent utility, as it does not rely on other projects to address the identified need in the Study Area. Furthermore, the I-710 Corridor Project would not restrict consideration of alternatives for other reasonably foreseeable transportation improvements.

S.3 PROPOSED PROJECT

S.3.1 COSTS AND SCHEDULE

Estimated costs for right-of-way and utility relocation and for construction are included in Table S 1. Construction of the project is anticipated to begin in 2020. (see Table S-1 below)

S.3.2 ALTERNATIVES

This section describes the alternatives based on the MCS that were developed by a multidisciplinary technical team to achieve the I-710 Corridor Project purpose and subsequently were reviewed and concurred upon by the various committees involved in the I-710 Corridor Project community participation framework. Alternatives 2 (Transportation Systems Management/ Transportation Demand Management [TSM/TDM]), Transit, Intelligent Transportation Systems [ITS] and

Table S-1 Estimated Costs[1] (In Billion $)

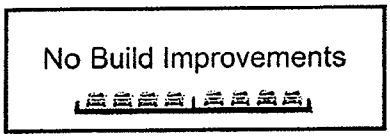
Alternative	Right-of-Way/Utilities	Construction	Total
5A	0.35	2.24	2.59
6A	0.94 to 0.95	4.11 to 4.14	5.05 to 5.09
6B	0.94 to 0.95	4.26 to 4.29	5.20 to 5.24
6C	0.94 to 0.95	4.32 to 4.36	5.27 to 5.31

1 Estimates are in 2010 dollars and do not include support costs.

Enhanced Goods Movement), 3 (Maximum Goods Movement By Rail/Alternative Technology), and 4 (Arterial Highway and I-710 Congestion Relief Improvements) were considered but withdrawn from further environmental study as stand-alone alternatives, yet elements of these alternatives have been included in Alternatives 5A and 6A/B/C. The alternatives are Alternative 1 (No Build Alternative), Alternative 5A (I-710 Widening and Modernization), Alternative 6A (I-710 Widening and Modernization plus a Freight Corridor [Trucks]), Alternative 6B (I-710 Widening and Modernization plus Freight Corridor [Zero-Emission Vehicles]), and Alternative 6C (I-710 Widening and Modernization plus Tolled Freight Corridor).

S.3.2.1 ALTERNATIVE 1: NO BUILD

Alternative 1

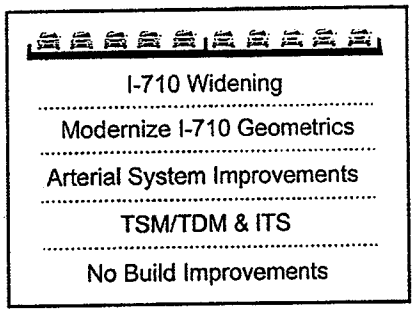


Alternative 1 would maintain the current configuration of the existing I-710 Corridor. There would be no capacity-increasing improvements to the I-710 mainline; only approved and planned projects included in SCAG's 2008 RTP and 2011 Federal Transportation Improvement Program (FTIP) are considered part of Alternative 1. Alternative 1 provides the basis for comparison of 2035 no build conditions with the 2035 build alternatives.

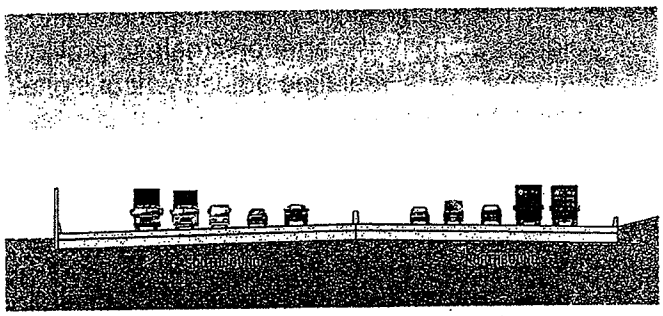
S.3.2.2 ALTERNATIVE 5A: I-710 WIDENING AND MODERNIZATION

Alternative 5A proposes to widen the I-710 mainline toeight general purpose lanes south of I-405 and up to ten general purpose lanes north of I-405 (on I-710 northbound and on I-710 outhbound).

Alternative 5A



This alternative will modernize the design at the I-405 and SR-91 interchanges, modernize and reconfigure most local arterial interchanges throughout the I-710 corridor, modify freeway access at various locations, and shift the I-710 centerline at various locations to reduce right-of-way impacts.



An illustration of Alternative 5A widening and modernization.

In addition to improvements to the I-710 mainline and the interchanges, Alternative 5A also includes:

- TSM/TDM, Transit, and ITS improvements including but not limited to:

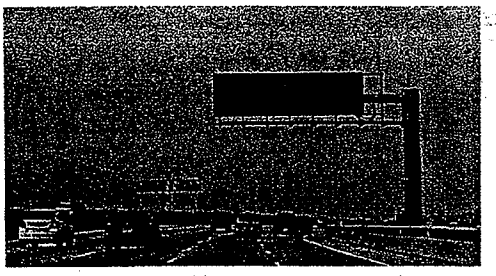
  - oProvision of or future provision of ramp metering at all locations and improved arterial signage for access to I-710.

  - o Parking restrictions during peak periods (7:00 a.m.–9:00 a.m. and 4:00 p.m.–7:00 p.m.) on four arterial roadways: Atlantic Blvd. between

Pacific Coast Hwy. and SR-60; Cherry Ave./ Garfield Ave. between Pacific Coast Hwy. and SR-60; Eastern Ave. between Cherry Ave. and Atlantic Blvd.; and Long Beach Blvd. between San Antonio Dr. and Firestone Blvd.

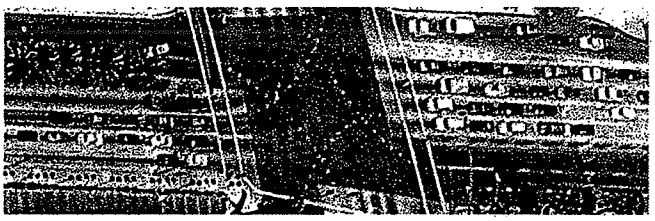
- Transit improvements including increased service on all Metro Rapid routes and local bus routes in the Study Area.

- ITS improvements including updated fiber-optic communications to interconnect traffic signals along major arterial streets to provide for continuous, real-time adjustment of signal timing to improve traffic flow as well as other technology improvements.



Additional changeable message signs would be added to provide critical information to motorists.

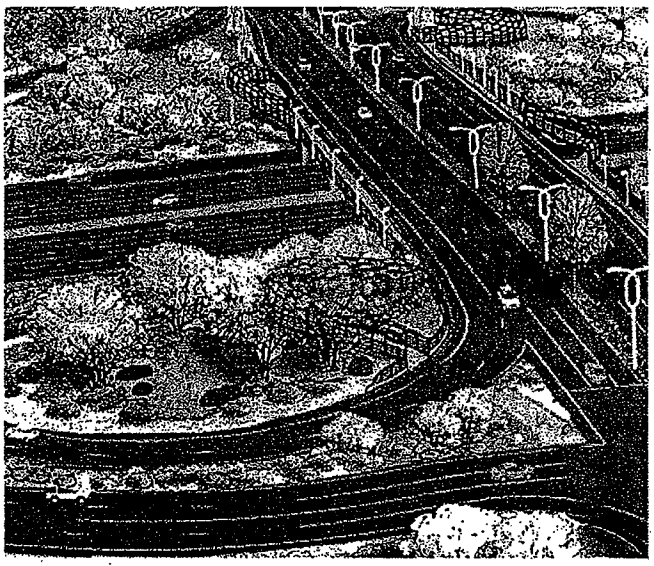
Alternative 5A also includes improvements to 42 local arterial intersections within the Study Area. These improvements generally consist of lane restriping or minimal widening to provide additional intersection turn lanes that will reduce traffic delay and improve intersection operations for those intersections with projected LOS F.



The Firestone/Garfield intersection experiences high levels of congestion and is one of 42 intersections slated for improvement as part of the I-710 Corridor Project.

In addition to the transportation system improvements described above, Alternative 5A also includes:

- **Visual/Aesthetic Features:** Texture treatments (for structures, median barriers, etc.), planting, irrigation, opportunities for community identification, and concepts from the I-710 Corridor Urban Design and Aesthetics Toolbox Report (July 2011) will be incorporated into the project design to mitigate the visual and community impacts of the increased scale of the project improvements.



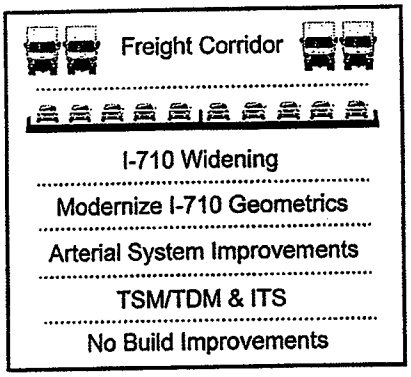
The I-710 Corridor Project includes a robust landscaping enhancement plan.

- **Drainage/Water Quality Features:** Alternative 5A includes modifications to the Los Angeles River levee; new, extended, replacement, and additional bents and pier walls in the Los Angeles River; additional and extended bents and pier walls in the Compton Channel; modifications to existing pump stations or provision of additional pump stations; and detention basins and bioswales that will provide for treatment of surface water runoff prior to discharge into the storm drain system. Detention basins and bioswales will be integrated elements of the landscape planting. Grading of basins will minimize their visual impact by being designed to blend with the surrounding landscape.

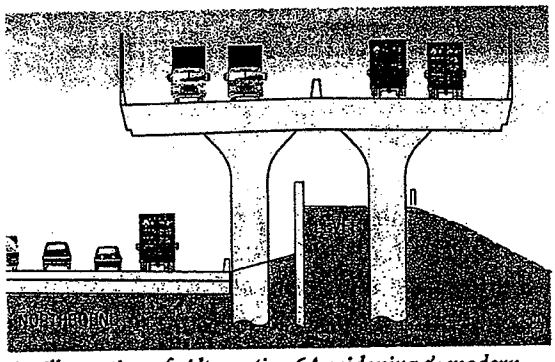
S.3.2.3 ALTERNATIVE 6A: I-710 WIDENING AND MODERNIZATION PLUS FREIGHT CORRIDOR 'TRUCKS)

Alternative 6A includes all the components of Alternatives 1 and 5A described above. (The alignment of the general purpose lanes in Alternative 6A will be slightly different than Alternative 5A in a few locations.) In addition, this alternative includes a separated four-lane freight corridor from Ocean Blvd. northerly to its terminus near the UP and BNSF Railroad rail yards in the city of Commerce. The freight corridor would be built to Caltrans highway design standards and would be restricted to the exclusive use of heavy-duty trucks (5+ axles). In Alternative 6A, these trucks are assumed to be "conventional" trucks (conventional trucks are defined to be newer [post-2007] diesel/fossil-fueled trucks [new or retrofitted engines required per new regulations and standards]).

Alternative 6A



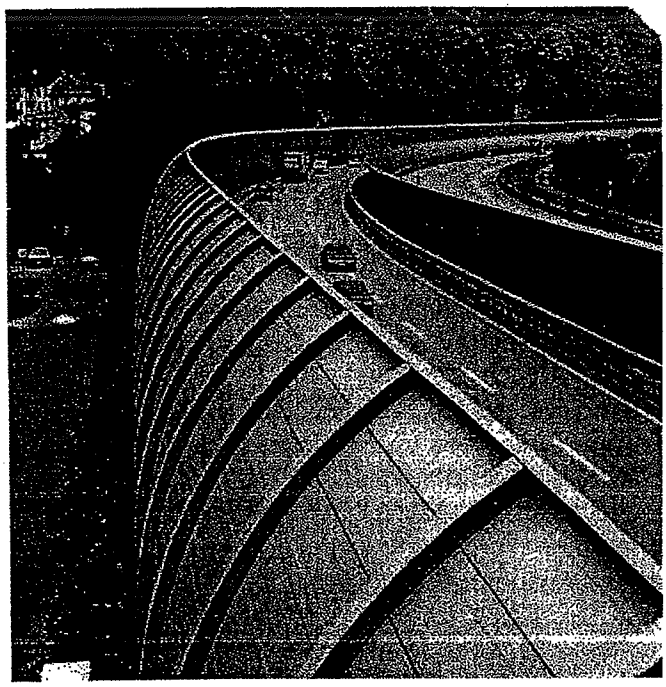
The freight corridor would be both at-grade and on elevated structure with two lanes in each direction. There are exclusive, truck only ingress and egress ramps to and/or from the freight corridor.



An illustration of Alternative 6A widening & modernization plus freight corridor.

As with Alternative 5A, Alternative 6A will include additional aesthetic enhancements, and drainage/water quality features as follows:

- **Visual/Aesthetic Features:** In addition to the visual/aesthetic features described above for Alternative 5A, specific aesthetic treatments will be developed for the freight corridor, including use of screen walls and masonry treatments on the freight corridor structures (including sound walls).



The proposed freight corridor in Alternatives 6A, 6B, and 6C could include sound walls and visual screen walls similar to these walls in Bellinzona Switzerland.

- **Drainage/Water Quality Features:** Alternative 6A includes features to capture and treat the additional surface water runoff from the freight corridor, as well as some modifications to the Los Angeles River levees in order to accommodate electrical transmission line relocations.

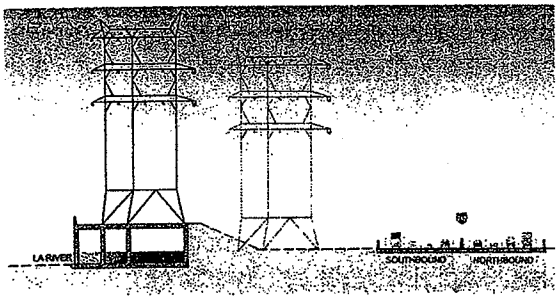
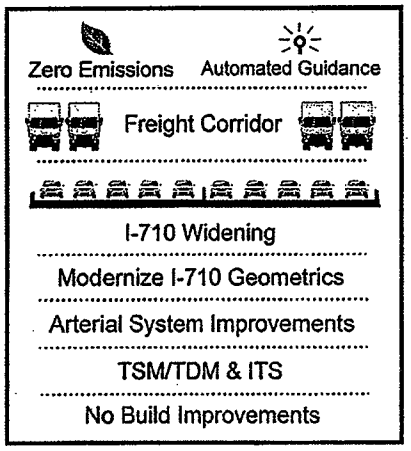


Illustration of the proposed electrical transmission line relocations along the Los Angeles River under Alternatives 6A, 6B, and 6C.

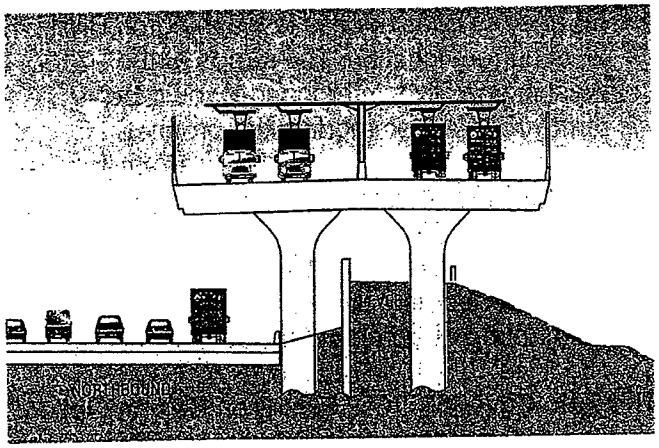
S.3.2.4 ALTERNATIVE 6B: I-710 WIDENING AND MODERNIZATION PLUS A ZERO-EMISSION FOUR-LANE FREIGHT CORRIDOR (ZERO-EMISSION VEHICLES)

Alternative 6B

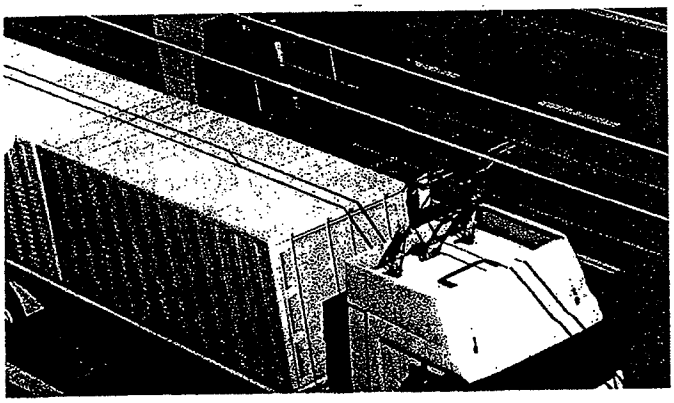


Alternative 6B includes all the components of Alternative 6A as described above, but would restrict the use of the freight corridor to zero-emission trucks rather than conventional trucks. This proposed zero-emission truck technology is assumed to consist of trucks powered by electric motors in lieu of internal combustion engines and producing zero tailpipe emissions while traveling on the freight corridor. The specific type of electric motor is not defined, but feasible options include linear induction motors, linear synchronous motors, or battery technology.

For purposes of the I-710 environmental studies, the zero-emission electric trucks are assumed to receive electric power while traveling along the freight corridor via an overhead catenary electric power distribution system (road-connected power).



A schematic cross section of the zero emission freight corridor proposed under Alternatives 6B and 6C.

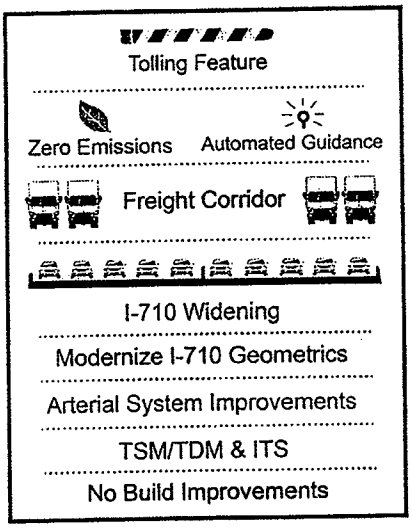


Alternative 6B also includes the assumption that all trucks using the freight corridor will have an automated control system that will steer, brake, and accelerate the trucks under computer control while traveling on the freight corridor. This will safely allow for trucks to travel in "platoons" (e.g., groups of 6–8 trucks) and increase the capacity of the freight corridor.

The design of the freight corridor will also allow for possible future conversion, or be initially constructed, as feasible (which may require additional environmental analysis and approval), of a fixed-track guideway family of alternative freight transport technologies (e.g., Maglev). However, this fixed-track family of technologies has been screened out of this analysis for now, as they have been determined to be inferior to electric trucks in terms of cost and ability to readily serve the multitude of freight origins and destinations served by trucks using the I-710 corridor.

S.3.2.5 ALTERNATIVE 6C: I-710 WIDENING AND MODERNIZATION PLUS TOLLED FREIGHT CORRIDOR

Alternative 6C



Alternative 6C includes all the components of Alternative 6B as described above, but would toll trucks using the freight corridor. Although tolling trucks in the freight corridor could be done under either Alternative 6A or 6B, for analytical purposes, tolling has only been evaluated for Alternative 6B, as this alternative provides for higher freight corridor capacity than Alternative 6A due to the automated guidance feature of Alternative 6B.

Per Federal statute, unless otherwise excepted, all Interstate highways must be toll-free. However, current exceptions relating to tolling of Interstate highways include Value Pricing Pilot Program; Express Lanes Demonstration

Project; the Interstate System Reconstruction and Rehabilitation Pilot Program; and the Interstate System Construction Toll Pilot Program. Should Alternative 6C be selected as the preferred alternative, tolling would be implemented pursuant to one of these exceptions. Tolls would be collected using electronic transponders, which would require overhead sign bridges and transponder readers like the SR-91 toll lanes currently operating in Orange County, where no cash toll lanes are provided. The toll pricing structure would provide for collection of higher tolls during peak travel periods.

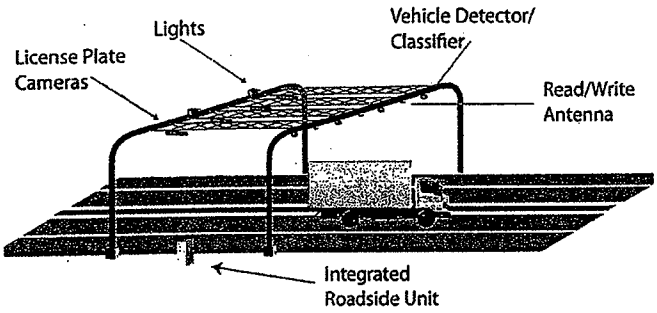


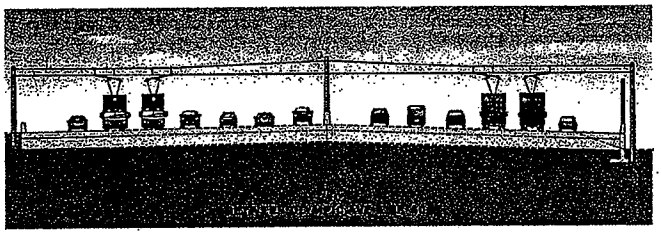
Illustration of a possible electronic toll collection system proposed under Alternative 6C.

S.3.2.6 ALTERNATIVES 6A/B/C: DESIGN OPTIONS

For Alternatives 6A/B/C, three design options for the portion of I-710 from the I-710/Slauson Ave. interchange to just south of the I-710/I-5 interchange are under consideration. These configurations will be fully analyzed so that they can be considered in the future selection of a Preferred Alternative for the project. These options are as follows:

- **Design Option 1** applies to Alternatives 6A/B/C and provides access to Washington Blvd. using three ramp intersections at Washington Blvd.
- **Design Option 2** applies to Alternatives 6A/B/C and provides access to Washington Blvd. using two ramp intersections at Washington Blvd.
- **Design Option 3** applies only to Alternative 6B and removes access to Washington Blvd. at its current location. The ramps at the I-710/ Washington Blvd. interchange would be removed to accommodate the proposed freight corridor ramps in and out of the rail yards. The southbound off-ramp and northbound-on-ramp access would be accommodated by Alternative 6B in the vicinity of the existing interchange by the proposed new southbound off-ramp and northbound on-ramp at Oak St. and Indiana St.

The Zero-Emission Truck Extension Design Option applies only to Alternatives 6B and 6C. This option will provide the ability for zero-emission trucks to operate in zero-emission mode via an extension of the overhead catenary electric power distribution system on I-710 in both the northbound and southbound directions between the northern terminus of the freight corridor connector ramps to/from the I-710 general purpose lanes, located south of the Bandini Blvd./I-710 interchange and the SR-60 mainline over crossing of the I-710.



The Zero Emission Extension (ZEE) option under Alternatives 6B and 6C would extend zero emission technology all the way to SR-60.

S.4 JOINT CALIFORNIA ENVIRONMENTAL QUALITY ACT/NATIONAL ENVIRONMENTAL POLICY ACT DOCUMENT

The I-710 Corridor Project is subject to Federal as well as State environmental review requirements because the project is on a Federal Interstate Highway, and Caltrans and Metro propose the use of Federal funds from the Federal Highway Administration (FHWA). Project documentation, therefore, has been prepared in compliance with

both the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA). Caltrans is the Lead Agency under CEQA. Under NEPA, the FHWA responsibility for environmental review, consultation, and any other action required in accordance with applicable Federal laws for this project is being carried out by Caltrans under its assumption of responsibility pursuant to 23 United States Code (USC) 327.

During the 60-day public review period for the Draft Environmental Impact Report/Environmental Impact Statement (EIR/EIS), there will be opportunity for public review and comment. After comments are received from the public and reviewing agencies on this Draft EIR/EIS, Caltrans may undertake additional environmental and/or engineering refinements. A Final EIR/EIS will be made available to the public. The Final EIR/EIS will include responses to comments received on the Draft EIR/EIS and will identify the Preferred Alternative. Following completion of the Final EIR/EIS, if the decision is made to approve the I-710 Corridor Project, a Notice of Determination will be filed with the State Clearinghouse for compliance with CEQA and a Record of Decision will be published in the Federal Register for compliance with NEPA. Following certification of the Final EIR/EIS and approval of a Record of Decision, Caltrans intends to adopt the EIR/EIS for purposes of independent CEQA/NEPA compliance responsibilities related to the discretionary State and Federal actions.

S.5 ENVIRONMENTAL CONSEQUENCES

The following sections summarize the impacts documented in the environmental analysis provided in Chapter 3.0 of this EIR/EIS. The environmental commitments and measures to minimize harm are listed in each topical section of Chapter 3 and the Environmental Commitments Record in Appendix F.

The environmental impacts described below for the build alternatives would not occur under Alternative 1 (No Build Alternative). Project benefits such as improved air quality, mobility, and safety would also not occur under Alternative 1.

S.5.1 LAND USE

S.5.1.1 EXISTING AND FUTURE LAND USE

BUILD ALTERNATIVES. The build alternatives would impact existing agricultural, commercial and service, industrial, open space and recreation, residential, transportation and utilities, and vacant land uses. Alternative 5A would convert approximately 1,352 acres of existing land uses to transportation land uses, and Alternatives 6A/B/C would convert approximately 1,652 to 1,657 acres (depending on the design option) of existing land uses to transportation land uses. Therefore, Alternatives 6A/B/C would result in a greater impact to existing land uses compared to Alternative 5A.

If you are interested in reading more about how the I-710 Corridor Project alternatives affect land use, please see Section 3.1 of the Draft EIR/EIS.

S.5.1.2 CONSISTENCY WITH STATE, REGIONAL, AND LOCAL PLANS

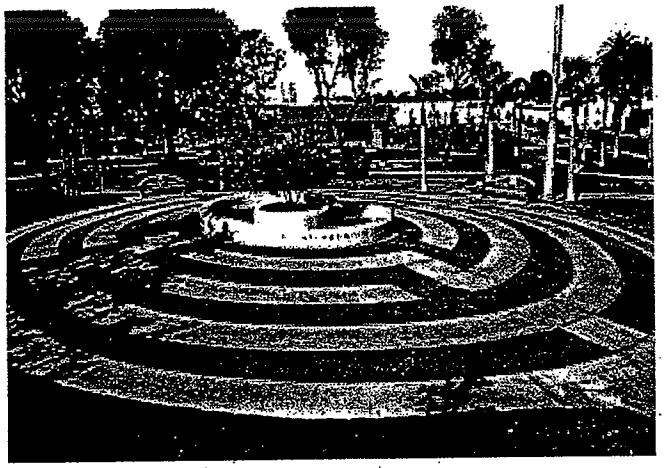
BUILD ALTERNATIVES. While adoption of the build alternatives would require SCAG, the County of Los Angeles, and several other regional and local agencies to amend their plans to reflect modifications to the I-710 mainline, interchanges,

and arterial highways, as well as the elimination of any land uses that may need to be acquired for the project, the proposed build alternatives are generally consistent with these plans. Caltrans will need to amend its existing freeway agreements with cities where the build alternatives would add or remove connections to I-710 or I-405. FHWA approval is required for any new connections to an Interstate highway. Additionally, the build alternatives are consistent with the five primary goals of the California Coastal Act.

S.5.1.3 PARKS AND RECREATION FACILITIES

BUILD ALTERNATIVES. The build alternatives would result in permanent direct impacts to parks and recreation facilities, including directly impacting Rancho Rio Verde Riding Club (relocation of one stable), the Golf Learning Center (impacts to parking) and Parque Dos Rios (permanent use of 5.67 acres under Alternative 5A and full acquisition under Alternatives 6A/B/C). Additionally, the build alternatives would result in permanent indirect impacts to the Compton Par 3 Golf Course (low visual impact), Coolidge Park (low visual impact), and Bandini Park (permanent aerial easement required). The build alternatives will impact Cesar E. Chavez Park in the city of Long Beach due to the realignment of Shoreline Dr., but after construction, there will be a net benefit to the public due to improved accessibility of the park through the consolidation of existing park parcels and because the project would result in a net increase of park acreage through the addition of the vacated existing highway right-of-way into the park boundary.

The build alternatives would not result in permanent adverse impacts to regional or local bikeways. Access to the Los Angeles River Trail would be enhanced as a result of modifications to trail entrances at the arterial highways that cross the trail.



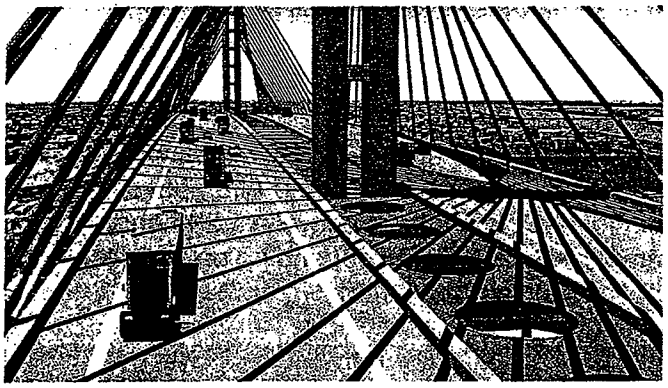
Cesar E. Chavez Park.

S.5.2 GROWTH

BUILD ALTERNATIVES. The improved mobility expected to be achieved as a result of build alternatives could have a slight influence on demand for residential and nonresidential uses in the Study Area and nearby cities; however, it would not be expected to be sufficient to result in the need to modify adopted General Plans to allow for greater levels of development (residential and nonresidential). Further, due to lack of vacant or less developed land within the I-710 Corridor, the build alternatives would not facilitate new development by opening up access to previously undeveloped or less developed areas.

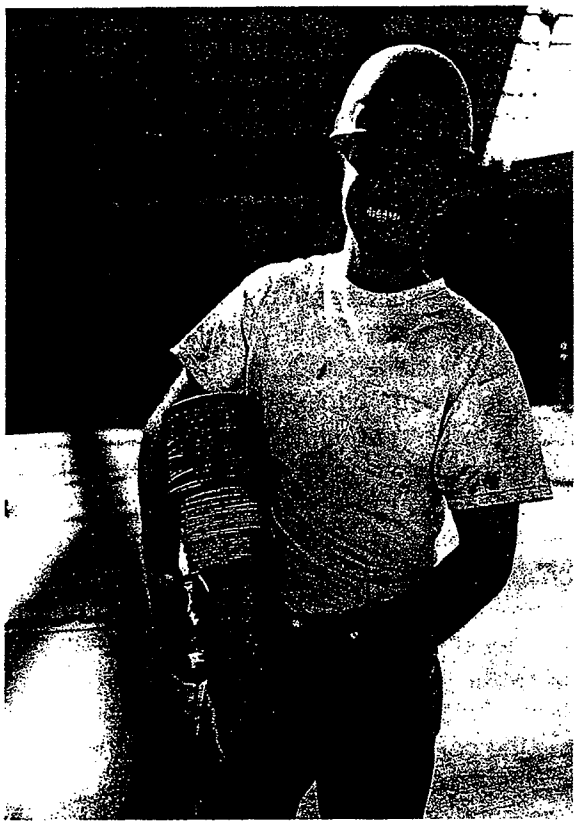
If you are interested in reading more about how the I-710 Corridor Project alternatives affect growth, please see Section 3.2 of the Draft EIR/EIS.

The I-710 build alternatives are expected to accommodate existing, approved, and planned growth in the area, but are not expected to influence the amount, timing, or location of growth in the area.



One purpose of the I-710 Corridor Project is to accommodate growth related to goods movement. Projects such as the new Gerald Desmond Bridge are examples of other projects in the I-710 Study Area planned to accomodate growth related to goods movement.

A key element of the project purpose of the I-710 Corridor Project is to address projected growth in population, employment, and economic activities related to goods movement. The increase in capacity on I-710 under the build alternatives is not expected to influence demand for growth at the Ports nor would growth of port cargo handling capacity at the Ports substantially increase travel demand on I-710. This is because an analysis of the port cargo growth and container movements by truck scenarios showed that the low-growth scenario results in only 11 percent fewer daily port truck trips as compared to the high-growth scenarios, even though the low-growth scenario has 33 percent less containerized cargo throughput compared to the high-growth scenarios. However, by adding highway system capacity to the goods movement infrastructure in Southern California, all of the build alternatives will have a beneficial effect in accommodating the forecasted growth in the movement of cargo containers via truck within the I-710 Corridor. Alternatives 6A/B/C would have a greater beneficial effect than Alternative 5A by providing dedicated lanes for freight movement within the I-710 Corridor.



A worker at the Port of Long Beach.

S.5.3 COMMUNITY IMPACTS

S.5.3.1 COMMUNITY CHARACTER AND COHESION

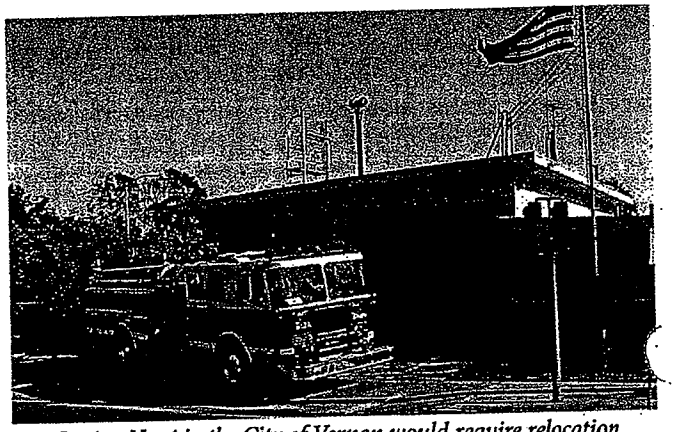
BUILD ALTERNATIVES. While temporary disruption of community character and cohesion would occur as a result of construction of the build alternatives, the mobility improvements provided by the I-710 Corridor Project would also benefit most of the affected communities by providing an improved connection to other parts of the Study Area and the Gateway Cities Subregion as a whole. However, community cohesion impacts do occur at a localized level within Commerce, Bell Gardens, and Compton due to relocations of existing cohesive communities. Mitigation for relocations within these communities is provided through implementation of Mitigation Measure

C-1 described in Section 3.3.2.4. Community services within the Study Area, such as fire, police protection, and other emergency responders would be more readily available with the build alternatives since mobility within the Study Area would improve over existing conditions.

The build alternatives have been developed through an extensive community outreach process that involves input from multiple public agencies and stakeholders in order to avoid impacts to human-made and natural environments, including existing and future communities. Community concerns and comments have been expressed throughout the design process and the build alternatives have been refined as much as possible to address the community's concerns and to maintain community character and cohesion. Therefore, with the exception of a few locations where access to the highway system would be changed and relocations would occur, the community character and cohesion of most communities would remain intact with implementation of the build alternatives.

S.5.3.2 RELOCATIONS AND REAL PROPERTY ACQUISITION

BUILD ALTERNATIVES. The build alternatives would result in the relocation of residential and nonresidential properties. In summary, within the Study Area, Alternative 5A would result in a total of 115 residential and 88 nonresidential relocations. Alternatives 6A/B/C would result in a total of between 183 and 261 residential and between 177 and 198 nonresidential displacements, depending on the design option. Alternative 5A would relocate 416 residents and Alternatives 6A/B/C would relocate between 662 and 945 residents, depending on the design option. For the majority of the Study Area, residential displacements, given the present market conditions, do not indicate a need for the construction of replacement housing. Last Resort Housing is not required. However, there are residential property impacts for some design options of Alternatives 6A/B/C in the cities of Commerce, Compton, and Bell Gardens where Housing of Last Resort may have to be considered for relocating the affected residential properties. Alternative 5A could result in a total of 440 employee relocations, and Alternatives 6A/B/C could result in a total of between 1,263 and 1,349 employee relocations (depending on the design option) in the Study Area.



Fire Station No. 4 in the City of Vernon would require relocation under all I-710 build alternatives.

As a result of property acquisitions and relocations, the build alternatives could also result in a loss of sales tax and property tax revenue to the affected cities within the Study Area and also to Metro and the State. It is Caltrans' and Metro's goal that all relocations will occur within the affected communities which would help retain potentially lost tax revenues within those communities.

S.5.3.3 ENVIRONMENTAL JUSTICE

BUILD ALTERNATIVES. As a result of the build alternatives, some disproportionate adverse impacts to minority and low-income populations were identified related to near roadway noise and air quality impacts, while in other areas, no disproportionate adverse effects are found. In general, adverse effects identified have the potential to be mitigated. Areas where mitigation measures may be needed, include economic

Relocations by Build Alternatives				
	Alternative 5A	Alternatives 6A/B/C		
		Option 1	Option 2	Option 3
Residential	115	261	189	183
Nonresidential	88	198	195	177
Total Relocations	**203**	**459**	**384**	**360**
Total Residents Relocated	**416**	**945**	**684**	**662**

Source: Community Impact Assessment, March 2012

impacts related to tolling (under Alternative 6C) and relocations (i.e., most relocations occur within areas with minority and/or low income populations).

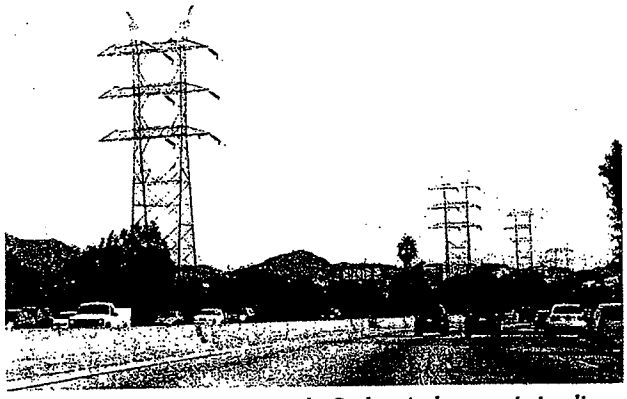
The reconfiguration of Cesar E. Chavez Park would improve access to the park, as well as provide for a larger contiguous recreation area. This beneficial impact would apply primarily to the moderate- to low-income communities within approximately 0.5 mile of the park. The Park itself is located in a zone where between 50 and 75 percent of the household incomes are below two times the Federal poverty threshold. This is one of the lowest-income communities in the entire Study Area.

If you are interested in reading more about how the I-710 Corridor Project alternatives affect community impacts, please see Section 3.3 of the Draft EIR/EIS.

S.5.4 UTILITIES AND EMERGENCY SERVICES

S.5.4.1 BUILD ALTERNATIVES

The build alternatives would not result in increased population or demand for public services in the Study Area because they would not construct new housing or businesses. However, the build alternatives would have both beneficial and adverse effects on fire protection and law enforcement protection service providers within the Study Area. The build alternatives would result in the relocation of City of Vernon Fire Station No. 4. Beneficial effects include improved emergency response times, as the ability to move fire protection, law enforcement, and emergency service resources from one area to another would be enhanced by the improved transportation network.



Under Alternatives 6A, 6B, and 6C, electrical transmission lines will be relocated to provide room for expanding I-710 to help reduce the amount of property that would otherwise need to be acquired.

Alternative 5A would impact cable television, gas, oil, power, sewer, telephone, and water utility lines. These include both distribution and transmission lines that would require either relocation or protection in place. In addition to the utilities relocated under Alternative 5A, Alternatives 6A/B/C would require extensive relocation of electric transmission facilities owned and operated by Southern California Edison (SCE) and the Los Angeles Department of Water and

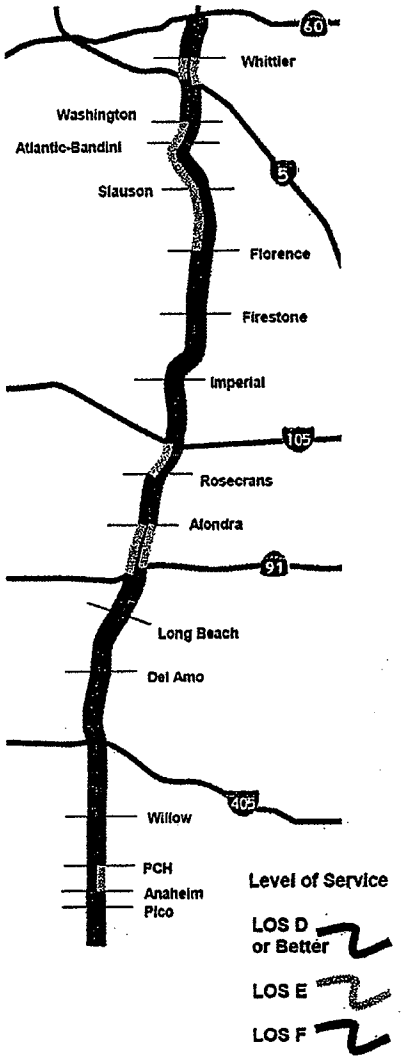
Power (DWP). Several relocation strategies are being considered for utilities impacted as a result of the build alternatives. To address the extensive amount of utility relocations, Metro has initiated detailed relocation studies to help shorten the lead time necessary to implement these relocations, assuming a build alternative is selected for implementation.

If you are interested in reading more about how the I-710 Corridor Project alternatives affect utilities and emergency services, please see Section 3.4 of the Draft EIR/EIS.

S.5.5 TRAFFIC CIRCULATION, PEDESTRIANS, AND BICYCLISTS

BUILD ALTERNATIVES. On the I-710 mainline, the traffic LOS is generally maintained or improved in the morning, midday, and evening peak periods in both directions of I-710 when comparing the 2035 build alternative conditions (Alternatives 5A, 6A, 6B and 6C) to the 2035 No Build (Alternative 1) conditions. Although LOS improves compared to the no build conditions, some segments of the I-710 mainline would continue to experience poor LOS in 2035 under all the build alternatives and Alternative 1 in the morning, midday, and evening peak periods in both the northbound and southbound directions due to increased traffic volumes caused by regional growth in traffic.

Implementation of the I-710 Corridor Project is projected to result in adverse impacts to 21 intersections in the project Study Area. Feasible mitigation measures were identified for all but four of these intersections. These four intersections will remain adversely impacted by the proposed project. The LOS and average intersection delay for 17 of the impacted study intersections will improve intersection operations back to the projected Alternative 1 (2035 No Build) operating conditions or better with implementation of the recommended mitigation measures.



2035 No Build Level of Service - Morning Peak Hour

If you are interested in reading more about how the I-710 Corridor Project alternatives affect traffic circulation, please see Section 3.5 of the Draft EIR/EIS.

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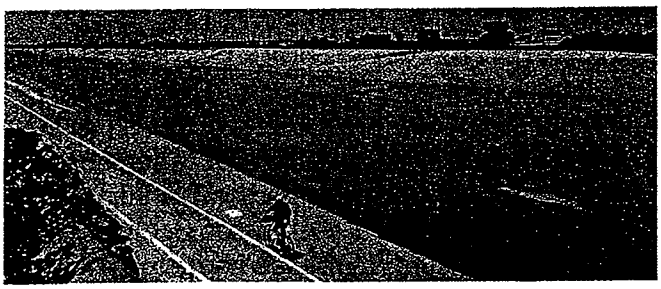
Vernon SA - LRPMP July 20, 2013



The I-710 Corridor Project includes changes to arterial interchanges that may affect sidewalks and bicycle lanes. The I-710 Corridor Project will provide facilities for bicycles and pedestrians in locations where local streets are affected by the construction of the build alternatives. Because bicycle and pedestrian facilities will be maintained or improved, the effect of the I-710 Corridor Project is that travel by walking and bicycling will not substantially change as a result of the implementation of the build alternatives.

S.5.6 VISUAL/AESTHETICS

BUILD ALTERNATIVES. There will be long-term adverse impacts with the construction of all build alternatives. Alternatives 6A/B/C will create the most substantial impacts, where portions of the I-710 Corridor Project in the cities of Long Beach and South Gate have the most substantial adverse visual impacts due to the close proximity of the freeway-to-freeway interchanges, sound walls, and elevated freight corridor to residential housing units. These moderately high impacts will require mitigation measures that will need more than five years to take effect. Other areas exhibit lesser levels of negative impacts ranging from moderate to neutral/low and some areas experience a positive visual effect. Aesthetic enhancement of the I-710 Corridor is desired by the affected communities; this will be achieved through implementation of a Corridor Master Plan that will define aesthetic and landscaping treatment measures that will be incorporated into the final design of the I-710 Corridor Project.

If you are interested in reading more about how the I-710 Corridor Project alternatives affect the visual environment, see Section 3.6 of the Draft EIR/EIS.

The Corridor Master Plan shall be developed based on the I-710 Urban Design and Aesthetic Toolbox Report (February 2012) in a context-sensitive design process in consultation with the affected local agencies and shall include involvement of local community members as determined by the local agencies. Texture treatments (for structures, median barriers, etc.), planting, irrigation, opportunities for community identification, and concepts from the I-710 Corridor Urban Design and Aesthetics Toolbox Report (February 2012) will be incorporated into the project design to mitigate the visual and community impacts of the increased scale of the project improvements.

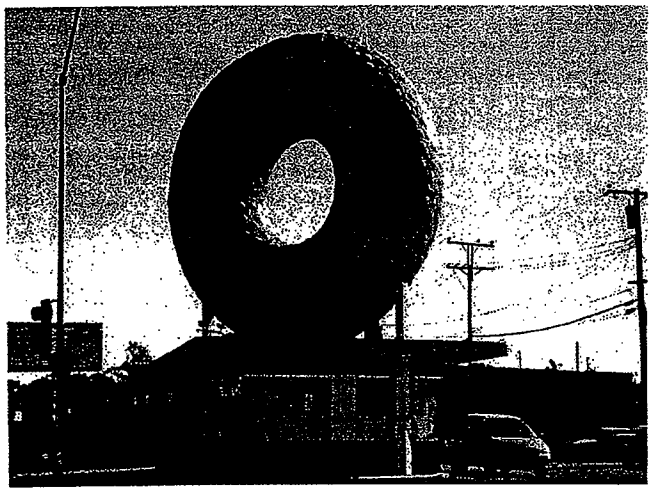
Soundwalls help reduce freeway noise, but they can create visual impacts when they obstruct views or become a target for graffiti. To mitigate these impacts, a master landscape plan will be prepared to provide for aesthetically pleasing landscape and hardscape treatments.

In addition to the structural or physical changes that the I-710 Corridor Project will create, viewers within the Study Area will experience increased night lighting from the addition of traffic lighting on the elevated freight corridor (under Alternatives 6A/B/C). Glare from all lanes is expected to be minimized by the construction of screen walls and sound walls and by distance

of the viewer from traffic lighting and vehicular lights.

S.5.7 CULTURAL RESOURCES

BUILD ALTERNATIVES. The build alternatives would impact four historic resources; a UP Railroad segment, Dale's Donuts, the Boulder Dam-Los Angeles 287.5-kilovolt (kV) Transmission Line, and the South Gate Civic Center Community Center Building. The UP Railroad segment has already been altered and therefore does not contribute to the significance of the UP Railroad. The build alternatives would impacts a small section of the parking area and sidewalk at Dale's Donuts. The impact to the Boulder Dam-Los Angeles 287.5 kV Transmission Line will not lessen the integrity of the line to render it ineligible for the National Register of Historic Places (National Register). Therefore, based on the above discussion, the build alternatives will result in a finding of No Adverse Effect per 36 CFR 800.5 for these cultural resources.



A comprehensive survey of the study area was conducted to identify historic properties in the I-710 Corridor.

The South Gate Civic Center Community Center Building is not a historic property for the purposes of Section 106 but is identified as a Local Landmark. The build alternatives will not directly alter this resource.

The build alternatives would not result in an adverse effect on historic properties. Therefore, no avoidance, minimization, and/or mitigation measures are proposed. Please see Section 3.24.4.7 for measures to reduce impacts to cultural resources and address human remains discovered during project construction.

If you are interested in reading more about how the I-710 Corridor Project alternatives affect our cultural resources, please see Section 3.7 of the Draft EIR/EIS.

S.5.8 HYDROLOGY AND FLOODPLAINS

BUILD ALTERNATIVES. All build alternatives will result in transverse (i.e., perpendicular to the direction of flow) encroachments at 22 Los Angeles River locations, one Compton Creek, and one Rio Hondo Channel location. The build alternatives would not change the capacity of the Los Angeles River, Compton Creek, and/or Rio Hondo Channel to carry water and would not result in a measurable impact to the 100-year floodplain elevation. The proposed encroachments would not result in any adverse impacts on the natural and beneficial floodplain values, would not result in a substantial change in flood risk or damage, and do not have substantial potential to cause interruption or termination of emergency services or emergency routes. Therefore, the build alternatives do not constitute a significant floodplain encroachment as defined in 23 Code of Federal Regulations (CFR) 650.105(q).

All build alternatives include improvements to the freeway drainage system.

Alternatives 6A/B/C will also impact the Dominguez Gap Basins (west basins), which are used for groundwater recharge, and a retention basin at the I-710/I-105 interchange. Potential replacement locations have been identified for these basins.

If you are interested in reading more about how the I-710 Corridor Project alternatives affect the hydrology and floodplains of the area, please see Section 3.8 of the Draft EIR/EIS.

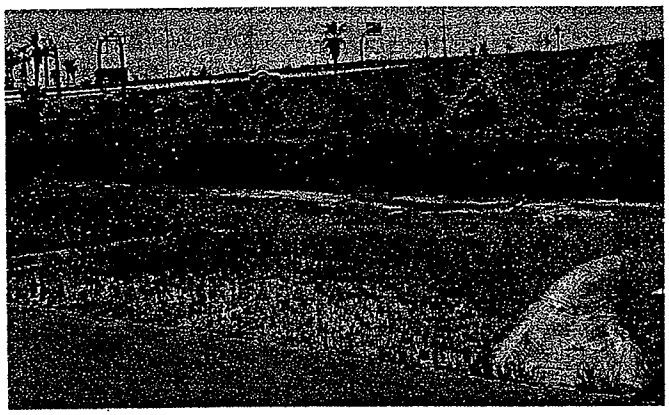
S.5.9 WATER QUALITY AND STORMWATER RUNOFF

BUILD ALTERNATIVES. Alternatives 6A/B/C would result in a greater increase in impervious surface area compared to Alternative 5A. The increase in impervious surface and, therefore, the increase in runoff and pollutant loading under Alternatives 6A/B/C, would be greater than under Alternative 5A. All build alternatives would add new impervious surfaces, thereby increasing the amount of storm- water runoff within the project limits and introducing additional amounts of water pollutants into the runoff in the area. However, retention basins and/or bioswales would be implemented to treat stormwater runoff prior to discharge to receiving water bodies and manage increased stormwater flows. Therefore, permanent impacts to the water quality of groundwater in the vicinity of the I-710 Corridor Project would be minimal following the completion of construction because there would not be any increase in the transport of pollutants into the groundwater through infiltration during the operational life of the new structures.

Although all build alternatives will result in increased surface water runoff due to the increase in paved surface area, the project design includes features to capture and treat runoff before it enters the Los Angeles River.

S.5.10 GEOLOGY, SOILS, SEISMIC, AND TOPOGRAPHY

BUILD ALTERNATIVES. The roadway, structures, and other features of the build alternatives could be impacted by ground motion and liquefaction and possible ground rupture (deformation), to some degree. Design and construction of the I-710 Corridor Project to current highway and structure design standards, including applicable seismic standards, would minimize the potential impacts on the build alternatives.



A bioswale storm water runoff treatment feature.

S.5.11 PALEONTOLOGY

BUILD ALTERNATIVES. Permanent impacts from the build alternatives on paleontological resources (fossils) would include destruction of paleontological resources, damage to paleontological resources during grading, destruction of rock units that may contain paleontological resources, loss of contextual data associated with paleontological resources, and loss of associations between paleontological resources. However, impacts to paleontological resources can be mitigated through monitoring and fossil recovery during construction.

Certain areas of the I-710 Corridor have a high sensitivity for the presence of fossils. During grading in these areas, monitoring will be conducted to collect any fossils unearthed during construction.

If you are interested in reading more about how the I-710 Corridor Project alternatives affect the water quality, geology and paleontological resources of the area, please see Section 3.9 -11 of the Draft EIR/EIS.

S.5.12 HAZARDOUS WASTE/MATERIALS

BUILD ALTERNATIVES. Hazardous waste risks associated with the build alternatives are related to property acquisitions, project construction, and project operation. To ensure that no risk is posed to project construction workers and the general public during construction, any property acquired must be free of hazardous wastes prior to the start of construction.

The Study Area includes many properties such as oil fields, industrial areas, and gas stations where there is a potential to encounter hazardous waste. To mitigate this impact, any soil and groundwater contamination would be cleaned up prior to the start of construction in these areas.

Operation and maintenance of the facilities proposed as part of the build alternatives would not introduce new sources of hazardous materials/ waste. Routine maintenance activities would be required to follow applicable regulations with respect to handling and disposal of potentially hazardous materials. Vehicles traveling on the I-710 mainline would continue to transport

hazardous substances that could spill and impact the roadway, adjacent properties, or resources. However, the purpose of the I-710 Corridor Project is to improve traffic safety, which could reduce traffic accidents that could result in hazardous waste spills. Implementation of the build alternatives would not result in a substantial permanent adverse impact related to hazardous waste and materials. The build alternatives would decrease hazardous waste risks in the long term as a result of the cleanup and remediation of any hazardous waste contamination on properties that would be acquired for the project.

If you are interested in reading more about how the I-710 Corridor Project alternatives affect hazardous waste/materials of the area, please see Section 3.12 of the Draft EIR/EIS.

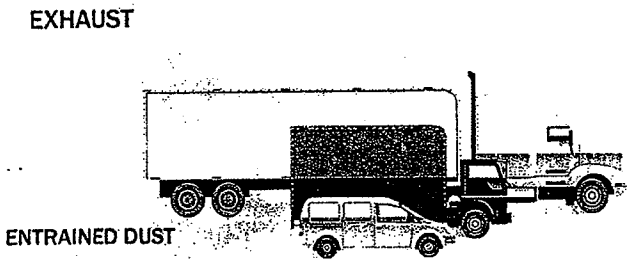
S.5.13 AIR QUALITY

BUILD ALTERNATIVES. Table S-2, on the next page, provides a listing of the air pollutants, their sources, and their adverse effects, which are evaluated in the I-710 air quality analysis.

S.5.13.1 PROJECT STUDY AREA

Given the size of the I-710 Corridor Project and its impact on the region, incremental mobile source (traffic-generated) emission impacts were assessed for the Basin, an Area of Interest (or AOI), which is a sub-region of the Basin that includes cities and communities along the I-710 freeway and the I-710 freeway itself (see Figure S.1). For the AQ/HRA dispersion modeling analyses, the American Meteorological Society/ Environmental Protection Agency Regulatory Model (AERMOD) dispersion model and a coarse receptor grid were used to determine a zone of impact of the emissions from the I-710 freeway itself. This modeling zone of impact was generally ıe size of the general I-710 Study Area (see Figure S.1) and smaller than the AOI.

Traffic Emissions



A comprehensive Air Quality/Health Risk Assessment (AQ/HRA) was conducted to study the effects of the build alternatives.

S.5.13.2 AQ/HRA ALTERNATIVES COMPARISON SUMMARY

Multiple metrics were used to assess the air quality impacts and health risks of the project alternatives. A single metric cannot, and should not, be used to evaluate the full impacts of any build alterative. The results of the different analyses should be considered together to give a fuller and more comprehensive understanding of project alternative air quality and health risk impacts. All project alternatives, including Alternative 1 (No Build), have locations of greater impacts, depending on the air quality metric used. In summary, the analyses show that:

- Criteria and air toxic exhaust emissions are generally lower (sometimes as much as 80+ percent lower) in the 2035 alternatives compared to 2008. The greatest reductions are in the Basin and I-710 Study AOI. The smallest reductions are along the I-710 freeway.

  o For the Basin and I-710 Study AOI, the emission changes for all 2035 build alternatives (compared to 2035 Alternative 1) are essentially zero: less than 1 percent increase or slight decreases (Alternatives 6B, 6C, 6B ZEE Design Option, and 6C ZEE Design Option only).

Table S-2 Summary of Air Pollutants		
Pollutants	**Sources**	**Primary Effects**
Ozone (O_3)	Atmospheric reaction of organic gases with nitrogen oxides in the presence of sunlight.	Aggravation of respiratory and cardiovascular diseases. Irritation of eyes. Impairment of cardiopulmonary function. Plant leaf injury.
Nitrogen Dioxide (NO_2)	Motor vehicle exhaust. High temperature stationary combustion. Atmospheric reactions.	Reduced tolerance for exercise. Impairment of mental function. Impairment of fetal development. Death at high levels of exposure. Aggravation of some heart diseases (angina).
Carbon Monoxide (CO)	By-products from incomplete combustion of fuels and other carbon containing substances, such as motor exhaust. Natural events, such as decomposition of organic matter.	Reduced tolerance for exercise. Impairment of mental function. Impairment of fetal development. Death at high levels of exposure. Aggravation of some heart diseases (angina).
Suspended Particulate Matter ($PM_{2.5}$ and PM_{10})	Stationary combustion of solid fuels. Construction activities. Industrial processes. Atmospheric chemical reactions.	Reduced lung function. Aggravation of the effects of gaseous pollutants. Aggravation of respiratory and cardiorespiratory diseases. Increased cough and chest discomfort. Soiling. Reduced visibility.
Ultrafine Particulates	Both manufactured and naturally occurring. Vehicle exhaust. Combustion reactions. Smoke.	Ultrafine particles are deposited in the lungs where they have the ability to penetrate tissue, or to be absorbed directly into the bloodstream. Exposure to ultrafine particulates can induce lung disease and other systemic effects.
Sulfur Dioxide (SO_2)	Combustion of sulfur-containing fossil fuels. Smelting of sulfur-bearing metal ores. Industrial processes.	Aggravation of respiratory diseases (asthma, emphysema). Reduced lung function. Irritation of eyes. Reduced visibility. Plant injury. Deterioration of metals, textiles, leather, finishes, coatings, etc.
Mobile Source Air Toxics (MSAT)	Vehicle exhaust. Includes acetaldehyde, acrolein, benzene, 1,3-butadiene, diesel particulate matter (DPM), and formaldehyde	Increased risk of cancer, neurological and reproductive disorders, blood disease, birth defects, developmental damage, kidney and liver damage, and respiratory disease.
Greenhouse Gases (GHG)	Fuel combustion. Includes carbon dioxide (CO_2), methane (CH_4), and nitrous oxide (N_2O).	Global climate change (GCC). Alterations in weather features that occur across the Earth as a whole, including temperature, wind patterns, precipitation, and storms.

- Along the I-710 freeway (including the freight corridor, if applicable), only Alternative 6B and Alternative 6C show decreases in emissions (mostly nitrogen oxides [NO_X] and reactive organic gases [ROGs]) compared to Alternative 1 (No Build). The other two build alternatives have increased emissions along the I-710 freeway compared to Alternative 1, with the greatest increases for Alternative 6A and then Alternative 5A.

  - For the ZEE Design Options for Alternatives 6B and 6C, the emissions of NO_X, ROG, and sulfur dioxide (SO_2) decrease when compared to Alternative 1 (No Build).

- Entrained PM_{10} and $PM_{2.5}$ emissions increase for all alternatives (compared to 2008) and

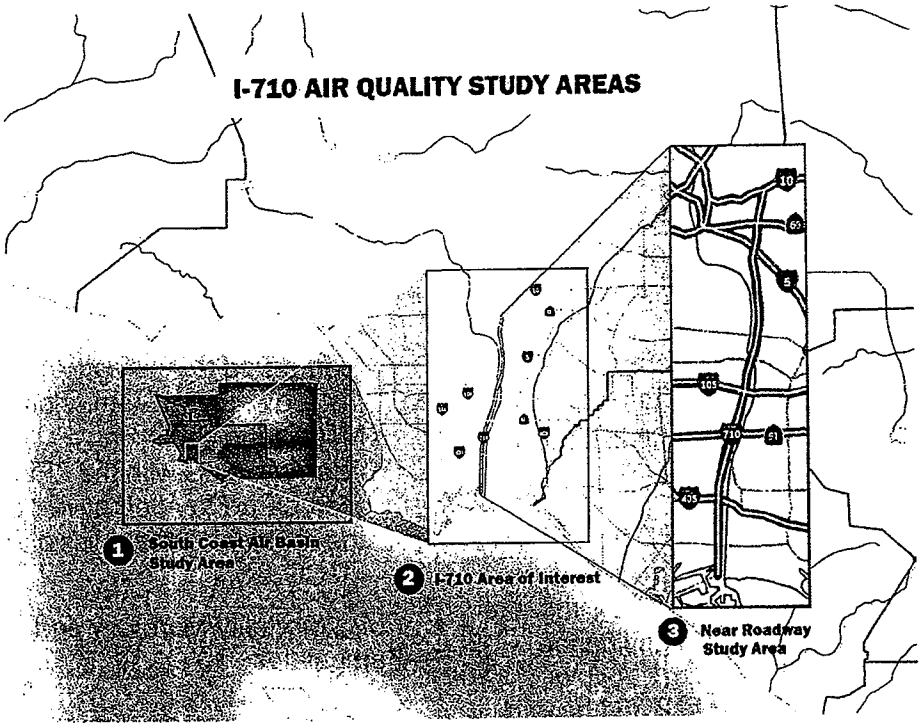


Figure S-1 South Coast Air Basin, Air Quality Area of Interest, General I-710 Project Study Area, and I-710 Freeway

in all study areas. These increases can be greater than the calculated incremental exhaust emission decreases, leading to the conclusion that total PM_{10} emissions increase in all study areas for 2035 project alternatives compared to 2008.

- o After the I-710 Corridor Project emission calculations were completed, the SCAQMD proposed a modified methodology for entrained PM emissions as part of its 2012 Air Quality Management Plan (AQMP) development. In SCAQMD's proposed methodology, 2008 PM_{10} and $PM_{2.5}$ estimates will be lower, particularly $PM_{2.5}$ estimates. Most importantly, future year entrained PM will remain constant unless the roadway is lengthened. Thus, actual PM impacts for the project alternatives (compared to the 2008 baseline) will be similar to the exhaust PM impacts than the results presented for total PM impacts.

- I-710 Freeway Near-Roadway Impacts: All alternatives (compared to 2008 or 2035 Alternative 1) showed greater criteria and air toxics emissions impacts along the I-710 freeway than in the I-710 Study Area of Interest or Basin. This was anticipated, because widening and/or building a freight corridor would attract more traffic to the I-710 freeway and reduce traffic (and emissions) on local roadways and other freeways. An additional dispersion modeling (AERMOD) assessment of near-roadway air quality and health risk impacts along the I-710 freeway was conducted to assess these impacts.

  For near-roadway impacts from I-710 freeway emissions (compared to 2008, unless noted):

  - o Principally, none of the 2035 alternatives is expected to result in an exceedance of

the California ambient air quality standards (CAAQS) or the national ambient air quality standards (NAAQS) for NO_2 and carbon monoxide (CO).

- o All 2035 alternatives (including the ZEE Design Options for Alternatives 6B and 6C) had near-freeway (<300 meters) total PM_{10} and $PM_{2.5}$ impacts, with the least impacts for Alternative 1.
- o Alternatives 5A and 6A had incremental exhaust PM_{10} and $PM_{2.5}$ impacts greater than the SCAQMD's significance threshold (although lower impacts than incremental total PM_{10} and $PM_{2.5}$).
- o Alternatives 1, 6B, 6C, 6B ZEE Design Option, and 6C ZEE Design Option had no incremental exhaust PM_{10} and $PM_{2.5}$ impacts greater than the SCAQMD's significance threshold.
- o Compared to 2008, cancer risk and hazard indices decrease throughout the modeling domain for all 2035 alternatives except Alternative 6A in nonresidential areas very near to the I-710 (mainline and/or freight corridor).
- o Compared to Alternative 1, Alternative 6B and Alternative 6C have lower cancer risk impacts until the freight corridor ends near the rail yards, while the other alternatives have greater cancer risk impacts. Cancer risk impacts north of Washington Blvd. are greater for all build alternatives (compared to Alternative 1), even for Alternatives 6B and 6C, because it is assumed that trucks not on the freight corridor are not operating in zero emission mode.

  - The ZEE Design Options for Alternative 6B and 6C would reduce the health risk north of the rail yards. However, when compared to Alternative 1, these alternatives would continue to expose a few small areas to an incremental cancer risk exceeding the 10 in a million threshold.

- The greatest greenhouse gas (GHG) reductions (compared to Alternative 1) occurred for Alternatives 6B and 6C with decreases of 600,000 and 490,000 $MTCO_2e$ per year (metric tons per year of carbon dioxide equivalent), respectively.

  - o Alternative 6B with the ZEE Design Option (compared to Alternative 1) would reduce the regional GHG emissions by 646,000 $MTCO_2e$/yr.
  - o Alternative 6C with the ZEE Design Option (compared to Alternative 1) would reduce the regional GHG emissions by 526,000 $MTCO_2e$/yr.

- $PM_{2.5}$ Mortality/Morbidity and Ultrafine Particulates

  - o Special I-710 Corridor Project qualitative analyses were conducted for $PM_{2.5}$ mortality/morbidity and ultrafine particulates, using total $PM_{2.5}$ and exhaust $PM_{2.5}$ impacts, respectively, as surrogates.
  - o The public's exposure to PM-related morbidity and mortality health risks would generally decrease relative to the 2008 baseline in all parts of the I-710 Study AOI; the exceptions would be some locations near portions of the I-710 freeway and/or freight corridor (<100 meters) as shown in Appendix R, AQ/HRA Maps, of the Draft EIR/EIS.
  - o The public's exposure to ultrafine particulates should decrease for all 2035 Alternatives relative to the 2008 baseline.
  - o Alternatives 6B and 6C had the lowest exhaust $PM_{2.5}$ emissions and modeled concentration impacts of all 2035 alternatives (even 2035 Alternative 1); therefore, it is expected that Alternatives 6B and/or 6C would decrease the public's health risk due to ultrafine particles, relative to the No Build Alternative.

- The ZEE Design Options for Alternative 6B and 6C would further reduce the exhaust $PM_{2.5}$ emissions and modeled concentration impacts.

- Regional and Project-Level Conformity

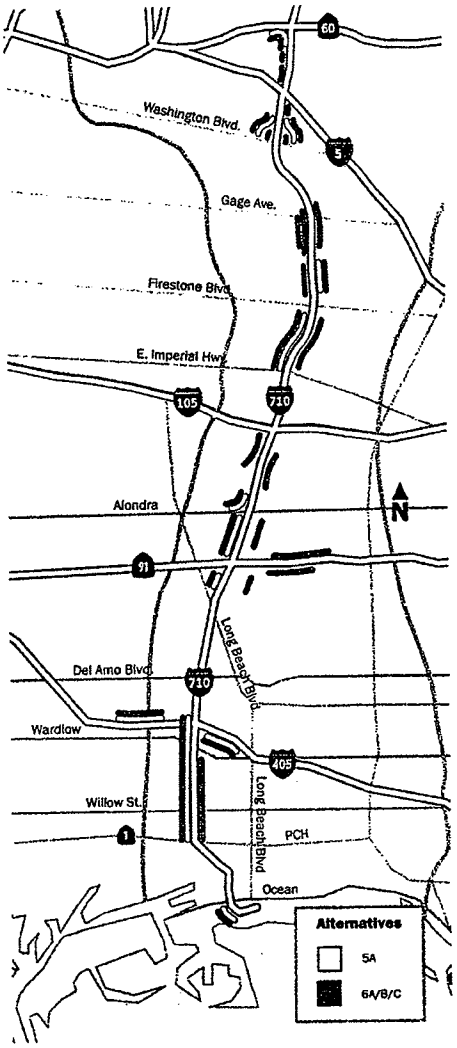
  o Regional and project-level conformity analysis was conducted relative to conformity requirements under the Federal Clean Air Act. The I-710 Corridor Project is expected to demonstrate conformity with all Federal conformity requirements.

If you are interested in reading more about how the I-710 Corridor Project alternatives affect air quality, please see Section 3.13 of the Draft EIR/EIS.

S.5.14 NOISE

BUILD ALTERNATIVES. Traffic noise modeling results for the build alternatives compared predicted design-year traffic noise levels with the project to existing conditions and to design-year no-build conditions. The comparison to existing conditions was included in the analysis to identify traffic noise impacts under 23 CFR 772. The comparison to the future no build condition indicates the traffic noise increase resulting from the project. Traffic noise impacts are predicted to occur throughout the I-710 Corridor, in addition to areas that already exceed Federal noise abatement criteria. Sound walls are proposed throughout the length of the project for all sensitive land uses categories including residential areas, schools, and parks.

If you are interested in reading more about how the I-710 Corridor Project alternatives affect noise in the region, please see Section 3.14 of the Draft EIR/EIS.



Proposed soundwall locations along I-710.

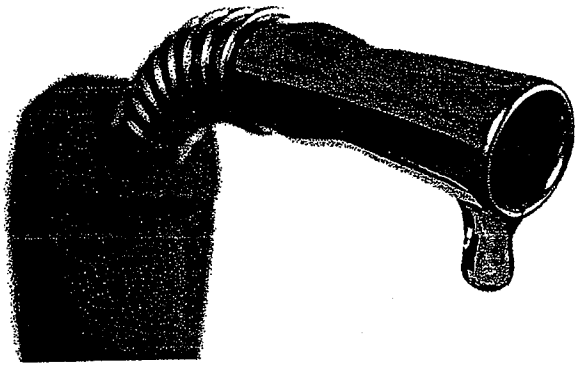
S.5.15 ENERGY

BUILD ALTERNATIVES. Compared to 2008 existing conditions:

- 2035 Alternative 1 (No Build) and Alternatives 5A and 6A energy consumption increases by approximately 16 percent.
- 2035 Alternatives 6B and 6C energy consumption increases by approximately 14 percent.

Compared to 2035 No Build conditions:

- 2035 Alternative 5A energy consumption decreases by 0.1 percent.
- 2035 Alternative 6A energy consumption does not change.
- 2035 Alternative 6B energy consumption decreases by 2.0 percent.
- 2035 Alternative 6C energy consumption decreases by 1.6 percent.



Alternatives 5A and 6A/B/C improvements would increase average travel speeds during peak hours, remove bottlenecks, and reduce delays. However, VMT in the Study Area would also increase when comparing any of the build alternatives with the 2035 No Build condition. The build alternatives would result in a slight decrease in gasoline fuel consumption compared to the 2035 No Build condition. Alternative 5A would produce no change in diesel fuel consumption compared to the 2035 No Build condition. Similarly, Alternative 6A would produce a 1.3 percent increase in Study Area diesel fuel consumption as truck VMT increases in the Study Area due to the conventionally powered truck trips attracted to the freight corridor in this alternative. For Alternatives 6B and 6C, which include the zero-emission freight corridor with electric powered trucks, the diesel fuel consumption is estimated to be 6 to 8 percent less than under the 2035 No Build condition, as electric power is substituted for diesel power on the freight corridor.

If you are interested in reading more about how the I-710 Corridor Project alternatives affect energy use in the region, please see Sections 3.15 of the Draft EIR/EIS.

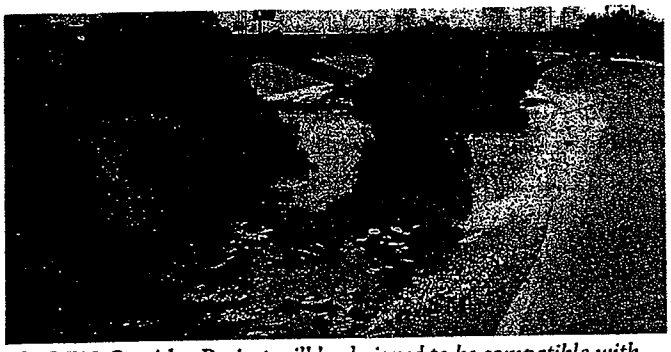
S.5.16 NATURAL COMMUNITIES

BUILD ALTERNATIVES. Permanent direct and indirect impacts to natural communities would be greater under Alternatives 6A/B/C than under Alternative 5A. A total of 4.08 acres of permanent direct impacts to estuarine habitat and riparian/riverine habitats would occur under Alternatives 6A/B/C, whereas Alternative 5A would permanently and directly impact 0.94 acre of these habitats. Additionally, Alternatives 6A/B/C would permanently and indirectly impact 16.21 acres of estuarine habitat and riparian/riverine habitats, whereas Alternative 5A would permanently and indirectly impact 13.46 acres of these habitats. Potential hydraulic effects are associated with bridge modifications and the relocation of a segment of electrical transmission lines along the edge of the river, upstream. However, as analyzed in Section 3.8 of this Draft EIR/EIS, the proposed modifications would mimic the existing pier configurations upstream and downstream, and there would not be substantial effects to the water surface elevation, velocity of flood flows, sedimentation, or scour in the vicinity of the new piers. Because there are no substantial effects at the location of the modifications, there are no substantial effects to downstream locations, including the estuarine habitat.

Because the I-710 Corridor has restricted wildlife movement and resulted in habitat fragmentation for many years, none of the build alternatives are expected to have an adverse effect on wildlife movement. Nonetheless, Alternatives 6A/B/C will have a greater impact on wildlife corridors/habitat fragmentation than Alternative 5A due to the larger footprint of the freight corridor associated with

Alternatives 6A/B/C.

If you are interested in reading more about how the I-710 Corridor Project alternatives affect natural communities, water, plant species, and animal species, please see Sections 3.16 - 19 of the Draft EIR/EIS.



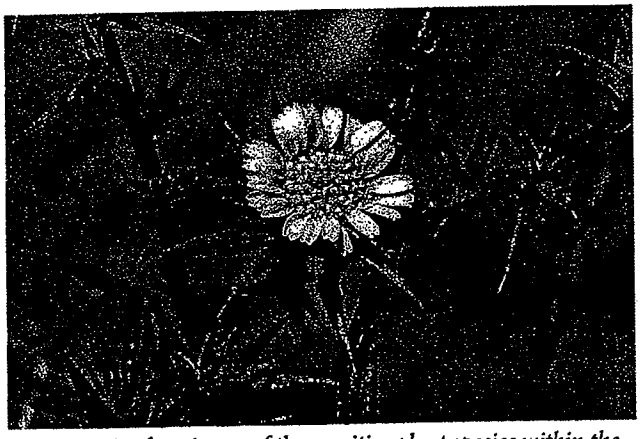
The I-710 Corridor Project will be designed to be compatible with the Los Angeles River Master Plan.

3.5.17 WETLANDS AND OTHER WATERS OF THE U.S.

BUILD ALTERNATIVES. In general, Alternatives 6A/B/C would result in greater impacts to jurisdictional waters than Alternative 5A. Jurisdictional areas would be impacted at three locations by Alternatives 6A/B/C that would not be affected by Alternative 5A. Alternatives 6A/B/C are expected to result in direct permanent impacts to approximately 4.06 acres of United States Army Corps of Engineers (USACE)/Regional Water Quality Control Board (RWQCB) jurisdictional areas and 9.99 acres of California Department of Fish and Game (CDFG) jurisdictional areas. Alternative 5A would result in impacts of 0.92 acre (permanent direct) and 1.19 acres (permanent indirect) to USACE/RWQCB jurisdictional areas.

S.5.18 PLANT SPECIES

BUILD ALTERNATIVES. One sensitive plant ,pecies (Southern Tarplant) was identified in the Study Area. Direct impacts to southern tarplant populations could occur as a result of drilling or driving piles required to construct bridge columns. However, bridge columns are proposed outside of the limits of the populations, so direct permanent impacts to southern tarplant are not anticipated from implementation of the I-710 Corridor Project. Under Alternatives 6A/B/C, some degree of permanent shade where sunny conditions currently exist will occur as a result of the elevated freight corridor. Alternative 5A would result in extremely minor indirect permanent impacts to southern tarplant from shading, and Alternatives 6A/B/C would result in greater indirect permanent impacts from shading.



Southern Tarplant is one of the sensitive plant species within the study area.

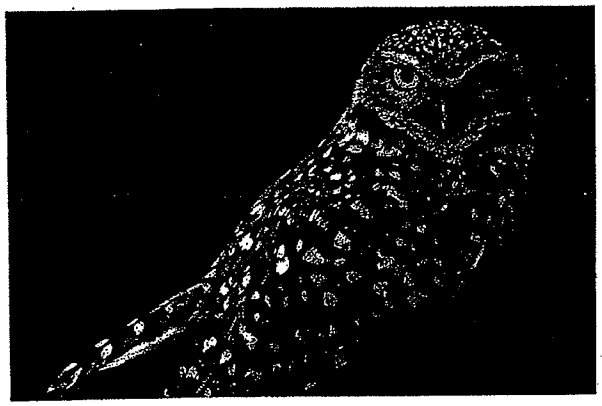
S.5.19 ANIMAL SPECIES

BUILD ALTERNATIVES. Permanent impacts would be the same for all build alternatives at the location where burrowing owls were observed on two separate occasions in 2009. Implementation of any of the build alternatives proposed for the I-710 Corridor Project is not expected to substantially affect long-term use of the habitat by burrowing owl with incorporation of the proposed avoidance and minimization measures.

Permanent impacts to bat species would be greater from implementation of Alternatives 6A/B/C, than

from Alternative 5A, given the greater amount of roosting habitat (existing bridges) permanently affected by Alternatives 6A/B/C. Implementation of any of the alternatives proposed for the I-710 Corridor Project is not expected to substantially affect long-term use of the structures by bats.

Permanent impacts to the 14 other special-status animal species would be greater from implementation of Alternatives 6A/B/C than from Alternative 5A, given the greater amount of natural habitat permanently affected by Alternatives 6A/B/C.

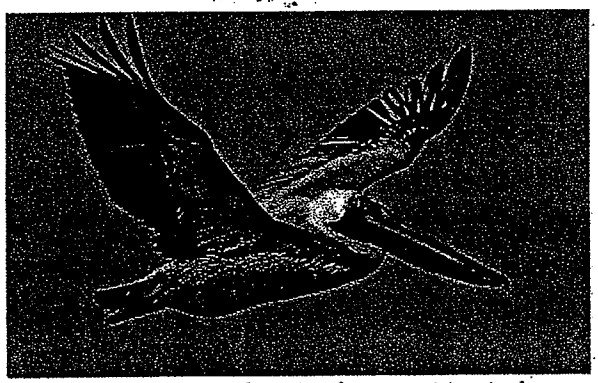


The Burrowing Owl was observed during wildlife surveys in the study area.

New bridge structures could result in occasional bird strikes. However, direct mortality is not expected with implementation of the proposed avoidance and minimization measures. The freight corridor in Alternatives 6A/B/C would be elevated along most of the lower portion of the Los Angeles River, and it includes an electrified overhead catenary system. This presents some potential for occasional bird strikes as birds leave the river to the west. However, the freight corridor and the attendant truck traffic, which will essentially parallel the Los Angeles River, will be highly visible and essentially continuous, reducing the likelihood of direct strikes. Because the overhead catenary system would be directly over the travel lanes in the freight corridor, it would likely not be an attractive perching structure for raptors or other native migratory birds, and thus, not a substantial electrocution hazard for birds. Permanent impacts to other non listed special-status species could occur in the form of direct mortality, habitat loss, and habitat fragmentation.

S.5.20 THREATENED AND ENDANGERED SPECIES

BUILD ALTERNATIVES. Permanent impacts to the California brown pelican, American peregrine falcon, California least tern, and green turtle would be greater from implementation of Alternatives 6A/B/C than from Alternative 5A, given the greater amount of natural habitat permanently affected by Alternatives 6A/B/C. Permanent impacts to these species could occur in the form of direct mortality and habitat loss.



The California Brown Pelican is a frequent visitor in the southern portion of the study area.

However, based on the level of potential effects, it is anticipated that the build alternatives may affect but are not likely to adversely affect the green turtle and California least tern. Furthermore, the build alternatives would not result in a take of any threatened and endangered species including the California brown pelican and the American peregrine falcon. Although the western snowy plover has been observed along the lower reaches of the Los Angeles River's riverine habitat in the

current decade, it is an infrequent, non breeding visitor. Due to the lack of nesting habitat, the infrequency of foraging activity and measures for avoidance and minimization of construction impacts on foraging habitat, the build alternatives are not expected to adversely affect the western snowy plover.

S.5.21 INVASIVE SPECIES

BUILD ALTERNATIVES. Construction of the I-710 Corridor Project has the potential to spread invasive species by the entering and exiting of construction equipment contaminated by invasives, the inclusion of invasive species in seed mixtures and mulch, and the improper removal and disposal of invasive species so that its seed is spread along the highway. Impacts associated with Alternatives 6A/B/C would be greater than impacts associated with Alternative 5A, given the larger area of disturbance associated with the freight corridor.

If you are interested in reading more about how the I-710 Corridor Project alternatives affect threatened, endangered and invasive species, please see Sections 3.20 and 3.21 of the Draft EIR/EIS.

S.5.22 CUMULATIVE IMPACTS

Cumulative impacts (both direct and indirect) were identified by considering the impacts of the I-710 Corridor Project and other current, or proposed actions in the area to establish whether, in the aggregate, they could result in cumulative environmental impacts. The analysis included review of adopted plans and related projects that may, in concert with the I-710 Corridor Project, have a cumulative adverse effect on sensitive resources in the Study Area and Los Angeles County. The reasonably foreseeable actions used in the cumulative impacts analysis were based on information provided by the cities of Bell, Bell Gardens, Carson, Commerce, Compton, Cudahy, Downey, Huntington Park, Lakewood, Long Beach, Los Angeles, Lynwood, Maywood, Paramount, Signal Hill, South Gate, and Vernon, which identified approved and pending developments proposed in the proximity of the Study Area. These files were cross-checked against files maintained by the State of California, Office of Planning and Research. Information on future transportation projects was provided by Caltrans, SCAG, Metro, and GCCOG. POLA and POLB also identified Port improvement projects that should be considered in the cumulative impacts analysis.

The cumulative impact analysis evaluates the effects of the I-710 build alternatives in combination with other major projects in the study area, such as expansion of port terminals.

If you are interested in reading more about the cumulative impacts of the I-710 Corridor Project, please see Section 3.25 of the Draft EIR/EIS.

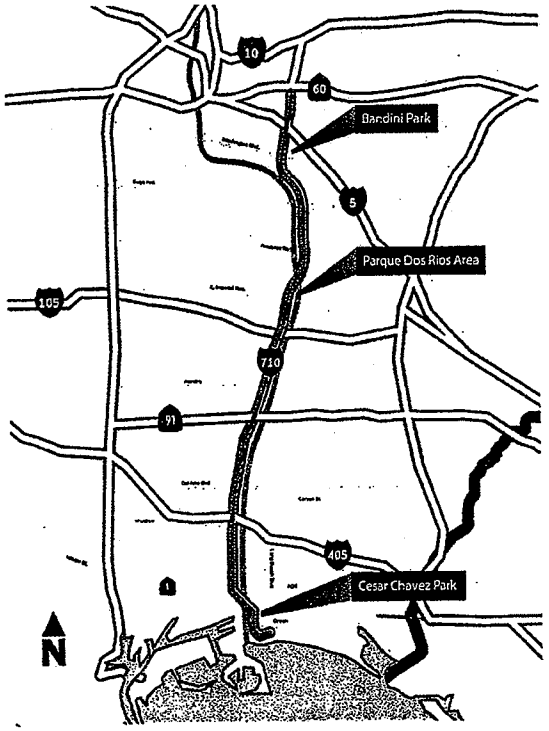
The build alternatives, when combined with other cumulative projects, would contribute to cumulative land use, community character and cohesion, traffic (four intersections will remain impacted), visual, air quality (near corridor incremental concentration impacts only), noise, estuarine and riparian/riverine habitats and species associated with this habitat, southern tarplant populations, green turtle and the California least tern (minor incremental), and relocation impacts. The build alternatives would not

contribute to cumulative adverse impacts related to agricultural resources, geology and soils, hazards and hazardous waste, hydrology and water quality, mineral resources, population and housing, public services, recreation, or utilities and service systems.

S.5.23 SECTION 4(F) PROPERTIES

Potential impacts of the build alternatives to public parks and recreation facilities that qualify for protection under Section 4(f) of the 1966 U.S. Department of Transportation Act include:

- Cesar E. Chavez Park
- Bandini Park/Batres Community Center
- Parque Dos Rios
- Los Angeles River Trail and Rio Hondo Trail (temporary closure during construction only)



Parks are provided special protection under Section 4(f) of the 1966 U.S. Department of Transportation Act.

At Cesar E. Chavez Park, the consolidation of the smaller discontinuous parcels into three larger parcels would result in improved public access to the entire Park, including the areas not currently accessible to vehicles and pedestrians. At Bandini Park, the use of the land is an aerial easement for a wider bridge structure under Alternative 5A and a new freeway ramp connector for Alternatives 6A/B/C. For Parque Dos Rios, permanent use of land under Alternatives 5A and 6A/B/C and a temporary construction easement (TCE) for Alternative 5A only will be required. Temporary closures of segments of the Los Angeles River and Rio Hondo trails at their crossings of I-710 or local roads will be necessary to protect the safety of trail users and project construction workers during construction of the build alternatives.

With regard to historic properties that are eligible for protection under Section 4(f), Caltrans has determined that, because the build alternatives would not adversely affect the historical quality of the structure at Dale's Donuts, the historic qualities of the Union Pacific Railroad Lines or the Boulder Dam-Los Angeles Transmission Line, or affect their eligibility for the National Register, the requirements for protection under Section 4(f) do not apply to these resources.

If you are interested in reading more about how the I-710 Corridor Project alternatives affect 4(f) properties in the Study Area, please see Appendix B of the Draft EIR/EIS.

S.5.24 CONSTRUCTION IMPACTS

Key findings related to construction impacts of the build alternatives are as follows:

- **Land Use:** Construction of the I-710 build alternatives would temporarily affect nearby land uses and would include disruption of local traffic patterns and access to residences and businesses; increased traffic congestion; and

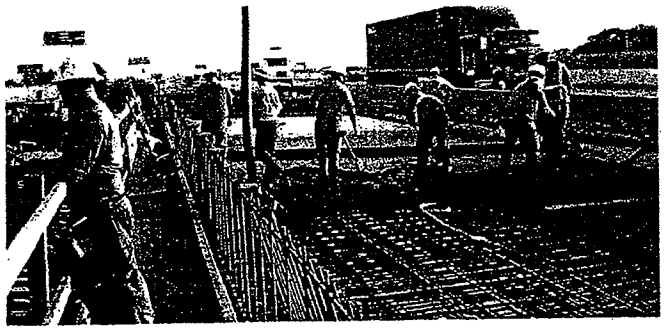
increased noise, vibration, and dust.

Construction of any of the build alternatives will be a major undertaking. This photo shows a similar freeway widening project on SR-22 in Orange County.

- **Parks and Recreation:** Construction of the build alternatives would result in temporary impacts to pedestrian and bicyclist access points to regional and local bikeways (including the Los Angeles River Trail), as well as short-term closures of portions of the bikeways located in the vicinity of new and/or modified interchanges that would be improved during construction. The build alternatives would require the temporary use of 6.1 acres in the southern part of Cesar E. Chavez Park for a TCE during project construction. During construction of the build alternatives, parts of Cesar E. Chavez Park may be temporarily closed to public access. The basketball court west of Cesar E. Chavez Elementary School would be removed temporarily during project construction. The build alternatives would require the temporary use of 0.41 acre of land for a detour road in the Park during construction of realigned Broadway.

- **Community Character and Cohesion:** Construction of the improvements for the build alternatives is anticipated to result in short-term access disruptions related to construction and therefore result in a short-term impact to community character and cohesion. A Traffic Management Plan (TMP) would be implemented during construction of the I-710 Corridor Project in a cost-efficient and timely manner with minimal interference to the traveling public. In addition, construction jobs would be created by the construction of the build alternatives.

- **Environmental Justice:** Construction activities would temporarily affect environmental justice populations. However, construction activities would provide jobs, which would benefit local economies that include minority and low-income populations.



The build alternatives will result in many construction and construction-related jobs.

- **Utilities and Emergency Services:** Construction activities that require closures of travel lanes and ramps could result in traffic delays that could affect the ability of fire, law enforcement, and emergency service providers to meet response time goals within the Study Area. Under all build alternatives, utility relocations would occur prior to project construction. For utilities that will be protected in place, standard construction measures, such as contacting Underground Service Alert (USA), will be used to avoid impacting utilities and to avoid utility service disruptions.

- **Traffic Circulation, Pedestrians, and Bicyclists:** During construction, the I-710 Corridor Project would result in temporary impacts to traffic circulation due to traffic diversions resulting from temporary closures to local roadways,

sidewalks and bikeways, and freeway lanes and ramps. A TMP will be implemented to address changes in traffic flows and pedestrian and bicycle circulation and provide measures to minimize the adverse effects of construction activities on traffic flows and pedestrian and bicycle travel within the Study Area.

- **Visual/Aesthetics:** Short-term visual impacts under the build alternatives would occur to sensitive viewers during the construction period and include views of demolition of existing structures, clearing of existing vegetation, grading of cut-and-fill slopes, construction of the I-710 widening and structures, construction vehicles, and construction staging areas. Construction activities are temporary, and the adverse visual impacts related to construction activity would cease after completion of construction. The effects of vegetation clearing would gradually improve over time as landscaping for the I-710 Corridor Project matures.

Construction activity results in a variety of short-term impacts, especially air quality, noise, and visual. An extensive program of construction mitigation measures would be implemented for any of the build alternatives.

- **Hydrology/Floodplains:** Construction equipment would be operated within the Los Angeles River and Compton Creek 100-year floodplains during construction of the bridge and levee improvements discussed above under Permanent Impacts. Following the completion of construction activities within the 100-year floodplain, the disturbed area would be returned to the existing condition.

- **Water Quality:** Events such as the accidental discharge of waste products produced during construction are of primary concern. Other concerns, such as disturbed soil and erosion of channel banks; runoff from the construction site; disturbance of existing channel-bottom sediments due to construction over and adjacent to local water bodies; resuspension of fine-grained bottom sediments; and removal and disposal of groundwater are potential issues during construction of the build alternatives. However, standard construction measures require the capture and treatment of all runoff from the construction area. The potential for temporary water quality impacts would be greater under Alternatives 6A/B/C because more improvements are proposed under these alternatives and there would be more disturbed soil area and more work within and adjacent to the water bodies within the project area.

- **Geology, Soils, Seismic, and Topography:** Construction activities related to the build alternatives may temporarily disturb soil outside the facility footprint, yet within the project right-of-way, primarily in the trample zone around work areas, heavy equipment traffic areas, and material laydown areas. Temporary impacts would include soil compaction and increased possibility of soil erosion.

- **Paleontology:** There is the potential for direct impacts to paleontological resources to occur during construction. However, all impacts to paleontological resources are considered to be permanent impacts. Therefore, temporary impacts are not applicable to paleontological

resources.

- **Hazardous Waste:** Alternatives 6A/B/C will have a greater potential temporary hazardous waste impact prior to and during construction than Alternative 5A due to the larger footprint of the freight corridor associated with Alternatives 6A/B/C. Based on the findings of the records search and the site surveys, elevated concentrations of aerially deposited lead (ADL); asbestos-containing materials (ACMs), polychlorinated biphenyls (PCBs), and/or lead-based paint (LBP); and elevated concentrations of metals such as lead may be encountered during excavation and construction activities for all build alternatives. Contamination may be encountered during construction and excavation activities at those properties that require additional remediation; residual contamination may be encountered during construction and excavation activities at those properties that have received regulatory agency closure; and waste materials may be encountered during construction and excavation activities at those properties that operated as waste disposal sites. Additionally, contaminated groundwater may be encountered during construction.

Construction activities can create hazardous waste which will be disposed of at an appropriate disposal facility.

- **Air Quality/Greenhouse Gases:** During construction, short-term degradation of air quality may occur due to the release of particulate emissions (airborne dust) generated by excavation, grading, hauling, and other activities related to construction. Emissions from construction equipment also are anticipated and would include CO, NO_X, volatile organic compounds (VOCs), PM_{10}, $PM_{2.5}$, toxic air contaminants such as DPM, and GHGs. Peak-day emissions of GHGs (CO_2) are estimated to be approximately 165 metric tons per day for any build alternative. No cumulative effect is anticipated as construction of any stretch of the freeway improvements will be less than five years and other studies have indicated that air pollution from construction is below SCAQMD significance thresholds or can be mitigated to keep construction emissions below their thresholds.

- **Noise:** During construction of the project, noise from construction activities may occasionally dominate the noise environment in the immediate project area. Construction noise is regulated by Caltrans Standard Specifications, Section 7-1.011, "Sound Control Requirements." These requirements state that noise levels generated during construction shall comply with applicable local, State, and Federal regulations.

- **Energy:** Construction equipment and construction worker vehicles operating during construction of the I-710 Corridor Project would use fossil fuels. This increased fuel consumption would be temporary, would cease at the end of construction activities, and would not have a residual requirement for additional energy input. The marginal increases in fossil fuel use resulting from project construction are not expected to have appreciable impacts on energy resources.

- **Natural Communities:** Temporary impacts to natural communities may occur during

construction of all build alternatives where habitats are temporarily disturbed during grading or other activities. In general, Alternatives 6A/B/C would result in greater temporary impacts than Alternative 5A due to the increased number of structural bridge columns/piers associated with Alternatives 6A/B/C.

Controlling stormwater runoff during construction is critical to maintaining water quality in the Study Area.

- **Wetlands/Other Waters:** Temporary impacts to jurisdictional areas may occur during construction where wetlands or waters are temporarily disturbed during pile-driving activities, construction of abutments, grading, or other activities. Alternatives 6A/B/C would result in greater temporary impacts than Alternative 5A due to the increased number of piles within jurisdictional areas associated with Alternatives 6A/B/C.

- **Plant Species:** Temporary impacts to populations of southern tarplant could result from implementation of any of the build alternatives. In general, Alternatives 6A/B/C would result in greater temporary impacts to the populations of southern tarplant than Alternative 5A.

- **Animal Species:** Construction and expansion of the four bridges in the lower Los Angeles River would not alter long-term movement of California sea lions or fish protected under the Magnuson-Stevens Fishery Conservation and Management Act through the channel. No permanent effects would occur to essential fish habitat (EFH) except for a minimal permanent loss of channel bottom where the piles would be placed.

- **Threatened & Endangered Species:** Temporary impacts to California brown pelican, American peregrine falcon, California least tern, and green turtle could occur during construction from temporary indirect disturbance (noise, vibration, dust, night lighting, and human encroachment). Construction could temporarily impede movement along the Los Angeles River. Brown pelicans could be affected indirectly by project-generated changes in water quality. Any green turtles that might visit the area around the mouth of the Los Angeles River could be temporarily affected indirectly by project-related changes in water quality originating upstream.

- **Invasive Species:** Construction of the I-710 Corridor Project has the potential to spread invasive species through the entering and exiting of construction equipment contaminated by invasives, the inclusion of invasive species in seed mixtures and mulch, and the improper removal and disposal of invasive species so that its seed is spread along the highway.

- **Cumulative Impacts:** Temporary cumulative impacts as a result of the proposed project, in combination with other past, present and future projects, are not considered to be adverse. All temporary impacts described in the above sections, as well as impacts for other projects in the Study Area, will each be minimized or mitigated and will, therefore, not have a cumulative impact to humans or the physical environment. Temporary cumulative impacts to traffic and circulation can also result from

the construction of more than one project in a general area. In this case, TMPs for each project would be prepared in the future and would be coordinated to ensure adequate circulation in the area, including always maintaining the existing number of mainline freeway lanes.

If you are interested in reading more about how construction impacts from the I-710 Corridor Project affect the region, please see Section 3.24 of the Draft EIR/EIS.

S.5.25 PUBLIC HEALTH CONSIDERATIONS

Key findings related to the effects of the build alternatives on public health are as follows:

- **Parks and Recreation:** The build alternatives would not result in an adverse impact in access to parks as a result of barriers to walking or biking, changes in pedestrian or bike safety near parks, or in a reduction in park acreage and, therefore, would not have adverse effects on public health related to park access. The expansion and reconfiguration of Cesar E. Chavez Park would have beneficial effects by increasing opportunities for public use of the park following the completion of construction.

Because improving air quality and reducing public health risk are key goals of the project, public health was considered in all aspects of the project environmental studies.

- **Community Character and Cohesion:** Based on the nature of the changes in access in the Study Area, the proximity of these changes to residential and nonresidential properties, and the relocation availability and the Relocation Assistance Program (RAP) provided by Caltrans for the affected properties and considerations toward Last Resort Housing, the build alternatives would not result in isolation and/or segregation of residents without resources to relocate within their existing communities and, therefore, would not result in adverse effects to public health related to community character and cohesion.

  While the build alternatives would result in some changes in access, these changes would not result in adverse impacts in access to schools within the Study Area. Once in operation, the build alternatives would not result in adverse impacts to modes of travel for students and would enhance access to schools by reducing traffic congestion. Therefore, the build alternatives would not result in adverse effects to public health related to access to schools.

- **Environmental Justice:** The findings described above for Community Character and Cohesion would also apply to minority and low-income (environmental justice) populations within the I-710 Corridor.

- **Utilities and Emergency Services:** Recognizing both public concern and scientific uncertainty over possible health effects from electric and magnetic fields (EMF) exposure, the California Public Utilities Commission (CPUC) adopted a precautionary approach to reduce EMF exposures in 1993 (updated in 2006). While keeping electrical safety and good engineering practice as first priority, investor-owned electric utilities in California utilize design to reduce magnetic fields created by new and rebuilt electric facilities.

As the relocation of electrical transmission and distribution lines for the I-710 Corridor Project will utilize designs to reduce EMFs consistent with the CPUC guidance described above, public health considerations regarding EMF are not considered a concern.

Regarding emergency response time, other than the above-described effects, (adverse effects during construction and beneficial effects once the project is operational), public health was considered not to be a topic of concern for emergency services.

- **Traffic Circulation, Pedestrians, and Bicyclists:** The project would improve pedestrian facilities (sidewalks) by replacing the old ones that will be removed as part of the project. Bike travel would also be improved by providing new pavement on the arterial bridges that will be replaced over I-710 and the Los Angeles River. In many cases, existing interchanges will be replaced with Single Point Urban Interchanges. Although these interchanges are thought to pose a greater safety challenge to bicyclists and pedestrians, this user group is a consideration in the design of these types of interchanges and appropriate treatments are applied to balance vehicle, bicycle and pedestrian use.

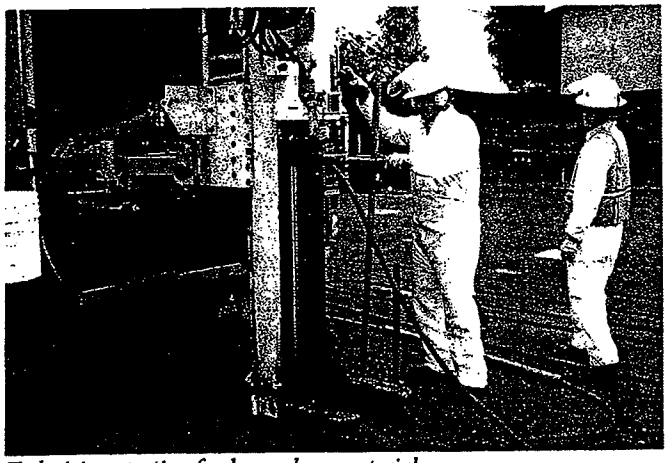
Bicycle trails and bikeways will be maintained during and after construction.

Caltrans' Complete Intersections: A Guide to Reconstructing Intersections and Interchanges for Bicyclists and Pedestrians (Caltrans, 2010) will be used during the design process. Because sidewalks will be improved and bikeways and trails will be maintained, the I-710 Corridor Project would improve conditions for pedestrian and bicycle travel, thereby resulting in a beneficial effect to public health considerations related to congestion and mobility.

Modernizing the design of I-710 is expected to reduce the number of total and fatal accidents, resulting in accident rates on I-710 that are more reflective of the statewide average for a similar facility. This expected reduction in accidents would reduce public health risks related to traffic safety.

- **Water Quality:** Water quality BMPs would be implemented to treat stormwater runoff during construction and operation of the build alternatives. As a result, the build alternatives are not anticipated to degrade the water quality of the receiving waters. Treatment BMPs would be designed to drain and eliminate standing water; therefore, vectors (such as mosquitoes) would not be of concern. Therefore, the build alternatives would not pose risks to public health related to hydrology and water quality.

- **Geology, Soils, Seismic, and Topography:** The primary public health consideration related to geology is seismic safety. All new and modified bridge structures included in the build alternatives would be designed and constructed in accordance with Caltrans' latest seismic design criteria, thus minimizing public health risk concerns associated with structure collapses during an earthquake.



Technicians testing for hazardous materials.

- **Hazardous Waste:** The modern design of the I-710 Corridor Project under any of the build alternatives will result in reduced risk of traffic accidents, including those that could result in hazardous waste spills. Alternatives 6A/B/C further reduce the public health risk of hazardous waste spills by separating truck traffic from automobile traffic as a result of the freight corridor component of the alternatives. For these reasons, implementation of the build alternatives would not increase public health risks related to hazardous waste and materials in the short term and would decrease these risks in the long term as a result of the cleanup and remediation of hazardous waste contamination on properties that would be acquired for the project.

- **Air Quality:** All project alternatives will improve air quality and reduce public health risk in the Basin and the I-710 AOI. Along I-710, air quality will be improved and public health risk will be reduced at most locations, but there are some near roadways locations where there will be an increase in emissions and an increase in cancer risk. Alternatives 6B and 6C have the fewest areas with these near roadway impacts. There are no feasible mitigation measures to reduce these localized near roadway impacts; therefore, these would be unavoidable adverse impacts.

- **Noise:** The proposed noise barriers to be constructed under any of the build alternatives will reduce noise levels for people living and working in the I-710 Corridor.

If you are interested in reading more about public health considerations for the I-710 Corridor Project Alternatives, please see each topical section in Chapter 3 of the Draft EIR/EIS.

S.6 SUMMARY OF SIGNIFICANT IMPACTS UNDER CEQA AFTER MITIGATION

As discussed in detail in Chapter 4.0, CEQA Evaluation, the following impacts of the build alternatives were determined to be significant, adverse, and unavoidable after implementation of the identified avoidance, minimization, and mitigation measures, as well as the project design features:

- **Permanent noise impacts:** Although all build alternatives include noise barriers to provide noise abatement, not all noise increases may be able to be abated; therefore, this would be a significant unavoidable adverse impact under CEQA.

- **Permanent air quality impacts:** Although most areas will experience improved air quality, some near roadway sensitive receptors will be exposed to substantial pollutant concentrations that cannot be mitigated. Therefore, this would be a significant unavoidable adverse impact under CEQA.

- **Permanent land use and planning impacts:** Within the city of Commerce, Alternatives 6A/B/C would result in relocations in the Ayers neighborhood under Design Options 1 and 2

resulting in a significant unavoidable impact to community character and cohesion. Impacts would also occur in the city of Compton under all build alternatives due to the relocation of a senior apartment complex. Impacts would occur in the city of Bell Gardens due to the relocation of ten to 15 mobile homes under Alternatives 6A/B/C.

A neighborhood near the I-710.

- **Permanent population and housing impacts:** Alternatives 6A/B and C, Option 1 would result in 261 residential displacements. Some of these displaced residences are in areas where there is insufficient replacement housing available. Therefore, it will not be possible to relocate all displaced residents within their community or within an area within reasonable proximity to their community. For this reason the construction of replacement housing in these areas may be necessary. Therefore, Alternative 6A/B and C Option 1 impacts related to the displacement of existing housing and people necessitating the construction of replacement housing are potentially significant and unavoidable.

- **Permanent traffic and transportation impacts:** Mitigation measures have not been recommended for four impacted intersections as mitigation is infeasible due to right-of-way constraints and other limitations identified during coordination meetings with the staff of the affected cities. These four intersections will be adversely impacted by the build alternatives and will not meet the LOS standard of LOS D or better. Therefore, the I-710 Corridor project would have a potentially significant unavoidable impact on traffic at these intersections.

The remaining impacts of the build alternatives were determined to be either not significant or able to be avoided or reduced to below a level of significance based on implementation of the project avoidance, minimization, and mitigation measures and project design features, as described in detail in Chapter 4.0.

S.7 AREAS OF CONTROVERSY AND UNRESOLVED ISSUES

Based on input during the MCS, public scoping, and public outreach efforts, the following areas of public concern have been identified. Some of the issues raised may be considered controversial.

- **Air Quality/Health Risk:** Air quality and health risk continue to be controversial public issues because of the high emissions levels and resulting health risk to populations along the I-710 corridor due to existing traffic congestion and truck traffic from the Ports.

- **EPA Comments:** EPA has raised concerns regarding the analytical methodologies used to evaluate potential impacts of the I-710 Corridor project, and Caltrans is continuing to work with EPA to address their concerns.

- **Noise:** All of the build alternatives would result in noise impacts to sensitive receptors along the I-710 corridor.

- **Utility Relocations:** The project design is not advanced enough to determine the specific locations of some utility relocations, especially

the 66 kV lines owned by Southern California Edison between I-405 and SR-91.

- **Acquisition of Private Property/ Displacements:** Although the design of the build alternatives has been refined to minimize the need to acquire private property for the project, acquisition of property and displacement of existing residences and businesses may be controversial with individual property owners.

Caltrans, Metro, and the other I-710 Funding Partners are continuing to work with the community to resolve concerns within the ongoing community participation framework of the I-710 Corridor Project.

S.8 COORDINATION WITH PUBLIC AND OTHER AGENCIES

Early and continuing coordination between the general public and public agencies with the I-710 Corridor Funding Partners (Caltrans, Metro, GCCOG, POLB, POLA, SCAG, and I-5 JPA) has been and will continue to be an essential part of the environmental process in order to determine the scope of environmental documentation, the level of analysis, any potential impacts and mitigation measures, and related environmental requirements. Agency consultation and public participation for this project have been accomplished through a variety of formal and informal methods, including an extensive multitiered community participation process with numerous public meetings and interagency coordination meetings. Chapter 5.0 summarizes the results of the efforts by Caltrans, Metro, and the I-710 Corridor Project partner agencies to fully identify, address, and resolve project-related issues through early and continuing coordination.

S.9 SUMMARY COMPARISON OF ALTERNATIVES

Table S-3 on the following page provides a summary comparison of Alternative 1, Alternative 5A, and Alternatives 6A/B/C for key environmental topics of concern.

Table S-3 Summary Comparison of Alternatives					
Alternatives & Environmental Topics	**Alternative 1 - No Build**	**Alternative 5A**	**Alternative 6A**	**Alternative 6B**	**Alternative 6C**
Alternative Descriptions	No change to I-710	Widen I-710 to 10 lanes (5 lanes each direction) and modernize I-710 geometrics • Improves 42 local arterial intersections • Includes a Corridor Aesthetic Master Plan	Widen I-710 to 10 lanes (5 lanes each direction), modernize geometrics, and add a separated freight corridor (2 lanes each direction, 4 lanes total) • Improves 42 local arterial intersections • Includes a Corridor Aesthetic Master Plan	Same as Alternative 6A, but the separated freight corridor is for zero-emission trucks	Same as Alternative 6B with the separated freight corridor for zero-emission trucks, but the freight corridor is tolled
Air Quality/ Health Risk Assessment	The I-710 Corridor project would not be implemented. However, air quality would decrease and public health risk would increase over time due to increased traffic and congestion within the I-710 Corridor Study Area.	• Project area particulate matter emissions increase compared to no project conditions • Mobile source air toxics (MSAT) and criteria pollutant emissions would decrease compared to existing conditions • Reduced public health risk at most locations, but at some near-roadway locations emissions/ cancer risk would increase	• Project area particulate matter emissions increase compared to no project conditions • MSAT emissions and criteria pollutant emissions would decrease compared to existing conditions • Public health risk would be similar to the health risks associated with Alternative 5A	• Project area particulate matter emissions decrease compared to no project conditions • MSAT emissions and criteria pollutant emissions decrease compared to existing conditions • Alternative 6B has the fewest near-roadway locations with increased emissions/cancer risk	• Project area particulate matter emissions increase compared to no project conditions • MSAT and criteria pollutant emissions decrease compared to existing conditions. • Reduced public health risk at most locations, but emissions/cancer risk increases at some near-roadway locations

Table S-3 Summary Comparison of Alternatives					
Alternatives & Environmental Topics	**Alternative 1 - No Build**	**Alternative 5A**	**Alternative 6A**	**Alternative 6B**	**Alternative 6C**
Community Impacts					
Displacements	No displacements	115 residential and 88 nonresidential displacements	Between 183 and 261 residential and between 177 and 198 nonresidential displacements (depending on the design option)	Impacts are the same for Alternatives 6A/B/C	Impacts are the same for Alternatives 6A/B/C
Access	No changes to access	• Improved pedestrian access • Alternative routes maintain existing access • Addition of a new I-710/Slauson Ave. interchange	• Improved pedestrian access • Alternative routes maintain existing access • Addition of a new I-710/Slauson Ave. interchange • Closure of I-710/ Washington Blvd. interchange under Design Option 3	Impacts are the same for Alternatives 6A/B/C	Impacts are the same for Alternatives 6A/B/C
Parks & Recreation	No changes to parks and recreation facilities	Impacts to the following facilities: Parque Dos Rios, Rancho Rio Verde Riding Club, Golf Learning Center, Compton Par 3 Golf Course, Coolidge Park, Bandini Park, Cesar E. Chavez Park access/ parking benefit, Los Angeles River Trail improved access	Impacts to the following facilities: Parque Dos Rios, Rancho Rio Verde Riding Club, Golf Learning Center, Compton Par 3 Golf Course, Coolidge Park, Bandini Park, Cesar E. Chavez Park access/ parking benefit, Los Angeles River Trail improved access	Impacts are the same for Alternatives 6A/B/C	Impacts are the same for Alternatives 6A/B/C
Noise	The build alternatives would not be implemented. Therefore, there would be no noise impacts.	• 23 noise barriers • 9 miles of proposed noise barriers • Noise barriers proposed for all sensitive land uses	• 46 noise barriers • 19 miles of proposed noise barriers • Noise barriers proposed for all sensitive land uses	Impacts are the same for Alternatives 6A/B/C	Impacts are the same for Alternatives 6A/B/C

Table S-3 Summary Comparison of Alternatives					
Alternatives & Environmental Topics	**Alternative 1 - No Build**	**Alternative 5A**	**Alternative 6A**	**Alternative 6B**	**Alternative 6C**
Visual	The build alternatives would not be implemented. Therefore, there would be no visual impacts from the I-710 Corridor project.	Alternative 5A would have less visual impact than Alternatives 6A/B/C, because it does not include the elevated freight corridor.	Greater level of visual impact than Alternative 5A because it includes construction of the elevated freight corridor visible from nearby residential areas. The most substantial adverse visual impacts are in Long Beach and South Gate, due to close proximity to freeway-to-freeway interchanges, sound barriers, and the elevated freight corridor.	Impacts are the same for Alternatives 6A/B/C	Impacts are the same for Alternatives 6A/B/C
Hazardous Waste	No changes to the existing physical environment and would not result in hazardous waste impacts	All new right-of-way for Alternative 5A would be evaluated to ensure it is free of hazardous waste prior to acquisition.	Prior to acquisition, all new right-of-way would be evaluated to ensure it is free of hazardous waste. Elevated freight corridor reduces public health risk from hazardous waste spills by separating truck traffic from automobile traffic.	Impacts are the same for Alternatives 6A/B/C	Impacts are the same for Alternatives 6A/B/C
Traffic	No improvements to I-710, other than those currently planned. Traffic conditions would continue to deteriorate over time due to increased traffic volumes caused by regional growth in traffic.	• Compared to the other build alternatives, 5A has the greatest number of I-710 segments that operate at level of service (LOS) E/F in 2035 • Adverse impacts to four intersections in the project Study Area	• Compared to the other build alternatives, 6A has the third fewest number of I-710 segments that operate at LOS E/F in 2035 • Adverse impacts to four intersections in the project Study Area	• Compared to the other build alternatives, 6B has the fewest number of I-710 segments that operate at LOS E/F in 2035 • Adverse impacts to four intersections in the project Study Area	• Compared to the other build alternatives, 6C has the second fewest number of I-710 segments that operate at LOS E/F in 2035 • Adverse impacts to four intersections in the project Study Area

Table S-3 Summary Comparison of Alternatives					
Alternatives & Environmental Topics	Alternative 1 - No Build	Alternative 5A	Alternative 6A	Alternative 6B	Alternative 6C
Water Quality	No treatment of roadway surface runoff	Impervious surface would be increased by 110 acres. Percentage of treated runoff from these new impervious surfaces is not currently available.	Impervious surface would be increased by 326 acres. A total of 83 percent of the runoff from the new impervious surfaces would be treated.	Impacts are the same for Alternatives 6A/B/C	Impacts are the same for Alternatives 6A/B/C
Cultural Resources	The build alternatives would not be implemented. Therefore, there would be no impacts to historic resources from the I-710 Corridor project.	Impacts to four historic resources: UP Railroad, Dale's Donuts, Boulder Dam-Los Angeles 287.5 kV Transmission Line, and Civic Center Community Building. It was determined there would be no adverse effect on historic properties.	Impacts to four historic resources: UP Railroad, Dale's Donuts, Boulder Dam-Los Angeles 287.5 kV Transmission Line, and Civic Center Community Building. It was determined there would be no adverse effect on historic properties.	Impacts are the same for Alternatives 6A/B/C	Impacts are the same for Alternatives 6A/B/C
Biology/ Natural Resources	Alternative 1 would not impact estuarine and riparian/riverine habits.	Permanent direct impacts to 0.94 acres of estuarine and riparian/riverine habitats and permanent indirect impacts to 13.46 acres of this habitat.	Permanent direct impacts to 4.08 acres of estuarine and riparian/riverine habitats and permanent indirect impacts to 16.21 acres of this habitat.	Impacts are the same for Alternatives 6A/B/C	Impacts are the same for Alternatives 6A/B/C

I-710 = Interstate 710
kV = kilovolts
UP Railroad = Union Pacific Railroad

SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY

LONG-RANGE PROPERTY MANAGEMENT PLAN SUBMITTAL DATED JULY 20, 2013

DOCUMENTS WHICH FOLLOW THIS COVER PAGE

ATTACHMENT 4
TO EXHIBIT B : 4528 BANDINI

RECORDING REQUESTED BY:

The Successor Agency to the
Former Vernon Redevelopment Agency

WHEN RECORDED MAIL TO:

City of Vernon
City Administration Offices
Attention: Mr. Alex Kung
Assistant to City Administrator
4305 Santa Fe Avenue
Vernon, CA 90058

Assessor Parcel No: 6304-030-906

(Space Above For Recorder's Use)

GOVERNMENTAL-USE RESTRICTED GRANT DEED

[Former Vernon Redevelopment Agency real property disposition to City of Vernon for governmental-use for Fire Station No. 4, Department of Transportation expansion of California Interstate 710, any combination of both, or pursuant to any governmental-use authorized under that certain Long-Range Property Management Plan transmitted and approved by the California Department of Finance per AB X1 26, as amended by AB 1484, including but not limited to California Health & Safety Code section 34191.5(b); government-use restriction contained herein sunsets seven (7) years from date of recordation of this Governmental-Use Restricted Grant Deed and the restriction is removed from the property at that time if the government-use of Fire Station No. 4, Department of Transportation expansion of Interstate 710, or any combination of both do not impact the property described herein]
(4528 Bandini Boulevard, Vernon, CA 90058)

State of California)

County of Los Angeles)

THIS GOVERNMENTAL-USE RESTRICTED GRANT DEED is made this ___th day of _____, 2013 by the SUCCESSOR AGENCY FOR THE FORMER VERNON REDEVELOPMENT AGENCY, a public body designated under California Health & Safety Code sections 34173 acting on behalf of the REDEVELOPMENT AGENCY OF THE CITY OF VERNON, a dissolved public body, corporate and politic ("Grantor"), to the CITY OF VERNON (the "Grantee").

WHEREAS, Grantor holds legal title to an undivided interest in that certain real property located in the City of Vernon, County of Los Angeles, State of California, more particularly described as follows:

Those portions of Lots 91 and 110 of Tract 1, in the Rancho Laguna, so called as shown on map designated at Exhibit "A", Case No. B-25296 of the Superior Courts, said map being filed as Clerk's Filed Map 880, in the County Clerk of said County, more particularly described as follows:

Beginning at a point in the Easterly prolongation of the center line of Bandini Boulevard, as described in deed to said County of Los Angeles, recorded in Book 3860 Page 214, Official Records, in the office of the county recorder of said county, distant along said Easterly prolongation North 67° 57' 49" West, 53.32 feet from the intersection of said Easterly prolongation with the center line of Atlantic Boulevard, formerly Pasadena Avenue, as described in deed to said County of Los Angeles, recorded in Book 864 Page 317 of said Official Records; thence along said Easterly prolongation and said center line of Bandini Boulevard, North 67° 57' 49" West, 846.68 feet; thence at right angles, South 22° 02' 11" West, a distance of 132.00 feet; thence South 2° 01' 43" West, a distance of 72.37 feet to a point on a line parallel with and distant 200.00 feet Southerly, measured at right angles, from said center line of Bandini Boulevard, said point being the true point of beginning of this description; thence along said parallel line, North 67° 57' 49" West, a distance of 99.76 feet; thence North 22° 02' 11" East, a distance of 150.00 feet to a line parallel with and distant 50.00 feet Southerly, measured at right angles, from said center line of Bandini Boulevard; thence along said last mentioned parallel line, North 67° 57' 49" West, a distance of 100.00 feet; thence South 22° 02' 11" West, at right angles and parallel with the course above-described as having a length of 132.00 feet, a distance of 275.00 feet to a line parallel with and distant 325.00 feet Southerly, measured at right angles, from said center line of Bandini Boulevard; thence along said last mentioned parallel line, South 67° 57' 49" East, a distance of 245.28 feet to the intersection thereof with the Southerly prolongation of that certain course hereinabove described as having a length of 72.37 feet; thence along said Southerly prolongation, North 2° 01' 43" East, a distance of 133.03 feet to said true point of beginning.

EXCEPT therefrom all oil, gas, naphtha and other hydrocarbon substances in, under or that may be produced from said land, as excepted in deed to the State of California, recorded July 19, 1951, in Book 36797 Page 164 of said Official Records.

APN: 6304-030-906

WHEREAS, Grantor desires to convey to Grantee in fee simple all of its right, title and interest in and to the aforesaid parcels of real property (the "Real Property") subject to the conditions, limitations, and requirements of this instrument, the redevelopment dissolution statutes, AB X1 26, as amended by AB 1484 ("Dissolution Statutes"), and that certain long-range property management plan submitted to and approved by the Department of Finance under the Dissolution Statutes (the "Plan").

WHEREAS, the Real Property was acquired pursuant to that certain Corporation Grant Deed dated January 7, 1991 and recorded in the Official Records of the Los Angeles County Recorder on February 20, 1991 as Instrument No. 91-241951.

WHEREAS, the Grantor is charged with implementing the Dissolution Statutes and Plan under the direction of the Oversight Board to the Successor Agency of the Former Vernon Redevelopment Agency ("Oversight Board"); in connection thereto, the Grantor has proposed the Real Property be retained for governmental-use under the terms of the Dissolution Statutes and Plan.

WHEREAS, the Grantor is currently leasing the Real Property to a third party and using net proceeds, if any, to service the Real Property for the continued use as undeveloped land subject to future disposition. The service of the Real Property includes, but is not limited to, obligations under the lease, insurance, and related landlord costs and expenses. The lease with the third party, Austin Trucking, Inc., is contained within Exhibit B of the Plan, and incorporated herein by this reference (the "Interim Lease"). The Plan and Interim Lease are public records on file with the Office of the Secretary of the Grantor and the California Department of Finance.

WHEREAS, the Grantor and the Oversight Board are subject to the Dissolution Statutes and shortly after satisfaction of the Plan, the Grantor and Oversight Board are to be dissolved in the regular course upon satisfaction of the Dissolution Statutes.

WHEREAS, the Real Property was acquired for a public use of a fire station expansion but the expansion did not move forward because, among other things, the higher public use by the State of California for the expansion of the abutting Interstate 710 intervened and created a cloud of uncertainty as to the future disposition of the Real Property. Therefore, the use of the Real Property as leased unimproved land continued and the obligations to service and maintain the Real Property are currently undertaken by the Grantor with the consent of the Oversight Board.

WHEREAS, at the time of making this Governmental-Use Restricted Grant Deed, it is presently unknown to the Grantor and its Oversight Board the extent to which two governmental entities will be using the Real Property for governmental-use. Grantor, its Oversight Board, and the Grantee do agree that at the time of making this Governmental-Use Restricted Grant Deed the obligations of the Interim Lease, or such other interim lease on similar or better terms, are expected to continue on the Real Property until the Real Property is to be devoted to governmental-use and net proceeds, if any, are to be devoted to the maintenance of the Real Property and obligations under the enforceable obligation under the Interim Lease, or such other obligations imposed by an interim use on similar or more favorable terms.

WHEREAS, the governmental-use restriction is to restrict the Real Property for a period of seven (7) years from the date of the recordation of this Governmental-Use Restricted Grant Deed with the Office of the Los Angeles County Recorder ("Official Records"). The restriction limits the use of the Real Property to the Interim Lease, or such other interim lease on similar or better terms for unimproved land, and to such governmental-use established by the following two government entities or such combination of governmental-uses on the Real Property established

by the following two governmental entities. The first governmental entity is the Grantee, which currently operates its Fire Station No. 4 in land abutting the Real Property. The second governmental entity is the State of California, operating through its Department of Transportation ("Caltrans") in connection with the proposed expansion of California Interstate 710—the interstate abutting the Real Property. Caltrans has identified the Grantor's Fire Station No. 4 as property to be condemned for the aforesaid Caltrans project. An environmental impact report prepared by Caltrans sets out further details of the Interstate 710 expansion and excerpts are contained in Exhibit B of the Plan. In connection with the pending Caltrans condemnation, Grantee is likely to move forward with continued operation of Fire Station No. 4, however, at this time, it is unknown the extent and feasibility for the Grantee's governmental-use for a fire station on the Real Property. This uncertainty is caused by, among other things, the extent of land from the Real Property to be actually condemned by Caltrans for aforesaid project. Lastly, in connection with its duties under the Dissolution Statutes, the Grantor proposed alternate government uses, including redevelopment, if the governmental-use in connection with Fire Station No. 4, or similar fire station on the Real Property, or the Caltrans project, or any combination of both, do not move forward within seven (7) years from the date of recordation of this Governmental-Use Restricted Grant Deed in the Official Records. At the time of making this grant deed, alternate uses seems highly unlikely but are nonetheless included and contemplated herein as a reservation in favor of the Grantee in the event the aforesaid governmental-uses by the Grantee or Caltrans do not commence within seven (7) years of the recordation date of this Governmental-Use Restricted Grant Deed in the Official Records. If upon the passage of seven (7) years following the date of recordation of this Governmental-Use Restricted Grant Deed, Caltrans does not condemn Fire Station No. 4 which is adjacent to the Real Property, Grantee may record a notice of removal of governmental-use restrictions on the Real Property thereby removing all restrictions contained in this grant deed, thereby removing all restrictions herein forever. Notwithstanding the foregoing, the Grantee agrees it accepts all liabilities in connection with the Interim Lease, and may negotiate similar or better terms for the interim occupancy of the Real Property for a period of not less than seven (7) years from the date of recordation of this Governmental-Use Restricted Grant Deed in the Official Records. During this seven (7) year period the Grantor and its Oversight Board intend to implement the Dissolution Statutes and Plan and consider Grantee's covenant herein as part of the Plan. As part of the Dissolution Statutes and Plan, Grantor is obligated to continue to honor the Interim Lease as an enforceable obligation concerning the Real Property until such other uses are authorized; therefore, upon acceptance of this Governmental-Use Restricted Grant Deed, Grantee would be accepting the Real Property with the necessity to continue to honor the existing enforceable obligation concerning the Interim Lease, and may enter into such other interim lease on similar or better terms on the Real Property until such uses by the Grantee and/or Caltrans arise within the seven (7) year period following the date of recordation of this Governmental-Use Restricted Grant Deed in the Official Records. The governmental-uses in this paragraph, including the Interim Lease, or such similar or better interim lease, are hereinafter collectively referred to as the "Governmental Use."

WHEREAS, in order to implement the Dissolution Statutes and Plan given the uncertainties as to which entity will engage in the Governmental Use, the Grantor proposes to convey the Real Property to the Grantee with the restrictions herein, including the limited use of the Real Property for the Governmental Use. In connection therewith, the Grantee proposes to

accept the Real Property from the Grantor subject to the restriction and limitation on use of the Real Property for the Governmental Use so long as Grantee may assume all rights, obligations, and interests of the Grantor. The Oversight Board, in implementing the Dissolution Statutes and Plan, further instructs the Grantor to give this grant deed to Grantee so long as Grantee agrees to accept the terms of this grant deed from the Grantor along with the covenants, conditions and restrictions along with equitable servitudes running with the land imposed upon the Real Property by the Governmental Use as conveyed by this grant deed.

NOW THEREFORE, for the Grantee's acceptance of the obligations herein as consideration, the receipt and sufficiency of which are hereby acknowledged by Grantor, the Grantor does hereby grant, bargain, sell and convey unto the Grantee in fee simple the Real Property with all and singular the ways, easements, rights, privileges and appurtenance thereto or in any way appertaining, all improvements thereon and all the estate, right, title, interest and claim, either at law or in equity, of the Grantor as to Grantor's entire undivided interest in the said Real Property subject to the Governmental Use. Grantor and Grantee agree and confirm the restrictions and limitations of the Governmental Use burden, restrict, and limit the use of the Real Property for a period of seven (7) years following the recordation date of this Governmental-Use Restricted Grant Deed in the Official Records; furthermore, the burdens, restrictions, and limitations may be removed by the Grantee at anytime following the passage of seven (7) years following the recordation date of this Governmental-Use Restricted Grant Deed by recordation of a notice of passage of restriction period, or like release of construction covenants concerning the Governmental Use, in the Official Records whereby the burdens, restrictions, and limitations of the Governmental Use are removed forever from the Real Property and no longer burden, restrict, or limit the Real Property.

IN WITNESS WHEREOF, Grantor has caused this grant deed to be executed by its representative thereunto duly authorized by the Oversight Board as of the day and year first above written. Grantee confirms acceptance of the terms hereinabove by signing this grant deed in the space provided hereinbelow.

"GRANTOR"

REDEVELOPMENT AGENCY OF THE
CITY OF VERNON, a dissolved public entity
under AB X1 26, as amended by AB 1484

By: SUCCESSOR AGENCY TO THE
FORMER VERNON REDEVELOPMENT
AGENCY, a public entity designated under
Health & Safety Code section 34173

By: _____

APPROVED AS TO FORM AND
LEGALITY:

KANE, BALLMER & BERKMAN
Special Counsel to Grantor

By: _____

Grantee Acceptance

The terms in this grant deed and the acceptance of the interest in Real Property conveyed by this grant dated from the Grantor are hereby accepted by the Grantee.

"GRANTEE"

CITY OF VERNON

By: _____

Acknowledgement

State of California)
)
County of Los Angeles)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)
)
County of Los Angeles)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

SUCCESSOR AGENCY FOR THE VERNON REDEVELOPMENT AGENCY

LAST PAGE OF
LONG-RANGE PROPERTY
MANAGEMENT PLAN
DATED JULY 20, 2013

NO DOCUMENTS FOLLOW
THIS COVER PAGE