

Written materials relating to an item on this agenda that are distributed to the legislative bodies within 24 hours before the item is to be considered at its regularly scheduled meeting will be made available for public inspection at the Library, 251 South "A" Street and the City Clerk's Office, 300 West Third Street, 4th Floor during customary business hours. Any materials to be presented at this meeting will be made available electronically 24 hours prior to the meeting, at the end of this agenda. The agenda reports are on the City of Oxnard web site at www.oxnard.org.



AGENDA
OXNARD CITY COUNCIL
OXNARD COMMUNITY DEVELOPMENT COMMISSION SUCCESSOR AGENCY
Special Meeting
Council Chambers, 305 West Third Street
June 13, 2016
5:00 P.M. – Closed Session
6:00 P.M. – Regular Session

A. ROLL CALL/POSTING OF AGENDA

B. PUBLIC COMMENTS ON CLOSED SESSION ITEMS

At this time, a person may address the legislative body only on matters appearing on the closed session agenda. The presiding officer shall limit public comments to three minutes.

C. CLOSED SESSION – 5:00 P.M. (Please See Page 2 for a Description of Closed Session Items)

D. OPENING CEREMONIES

Pledge of allegiance to the flag of the United States

E. PUBLIC COMMENTS

At a special meeting, a person may address the legislative body only on matters set forth on the agenda. The presiding officer shall limit public comments to three minutes per person. Public comments will be heard during City Council consideration of the item on the agenda.

F. REPORTS

Economic Development Department

1. SUBJECT: Sixth Amendment to the RiverPark Owner Participation Agreement. (15/60)
RECOMMENDATION: That the Oxnard Community Development Commission Successor Agency ("SA"): 1) Consider the proposed Sixth Amendment to the RiverPark Owner Participation Agreement A-5965 (the "OPA") (Attachment A) and, if approved and if the proposed Memorandum of Understanding (the "MOU") (Attachment F) is approved by the City Council of the City of Oxnard (the "City"), (i) recommend to its oversight board (the "Oversight Board") approval thereof, and (ii) authorize the Chairman (or designee) to execute the document with such non-substantive changes as may be acceptable to the SA General Counsel and SA Special Counsel; and 2) Authorize the

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City of Oxnard internet address: www.oxnard.org.

Executive Director of the SA (or designee) to prepare, revise and execute all associated documents necessary to carry out and implement the Sixth Amendment to the RiverPark OPA, and to administer the SA's obligations, responsibilities and duties thereunder.

That the City Council: 1) Consider the proposed MOU and, if approved and if the proposed Sixth Amendment to the RiverPark OPA is approved by the SA, authorize the Mayor (or designee) to execute the document with such non-substantive changes as may be acceptable to the City Attorney and City Special Counsel; and 2) Authorize the City Manager (or designee) to prepare, revise and execute all associated documents necessary to carry out and implement the MOU, and to administer the City's obligations, responsibilities and duties thereunder.

Legislative Body: CC/SA

Contact: Kymberly Horner

Phone: 385-7407

2. SUBJECT: La Dolce Vita Di Mare, Inc. Settlement Agreement and Release and First Amendment to Lease. (10/50)

RECOMMENDATION: 1) That the Community Development Commission Successor Agency ("Successor Agency") (i) approve a Settlement Agreement and Release by and between the Successor Agency and La Dolce Vita di Mare, Inc., a California corporation ("LDV"), to settle contemplated and potential litigation, (ii) recommend to its oversight board (the "Oversight Board") approval thereof, and (iii) authorize the Chairman (or designee) to execute the document with such non-substantive changes as may be acceptable to the Successor Agency General Counsel and Successor Agency Special Counsel; 2) That the Successor Agency (i) approve a First Amendment to Lease by and between the Successor Agency and LDV, (ii) recommend the Oversight Board approval thereof, and (iii) authorize the Chairman (or designee) to execute the document with such non-substantive changes as may be acceptable to the Successor Agency General Counsel and Successor Agency Special Counsel; and 3) Authorize the Executive Director of the Successor Agency (or designee) to prepare, revise and execute all associated documents necessary to carry out and implement the Settlement Agreement and Release and the First Amendment to Lease, and to administer the Successor Agency's obligations, responsibilities and duties thereunder.

Legislative Body: SA

Contact: Kymberly Horner

Phone: 385-7407

C. CLOSED SESSION – Continued from page 1

1. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

CC (Government Code section 54956.9 (d)(1))

Name of case: Fred Sedillos v. City of Oxnard

Workers' Compensation Case Nos.: ADJ8347292; ADJ8681331; ADJ8344924

The City Attorney requested that this item be discussed in closed session under the Brown Act authorization for the City Council to confer with its legal counsel regarding pending litigation.

2. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

CC (Government Code section 54956.9 (d)(1))

Name of case: City of Oxnard; et al. v. Aaron Starr

Ventura County Superior Court, Case No. 56-2016-00479696-CU-MC-VTA

The City Attorney requested that this item be discussed in closed session under the Brown Act authorization for the City Council to confer with its legal counsel regarding pending litigation.

3. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

CC (Government Code section 54956.9 (d)(1))

Name of case: Aaron Starr v. City of Oxnard; et al.

Ventura County Superior Court, Case No. 56-2016-00480094-CU-PT-VTA

The City Attorney requested that this item be discussed in closed session under the Brown Act authorization for the City Council to confer with its legal counsel regarding pending litigation.

G. ADJOURNMENT



**CITY COUNCIL
AGENDA REPORT**

TYPE OF ITEM: Report
AGENDA ITEM NO.: 1

DATE: June 13, 2016
TO: City Council
FROM: Kymberly Horner, Economic Development Director
SUBJECT: Sixth Amendment to the RiverPark Owner Participation Agreement
CONTACT: Kymberly Horner, Economic Development
Kymberly.Horner@oxnard.org, 385-7407

RECOMMENDATION:

That the Oxnard Community Development Commission Successor Agency ("SA"):

1. Consider the proposed Sixth Amendment to the RiverPark Owner Participation Agreement A-5965 (the "OPA") (Attachment A) and, if approved and if the proposed Memorandum of Understanding (the "MOU") (Attachment F) is approved by the City Council of the City of Oxnard (the "City"), (i) recommend to its oversight board (the "Oversight Board") approval thereof, and (ii) authorize the Chairman (or designee) to execute the document with such non-substantive changes as may be acceptable to the SA General Counsel and SA Special Counsel; and
2. Authorize the Executive Director of the SA (or designee) to prepare, revise and execute all associated documents necessary to carry out and implement the Sixth Amendment to the RiverPark OPA, and to administer the SA's obligations, responsibilities and duties thereunder.

That the City Council:

1. Consider the proposed MOU and, if approved and if the proposed Sixth Amendment to the RiverPark OPA is approved by the SA, authorize the Mayor (or designee) to execute the document with such non-substantive changes as may be acceptable to the City Attorney and City Special Counsel; and

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2. Authorize the City Manager (or designee) to prepare, revise and execute all associated documents necessary to carry out and implement the MOU, and to administer the City's obligations, responsibilities and duties thereunder.

SUMMARY

Through a series of transactions dating back to June 12, 2001, the former Community Development Commission (the "Commission") approved an Owner Participation Agreement (A-5965) encompassing the RiverPark Specific Plan Area, along with five subsequent amendments that were approved by the Commission through May 18, 2010. Among other terms and conditions, the RiverPark OPA contains a Hotel Development Obligation and Hotel Time Requirements for construction of an approximately 320-room four-star hotel within a portion of the RiverPark Specific Plan Area known as District C and depicted in (Attachment B) hereto. The Developer's request for an amendment to the RiverPark OPA is to define the quality of the product and allow phasing of the product to more accurately reflect today's market conditions.

The request to amend the OPA does not authorize any development of property. Future applications to develop the property will be reviewed separately pursuant to the permitting, design, and environmental review requirements of the RiverPark Specific Plan and California Environmental Quality Act (CEQA).

RiverPark Hotel II, LLC, successor-in-interest to Shea Properties Management Company, Inc., a Delaware corporation, as to Parcel C (the "Participant"), has asked to modify the RiverPark OPA. Some of the proposed changes to the RiverPark OPA are as follows: (i) to extend the schedule of hotel development in order to commence construction on or before December 31, 2018; (ii) to allow for two high quality, select service hotels containing approximately 100-150 rooms each to be built in phases; (iii) to provide 3,000 sf of meeting space within one of the hotels; and (iv) in order to accommodate phasing, to allow the Hotel Development Obligation to encumber two parcels to be adjusted by Lot Line Adjustment containing approximately 5 acres. (Attachment B).

The Participant would also develop, by no later than December 31, 2024, the remainder of the Hotel Parcel with a second hotel of between approximately 100 and 150 rooms that would be complimentary to the Hotel.

The changes proposed to the RiverPark OPA and scope of development specific to Parcel C are more fully described in Section 1 of Attachment A. The proposed changes to the RiverPark OPA requested by the Participant are based on the findings presented in the "Study of Potential Market Demand for a Proposed Hotel to be Located in Oxnard, California" prepared by PKF Consulting (Attachment C), dated April 2014. The report studied the demand for an approximately 320-room, four-star hotel which would be located on the Hotel Parcel as depicted. The report concluded that the local market demand dynamics, site attributes and location, along with financial feasibility, do not support a four-star hotel. Economic, market, location and other

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demand indicators were analyzed and concluded that a high quality select service branded hotel would be supported by the Oxnard lodging market. While the study suggests that one hotel of approximately 100-140 rooms would meet the demand, the Participant is requesting approval of a second 100 to 150 -room, high quality, select service, branded hotel which would be built after the hotel developer has established the specific market demand to support a second hotel.

Participant prepared an Economic Impact and Fiscal Benefit Analysis Study (Attachment D) which concluded that the proposed development could facilitate the near-term creation of approximately 179 construction jobs and 69 permanent jobs for each hotel. In addition, it is anticipated that the project could generate over \$500,000 per hotel in Transient Occupancy Tax ("TOT") revenues per year.

It should be noted that the Participant reports to have requested bids from 14 hotel developers for an approximately 320 room, four-star hotel as currently entitled and received no response.

October 20, 2015 City Council Meeting Follow-Up

This proposed amendment was heard at the October 20, 2015 SA meeting, where action was denied. The Participant was given direction by SA governing board member to: (i) study the possibility of adding meeting rooms to the proposed hotel, (ii) present the proposal to and get input from various neighborhood community groups, and (iii) "bring back something better". Enumerated below are the actions that the Participant reports to have taken in order to address these directives:

- Meetings with SA and City Staff: The Participant met several times in individual meetings with the members of the governing board of the SA and Chairperson Flynn in order to clarify and address their concerns and to provide new information regarding: (i) the quality of the project and identification of a select service hotel, (ii) completion of a meeting space market demand study and its results, (iii) results from meetings with various neighborhood groups and businesses with favorable votes in support of the proposed amendment, and (iv) discussions regarding the vision of "something better" and how this goal might be achieved.
- The Participant commissioned a market study by PKF Consulting/CBRE Hotels (Attachment E) in order to assess the supply and demand of meeting room space in the Oxnard market. The Participant shared results of this study with members of the governing board of the SA and SA staff. The study concluded that there is sufficient demand to justify approximately 3,000 square feet of meeting space in the proposed hotels at this location. Additionally, the market study indicates that the demand for larger space was not sufficient to keep the space full and to justify the cost to build this amount of space, as well as the additional parking and infrastructure necessary to accommodate such a facility.
- Community Outreach Meetings: On November 19, 2015, the Participant presented the vision for "The Landing" development to the RiverPark Neighborhood Council ("RPNC"), which included two select service hotels with approximately 240 rooms total

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(instead of the four-star hotel with approximately 320 rooms). The Participant engaged residents in a question and answer roundtable discussion in order to gather input. According to the Participant, the proposal received support from residents in attendance, however no formal vote of support was taken.

- The Participant returned to the RPNC on February 16, 2016. The Participant's presentation was updated to include the new information on the Hotel brand and standards and the meeting space demand study. Approximately 30 residents attended the meeting. The City's Economic Development Director attended the meeting on behalf of the City to address any questions concerning the October 20th denial of the proposed OPA amendment. The RPNC voted to support the proposal with 21 in favor of the amendment and 6 against it.
- The Participant presented the revised amendment and associated project to the Inter Neighborhood Council Organization on February 3, 2016 and received support for the project, with 9 votes in favor of supporting the amendment and 1 vote against it.
- The Participant presented the amendment to the Chamber of Commerce Land Use Committee on December 7, 2015. On January 28, 2016 the Land Use Committee voted unanimously in favor to support the proposal.
- The Participant presented to the proposed Amendment to the Oxnard Convention & Visitors Bureau on May 25, 2016 at its monthly meeting. The Board held a Special Meeting on June 3, 2016 and voted to support the proposed amendment.
- Per the request of the City, Participant met with the Oxnard Community Planning Group ("OCPG"), a group of residents devoted to exploring land use issues relating to mixed-use multi-story urbanism, housing, and other planning issues in the City of Oxnard. The OCPG provided comments that were focused on the conceptual site plan, which will be addressed through the design review permit process set forth in the Specific Plan at a future date.

The Participant has been working with SA staff to identify, understand and update previous calculations and assumptions included in the October 20, 2015 staff report, including the rates and occupancy levels for four-star hotels generally compared with (1) the rates and occupancy specifically for a four-star hotel located on this 5-acre parcel or (2) the rates and occupancy levels for a Select Service product on this site. This updated information significantly discounts the anticipated revenues from a four-star hotel on this site and reduces a projected annual TOT shortfall. As updated, it is anticipated that with the proposed amendment, the City would stand to secure tax revenue greater than \$1 Million each year from two select service hotels. Without the amendment, the City would continue to receive much less, as development of the anticipated four-star 320 room hotel has stalled.

The Participant has confirmed to SA staff that a hotel developer has been selected and is ready to commence the planning and design of a 120-room Marriott Springhill Suites immediately, and has also confirmed that the Hotel Developer has agreed to increase the meeting space to 3,000 sf.

Memorandum of Understanding (“MOU”)

Corresponding to the proposed Sixth Amendment to the RiverPark OPA a MOU (Attachment F) by and among the City, the Participant, and RiverPark Landing, LLC, a Delaware limited liability company (“RiverPark Landing”), has been proposed whereby (i) the Participant would pay the City \$20,000 to be used towards feasibility studies for a trolley service, or support the Downtown Arts Program, at the City’s discretion, (ii) contingent upon California Department of Finance approval of the Sixth Amendment to the River Park OPA, the Participant would pay the City a total of up to \$500,000 (\$100,000 upon final approval of entitlements for the proposed hotel and \$400,000 upon issuance of building permits for the proposed hotel), and (iii) the City would expedite processing timelines associated with the Development Design Review Permit, Subsequent Entitlement Review and Building Permit Review and Issuance for the Participant and for the RiverPark Landing.

ENVIRONMENTAL IMPACT

An Environmental Impact Report (the “EIR”) was prepared for the Historic Enhancement and Revitalization of Oxnard (“HERO”) Project Area under the provisions of the California Environmental Quality Act of 1970, amended (“CEQA”), and was certified by the Planning Commission and City Council in 1997 at the time of adoption of the HERO Redevelopment Plan. In accordance with CEQA Section 21090 and CEQA Guidelines Sections 15180, 15162 and 15163, no subsequent EIR or supplement to the EIR need be prepared for the Sixth Amendment to the River Park OPA. Entry into the MOU would not constitute a “project” for CEQA purposes.

Subsequent applications to develop the property will be reviewed for conformance to the requirements of CEQA and the RiverPark Specific Plan.

FINANCIAL IMPACT

The September 4, 2015 Economic Impact and Fiscal Benefit Analysis prepared by Development Planning and Financing Group, Inc., and provided as Attachment D, concluded that the Proposed Project would be expected to generate \$20.6 million in labor income during the construction period and \$1.2 million annually in recurring revenues and \$23.2 million over a period of 20 years. With no interest to develop the 5-acre parcel as currently required by the OPA, requiring a 320-room 4-star property in this location, the 5-acre hotel parcel within Parcel C would continue to remain vacant and only generate property tax revenues of approximately \$19,000 per year (\$380,000 over 20 years). Additionally, entry into the MOU would result in the City’s receipt of up to \$520,000 from the Participant. Upon approval, staff will come back to recognize any associated revenues.

ATTACHMENTS:

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Attachment A - Sixth Amendment to OPA

Attachment B - Hotel Site

Attachment C - PKF Consulting

Attachment D - Economic Impact Fiscal Analysis

Attachment E - Hotel Meeting Space Study

Attachment F - MOU

SIXTH AMENDMENT TO OWNER PARTICIPATION AGREEMENT

THIS SIXTH AMENDMENT TO OWNER PARTICIPATION AGREEMENT (this "Sixth Amendment to OPA") is made as of _____, 2016, by and between the **OXNARD COMMUNITY DEVELOPMENT COMMISSION SUCCESSOR AGENCY**, a public body, corporate and politic (the "Successor Agency"), and **RIVERPARK HOTEL II, LLC**, a Delaware limited liability company ("Riverpark Hotel II"). Riverpark Hotel II may also be referred to herein as a "Participant".

RECITALS

This SIXTH AMENDMENT TO OPA is made and entered into on the basis of the following facts and understandings of the parties hereto:

A. The Oxnard Community Development Commission, a public body, corporate and politic (the "Commission"), and Participant's predecessors-in-interest entered into that certain Owner Participation Agreement dated as of June 12, 2001 (the "Original OPA"). The Original OPA was amended by (i) that certain First Amendment to Owner Participation Agreement dated as of November 19, 2002 (the "First Amendment to OPA"), (ii) that certain Second Amendment to Owner Participation Agreement dated as of December 14, 2004 (the "Second Amendment to OPA"), (iii) that certain Third Amendment to Owner Participation Agreement dated on or about August 7, 2007 (the "Third Amendment to OPA"), (iv) that certain Fourth Amendment to Owner Participation Agreement dated on or about November 20, 2007 (the "Fourth Amendment to OPA"), and (v) that certain Fifth Amendment to Owner Participation Agreement dated on or about May 18, 2010 (the "Fifth Amendment to OPA") (the Original OPA, together with the First Amendment to OPA, the Second Amendment to OPA, the Third Amendment to OPA, the Fourth Amendment to OPA, the Fifth Amendment to OPA, and any other administrative extensions or amendments (including, without limitation, the December 23, 2008, July 7, 2009, June 22, 2010, and March 15, 2011 letters extending the Schedule) are referred to herein collectively as the "OPA"). The OPA provides for Participants' (as defined in the OPA) acquisition and development of certain real property (the "Site", as defined in the OPA) into a first quality commercial, retail, hotel, office and residential project, all as more particularly described in the OPA and the RiverPark Specific Plan, as amended from time to time (the "Specific Plan"). All initially-capitalized terms not specifically defined herein shall have the meanings ascribed to them in the OPA.

B. In connection with the OPA, an Agreement Containing Covenants Affecting Real Property by and between the Commission and Participant's predecessors-in-interest dated June 12, 2001, was recorded against the Site on June 18, 2001, as Instrument No. DOC-2001-0114394-00 in the Ventura County Recorder's Office (the "Recorder's Office") (the "Original Agreement Containing Covenants"). The Original Agreement Containing Covenants was amended by (i) that certain First Amendment to Agreement Containing Covenants Affecting Real Property dated as of November 19, 2002 and recorded against the Site on November 27, 2002, as Instrument No. 2002-0299634-00 in the Recorder's Office (the "First Amendment to Agreement Containing Covenants"), (ii) that certain Second Amendment to Agreement Containing Covenants Affecting Real Property dated as of February 1, 2005 and

recorded against the Site on February 3, 2005, as Instrument No. 20050203-0026767 in the Recorder's Office (the "Second Amendment to Agreement Containing Covenants"), (iii) that certain Third Amendment to Agreement Containing Covenants Affecting Real Property dated as of August 7, 2007 and recorded against the Site on August 29, 2007, as Instrument No. 20070829-00169024 in the Recorder's Office (the "Third Amendment to Agreement Containing Covenants"), (iv) that certain Fourth Amendment to Agreement Containing Covenants Affecting Real Property dated as of February 10, 2010 and recorded against portions of the Site, as described therein, on March 22, 2010, as Instrument No. 20100322-00044098-0 in the Recorder's Office (the "Fourth Amendment to Agreement Containing Covenants"), (v) that certain Fifth Amendment to Agreement Containing Covenants Affecting Real Property dated as of June 30, 2010, and recorded against portions of the Site, as described therein, on July 2, 2010, as Instrument No. 20100702-00097700-0 in the Recorder's Office (the "Fifth Amendment to Agreement Containing Covenants"), (vi) that certain Sixth Amendment to Agreement Containing Covenants Affecting Real Property dated as of June 30, 2010 and recorded against portions of the Site, as described therein, on July 2, 2010, as Instrument No. 20100702-00097702-0 in the Recorder's Office (the "Sixth Amendment to Agreement Containing Covenants"), and (vii) that certain Seventh Amendment to Agreement Containing Covenants Affecting Real Property dated as of June 5, 2012 and recorded against portions of the Site, as described therein, on October 8, 2012, as Instrument No. 20121008-00179522-0 in the Recorder's Office (the "Seventh Amendment to Agreement Containing Covenants") (the Original Agreement Containing Covenants, together with the First Amendment to Agreement Containing Covenants, the Second Amendment to Agreement Containing Covenants, the Third Amendment to Agreement Containing Covenants, the Fourth Amendment to Agreement Containing Covenants, the Fifth Amendment to Agreement Containing Covenants, the Sixth Amendment to Agreement Containing Covenants, the Seventh Amendment to Agreement Containing Covenants, and any other amendments are referred to herein collectively as the "Agreement Containing Covenants"). Neither the Fourth Amendment to Agreement Containing Covenants nor the Seventh Amendment to Agreement Containing Covenants was recorded against the property that is the subject of this Sixth Amendment to OPA, and neither one creates or imposes any covenants, obligations or burdens with respect to the property that is the subject of this Sixth Amendment to OPA.

C. In addition, in conjunction with the development of the Site, the City of Oxnard ("City") and Participant's predecessors-in-interest entered into that certain Development Agreement dated as of August 27, 2002 and recorded against the Site on September 10, 2002, as Instrument No. 2002-0216450-00 in the Recorder's Office (as amended from time to time, the "Development Agreement").

D. In conjunction with transfers of portions of the Site from Participant's predecessors-in-interest to Participant as well as other owners, the parties to such transfer agreements have executed Assignment and Assumption Agreements that had the effect of the transferring party assigning and the acquiring party assuming the rights, duties and/or obligations under the Development Agreement and the OPA relating to the portion of the Site being transferred and providing that no Participant shall be obligated to meet any obligations under the Development Agreement or the OPA that relate to a portion of the Site owned by another Participant.

E. In the Third Amendment to OPA, as amended by the Fifth Amendment to OPA, Participant and its predecessors in interest and the Commission previously agreed to undertake efforts to facilitate development of a hotel on the portion of the Site owned by Riverpark Landing, as set forth in the Fifth Amendment to OPA, following the occurrence of the Retail Transaction, which occurred as contemplated in the Fifth Amendment to OPA. Riverpark Hotel II subsequently acquired the Hotel Parcel from Riverpark Landing, LLC, and assumed the obligations related thereto.

F. The Successor Agency became the Commission's successor-in-interest under the OPA and the Agreement Containing Covenants by operation of law pursuant to Health and Safety Code Section 34175(b).

G. A period of enforced delay has been in effect since February 1, 2012.

H. Based on market conditions that have existed and continue to exist at the Site, there does not appear to be a market for a 320-room four-star hotel at the Site, and the parties do not anticipate that a market for such a hotel will exist in the foreseeable future; however, there does appear to be a market for a limited-service hotel containing between approximately 100 and 150 rooms on the Site, and the near-term development of such a limited-service hotel rather than maintaining the Hotel Parcel as vacant land indefinitely would benefit all local taxing entities due to increases in property and other taxes generated by such development. Accordingly, and to permit such development to proceed by Participant, the Successor Agency and Participant now desire to amend the OPA through this Sixth Amendment to OPA in order to modify the Hotel Development Obligation and Hotel Time Requirements as set forth herein.

I. The Successor Agency has determined that the actions to be taken pursuant to this Sixth Amendment to OPA will not result in environmental impacts which are new or substantially changed from those already analyzed and addressed in the Environmental Impact Report for the RiverPark Project certified on July 16, 2002, and therefore has determined that none of the elements set forth in Public Resources Code Section 21166 or Section 15162 of the CEQA Guidelines exists and therefore has determined, in accordance Public Resources Code Section 21166 and Section 15162 of the CEQA Guidelines, that no subsequent or supplemental Environmental Impact Report, Negative Declaration or Mitigated Negative Declaration is required to be prepared prior to approving this Sixth Amendment to OPA.

AGREEMENT

NOW THEREFORE, based upon the foregoing Recitals and for good and valuable consideration, the receipt of which is hereby acknowledged by the parties, the Successor Agency and Participant agree that the OPA shall be amended as follows:

Section 1. Section 413(c)(i) of the OPA shall be amended and restated to read as follows:

"Participant shall diligently use its commercially reasonable efforts to develop, or cause the development of, a hotel containing between approximately 100 and 150 rooms (the "Hotel") on a portion of that approximately five acre portion of Development Parcel C of

the Site (the “Hotel Parcel”), depicted on the “Revised Site Map Depicting Hotel Parcel” attached hereto as “Attachment No. 21” and incorporated herein by this reference and legally described in the “Revised Legal Description of Hotel Parcel” attached hereto as “Attachment No. 22” and incorporated herein by this reference, in compliance with the Hotel Time Requirements (defined below in the next paragraph), the Scope of Development, and Schedule of Performance, and such Hotel shall be similar in quality to any of the following hotel brands: DoubleTree by Hilton, Embassy Suites Hotels, Homewood Suites by Hilton, Courtyard by Marriott, Residence Inn by Marriott, SpringHill Suites, Fairfield Inn by Marriott, TownePlace Suites, Holiday Inn, Holiday Inn Express, Staybridge Suites, Candlewood Suites, Element by Westin, Aloft Hotels, Four Points by Sheraton, Hyatt Place, or Hyatt House, as reasonably determined by the Executive Director (collectively, the “Hotel Development Obligation”). Separately, and not as part of the Hotel Development Obligation, Participant shall develop, by no later than December 31, 2024, the remainder of the Hotel Parcel with a second hotel of between approximately 100 and 150 rooms that is complimentary to the Hotel.

For purposes of this Section 413(c), the “Hotel Time Requirements” shall mean all of the following: (a) Participant shall Commence construction of the Hotel on a portion of the Hotel Parcel on or before December 31, 2018 (the “Commencement Date”); (b) Participant shall thereafter use its commercially reasonable and diligent efforts to Complete the Hotel within thirty-six (36) months after construction thereof is Commenced; and (c) Participant shall Complete construction of the Hotel on a portion of the Hotel Parcel on or before December 31, 2021 (the “Completion Date”), subject to provisions of Section 707 (Enforced Delay) and Section 411.3 (Permitted Mortgagee Right to Cure Defaults) of this Amended OPA. The Successor Agency’s Executive Director may, in his or her reasonable discretion, extend the Completion Date by no more than six (6) months if Participant is diligently proceeding with construction and factors outside the control of Participant are negatively impacting the rate of Completion (the “Hotel Extension”). The Term “Commence” shall mean that Participant has obtained all building permits required for the construction and development of the Hotel on a portion of the Hotel Parcel, and had recorded disburseable construction financing for such construction financing pursuant to evidence submitted and reasonably satisfactory to the Successor Agency’s Executive Director. The term “Complete” shall mean that the Participant has requested and obtained in recordable form the Certificate of Completion for development of the Hotel from the Successor Agency in accordance with the Amended OPA.

Participant may transfer the Hotel Parcel, or a portion thereof, to a third party for development of the Hotel. The Successor Agency shall have the right to review and approve the third party Participant pursuant to Section 105.3 of this Amended OPA prior to any such transfer and to review and approve the Hotel operator, as applicable. Appropriate covenants and restrictions shall be recorded against the Site to reflect the Hotel Development Obligation.

Upon Participant’s Completion of the Hotel in accordance with this Section 413(c), the Hotel Development Obligation shall be deemed satisfied, and Participant and the

Successor Agency shall prepare, execute and record a Notice of Termination of Memorandum of Option.”

Section 2. Within ninety (90) days after the execution of this Sixth Amendment to OPA, the Participant and the Executive Director or designee shall negotiate and execute a “First Amendment to Option Agreement for Purchase of Real Property and Joint Escrow Instructions”, which shall be attached to the OPA as Attachment No. 25 and recorded against portions of the Site, as described therein, in the Recorder’s Office, as applicable.

Section 3. Within ninety (90) days after the execution of this Sixth Amendment to OPA, the Participant and the Executive Director or designee shall negotiate and execute an Eighth Amendment to Agreement Containing Covenants, which shall be attached to the OPA as Attachment No. 26 and recorded against portions of the Site, as described therein, in the Recorder’s Office, as applicable.

Section 4. Effective Date of Sixth Amendment to OPA. This Sixth Amendment to OPA shall take effect when it is deemed effective in accordance with Health and Safety Code Section 34179(h).

Section 5. Miscellaneous Provisions.

(a) Entire Agreement. Except for the OPA, which this Sixth Amendment to OPA amends, this Sixth Amendment to OPA, together with the Option Agreement for Purchase of Real Property and Joint Escrow Instructions (as amended by the First Amendment to Option Agreement for Purchase of Real Property and Joint Escrow Instructions to be attached as Attachment No. 25) and the Agreement Containing Covenants, as amended from time to time, contains the entire understanding between the parties relating to the transaction contemplated by this Sixth Amendment to OPA. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, are merged into this Sixth Amendment to OPA and shall be of no further force.

(b) Section Headings. The section headings contained in this Sixth Amendment to OPA are for convenience and identification only and shall not be deemed to limit or define the contents to which they relate.

(c) Counterparts. This Sixth Amendment to OPA and any modifications hereto may be executed in any number of counterparts with the same force and effect as if executed in the form of a single document.

(d) Waiver. No waiver of any provision of this Sixth Amendment to OPA shall be effective unless in writing and signed by a duly authorized representative of the party against whom enforcement of a waiver is sought.

(e) Severability. If any term, covenant, condition or provision of this Sixth Amendment to OPA, or the application thereof to any person or circumstance, shall to any extent be held by a court of competent jurisdiction or rendered by the adoption of a statute by the State of California or the United States invalid, void or unenforceable, then the remainder of the terms, covenants, conditions or provisions of this Sixth Amendment to OPA, or the application thereof

to any person or circumstance, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby; provided that the invalidity or unenforceability of such provision does not adversely affect the benefits accruing to, or the obligations imposed upon, any party hereunder.

(f) No Reliance on Other Parties. All parties to this Sixth Amendment to OPA declare that, prior to the execution of this Sixth Amendment to OPA, they have informed themselves of sufficient relevant data, either through experts or other sources of their own selection, and have sought and obtained legal counsel, in order that they might intelligently exercise their own judgment in evaluating the contents of this Sixth Amendment to OPA and making the decision to execute it. The parties each represent and acknowledge that in executing this Sixth Amendment to OPA, they do not rely and have not relied upon any representation or statement not set forth herein made by any other party to this Sixth Amendment to OPA or their respective legal counsel with regard to the subject matter, basis or effect of this Sixth Amendment to OPA.

(g) Construction. The provisions of this Sixth Amendment to OPA shall be liberally construed to effectuate its purpose. The language of this Sixth Amendment to OPA shall be construed simply according to its plain meaning and shall not be construed for or against any party, as each party has participated in the drafting of this Sixth Amendment to OPA and has had its legal counsel review it. Whenever the context and construction so require, all words used in the singular shall be deemed to be used in the plural, and vice versa.

(h) Successors and Assigns. This Sixth Amendment to OPA shall be binding on and shall inure to the benefit of the parties and their respective legal representatives, successors and assigns.

(i) Governing Law. The validity and interpretation of this Sixth Amendment to OPA shall be governed by the laws of the State of California without giving effect to the principles of conflict of laws.

(j) Authorizations. Each party certifies and warrants that all individuals executing this Sixth Amendment to OPA and other related documents on its behalf have the capacity and have been duly authorized to do so. Each party shall also indemnify the other parties to this Sixth Amendment to OPA and hold them harmless from any and all damages, costs, attorneys' fees, and other expenses, if a signatory is not so authorized.

(k) Definitions. All terms not specifically defined in this Sixth Amendment to OPA shall have the meanings ascribed to them in the OPA.

(l) Impact of Sixth Amendment to OPA. Unless otherwise specifically amended by this Sixth Amendment to OPA, all provisions of the OPA, as previously amended, shall remain in full force.

(m) Interpretation of Participant. For the purpose of this Sixth Amendment to OPA, the term "Participant" shall be interpreted to mean that specific authorized entity or its successors or assigns that owns a portion of the Site to which the rights, duties and/or obligations of the OPA or the Sixth Amendment to OPA relate; provided, however, that a party to the OPA

or this Sixth Amendment to OPA or its authorized successors or assigns shall not be obligated to meet the obligations of this Sixth Amendment to OPA for another owner of a portion of the Site to which the rights, duties and/or obligations of the OPA or this Sixth Amendment to OPA relate.

[remainder of page left intentionally blank – signature pages follow]

IN WITNESS WHEREOF, the parties hereto have executed this Sixth Amendment to OPA as of the date first written above.

"SUCCESSOR AGENCY"

**OXNARD COMMUNITY DEVELOPMENT
COMMISSION SUCCESSOR AGENCY**, a
public body, corporate and politic

By: _____

Tim Flynn
Chairperson

ATTEST:

By: _____

Daniel Martinez
Secretary Designate

APPROVED AS TO FORM:

By: _____

Stephen M. Fischer
General Counsel

APPROVED AS TO FORM AND CONTENT:
KANE, BALLMER & BERKMAN
Successor Agency Special Counsel

By: _____

Todd C. Mooney
Todd C. Mooney
Senior Associate

APPROVED AS TO CONTENT:

By: _____

Kymberly Horner
Kymberly Horner
Economic Development Director

[Signatures continue on next page]

"PARTICIPANT"

RIVERPARK HOTEL II, LLC,
a Delaware limited liability company

By: Shea Properties Management Company, Inc.
a Delaware corporation,
its Manager

By: 

Name: STEVE SCHAFENACKER
ASSISTANT SECRETARY

Its: _____

By: 

Name: Julia Guizan
Vice President

Its: _____

ATTACHMENT 21

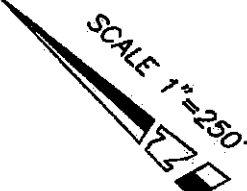
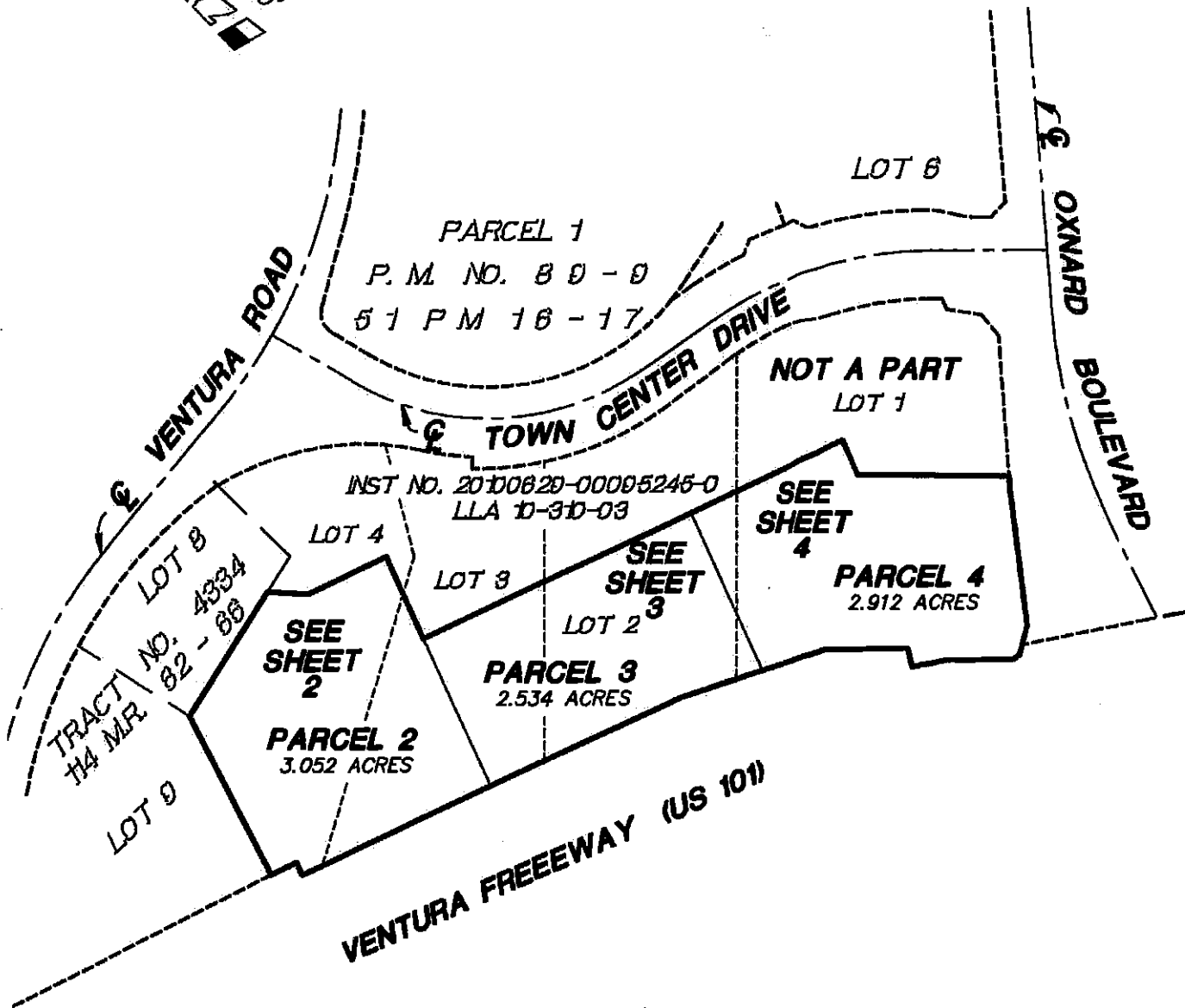
REVISED SITE MAP

DEPICTING HOTEL PARCEL

(attached)

**ATTACHMENT 21
REVISED SITE MAP DEPICTING HOTEL PARCEL**

SCALE 1"=250'

LEGEND

PROPOSED LOT LINE

(XXX)

INDICATES RECORD DATA PER LLA 10-310-03
INST. NO. 20100629-00095245-0, O.R.
REC. 06/29/2010, O.R.

HUITT-ZOLLARS

Huitt-Zollars, Inc. Irvine
2603 Main Street, Suite 400, Irvine, CA 92614
Phone (949) 988-5815 Fax (949) 988-5820

APPROVED BY

SKETCH TO ACCOMPANY
A LEGAL DESCRIPTION

EXHIBIT 'B'
THE LANDING

SCALE 1"=250'

DRAWN BY SO

CHECKED BY JL

DATE 10/12/2015

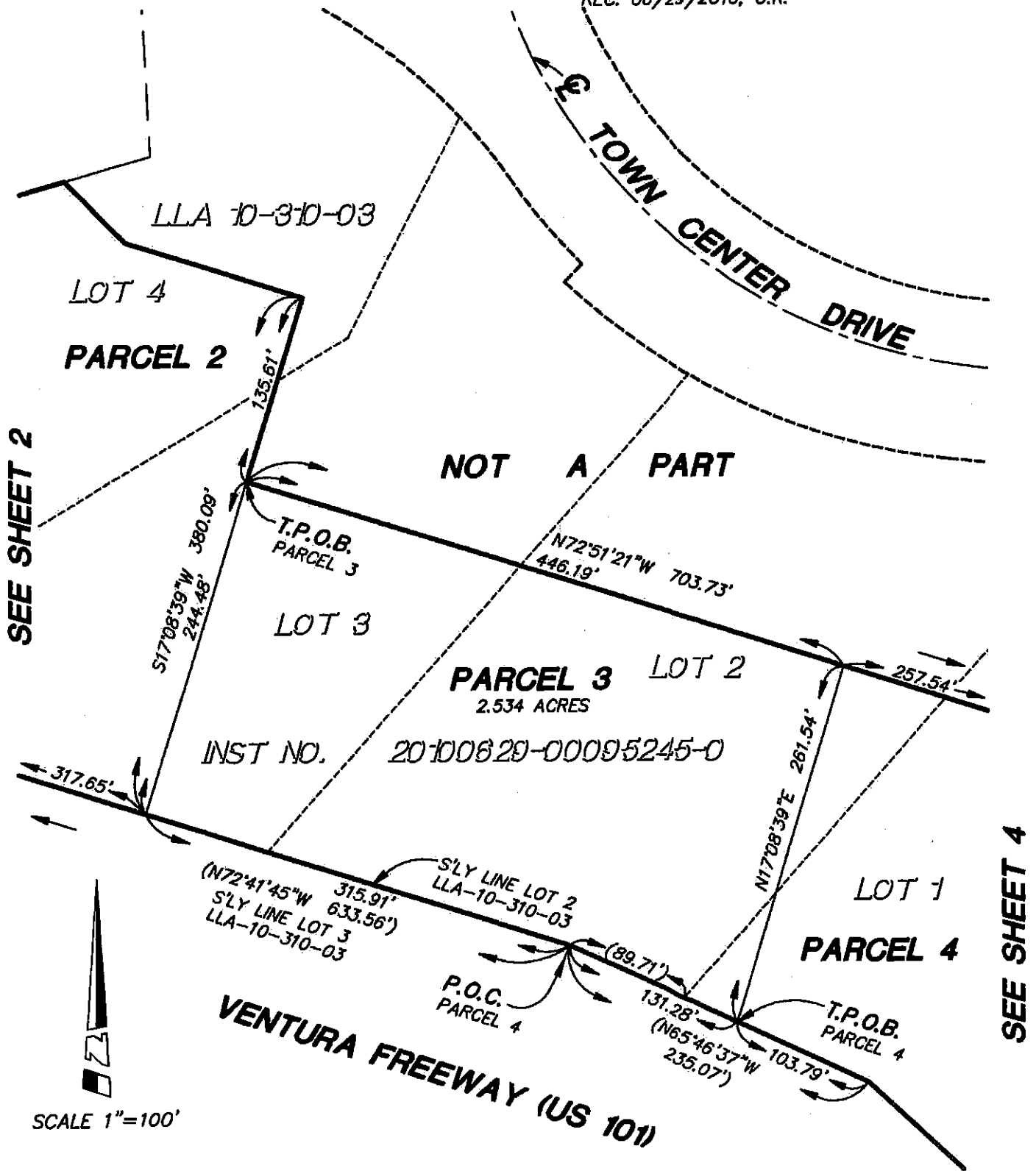
JOB NO.
R300668.01

LEGEND

PROPOSED LOT LINE

(XXX)

INDICATES RECORD DATA PER LLA 10-310-03
INST. NO. 20100629-00095245-0, O.R.
REC. 06/29/2010, O.R.



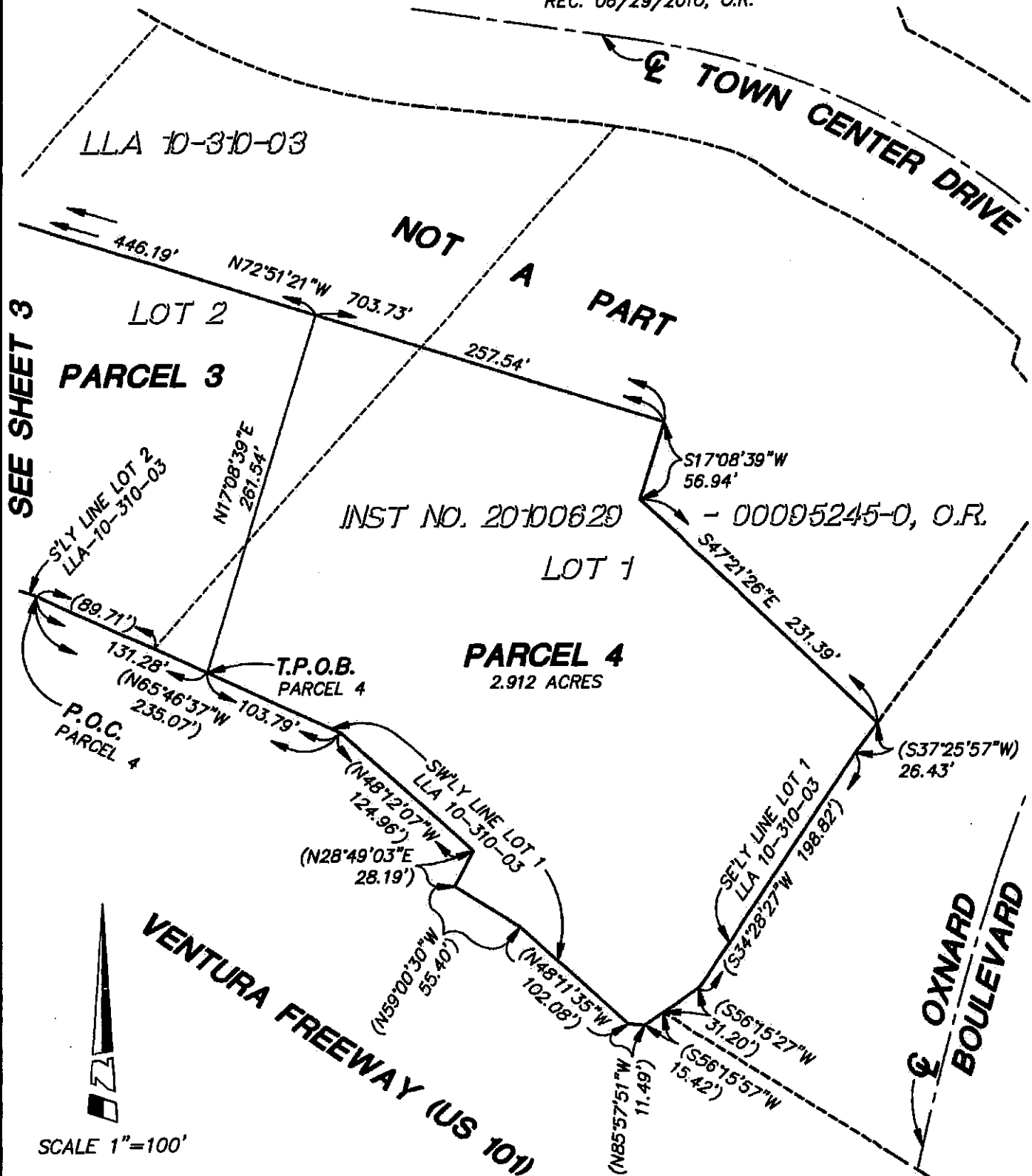
SCALE 1"=100'

R300668.01

LEGEND

PROPOSED LOT LINE

(XXX) INDICATES RECORD DATA PER LLA 10-310-03
 INST. NO. 20100629-00095245-0
 REC. 06/29/2010, O.R.



R300668.01

ATTACHMENT 22

REVISED LEGAL DESCRIPTION

OF HOTEL PARCEL

(attached)

HUITT-ZOLLARS

HUITT-ZOLLARS, INC. • 2603 Main Street • Suite 400 • Irvine, CA 92614-4250 • 949.988.5815 phone • 949.988.5820 fax • huitt-zollars.com

R300668.01
10-12-15

EXHIBIT "A"
LEGAL DESCRIPTION
THE LANDING
PARCEL 3

Those portions of Lots 1, 2, and 3 of Lot Line Adjustment LLA 10-310-03, in the City of Oxnard, County of Ventura, State of California, recorded on June 29, 2010 as Instrument No. 20100629-00095245-0 of Official Records, in the office of the County Recorder of said County, described as follows:

Commencing at the Southeasterly terminus of that certain course in the Westerly line of said Lot 4 shown as having a bearing and distance of "N 14°49'18" E 268.36' " on said Lot Line Adjustment; thence along said Westerly line and the Northwesterly line of said Lot 4, the following courses: North 14°49'18" East 268.36 feet, and North 74°05'32" East 219.22 feet; thence leaving said Northwesterly line South 45°17'40" East 61.85 feet; thence South 72°51'21" East 131.33 feet; thence South 17°08'39" West 135.61 feet to the TRUE POINT OF BEGINNING; thence continuing South 17°08'39" West 244.48 feet to the Southerly line of said Lot 3; thence along the Southerly lines of said Lots 1, 2 and 3, the following courses: South 72°41'45" East 315.91 feet and South 65°46'37" East 131.28 feet; thence leaving said Southeasterly line North 17°08'39" East 261.54 feet; thence North 72°51'21" West 446.19 feet to the TRUE POINT OF BEGINNING.

Containing an area of 2.534 acres, more or less.

Subject to covenants, conditions, reservations, restrictions, rights-of-way and easements, if any, of record.

R300668.01
10-12-15

EXHIBIT "A"
LEGAL DESCRIPTION
THE LANDING
PARCEL 4

Those portions of Lots 1 and 2 of Lot Line Adjustment LLA 10-310-03, in the City of Oxnard, County of Ventura, State of California, recorded on June 29, 2010 as Instrument No. 20100629-00095245-0 of Official Records, in the office of the County Recorder of said County, described as follows:

Commencing at the Northwesterly terminus of that certain course in the Southeasterly line of said Lot 2 shown as having a bearing and distance of "N 65°46'37" W 89.71' " on said Lot Line Adjustment; thence along said Southeasterly line of said Lot 2 and said Lot 1 South 65°46'37" East 131.28 feet to the TRUE POINT OF BEGINNING; thence leaving said Southeasterly line North 17°08'39" East 261.54 feet; thence South 72°51'21" East 257.54 feet; thence South 17°08'39" West 56.94 feet; thence South 47°21'26" East 231.39 feet to the Southeasterly line of said Lot 1; thence along said Southeasterly line and the Southwesterly line of said Lot 1, the following courses: South 37°25'57" West 26.43 feet, South 34°28'27" West 198.82 feet, South 56°15'27" West 31.20 feet, South 56°15'57" West 15.42 feet, North 85°57'51" West 11.49 feet, North 48°11'35" West 102.08 feet, North 59°00'30" West 55.40 feet, North 28°49'03" East 28.19 feet, North 48°12'07" West 124.96 feet, and North 65°46'37" West 103.79 feet to the TRUE POINT OF BEGINNING.

Containing an area of 2.912 acres, more or less.

Subject to covenants, conditions, reservations, restrictions, rights-of-way and easements, if any, of record.

ATTACHMENT B

CURRENT AND PROPOSED HOTEL SITE



**Study of Potential Market Demand
for a
Proposed Hotel
to be Located in
Oxnard, California**

April 2014



Prepared for:

Mr. Steve Schafenacker
Shea Properties
130 Vantis
Suite 200
Aliso Viejo, California 92656

Prepared by:

PKF Consulting
Los Angeles, California



April 11, 2014

Mr. Steve Schafenacker
Senior Vice President
Shea Properties
130 Vantis, Suite 200
Aliso Viejo, California 92656

Dear Mr. Schafenacker:

In accordance with our agreement, we have concluded our analysis of potential market demand for a proposed hotel to be located at the northwest quadrant of the North Oxnard Boulevard and U.S. Route 101 (Ventura Freeway) intersection in the City of Oxnard, California. The conclusions reached are based on our present knowledge of the competitive lodging market as of the completion of our fieldwork in April 2014. The following report summarizes our findings and reflects the conclusion of our analysis.

As in all studies of this type, the estimated results are based upon competent and efficient management and presume no significant change in the competitive market from that as set forth in this report. Since our results are based on estimates and assumptions that are subject to uncertainty and variation, we do not represent them as results that will actually be achieved.

It is expressly understood that the scope of our study and report thereon do not include the possible impact of zoning or environmental regulations, licensing requirements or other restrictions concerning the project, except where such matters have been brought to our attention and disclosed in the report.

The terms of this engagement are such that we have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of completion of our fieldwork; however, we are available to discuss the necessity for revision in view of changes in the economy or market factors which have a material effect on the proposed property.

This report has been prepared for presentation to third parties in connection with the negotiation of a joint venture, lease, franchise, or management agreement or for use in primary mortgage financing. It is subject to the Statement of General Assumptions and Limiting Conditions presented in the Addenda, as well as to the assumptions presented herein.

Sincerely,
PKF Consulting USA

A handwritten signature in blue ink, appearing to read "Bruce Baltin".

Bruce Baltin
Senior Vice President

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Section I
INTRODUCTION

INTRODUCTION

OVERVIEW OF THE MARKET STUDY

PKF Consulting USA has been retained by Shea Properties to perform a study of the potential market demand for a proposed hotel to be located at the northwest quadrant of the North Oxnard Boulevard and U.S. Route 101 (Ventura Freeway) intersection in the City of Oxnard, California. We are of the understanding the Shea Properties is considering development of a 350-room, four-star convention hotel at the subject site. After concluding our study of the market in which the site is located, it is our opinion that a hotel consisting of 140 guestroom units and positioned as a high quality, branded select-service property should be developed at the site. A more detailed explanation of our conclusion is presented in Section II of this report.

The conclusion reached in our analysis assumes one 140-room, high quality select-service hotel at the subject site. As a component of this analysis, after we have identified the potential market demand in the Oxnard and surrounding area lodging market, we have then provided our projections of the occupancy and average daily room rate that the proposed subject could reasonably be expected to achieve for its first five years of operation. For the purpose of our analysis, we have assumed the subject would be open and available for occupancy by January 1, 2016 and that the hotel would have 140 guestrooms. This report represents the culmination of our market research, analysis, and assessments relative to the potential market demand for the proposed hotel.

ASSUMPTIONS USED FOR PROJECTIONS

Our analysis was based on the following set of assumptions:

- The proposed hotel is to be located at the northwest quadrant of the North Oxnard Boulevard and U.S. Route 101 (Ventura Freeway) intersection in the City of Oxnard, California;
- The proposed hotel will be a high quality, select-service hotel;
- The subject will contain a total of 140 standard guestrooms;
- The subject will offer facilities and services consistent with its respective quality level;
- The subject will offer meeting and event space;
- The subject will offer limited food and beverage services;
- The subject will be affiliated with a nationally recognized brand; and,
- The hotel project will open on January 1, 2016.

METHODOLOGY

In conducting the study, we:

- Physically inspected the proposed subject site as well as existing and planned surrounding developments;
- Assessed the impact of the proposed subject's accessibility, visibility, and location relative to demand generators and overall marketability;
- Analyzed the proposed subject's site and prepared recommendations as to the optimal type of hotel to be developed on the site;
- Researched and analyzed current economic and demographic trends in Ventura County with a focus on Oxnard and surrounding cities to determine the trends' impact on future lodging demand within the market;
- Identified the competitive supply of lodging facilities in and around Oxnard;
- Interviewed active developers and representatives of large employers in the area;
- Reviewed the historical performance levels for the competitive lodging supply on a composite basis;
- Estimated the anticipated growth in demand for, and supply of, lodging accommodations in the competitive market area; and,
- Determined the optimum positioning of a hotel to be located at the subject site within the competitive market and prepared a forecast of the potential annual occupancy and average daily rate for the first five years of operation of the proposed subject.

Several sources were used in compiling the background information and preparing the analysis contained in this report. These resources included *Hotel Horizons* published by PKF Consulting USA; data on the local lodging market gathered through direct interviews with managers of the competitive properties; data provided by sources in the lodging chains with which the competitive properties are affiliated; and economic data on the region from various local governmental and planning entities.

ANALYSIS OF SITE LOCATION & FACILITIES RECOMMENDATIONS

We have inspected the site relative to its location, surrounding developments, access, visibility, and relationship to demand generators and area amenities to establish the type of lodging facility best suited to its environs and determined the potential success of a hotel development on the subject site.

Based on our analysis of the site and competitive lodging properties, the preliminary planned development scenario provided, and from our interviews with hotel representa-

tives, planning officials, and representatives of potential demand generators for the proposed subject, we have developed recommendations for the site.

AREA REVIEW

We gathered and analyzed relevant economic, demographic, and development data relative to Ventura County and the City of Oxnard. The purpose of this analysis was to ascertain the economic climate in which the hotel will operate and create a basis for projecting future economic conditions as they relate to the proposed 140-room hotel.

MARKET RESEARCH

We have reviewed our database and conducted primary market research relative to the proposed hotel's competitive market and prepared a five-year history of occupancy and average daily rate trends. To obtain data on current conditions, market mix, and likely future results, we conducted primary research in the area including interviews with representatives of the competitive hotels and planning officials. Data on proposed projects was also researched and reviewed to determine the likelihood of future additions to supply.

PREPARATION OF MARKET SUPPLY AND DEMAND ESTIMATES

We analyzed historical growth and the characteristics of each of the principal segments of demand for lodging accommodations and researched the potential additions to supply. Then, using the information gathered in our research, we projected the growth in demand from 2014 to 2020 for the competitive market, and combined the estimated future supply and demand to reach our conclusions of the overall market potential.

SUBJECT OCCUPANCY AND AVERAGE DAILY RATE PROJECTIONS

After completing our estimates of the market area's supply and demand, we estimated the share of the market that the proposed subject hotel should reasonably be expected to capture for its first five years of operation. From this we derived its annual occupancy percentages. After considering the historical average daily rate trends in the market and the projected market position for the proposed hotel, the proposed property's average daily rate was projected from its estimated opening in 2016 through 2020.

SUMMARY OF CONCLUSIONS

Based on our existing knowledge of the Oxnard and the greater Ventura County hotel market coupled with our research relative to this assignment, we are of the opinion that an opportunity exists for the development of a high quality, select-service hotel at the subject site. The subject site is located in the City of Oxnard, California. As such, the subject hotel will be competing primarily within the Cities of Oxnard, Ventura, and Port Hueneme commercial demand generated from the businesses and government entities located in the area, leisure demand generated by pleasure travelers, and group demand arising from business meetings, as well as sports groups and social events.

The area immediately surrounding the subject site is comprised of an array of businesses, commercial and retail amenities, and residential buildings. With its newer facilities, the hotel will be well positioned to capture the higher-rated commercial, group, and leisure demand in the area that is not currently satisfied by the existing hotel product, as well as generate additional demand for the area.

HISTORICAL MARKET PERFORMANCE AND MARKET SHARE ESTIMATES

We have analyzed the performance and mix of demand for the hotel properties with which the proposed subject is expected to compete. Considering economic and market indicators, we have estimated the market area's supply of and demand for hotel room nights and have estimated the share of the market that the proposed hotel should reasonably be expected to capture for its first five years of operation. Based upon an analysis of the sources of demand available to the subject property and its estimated competitive position, we have estimated the occupancy percentage and average daily rate that could potentially be achieved in a representative year, in current value dollars, and over the first five years of operation.

We estimate the subject hotel could achieve a stabilized occupancy rate of 73 percent and an average daily rate of \$135.00, in current value (2014) dollars. In consideration of the proposed amenities and facilities of the subject, as well as its expected positioning in the market, we find this rate reasonable, placing the subject approximately \$15.00 above the competitive market. In terms of average daily rate, this estimate positions the subject above that of the anticipated stabilized rates of the limited-service and extended stay hotels in the competitive set and below that of the full-service competitive properties. Furthermore, this rate is within the range of comparable high quality, select-service properties located in similar Southern California markets and throughout the nation.

The following table outlines our estimates of occupancy, average daily rate, and the resulting revenue yield for the subject. It should be noted that figures are rounded to the nearest dollar amounts.

Projected Market Performance of the Subject Hotel											
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Average Daily Rate	Percent Change	REVPAR	Percent Change	Market Penetration	Revenue Yield
2016	51,100	N/A	32,700	N/A	64%	\$143.00	3.0%	\$ 91.51	N/A	93%	104%
2017	51,100	0.0%	35,600	8.9%	70	148.00	3.0	103.11	12.7%	100	112
2018	51,100	0.0	37,500	5.3	73	152.00	3.0	111.55	8.2	105	117
2019	51,100	0.0	37,500	0.0	73	157.00	3.0	115.22	3.3	105	118
2020	51,100	0.0	37,500	0.0	73	161.00	3.0	118.15	2.5	105	117
CAAG	0.0%		3.5%			3.0%		6.6%			

Source: PKF Consulting USA

Section II
ANALYSIS OF THE SITE LOCATION

ANALYSIS OF THE SITE LOCATION

SITE DESCRIPTION

Location, Access, and Visibility

The subject site is located on the northwest quadrant of the North Oxnard Boulevard/California State Route 1 (Pacific Coast Highway) and U.S. Route 101 intersection in Oxnard, California. The subject site currently exists as an unimproved site located in a commercial and residential area. Surrounding improvements include commercial, office, retail, and residential uses in low to mid-rise structures. The immediate border uses of the site and of the area surrounding the proposed hotel are listed below.

- **North:** The subject is bordered to the north by Towne Center Drive, followed by the six-story National University office building, North Ventura Road, and additional low-rise office uses.
- **South:** The site is bordered to the immediate south by U.S. Route 101 (Ventura Freeway), followed by the Esplanade Shopping Center, a freeway fronting super community center anchored by major national retailers, such as Home Depot, Bed Bath and Beyond, and Staples. The River Ridge Golf Course is approximately two miles southwest of the subject site, and Channel Islands Harbor is approximately 5.5 miles southwest.
- **West:** The subject site is bordered to the immediate west by the remainder of the unimproved lot which is to be developed with commercial, retail, and restaurant uses. Further west are unincorporated areas of Ventura County followed by the City of Ventura. Ventura Harbor is approximately six miles west of the subject site.
- **East:** The site is bordered to the immediate east by North Oxnard Boulevard, followed by The Collection at River Park, an outdoor shopping destination anchored by a Whole Foods, Target, REI, and numerous dining options. Residential and agricultural uses are located further east.

An area map illustrating the subject's location is presented in the following page.



ACCESS AND VISIBILITY

The subject property can be easily access from U.S. Route 101 (the Ventura Freeway), a north-south highway that runs through the states of California in the south to Washington in the north along the west coast of the United States. U.S. Route 101 is a major highway that provides access to the subject from the City of Los Angeles in the south through Ventura County, as well as to the other major freeways in the greater Los Angeles area. Additionally, Highway 1 (Pacific Coast Highway), another major north-south highway, eventually merges with Oxnard Boulevard and later onto U.S. Route 101, which will provide access to the subject from the southern areas of Oxnard. The site can be accessed by the Oxnard Boulevard exit (Exit 62B) to north and southbound travelers on the Ventura Freeway. Taking the Oxnard Boulevard exit, the site can be accessed by traveling north on Oxnard Boulevard, taking a left on Town Center Drive, where the subject site will be located on the left.

Overall, the subject site has an excellent location relative to numerous transportation networks and businesses in the area. Proximate to U.S. Route 101 and located within walking distance to many existing and planned developments within Oxnard, the subject site enjoys a good location relative to demand generators allowing it to capture commercial, leisure, and group demand in the area. The subject site is abutted by a raised, sloping freeway exit to the south which limits visibility to northbound travelers on U.S. Route 101 and Oxnard Boulevard/Highway 1; however, visibility of the subject is anticipated to be excellent to southbound travelers on U.S. Route 101. Freeway-fronting and street signage should help mitigate visibility difficulties.

RELATIONSHIP TO DEMAND GENERATORS AND AREA AMENITIES

The subject site is located in a rapidly changing commercial and amenity rich area in the commercial areas of Oxnard. The subject enjoys proximity to the collection of office buildings in the North Oxnard area clustered around major thoroughfares and is within walking distance of a collection of highly desirable restaurants and retail amenities offered by The Collection at RiverPark.

The subject's location will enable it to cater primarily to commercial, leisure, and group market segments. The major pockets of commercial development are located in the Gonzales Corridor and North Oxnard areas of the City; these commercial hubs are home to many major satellite offices and headquarters for some of the most well-known companies in the nation, including Proctor & Gamble, Monsanto Company, and Del Monte Fresh Produce Company. Its location will also enable the Subject to attract commercial demand from government-related travel to Point Mugu Naval Air Warfare Center Weapons Division and Naval Air Weapons Station at Port Hueneme, in addition to commercial travel related to the concentration of office and industrial buildings located in and around the western area of Ventura. Similarly, the subject will capture transient leisure demand from the Southern California area, visiting family and friends, and popular attractions and events, such as the annual Strawberry Festival, in Ventura County. Furthermore, self-contained

group business and compression from neighboring areas is also a source of demand for hotels in Oxnard during high seasons, particularly during the summer.

Overall, the site is well located in relation to main points of business and attractions in Oxnard and the surrounding cities of Port Hueneme and Ventura.

SITE CONCLUSIONS

The subject site occupies a strategic location within Oxnard's "Golden Triangle," the city's commercial and retail core. Furthermore, at the intersection of two major thoroughfares, the site enjoys excellent accessibility and visibility relative to the region's transportation network. As noted herein, the subject's location should allow it to capture an appropriate mix of demand given its location relative to demand generators in the local competitive market and an increasing number of amenities travelers find desirable, such as restaurants, retail shops, and entertainment venues.

FACILITIES RECOMMENDATIONS

INTRODUCTION

We have reviewed the available development options for the subject site and analyzed the overall Oxnard and vicinity lodging market. Our comments concerning facility programming for the subject are based on our analysis of the competitive hotels and the intended positioning of the subject within the competitive market. Based on our analysis of the site and competitive lodging properties, as well as our interviews with hotel representatives, planning officials, and representatives of potential demand generators for the proposed subject, we have developed recommendations as to the facilities program of the hotel. The following provides a general scope of facilities that should be considered for the subject property.

OVERALL QUALITY LEVEL AND DESIGN

The subject will be primarily competing on the local level with ten hotels located in the cities of Oxnard, Ventura, and Port Hueneme. These hotels include full-service, select-service, limited-service, and extended-stay properties and are all considered to be mature and of average to good quality. To appropriately position the subject within the competitive market, the hotel's overall quality level should be at or above the competitive properties. Based on the existing facilities within the market and the subject's location proximate to major existing and proposed residential and commercial developments, it is our opinion that the proposed development should be positioned as a high quality, branded select-service hotel.

Based on conversations with ownership, we are of the understanding that a 350-room, four star convention hotel is currently under consideration for the subject site. In conducting our research relative to this study, we analyzed the site location with regards to access, visibility, surrounding land uses, area amenities, potential demand generators, and conducted interviews with City of Oxnard planning personnel, hoteliers, and members of the business community to determine if appropriate levels of demand generators currently exist or will exist for a lodging property of that size and nature. Based on our analysis, we do not recommend the development of a four-star convention hotel at this time. While businesses and leisure destinations do create demand in the Ventura County lodging market, we are of the opinion that there is insufficient demand to absorb a new hotel of that size. Furthermore, the typical commercial, leisure, and group traveler to the area is not expecting luxury accommodations, nor does the market rate support a higher level of service or quality. Therefore, we believe a high-quality, branded select-service hotel is appropriate for the subject site. As a select-service property, the level of service and staffing can be optimized to complement the seasonal demand pattern in the area.

A select-service hotel is characterized by reduced amenities with an emphasis on the guestrooms. Examples of select-service brands would be SpringHill Suites by Marriott, Cambria Suites by Choice Hotels, Hyatt Place by HYATT, aloft by Starwood Hotels & Resorts, Four Points by Sheraton, Courtyard by Marriott, and Hilton Garden Inn by Hilton.

Given the main demand generators in the area, the hotel should resemble a full-service hotel and offer modern amenities to attract the leisure traveler, while including facilities suitable for accommodating commercial guests, such as a full-service restaurant and business services. Further, the proposed hotel should contain a relatively larger amount of meeting space than the average select-service hotel in order to capture larger SMERF and corporate groups.

In accordance with our market research, we found support for one hotel with 140 guestrooms and recommend the following additional amenities: restaurant, pool and fitness center, cocktail lounge area, meeting facilities, and pantry/sundry shop. Based on the market in which the property will operate, it is recommended that the hotel align itself with a brand that will offer competitive assets such as a reservations system and international sales in order to compete in the greater Ventura County market. All of the hotels in the competitive set are brand name hotels. The brand should reflect a widely recognized chain flag to better serve the diverse market. As previously mentioned, examples of high quality, select-service hotels include SpringHill Suites by Marriott, Hyatt Place by HYATT, Cambria Suites by Choice Hotels, aloft by Starwood Hotels & Resorts, Four Points by Sheraton, Courtyard by Marriott and Hilton Garden Inn by Hilton. Four Points by Sheraton, Courtyard, and Hilton Garden Inn are already represented in the market. Based on the site's location and characteristics of the market, we recommend consideration be given to SpringHill Suites by Marriott, Hyatt Place by HYATT, and Cambria Suites by Choice Hotels.

Guest Rooms

Based on our market research, we found support for 140 rooms. Given the hotel's intended positioning, we recommend a mix of 60.0 percent king rooms, 35.0 percent double queen rooms, and 5.0 percent suites.

Mix of Guestrooms		
Room Type	Rooms	Ratio
Single King	84	60%
Queen/Queen	49	35
Suite	7	5
Total	140	100%

Individual guest units should offer either king-size beds or two queen beds in approximately 350 square feet of guestroom space. We recommend that the guest rooms contain a 32" or larger flat-screen, remote-controlled television with cable TV and on-command movie options, ample sized working desk and chair; telephone with two lines and voicemail; complimentary wireless internet access; coffee maker; hairdryer; in-room safe; refrigerator/mini-bar; iron and ironing board; complimentary toiletries; and other amenities consistent with a high quality, select-service hotel. The suites should be larger in size, approximately 480 to 600 square feet, and offer separate sitting areas. With the recommended guest room mix the property should be able to accommodate a diverse mix of demand from the corporate, leisure, and group market segments.

Food and Beverage

Based on preliminary design plans, the parcel on which the subject will be developed includes plans for two retail pads facing Town Center Drive totaling approximately 12,000 square feet. The overall site will include an additional 50,000 square feet of restaurant uses. Furthermore, the subject site will be located directly west of The Collection at River Park outdoor retail center, as well as north of the proposed The Village development, a 63-acre pedestrian, transit-oriented residential development. With the number of quality restaurants in the immediate vicinity, the subject property should provide a limited restaurant within the hotel's premises, providing breakfast and a simple dinner menu, which will also cater to the meeting facilities. Given the subject's location and characteristics of the market, the hotel should also have a lounge area providing comfortable seating, offering cocktails and a limited food menu. Back of the house production areas would service all food and beverage services, including meeting rooms and room service. These food and beverage facilities will allow the subject to capture additional revenue as well as provide additional amenities to guests.

Meeting Space

We recommend the subject provide adequate meeting space to accommodate functions for commercial and SMERF groups. The amount of meeting space should be within the range of available space provided at the competitive properties, which are as follows:

Meeting Space of the Primary Competitive Market			
	SF (Rounded)	# Guestrooms	SF/Room
Residence Inn at River Ridge Oxnard	12,000	252	48
Courtyard Oxnard	8,000	166	48
Hilton Garden Inn Oxnard	1,878	166	11
Homewood Suites Oxnard	4,630	129	36
Four Points by Sheraton	10,600	106	100
Holiday Inn Express Ventura	2,000	69	29
Holiday Inn Express Port Hueneme	1,120	134	8
Hampton Inn Channel Islands Harbor	312	95	3
Ventura Beach Marriott	15,300	285	54
Crowne Plaza Ventura Beach	19,000	258	74
Average	7,484	166	45

Given the size of the site and the recommended room count, the primary demand generators in the market, and positioning as a high quality select-service property, the proposed hotel should offer approximately 6,000 to 8,000 square feet of meeting space, or 50 to 57 square feet per guestroom. We find this reasonable as it is within the range provided in the competitive set. All available meeting space should be equipped with wireless internet access, independently controlled lighting, and a good quality sound system.

Guest Services and Amenities

Guest services and amenities should also include a pantry/sundry shop, wireless high speed Internet access in public areas, fitness center, and business center and services. The

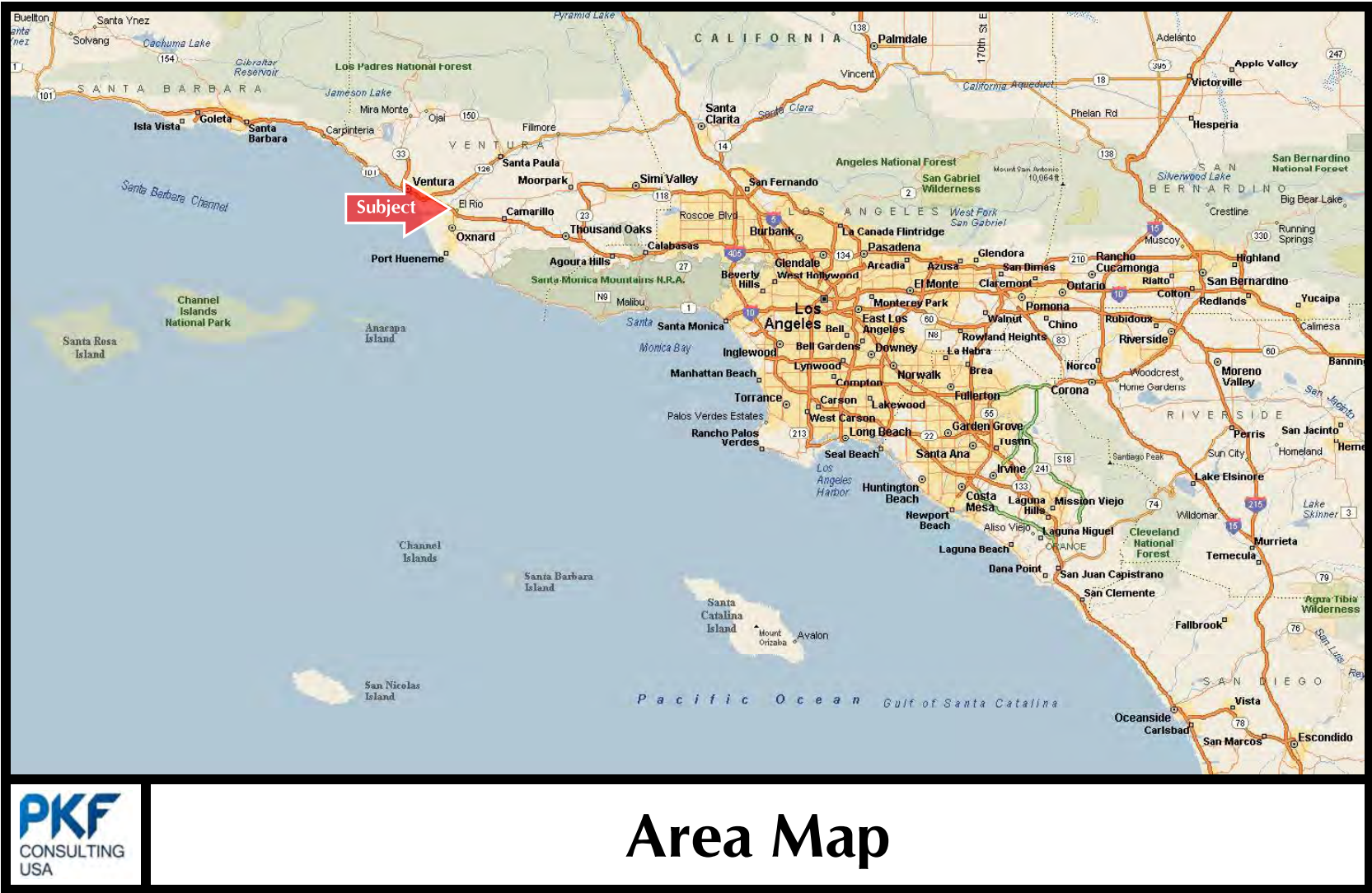
fitness facility in the hotel should provide cardiovascular equipment, such as treadmills, ellipticals, and bikes, as well as free weights.

CONCLUSIONS

The aforementioned facilities and amenities are recommended to optimize the market position and performance of a hotel at the subject site. The proposed subject is well suited to successfully integrate the immediate area and cater to the various segments of demand. The type, size, and positioning of the proposed hotel accurately reflect the preferences of many travelers to the region and should allow the proposed hotel to capture an appropriate mix of business. Our market projections for the proposed subject assume these facilities, amenities, and services.

Section III

AREA REVIEW AND NEIGHBORHOOD ANALYSIS



AREA REVIEW

INTRODUCTION

The economic climate of the market area encompassing the subject property is an important consideration in forecasting hotel demand and income potential. Historical economic and demographic trends that highlight the amount of visitation or other travel-related indicators provide a basis for hotel demand projections. The purpose of this section is to review available economic and demographic data to determine whether the subject site's regional and local market areas might experience future economic growth.

VENTURA COUNTY OVERVIEW

Ventura County is the smallest county located in the Five County area, which includes Los Angeles, Orange, San Bernardino, Riverside, and Ventura counties. Situated between Los Angeles County to the south and Santa Barbara County to the north, Ventura County supports a population of more than 834,000 people and is the 13th most populous county in the State of California. The area encompasses 1,873 square miles, including 40 miles of coastline, in which nearly eight miles of shoreline are public beaches and 411 acres are state beach parks.

As a result of its location, the economy of Ventura is inherently linked to that of the Greater Los Angeles area, which is considered to be the focal point of the State of California. More specifically, Ventura County has shifted from being an agricultural center to a more diversified, semi-metropolitan region. In recent years, growth in Los Angeles and other Southern California cities has spurred development in the County, which includes the cities of Camarillo, Fillmore, Moorpark, Ojai, Oxnard, Port Hueneme, San Buenaventura (Ventura), Santa Paula, Simi Valley, and Thousand Oaks.

ECONOMIC AND DEMOGRAPHIC OVERVIEW

Population

The population in Ventura County has grown moderately over the past twelve years at a rate of 0.8 percent on a compound annual basis. This rate of growth is similar to that of the State, which also grew at 0.8 percent annually over the same time period. The following table illustrates the historical population growth in Ventura County as well as the growth in the State from 2001 through 2013.

Growth in Population		
Year	Ventura County	California
2001	762,944	34,479,500
2002	774,438	34,871,800
2003	784,632	35,253,200
2004	792,213	35,574,600
2005	795,962	35,827,900
2006	799,049	36,021,200
2007	803,572	36,250,300
2008	808,970	36,604,300
2009	815,284	36,961,200
2010	822,108	37,349,400
2011	827,874	37,691,900
2012	829,065	37,668,800
2013	835,436	37,966,500
CAAG	0.8%	0.8%
Source: California Department of Finance		

Employment

Owing to its location along the 101 Technology Freeway, the high technology industry has a presence in Ventura County. Occupations with past job growth have been technology focused, including desktop publishers, computer support specialists, network administrators. Between December 2012 and December 2013, total nonfarm employment in Ventura County increased by 5,600 (two percent). Leisure and hospitality services reported the largest year-over-year increase, up 3,900 jobs, or 8.7 percent. Trade, transportation, and utilities reported an increase of 1,800 jobs. Year-over-year increases were also reported in professional and business services (900 jobs), educational and health services (400 jobs), mining and logging (100 jobs), and other services. The manufacturing, financial activities, construction, and government industries posted declines in jobs.

The Naval Construction Battalion Center in Port Hueneme is one of two bases in the United States dedicated to the support of the naval construction force, known as the Seabees. The Naval Air Station at Point Mugu is home to research, development and test evaluation for weapons systems. California's smallest and only deep-water port between Los Angeles and San Francisco is Port Hueneme, which plays a sizeable role in the local economy, serving as the western U.S. distribution network for many imported vehicles. It is also the shipping point for agriculture with the largest refrigerated fruit terminal on the West Coast.

It is further estimated that the total Ventura County workforce as of December 2013 is comprised of approximately 438,900 workers. The following table shows the major employers in Ventura County as of the beginning of 2014.

Top Employers in Ventura County		
Employer	Location	Industry
Air National Guard	Port Hueneme	Government
Amgen Inc.	Thousand Oaks	Biological Specimens/Manufacturers
Baxter Healthcare	Westlake Village	Physicians & Surgeons Equipment
Boskovich Farms Inc.	Oxnard	Agriculture
California State University	Ventura	Education
Coleman Welding	Ventura	Steel-Structural
Community Memorial Hospital	Ventura	Medical
Farmers Insurance	Simi Valley	Insurance
Haas Automation Inc.	Oxnard	Machinery – Manufacturers
Harbor Freight Tools USA Inc.	Camarillo	Tools
Hossein Tarani	Oak Park	Oils/Fuels
Iyogi Computer Support	Oak Park	Computers
Los Robles Hospital and Medical Center	Thousand Oaks	Medical
Moorpark College	Moorpark	Education
Nancy Reagan Breast Center	Simi Valley	Diagnostic Imaging Center
Naval Air Warfare Center Weapons	Point Mugu	Government
Naval Base Ventura County	Point Mugu	Government Military Base
Naval Construction Battalion	Point Mugu	Government
Oxnard College	Oxnard	Education
Penny Mac Mortgage Investment	Moorpark	Real Estate Investment Trust
Sheriff's Department Jails	Ventura	Sheriff
Simi Valley Hospital	Simi Valley	Medical
St. John's Regional Medical Center	Oxnard	Medical
Technicolor	Camarillo	Motion Picture Producers & Studios
Ventura County Superintendent	Camarillo	Education

Source: America's Labor Market Information System (ALMIS) 2014 First Edition

According to the California Employment Development Department, improvements in employment are showing both in the county as well as statewide. The year-end 2013 unemployment rate in Ventura County was 7.8 percent, down from prior rates of 9.0 and 10.1 percent in 2012 and 2011, respectively. The following table illustrates the annual unemployment rates for Ventura County and California from 2000 through 2013.

Unemployment Rates Ventura County and State of California		
Year	Ventura County	State of California
2000	4.5%	5.2%
2001	4.8	6.0
2002	5.8	6.7
2003	5.8	6.5
2004	5.4	6.2
2005	4.8	5.1
2006	4.3	4.8
2007	4.9	5.9
2008	6.3	9.0
2009	9.8	12.0
2010	10.8	12.1
2011	10.1	10.9
2012	9.0	10.5
2013	7.8	8.9

Source: CA Employment Development Department

REGIONAL TRANSPORTATION

Ventura County is supported by an extensive freeway system that provides excellent access throughout the region. U.S. Route 101 is the primary highway in the area. Other important freeways in the county are state highways, including the Korean War Veterans' Memorial Highway (SR 126), Ronald Reagan Freeway (SR 118), State Route 150, and State Route 34 running east-west and the Pacific Coast Highway (SR 1), Moorpark Freeway (SR 23), State Route 33, and State Route 232 running north-south.

Ventura County consists of a number of airports including the Oxnard Airport, Camarillo Airport, and Santa Paula Airport. It is also served by other airports in neighboring counties, such as the John Wayne Airport in Orange County, Los Angeles International Airport in Los Angeles County, and Santa Barbara Airport in Santa Barbara County.

COMMERCIAL OFFICE MARKET

The Ventura County office submarket consists primarily of professional, financial, high-tech, and insurance-services firms. In 2013, the county's commercial office market experienced activity from a diverse pool of tenants. Significant new leasing activity was represented by the computer/software, media/entertainment, insurance, healthcare, educational, and business service industries. Improvement in the general economy should slowly provide business confidence and allow more tenants to seek space in the market, and absorption trends are anticipated to remain positive in 2014.

The Ventura County commercial office market consists of 165 buildings offering approximately 9,949,400 square feet of office space. According to Colliers International, the vacancy rate in the Ventura County office market as of the fourth quarter of 2013 was at 18.8 percent, compared to 21.9 percent at year-end 2012. 2013 posted total year-to-date net absorption of positive 168,100 square feet. Direct weighted average asking rental rates in the fourth quarter of 2013 were \$2.03 per square foot, per month, down \$0.05 from year-end 2012.

TOURISM

As Ventura County's economy diversifies, tourism has become an important sector. The individual cities provide a small town atmosphere, which is popular among those traveling from Los Angeles looking for a quick getaway and an escape from a hectic lifestyle. Furthermore, the emergence of Ojai as an upscale destination for Southern Californians, has enabled Ventura and Oxnard to stand out as tourist destinations. Ventura County's greatest strength for attracting visitors is the area amenities and location proximate to Los Angeles and the Five County area. Listed below are popular attractions that helped shape Ventura County as a destination.

- Ventura County is home to approximately 40 miles of beaches including Hollywood Beach in Oxnard and Ventura Beach in Ventura. This is commonly listed as the reason most people, especially those from Central California, visit Ventura County.
- In line with the small town atmosphere, many people visit the area to peruse antique shops in both Ventura and Oxnard. Ventura has transformed its downtown area into a safe and trendy shopping district for those seeking rare and esoteric items.
- Oxnard is recognized for its Strawberry Festival especially during the summer months when individual cities host a number of events.
- Camarillo, with the addition of the Premium Outlets Mall, is acknowledged around Southern California as a popular shopping destination.
- Ojai has emerged as an upscale getaway destination due to the proliferation of day spas in the city that are known for pampering their guests.
- Thousand Oaks is a commercial hub for the high- and bio-technology sector, as well as a quiet upper-middle class residential community.

Ventura County's visitors can also enjoy abundant outdoor activities that range from whale watching near the Channel Islands, kayaking in Ventura Harbor, sailing off the coast, to surfing at some of the best surfing beaches in the State. The Channel Islands National Park encompasses nearly 250,000 acres of wilderness preserve/marine sanctuary, of which about half is underwater. Of the eight islands dubbed the Channel Islands that lie off the Ventura County coast, five of the islands, San Miguel, Santa Rosa, Santa Cruz, Anacapa, and Santa Barbara, became the Channel Islands National Park in 1980. These islands can be reached by boat (the closest being about one hour from the coast) and provide a host of recreational activities including boating, hiking, whale watching, camping, and scuba diving. The Channel Islands National Park is, in concert with the Ventura County beaches, a leisure demand generator for lodging properties in Ventura County.

Aside from outdoor activities, Ventura County is becoming a shopping and dining destination. Ventura has transformed its downtown area into a shopping district for those seeking rare and esoteric items. In line with the small town feel of most of the cities in Ventura County, many people visit the area to peruse antique shops in both Ventura and Oxnard. Camarillo, with the Premium Outlets Mall, is known around Southern California as a central shopping destination. Newly developed upscale restaurants complement the various wine tasting and harvest activities in the area. For example, Oxnard is known for its Strawberry Festival held every May and the Celebration of the Whales Festival. Ventura County also features such noted museums as the Commemorative Air Force Museum in

Camarillo, as well as the Mullin Automotive and the Ventura County Maritime Museums in the City of Oxnard.

The Ventura County Wine Trail provides visitors with a map highlighting unique wine tasting tours, restaurants, hotels, and entertainment destinations throughout Ventura County. The wine trail features 18 local wineries and is designed as a tool for visitors to plan an entire visit to the area, complete with shuttle-led wine tasting trip, family entertainment, shopping destinations, hotel accommodations, and dining suggestions.

Ventura County Lodging Association (Ventura County West)

Officially formed in 2011, the Ventura County Lodging Association (VCLA) is comprised of 58 lodging facilities and destination marketing organizations in the Cities of Camarillo, Oxnard, and Ventura. Collectively branded as “Ventura County West,” the VCLA’s goals are to increase marketing and awareness of the three cities as a destination in Southern California. The association launched its first marketing campaign in April of 2012 to highlight the area’s assets, which include the beaches, recreational activities, 200,000 square feet of conference and meeting room space, and 4,000 guest rooms available in the region. Generating revenue from a 1.5 percent self-assessment on all room revenues, the group spends approximately \$700,000 a year to market the three cities in addition an additional \$200,000 a year to market each of the cities separately.

There are active marketing campaigns running in Canada, Las Vegas, Phoenix, Los Angeles, Orange County, Bakersfield, and the San Fernando Valley with hopes to expand reach on an international level in future years. Marketing mediums currently employed include online marketing through Trip Advisor, outdoor billboards, print, radio, and social media. Beginning in April 2013, the Tourism Business Improvement District also began to run radio and television commercials in the greater Los Angeles area, including Time Warner Cable channels and KNBC-TV, as well as various local radio channels, such as KEARTH-101 in Los Angeles and KUZZ-FM in Bakersfield. While tentative at this point in time, the VCLA has recently pledged \$50,000 to help attract and bring commercial airline services back to the Oxnard Airport.

Ventura County Lodging Overview

The following Ventura County lodging summary includes four sub-markets: the cities of Ventura, Oxnard, Camarillo, and Simi Valley. In 2009, the Casa Sirena Hotel in Oxnard closed for future renovations and repositioning with a completion date yet to be determined. The 128-room Residence Inn by Marriott in Camarillo opened its doors at the end of 2009, followed by the 129-room Homewood Suites Oxnard in April of 2010. In 2011, rooms from the Homewood Suites were annualized into the market from its opening in 2010.

According to the planning departments, there is one approved hotel and one pending hotel expansion in the City of Ventura at this time. A proposed 128-room Residence Inn is to be located at the intersection of the Ventura Highway and Seaward Avenue at 770 South Seaward Avenue. Original plans called for a 2014 opening, however, the project is

considered speculative as the timeline still remains unclear. Also, the California Coastal Commission recently approved a 36-room expansion of the existing Holiday Inn Express & Suites Ventura Beach and is currently undergoing the design process with the City of Ventura.

The following table estimates Ventura County's historical and projected supply, demand, occupancy and average room rate. We are aware that Ventura County as a whole has a total of more than 2.5 million annual hotel rooms. However, the table presented below includes the sum of our aggregated sub-markets, representing approximately 65 percent of the total existing lodging supply.

Ventura County Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2008	1,620,965	N/A	1,069,734	N/A	66.0%	\$103.21	N/A	\$68.11	N/A
2009	1,574,610	-2.9%	988,029	-7.6%	62.7	98.22	-4.8%	61.63	-9.5%
2010	1,634,835	3.8	1,059,819	7.3	64.8	98.59	0.4	63.91	3.7
2011	1,650,530	1.0	1,068,568	0.8	64.7	98.42	-0.2	63.72	-0.3
2012	1,650,530	0.0	1,104,524	3.4	66.9	100.47	2.1	67.23	5.5
2013E	1,650,530	0.0	1,126,994	2.0	68.3	103.20	2.7	70.47	4.8
2014F	1,650,530	0.0	1,141,612	1.3	69.2	106.35	3.0	73.56	4.4
CAAG	0.3%		1.1%			0.5%		1.3%	

Source: PKF Consulting

After being significantly affected by the recession in 2009, Ventura County rebounded in 2010 and finished the year with positive occupancy, average daily rate, and revenue per available room growth. In 2011, hotel supply increased by one percent due to the annualized distribution of the Homewood Suites rooms supply. Occupied rooms ended the year with a minimal increase of 0.8 percent, reflecting an occupancy of 64.7 percent, ten basis points lower than 2010. 2012 experienced further increases in occupied rooms, finishing the year at 66.9 percent, a 3.4 percent increase over 2011. Average daily rate in Ventura County fluctuated in the five-year period, reaching a high of \$103.21 in 2008 and a low of \$98.22 in 2009. ADR finished 2012 at \$100.47, reflecting an increase of 2.1 percent over 2011.

With the entire Southern California region experiencing recovery, no scheduled additions to supply in the county for 2013 and 2014, and the VCLA's aggressive marketing efforts, the Ventura County hotel market is projected to perform better than the previous two years. We estimate the county finished 2013 with an increase in occupied room nights of 2.0 percent, equal to a 68.3 percent occupancy. ADR is estimated to have finished the year at \$103.20, a 2.7 percent increase over 2012. For 2014, changes across all econometric indicators are expected to be positive with occupied rooms growing by 1.3 percent, resulting in market occupancy of 69.2 percent and average daily rate showing positive growth of 3.0 percent. Combined, this results in a revenue per available room increase of 4.4 percent to \$73.56.



CITY OF OXNARD

INTRODUCTION

The neighborhood within which a hotel operates can have a significant impact on its operating performance. Emerging neighborhoods experiencing substantial growth can generate increasing levels of demand and provide an environment characterized by newer development and, more importantly, popular support facilities (e.g., restaurants, retail, entertainment, etc.). Conversely, a declining neighborhood or, in some cases, a mature one relative to a nearby emerging one, can be detrimental to a property's operations. In this section, we address the location, access and development characteristics of the subject neighborhood.

Once known only for its yearly strawberry festival, the City of Oxnard has greatly diversified its economy and changed what it has to offer hotel guests. In terms of population, Oxnard is the largest city in Ventura County with over 200,000 residents. Situated along a beautiful stretch of Pacific coastline, Oxnard is located about 60 miles northwest of Los Angeles and 35 miles south of Santa Barbara.

LOCATION

The City of Oxnard was incorporated in 1903 and is located in western Ventura County. The City is the financial hub and largest city in the County. From agriculture related business to governmental agencies, Oxnard has successfully maintained a reputation as a business-friendly, regional business center. The City of Oxnard is bordered by the following:

North:	Unincorporated areas of Ventura County, Ventura
South:	Port Hueneme, Pacific Ocean
East:	Unincorporated areas of Ventura County, Camarillo
West:	Pacific Ocean

ECONOMIC AND DEMOGRAPHIC OVERVIEW

Population

The population of Oxnard has been steadily increasing in the last twelve years. The City's population has increased from 174,243 in 2001 to 200,855 in 2013. During this period, Oxnard's population increased 1.2 percent annually for the twelve year period, compared to a compound average annual growth rate of 0.8 percent for Ventura County. The following table illustrates the historical growth in population for the last twelve years.

Population Estimates from 2001 – 2013E Ventura County and City of Oxnard		
Year	Ventura County	Oxnard
2001	762,944	174,243
2002	774,438	178,066
2003	784,632	180,655
2004	792,213	184,572
2005	795,962	185,994
2006	799,049	187,275
2007	803,572	189,844
2008	808,970	191,887
2009	815,284	194,764
2010	822,108	197,563
2011	827,874	199,265
2012	829,065	199,446
2013E	835,436	200,855
CAAG	0.8%	1.2%

Source: California Department of Finance

Economy and Employment

Historically, unemployment rates in Oxnard have been above that of the State of California and Ventura County. The unemployment rate increased after the attacks of September 11; however, it had returned to pre-September 11 levels by 2006. The unemployment rate began increasing in 2007 through 2010, as a result of the sluggish economy caused by the subprime mortgage meltdown and credit crisis throughout the nation. Other external factors include the decreased government budgets and funding. 2011 experienced minor improvements as the unemployment rate decreased ninety basis points over 2010. Unemployment has begun decreasing overall throughout the nation, and the trend is similar in Oxnard with unemployment rates showing three consecutive years of improvement. Year-end 2013, the unemployment rate is down 170 basis points over year-end 2012. The following table contains unemployment rate comparisons for the City of Oxnard, Ventura County, and the State of California, based on the most recent data provided through year-end 2013.

Unemployment Rates City of Oxnard, Ventura County, and State of California			
Year	Oxnard	Ventura County	State of California
2000	6.3%	4.5%	4.9%
2001	6.7	4.8	5.4
2002	8.0	5.8	6.7
2003	8.0	5.8	6.8
2004	7.4	5.4	6.2
2005	6.6	4.8	5.4
2006	5.9	4.3	4.9
2007	6.7	4.9	5.9
2008	8.6	6.3	9.0
2009	13.3	9.9	12.0
2010	14.6	10.8	12.1
2011	13.7	10.1	11.8
2012	12.3	9.0	10.5
2013	10.6	7.8	8.9

Source: CA Employment Development Department

Oxnard enjoys a diversified economic base composed of agriculture and related businesses, retail, various services, and governmental agencies. According to the Southern California Association of Governments (SCAG) 2013 Profile of the City of Oxnard, the top job sectors in Oxnard were “Education” (20.1 percent of total jobs in the City), followed by “Agriculture”(12.4 percent), “Retail” (11.9 percent), “Manufacturing” (11.5 percent), and “Leisure” (10.3 percent). While Oxnard has a growing commercial and industrial base, the area is still dependent on the United States military for much of the employment in the area. Once known only for its strawberry festival and military bases, the City of Oxnard has greatly diversified its economy. Agriculture has remained the major industry for the city, and the City of Oxnard now has Ventura County’s largest industrial sector. Concentrated around the Highway 101 corridor is a hub of high-technology industries. The establishment of military bases at Port Hueneme and Point Mugu during World War II, and the rise of electronic, aerospace, other manufacturing industries and tourism have contributed to the growth of the city.

One of the most important sources of local economic impact is the Oxnard Harbor District, created in 1937 with the mission of managing and developing the commercial deep water Port of Hueneme. As one of Ventura County’s primary economic engines, the port moves \$7.5 billion in cargo value annually. According to Brookings Global Cities Initiation’s *Export Nation 2013*, the top five goods exporting industries in Ventura County in 2012 were pharmaceuticals, agriculture, semi-conductors, communications equipment, and computer equipment.

TRANSPORTATION

The City of Oxnard is accessible by ground via California Highway 1 (Pacific Coast Highway) and Interstate 101. Oxnard Airport is located within city limits and offers commuter service, charter plans, and helicopter transport. Los Angeles International Airport is Oxnard’s closest international airport, located approximately 62 miles southeast of the city. Amtrak trains, connecting buses, and Greyhound Bus Lines serve the Oxnard Transportation Center in Downtown Oxnard. Daily service is provided by Amtrak’s Coast Starlight, Pacific Surfliner, and thruway buses connecting to San Joaquin trains.

Air Transportation

The Oxnard Airport is located a mile and a half from the coastline on the southwest corporate limits of the City of Oxnard. The airport is home to one full service fixed base operator providing services such as aircraft charters, aircraft maintenance, and pilot supplies. The airport also hosts several car rental agencies and shuttle van service to Los Angeles International Airport. Up until June 2010, the airport offered daily commuter flights to Los Angeles International Airport. The airport is currently not offering commercial service.

Santa Barbara Airport is located approximately 47 miles from Oxnard. Other nearby airports include Burbank-Glendale-Pasadena Airport, which is located approximately 47

miles east of Oxnard, and LAX airport, located 48 miles southeast. Airport transportation is available via either Roadrunner Shuttle, which makes trips between Ventura and the Burbank-Glendale-Pasadena Airport, and the Ventura County Airporter which makes trips between the Four Points by Sheraton, located at the Ventura Harbor, and LAX Airport.

Los Angeles International Airport (LAX), the busiest airport on the West Coast, is located approximately 62 miles south of Oxnard. The airport has an enormous impact on tourism and travel in the greater Los Angeles area as many international tourists use LAX as a gateway to the United States. The following table shows the history of passenger travel at Los Angeles International Airport.

Los Angeles International Airport Passenger Counts 2000 – 2013 & YTD 2014				
Year	Domestic	International	Total	% Change
2000	49,900,000	17,400,000	67,300,000	N/A
2001	45,700,000	15,900,000	61,600,000	-8.5%
2002	41,400,000	14,800,000	56,200,000	-8.8
2003	40,300,000	14,600,000	54,900,000	-2.3
2004	44,200,000	16,500,000	60,700,000	10.6
2005	44,000,000	17,500,000	61,500,000	1.3
2006	44,100,000	16,900,000	61,000,000	-0.8
2007	45,200,000	17,200,000	62,400,000	2.3
2008	43,100,000	16,700,000	59,800,000	-4.2
2009	41,400,000	15,100,000	56,500,000	-5.5
2010	43,100,000	15,900,000	59,100,000	4.6
2011	45,100,000	16,700,000	61,800,000	4.6
2012	46,500,000	17,200,000	63,700,000	3.1
2013	48,800,000	17,900,000	66,700,000	4.7
CAAG	-0.2%	0.2%	-0.1%	
YTD 2/13	6,900,000	2,600,000	9,500,000	
YTD 2/14	7,400,000	2,800,000	10,200,000	
% Change	6.2%	8.6%	6.9%	

Source: Los Angeles World Airports and PKF Consulting USA

Two major events took place within the last decade that severely impacted passenger travel at LAX. The attacks on the World Trade Center in September 2001 altered both airport regulations and passenger confidence and, as a result, declines in travel were reported in 2002 and 2003. After a few years of growth following the attacks, airline travel was once again impacted, but this time by the World Economic Crisis that arose in 2008. Following two years of decline (2008 and 2009), passenger travel at LAX is showing continued signs of recovery, beginning in 2010 and into 2013. Overall, from 2000 to 2013, total passenger counts decreased by an aggregate of 0.1 percent. However, signs of recovery are evident beginning in 2010, as passenger counts have experienced four consecutive years of growth. Year-to-date through February, the most current data available, total passenger counts are 6.9 percent greater than the same period in 2013.

TOURISM

Oxnard's greatest strength in terms of attracting visitors is its amenities and its proximity to Los Angeles and the Five County area. Oxnard is known as "The Gold Coast," mainly for

its year-round mild climate, rich agricultural history, and beautiful sandy beaches. In addition, the small-town atmosphere is popular with those traveling from large cities that are looking to get away from city life for a short period of time. Hollywood Beach, Mandalay Beach, Ormond Beach, and Port Hueneme Beach offer sand dunes, sunsets, and beautiful views of the Channel Islands. The beaches are ideal for surfing, swimming, biking, rollerblading and various recreational activities.

With its proximity to the Channel Islands, the Channel Islands Harbor in Oxnard is a destination for travelers from the Five County area. Activities in the Channel Islands Harbor include shopping at harbor boutiques, dining at a variety of restaurants, sport fishing, diving, whale watching, and renting boats and kayaks. The harbor offers nine full-service marinas, as well as a scenic bike path and Maritime Museum. The Channel Islands Harbor offers departures to the Channel Islands National Park & Channel Islands National Marine Sanctuary, a five-island park and underwater sanctuary home to more than 2,000 plants and animals. The closest island, Anacapa, is located eleven miles from the Channel Islands Harbor, and the furthest San Miguel Island is sixty miles away. The other three islands are Santa Barbara, Santa Cruz, and Santa Rosa.

Downtown Oxnard offers museums, theatre performances, and Heritage Square, which encompasses 15 restored turn-of-the-century buildings. The Carnegie Art Museum displays contemporary and traditional art, while the Gull Wings museum is designed especially for children. There are several cultural events throughout the year designed to attract tourists, including the annual Oxnard International Restaurant Week in January, California Strawberry Festival in May, Salsa Festival in July, and the Multicultural Festival in October, and Tamale Festival in December.

Arts and Entertainment

The Performing Arts & Convention Center is one of the larger theaters in Ventura County, providing entertainment to Ventura County residents and visitors. The theater consists of 1,604 seats that have witnessed thousands of performances reaching more than three million people. Heritage Square is a location where Oxnard's rich agricultural, historical, and cultural heritage comes alive in a single block of the city's friendly downtown. In 1985, the Oxnard Redevelopment Agency and several of Oxnard's notable families and investors joined together to preserve and bring new life to several turn-of-the-century homes and historic structures. Today, these buildings and grounds serve as an up-to-date setting for professional offices, a visitor center, community theatre, weddings, meetings and special events.

Transient Occupancy Tax

One method of tracking visitor trends is by analyzing the transient occupancy tax (TOT) revenue, also known as bed tax revenue. The TOT reflects taxes on room revenue for lodging facilities in the City of Oxnard. The TOT rate in Oxnard is currently 10.0 percent. This revenue has experienced a 6.2 percent compound annual growth rate from fiscal year 2003/04 to 2012/13. Assuming that all hotels located within the city have been paying

room tax on a regular basis, the following table highlights the increase in occupancy and/or average daily rate experienced by these hotels.

Transient Occupancy Tax Revenue City of Oxnard 2003/04 – 2012/13 (Fiscal)		
Year	Tax Revenue	Percent Change
2003/04	\$2,222,553	N/A
2004/05	2,445,468	10.0%
2005/06	3,309,716	35.3
2006/07	3,550,903	7.3
2007/08	3,618,611	1.9
2008/09	3,328,803	-8.0
2009/10	3,061,163	-8.0
2010/11	3,301,864	7.9
2011/12	3,402,793	3.1
2012/13	3,826,954	12.5
CAAG	6.2%	
Source: City of Oxnard 2012/13 Comprehensive Annual Financial Report		

FUTURE DEVELOPMENT

As an establish thriving regional retail, office, and industrial hub, the City also contains master-planned commercial centers and large industrial parks that provide businesses with a location that is highly accessible to highways and transportation facilities. The following table lists the residential, commercial, and industrial projects being developed in the City of Oxnard as of January 2014.

City of Oxnard As of January 2014		
Residential Projects		
Project Status	Units	Type of Projects
Proposed	334	Multi-family; Single family; Affordable rental
Approved	685	Senior apartments; Affordable rental; Multi-family
Plan Check	678	Single family; Detached condominiums
Under Construction	1,024	Multi-family; Single family
Commercial Projects		
Project Status	SF	Type of Projects
Proposed	137,586	Retail; Office
Approved	344,982	Senior living center; Restaurant; Recreational; Office; Esplanade Financial Square
Plan Check	183,078	Redevelopment; Office building; Church facility; Retail
Under Construction	688,420	Retail; Office
Industrial Projects		
Project Status	SF	Type of Projects
Proposed	43,157	Packing and distribution center; storage yard
Approved	341,018	Warehouse; Industrial condominium
Plan Check	173,248	Parking lot; Recycling facility
Under Construction	219,433	Cooling facility; Receiving canopy
Source: City of Oxnard Planning Department		

RiverPark

RiverPark is a 702-acre master-planned, mixed-use community located in the northeast portion of the intersection of the Ventura Freeway and Santa Clara River. At full build out, the community will include fifteen distinct neighborhoods with up to 3,043 single-family and multi-family units with up to 2,098,000 square feet of retail, hotel, office, and parking uses to support and serve the community. Furthermore, RiverPark will contain community and public facilities, such as schools and open space, to further service the needs of the community.

The Collection at RiverPark is Oxnard's newest dining and shopping destination featuring an array of retail, commercial, and restaurant options, a state-of-the-art 16-screen Century Theaters. Completed in 2012, the open-air, LEED-certified specialty retail center fronts U.S. Route 101 and includes approximately 568,000 square feet of retail space and 60,000 square feet of office space with an additional 80,000 square feet under development. Currently anchored by popular national retailers REI, Target, and Whole Foods Market, The Collection has fully executed leases with national retail and restaurant chains, including Yard House, H&M, Lazy Dog Café, Toby Keith's I Love This Bar & Grill, and a 43,000 square foot 24 Hour Fitness facility and is in discussions with other well-known retailers, such as Container Store, Apple, Anthropologie, and Sur La Table. With its vibrant atmosphere, the Collection is a community asset, attracting visitors and locals with its lively dining options and retail opportunities. Additionally, the village-like atmosphere is pedestrian-friendly and features ample open space, local artwork, and a park for outdoor events and concerts.



The Village

Developers Carl Renezeder and Forrest Lucas of Lucas Oil Products, Inc. purchase the former Wagon Wheel Motel and Restaurant site directly south of the Ventura Freeway and embarked on a \$450 million redevelopment of the 63-acre site. The first phase of The Village, which includes 120 affordable housing units, a recreation and meeting room, children's play area, and landscaped paseo, broke ground in March of 2013 and is anticipated to be completed by August of 2014. The next phase will include 219 market-rate apartments which will include approximately 16,000 square feet of retail space; the second phase is anticipated to be completed by June of 2017. The overall project is slated to include 1,500 residential multi-family units, approximately 50,000 square feet of residential-serving retail space, and open space. Based on conversations with developers,



the Village development includes approximately 21 planning areas with an anticipated ten year build out.

SURROUNDING COMMUNITIES

Port Hueneme

The Naval Construction Battalion Center in Port Hueneme, a sub-market of Oxnard, is one of two bases in the United States dedicated to the support of the naval construction force, known as the Seabees. The Naval Air Station at Point Mugu is home to research, development and test evaluation for weapons systems. California's smallest and only deep-water port between Los Angeles and San Francisco is the Port of Hueneme, which plays a sizeable role in the local economy, serving as the western U.S. distribution network for many imported vehicles. It is also the shipping point for agriculture with one of the largest refrigerated fruit terminals on the West Coast. In fiscal year 2012/13, approximately 1.3 million tons of cargo was moved via the terminals at the Port of Hueneme. In all, over \$7 billion in cargo values moves through the Port Hueneme each year (July 1 through June 30). Port related activity generates over \$650 million into Ventura County's economy each year, at no cost to the tax payer. Additionally more than 5,600 jobs in Ventura County are directly or indirectly related to the Port of Hueneme's activities.

The port's emergence in the mid 1990's as one of California's fastest growing seaports, prompted the U.S. Government to designate Hueneme Port of Entry and Foreign Trade Zone status. The Foreign Trade Zone program affords shippers the ability to import goods into the U.S. and subsequently store, process, and re-export products while deferring or avoiding duties. During the time the products are within the zone, they are considered to be outside of U.S. Customs for duty purposes. The Port has more than 223,000 square feet of refrigerated space serving agricultural shippers and ocean carriers. These facilities have positioned the Port of Hueneme as a major player for fresh fruit cargo and it is one of the top-ranking seaports in the nation for citrus export.

The port also handles significant amount of automobile and heavy equipment cargo. BMW, Jaguar, Mazda, Mercedes-Benz, Mitsubishi and Volvo all move vehicles destined for Western U.S. markets through the Port. In addition, the Port's unique location near the Santa Barbara Channel makes Hueneme the primary support facility for the Central Coast's offshore oil industry, as well as for an active commercial fishing industry. The Ventura County Railway provides on-dock rail service to the Union Pacific mainline in Oxnard.

City of Ventura

The City of San Buenaventura or Ventura consists of 33 square miles and is the fourth largest city in Ventura County with a population of approximately 107,000 people. Historically, the city was recognized as an industrial and agricultural area, with roots in the oil and agricultural industries. Incorporated in 1866, Ventura is also nicknamed the Poinsettia City, the Palm City and the Poinsettia City by the Sea. More recently, Ventura has been recognized for its growth in tourism, education, retail trade, and real estate. The economy revolves chiefly around the County government facilities, financial services, retail

operations, and a well-developed food processing industry. Fortunately, the agricultural industry, which represents a significant portion of revenues for the City, continues to remain solid.

With its lively tourist harbor and vast stretches of uncrowded beaches, the City of Ventura's hotel market is almost entirely leisure oriented. The 33-acre Ventura Harbor district consists of a small boat marina with retail, restaurant, and residential components. Ventura Harbor Village features over 40 retail and restaurant facilities with additional office space. The Channel Islands National Park Visitor Center is also located at the Ventura Harbor. The Ventura Beach area is characterized by the San Buenaventura State Beach located west of the 101 Freeway, accessed off of San Pedro Road. The State Beach extends north to the Ventura Pier and features a 13-mile bikeway, shops, and restaurants are offered along the coast. Historic Downtown Ventura has become an entertainment and shopping destination thriving with art galleries, book stores, coffee houses, boutiques, a wide variety of restaurants and entertainment, all within walking distance of each other. A vibrant art district, theatre performances, historical structures, and several notable museums, are popular tourist destinations. Ventura's classic Main Street is a bustling, yet quaint shopping attraction with restaurants, distinctive inns, boutiques, and antique shops.

FUTURE ECONOMIC OUTLOOK AND CONCLUSION

Overall the Oxnard economy is stable, evidenced by the improving unemployment rate within the city and renewed interest in residential and commercial development. Additionally, the presence of the agriculture and manufacturing industries, as well as government entities, in Oxnard and the neighboring City of Port Hueneme has provided for additional growth in the commercial market. The housing market has continued to recover, and the office vacancy rates are the lowest in the local area. The Oxnard and Ventura County lodging markets have tracked the downturn and shown resiliency at their ability to regain pre-recession occupancy levels. With the improving economic fundamentals, we are of the opinion that the opportunity to capture additional corporate, leisure, and group demand exists, within regional, national, and international markets.

AREA CONCLUSIONS

Based on the foregoing analysis, it is our opinion that the environment, infrastructure, and location associated with the site, along with the corporate and leisure climate associate with Oxnard and the greater Ventura County area, create a positive environment within which the subject hotel can sustain successful operations. The hotel site benefits from its proximity to the commercial and recreational demand generators of Oxnard. The national and regional economy exhibit continued growth and long-term trends evident in the area are very favorable and bode well for future levels of support for the subject hotel.

Section IV
HOTEL MARKET ANALYSIS

HOTEL MARKET ANALYSIS

OVERVIEW

The future performance of a hotel is directly related to the supply of and demand for hotel rooms within the subject's market area. Accordingly, an analysis of the local area's hotel market is a key component of the analysis of the subject. The following is a discussion of the competitive hotel market for the proposed hotel in Oxnard.

MARKET ANALYSIS

Competitive Supply

In order to develop conclusions relative to the competitive environment in which the subject will complete, we have analyzed the Oxnard and vicinity lodging market. Given the defining characteristics of the proposed subject and its local market, we selected ten properties containing 1,660 rooms that represent the local market in which the subject hotel will compete. The selection of the competitive supply was based on each property's location, number of guestrooms, size of meeting space, support facilities and amenities, room rate structure, and market orientation relative to the subject property. Although there are a number of additional properties in Oxnard and other surrounding areas, we have not included these for a number of reasons, including positioning, location, and rate structure. The competitive supply offers a reasonable basis of historical demand and operating performance on which to base our projections of the subject.

The following chart presents the competitive set for the proposed hotel in Oxnard. A map indicating their locations, a description of each of the competitive hotels and a discussion of the potential additions to the competitive supply are presented on the subsequent pages.

Proposed Oxnard Hotel Competitive Supply		
Map Code	Hotel Name	Room Count
Subject	Proposed Oxnard Hotel	140
1	Residence Inn at River Ridge Oxnard	252
2	Courtyard Oxnard	166
3	Hilton Garden Inn Oxnard	166
4	Homewood Suites Oxnard	129
5	Four Points by Sheraton	106
6	Holiday Inn Express Ventura	69
7	Holiday Inn Express Port Hueneme	134
8	Hampton Inn Channel Islands Harbor	95
9	Ventura Beach Marriott	285
10	Crowne Plaza Ventura Beach	258
Total Competitive Supply (not including subject)		1,660
Source: PKF Consulting		



**Competitive Property Number One
Residence Inn at River Ridge Oxnard**

<u>Location</u>	<u>Description</u>
Address: 2101 West Vineyard Avenue Oxnard, California 93036 Distance from Subject: 1.4 miles southwest	Year Opened: 1987 Guestrooms: 252 Configuration: 34 Buildings, Exterior Corridor
<u>Amenities</u>	<u>Picture</u>
• 12,000 SF of Meeting Space • Complimentary Breakfast Buffet and Grab-n-Go Breakfast • Complimentary Evening Social • Two Outdoor Pools and Whirlpool • Fitness Center • Outdoor Tennis and Activity Courts • Complimentary Wireless Internet Access in Public Spaces and Guestrooms • Room Amenities: ○ 25" Flat Screen Television with Premium Cable Channels ○ Alarm Clock ○ Fully-Equipped Kitchen including: dishwasher, microwave oven, pots and pans, refrigerator with icemaker, silverware, stove, table and chairs, and toaster ○ Telephones with Voicemail ○ Hair Dryer ○ Iron and Ironing Board ○ Coffee Maker ○ Separate Living and Sleeping Areas ○ Fireplace (in some guestrooms)	
<u>Condition & Renovations</u>	<u>Historical Performance</u>
The property completed a \$6.1 million dollar renovation of all 252 guest suites in 2009. This property is currently in the process of a comprehensive renovation which includes exterior improvements, stairwell replacements, and updates to its guestrooms, lobby, swimming pools, tennis courts, and public spaces. Renovations are slated for completion in the fourth quarter of 2014.	In 2013, the Residence Inn at River Ridge Oxnard performed above the competitive market average in terms of occupancy and below the market average in terms of average daily rate.

Competitive Property Number Two Courtyard Oxnard Ventura

<u>Location</u>	<u>Description</u>
Address: 600 East Esplanade Drive Oxnard, California 93036 Distance from the Subject: 0.9 miles southeast	Year Opened: 1978 Guestrooms: 166 Stories: Six Configuration: Interior corridor
<u>Facilities & Amenities</u>	<u>Picture</u>
• 8,000 Square Feet of Meeting Space • The Bistro (Breakfast and Dinner Only) • Complimentary Wireless Internet Access in Public Areas and Guestrooms • Fitness Center • Business Center • Outdoor Pool and Whirlpool • Room Amenities: ○ 32" Flat Panel HD Television with Premium Cable Channels ○ Alarm Clock ○ Work Space with Oversized Chair ○ Coffee Maker ○ Iron and Ironing Board ○ Mini Refrigerator (Some Rooms) ○ Bathrobe ○ Hair Dryer ○ CD Player ○ Microwave Oven ○ Balconies (Some Rooms)	
<u>Condition & Renovations</u>	<u>Historical Performance</u>
During the conversion from a Radisson to Courtyard by Marriott in May 2004, this property underwent a \$3.2 million renovation. This property completed a \$1.5 million renovation of the hotel lobby with the addition of new amenities, including an interactive 55" LCD touch screen, in 2012. Future plans for renovations include a comprehensive rooms renovation which is slated to begin September 2014.	In 2013, the Courtyard Oxnard performed similar to the competitive market average in terms of occupancy and below the market average in terms of average daily rate.

**Competitive Property Number Three
Hilton Garden Inn Oxnard/Camarillo**

<u>Location</u>	<u>Description</u>
Address: 2000 Solar Drive Oxnard, California 93030 Distance from Subject: 2.4 miles southeast	Year Opened: 2005 Guestrooms: 166 Stories: Seven Configuration: Interior Corridor
<u>Amenities</u>	<u>Picture</u>
• 1,878 Square Feet of Meeting Space • Great American Grill (Breakfast and Dinner Only) • In-Room Dining • 24-Hour Business Center • Fitness Center • Swimming Pool • Complimentary Wireless Internet Access in Public Areas and Guestrooms • Gift Shop • Laundry Facilities/Services • Convenience Store • Room Amenities: ○ 27" Flat Panel Television with Premium Cable Channels and On-Demand Movies ○ Clock Radio with MP3 Connectivity ○ The Garden Sleep System ○ Work Space with Ergonomic Chair ○ Coffee Maker ○ Hair Dryer ○ Iron and Ironing Board ○ Microwave ○ Mini Refrigerator ○ Telephone with Voicemail	
<u>Condition & Renovations</u>	<u>Historical Performance</u>
This property opened in 2005 and commenced on a multimillion renovation in 2013 which included a completely updated lobby, new furniture and equipment in public spaces and guestrooms, as well as soft goods. The renovation is anticipated to be completed by the first quarter of 2014.	In 2013, the Hilton Garden Inn performed below the competitive market average in terms of occupancy and slightly above the market average in terms of average daily rate.

**Competitive Property Number Four
Homewood Suites by Hilton Oxnard**

<u>Location</u>	<u>Description</u>
Address: 1950 Solar Drive Oxnard, California 93036 Distance from the Subject: 2.4 miles southeast	Year Opened: 2010 Guestrooms: 129 Stories: Four Configuration: Interior corridor
<u>Facilities & Amenities</u>	<u>Picture</u>
• 4,630 SF of Meeting Space • Complimentary Breakfast • Complimentary Evening Social (Mondays through Thursdays) • Business Center • Fitness Center • Basketball Court • Outdoor Pool and Whirlpool • Laundry/Valet Service • Complimentary Wireless Internet Access in Public Spaces and Guestrooms • Room Amenities: ○ Two HD Flat-Screen Televisions with Premium Cable Channels ○ Clock Radio with MP3 Connectivity ○ Fully Equipped Kitchens including: Granite Countertops, Cabinets, Full-Size Refrigerator, Microwave, Dishwasher, and Two-Burner Stovetop ○ Work Desk with Ergonomic Desk Chair ○ Fireplace ○ Sofa Bed ○ Coffee Maker ○ Hair Dryer ○ Iron and Ironing Board ○ Neutrogena Bath Amenities ○ Two Telephones with Voicemail ○ Separate Living and Sleeping Areas ○ Complimentary Newspaper (Monday through Friday)	
<u>Condition & Renovations</u>	<u>Historical Performance</u>
The property opened in April 2010 and is in very good condition.	In 2013, the Homewood Suites performed above the competitive market average in terms of both occupancy and average daily rate.

Competitive Property Number Five
Four Points by Sheraton Ventura Harbor Resort

<u>Location</u>	<u>Description</u>
Address: 1050 Schooner Drive Ventura, California 93001	Date opened: 1984 Guestrooms: 106 Stories: Three Configuration: Exterior
Distance from Subject: 4.6 miles west	

Amenities

- 10,600 Square Feet of Meeting Space
- Alexander's Restaurant & Lounge
- 24-Hour Front Desk
- Laundry/Valet Service
- Outdoor Heated Pool and Whirlpool
- Fitness Center
- Bicycle Rental
- Complimentary Wireless Internet Access in Public Spaces and Guestrooms
- Room Amenities:
 - Flat panel television with premium cable channels, pay-per-view movies, and in-room video games
 - Hair dryer
 - Telephone with data ports, voicemail, and free local calls
 - Refrigerator
 - Coffee maker
 - Radio alarm clock
 - Complimentary newspaper
 - Iron and ironing board
 - Express video check-out
 - Fireplace and balconies available in some rooms

Picture



<u>Condition & Renovations</u>	<u>Historical Performance</u>
This property completed a \$2.5 million renovation in 2009, which included renovation to the lobby, restaurant, guestrooms, and meeting space. This property has completed ongoing renovations as necessary, which has included renovations to guestroom bathrooms and replacement of carpet.	In 2013, the Four Points by Sheraton performed above the competitive market average in terms of occupancy and below the market average in terms of average daily rate.

Competitive Property Number Six
Holiday Inn Express Hotel & Suites Ventura Harbor

<u>Location</u>	<u>Description</u>
Address: 1080 Navigator Drive Ventura, California 93001 Distance from the Subject: 4.5 miles west	Date opened: 2006 Guestrooms: 69 Stories: Three Configuration: Interior
<u>Amenities</u>	<u>Picture</u>
• 2,000 SF of indoor/outdoor meeting space • Complimentary wireless high-speed Internet access in public spaces and guestrooms • Business center • Laundry services • Concierge services • Complimentary hot breakfast • Room Amenities: ○ Television with premium cable channels and pay-per-view movies ○ Stereo ○ Work desk with lamp ○ Dual line telephones with voice mail options and free local calls ○ Hair dryer ○ Coffee maker ○ Mini refrigerator ○ Iron and ironing board ○ Complimentary daily newspaper ○ In-room whirlpool and kitchenette in suites	
<u>Condition & Renovations</u>	<u>Historical Performance</u>
This property completed a comprehensive renovation in 2006 when it was branded as a Holiday Inn Express and has undergone minor renovations as needed. This property is planning an expansion that will include 36 additional guestrooms, harbor view lobby, breakfast room, fitness center, and an outdoor swimming pool.	In 2013, the Holiday Inn Express & Suites Ventura Harbor performed above the competitive market in terms of occupancy and below the market average in terms of average daily rate.

**Competitive Property Number Seven
Holiday Inn Express Port Hueneme**

<u>Location</u>	<u>Description</u>
Address: 350 East Port Hueneme Road Port Hueneme, California 93041 Distance from the Subject: 6.5 miles south	Year Opened: 1985 Guestrooms: 134 Stories: Three Configuration: Interior
<u>Facilities & Amenities</u>	<u>Picture</u>
• 1,120 SF of Meeting Space • Complimentary hot breakfast • Fitness Center • 24-Hour Business Center • Sundry Shop • Outdoor Pool and Whirlpool • Laundry Facilities • Complimentary Wireless Internet Access in Guestrooms and Public Spaces • Executive Club Level • Room Amenities: ○ 32" LCD flat-screen television ○ Alarm Clock Radio ○ Desk with Ergonomic Desk Chair ○ Coffee Maker ○ Telephone with Voicemail ○ Hair Dryer ○ Iron and Ironing Board ○ Complimentary Newspaper (Monday through Friday) ○ Laptop Lap Desk	
<u>Condition & Renovations</u>	<u>Historical Performance</u>
This property lost its Country Inn & Suites by Carlton flag in July 2012 and operated as an independent hotel from August 2012 through January 2013. During this time, a \$2.8 million renovation to the guestrooms and public spaces commenced. This work was completed in January 2013, and the property was rebranded as InterContinental Hotels Group's Holiday Inn Express following its renovation and redevelopment.	In 2013, the Holiday Inn Express Port Hueneme performed below the competitive market average both in terms of occupancy and average daily rate.

**Competitive Property Number Eight
Hampton Inn Channel Islands Harbor**

<u>Location</u>	<u>Description</u>
Address: 3231 Peninsula Road Oxnard, California 93035 Distance from the Subject: 5.5 miles southwest	Year Opened: 1975 Guestrooms: 95 Stories: Three Configuration: Interior corridor
<u>Facilities & Amenities</u>	<u>Picture</u>
• 312 SF Meeting Room • Complimentary Breakfast • Business Center • Fitness Center • Outdoor Pool • Complimentary Wireless Internet Access in Public Spaces and Guestrooms • Sundry Store • Outdoor Seating Area with Firepit • Room Amenities: ○ 32" LCD flat-screen television ○ Alarm Clock Radio ○ Work Desk with Ergonomic Desk Chair ○ Coffee Maker ○ Hair Dryer ○ Iron and Ironing Board ○ Telephones with Voicemail ○ Laptop Lap Desk ○ Complimentary Newspaper (Monday through Friday)	
<u>Condition & Renovations</u>	<u>Historical Performance</u>
From 2005 to 2007, \$12 million was spent to convert the northern wing of the former Casa Sirena hotel into the Hampton Inn. Since its opening, this property has undergone ongoing renovations as necessary, including new furniture, HVAC units, flat screen televisions, and brand required upgrades.	In 2013, the Hampton Inn Channel Islands Harbor performed above the competitive market average in terms of both occupancy and average daily rate.

**Competitive Property Number Nine
Ventura Beach Marriott**

<u>Location</u>	<u>Description</u>
Address: 2055 East Harbor Boulevard Ventura, California 93001 Distance from the Subject: 5.8 miles northwest	Year Opened: 1986 Guestrooms: 285 Stories: Four Configuration: Interior corridor
<u>Facilities & Amenities</u>	<u>Picture</u>
• 15,300 SF of Meeting Space • Pacifico Restaurant & Lounge • In-Room Dining • Business Center • Fitness Center • Convenience Store • Outdoor Pool and Whirlpool • Laundry/Valet Service • Wireless Internet Access (\$9.95/day) • Bicycle Rentals • Room Amenities: ○ Marriott Revive bedding package ○ 32" LCD HD flat-screen television with premium cable channels and pay-per-view movies, ○ Alarm Clock ○ Ergonomic work desk and chair ○ Oversized chair with ottoman ○ Iron and ironing board ○ Hair dryer ○ Bath and Body Works toiletries ○ Dual line telephones with voicemail and speakerphone ○ Coffee Maker ○ Suites are large in size and include separate living and sleeping areas, a sofa bed, two bathrooms, and a private patio	
<u>Condition & Renovations</u>	<u>Historical Performance</u>
The property will undergo a Property Improvement Plan beginning in summer of 2014, which will include a comprehensive of the entire property.	In 2013, the Ventura Beach Marriott performed below the competitive market average in terms of occupancy and above the market average in terms of average daily rate.

**Competitive Property Number Ten
Crowne Plaza Ventura Beach**

<u>Location</u>	<u>Description</u>
Address: 450 East Harbor Boulevard Ventura, California 93001 Distance from the Subject: 7.0 miles northwest	Year Opened: 1972 Guestrooms: 258 Stories: Twelve Configuration: Interior Corridor
<u>Facilities & Amenities</u>	<u>Picture</u>
• 19,000 Square Feet of Meeting Space • C-Street, three-meal restaurant • Aqua “Beachfront Bar” • In-Room Dining • Business Center • Fitness Center • Complimentary Wireless Internet Access in Public Areas • Laundry Facilities/Services • Automated Teller Machine • Concierge Services • Room Amenities: ○ 27” Flat Panel LCD Television with Premium Cable Channels and Pay-Per-View Movies ○ Work Desk with Chair ○ Telephone with Voicemail ○ Wired and Wireless Internet Access (Fee) ○ Hair Dryer ○ Coffee Maker ○ Iron and Ironing Board	
<u>Condition & Renovations</u>	<u>Historical Performance</u>
The Crowne Plaza Ventura Beach completed a major renovation to its guestrooms and lobby in 2007 with minor projects in recent years. This property recently replaced its carpets and converted all full-sized beds to queen-sized beds.	In 2013, the Crowne Plaza Ventura Beach performed below the competitive market average in terms of occupancy and above the market average in terms of average daily rate.

Additions to Supply

In conducting our investigations regarding the potential for additions to supply in the Ventura market, we interviewed general managers in the competitive set and government officials in Ventura. In doing so, we identified one hotel expansion and one proposed hotel for the area.

The Holiday Inn Express & Suites Ventura Harbor is planning a 36 room expansion. Both the City of Ventura and the California Coastal Commission have approved of the expansion, and the project is currently in its design phase. This expansion is anticipated to include the addition of 36 guestrooms, a harbor view lobby, breakfast room, fitness center, and an outdoor swimming pool. Based on conversation with ownership representatives, construction of the additional rooms is anticipated to begin by quarter four of 2014 and the rooms will be added to the rooms inventory in October 2015. As such, we have accounted for the addition of these 36 rooms entering the competitive market in October 2015.

Furthermore, there is a proposed Residence Inn to be located at 770 South Seaward Avenue in the southeast quadrant of the Ventura Highway and Seaward Avenue intersection. The proposed hotel is to include 128 guestrooms, a pool, fitness center, garden, and a roof deck with ocean views. This project was approved by the City of Ventura in February 2013 and as of April 1, 2014, is currently in plan check. Based on conversations with the City of Ventura's Building Department, building permits have not yet been acquired by the developer. Due to the lack of specific development timeline and permitting, we do note it as a potential addition to supply but have not included it in our market projections.

HOTEL ROOMS DEMAND

Demand for hotel rooms is categorized in three ways:

- **Demonstrated Demand:** the demand already captured at competitive hotels;
- **Induced Demand:** the demand that does not presently seek accommodations in the competitive market, but could be persuaded to do so through marketing efforts, room rates, facilities, services and amenities.
- **Unsatisfied Demand:** the demand that seeks accommodations in the market but is not satisfied due to one of a number of factors: sell-outs; lack of a particular type of accommodation; lack of meeting space; or high room rates.

Historical Performance of the Competitive Supply

The aggregate average annual available and occupied rooms, resulting occupancy levels, average daily rate, and revenue per available room (RevPAR) for this sample set between 2010 and 2013 and year-to-date through February 2013 and 2014 are presented in the following table.

Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2009	559,180	N/A	349,739	N/A	62.5%	\$112.06	N/A	\$70.09	N/A
2010	590,570	5.6%	383,499	9.7%	64.9	112.10	0.0%	72.80	3.9%
2011	606,265	2.7	388,000	1.2	64.0	112.45	0.3	71.96	-1.1
2012	606,265	0.0	395,391	1.9	65.2	115.66	2.9	75.43	4.8
2013	605,900	-0.1	410,743	3.9	67.8	116.11	0.4	78.71	4.4
CAAG	2.0%		4.1%			0.9%		2.9%	
YTD 2/13	101,105	N/A	55,777	N/A	55.2%	\$108.45	N/A	\$59.83	N/A
YTD 2/14	101,105	0.0%	65,593	17.6%	64.9%	111.54	2.9%	72.36	21.0%

Source: PKF Consulting USA

From 2009 to 2013, the annual rooms supply in the competitive market experienced a compound average annual growth (CAAG) rate of 2.0 percent. The Homewood Suites Oxnard opened 129 rooms in April of 2010, resulting in a 5.6 percent growth over the previous year. 2011 experienced a 2.7 percent increase in annual rooms supply with the addition of the annualized rooms. 2013 posted a decline in annual rooms supply due to the Holiday Inn Express Port Hueneme taking one room out of inventory.

Over the same period, demand for rooms, as demonstrated by occupied room nights, grew at a compound average annual growth rate of 4.1 percent. In 2009, the market experienced its lowest occupancy level due to the effects of the economic downturn, reaching a market occupancy of 62.5 percent. Demand levels showed improvement in 2010 with an increase of 9.7 percent over the previous year. In 2011, the market occupancy decreased to 64.0 percent as it experienced a 1.2 percent increase in occupied room nights amidst a 2.7 percent increase in annual rooms supply. The market finished 2013 at 67.8 percent, reflecting a 3.9 percent growth over 2012. Year-to-date through the first two months of this year, occupied room nights increased by 17.6 percent, which resulted in an occupancy of 64.9 percent for the competitive market.

The average daily room rate (ADR) of the competitive set increased by 0.9 percent on an annual basis over the last five years. In 2009, the economic downturn and the housing market crisis affected consumer spending and leisure travel. Corporate job losses compounded the negative impact on lodging demand. In 2010, the competitive market's average daily flat remained flat over the previous year but experienced a minor increase of 0.3 percent in 2011. ADR experienced an increase of 2.9 percent in 2012 followed by an increase of 0.4 percent in 2013, ending 2013 at an average daily rate of \$116.11. Year-to-date through February, ADR is up 2.9 percent over the previous year.

Revenue per available room (RevPAR), a combination of occupancy and average daily room rate, increased at an average rate of 2.9 percent annually over the five year period. RevPAR suffered a 1.1 percent decline in 2011 due to the increase in annual rooms supply. A 4.8 percent increase in RevPAR was observed in 2012, driven by increases in both occupancy and average daily rate. RevPAR experienced a further increase of 4.4 percent in 2013. The competitive market's RevPAR as of year-to-date through February increased 21.0 percent over the same period last year from \$59.83 to \$72.36.

MIX OF DEMAND

The demand captured by the market is derived primarily from the transient commercial demand segment, followed by leisure travelers and group meeting attendees. The following table summarizes the 2013 mix of demand for the competitive set.

Competitive Market 2013 Mix of Demand		
Market Segment	Room Nights	Ratio
Commercial	196,200	48%
Leisure	107,400	26
Group	107,200	26
Total	411,000	100%

Source: PKF Consulting USA

Commercial Segment

The commercial segment is the largest demand segment within the competitive lodging market. Much of the commercial demand is government-related travel from the Federal Department of Agricultural to the area to monitor citrus and other crops. Related to this industry is commercial demand from Monsanto, Del Monte Foods Company, and other processors of the crops in the area. Other government related demand is from the Naval Construction Battalion Center in Port Hueneme and the Naval Air Station at Point Mugu, the U.S. Naval Construction Battalion Center located in Oxnard, by contractors and some military personnel. Commercial demand to this market is also generated from the concentration of commercial office buildings located in and around the Gonzales Corridor and the North Oxnard areas in Oxnard and the western area of Ventura.

In 2013, the commercial segment accounted for 48 percent, or approximately 196,200 room nights of captured demand in the market. We estimate that this segment will grow at 3.0 percent in 2014, or the general level of economic growth, and each year thereafter. We have induced 5,000 commercial room nights in 2016 to account for the additional demand that will be generated with the additions to supply, which include the subject and the expansion of the Holiday Inn Express & Suites Ventura. We anticipate that with their newer facilities, these properties will be able to attract additional demand to the market.

Leisure Segment

Leisure is the second largest demand segment in the competitive market. Leisure demand in the competitive market consists of travelers who wish to take advantage of the many attractions in the Ventura County that most notably include the extensive beaches of the Pacific Ocean, the Channel Islands, shopping in Oxnard and Ventura, festivals and special events in the area, and the Ventura County Fairgrounds. The area provides leisure travelers with more reasonably priced hotel accommodations as compared to those offered in Santa Barbara to the north and the Los Angeles area to the south. This segment is comprised of a significant amount of domestic weekend travel from drive-in markets from areas such as Bakersfield, as well as international travel. Compression from neighboring areas is also a source of demand for Oxnard during high seasons.

In 2013, the leisure market segment accounted for 26 percent of total demand, or approximately 107,400 room nights of captured demand. We estimate a segment growth of 3.0 percent for 2014 and each year thereafter. We project that a total of approximately 3,000 room nights of leisure demand will be induced into the market in 2016 with the introduction of the previously mentioned rooms supply entering into the market.

Group Segment

The group market segment represents 26 percent of the total occupied rooms in 2013, or 107,200 occupied room nights. Group demand is generated from area social, military, educational, religious, and fraternal (SMERF) business. Due to the heavy military presence, many of the groups utilizing area hotels are government or military-oriented and are to a lesser extent from businesses located in the vicinity. Other demand generators in this segment include corporate groups, such as Gordon Research, a scientific research company based in Rhode Island that comes annually to the area, and sports groups for events such as the Ojai Tennis Tournament, Dallas Cowboy Training Camp, and local high school teams.

We estimate that the group market will grow at 3.0 percent in each year of the projection period. We estimate that a total of a 2,000 room nights of group demand will be induced into the market in 2016.

PROJECTED MARKET DEMAND

Based on the foregoing analysis, future demand growth is projected to be driven by increases in commercial, leisure, and group room nights. We estimate the market occupancy will increase to 70 percent in 2014 and remain at this level in 2015. We estimate that the market will decrease to an occupancy rate of 68 percent in 2016 with the introduction of the Subject and the expansion of the Holiday Inn Express & Suites Ventura. As the market absorbs the addition to supply, market occupancy is estimated to increase to 70 percent in 2017, reaching its stabilized level of occupancy.

While the market may fluctuate above and below this number, we are of the opinion that an occupancy of 70 percent is appropriate for this particular market considering the supply and demand patterns, seasonality, and mix of business within the competitive market. This stabilized occupancy is in line with the average historical occupancy of the competitive market and the current market dynamics. The projected future growth in supply and demand is presented in the following table.

Proposed Oxnard Hotel Competitive Market Estimated Future Growth in Lodging Supply and Demand 2013 - 2019							
	2013	2014	2015	2016	2017	2018	2019
ROOMS SUPPLY	1,661						
Additions/(Deletions) to Supply							
Proposed Oxnard Hotel				140			
Holiday Inn Express Ventura			9	27			
Holiday Inn Express Port Hueneme	(1)						
Cumulative Rooms Supply	1,660	1,660	1,669	1,836	1,836	1,836	1,836
Total Annual Rooms Supply	605,900	605,900	609,185	670,140	670,140	670,140	670,140
Growth Over the Prior Year	-0.1%	0.0%	0.5%	10.0%	0.0%	0.0%	0.0%
DEMONSTRATED DEMAND IN BASE YR							
Commercial	196,153	48%					
Leisure	107,404	26%					
Group	107,187	26%					
TOTAL DEMONSTRATED DEMAND	410,743	100%					
INDUCED/(UNSATISFIED) DEMAND							
Commercial		0	0	5,000	0	0	0
Leisure		0	0	3,000	0	0	0
Group		0	0	2,000	0	0	0
TOTAL INDUCED/(UNSATISFIED) DEMAND		0	0	10,000	0	0	0
GROWTH RATES							
Commercial		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Leisure		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Group		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
PROJECTED DEMAND							
Commercial							
Demonstrated	196,153	202,037	208,098	214,341	225,921	232,699	239,680
Induced/(Unsatisfied)	0	0	(4,455)	5,000	(1,672)	(8,449)	(15,430)
Total	196,200	202,000	203,600	219,300	224,200	224,200	224,200
Growth Over Prior Year	N/A	3.0%	0.8%	7.7%	2.2%	0.0%	0.0%
Leisure							
Demonstrated	107,404	110,626	113,945	117,363	123,974	127,693	131,524
Induced/(Unsatisfied)	0	0	(2,439)	3,000	(917)	(4,637)	(8,467)
Total	107,400	110,600	111,500	120,400	123,100	123,100	123,100
Growth Over Prior Year	N/A	3.0%	0.8%	8.0%	2.2%	0.0%	0.0%
Group							
Demonstrated	107,187	110,402	113,714	117,126	122,700	126,381	130,172
Induced/(Unsatisfied)	0	0	(2,434)	2,000	(908)	(4,589)	(8,380)
Total	107,200	110,400	111,300	119,100	121,800	121,800	121,800
Growth Over Prior Year	N/A	3.0%	0.8%	7.0%	2.3%	0.0%	0.0%
Total Market Demand	410,800	423,000	426,400	458,800	469,100	469,100	469,100
Growth Over Prior Year	N/A	3.0%	0.8%	7.6%	2.2%	0.0%	0.0%
Market Occupancy	68%	70%	70%	68%	70%	70%	70%
Source: PKF Consulting USA							

Projected Performance of the Competitive Supply

We have also estimated the average daily rate (ADR) of the competitive market based upon our analysis of the historical rates achieved, interviews with management of the competitive properties, the anticipated impact of the new supply entering the market, and the changing economic conditions.

Average daily rate for the competitive market has experienced a slow recovery in the past five years. ADR for the competitive market remained relatively flat in 2010 and 2011 and experienced a 2.9 percent increase in 2012. The competitive market finished 2013 with a 0.4 percent increase in ADR, resulting in a market average daily rate of \$116.11. Based on the foregoing analysis, the following table summarizes our estimates of future supply, accommodated demand, occupancy, average daily rate, and RevPAR for the competitive market from 2014 to 2020.

Projected Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2014	605,900	0.0%	423,000	3.0%	70%	\$120.00	3.3%	\$83.78	6.4%
2015	609,185	0.5	426,400	0.8	70	124.00	3.3	86.79	3.6
2016	670,140	10.0	458,800	7.6	68	128.00	3.2	87.63	1.0
2017	670,140	0.0	469,100	2.2	70	132.00	3.1	92.40	5.4
2018	670,140	0.0	469,100	0.0	70	136.00	3.0	95.20	3.0
2019	670,140	0.0	469,100	0.0	70	140.00	2.9	98.00	2.9
2020	670,140	0.0	469,100	0.0	70	144.00	2.9	100.80	2.9
CAAG	1.7%		1.7%			3.1%		3.1%	

Source: PKF Consulting USA

As can be seen in the table above, supply is expected to grow at a compound average annual rate of 1.7 percent from 2014 to 2020. Based on our analysis, supply is estimated to increase by 0.5 percent in 2015 with the introduction of the rooms associated with the Holiday Inn Express & Suites Ventura expansion. Supply is further estimated to increase by 10.0 percent in 2016 with the opening of the subject hotel and the annualized rooms of the Holiday Inn Express & Suites Ventura entering the market in 2016.

Further, based on the average rates achieved historically and our interviews with area hotel managers, we have estimated that the average daily rate of the competitive market will increase to \$120.00 in 2014, a 3.3 percent increase over the previous year. Average daily rate in the competitive market is estimated to grow by 3.1 percent on a compound average annual basis from 2014 to 2020.

PROJECTED PERFORMANCE OF THE SUBJECT HOTEL

Penetration Analysis

Our estimates of occupancy are based on our survey of competitive hotels, an analysis of the segmentation of demand in the market area and our assessment of the subject property's market position. The "penetration rate" of a hotel is the percentage of room nights captured relative to the property's "fair share." The hotel's "fair share" is determined

by dividing the subject property's number of guest rooms by the total number of guest rooms in the competitive market (including the subject property). Factors indicating a hotel would possess competitive advantages suggest a market penetration in excess of 100 percent of fair market share, while competitive weaknesses are reflected in penetration rates of less than 100 percent. However, other factors besides competitive weaknesses could result in penetrations of less than 100 percent. The actual penetration of each market segment by the subject property may deviate from fair market share for the following reasons:

- The competitive advantages or disadvantages of the subject hotel versus the competition taking into consideration such factors as location, room rate structure, quality and extent of amenities offered, chain affiliation, quality of management, marketing efforts and image;
- The characteristics, composition and needs of each market segment;
- The restraint on demand captured due to capacity constraints during certain periods of the week or season, or due to the accommodation of certain market segments; and,
- Management decisions concerning target markets.

Estimated occupancy levels for the subject hotel have been projected on the basis of a penetration analysis. Our estimate of the subject's performance utilizes a January 1, 2016 opening date.

Penetration of Subject

Our estimates of subject penetration by each segment of demand are presented in the paragraphs below. The following favorable factors have been considered to project the subject's penetration of the market:

- The subject's location relative to leisure and commercial demand generators in the "Golden Triangle" area of Oxnard;
- The subject's strategic location at the intersection of U.S. Route 101 and Oxnard Boulevard/California State Route 1 (Pacific Coast Highway);
- The subject's affiliation with a nationally recognized brand; and,
- The subject's newer facilities and amenities relative to the competitive set.

Commercial Demand

Corporate travelers in this market select hotel accommodations based on room and overall hotel amenities, location relative to their destination, and area amenities. Due to the subject's location along Oxnard Boulevard and proximate to The Collection at RiverPark, as well as its newer facilities, we anticipate that subject will over penetrate the commercial segment on a stabilized basis. We anticipate the subject to obtain a 105 percent

penetration of the commercial segment upon opening in 2016. The Subject's penetration of this segment is estimated to increase to 110 percent in the following year. In 2018, we project the subject's penetration of this market segment to further increase to 115 percent and stabilize at this level of penetration for the remainder of the projection period. The subject will feature amenities and facilities that will be pleasing to commercial travelers and is anticipated to be a very attractive lodging option for travelers conducting business in the North Oxnard and Ventura County areas. Further, its location proximate to commercial developments and restaurants in The Collection at RiverPark will attract commercial travelers who wish to have area amenities within walking distance.

Leisure Demand

Similar to other hotels in the competitive market, the leisure demand segment tends to have strong weekend (Friday through Monday) travel patterns, but not seasonal fluctuations, due to the year-round temperate climate of Southern California. The properties in the competitive market attract a good amount of leisure business which emanates primarily from travelers visiting the Ventura County area and its many tourist attractions, friends, and family. Leisure travelers are concerned with the hotel's proximity to area leisure attractions, such as the beaches. This segment mainly consists of individual leisure travelers, both during peak summer periods and on weekends throughout the year. We anticipate that the subject hotel will achieve its fair share of the leisure segment due to its location convenient to major thoroughfares and major retail and residential developments in the area. We anticipate that the subject will under penetrate the leisure segment at 90 percent upon its opening in 2016. It is estimated that penetration of this segment will increase to 95 percent in 2017, reach 100 percent in 2018, and stabilize at this level for the remainder of the projection period.

Group Demand

Group demand consists of travelers who book blocks of rooms exceeding ten rooms per night. The purpose of the group traveler's visit is to meet with other members of a corporate, leisure, or association group to further group's goals. These travelers often require meeting space at the hotel in which they are staying. The subject hotel is expected to benefit from group demand in the form of meetings, conferences, and events held in the immediate area. The subject will contain a larger amount of meeting space relative to most of the limited and select-service properties in its competitive set but less than the full-service properties, the Residence Inn River Ridge Oxnard, and the Four Points by Sheraton. As such, based on the subject's facilities and positioning within the competitive market, we anticipate that the subject hotel will achieve below its fair share of the group segment on a stabilized basis but obtain enough from this demand segment to remain competitive. We have estimated a group penetration of 75 percent upon opening in 2016, increasing to 85 percent in 2017, 90 percent in 2018, and stabilizing at this level of penetration for the remainder of the projection period.

Overall Mix, Penetration, and Occupancy

The estimated stabilized market mix and penetration for the subject hotel are presented in the following table.

Proposed Oxnard Hotel			
Stabilized Mix of Demand and Market Penetration			
Market Segment	Room Nights	Ratio	Penetration
Commercial	19,700	53%	115%
Leisure	9,400	25	100
Group	8,400	22	90
Total	37,500	100%	105%
Source: PKF Consulting USA			

We estimate that the subject property will achieve below its fair share of market demand upon its opening in 2016, with the penetration rate estimated at 93 percent. This equates to an occupancy level of 64 percent during its first year of operation. By the second year of operation, the subject's penetration rate is expected to increase to 100 percent of its fair share, equal to an occupancy of 70 percent in 2017. In 2018, the subject's penetration is projected to further increase to 105 percent, reaching its stabilized level of occupancy of 73 percent.

The following table sets forth projected penetration for the subject from 2016 through 2020.

Proposed Oxnard Hotel Market Penetration and Projected Occupancy					
	2016	2017	2018	2019	2020
TOTAL ROOMS AVAILABLE					
Proposed Oxnard Hotel	51,100	51,100	51,100	51,100	51,100
Competitive Market	670,140	670,140	670,140	670,140	670,140
	=====	=====	=====	=====	=====
Fair Share of Supply	7.6%	7.6%	7.6%	7.6%	7.6%
	=====	=====	=====	=====	=====
ESTIMATED TOTAL MARKET DEMAND					
Commercial	219,300	224,200	224,200	224,200	224,200
Leisure	120,400	123,100	123,100	123,100	123,100
Group	119,100	121,800	121,800	121,800	121,800
	=====	=====	=====	=====	=====
TOTAL	458,800	469,100	469,100	469,100	469,100
	=====	=====	=====	=====	=====
FAIR SHARE OF DEMAND					
Commercial	16,700	17,100	17,100	17,100	17,100
Leisure	9,200	9,400	9,400	9,400	9,400
Group	9,100	9,300	9,300	9,300	9,300
	=====	=====	=====	=====	=====
TOTAL	35,000	35,800	35,800	35,800	35,800
	=====	=====	=====	=====	=====
SUBJECT PENETRATION					
Commercial	105%	110%	115%	115%	115%
Leisure	90%	95%	100%	100%	100%
Group	75%	85%	90%	90%	90%
	=====	=====	=====	=====	=====
ROOM NIGHTS CAPTURED					
Commercial	17,600	18,800	19,700	19,700	19,700
Leisure	8,300	8,900	9,400	9,400	9,400
Group	6,800	7,900	8,400	8,400	8,400
	=====	=====	=====	=====	=====
TOTAL CAPTURED DEMAND	32,700	35,600	37,500	37,500	37,500
	=====	=====	=====	=====	=====
MARKET SHARE CAPTURED	7.1%	7.6%	8.0%	8.0%	8.0%
OVERALL MARKET PENETRATION	93%	100%	105%	105%	105%
	=====	=====	=====	=====	=====
SUBJECT OCCUPANCY	64%	70%	73%	73%	73%
	=====	=====	=====	=====	=====
MARKET MIX					
Commercial	54%	53%	53%	53%	53%
Leisure	25%	25%	25%	25%	25%
Group	21%	22%	22%	22%	22%
	=====	=====	=====	=====	=====
TOTAL	100%	100%	100%	100%	100%
	=====	=====	=====	=====	=====
Source: PKF Consulting USA					

Average Daily Rate and Yield for the Subject

Our derivation of the average daily rate for the subject property in a stabilized year of operation is based primarily on the historical average daily rates achieved by the comparable properties, the quality of the proposed facilities of the subject property, as well as information concerning ongoing rate increases. Considerations were also given to the comparison of the other competitive properties with the subject in terms of quality of facility, location, and mix of demand.

Overall the subject hotel's primary strengths are considered to be the following:

- ◆ The subject will be the newest property upon opening;
- ◆ The subject will be situated in an amenity rich area consisting of commercial, retail, and restaurant uses;
- ◆ The subject hotel will be well-located along U.S. Route 101 in the City of Oxnard; and,
- ◆ The subject will be developed as high-quality, select-service hotel, affiliated with a competent and efficient operator, and will feature facilities and amenities that make it desirable in the competitive marketplace.

Therefore, we have estimated that the subject will achieve an opening average daily rate of \$143.00 in 2016. This opening rate equates to a stabilized average daily room rate of \$135.00 stated in 2014 dollars. In consideration of the proposed amenities and facilities of the subject, as well as its expected positioning in the market, we find this rate reasonable, placing the subject approximately \$15.00 above the market average, but within the range of the comparable properties in the competitive set and other high quality, select-service properties in similar Southern California markets and throughout the nation. This rate is expected to increase at a compound average annual rate of 3.0 percent throughout our projections.

The following table outlines our estimates of average daily rate and the resulting revenue yield for the subject. It should be noted that figures are rounded to the nearest dollar amounts.

Projected Market Performance of the Subject Hotel											
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Average Daily Rate	Percent Change	REVPAR	Percent Change	Market Penetration	Revenue Yield
2016	51,100	N/A	32,700	N/A	64%	\$143.00	3.0%	\$ 91.51	N/A	93%	104%
2017	51,100	0.0%	35,600	8.9%	70%	148.00	3.0%	103.11	12.7%	100	112
2018	51,100	0.0	37,500	5.3	73	152.00	3.0	111.55	8.2	105	117
2019	51,100	0.0	37,500	0.0	73	157.00	3.0	115.22	3.3	105	118
2020	51,100	0.0	37,500	0.0	73	161.00	3.0	118.15	2.5	105	117
CAAG	0.0%		3.5%			3.0%		6.6%			

Source: PKF Consulting USA

Although it is possible that the subject will experience growth in occupancy and ADRs above those estimated in this report, it is also possible that sudden economic downturns, unexpected additions to the room supply, or other external factors will force the property below the selected point of stability. Consequently, the estimated occupancy and ADR levels are representative of the most likely potential operations of the subject over the projected holding period based on our analysis of the market as of the date of this report.

Addendum

Statement of Assumptions and Limiting Conditions

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

This report is made with the following assumptions and limiting conditions:

Economic and Social Trends - The consultant assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The consultant is not obligated to predict future political, economic or social trends.

Information Furnished by Others - In preparing this report, the consultant was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either express or implied, is given by the consultant for the accuracy of such information and the consultant assumes no responsibility for information relied upon later found to have been inaccurate. The consultant reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Hidden Conditions - The consultant assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject property more or less valuable. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.

Hazardous Materials - The consultant has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property or improvements thereon, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the consultant did not become aware of the presence of any such material or substance during the consultant's inspection of the subject property. However, the consultant is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the value of the subject property. The value estimated in this report is predicated on the assumption that no such material or substance is present on or in the subject property or in such proximity thereto that it would cause a loss in value. The consultant assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

Zoning and Land Use - Unless otherwise stated, the projections were formulated assuming the hotel to be in full compliance with all applicable zoning and land use regulations and restrictions.

Licenses and Permits - Unless otherwise stated, the property is assumed to have all required licenses, permits, certificates, consents or other legislative and/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.

Engineering Survey - No engineering survey has been made by the consultant. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.

Subsurface Rights - No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

Maps, Plats and Exhibits - Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

Legal Matters - No opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

(continued)

Right of Publication - Possession of this report, or a copy of it, does not carry with it the right of publication. Without the written consent of the consultant, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with proper written qualification and only in its entirety for its stated purpose.

Testimony in Court - Testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal, unless such arrangements are made a reasonable time in advance of said hearing. Further, unless otherwise indicated, separate arrangements shall be made concerning compensation for the consultant's time to prepare for and attend any such hearing.

Archeological Significance - No investigation has been made by the consultant and no information has been provided to the consultant regarding potential archeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archeological significance.

Compliance with the American Disabilities Act - The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We assumed that the property will be in direct compliance with the various detailed requirements of the ADA.

Definitions and Assumptions - The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and are to be part of these general assumptions as if included here in their entirety.

Dissemination of Material - Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, news media or other public means of communication without the prior written consent and approval of the consultant(s).

Distribution and Liability to Third Parties - The party for whom this report was prepared may distribute copies of this appraisal report only in its entirety to such third parties as may be selected by the party for whom this report was prepared; however, portions of this report shall not be given to third parties without our written consent. Liability to third parties will not be accepted.

Use in Offering Materials - This report, including all cash flow forecasts, market surveys and related data, conclusions, exhibits and supporting documentation, may not be reproduced or references made to the report or to PKF Consulting in any sale offering, prospectus, public or private placement memorandum, proxy statement or other document ("Offering Material") in connection with a merger, liquidation or other corporate transaction unless PKF Consulting has approved in writing the text of any such reference or reproduction prior to the distribution and filing thereof.

Limits to Liability - PKF Consulting cannot be held liable in any cause of action resulting in litigation for any dollar amount which exceeds the total fees collected from this individual engagement.

Legal Expenses - Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.

The Landing Hotel Development

Economic Impact and Fiscal Benefit Analysis

September 4, 2015

**Prepared For:
Shea Properties**

Prepared By:



Orange County, CA
Denver, CO

Sacramento, CA
Austin, TX

Dallas, TX

Phoenix, AZ
Tampa, FL

Boise, ID
Orlando, FL

Las Vegas, NV
Research Triangle, NC

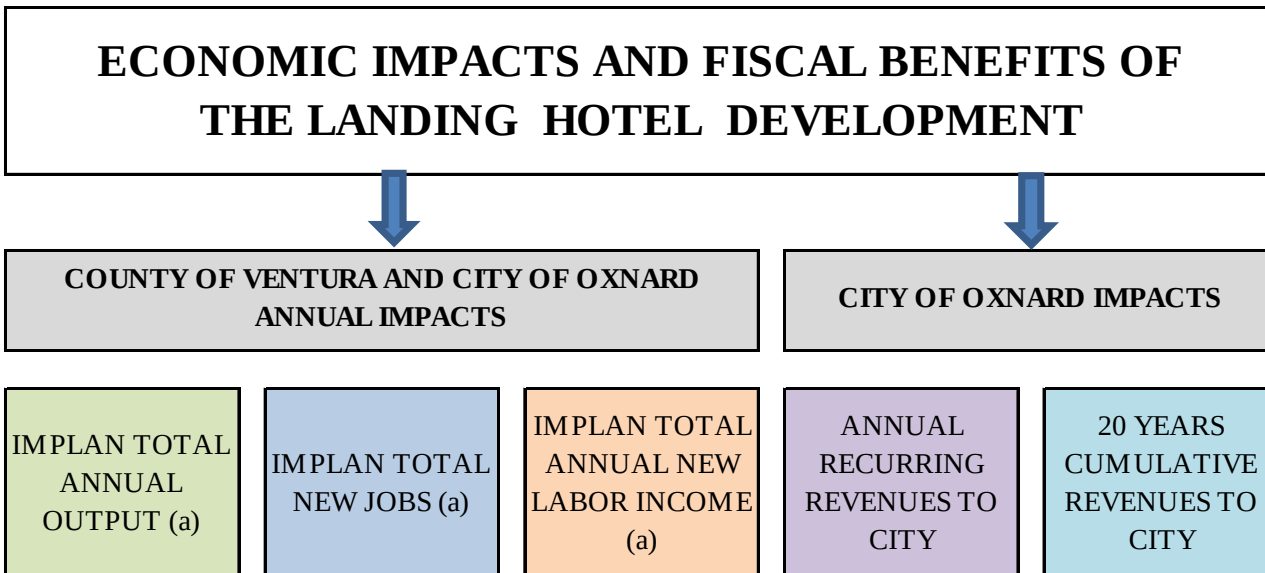


September 4, 2015

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September 4, 2015

I. EXECUTIVE SUMMARY**SCENARIO 1 - SUBJECT PROPERTY REMAINS UNDEVELOPED****UNDEVELOPED SITE**

N/A	N/A	N/A	\$19,000	\$380,000
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SCENARIO 2 - (1) ONE 120 ROOM LIMITED SERVICE HOTEL**CONSTRUCTION PERIOD**

\$27.3 Million	179	\$10.3 Million
----------------	-----	----------------

RECURRING OPERATIONS

\$7.3 Million	69	\$2.5 Million	\$589,000	\$11.8 Million
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SCENARIO 3 - (2) TWO 120 ROOM LIMITED SERVICE HOTELS**CONSTRUCTION PERIOD**

\$54.7 Million	358	\$20.6 Million
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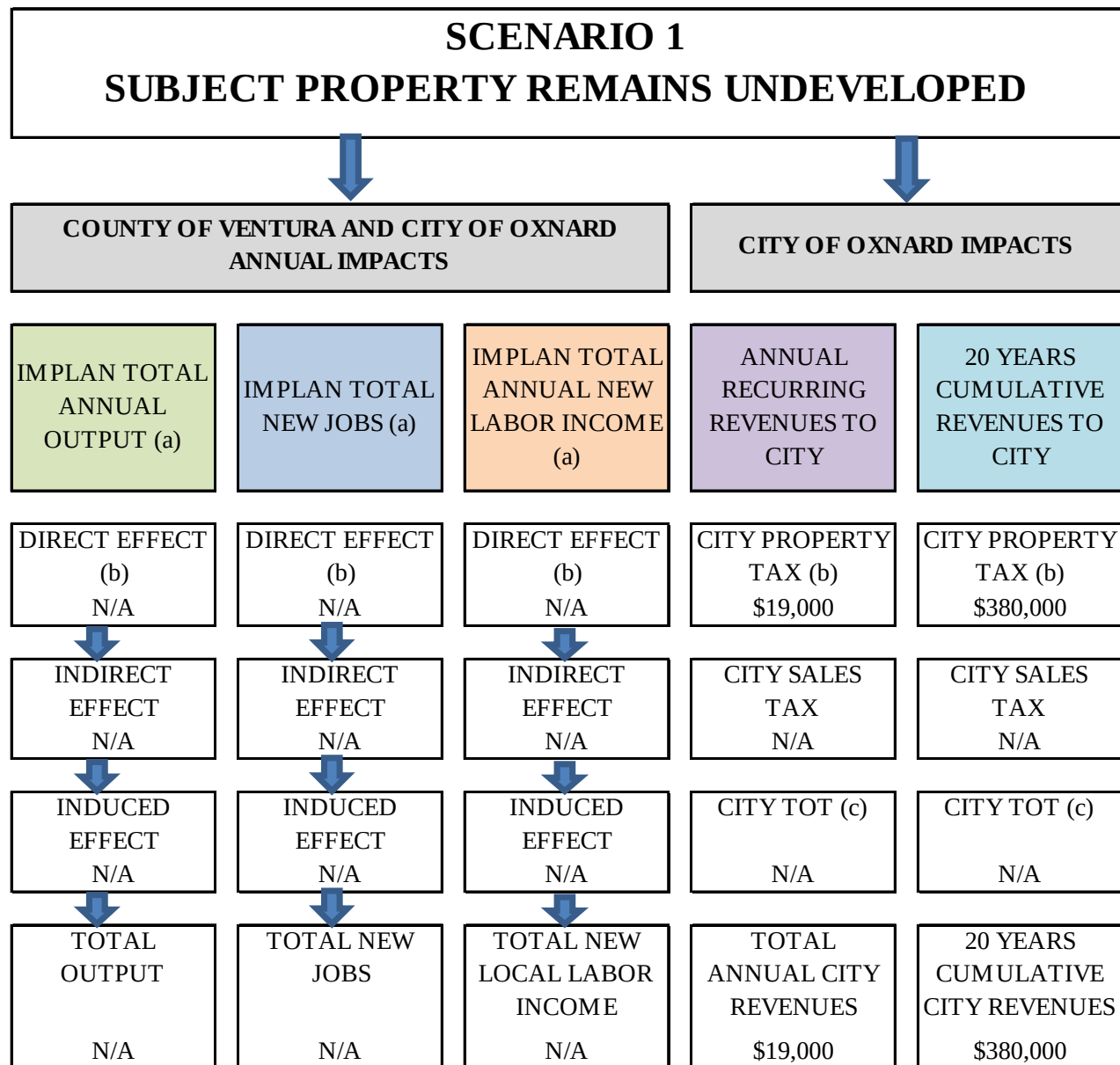
RECURRING OPERATIONS

\$14.7 Million	137	\$5.0 Million	\$1.2 Million	\$23.2 Million
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Footnotes:

(a) Calculated using IMPLAN, a nationally recognized economizing modeling system. The study area is Ventura County.

September 4, 2015

II. SCENARIO 1 – SUBJECT PROPERTY REMAINS UNDEVELOPED**Footnotes:**

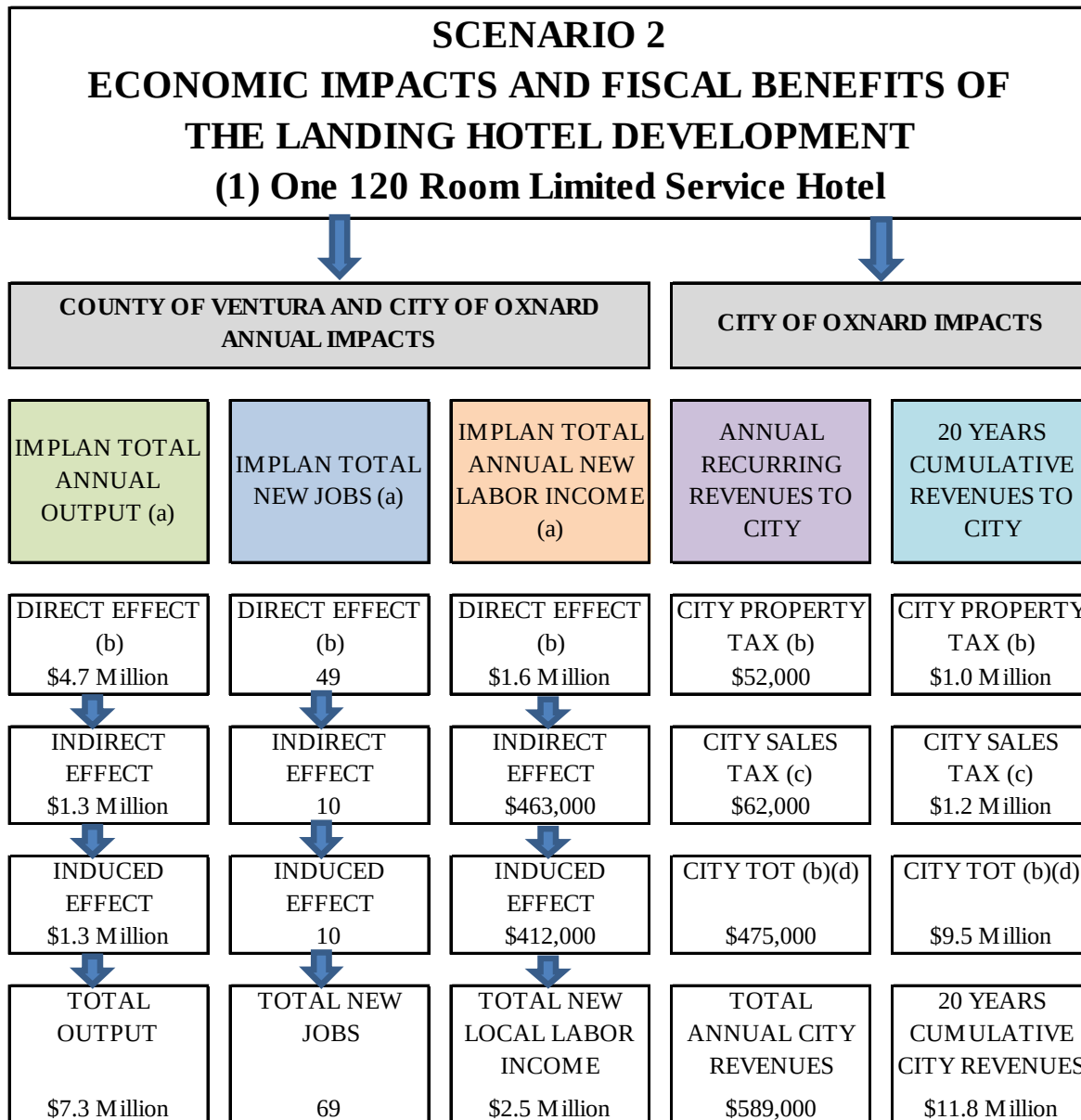
(a) Calculated using IMPLAN, a nationally recognized economing modeling system. The study area is Ventura County.

(b) Land is based on the current assessed value.

(c) Transient Occupancy Tax (TOT).

September 4, 2015

III. SCENARIO 2 – DEVELOPMENT OF (1) ONE LIMITED SERVICE HOTEL



Footnotes:

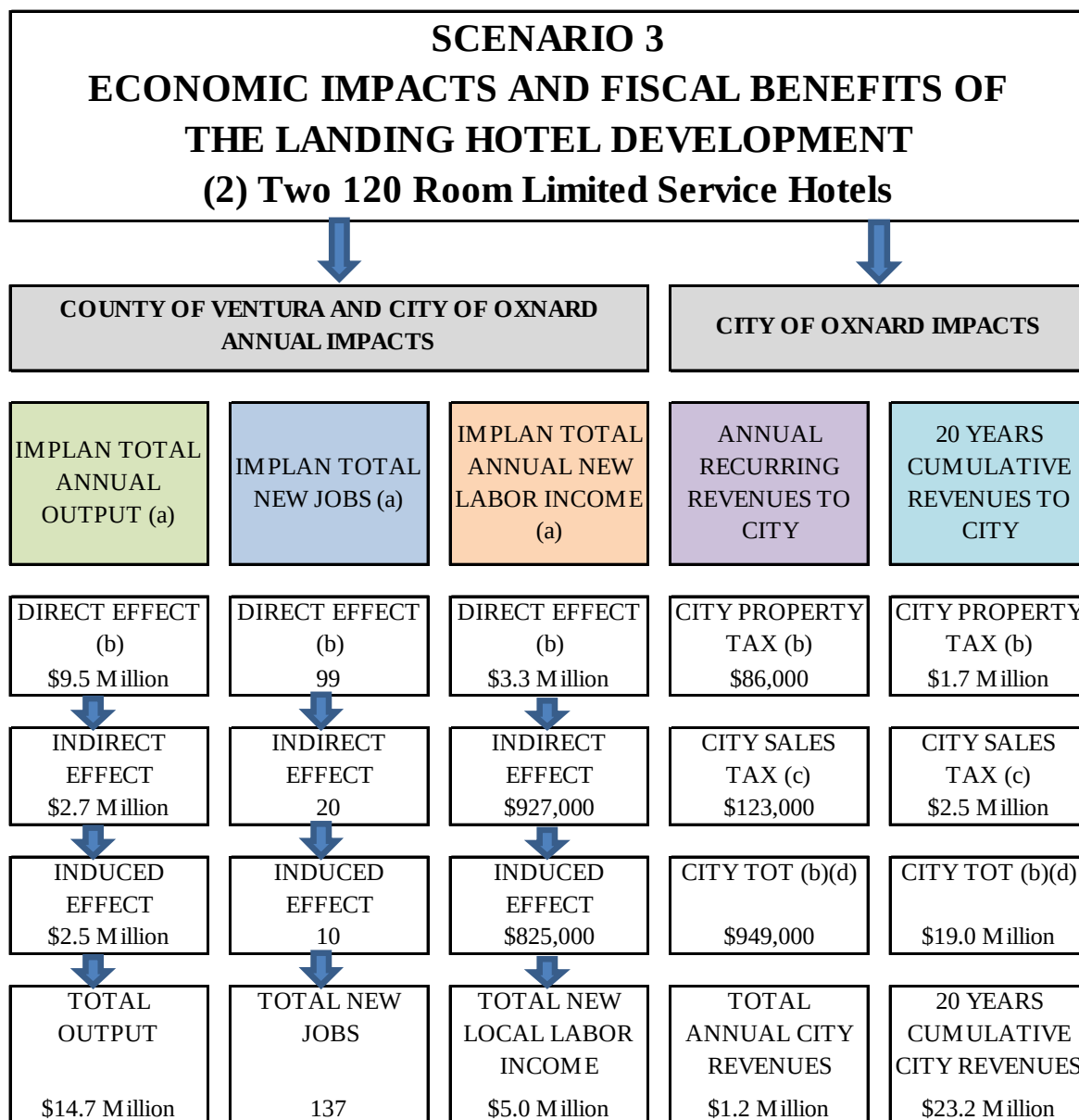
(a) Calculated using IMPLAN, a nationally recognized economing modeling system. The study area is Ventura County.

(b) Hotel contruction cost, assessed value of improvements, and annual hotel revenue assumptions provided by DKN Hotels. Land is based on the current assessed value. Direct jobs resulting from change in industry output calculated by IMPLAN.

(c) Local visitor spending based on Global Business Travelers Association and American Hotel and Lodging Association studies.

(d) Transient Occupancy Tax (TOT).

September 4, 2015

IV. SCENARIO 3 – DEVELOPMENT OF (2) TWO LIMITED SERVICE HOTELS**Footnotes:**

(a) Calculated using IMPLAN, a nationally recognized economing modeling system. The study area is Ventura County.

(b) Hotel contruction cost, assessed value of improvements, and annual hotel revenue assumptions provided by DKN Hotels. Land is based on the current assessed value. Direct jobs resulting from change in industry output calculated by IMPLAN.

(c) Local visitor spending based on Global Business Travelers Association and American Hotel and Lodging Association studies.

(d) Transient Occupancy Tax (TOT).

September 4, 2015

V. IMPLAN ECONOMIC IMPACT ANALYSIS

The impact of an economic stimulus can be broken into three components: direct effects, indirect effects, and induced effects. The sum of the direct, indirect, and induced effects is the total economic impact.

The investment in constructing the Commercial Site Development is used to illustrate each of these concepts.

- **Direct effects** represent the immediate impact of an economic change on the industry directly involved. In the construction example, direct effects would include gross revenues earned by the construction contractors working on the project.
- **Indirect effects** represent the changes in inter-industry purchases as the economy responds to the new demands of the directly affected industries. Following the same example, local suppliers of construction materials would increase their economic activities in order to meet new demand by the contractors.
- **Induced effects** represent the changes in spending from households as income increases due to the changes in production. In this example, construction workers would receive additional wages by working on the office building project. These workers would then spend a portion of those wages on consumer goods, such as food, clothing, and personal items, from businesses within the study area.

The sum of the direct, indirect, and induced impacts is the total economic impact.

The IMPLAN model is a method for estimating local economic multipliers, including those pertaining to production, value-added, employment, wage, and supplier data. IMPLAN differentiates its software and datasets between 536 sectors that are recognized by the United States Department of Commerce. Multipliers are available for all states, counties, and zip codes and are derived from production, employment, and trade data from a variety of national, regional, state and local resources such as the United States Census Bureau, County Business Patterns, Annual Survey of Government Employment, Annual Survey of Retail Trade, United States Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Consumer Expenditure Survey; United States Department of Labor, Office of Management and Budget, United States Department of Commerce, and the Internal Revenue Service. IMPLAN is widely accepted as the industry standard when estimating impacts from a one-time or sustained increase in economic activity in a particular region.

All amounts in this report are presented in constant 2015 dollars, and Ventura County is the study area. The report also assumes the City of Oxnard tax rates remain constant.

September 4, 2015

VI. GENERAL AND LIMITING CONDITIONS

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of DPFG and that may affect the estimates and/or projections noted herein. This report is based on information that was current as of September 2015, and DPFG has not undertaken any update of its research effort since such date.

This study is based on estimates, assumptions and other information developed by DPFG from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives.

No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by DPFG that any of the projected values or results contained in this study will actually be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "DPFG" in any manner without first obtaining the prior written consent of DPFG. No abstracting, excerpting or summarization of this study may be made without first obtaining the prior written consent of DPFG. Further, DPFG has served solely in the capacity of consultant and has not rendered any expert opinions.

This report is not to be used in conjunction with any public or private offering of securities, debt, equity, or other similar purpose where it may be relied upon to any degree by any person other than the client, nor is any third party entitled to rely upon this report, without first obtaining the prior written consent of DPFG.

This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from DPFG. Any changes made to the study, or any use of the study not specifically prescribed under agreement between the parties or otherwise expressly approved by DPFG, shall be at the sole risk of the party making such changes or adopting such use. This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

September 4, 2015

VII. EXHIBIT 1 – FISCAL BENEFITS SUPPORTING CALCULATIONS

City of Oxnard Revenues		
I. City Property Taxes		
Current Assessed Value of Land (a)	\$ 10,467,000	
Ventura County Property Tax Rate	1%	
Ventura County Property Tax	104,670	
City of Oxnard Allocation	18.022%	
Property Tax Undeveloped Land - Annual	\$ 19,000	
Property Tax Undeveloped Land - 20 Year Cumulative	\$ 380,000	
	1 Hotel	2 Hotels
Assessed Value of Hotel(s) (b)	\$ 29,092,000	\$ 47,717,000
Ventura County Property Tax Rate	1%	1%
Ventura County Property Tax	\$ 290,920	\$ 477,170
City of Oxnard Allocation	18.022%	18.022%
Property Tax - Annual	\$ 52,000	\$ 86,000
Property Tax - 20 Year Cumulative	\$ 1,040,000	\$ 1,720,000
II. City Sales Tax		
Hotel Visitor Spending Taxable Sales (c)	\$ 6,159,000	\$ 12,318,000
City Sales Tax Rate	1%	1%
Hotel Sales Tax - Annual	\$ 62,000	\$ 123,000
Hotel Sales Tax - 20 Year Cumulative	\$ 1,240,000	\$ 2,460,000
III. City Transient Occupancy Tax		
Hotel Room Revenue (d)	4,745,000	\$ 9,490,000
Transient Occupancy Tax Rate	10%	10%
Transient Occupancy Tax - Annual	\$ 475,000	\$ 949,000
Transient Occupancy Tax - 20 Year Cumulative	\$ 9,500,000	\$ 18,980,000
Total City Revenues - Annual	\$ 589,000	\$ 1,158,000
Total City Revenues - 20 Year Cumulative	\$ 11,780,000	\$ 23,160,000

Footnotes:

(a) Per the FY 2014/15 property tax bills.

(b) Includes estimated land and construction values.

(c) Local visitor spending based on Global Business Travelers Association and American Hotel and Lodging Association studies.

(d) Assumes an Average Daily Rate of \$139, and 75% Occupancy Rate, per DKN Hotels.

COMMERCIAL REAL ESTATE SERVICES



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February 3, 2016

Mr. Steve Schafenacker
Senior Vice President
Shea Properties
130 Vantis, Suite 200
Aliso Viejo, California 92656

Dear Mr. Schafenacker:

Pursuant to your request, we have drafted this brief letter relative to the demand for meeting space in the City of Oxnard, California. We have analyzed the market demand within the Oxnard lodging market and recommended an appropriate amount of meeting space for the proposed hotel development to be located within the RiverPark development. This letter report summarizes and presents our preliminary findings, conclusions, and recommendations for the proposed hotel. We note that this letter report uses information from and should be read in conjunction with a market study for the proposed hotel that was completed in April 2014.

In developing our conclusions, we reviewed and analyzed the overall strength of the lodging market in the west Ventura County area and interviewed various hotel managers and tourism representatives in the area to evaluate the scope and depth of demand that has the potential to utilize meeting space facilities. We analyzed the number of rooms available in the market and the current proportion of demand segmentation to determine whether there is unsatisfied group demand due primarily to insufficient meeting and events facilities.

Our preliminary findings are based upon the scope described in this letter report and our general knowledge of the Southern California lodging and conference market. Our findings are codified in this letter report format and are for your internal use in determining the potential market demand for meeting facilities. This letter report may be shared with your proposed hotel developer and representatives of the City of Oxnard. It should be noted that the study was conducted with certain limitations, and the results expressed within this letter are subject to the attached Terms & Conditions.

Our analysis is presented in the following pages.

INTRODUCTION

PKF Consulting USA | CBRE Hotels has been retained by Shea Properties to conduct an analysis of potential demand and the capacity for meeting space within a proposed hotel to be located within the RiverPark development in the City of Oxnard. As previously noted, this letter report uses information from and should be read in conjunction with a market study for the proposed hotel that was completed in April 2014, in which it was concluded that the demand in the market was strong enough to support a 140 high-quality, branded hotel. Based on conversations with the developer, we are of the understanding that the subject site is now envisioned to contain two 100 to 120 limited- or select-service hotels, the first of which will be a 120-room SpringHill Suites, the Marriott chain's high-quality, select-service, all-suite brand. The purpose of this letter report is to ascertain the appropriate amount of meeting space that should be contained within the first proposed hotel at the subject site.

In our analysis, we reviewed historical economic, demographic, and tourism indicators for the overall market area, and assessed the strength of the Oxnard and surrounding west Ventura County lodging market. Based on our general knowledge of the market and interviews with hotel managers and area representatives, we developed preliminary conclusions in regards to the support for meeting space within the proposed hotel. Our preliminary conclusions are:

- The subject hotel's strategic location along US-101 and freeway fronting orientation prevent it from being a desirable meeting location for the group demand segment in west Ventura County and will be inferior to existing meeting space locations proximate to the Pacific Ocean.
- Due to its size and strategic location along US-101 and within walking distance to the retail amenities offered by The Collection development, the proposed site is adequate for a branded, 140-room branded, select-service hotel containing approximately 3,000 square feet of meeting space that will serve the hotel guests and will not adequately attract outside group functions.
- A larger meeting facility at the subject site would require additional support facilities, including a fully-sized kitchen to service the food and beverage operations, as well as structured parking, which would significantly increase the cost of the facility. Based on our analysis of current revenues generated by existing hotels in the local market area and our general understanding of hotel construction costs, it is likely that the development of a larger meeting facility at the subject site would not be financially feasible at the present time.

The following text provides background for the foregoing conclusions.

ECONOMIC OVERVIEW

The purpose of an economic overview is to determine whether the overall economic environment of an area appears capable of supporting the development of a lodging facility containing meeting space. Past economic and demographic data provide an indication of the

future economic potential of a market area, as a proposed facility is largely dependent upon local economic conditions. The paragraphs that follow present an economic profile of the Oxnard area including population, employment, and tourism.

- The City of Oxnard is the largest city in Ventura County in regards to population. From 2001 to 2014, Oxnard had a population increase of 2.0 percent with the population of Oxnard currently estimated at over 205,000 residents. According to the US Census Bureau, the 2009 median household income for Oxnard was \$60,784.
- According to the Southern California Association of Governments (SCAG) 2015 Profile of the City of Oxnard, the top job sectors in Oxnard were “Education” (20.5 percent of total jobs in the City), followed by “Retail” (14.8 percent), “Professional” (12.7 percent), “Agriculture” (11.9 percent), and “Manufacturing” (11.5 percent). As of November 2015, the City of Oxnard’s unemployment rate was 5.9 percent, higher than the County and State’s unemployment rates of 5.4 and 5.7 percent, respectively.
- While Oxnard has a growing commercial and industrial base, the area is still dependent on the United States military for much of the employment in the area. Once known only for its strawberry festival and military bases, the City of Oxnard has greatly diversified its economy. Agriculture has remained the major industry for the city, and the City of Oxnard now has Ventura County’s largest industrial sector. Concentrated around the Highway 101 corridor is a hub of high-technology industries. The establishment of military bases at Port Hueneme and Point Mugu during World War II, and the rise of electronic, aerospace, other manufacturing industries and tourism have contributed to the growth of the city.

Although having experienced slow growth over the last few years, the outlook for the City of Oxnard seems favorable. The presence of the government entities, employment in the agriculture and manufacturing sectors, as well as a growing presence of the high-tech industries have contributed to the growth in the City of Oxnard. An additional positive factor is the Port of Hueneme; as one of Ventura County’s primary economic engines, the port moves over \$8.0 billion in cargo value annually and provides more than 10,000 jobs regionally. Overall, the regional economy of Oxnard and the greater west Ventura County appears stable with modest growth expected for the future.

SITE DESCRIPTION

The subject site is located on the northwest quadrant of the North Oxnard Boulevard/ California State Route 1 (Pacific Coast Highway) and U.S. Route 101 intersection in Oxnard, California. The subject site currently exists as an unimproved site located in a commercial and residential area. Surrounding improvements include commercial, office, retail, and residential uses in low to mid-rise structures. The immediate border uses of the site and of the area surrounding the proposed hotel are listed below.

- **North:** The subject is bordered to the north by Towne Center Drive, followed by the six-story National University office building, North Ventura Road, and additional low-rise office uses.
- **South:** The site is bordered to the immediate south by U.S. Route 101 (Ventura Freeway), followed by the Esplanade Shopping Center, a freeway fronting super community center anchored by major national retailers, such as Home Depot, Bed Bath and Beyond, and Staples. The River Ridge Golf Course is approximately two miles southwest of the subject site, and Channel Islands Harbor is approximately 5.5 miles southwest.
- **West:** The subject site is bordered to the immediate west by the remainder of the unimproved lot which is to be developed with commercial, retail, and restaurant uses. Further west are unincorporated areas of Ventura County followed by the City of Ventura. Ventura Harbor is approximately six miles west of the subject site.
- **East:** The site is bordered to the immediate east by North Oxnard Boulevard, followed by The Collection at River Park, an outdoor shopping destination anchored by a Whole Foods, Target, REI, and numerous dining options. Residential and agricultural uses are located further east.

Overall, the subject site has an excellent location relative to numerous transportation networks and businesses in the area. Proximate to U.S. Route 101 and located within walking distance to many existing and planned developments within Oxnard, the subject site enjoys a good location relative to demand generators allowing it to capture commercial, leisure, and group demand in the area. The subject site is abutted by a raised, sloping freeway exit to the south which limits visibility to northbound travelers on U.S. Route 101 and Oxnard Boulevard/Highway 1; however, visibility of the subject is anticipated to be excellent to southbound travelers on U.S. Route 101. Freeway-fronting and street signage should help mitigate visibility difficulties.

POSITIONING OF THE SUBJECT PROPERTY

Based on the existing facilities within the market and the subject's strategic location along US-101, it is our opinion that the hotel room night demand is strong enough to support the addition of the proposed 120-room SpringHill Suites by Marriott, the chain's high-quality, select-service, all-suite flag. The hotel product type that will be offered is well-suited to the typified demand in Ventura County. The hotel will offer an upscale guestroom product comparable to those found in full-service hotels and offer amenities desirable to travelers to Ventura County, such as complimentary breakfasts, larger room types to accommodate traveling families, and complimentary wireless internet in public areas and guestrooms. Furthermore, due to its affiliation with Marriott, the hotel will be aligned with a brand that will offer competitive assets such as a reservations system and international sales in order to compete in the greater Ventura County market.

ATTRIBUTES OF SOUTHERN CALIFORNIA MEETING DESTINATIONS

Lodging facilities and meeting spaces in the Southern California region are appealing destinations for not only individual travelers, but also groups, who are drawn to the region's pristine coastlines, natural beauty, sprawling beaches, and temperate climate. Much of the group demand for the hotels located along the coast is derived of corporate and incentive groups, as well as social groups. The submarkets of San Diego, Anaheim, Los Angeles, Santa Monica, and Santa Barbara are some of the strongest group markets in Southern California, due to the appeal of these cities as world class destinations and the various leisure, lodging, and extracurricular amenities that they offer. Many of these cities and convention and visitor bureaus (CVB) have expansive budgets to proactively and aggressively market their destinations to corporate, association, SMERF, and leisure groups in both domestic and international markets. These marketing efforts include strategically targeted video and social media ad campaigns, ongoing brand development and repositionings, attending tradeshow, and establishing tourism offices in domestic and international locations. While these cities are already established leisure destinations, the individual municipalities, tourism advocates, as well as the individual hotels expend a significant amount of marketing dollars to generate interest from groups to hold meetings at their respective locations.

For meeting and convention planners, choosing a meeting site and venue involves many complex factors. In a study published by *The Journal of Business Inquiry*, meeting planners and certified meeting professionals were asked to identify the destination attributes considered when choosing a meeting destination. Some of these destination attributes are listed in the table below.

Destination Attributes	
Category	Attributes
Accessibility	Availability of air service
	Cost of air service
	Convenience of local transportation
Local Support	Destination service
	Government support
	Convention personnel
	Personnel efficiency
Extra-conference opportunities	Promotional appeal of city
	Climate
	Sightseeing
	Shopping
Accommodations Facilities	Cultural attractions
	Hotel room availability
	Hotel room rates
	Helpfulness of service people
	Meeting space availability
Costs	Cost of food and beverage
	Transportation expenses
	Lodging expenses
	Food and beverage expenses
Others	Commodity prices
	Friendliness of local people
	Safety of attendees

Within the overall Southern California region, the Ventura County market has historically been considered a secondary group market. Ventura County benefits from being in a coastal location and enjoys proximity to both Los Angeles and Santa Barbara. Its advantages include the good climate, various sightseeing opportunities and recreational activities, and its affordability relative to other Southern California submarkets; however, hindrances to attracting larger group business to the area include accessibility (availability of commercial air service and convenience of local transportation) and tourism infrastructure.

To help increase awareness of the destination as a whole, the Ventura County Lodging Association was officially formed in 2011. The Ventura County Lodging Association (VCLA) is comprised of 65 lodging facilities and destination marketing organizations in the Cities of Camarillo, Oxnard, and Ventura. Collectively branded as “Ventura County West,” the VCLA’s goals are to increase marketing and awareness of the three cities as a destination in Southern California. The association launched its first marketing campaign in April of 2012 to highlight the area’s assets, which include the beaches, recreational activities, 200,000 square feet of conference and meeting room space, and 4,000 guest rooms available in the region. Generating revenue from a 2.0 percent self-assessment on all room revenues, the group has an annual budget of approximately \$2.0 million to market Ventura County as a destination. According to VCLA, the overall overnight visitors to Ventura County West increased from approximately 1.14 million in 2011 to 1.29 million in 2014, representing an average annual increase of 4.2 percent over the three-year period. The renewal of VCLA was recently approved by the three Cities with the City of Port Hueneme joining in July of 2015. In addition to VCLA, the Cities of Camarillo, Ventura, and Oxnard also have their individual CVBs.

It is anticipated that continued marketing efforts by VCLA, as well as the individual CVBs and hotels, will add to the heightened awareness of the west Ventura County market.

OXNARD MEETINGS MARKET ANALYSIS

In order to determine the market demand for a conference facility in the City of Oxnard, it is necessary to evaluate the supply that exists within and outside the City that has comparable use for meetings. We were able to determine these conference spaces through interviews with city representatives and general managers of area hotels, local businesses, and management personnel involved with relevant meeting and event space.

Supply in the City of Oxnard

The following meeting facilities that are discussed range from municipal buildings to hotels and country club facilities, which are utilized as meeting space due to a lack of available and/or appropriate options. The following chart includes the various meeting space facilities and their corresponding square footages of indoor meeting space. In blue, we have first identified the collection of hotels within city limits, followed by similar information for hotel properties located in the neighboring city of Ventura (shaded in green), and lastly, a collection of event and meeting facilities in Oxnard that do not have a hotel component (shaded in purple).

City of Oxnard Meeting Facilities		
Hotels	Meeting Space (SF)	Rooms
Best Western Oxnard Inn	2,100	99
Courtyard by Marriott Oxnard	7,612	166
Embassy Suites Mandalay Beach Hotel & Resort	13,150	250
Hampton Inn Channel Islands Harbor	312	95
Hilton Garden Inn Oxnard/Camarillo	1,924	170
Homewood Suites	950	129
Ramada Oxnard	7,500	95
Residence Inn by Marriott at River Ridge	13,352	252
Marriott Ventura Beach	16,276	285
Crowne Plaza Ventura Beach	14,807	255
Four Points by Sheraton Ventura Harbor	10,000	106
Wyndham Garden Ventura Pierpont Inn	6,502	82
Holiday Inn Express Hotel & Suites	860	69
Country Inn & Suites by Carlson Ventura	1,000	120
River Ridge Golf Club	3,231	N/A
Casa Lopez Banquet Hall	4,000	N/A
Oxnard Performing Arts and Convention Center	14,611	N/A
Adagio Bella Gardens	3,680	N/A

The Oxnard Performing Arts and Convention Center offers Oxnard's largest amount of dedicated meeting space, with a total of 14,611 square feet of indoor meeting space including an 8,464-square-foot ballroom. We note that this square footage amount is not inclusive of the approximately 40,000-square-foot auditorium. In terms of total available meeting space, the Embassy Suites Mandalay Beach Hotel & Resort and Residence Inn by Marriott at River Ridge both offer more than 13,000 square feet each of total meeting space on a square foot basis. Both hotels offer complete meeting and event packages. The Courtyard by Marriott and Ramada each offer approximately 7,500 square feet of meeting space.

In addition to the above mentioned hotels, there is also a collection of limited-service, extended-stay, and select-service hotels that offer more limited meeting facilities, ranging from approximately 312 to 4,000 square feet. Hotels in this category include the Hampton Inn, Best Western, Homewood Suites, and Hilton Garden Inn. These hotels offer meeting packages similar to the hotels with larger amounts of meeting spaces, although on a much smaller scale.

Oxnard is also home to a collection of smaller meeting and banquet facilities, including the Casa Lopez Banquet Hall, Adagio Bella Gardens, and River Ridge Golf Club, which feature spaces that serve as additional facilities to hold corporate meetings, banquets, or weddings. These venues typically host a proportionally greater number of social events than traditional hotel meeting venues, although the available spaces can be equipped and configured to service the needs of the business community.

The neighboring City of Ventura is located to the west of Oxnard and is home to three full-service hotels: the Marriott Ventura Beach, the Crowne Plaza Ventura Beach, and Four Points by Sheraton Ventura Harbor. Together, these three hotels offer over 40,000 square feet of

indoor meeting space. These hotels have large ballrooms, foyers, as well as break out spaces to accommodate corporate entities. The limited and select-service hotels in Ventura have limited meeting facilities.

At your request, we attempted to quantify the current revenues generated from banquet and meetings business in the local west Ventura County market. We were able to obtain the banquet and meetings revenues generated by seven hotels located in the Cities of Oxnard and Ventura, as well as the Oxnard Performing Arts and Convention Center (PACC) in calendar year 2014. We note that the Adagio Bella Gardens is a banquet facility located directly between the Hilton Garden Inn and Homewood Suites and is often used by the two hotels for meeting space.

City of Oxnard & Ventura Meeting Facilities			
Facilities	Rooms	Meeting Space (SF)	% to Total Meeting Space
City of Oxnard			
Courtyard by Marriott Oxnard	166	7,612	8.8%
Embassy Suites Mandalay Beach Hotel & Resort	250	13,150	15.2
Hilton Garden Inn Oxnard/Camarillo	170	1,924	2.2
Homewood Suites	129	950	1.1
Residence Inn by Marriott at River Ridge	252	13,352	15.5
Oxnard Performing Arts and Convention Center*	N/A	14,611	16.9
Adagio Bella Gardens**	N/A	3,680	4.3
City of Ventura			
Marriott Ventura Beach	285	16,276	18.8%
Crowne Plaza Ventura Beach	255	14,807	17.1%
TOTAL	1,507	86,362	100.0%
*Meeting space SF does not include PACC's 40,000 SF auditorium.			
**The Adagio Bella Gardens banquet facility is utilized by both Hilton Garden Inn and Homewood Suites.			

It is estimated that the nine facilities listed above offer 86,362 square feet of indoor meeting space. Together, these meeting spaces generated approximately \$8.3 million in revenues associated with the sales of food and beverage, audio and visual rentals, meeting room rentals, as well as other miscellaneous revenues in the calendar year 2014. Depending on the venues and their respective orientations within the local market, the revenues ranged from a low of \$22.61 per square feet to a high of \$137.06 per square feet of indoor meeting space, with a weighted average of \$95.62 per square feet.

Current and Potential Demand

In addition to evaluating existing supply of meeting facilities, it is necessary to analyze the demand that exists for meeting space based on unsatisfied demand and potential demand that exists for Oxnard. Through our demand interviews with tourism representatives and hoteliers in the immediate area, we found that there are limited occurrences of unsatisfied demand for meeting space in Oxnard. First we have provided a broad overview of each of the traditional segments of demand, followed by specific examples of unsatisfied and potential demand that exists within the marketplace.

Commercial Market Segment

Much of the commercial demand in Oxnard is government-related travel to Naval Construction Battalion Center in Port Hueneme and the Naval Air Station at Point Mugu, the U.S. Naval Construction Battalion Center located in Oxnard, by contractors and some military personnel. Other government related demand is from the Federal Department of Agricultural to the area monitor citrus and other crops. Related to this industry is commercial demand from Del Monte Foods Company and other processors of the crops in the area. Commercial demand to this market is also generated from the concentration of commercial office buildings located in and around Oxnard and the western area of Ventura.

Leisure Market Segment

Leisure demand in the local area consists of travelers who wish to take advantage of the many attractions in the Ventura area that most notably include the extensive beaches of the Pacific Ocean, the Channel Islands, shopping in Ventura and Camarillo, festivals and special events in the area, and the Ventura County Fairgrounds. The area provides leisure travelers with more reasonably priced hotel accommodations as compared to those offered in Santa Barbara to the north and the Los Angeles area to the south.

Group Market Segment

Group demand relies primarily on local and national corporate, in addition to SMERF (social, military, educational, religious, and fraternal), business. The primary generators of this demand in the competitive markets are corporate groups, such as Gordon Research, a scientific research company based in Rhode Island that comes annually to the area, and sports group for events such as the Ojai Tennis Tournament, Dallas Cowboy Training Camp, and local high school teams. Leisure group business is comprised of weddings, quinceañeras, and other social events held during the weekend.

Unsatisfied and Potential Demand

Based on our interviews, we are aware that there is group demand that is currently not accommodated by the existing meeting facilities. The meeting spaces currently in the market can generally accommodate up to groups of 450 attendees, but the unsatisfied demand is in the group size ranging from 500 to 1,000 people. The nature of these inquiries is mostly for social, SMERF, government/military, association, and corporate meeting events. Based on conversations with the Oxnard convention and visitors bureau, the ideal amount of meeting space needed to accommodate these larger groups is approximately 20,000 to 25,000 square feet of indoor meeting space with adequate breakout space. Of these groups, corporate groups tend to be the least rate sensitive compared to the social, SMERF, and government groups seeking meeting space in the west Ventura County area. Group rates can range between \$100 to \$140 per night during low seasons to \$180 to \$220 per night during periods of peak demand, such as during the summers. We note the price sensitivity of these groups, particularly the SMERF groups, which tend to seek lodging accommodations for less than \$100 per night. Furthermore, given the presence of the Ventura County Naval Base and Naval Air Station at Point Mugu, much of the existing and potential demand for hotels in the

area is generated by the government entities and bases in Ventura County. Because government-related demand is capped by the government per diem rates, average daily rate growth in the local market area can be difficult to achieve.

We also contacted management and area hoteliers in an effort to further determine the amount of business that is currently not being accommodated due to schedule conflicts or size limitations of its facilities. Due to insufficient data, we were not able to quantify the number of lost meetings business and potential revenues; however, these discussions with area hoteliers have revealed that much of the meeting space at the existing hotels, particularly those that are situated further inland, are underutilized. The meeting spaces at these hotels enjoy little to adequate usage with very little business that is turned away. General managers have noted that meeting attendees have a preference for hotels situated closer to the beach, such as the Embassy Suites Mandalay Beach Hotel & Resort, Marriott Ventura Beach, Crowne Plaza Ventura, and Four Points by Sheraton which enjoy the most patronage from the group demand segment, due to their proximity to the ocean. Our review of these hotel's financial statements confirms that these hotels' mix of demand is more heavily group-oriented, and the meeting spaces generate more revenues on a per square foot basis. The following map depicts the location of the group-oriented hotels in the local market area relative to the subject site.



Conclusions of Demand

Based on the information gathered through the demand interviews as well as our analysis of the subject site, we are of the opinion that while demand exists for larger meeting spaces in

the competitive market, the information regarding unsatisfied and potential demand leads us to conclude that the subject site does not possess the locational attributes (proximity to the ocean) which make it attractive to meeting planners and attendees. The subject's location further inland puts it at a disadvantage, and meeting planners coordinating large events would more likely seek the existing coastal properties in Ventura County or other coastal, group-oriented hotels along the Southern California coast. Furthermore, we note that while there is some unsatisfied group demand in this market, we are of the opinion that it is not of sufficient volume and depth to occupy a larger meeting space on a year-round basis. Significant marketing efforts from both the County and the City's CVB would be required to generate additional group demand for the local market area to sustain operational profitability for the proposed meeting space.

The subject site is situated in a prime location that could service commercial and leisure travelers who wish to be proximate to area thoroughfares and amenities. Considering the anticipated positioning of the proposed hotel as a high-quality, select-service property as well as an appropriate overall programming for a hotel of its size and orientation, we are of the opinion that a 120-room SpringHill Suites by Marriott hotel could reasonably accommodate 3,000 square feet of indoor meeting space to service the demand segments present in the market. At 3,000 square feet of meeting space, this would provide an amenity and broaden the hotel's service offerings.

We are of the opinion that this amount of meeting space is consistent with the hotel's location and primary function as a hotel catering to commercial and leisure travelers. The meeting space at the hotel would be able to accommodate important civic and social gatherings, as well as the needs of corporations and professional associations for functions such as sales and management meetings, educational programs, seminars, and workshops. This amount of meeting space would also be used by the local community and organization for a full range of small meetings, civic lunches, wedding receptions, banquets, and reception functions.

It should be noted that increasing the amount of meeting space at the hotel would require additional facilities to support the operations of the meeting space. Specifically, a fully-sized kitchen would need to be added to the hotel to provide food and beverage services to the meeting space; this amount of back-of-house space is atypical for a hotel of this orientation. Furthermore, a parking structure would likely be needed to accommodate the meeting attendees and visitors to the hotel and meeting space; however, surface parking is the preference for visitors to hotels of this type. The additional back of house space, as well as a parking structure on the site, would result in higher construction and development costs, which may not be offset by the groups that would ultimately use the meeting space due to their overall price sensitivity. A parking structure on the site would occupy space that is currently planned for the development of other commercial, retail, restaurant, or hotel uses; the replacement of these commercial developments is a potential loss of sales taxes and increased property taxes to the City.

FINANCIAL FEASIBILITY AND INCENTIVES

Financial feasibility of a project is a primary concern to developers, and in today's market, limited- and select-service hotels remain the most feasible types of hotel to develop due to their less extensive facilities and more profitable operating models. While the market may demand more meeting space for larger groups, this may prove financially infeasible to a developer due to a number of factors, which include: (1) rising costs of construction materials, (2) constrained supply of skilled construction labor, (3) lack of available development sites conducive to hotel development, and (4) increased development costs for hotels. This is true for even the top performing submarkets within Southern California, such as downtown Los Angeles, the Anaheim Resort District in Orange County, and Santa Barbara County.

Given the challenge to finance hotel development in this market, there continues to be a disconnect between development cost and the ability to effectively finance construction of a variety of hotel project types. A number of municipalities have shown that some public investment is often needed to augment the large private capital that is required to develop hotel and tourism facilities. In an effort to drive hotel development, many municipalities have sponsored a portion of the development costs through a subsidy of some sort. As a result, these cities are able to induce the development of a hotel rooms through public financial participation in the project. To the extent that municipal and state governments can achieve a reasonable return on their investment while creating jobs and an amenity in their city, these types of partnerships can be a win-win for both private sector developers and the taxpayers.

These public financing mechanisms vary widely and may include any of the following or a combination thereof:

- Fee Waivers
- TOT rebate
- Parking tax rebate
- Other tax rebate or deferral
- Bond Issuance

While these tools are generally used to drive the development of token projects, in recent years, their use has become more prevalent. Municipalities are finding creative ways to stimulate development through the creation of an area incentive program. These include Palm Springs, Escondido, Anaheim, Garden Grove, Los Angeles, and San Diego, to name a few. In many cases, several types of rebate programs have been utilized in combination. One example in Anaheim is the establishment of a market Revenue Per Available Room (RevPAR), and any new project receives a rebate of transient occupancy tax created over and above this set base.

We have gathered information on a number of projects where hotel incentives were provided for the development of new hotel facilities or the renovation of existing hotel facilities. The

following presents a summary of each project and the incentives provided. We also gathered examples of municipalities with set criteria for providing hotel incentives.

Palm Springs, California

The purpose of the incentive program was to enhance the tourist and travel experience for visitors to the city of Palm Springs, maximize the use of the city's convention center, provide attractive and desirable visitor serving facilities and experiences, and assist the city in achieving its tourism goals.

Incentive Program

- (a) First Class New Hotels. The city shall pay to an operator of a first class new hotel an amount equal to fifty percent of the adjusted tax rate¹. Such payments shall be made for twenty years or until the operator has been paid fifty million dollars, whichever event occurs first. Without regard to any preceding conditions of this section, the program shall terminate at any point the first class new hotel is not operated as a first class hotel.
- (b) Deluxe New Hotels. The city shall pay to an operator of a deluxe hotel an amount equal to fifty percent of the adjusted tax rate. Such payments shall be made for twenty years or until the operator has received twenty-five million dollars, whichever event occurs first. Without regard to any preceding conditions of this section, the program shall terminate at any point the deluxe hotel is not operated as a deluxe hotel.
- (c) New Quality Hotels. The city shall pay to an operator of a quality new hotel an amount equal to fifty percent of the adjusted tax rate. Such payments shall be made for ten years or until the operator has received twenty-five million dollars, whichever event occurs first. Without regard to any preceding conditions of this section, the program shall terminate at any point the new quality hotel is not operated as a new quality hotel.
- (d) Existing Hotels. the city shall pay to an operator of an existing hotel an amount equal to fifty percent of the transient occupancy tax increment collected and remitted to the city pursuant to Chapter 3.24, the T.O.T. section of the municipal code. Such payments shall be made for ten years, or until the operator has been received twenty-five million dollars, whichever event occurs first. Without regard to any preceding conditions of this section, the program shall terminate at any point the existing hotel is not operated as a hotel.

Cathedral City, California

On August 8, 2012 the Cathedral City Council proposed an ordinance which would act to incentivize the opening, operation and renovation of new and existing hotels in Cathedral City in order to expand the city's tourism industry and create new sources of transient

¹ The "Adjusted Tax Rate" is the transient occupancy tax to be rebated. For hotels on 124 rooms or less, the rate is 10.4 percent and for hotels of 125 rooms or more, the rate is 12.4 percent.

occupancy tax revenue for the city's general fund. The ordinance would add a new chapter to the city's municipal code, Chapter 3.25, providing for an incentive program whereby the city and an existing or proposed hotel could enter into a transient occupancy sharing agreement. If agreed to, the agreement would provide that the city would rebate a portion of the transient occupancy tax increment generated by the new or renovated hotel.

After a proposed new hotel, or existing hotel which plans a renovation, submits an application for participation in the transient occupancy tax sharing program, the city council will cause to be prepared a "tax sharing report" which analyzes factors including: (1) the existing level of transient occupancy tax generated by the hotel and the amount of said tax to be generated after construction or renovation; (2) the expected amount of transient occupancy tax increment; (3) the quality of the hotel; (4) the total projected cost to construct or renovate the hotel; (5) the necessity for public assistance, and (6) any other factors which the city council in its sole discretion deems appropriate. After considering said factors, the city council will determine the appropriate rate of sharing (i.e. the percentage of the tax increment to be rebated), and the appropriate time period for sharing.

The city council will then hold a noticed public hearing on the contemplated transient occupancy tax sharing agreements. After the public hearing the city may by resolution authorize city staff to negotiate and prepare an agreement with the hotel, which will be brought back for final approval by the city council. The agreement may provide for appropriate rate of transient occupancy tax increment to be shared for an appropriate time period, as determined by the city council at its sole discretion.

The rate of transient occupancy tax sharing is capped at: 50 percent of the tax increment generated and actually received by the city from existing hotels, and 75 percent of the tax increment generated and actually received by the city from new hotels, unless the city council, in its sole discretion, determines otherwise. The time period for sharing with existing and new hotels is capped at 10 years, unless the city council, in its sole discretion, determines that a longer time period is necessary to achieve the goals and intent of the program. All hotels which enter into an agreement must record against the hotel property operating covenants to run with the land regarding (1) continuing use of the hotel, (2) maintenance and (3) non-discrimination. The city may terminate any agreement upon 10 days' notice if the hotel violates any of these covenants. All hotels which enter into an agreement with the city must also execute an indemnification agreement in a form approved by the city.

SPECIFIC PROJECTS WITH HOTEL INCENTIVES

City of Anaheim – Lake Project

Anaheim established a market Revenue Per Available Room (RevPAR) incentive program, and any new projects receive a rebate of transient occupancy tax created over and above this set base. A case in point is Lake Development which reached a TOT rebate agreement with the City of Anaheim for a mixed-use, 252-room hotel project to be located across the street from the Anaheim Convention Center at the intersection of Harbor Boulevard and Katella Avenue. This project enhances the center by adding high quality guest rooms that are convenient to

what is one of the West Coast's largest exhibition halls. Terms include a potential TOT subsidy for a period of 15 years and up to a maximum of \$44 million in future TOT reimbursements.

City of Palm Desert – JW Marriott Expansion

In January 2012, the Palm Desert City Council voted to approve the city's first tax rebate deal, which is worth \$1 million to the J.W. Marriott Desert Springs Resort. The rebate will help the hotel finance the construction of a water park. How it would work is, after the water park opens the hotel would keep whatever transient occupancy tax it earns above what it would be expected to if the park had not been built, until that figure reaches \$1 million. According to the hotel's General Manager it is anticipated that the transient occupancy tax rebate will remain in effect for approximately five years and that building the waterpark would potentially increase the annual occupancy of the hotel by as many as three occupancy points.

City of Garden Grove – Proposed Water Park Hotel

On April 12, 2011, the Garden Grove City Council voted unanimously to approve the implementation of \$51 million in bonds to help fund the construction of a proposed 600-room water park resort hotel. Under the agreement revenue from the project will be used to pay back the bond. The bonds were intended to close the feasibility gap on the \$300 million project and allow for Great Wolf to break ground on the project in 2012. The incentives equated to 17 percent of the total project budget.

Santa Barbara County – Proposed Montecito Hotel (Miramar)

In June 2012, the County of Santa Barbara passed an ordinance allowing new hotel developments to receive an incentive of up to 70 percent of their bed tax for a period of 15 years after completion. The main project that drove this process was the proposed Miramar Hotel in Montecito. The 186-room project intends to pay prevailing wages to an anticipated 1,000 construction workers. Exact application of the ordinance and identification of the specific incentives for each project have yet to be determined.

City of Escondido – Proposed SpringHill Suites

In May 2010, the City of Escondido requested an amendment to the Hotel Economic Development Incentive Agreement for a proposed SpringHill Suites. The amendment requested a three year extension to the original agreement, which called for a ten year incentive of 55 percent of the transient occupancy tax generated by the 105-room proposed property at 300 La Terraza Boulevard. The incentives have a ceiling of \$1.45 million for cumulative benefits. The City estimates that it will be generating approximately \$339,158 annually at the ten-year mark and cessation of incentives.

City of Palm Springs – Proposed Port Lawrence Hotel

The City of Palm Springs has reached a preliminary agreement with the developer of the proposed 175-room Port Lawrence Hotel to rebate a portion of the TOT associated with the

project that would typically go to the city's general fund. The current TOT rate in the city is 11.9 percent. Per the terms of this agreement the developer is to receive 75 percent of the total TOT generated on an annual basis for a period of 20 years, with the total amount not to exceed \$50 million. This project is of particular interest to the city as it improves the marketability of the Palm Springs Convention Center by adding high quality rooms to their existing inventory. It is anticipated that this upscale project will also encourage additional restaurant and retail development in the immediate Downtown Palm Springs area.

City of Los Angeles – Past Examples of Hotel Incentives

The City of Los Angeles, on previous occasions, has provided a portion of future tax collected by the establishment of new lodging rooms. This type of incentive has been utilized in both the LA Live and Grand Avenue projects in downtown Los Angeles, as well as for the 218-room Residence Inn and 174-room Courtyard development adjacent to LA Live. For LA Live, the City of Los Angeles agreed to assist in the financing of the 1,001-room downtown hotel through approximately \$80 million in incentives and loans. The deal stated that the hotel will receive a rebate of at least \$246 million in the hotel bed taxes it is expected to generate during the first 25 years of operation, which translated to a then present value of approximately \$65,000,000 (based on a 10.0 percent discount rate). On March 25, 2011, City Council gave preliminary approval for a \$54 million subsidy for the Grand Avenue project, also in the form of TOT rebates of a portion of net-new revenue to the City. This project was slated as a 275-room Mandarin Oriental.

This completes our analysis. We appreciate the opportunity to work on this assignment and look forward to answering any questions you may have regarding our findings and conclusions presented herein.

Sincerely,

PKF Consulting USA | CBRE Hotels



Bruce Baltin
Managing Director

TERMS AND CONDITIONS

1. The Terms and Conditions herein are part of an agreement for consulting services (the "Agreement") between CBRE, Inc. (the "Consultant") and the client signing this Agreement, and for whom the consulting services will be performed (the "Client"), and shall be deemed a part of such Agreement as though set forth in full therein. The Agreement shall be governed by the laws of the state where the consulting office is located for the Consultant executing this Agreement.
2. Client shall be responsible for the payment of all fees stipulated in the Agreement. Payment of the consulting fee and preparation of an consulting report (the "Consulting Report, or the "report") are not contingent upon any predetermined value or on an action or event resulting from the analyses, opinions, conclusions, or use of the Consulting Report. Final payment is due as provided in the Proposal Specifications Section of this Agreement. If a draft report is requested, the fee is considered earned upon delivery of the draft report. It is understood that the Client may cancel this assignment in writing at any time prior to delivery of the completed report. In such event, the Client is obligated only for the prorated share of the fee based upon the work completed and expenses incurred (including travel expenses to and from the job site), with a minimum charge of \$500. Additional copies of the Consulting Reports are available at a cost of \$250 per original color copy and \$100 per photocopy (black and white), plus shipping fees of \$30 per report.
3. If Consultant is subpoenaed or ordered to give testimony, produce documents or information, or otherwise required or requested by Client or a third party to participate in meetings, phone calls, conferences, litigation or other legal proceedings (including preparation for such proceedings) because of, connected with or in any way pertaining to this engagement, the Consulting Report, the Consultant's expertise, or the Property, Client shall pay Consultant's additional costs and expenses, including but not limited to Consultant's attorneys' fees, and additional time incurred by Consultant based on Consultant's then-prevailing hourly rates and related fees. Such charges include and pertain to, but are not limited to, time spent in preparing for and providing court room testimony, depositions, travel time, mileage and related travel expenses, waiting time, document review and production, and preparation time (excluding preparation of the Consulting Report), meeting participation, and Consultant's other related commitment of time and expertise. Hourly charges and other fees for such participation will be provided upon request. In the event Client requests additional consulting services beyond the scope and purpose stated in the Agreement, Client agrees to pay additional fees for such services and to reimburse related expenses, whether or not the completed report has been delivered to Client at the time of such request.
4. Consultant shall have the right to terminate this Agreement at any time for cause effective immediately upon written notice to Client on the occurrence of fraud or the willful misconduct of Client, its employees or agents, or without cause upon 30 days written notice.
5. In the event Client fails to make payments when due then, from the date due until paid, the amount due and payable shall bear interest at the maximum rate permitted in the state where the office is located for the Consultant executing the Agreement. In the event either party institutes legal action against the other to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fees and expenses. Each party waives the right to a trial by jury in any action arising under this Agreement.
6. Consultant assumes there are no major or significant items or issues affecting the Property that would require the expertise of a professional building contractor, engineer, or environmental consultant for Consultant to prepare a valid report. Client acknowledges that such additional expertise is not covered in the Consulting fee and agrees that, if such additional expertise is required, it shall be provided by others at the discretion and direction of the Client, and solely at Client's additional cost and expense.
7. In the event of any dispute between Client and Consultant relating to this Agreement, or Consultant's or Client's performance hereunder, Consultant and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by an arbitrator may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the office of the Consultant executing this Agreement is located. The arbitrator shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar damages. The prevailing party in the arbitration proceeding shall be entitled to recover its expenses from the losing party, including costs of the arbitration proceeding, and reasonable attorney's fees. Client acknowledges that Consultant is being retained hereunder as an independent contractor to perform the services described herein and nothing in this Agreement shall be deemed to create any other relationship between Client and Consultant. This engagement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Consulting Report discussed herein.
8. All statements of fact in the report which are used as the basis of the Consultant's analyses, opinions, and conclusions will be true and correct to Consultant's actual knowledge and belief. Consultant does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the condition of the Property furnished to Consultant by Client or others. The conclusions and any permitted reliance

TERMS AND CONDITIONS

(continued)

on and use of the Consulting Report shall be subject to the assumptions, limitations, and qualifying statements contained in the report.

9. Consultant shall have no responsibility for legal matters, including zoning, or questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The report will not constitute a survey of the Property analyzed.
10. Client shall provide Consultant with such materials with respect to the assignment as are requested by Consultant and in the possession or under the control of Client. Client shall provide Consultant with sufficient access to the Property to be analyzed, and hereby grants permission for entry unless discussed in advance to the contrary.
11. The data gathered in the course of the assignment (except data furnished by Client) and the report prepared pursuant to the Agreement are, and will remain, the property of Consultant. With respect to data provided by Client, Consultant shall not violate the confidential nature of the Consultant-Client relationship by improperly disclosing any proprietary information furnished to Consultant. Notwithstanding the foregoing, Consultant is authorized by Client to disclose all or any portion of the report and related data as may be required by statute, government regulation, legal process, or judicial decree, including to appropriate representatives of the Appraisal Institute if such disclosure is required to enable Consultant to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.
12. Unless specifically noted, in preparing the Consulting Report the Consultant will not be considering the possible existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (collectively, "Hazardous Material") on or affecting the Property, or the cost of encapsulation or removal thereof. Further, Client represents that there is no major or significant deferred maintenance of the Property that would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, at Client's discretion and direction, and are not covered as part of the Consulting fee.
13. In the event Client intends to use the Consulting Report in connection with a tax matter, Client acknowledges that Consultant provides no warranty, representation or prediction as to the outcome of such tax matter. Client understands and acknowledges that any relevant taxing authority (whether the Internal Revenue Service or any other federal, state or local taxing authority) may disagree with or reject the Consulting Report or otherwise disagree with Client's tax position, and further understands and acknowledges that the taxing authority may seek to collect additional taxes, interest, penalties or fees from Client beyond what may be suggested by the Consulting Report. Client agrees that Consultant shall have no responsibility or liability to Client or any other party for any such taxes, interest, penalties or fees and that Client will not seek damages or other compensation from Consultant relating to any such taxes, interest, penalties or fees imposed on Client, or for any attorneys' fees, costs or other expenses relating to Client's tax matters.
14. Consultant shall have no liability with respect to any loss, damage, claim or expense incurred by or asserted against Client arising out of, based upon or resulting from Client's failure to provide accurate or complete information or documentation pertaining to an assignment ordered under or in connection with this Agreement, including Client's failure, or the failure of any of Client's agents, to provide a complete copy of the Consulting Report to any third party.

LIMITATION OF LIABILITY. EXCEPT TO THE EXTENT ARISING FROM SECTION 16 BELOW, OR SECTION 17 IF APPLICABLE, IN NO EVENT SHALL EITHER PARTY OR ANY OF ITS AFFILIATE, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR CONTRACTORS BE LIABLE TO THE OTHER, WHETHER BASED IN CONTRACT, WARRANTY, INDEMNITY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE, FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR INDIRECT DAMAGES AND AGGREGATE DAMAGES IN CONNECTION WITH THIS AGREEMENT FOR EITHER PARTY (EXCLUDING THE OBLIGATION TO PAY THE FEES REQUIRED HEREUNDER) SHALL NOT EXCEED THE GREATER OF THE TOTAL FEES PAYABLE TO CONSULTANT UNDER THIS AGREEMENT OR TEN THOUSAND DOLLARS (\$10,000). THIS LIABILITY LIMITATION SHALL NOT APPLY IN THE EVENT OF A FINAL FINDING BY AN ARBITRATOR OR A COURT OF COMPETENT JURISDICTION THAT SUCH LIABILITY IS THE RESULT OF A PARTY'S FRAUD OR WILLFUL MISCONDUCT.

15. Client shall not disseminate, distribute, make available or otherwise provide any Consulting Report prepared hereunder to any third party (including without limitation, incorporating or referencing the Consulting Report, in whole or in part, in any offering or other material intended for review by other parties) except to (i) any third party expressly acknowledged in a signed writing by Consultant as an "Intended User" of the Consulting Report provided that either Consultant has received an acceptable release from such third party with respect to such Consulting Report or Client provides acceptable indemnity protections to Consultant against any claims resulting from the distribution of the Consulting Report to such third party, (ii) any third party service provider (including rating agencies and Client's auditors) using the Consulting Report in the course of providing services for the sole benefit of Client, or (iii) as required by statute, government regulation, legal process, or judicial decree. In the event Consultant consents, in writing, to Client incorporating or referencing the Consulting Report in any offering

TERMS AND CONDITIONS

(continued)

or other materials intended for review by other parties, Client shall not distribute, file, or otherwise make such materials available to any such parties unless and until Client has provided Consultant with complete copies of such materials and Consultant has approved all such materials in writing. Client shall not modify any such materials once approved by Consultant. In the absence of satisfying the conditions of this paragraph with respect to a party who is not designated as an Intended User, in no event shall the receipt of a Consulting Report by such party extend any right to the party to use and rely on such report, and Consultant shall have no liability for such unauthorized use and reliance on any Consulting Report. In the event Client breaches the provisions of this paragraph, Client shall indemnify, defend and hold Consultant, and its affiliates and their officers, directors, employees, contractors, agents and other representatives (Consultant and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties"), fully harmless from and against all losses, liabilities, damages and expenses (collectively, "Damages") claimed against, sustained or incurred by any Indemnified Party arising out of or in connection with such breach, regardless of any negligence on the part of any Indemnified Party in preparing the Consulting Report.

16. In the event Client incorporates or references the Consulting Report, in whole or in part, in any offering or other material intended for review by other parties, Client shall indemnify, defend and hold each of the Indemnified Parties harmless from and against any Damages in connection with (i) any transaction contemplated by this Agreement or in connection with the consulting or the engagement of or performance of services by any Indemnified Party hereunder, (ii) any actual or alleged untrue statement of a material fact, or the actual or alleged failure to state a material fact necessary to make a statement not misleading in light of the circumstances under which it was made with respect to all information furnished to any Indemnified Party or made available to a prospective party to a transaction, or (iii) an actual or alleged violation of applicable law by Client (including, without limitation, securities laws) or the negligent or intentional acts or omissions of Client (including the failure to perform any duty imposed by law); and will reimburse each Indemnified Party for all reasonable fees and expenses (including fees and expenses of counsel) (collectively, "Expenses") as incurred in connection with investigating, preparing, pursuing or defending any threatened or pending claim, action, proceeding or investigation (collectively, "Proceedings") arising therefrom, and regardless of whether such Indemnified Party is a formal party to such Proceeding. Client agrees not to enter into any waiver, release or settlement of any Proceeding (whether or not any Indemnified Party is a formal party to such Proceeding) without the prior written consent of Consultant (which consent will not be unreasonably withheld or delayed) unless such waiver, release or settlement includes an unconditional release of each Indemnified Party from all liability arising out of such Proceeding.
17. Time Period for Legal Action. Unless the time period is shorter under applicable law, except in connection with paragraphs 16 and 17 above, Consultant and Client agree that any legal action or lawsuit by one party against the other party or its affiliates, officers, directors, employees, contractors, agents, or other representatives, whether based in contract, warranty, indemnity, negligence, strict liability or other tort or otherwise, relating to (a) this Agreement or the Consulting Report, (b) any services or studies under this Agreement or (c) any acts or conduct relating to such services or studies, shall be filed within two (2) years from the date of delivery to Client of the Consulting Report to which the claims or causes of action in the legal action or lawsuit relate. The time period stated in this section shall not be extended by any incapacity of a party or any delay in the discovery or accrual of the underlying claims, causes of action or damages.

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING (this “MOU”) is made in Ventura County, California as of _____, 2016, by and between the **CITY OF OXNARD**, a municipal corporation of the State of California (the “City”) and **RIVERPARK HOTEL II, LLC**, a Delaware limited liability company (“Riverpark Hotel II”) and **RIVERPARK LANDING, LLC**, a Delaware limited liability company (“Riverpark Landing”) (Riverpark Hotel II and Riverpark Landing may be referred to herein as a “Developer” or, collectively, as the “Developers”). The City and the Developers may be referred to herein as a “Party” or, collectively, as the “Parties.”

RECITALS

A. Developers are the owners of that certain real property located in the City and more particularly depicted in Exhibit 1 attached hereto (“Developers’ Property”). Developers’ Property is located within the boundaries of the City’s RiverPark Specific Plan (the “Specific Plan”).

B. The City and Developers’ predecessors-in-interest entered into that certain Development Agreement dated as of August 27, 2002, and which was recorded against Developers’ Property (as well as other properties located within the area of the RiverPark Specific Plan) on September 10, 2002 as Instrument No. 2002-02164590 in the Ventura County Recorder’s Office, as amended from time to time (the “Development Agreement”). The Development Agreement encumbers more real property than Developers’ Property. Collectively, all real property encumbered by the Development Agreement is referred to herein as the “Site.” Owners of portions of the Site (including Developer) may be referred to herein individually as a “Riverpark Developer” or collectively as the “Riverpark Developers.”

C. The Oxnard Community Development Commission, a public body, corporate and politic (the “Commission”), and Developers’ predecessors-in-interest entered into that certain Owner Participation Agreement dated as of June 12, 2001, as amended from time to time (the “OPA”). The OPA provides, among other things, for the development of a 320-room hotel on the portion of Developers’ Property owned by Riverpark Hotel II. Concurrently herewith, the Successor Agency for the Commission has adopted a Sixth Amendment to Owner Participation Agreement (the “Sixth Amendment to OPA”), which modified the Hotel Development Obligation (as defined therein) to require the initial development of a single hotel containing between approximately 100 and 150 rooms, subject to certain timing requirements, and contemplates the future development of a second complimentary hotel on the remainder of Riverpark Hotel II’s Property.

D. In conjunction with transfers of portions of the Site to the various Riverpark Developers, the parties to such transfer agreements have executed Assignment and Assumption Agreements that had the effect of the transferring party assigning and the acquiring party assuming the rights, duties and/or obligations under the Development Agreement and OPA relating to the portion of the Site being transferred and providing that no Riverpark Developer

shall be obligated to meet any obligations under Development Agreement or OPA that relate to a portion of the Site owned by another Riverpark Developer.

E. The Parties intend to establish a process for expediting the review of certain approvals completed on Developers' Property and for the payment of certain fees associated with the development of the first hotel on Developers' Property.

NOW, THEREFORE, in consideration of the foregoing Recitals, which are hereby incorporated into the operative provisions of this MOU by this reference and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the City and Developers agree as follows:

Section 1. Incorporation of Recitals. The Recitals set forth above are hereby incorporated into and made a part of this MOU.

Section 2. Trolley Fee. Within two (2) business days of the mutual execution and delivery of this MOU, Developers shall pay a one-time lump sum fee in the amount of Twenty Thousand Dollars (\$20,000) to the City to be used towards feasibility studies for a trolley service that could operate between the Riverpark Project, Downtown Oxnard and the Oxnard Harbor, or support the Downtown Arts Program, at City's discretion.

Section 3. Hotel Development Fee. In the event that the State Department of Finance approves the Sixth Amendment to OPA and Riverpark Hotel II, or its successor, develops a 100 to 150 room hotel on Developers' Property (the "Hotel"), as contemplated by the Sixth Amendment to OPA, then the following fees shall apply:

(A) Within five (5) business days of the later to occur of (i) the approval by the State Department of Finance, by action or operation of law, of the Sixth Amendment to OPA or (ii) final approval by the City of the final discretionary entitlement for the Hotel, including the expiration of all applicable periods of administrative appeal and statutes of limitations, Riverpark Hotel II shall pay a one-time lump sum fee in the amount of One Hundred Thousand Dollars (\$100,000) to the City.

(B) Upon the occurrence of the conditions listed in Section 3(a), above, and concurrently with issuance of the first building permit for vertical construction of the Hotel, Riverpark Hotel II shall pay a one-time lump sum fee in the amount of Four Hundred Thousand Dollars (\$400,000) to the City.

In the event that the State Department of Finance does not approve the proposed Sixth Amendment to OPA, then Riverpark Hotel II shall have no further obligations under this Section 3.

Section 4. Development Design Review and Subsequent Entitlement Review.

City and Developers shall cooperate to expedite the development design review process, building plan review process, improvement plan review process, and if necessary, expedite the entitlement review process for the developments to be located on Developers' Property. Review of any application through any expedited process as provided by this subparagraph shall not be

deemed to waive any of the Applicable Rules (as defined in the Development Agreement) pertaining to review or approval of such application, including, but not limited to, a public hearing, if any, required therefore. Developers authorize the imposition of City fees paid to the City sufficient to cover City's estimated costs of utilizing City staff, retaining an outside consultant or any combination thereof in order to expedite the review process. Any such process shall terminate upon the expiration or termination of the time for development of the Hotels under the OPA or the issuance of the final certificate of occupancy for the last parcel within Developers' Property, whichever occurs first.

If a Developer chooses to utilize an expedited plan check process for the review of improvement plans and building plans for Developers' Property, within two (2) weeks of written request by Developer, City shall determine whether the City will retain an outside consultant for review of the Developer's improvement plans and building plans. Such outside consultant or City staff shall be at the sole selection of City and shall be paid for at the sole cost and expense of Developer through the payment of an increased plan check fee set forth herein. Prior to the City's commencement of any expedited plan check for an improvement plan or building plan, Developer shall pay City deposit fee equal to one hundred and fifty percent (150%) of the then current plan review fee for review of an improvement or building plan ("Expedited Plan Check Fee"). Once a consultant is selected or City staff identified, City shall complete plan check review for improvement plans and building plans according to the following schedule:

First Plan check: City shall provide complete comments and markup within twenty-one (21) working days of submittal of a complete package.

Any subsequent Plan check: City shall provide complete comments and markup within twenty-one (21) working days of submittal of a complete package that responds to all markups and comments.

Upon completion of plan check review and City deems the plan set is approved, the City shall calculate and provide permit fees to the Developer within ten (10) working days of plan set approval.

Should City determine, in its sole and absolute discretion, that the Expedited Plan Check Fee will be insufficient to cover City's actual costs of utilizing City staff, retaining an outside consultant or any combination thereof in order to expedite the review process, City may increase the Expedited Plan Check Fee upon prior notice to Developer of the basis for the increased Expedited Plan Check Fee, and, if Developer declines to pay the increased Expedited Plan Check Fee, then City shall have no further obligation to expedite review as set forth herein.

Section 5. Miscellaneous Provisions.

(a) Entire Agreement. This MOU represents the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, whether oral or written, between the parties with respect to the matters contained in this MOU.

(b) Section Headings. The section headings contained in this MOU are for convenience and identification only and shall not be deemed to limit or define the contents to which they relate.

(c) Counterparts. This MOU and any modifications hereto may be executed in any number of counterparts with the same force and effect as if executed in the form of a single document.

(d) Waiver. No waiver of any provision of this MOU shall be effective unless in writing and signed by a duly authorized representative of the party against whom enforcement of a waiver is sought.

(e) Severability. If any term, covenant, condition or provision of this MOU, or the application thereof to any person or circumstance, shall to any extent be held by a court of competent jurisdiction or rendered by the adoption of a statute by the State of California or the United States invalid, void or unenforceable, the remainder of the terms, covenants, conditions or provisions of this MOU, or the application thereof to any person or circumstance, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby; provided that the invalidity or unenforceability of such provision does not adversely affect the benefits accruing to, or the obligations imposed upon, any party hereunder.

(f) No Reliance on Other Parties. All parties to this MOU declare that, prior to the execution of this MOU, they have informed themselves of sufficient relevant data, either through experts or other sources of their own selection, and have sought and obtained legal counsel, in order that they might intelligently exercise their own judgment in evaluating the contents of this MOU and making the decision to execute it. The parties each represent and acknowledge that in executing this MOU, they do not rely and have not relied upon any representation or statement not set forth herein made by any other party to this MOU or their respective legal counsel with regard to the subject matter, basis or effect of this MOU.

(g) Construction. The provisions of this MOU shall be liberally construed to effectuate its purpose. The language of this MOU shall be construed according to its plain meaning and shall not be construed for or against any party, as each party has participated in the drafting of this MOU and has had its legal counsel review it. Whenever the context and construction so require, all words used in the singular shall be deemed to be used in the plural and vice versa.

(h) Successors and Assigns. This MOU shall be binding on and shall inure to the benefit of the parties and their respective legal representatives, successors and assigns.

(i) Governing Law. The validity and interpretation of this MOU shall be governed by the laws of the State of California without giving effect to the principles of conflict of laws.

(j) Authorizations. Each party certifies and warrants that all individuals executing this MOU and other related documents on its behalf have the capacity and have been duly authorized to do so. Each party shall also indemnify the other parties to this MOU and hold them harmless from any and all damages, costs, attorneys' fees, and other expenses, if a signatory is not so authorized.

(k) Cooperation. Each of the Parties hereto agrees to cooperate with the other Party in undertaking any and all additional steps which may be necessary or convenient to the completion of the transactions contemplated by this MOU, including without limitation, the

preparation and execution of such other and further instruments as may evidence or facilitate the same.

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

[Signatures on following pages]

THE CITY:

CITY OF OXNARD, a public body,
corporate and politic

Date: _____

By: _____
Tim Flynn
Mayor

ATTEST:

By: _____
Daniel Martinez
City Clerk

APPROVED AS TO FORM:

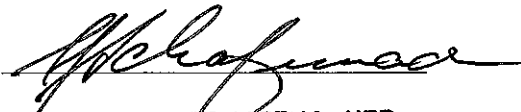
By: _____
Stephen M. Fischer
City Attorney

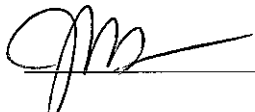
[Signatures continue on next page]

DEVELOPER:

RIVERPARK LANDING, LLC,
a Delaware limited liability company

By: Shea Properties Management Company, Inc.
a Delaware corporation, its manager

By: 
Name: STEVE SCHAFENACKER
Assistant Secretary
Title: _____

By: 
Name: Julia Guizan
Vice President
Title: _____

RIVERPARK HOTEL II, LLC,
a Delaware limited liability company

By: Shea Properties Management Company, Inc.
a Delaware corporation, its manager

By: 
Name: STEVE SCHAFENACKER
Assistant Secretary
Title: _____

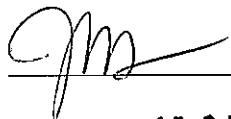
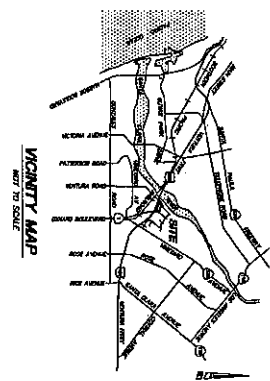
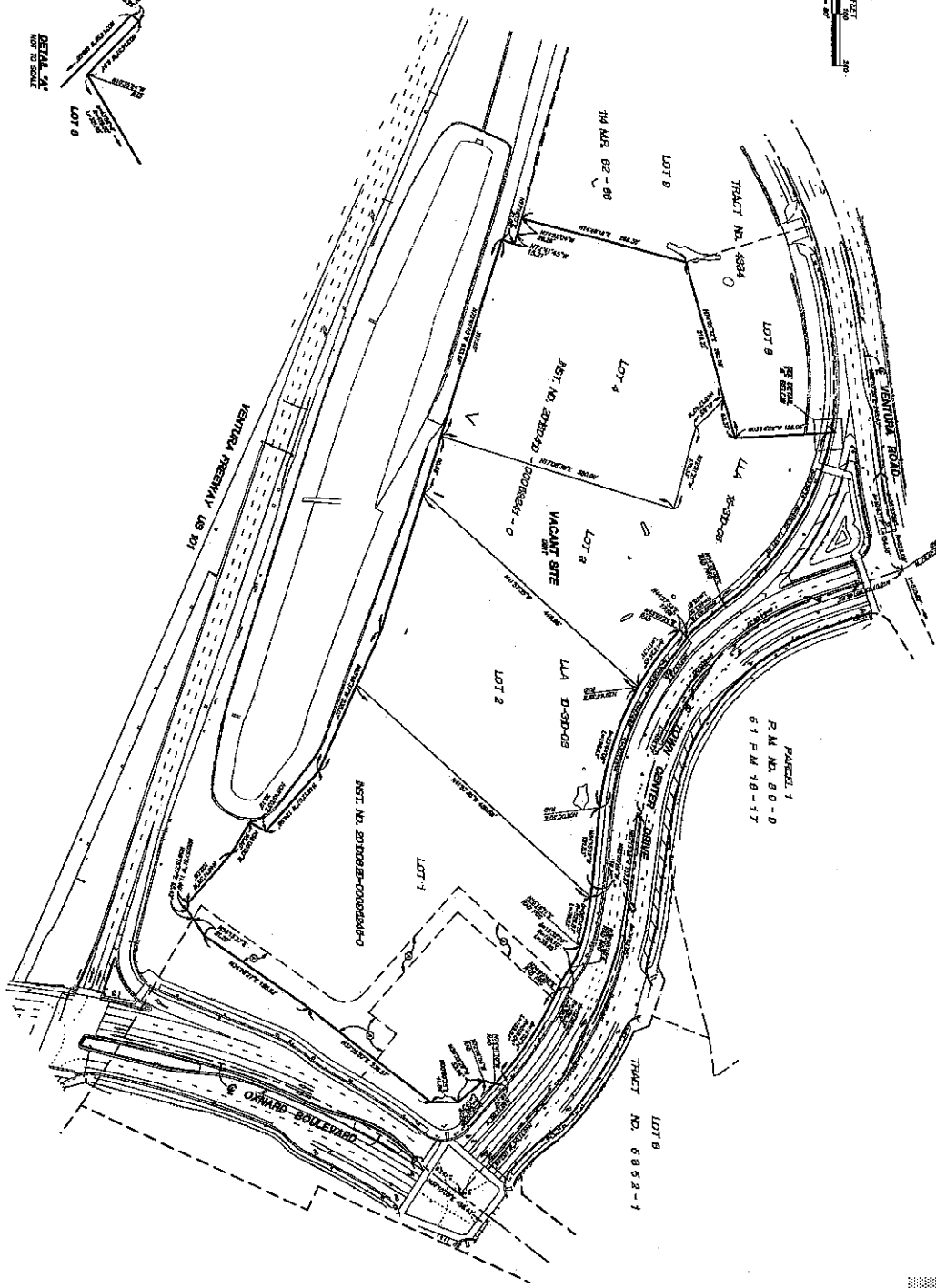
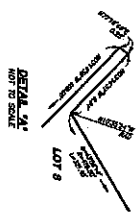
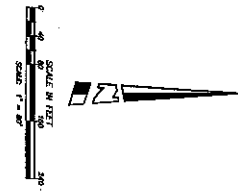
By: 
Name: Julia Guizan
Vice President
Title: _____

EXHIBIT 1

DEPICTION OF DEVELOPERS' PROPERTY

(attached)

[illegible]

1. THE PROPERTY ACQUIRED AND SHOWN HEREIN CONTAINS MATERIAL FROM THE ESTATE OF
2. SIR ALAN TRENKLE, KNIGHT OF THE ORDER OF THE
3. STAR OF INDIA, KNIGHT OF THE ORDER OF THE
4. ORDER OF THE ANGELOUS, KNIGHT OF THE ORDER OF THE
5. ORDER OF THE SIKH, KNIGHT OF THE ORDER OF THE
6. ORDER OF THE SIKH, KNIGHT OF THE ORDER OF THE
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10. ORDER OF THE SIKH, KNIGHT OF THE ORDER OF THE

LINE	AMOUNT	AMOUNT
LINE 1	8,000.00 AC	8,000.00 AC
LINE 2	1,000.00 AC	1,000.00 AC
LINE 3	2,000.00 AC	2,000.00 AC
LINE 4	3,000.00 AC	3,000.00 AC
TOTAL AMOUNT	14,000.00 AC	14,000.00 AC

PREPARED UNDER THE SUPERVISION OF:

Jeffrey A. Levenson

JEFFREY A. LEVENSON, L.S. NO. 8028
EXPIRATION DATE: SEPTEMBER 30, 2016

PROFESSIONAL LAND SURVEYOR
JEFFREY A. LEVENSON
NO. 8028
STATE OF CALIFORNIA

HUIT-ZOLLARS
Huit-Zollars, Inc.
25001 Middle Street, Suite 400, Irvine, California 92614
Phone (408) 898-5815 Fax (408) 898-6825

SITE PLAN



**CITY COUNCIL
AGENDA REPORT**

**TYPE OF ITEM: Report
AGENDA ITEM NO.: 2**

DATE: June 13, 2016

TO: City Council

FROM: Kymberly Horner, Economic Development Director

SUBJECT: La Dolce Vita Di Mare, Inc. Settlement Agreement and Release and First Amendment to Lease

CONTACT: Kymberly Horner, Economic Development
Kymberly.Horner@oxnard.org, 385-7407

RECOMMENDATION:

1. That the Community Development Commission Successor Agency ("Successor Agency") (i) approve a Settlement Agreement and Release by and between the Successor Agency and La Dolce Vita di Mare, Inc., a California corporation ("LDV"), to settle contemplated and potential litigation, (ii) recommend to its oversight board (the "Oversight Board") approval thereof, and (iii) authorize the Chairman (or designee) to execute the document with such non-substantive changes as may be acceptable to the Successor Agency General Counsel and Successor Agency Special Counsel.
2. That the Successor Agency (i) approve a First Amendment to Lease by and between the Successor Agency and LDV, (ii) recommend the Oversight Board approval thereof, and (iii) authorize the Chairman (or designee) to execute the document with such non-substantive changes as may be acceptable to the Successor Agency General Counsel and Successor Agency Special Counsel.
3. Authorize the Executive Director of the Successor Agency (or designee) to prepare, revise and execute all associated documents necessary to carry out and implement the Settlement Agreement and Release and the First Amendment to Lease, and to administer the Successor Agency's obligations, responsibilities and duties thereunder.

BACKGROUND

Heritage Square, occupying a one-block area between “A”, “B”, Seventh and Sixth Streets, is a centerpiece of the Oxnard’s downtown revitalization efforts. This commercial and visitor serving redevelopment project showcases 12 historic homes that were relocated to the site in the period between 1991 and 1992. While retaining their historic and architectural character, each of the buildings was retrofitted to accommodate commercial reuse. Among these buildings is the “McGrath House”, which is owned by the Successor Agency and has been occupied by LDV since 2006.

Prior to LDV’s occupancy, the McGrath House was vacant for a period of five years following the departure of a different restaurant purveyor. Preparatory to releasing the premises, a general market analysis and site-specific appraisal was performed at the direction of the former Oxnard Community Development Commission (the “CDC”). The independent reports concluded that the highest and best use for the McGrath House was for office or business operations. As such, it was concluded that a restaurant at this location would require a subsidy relative to the property’s actual fair market value.

At the time the former CDC entered into the original lease agreement with LDV, the CDC was committed to having a restaurant at Heritage Square as a visitor attraction. With that goal in mind, and given the underlying market conditions, a rate structure was built into the lease agreement with LDV, additionally the LDV’s Lease Agreement allowed for the restaurant operator to have exclusive catering rights at Heritage Square. Meanwhile, the CDC assumed responsibility for all exterior maintenance, association dues, special assessments and possessory interest taxes.

LDV has fallen delinquent in rent payments. Today, the accumulated debt (excluding outstanding catering payments) totals roughly \$112,377. In addition to unfavorable market conditions, LDV points to a variety of contributing factors including exterior maintenance, elevator operations and event programming, as to why it is unable to keep pace with the terms of its monthly rent. With the hope of retaining a quality restaurant as a cornerstone of Heritage Square, the parties have been engaged in “workout” negotiations. Additionally, the Oversight Board as well as the Oversight Board Property Disposition Ad-Hoc Committee required updates and reports concerning the potential disposition of any Successor Agency owned property, including the status of LDV and the McGrath House. Those efforts have resulted in the proposed attached Settlement Agreement and Release (Attachment A). The most notable terms appear on the following page:

SETTLEMENT AGREEMENT DEAL POINTS

- Concurrently with the execution of the Settlement Agreement and Release, LDV shall execute a First Amendment to Lease, attached hereto as Exhibit A.
- LDV shall pay to Successor Agency within 3 business days after the effective date, the sum of \$83,004.69 representing both unpaid rent, as well as unpaid amounts from each “Heritage Square Exclusive Catering Event”.
- LDV shall provide a verified explanation to the satisfaction of the Successor Agency as to why it is not in violation of section 17.1 of the 2008 “Lease Agreement” (Attachment D) “Assignment and Subletting” of the Lease, and to the extent LDV is in violation of section 17.1, must promptly cure such violation. This has already been accomplished by LDV.
- LDV shall exercise its purchase option pursuant to Section 24 “Option to Purchase” of the 2008 “Lease Agreement”.
- Release by LDV except for: “1) any violations of the First Amended Lease Agreement by Successor Agency during the period of time of the escrow period as a result of the [LDV’s] election to exercise its option to purchase; and 2) the escrow and sale of the real property, as set forth in Section 24 of the Lease, LDV hereby fully, finally and completely releases, acquits and forever discharges the Successor Agency, as well as its governing board members, staff, officers, directors, partners, employees...from and for any and all claims....”
- Release by Successor Agency except for: “1) any violations of the First Amended Lease Agreement by [LDV] during the period of time of the escrow period as a result of the [LDV’s] election to exercise its option to purchase, and 2) the escrow and sale of the real property, as set forth in Section 24 of the Lease, Successor Agency hereby fully, finally and completely releases, acquits and forever discharges LDV, as well as its governing board members, staff, officers, directors, partners, employees...from and for any and all claims....”
- The parties agree that the Settlement Agreement and Release and the First Amendment to Lease shall not be effective until the following occurs:
 - a. Approval of the Settlement Agreement and Release and the First Amendment to Lease by the Oversight Board; and
 - b. Any one of the following occurs:
 - i. The California Department of Finance (“DOF”) approves the

Settlement Agreement and Release; or

- ii. The expiration of all applicable periods within which the DOF may object to the Oversight Board's approval, without the DOF actually objecting to such approval; or
 - iii. The DOF objects to the Oversight Board's approval of the Settlement Agreement and Release and the First Amendment to Lease and either party successfully overturns or reverses the DOF's objection.
- The parties agree that in the event the Settlement Agreement and Release and the First Amendment to Lease are not entered into within six (6) months of the signing of the Settlement Agreement and Release and the First Amendment to Lease by all parties, the Settlement Agreement and Release and the First Amendment to Lease shall be subject to rescission on written notice of any party and upon such notice shall expire and be of no force or effect. The six (6) month period of the previous sentence is subject to extension by written agreement of the parties.

FIRST AMENDMENT TO LEASE DEAL POINTS

- Successor Agency reiterates its consent to LDV holding over on a month to month basis.
- Within three business days of the parties' entry into the First Amendment to Lease, LDV shall pay Successor Agency the sum of \$56,188.99 for all past amounts due for Base Rent and late fees under the First Amendment to Lease and/or the Lease.
- If LDV makes all past due payments within three business days of the parties' entry into the First Amendment to Lease, then the monthly Base Rent shall be reduced by 50% (to \$1,792.67), retroactive to May 16, 2013. LDV shall continue to pay monthly Base Rent.
- If LDV makes all past due payments within three business days of the parties' entry into the First Amendment to Lease, then LDV may exercise its "Option to Purchase" per section 24 of the 2008 Lease Agreement and the parties shall exercise best efforts to consummate the sale of the Leased Premises from Successor Agency to LDV within 60 days thereafter.
- If LDV fails to make all past due payments within three business days of the parties' entry into the First Amendment to Lease, then the Lease shall immediately and automatically be terminated without notice.
- If the parties fail to consummate the sale of the Leased Premises within 120 days after receipt of the MAI appraisal from Successor Agency due to LDV's failure to exercise best efforts to consummate such sale, then the Lease shall immediately and automatically be terminated.

- From the date of the First Amendment to Lease, if any future installment of Base Rent or Catering Events Additional Rent is unpaid as of the 5th day of any month, then the Lease shall immediately and automatically be terminated without notice.
- For purposes of Section 24 “Option to Purchase” of the 2008 Lease, LDV shall be deemed to be in default of the Lease unless and until LDV has paid Successor Agency, in full, for all amounts then due under the First Amendment to Lease and/or the Lease.

Approval of the Settlement Agreement and Release as well as approval of the First Amendment to Lease will facilitate the requirement per AB X1 26, the “Dissolution of Redevelopment” bill in winding down the affairs of the former CDC.

ENVIRONMENTAL IMPACT

The proposed Settlement Agreement and Release and the First Amendment to Lease do not trigger environmental review insofar as no changes are proposed in the underlying use of property involved.

FINANCIAL IMPACT

If approved by all regulatory bodies, the Settlement Agreement and Release and the First Amendment to Lease structure will provide for recovery of accumulated rent and catering delinquencies in the amount of approximately \$83,004.69. Additionally the purchase price for the entire leased premises shall be at the fair market value of the property, as determined by an independent MAI certified appraiser. Staff is in the process of obtaining the appraisal. Net proceeds will be collected for the benefit of the other taxing entities. The City as a taxing entity is entitled to approximately 19.79350% of the proceeds from the disposition of the property, and any past due rent, catering fees, and late fees. Upon approval, staff will come back to recognize any associated revenues.

ATTACHMENTS:

Attachment A - Exhibit A - Settlement Agreement 1st Amdmt to Lease

Attachment B - Site Plan

Attachment C - Consent to Holding Over Agreement

Attachment D - 2008 Lease Agreement

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement (this “**Agreement**”) is made this 14 day of June, 2016, by and between the Successor Agency to the Oxnard Community Development Commission, a public body, corporate and politic (the “**Successor Agency**”), successor-in-interest to the former Oxnard Community Development Commission (the “**CDC**”), on the one hand, and La Dolce Vita di Mare, Inc., a California corporation (“**LDV**”), on the other hand, to settle contemplated and potential litigation. This Agreement is made with respect to facts as provided in the following Recitals:

RECITALS

A. WHEREAS, the CDC approved Agreement No. A-7056 (the “**Lease**”) on July 1, 2008 for the rental of property located at 740 South B Street, Oxnard, CA 93030 (the “**Property**”) by LDV for a five-year period;

B. WHEREAS, the Lease expired on its own terms on April 1, 2013, and pursuant to Section 23 of the Lease, with the consent of the Successor Agency, LDV elected to hold over on a month-to-month basis;

C. WHEREAS, Successor Agency asserts LDV is currently in default of the Lease by failing to regularly pay the full amount of rent when due so that LDV is currently in arrears under the Lease in the sum of \$112,377.99;

D. WHEREAS, Successor Agency further asserts that LDV is in default of the lease by failing to regularly pay the amounts owed to the Successor Agency from LDV for “Heritage Square Exclusive Catering Event(s)” as defined in Section 26 of the Lease;

E. WHEREAS, Successor Agency further asserts that LDV is in default of Section 17.1 of the Lease;

F. WHEREAS, LDV asserts Successor Agency is currently in default of the Lease by failing to maintain the exterior of the Property and keeping the property in compliance with the Owners’ Association;

G. WHEREAS, after considering the substantial expense and uncertainty associated with the Dispute, the parties (collectively, the “**Parties**”, and individually, a “**Party**”) desire to settle for valuable consideration all claims and disputes the Parties may have with each other; and

H. WHEREAS, the parties to this Agreement intend to completely and fully resolve all issues with regard to the Dispute, to compromise and release among the Parties, each respectively, from all claims as against each other and to otherwise reach a full and final settlement of all such claims arising out of or related to LDV’s tenancy of the Property (the “**Tenancy**”).

NOW THEREFORE, in consideration of the above-referenced recitals which are incorporated herein by reference as if set forth in full, and without admitting liability, the Parties agree to resolve the dispute in consideration of the following conditions, terms, and provisions set forth in this Agreement:

1. First Amendment to Lease. Concurrently with the execution of this Agreement, LDV shall execute a First Amendment to Lease (the "**Amendment**"), a true and correct copy of which is attached hereto as Exhibit A
2. LDV shall pay to Successor Agency within 3 business days after the Effective Date in Section 9 has occurred the sum of \$83,004.69 representing both unpaid rent, as well as unpaid amounts from each "Heritage Square Exclusive Catering Event" as defined in Section 26 of the Lease pursuant to Section 3.3 of the Lease.
3. LDV shall provide a verified explanation to the satisfaction of the Successor Agency as to why it is not in violation of section 17.1 of the Lease, and to the extent LDV is in violation of section 17.1, must promptly cure such violation.
4. LDV shall exercise its purchase option pursuant to Section 24 of the Lease.
5. Release by LDV. Except for: 1) any violations of the First Amended Lease Agreement by Successor Agency during the period of time of the escrow period as a result of the Tenant's election to exercise its option to purchase; and 2) the escrow and sale of the real property, as set forth in Section 24 of the Lease, LDV hereby fully, finally and completely releases, acquits and forever discharges the Successor Agency, as well as its governing board members, staff, officers, directors, partners, employees, shareholders, members, managers, subsidiaries, parent and related corporations or entities, agents, representatives, attorneys, successors, assigns, heirs, beneficiaries, trustees, insurers and predecessors and successors-in-interest, from and for any and all claims, actions, causes of action, suits, disputes, demands or liabilities of any kind, nature, description or character, known or unknown, asserted or unasserted, whether in tort or contract, or by virtue of common law, statute or regulation, that are in any way based upon or regarding the facts and circumstances related to LDV's Tenancy.
6. Release by Successor Agency. Except for: 1) any violations of the First Amended Lease Agreement by Tenant during the period of time of the escrow period as a result of the Tenant's election to exercise its option to purchase, and 2) the escrow and sale of the real property, as set forth in Section 24 of the Lease, Successor Agency hereby fully, finally and completely releases, acquits and forever discharges the LDV, as well as its governing board members, staff, officers, directors, partners, employees, shareholders, members, managers, subsidiaries, parent and related corporations or entities, agents, representatives, attorneys, successors, assigns, heirs, beneficiaries, trustees, insurers and predecessors and successors-in-interest, from and for any and all claims, actions, causes of action, suits, disputes, demands or liabilities of any kind, nature, description or character, known or unknown, asserted or unasserted, whether in tort or contract, or by virtue of common law, statute or regulation, that are in any way based upon or regarding the facts and circumstances related to LDV's Tenancy.

7. Waiver of Civil Code § 1542 Rights. Except as set forth in Sections 5 and 6, above, LDV and Successor Agency hereto expressly waive any and all rights under Section 1542 of the Civil Code of the State of California, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR,

and agrees to release, discharge, and covenant to hold harmless LDV and the Successor Agency, on their own behalf, and on behalf of their successors and assigns, from and against any and all claims, demands, damages, costs, expenses, actions, and causes of action based on, arising out of, or in connection with the Tenancy, including from any acts or events up to the present time or in the future whether foreseen or enforceable, known or unknown in connection with the Tenancy.

8. Covenant Re Effectiveness. The Parties agree that this Agreement and the Amendment shall not be Effective (Effective Date”) until the following occurs:

- a. Approval of this Agreement and Amendment by the Oversight Board of the Successor Agency (“OB”); and
- b. Either one of the following occurs:
 - i. The California Department of Finance (“DOF”) approves this Agreement; or
 - ii. The expiration of all applicable periods within which the DOF may object to the OB’s approval, without the DOF actually objecting to such approval; or
 - iii. The DOF objects to the OB’s approval of this Agreement and Amendment and either party hereto successfully overturns or reverses the DOF’s objection.

Landlord agrees to give written notice to Tenant and Tenant’s legal counsel via email of the occurrence of 9(a) and 9(b), above.

9. Conditions to Effectiveness of the Stipulation. The parties agree that in the event this Agreement and Amendment are not entered herein within six (6) months of the signing of the Agreement and Amendment by all parties, the Agreement and Amendment shall be subject to rescission on written notice of any Party and upon such notice shall expire and be of no force or effect. The six (6) month period of the previous sentence is subject to extension by written agreement of the Parties;

10. Notices. Any and all notices, demands, requests or other communications required or permitted by this Agreement or by law to be served on, given to or delivered to any party hereto by any other party to this Agreement shall be in writing and shall be deemed duly served, given or delivered upon delivery by (1) facsimile transmission or other electronic means (if duplicated by any of the alternative notice methods that follow), (2) a national overnight courier service, fee prepaid (with proof of service), (3) hand delivery or (4) certified or registered

mail (return receipt requested and first-class postage prepaid) and addressed as follows (or as later changed in a manner required by this section): shall be given to such Party as set forth below.

If to the Successor Agency, to:

Mr. Greg Nyhoff
City Manager
City of Oxnard
300 West Third Street, 4th Floor
Oxnard, CA 93030
Fax:
Email:

with copies to:

Ms. Kymberly Horner
Economic Development Director
City of Oxnard
Community Development Department
214 South "C" Street
Oxnard, CA 93030
Fax:
Email:

Stephen M. Fischer, Esq.
Interim City Attorney
City of Oxnard
300 W. Third St., Suite 300
Oxnard, CA 93030
Fax: Email:

Todd C. Mooney, Esq.
KANE, BALLMER & BERKMAN, A Law Corporation
515 South Figueroa Street, Suite 780
Los Angeles, CA 90071
Fax:
Email:

If to LDV, to:

La Dolce Vita di Mare, Inc.
c/o Greg & Michelle Kenney
Heritage Square
740 South B St.
Oxnard, CA 93030
Fax:

Email:

with a copy to:

Nancy Kierstyn Schreiner, Esq.
 Attorney at Law
 Law Offices of Nancy Kierstyn Schreiner
 751 Daily Drive, Suite 325
 Camarillo, CA 93010
 Fax: (805) 383-9931
 Email: Nancy @NKSLaw.com

Any notice that is address and delivered in the manner herein provided shall be conclusively presumed to have been duly given to the party to which it is address at the close of business, local time of the recipient. (i) upon delivery if by hand, (ii) on the third day after the day it is so placed in the mail, (iii) the next business day following delivery national overnight courier service, (iv) the next business day following delivery by facsimile transmission or other electronic means (if confirmed by any of the methods above) or (v) upon the intended recipient's refusal to accept delivery. Any party may change their address for the purposes of this Agreement by giving notice of the change, in the manner required by this section, to the other party.

11. Construction and Interpretation of Agreement. The Parties, and each of them, declare that, prior to the execution of this Agreement, they have consulted with their respective attorneys in order that they may intelligently exercise their own judgment in deciding whether to execute, and in deciding on the contents of, this Agreement. This Agreement shall be construed as though mutually drafted by the Parties.

12. Representations and Warranties. Each Party declares that it has read this Agreement and understands and knows the contents thereof, and represents and warrants that each of the Parties executing this Agreement is empowered to do so and pursuant to such execution, hereby binds the respective Party.

13. Multiple Counterparts. This Agreement may be executed in multiple counterparts, and as so executed shall constitute a single agreement binding on the Parties.

14. Survivability. All covenants, agreements, representations, and warranties set forth in this Agreement, or in any certificate, instrument, or other document delivered pursuant to any provision hereof, shall survive the execution and delivery of this Agreement, unless vacated or terminated in accordance with the terms thereof.

15. Governing Law. This Agreement shall be construed pursuant to the laws of the State of California without regard to conflict of law principles.

16. Entire Agreement. This Agreement contains the entire agreement between the Parties, and the terms of this Agreement are contractual and not merely a recital. This Agreement fully resolves all issues between the Parties in existence until the execution of this

Agreement.

17. Binding on Successors and Assigns. All terms, conditions, and covenants in this Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, successors, and assigns.

18. Although no lawsuit has been filed by the Landlord or the Tenant, each party agrees and understands that this Agreement is enforceable and a complaint may be filed in Ventura County Superior Court against a party to whom enforcement of this Agreement is sought under Code of Civil Procedure section 664.6

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first above written.

Successor Agency-**"Successor Agency"**

OXNARD COMMUNITY DEVELOPMENT
COMMISSION SUCCESSOR AGENCY, a public
body, corporate and politic

By: _____

Name: _____

Title: _____

APPROVED AS TO FORM AND CONTENT:

KANE, BALLMER & BERKMAN
Successor Agency Special Counsel

By: _____

Name: _____

Title: _____

Tenant-**"LDV"**

LA DOLCE VITA DI MARE, INC., a California
corporation

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

Agreement.

17. Binding on Successors and Assigns. All terms, conditions, and covenants in this Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, successors, and assigns.

18. Although no lawsuit has been filed by the Landlord or the Tenant, each party agrees and understands that this Agreement is enforceable and a complaint may be filed in Ventura County Superior Court against a party to whom enforcement of this Agreement is sought under Code of Civil Procedure section 664.6

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first above written.

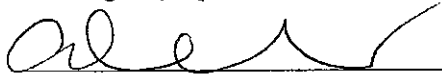
Successor Agency-**"Successor Agency"**

OXNARD COMMUNITY DEVELOPMENT
COMMISSION SUCCESSOR AGENCY, a public
body, corporate and politic

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM AND CONTENT:

KANE, BALLMER & BERKMAN
Successor Agency Special Counsel

By: 
Name: EDINALDO B. KANE
Title: ASSOCIATE

Tenant-**"LDV"**

LA DOLCE VITA DI MARE, INC., a California
corporation

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Agreement.

17. Binding on Successors and Assigns. All terms, conditions, and covenants in this Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, successors, and assigns.

18. Although no lawsuit has been filed by the Landlord or the Tenant, each party agrees and understands that this Agreement is enforceable and a complaint may be filed in Ventura County Superior Court against a party to whom enforcement of this Agreement is sought under Code of Civil Procedure section 664.6

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first above written.

Successor Agency-**"Successor Agency"**

OXNARD COMMUNITY DEVELOPMENT
COMMISSION SUCCESSOR AGENCY, a public
body, corporate and politic

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM AND CONTENT:

KANE, BALLMER & BERKMAN
Successor Agency Special Counsel

By: _____
Name: _____
Title: _____

Tenant-**"LDV"**

LA DOLCE VITA DI MARE, INC., a California
corporation

By: _____
Name: Michelle Kanny
Title: President

By: _____
Name: GREG KANNY
Title: VICE PRESIDENT

Exhibit A

Amendment

[behind this page]

First Amendment to Lease

This First Amendment to Lease (this "**First Amendment**") is entered into as of June 14, 2016, by and between the Oxnard Community Development Commission Successor Agency, a public body, corporate and politic ("**Landlord**") and La Dolce Vita Di Mare, Inc., a California corporation ("**Tenant**"). Landlord and Tenant shall be referred to herein individually as a "**Party**" and collectively as the "**Parties**".

Recitals

- A. The Community Development Commission of the City of Oxnard, a public body corporate and politic ("**Commission**") and Tenant entered into that certain Lease on July 1, 2008 (the "**Original Lease**").
- B. On February 1, 2012, by operation of law, Landlord succeeded to Commission's interest under the Original Lease.
- C. The Parties entered into that certain Consent to Tenant Holding Over, dated April 1, 2013 (the "**Consent**").
- D. The Original Lease, as affected by the Consent, shall be referred to herein as the "**Lease**".
- E. Capitalized terms not defined herein shall have the meaning set forth in the Lease.
- F. The Parties desire to amend the Lease as set forth in this First Amendment.

NOW THEREFORE, in consideration of the above-referenced recitals which are incorporated herein by reference as if set forth in full, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and the following conditions, terms, and provisions set forth in this Agreement: the Parties hereby agree as follows:

Agreement

- 1. Subject to Sections 7 through 9 below, Landlord reiterates its consent to Tenant holding over on a month to month basis.
- 2. Within three business days of the Parties' entry into this First Amendment, Tenant shall pay Landlord the sum of \$56,188.99 for all past amounts due under this First Amendment and/or the Lease. Solely for purposes of calculating the amount then due under this First Amendment and/or the Lease, the Parties shall assume that the contingent change to Base Rent described in Section 3 below has taken effect. In the event that Tenant has paid in excess rent due to the time period of the contingency being effective, Landlord agrees to either do a setoff or credit such excess to the purchase price of the real property.
- 3. If Tenant makes the payment described in Section 2 above within three business days of the Parties' entry into this First Amendment, then the monthly Base Rent shall be reduced

by 50% (to \$1,792.67), retroactive to May 16, 2013. Tenant shall continue to pay monthly Base Rent (at the reduced rate) until the Lease is terminated.

4. If Tenant makes the payment described in Section 2 above within three business days of the Parties' entry into this First Amendment, then Landlord's entry into this First Amendment shall be deemed to constitute the delivery of Landlord's Notice to Tenant pursuant to Section 24.2.
5. If Tenant makes the payment described in Section 2 above within three business days of the Parties' entry into this First Amendment, then Tenant's entry into this First Amendment shall be deemed to constitute the delivery of Tenant's Notice to Landlord pursuant to Section 24.2.
6. If Tenant makes the payment described in Section 2 above within three business days of the Parties' entry into this First Amendment, then the Parties shall exercise best efforts to consummate the sale of the Leased Premises from Landlord to Tenant in accordance with the terms and conditions of Section 24.3 of the Lease within 60 days thereafter, and diligently shall continue such efforts until such sale is consummated. Notwithstanding Section 24.3 of the Lease, any and all outstanding violations, fees or penalties asserted and assessed by the Owners' Association shall be cleared by Landlord concurrent with the close of escrow.
7. If Tenant fails to make the payment described in Section 2 above within three business days of the Parties' entry into this First Amendment, then the Lease shall immediately and automatically be terminated without notice, Tenant shall promptly vacate the Leased Premises, and Landlord may recover from Tenant, to the extent permitted by law, the amounts described in Section 14.2 of the Lease. (which, for purposes thereof, shall disregard the contingent change to Base Rent described in Section 3 above).
8. If the Parties fail to consummate the sale of the Leased Premises within 120 days after receipt of the MAI appraisal from Landlord due to Tenant's failure to exercise best efforts to consummate such sale, then the Lease shall immediately and automatically be terminated, Tenant shall promptly vacate the Leased Premises, and Landlord may recover from Tenant, to the extent permitted by law, the amounts described in Section 14.2 of the Lease. (which, for purposes thereof, shall disregard the contingent change to Base Rent described in Section 3 above).
9. From and after the date of this First Amendment, notwithstanding any other provision of the Lease, if any future installment of Base Rent or Catering Events Additional Rent shall be due and unpaid as of the 5th day of any month, then the Lease shall immediately and automatically be terminated without notice, Tenant shall promptly vacate the Leased Premises, and Landlord may recover from Tenant, to the extent permitted by law, the amounts described in Section 14.2 of the Lease. (which, for purposes thereof, shall disregard the contingent change to Base Rent described in Section 3 above).

10. For purposes of Section 24 of the Lease, Tenant shall be deemed to be in default of the Lease unless and until Tenant has paid Landlord, in full, for all amounts then due under this First Amendment and/or the Lease (taking into account the contingent change to Base Rent described in Section 3 above, as applicable).
11. Except as expressly modified by the terms of this First Amendment, the Lease remains unchanged and in full force and effect.
12. This First Amendment shall be construed and enforced in accordance with the internal laws of the State of California, without reference to choice of law or conflict of law provisions.
13. If either Party initiates any litigation or other legal proceeding to interpret or enforce any provision of this First Amendment, then the prevailing Party in such litigation or proceeding shall be entitled to recover its reasonable attorneys' fees and other legal expenses from the non-prevailing Party, in addition to any other damages or remedies to which the prevailing Party is entitled.
14. This First Amendment may be executed by each Party on a separate signature page, and when the executed signature pages are combined, shall constitute one single instrument.
15. Tenant hereby represents that the persons executing this First Amendment on behalf of Tenant have full authority to do so and to bind Tenant to perform pursuant to the terms and conditions of this First Amendment.

[Signatures on following page]

[Remainder of page intentionally left blank]

This First Amendment is entered into as of the date first set forth above.

"Landlord"

OXNARD COMMUNITY DEVELOPMENT
COMMISSION SUCCESSOR AGENCY, a public
body, corporate and politic

By: _____

Name: _____

Title: _____

APPROVED AS TO FORM AND CONTENT:

KANE, BALLMER & BERKMAN
Successor Agency Special Counsel

By: _____

Name: _____

Title: _____

"Tenant"

LA DOLCE VITA DI MARE, INC., a California
corporation

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

This First Amendment is entered into as of the date first set forth above.

"Landlord"

OXNARD COMMUNITY DEVELOPMENT
COMMISSION SUCCESSOR AGENCY, a public
body, corporate and politic

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM AND CONTENT:

KANE, BALLMER & BERKMAN
Successor Agency Special Counsel

By: _____
Name: _____
Title: _____

"Tenant"

LA DOLCE VITA DI MARE, INC., a California
corporation

By: _____
Name: Mitchell Kenney
Title: President

By: _____
Name: GREG KENNEY
Title: VICE PRESIDENT

This First Amendment is entered into as of the date first set forth above.

"Landlord"

OXNARD COMMUNITY DEVELOPMENT
COMMISSION SUCCESSOR AGENCY, a public
body, corporate and politic

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM AND CONTENT:

KANE, BALLMER & BERKMAN
Successor Agency Special Counsel

By: Todd C. Mooney
Name: Todd C. Mooney
Title: Senior Associate

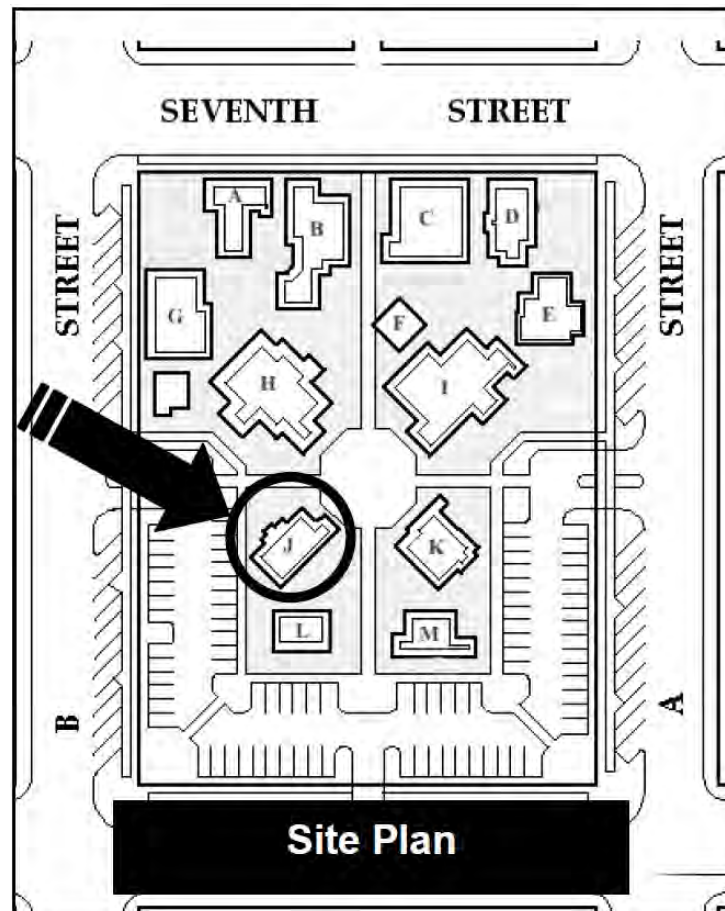
"Tenant"

LA DOLCE VITA DI MARE, INC., a California
corporation

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

ATTACHMENT B



Agreement No. A-7056

CONSENT TO TENANT HOLDING OVER

This Consent to Tenant Holding Over ("Consent") is made and entered into in the County of Ventura, State of California, this 1st day of April, 2013, by and between the Oxnard Community Development Commission Successor Agency of the City of Oxnard ("Landlord"), and La Dolce Vita di Mare, Inc. ("Tenant"). This Consent is made with reference to the Lease entered into on July 1, 2008, by the Community Development Commission of the City of Oxnard and Tenant.

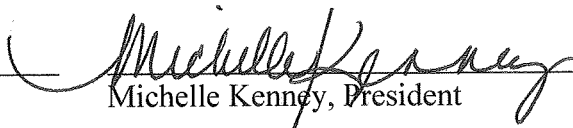
Landlord and Tenant agree as follows:

1. Section 23 of the Lease provides that Tenant may hold over on a month to month basis with the written consent of the Landlord, subject to all Lease terms.
2. Landlord consents to Tenant holding over on a month to month basis.
3. Tenant shall provide Landlord detailed information on the catering events held at the Leased Premises.
4. This extension is without waiver of any and all rights Landlord may have to collect outstanding balances under the Lease.
5. As so amended, the Lease remains in full force and effect.

OXNARD COMMUNITY DEVELOPMENT
COMMISSION SUCCESSOR AGENCY


Tim Flynn, Chairman

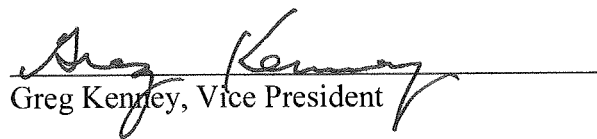
LA DOLCE VITA DI MARE, INC.


Michelle Kenney, President

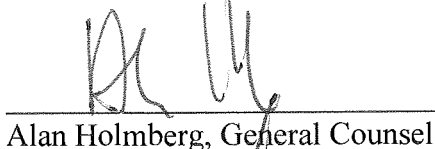
ATTEST:


Daniel Martinez, City Clerk

LA DOLCE VITA DI MARE, INC.


Greg Kenney, Vice President

APPROVED AS TO FORM:


Alan Holmberg, General Counsel

APPROVED AS TO CONTENT:


Curtis P. Cannon, Community Development
Commission Successor Agency Director


Karen R. Burnham, Interim City Manager

COUNCIL APPROVAL
DATE: 5-14-13 AGENDA #14

Commercial Certificate of Insurance


FARMERS

Agency • Desmond Sandlin
 Name • 1297 Flynn Rd. Ste 290
 & • Camarillo, CA 93012
 Address • 805-389-6822

Issue Date (MM/DD/YY) 04/08/2013

This certificate is issued as a matter of information only and confers no rights upon the certificate holder. This certificate does not amend, extend or alter the coverage afforded by the policies shown below.

St. 30 Dist. 30 Agent 34C

Insured • LA DULCE VITA
 Name • LA DULCE VITA DIMARE INC
 & • 740 S B ST
 Address • OXNARD, CA 93030

Companies Providing Coverage:

Company **A** Truck Insurance Exchange
 Letter
 Company **B** Farmers Insurance Exchange
 Letter
 Company **C** Mid-Century Insurance Company
 Letter
 Company **D** SCOTTSDALE INSURANCE CO
 Letter

Coverages

This is to certify that the policies of insurance listed below have been issued to the insured named above for the policy period indicated. Notwithstanding any requirement, term or condition of any contract or other document with respect to which this certificate may be issued or may pertain, the insurance afforded by the policies described herein is subject to all the terms, exclusions and conditions of such policies. Limits shown may have been reduced by paid claims.

Co. Ltr.	Type of Insurance	Policy Number	Policy Effective Date (MM/DD/YY)	Policy Expiration Date (MM/DD/YY)	Policy Limits	
D	☒ General Liability ☒ Commercial General Liability ☒ - Occurrence Version Contractual - Incidental Only Owners & Contractors Prot.	CPS1650381	08/13/2012	08/13/2013	General Aggregate Products-Comp/OPS Aggregate	\$ 2,000,000 \$ 2,000,000
					Personal & Advertising Injury Each Occurrence	\$ 1,000,000 \$ 1,000,000
					Fire Damage (Any one fire)	\$ 100,000
					Medical Expense (Any one person)	\$ 5,000
B	Automobile Liability All Owned Commercial Autos Scheduled Autos ☒ Hired Autos ☒ Non-Owned Autos Garage Liability	603662458	08/11/2012	08/11/2013	Combined Single Limit	\$ 1,000,000
					Bodily Injury (Per person)	\$
					Bodily Injury (Per accident)	\$
					Property Damage	\$
					Garage Aggregate	\$
	Umbrella Liability				Limit	\$
A	☒ Workers' Compensation and Employers' Liability	A09269346	03/15/2013	03/15/2014	Statutory Each Accident	\$ 1,000,000
					Disease - Each Employee	\$ 1,000,000
					Disease - Policy Limit	\$ 1,000,000

Description of Operations/Vehicles/Restrictions/Special items:

740 S B ST, OXNARD, CA 93030

Certificate Holder

Name • CITY OF OXNARD
 • RISK MANAGER
 & • 300 WEST THIRD ST, SUITE 302
 Address • OXNARD, CA 93030

Cancellation

Should any of the above described policies be cancelled before the expiration date thereof, the issuing company will endeavor to mail 30 days written notice to the certificate holder named to the left, but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives.

DESMOND SANDLIN 805.389.6822

Authorized Representative

A-7056

LEASE
(MCGRATH HOUSE)

BY AND BETWEEN

COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF OXNARD
("Landlord")

AND

LA DOLCE VITA DI MARE, INC.
("Tenant")

LEASE

This Lease ("Lease") is entered into in Ventura County, California, by and between the COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF OXNARD, ("Landlord") and LA DOLCE VITA DI MARE, INC., a California corporation ("Tenant"). Landlord and Tenant are sometimes hereinafter referred to as a "Party" and collectively as the "Parties".

1. Leased Premises

Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord for the term, at the rental, and pursuant to the covenants, provisions and conditions set forth herein, that certain space (the "Leased Premises") situated at 740 South B Street, Oxnard, California 93030. As used herein, Leased Premises also includes certain existing furniture, fixtures, and equipment detailed in Exhibit "B", subject to any rights the Small Business Administration may have to such furniture, fixtures, and equipment (as described in more detail in Section 5. below). The Leased Premises are outlined and depicted as the "First Floor Restaurant" and the "Basement" in Exhibit "A." Exhibits "A" and "B" are attached hereto and incorporated by this reference in full herein. The Leased Premises also include an approximate 125 square foot office on the second floor of the herein below described McGrath house. The Leased Premises together with the "Second Floor Office Building" described in Exhibit "A" are approximately 4,181 gross square foot, two-story building with a basement, which is locally known as the "McGrath House." The McGrath House was converted a few years ago to a family restaurant space (first and second floor) with a bar area (basement). The McGrath House is located within "Heritage Square," a planned commercial redevelopment project in the Downtown area of Oxnard, within the Merged Redevelopment Project. Heritage Square includes an entire city block and is comprised of 14 structures, all of historic relevance relocated to the site from various parts of the Oxnard Plain.

2. Term; Effective Date of Lease.

2.1 Term. The term of this Lease ("Term") shall commence on the Effective Date (defined below) and shall expire five (5) years following the Effective Date (the "Expiration Date"), subject to earlier termination as provided herein. Tenant and Landlord shall jointly have the option to extend the Lease for two (2) additional five (5) year periods as more specifically set out in Section 4, below. "Term" as used herein shall include any and all such extensions of the Term. In addition, Tenant shall have the option to purchase the Leased Premises, together with all improvements thereon and the furniture, fixtures, and equipment detailed in Exhibit "B" as more specifically set out in Section 24, below.

COUNCIL APPROVAL
DATE: 7-1-08 AGENDA # 2-1

2.2 Effective Date of Lease.

(i) The Effective Date of this Lease is April 1, 2008. As of the Effective Date that certain "Lease (McGrath Home) approved by the Commission on January 24, 2006 between Landlord and Tenant is cancelled.

3. Rent.

3.1 Base Rent.

(i) During the first five (5) years of the Term, Tenant agrees to pay Landlord as "Base Rent" for the Leased Premises, the sum of Three Thousand, Two Hundred, Forty-One Dollars (\$3,241.00) per month, a portion of which will be used by the Landlord to pay Heritage Square Property Owners' Association dues as provided in Section 10.2, below.

(ii) The Base Rent shall be due and payable to the Landlord on the first day of each and every calendar month during the Term hereof. Base Rent for the first month of the Term, or portion thereof, shall be paid on or prior to the Effective Date. If the Effective Date is not the first day of a calendar month, then the rental for such partial month(s) shall be prorated based on a 30-day month.

3.2. Annual Adjustment of Base Rent. Commencing with the first anniversary of the Effective Date, the Base Rent shall be readjusted every twelve (12) months throughout the entire Term hereof (each an "Adjustment Date"). As of each new Adjustment Date, the then-current Base Rent shall be increased by the percentage increase of the Consumer Price Index from the last Adjustment Date (or the second anniversary of the Effective Date for the first Adjustment Date) to the then-current Adjustment Date; provided, however, notwithstanding the Consumer Price Index, the then-current Base Rent shall increase on each new Adjustment Date by not less than two percent (2%) but no more than five percent (5%) of the then-current Base Rent. The Base Rent as readjusted pursuant to this Section, shall remain fixed until the next Adjustment Date. "Consumer Price Index" shall mean the Consumer Price Index - All Urban Consumers, Los Angeles-Riverside-Orange County, CA (1982-84=100), published by the Bureau of Labor Statistics, or such reasonably comparable index as may be used to the Landlord.

3.3 Additional Rent.

(i) As "Catering Events Additional Rent", Tenant agrees to pay Landlord throughout the Term hereof an amount equal to ten percent (10%) of the gross food and beverage sales for each "Heritage Square Exclusive Catering Event" (as defined in Section 26, below). Catering Events Additional Rent, if any, shall be due and payable to the Landlord on the first day of each and every calendar month during the Term hereof.

(ii) All other amounts due from Tenant to Landlord under this Lease other than Base Rent shall constitute "Additional Rent".

(iii) The Base Rent, Catering Events Additional Rent and Additional Rent are sometimes collectively referred to hereinafter as "Rent". Rent shall be paid to Landlord, without deduction or offset, in lawful money of the United States of America, which shall be legal tender at the time of payment, at the office of Landlord or to such other person or at such other place as Landlord may from time to time designate in writing.

3.4 Late Charges. The Parties agree that if any installment of Base Rent or Catering Events Additional Rent shall be due hereunder throughout the entire Term hereof and unpaid as of the fifth (5th) day of any month, a five percent (5%) late/administrative charge shall be immediately added to the amount owing and shall also be due and payable, the Parties recognizing that they cannot establish with certainty the damage and additional administrative expense Landlord will suffer in the event Tenant fails to pay such amount when due and the Parties agree that such late charge represents the reasonable estimate of the Parties as to the amount of such damage and additional administrative expense.

INITIALS

Tenant: 

Landlord: 

4. Options to Extend Lease.

4.1 Options. Tenant and Landlord shall both jointly have an option (the "Option") to extend the Term of this Lease for two (2) additional five (5) year periods upon the mutual written agreement of the Parties. At least one hundred twenty (120) days prior to the expiration of the Term or any extended Term (as the case may be), either Tenant or Landlord may give the other Party notice in writing of the desire to exercise each new Option. If such notice is given, the Party receiving the notice ("Receiving Party") shall have thirty (30) days to respond in writing to the Party sending the notice ("Sending Party") that the Receiving Party agrees to exercise (in the Receiving Party's sole and absolute discretion) the Option for the following 5-year period. If the Receiving Party does not provide such written agreement within said 30-day period, then this Lease shall automatically terminate without further action by either Party at the end of the then Term.

4.2. Rent.

(i) Base Rent. Effective with the second year of the first five-year period, the Base Rent shall be increased annually by not less than two percent (2%) but no more than five percent (5%) of the Base Rent. The Base Rent shall then be readjusted on each new Adjustment Date as described in Section 3.2, above.

(ii) Additional Rent. Throughout any Option periods, Tenant shall continue to pay to Landlord the "Catering Events Additional Rent," as well as any Additional Rent, as described herein.

4.3 Lease Terms. All terms and conditions of this Lease shall apply to each Option period.

5. Delivery and Condition of Leased Premises: Existing Furniture, Fixtures and Equipment.

(i) Tenant is, as of the Effective Date in possession of the Leased Premises under a prior lease. Tenant hereby accepts the Leased Premises in its existing "AS IS" condition subject to all applicable zoning, local, county and state laws, ordinances and regulations governing the use of the Leased Premises, and any easements, licenses, covenants, conditions or restrictions of record, including, without limitation, the existing Declaration of Covenants, Conditions and Restrictions pertaining to Heritage Square, and accepts this Lease subject thereto and subject to all matters disclosed thereby.

(ii) Existing furniture, fixtures, and equipment detailed in Exhibit "B" shall be made available to Tenant for use throughout the Term hereof, subject to any prior rights of the Small Business Administration and that all kitchen equipment is in working order. By executing this Lease, Tenant hereby certifies that all of the furniture, fixtures, and equipment detailed in Exhibit "B" is acceptable and in working order. Tenant agrees, at Tenant's sole cost and expense, to maintain and repair, as necessary (as determined by the Landlord's Community Development Director or designee), all of the furniture, fixtures, and equipment detailed in Exhibit "B" during the Term hereof. Tenant may purchase such furniture, fixtures and equipment, subject to any rights of the Small Business Administration, as part of the purchase option described in Section 24, below.

(iii) Tenant acknowledges that Landlord has not made and does not make any representation or warranty whatsoever as to the condition of the Leased Premises including, but not limited to, the condition of the McGrath House or the electrical, plumbing, fire sprinkler pressure (if there are any fire sprinklers), lighting, air conditioning and heating therein, the existing furniture, fixtures, and equipment detailed in Exhibit "B" or the present or future suitability of the Leased Premises for the conduct of Tenant's business.

(iv) Landlord shall not be liable for any patent defects in or about the Leased Premises. Tenant hereby waives all other express or implied warranties or representations regarding any patent defects in the Leased Premises.

6. Use of Leased Premises.

6.1 Limitation on Use. Tenant shall use the Leased Premises solely for restaurant dining and related entertainment in accordance with applicable zoning and Oxnard City Code and the Redevelopment Plan for the Merged Redevelopment Project.

6.2 Tenant's Operation of Business. Tenant shall continuously and uninterruptedly during the entire Lease Term:

- (i) At a minimum, remain open for business during usual business hours six days a week, except customary federal and state holidays;
- (ii) Adequately staff its business with sufficient employees;
- (iii) Conduct Tenant's business at all times in a first-class manner consistent with reputable business standards and practices, in good faith and in such a manner that the high reputation of the Landlord and the Leased Premises is maintained; and
- (iv) Warehouse, store or stock only such items as Tenant requires to conduct its business.

6.2 Landlord's Operation of Business.

- (i) Second floor (other than office space leased by Tenant) is restricted to restaurant dining, catered events and related entertainment and assembly meetings reserved through the Heritage Square Facilities Rental Program in accordance with applicable zoning and Oxnard City Code.
- (ii) Access to the Second Floor is limited to the back (exterior) staircase unless permission is given by Tenant for access through the leased space of the First Floor and Basement entrances.
- (iii) Parties renting the Second Floor from Landlord are subject to the "Rules and Regulations" described in Exhibit "C" attached herein.

6.3 Anti-discrimination.

(i) Obligation to Refrain from Discrimination. There shall be no discrimination against or segregation of any person, or group of persons, on account of sex, marital status, race, color, creed, religion, national origin, ancestry or sexual orientation in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Leased Premises or any portion thereof, and Tenant itself or any person claiming under or through Tenant shall not establish or permit any such practice or practices of discrimination, or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the Leased Premises or any portion thereof.

(ii) Form of Nondiscrimination and Nonsegregation Clauses. Tenant shall refrain from restricting the rental or lease of the Leased Premises or any portion thereof, on the basis of sex, marital status, race, color, creed, religion, national origin, ancestry or sexual orientation of any person. All such leases or contracts pertaining to the

foregoing matters shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased, nor shall the lessee himself or herself or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein leased.

6.4 Prohibited Uses: Alterations.

(i) Tenant shall not do or permit anything to be done in or about the Leased Premises that in any way increases the existing rate of any fire or other insurance on the McGrath House or any of its contents, or that causes a cancellation of any insurance policy covering the McGrath House, the Leased Premises or any part of them or any of the contents thereof, or which constitutes an activity specifically excluded from the Landlord's insurance policy (if any) or any insurance Tenant is required by Landlord to obtain, which policies are described in Section 7 of this Lease. Tenant shall not commit or cause to be committed any nuisance or waste in or on the Leased Premises or permit anything to be done in or about the Leased Premises that will in any way conflict with the existing Declaration of Covenants, Conditions and Restrictions pertaining to Heritage Square or any federal, state or local law, statute, ordinance or governmental rule or regulation now in force or hereafter in force. Tenant shall not display, store, or sell merchandise or allow carts, portable signs, devices or any other objects to be stored or to remain outside the exterior walls and permanent doorways of the Leased Premises without Landlord's Community Development Director's prior written consent. Tenant shall not, without the prior written consent of Landlord's Community Development Director, sell merchandise from vending machines or allow any coin operated vending or gaming machines on the Leased Premises.

(ii) Tenant shall not make or cause to be made any alterations, repairs, additions or improvements to the Leased Premises, the McGrath House, or any portion thereof without the prior written consent of Landlord's Community Development Director, which consent may be withheld in Landlord's Community Development Director's sole and absolute discretion. Any and all such alterations, repairs, additions or improvements shall be at Tenant's sole cost and expense. Tenant represents and warrants that it is aware of the requirements of California Labor Code Section 1770 *et seq.*, which requires the payment of prevailing wage rates and the performance of other requirements

on public works contracts. Tenant agrees to pay such prevailing rates to each person in connection with any alterations, additions or improvements to any part of the Leased Premises and further agrees to comply with the penalty provisions of Section 1775 of the California Labor Code in the event of its failure to pay prevailing rates. Tenant agrees to defend, indemnify and hold Landlord, the City of Oxnard ("City"), their respective officials, directors, officers, employees, agents and volunteers free and harmless, pursuant to the indemnification provisions of this Lease, from any claim or liability arising out of any failure or alleged failure to comply with these provisions of the California Labor Code.

6.5 Waste

(i) Tenant shall not commit or suffer to be committed any voluntary or permissive waste of the Leased Premises or any part thereof.

(ii) Tenant agrees to keep or cause to be kept the Leased Premises and all portions thereof clean and clear of refuse and obstructions and to promptly dispose of all garbage, trash and rubbish.

7. Insurance.

Tenant shall deliver to the Landlord copies of policies of insurance and endorsements evidencing the existence and amounts of the insurance described herein below with loss payable clauses and additional insured endorsements in favor of Landlord and City of Oxnard and cross-liability endorsements. Each policy shall provide that such policy shall not be cancelable or subject to reduction of coverage or other modification during the Term hereof except after thirty (30) days prior written notice to Landlord. All insurance required to be carried by Tenant hereunder shall be issued by responsible insurance companies, qualified to do business in the State of California and reasonably acceptable to Landlord. All public liability, property damages and other casualty policies shall be written as primary policies, not contributing with, and not in excess of coverage which Landlord may carry. Executed copies of all policies and endorsements evidencing the existence and amounts of such insurance, shall be delivered to Landlord by Tenant no later than the Effective Date, and thereafter, executed copies of renewal policies or and endorsements thereof shall be delivered to Landlord thirty (30) days prior to the expiration of any such policy. In the event Tenant fails to maintain any of the insurance set forth herein below, Landlord may, but shall not be required to, obtain such insurance on behalf of Tenant and, in such event, Tenant shall reimburse Landlord as Additional Rent and immediately on demand, for the cost incurred by Landlord together with interest on such cost at the rate of five percent (5%) from the date the cost is incurred by Landlord to the date same is reimbursed to Landlord by Tenant. Tenant shall, at Tenant's sole expense, obtain and keep in force during the Term hereof, the following coverages:

7.1 Liability Insurance. A liability insurance policy insuring Landlord, City of Oxnard and Tenant against any liability for bodily injury (including death) and

property damage arising out of or in any way related to the use, occupancy, repair, maintenance, construction or reconstruction of the Leased Premises and/or McGrath House directly or indirectly by Tenant, its guests and/or invitees. Such insurance shall be a combined single limit policy in an amount not less than \$1,000,000.00 per occurrence. The limits of said insurance shall not limit the liability of Tenant hereunder.

7.2 Fire and Extended Coverage Insurance. A policy or policies of insurance against loss or damage (by fire and lightening, theft, vandalism, malicious mischief, all risks normally insured against by extended coverage (such as explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance), and if the McGrath House has sprinklers, the added perils of sprinkler leakage, and earthquake coverage if such coverage is available at a reasonable cost from reputable insurers) to the McGrath House, any other improvements made to the Leased Premises by Tenant, the existing furniture, fixtures and equipment detailed in Exhibit "B", and Tenant's stock in any other trade, furniture, personal property, fixtures and equipment on the Leased Premises, with coverage in an amount equal to one hundred percent (100%) of the actual cash value thereof. Tenant may, with Landlord's Community Development Director's prior written consent, elect to have a reasonable deductible in connection with such insurance.

7.3 Worker's Compensation Insurance. Tenant shall, during the Term hereof, keep in full force and effect a policy or policies of worker's compensation insurance, with coverage not less than the minimum required by the State of California.

7.4 Waiver. Landlord and Tenant hereby waive their rights (and, to the extent permitted by law, the subrogation rights of their respective insurers) against each other (as well as the officers, employees, agents, authorized representatives, and invitees of same) with respect to any claims (including, but not limited to, claims for injury to any person(s), and/or damage to the Leased Premises or any other part of the Leased Premises, and/or any fixtures, equipment, personal property, furniture, improvements and/or alterations in or to the Leased Premises or the McGrath House) which are caused by or result from risks insured against under any valid and collectible insurance contract or policy carried by Landlord or Tenant (whichever the case may be) and in force at the time of any such injury and/or damage. However, the above waiver shall apply only to the extent that such claim is covered by such insurance contracts or policies. Tenant shall obtain (for Landlord) from its insurer(s) under each policy required to be obtained pursuant to Sections 7.1 and 7.2 above, a waiver of all rights of subrogation which such insurer(s) of Tenant might have against Landlord.

8. Damage.

8.1 Partial Damage-Insured. In the event the Leased Premises, the McGrath House, or any portion thereof are damaged by any casualty which is covered under insurance carried by Tenant, then Tenant shall be obligated to restore such damage provided sufficient insurance proceeds are available to pay for the cost of restoration and provided such restoration can be completed within one hundred and eighty (180) days

after the commencement of the work in the opinion of a registered architect or engineer appointed by Landlord. In such event, this Lease shall continue in full force and effect, and Tenant shall not be entitled to any abatement or reduction of Rent, except to the extent Tenant's business operation is interrupted during actual time of repairs as reasonably determined by Landlord's Community Development Director. Rent shall not be abated if damage results from actions of Tenant.

8.2 Partial Damage-Uninsured. In the event the Leased Premises, the McGrath House, or any portion thereof are damaged by a risk not covered by Tenant's insurance or the proceeds of available insurance are less than the cost of restoration, or if the restoration cannot be completed within one hundred and eighty (180) days after the commencement of work in the opinion of the registered architect or engineer appointed by Landlord, then Landlord shall have the option either to: (i) require Tenant to repair or restore such damage, this Lease continuing in full force and effect and Tenant shall not be entitled to any abatement or reduction of Rent, except to the extent Tenant's business operation is interrupted during actual time of repairs. Rent shall not be abated if damage results from actions of Tenant, or (ii) give notice to Tenant at any time within sixty (60) days after such damage terminating this Lease as of a date to be specified in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after giving such notice. In the event of the giving of such notice, this Lease shall expire and all interest of Tenant in the Leased Premises shall terminate on such date so specified in such notice and all Rent shall be paid to the date of such termination; provided, however, that Landlord agrees to refund to the Tenant any Base Rent theretofore paid in advance for any period of time subsequent to such date. If Landlord elects to require Tenant to repair and restore such damage, Landlord shall pay the difference between the actual cost to repair and restore such damage and the available insurance.

8.3 Total Destruction. In the event the Leased Premises are totally destroyed or the Leased Premises cannot be restored as required herein under applicable laws and regulations, notwithstanding the availability of insurance proceeds, this Lease shall be terminated effective the date of the damage.

8.4 No Landlord Obligation. Landlord shall not be required to repair any injury or damage by fire or other cause, or to make any restoration or replacement of any decorations, partitions, floor covering or any other improvements or property. Tenant shall be required to restore or replace same in the event of damage. Tenant shall have no claim against Landlord for any damage suffered by reason of any such damage, destruction, repair or restoration; nor shall Tenant have the right to terminate this Lease as the result of any statutory provision now or hereafter in effect pertaining to the damage and destruction of the Leased Premises or the McGrath House including Sections 1932(2) and 1933(4) of the Civil Code of the State of California, except as expressly provided herein.

8.5 Repair and Restoration Obligations.

(i) To the extent Tenant is required hereunder to repair and restore damage to the Leased Premises, the McGrath House, or any portion thereof, Tenant agrees to make full repair and restoration of said damage and to restore the improvements to the condition which existed prior to said damage with such alterations or changes thereto as are required by then current building codes or are approved by Landlord, and all available insurance proceeds shall be held in trust by Tenant and disbursed and used only for such repair and restoration.

(ii) Tenant agrees that preliminary steps toward performing repairs, restoration or replacement shall be commenced by Tenant within thirty (30) days after settlement of insurance proceeds, but in any event within one hundred and eighty (180) days after the event causing such damage or destruction and the required repairs, restoration or replacement shall be completed within a reasonable time thereafter.

(iii) Tenant agrees to hold Landlord free and harmless, and indemnify Landlord and City of Oxnard against all claims, liabilities, costs and expenses, for labor and materials in connection with all construction, repairs, restoration, or alterations on the Leased Premises, the McGrath House, or any portion thereof and the cost of defending against such claims, including, without limitation, attorneys' fees.

(iv) Landlord shall have the right to post and maintain on any notices of nonresponsibility provided for under applicable law.

8.6 Insurance Proceeds. As used herein, the term "available insurance proceeds" means the gross insurance proceeds paid by an insurer less any and all reasonable third party costs and expenses incurred by Tenant to recover said proceeds. Tenant agrees to promptly commence and prosecute to completion the settlement of insurance proceeds with respect to any event of damage or destruction of the Leased Premises, the McGrath House, or any portion thereof.

9. Condemnation.

If all or any part of the Leased Premises shall be taken or appropriated for public or quasi-public use by right of eminent domain with or without litigation or transferred by agreement in connection with such public or quasi-public use, either Party hereto shall have the right at its option exercisable within thirty (30) days of receipt of notice of such taking to terminate this Lease as of the date possession is taken by the condemning authority; provided, however, that before Tenant may terminate this Lease by reason of taking or appropriation as provided hereinabove, such taking or appropriation shall be of such an extent and nature as to substantially handicap, impede or impair Tenant's use of the Leased Premises. No award for any partial or entire taking shall be apportioned, and Tenant hereby assigns to Landlord any award which may be made in such taking or condemnation, together with any and all rights of Tenant now or hereafter arising in or to the same or any part thereof; provided, however, that nothing contained herein shall be deemed to give Landlord any interest in or to require Tenant to assign to Landlord any

award made to Tenant for the taking of personal property and fixtures belonging to Tenant and/or for the interruption of or damage to Tenant's business.

10. Utilities; Property Owners' Association Dues.

10.1 Utilities. Tenant shall pay for all water, gas, heat, and electricity services supplied to the Leased Premises. Tenant shall also pay for Tenant's own telephone service and all other services and/or utilities supplied to the Leased Premises. Notwithstanding the foregoing, Landlord shall not be liable in damages or otherwise for any failure, interruption or unavailability of any utility service being furnished to the Leased Premises and no such failure or interruption shall entitle Tenant to terminate this Lease or receive any abatement of Rent hereunder.

10.2 Property Owners' Association Dues and Special Assessments. Landlord shall pay any and all special assessments levied on the Lease Premises and any and all dues levied on the Leased Premises by the existing Heritage Square Property Owners' Association.

11. Taxes.

11.1 Tenant shall pay at least ten (10) days before due, and before any fine, penalty, interest or cost shall be charged thereon, directly to the appropriate taxing or other governmental authority, all of the following:

(i) Ad valorem taxes and assessments of every kind and nature levied and assessed upon the Leased Premises and the underlying realty including, but not limited to, general assessments, whether foreseen or unforeseen, excluding, however, possessory interest taxes assessed against the leasehold interest created hereby and special assessments, and

(ii) Taxes, assessments, license fees and public charges levied, assessed or imposed upon its business operation on the Leased Premises, (collectively, "Taxes") and Tenant shall deliver to Landlord copies of receipted bills for such Taxes within fifteen (15) days after receipt of such bills by Tenant.

11.2 Possessory Interest Tax. Landlord and Tenant agree that this Lease may create a possessory interest which is subject to property taxation by the county assessor / tax collector, in which event Landlord shall pay such possessory interest taxes.

12. Compliance with Laws.

Tenant agrees to comply with the existing Declaration of Covenants, Conditions and Restrictions pertaining to Heritage Square and any other covenants or restrictions of record and all applicable zoning, local, county, state or federal laws, ordinances, rules and regulations governing the use, occupancy, repair, restoration or maintenance of the Leased Premises, the McGrath House, or any portion thereof. Tenant agrees to secure

any federal, state or local licenses or permits required in order to use, occupy, repair, restore or maintain the Leased Premises, the McGrath House, or any portion thereof.

13. Indemnity and Exculpation.

13.1 Indemnity.

(i) Tenant shall indemnify, defend and hold harmless Landlord, the City of Oxnard, and the Heritage Square Property Owners' Association from and against any and all claims, liabilities, losses, costs, expenses, including, without limitation, attorneys' fees and costs, including, without limitation, those resulting from theft, vandalism, personal injury, disability or death, (collectively, "Claims or Liabilities") except to the extent caused by the gross negligence or willful misconduct of Landlord, arising from any of the following:

(a) The condition of the Leased Premises, McGrath House or any portion thereof and surrounding areas which are used by Tenant and Tenant's employees, staff, consultants, agents, contractors, suppliers, invitees, guests, patrons, licensees, successors and assigns (collectively, "Tenant's Representatives"),

(b) Tenant's and Tenant's Representatives' use, occupancy, repair, restoration or maintenance of the Leased Premises, McGrath House, any portion thereof,

(c) Any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or

(d) The conduct of Tenant's business operated on or about the Leased Premises or any act or negligence of Tenant, or any of Tenant's Representatives.

(ii) In case any action or proceeding be brought against the City of Oxnard or the Landlord by reason of any such claim, Tenant, upon notice from any such party, shall defend the same at Tenant's expense by counsel reasonably satisfactory to such party.

(iii) Tenant, as a material part of the consideration given to Landlord, hereby (a) assumes all risk of damage to property or injury to persons in, upon or about the Leased Premises arising from any cause including, but not limited to, any theft, vandalism, damage, injury to person or death resulting from the condition of the Leased Premises, the McGrath House, or any portion thereof during the Term hereof but excluding any claims (except for those claims arising from Landlord's alleged failure to supervise or control Tenant's actions or Tenant's use, occupancy, repair, restoration or maintenance of the Leased Premises) arising from the gross negligence or willful misconduct of Landlord, and (b) waives all claims in respect thereof against Landlord and the City of Oxnard.

13.2 Exemption of Landlord From Liability. The Parties agree that Landlord shall not be liable for any injury or damage which may be sustained by the person, goods, wares, merchandise or property of Tenant or Tenant's Representatives or by any other person in or about the Leased Premises, McGrath House, or any portion thereof caused by or resulting from fire, steam, electricity, gas, water or rain which may leak or flow from or into any part of the Leased Premises, the McGrath House or any portion thereof, or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, whether said damage or injury results from conditions arising upon the Leased Premises, the McGrath House, any portion thereof, or from other sources.

14. Default and Remedies.

14.1 Default. The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant:

(i) Any failure by Tenant to pay any Rent at the time said payment is due:

(ii) The abandonment or vacation (defined to be ten (10) or more days of continuous absence from the Leased Premises) of the Leased Premises by Tenant;

(iii) The failure by Tenant to observe and perform any other provision of this Lease to be observed or performed by Tenant, where such failure continues for fifteen (15) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of the default is such that the same cannot reasonably be cured within said fifteen (15) day period and Tenant initiates corrective action within said 15-day period, and diligently, continually, and in good faith works to effect a cure as soon as possible, then Tenant shall have additional time which shall not exceed ninety (90) days;

(iv) The making by Tenant of any general assignment or general arrangement for the benefit of creditors; the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Leased Premises or Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Leased Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days.

14.2 Termination.

(i) In the event of any such default by Tenant, then in addition to any other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such termination. In the event that Landlord shall elect to so terminate this Lease then Landlord may recover from Tenant, to the extent permitted by law:

(a) The worth at the time of award of any unpaid Rent which had been earned at the time of such termination; plus

(b) 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 Tenant proves could have been reasonably avoided; plus

(c) 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 Tenant proves could be reasonably avoided; plus

(d) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of events would be likely to result therefrom; plus

(e) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable California law.

(ii) As used herein, the "worth at the time of award" is computed by allowing interest at the rate of five percent (5%).

14.3 Additional Remedies.

(i) In the event of the vacation or abandonment of the Leased Premises by Tenant (as defined in Section 14.1(ii), above), and if Landlord does not elect to terminate this Lease and Tenant's right to possession of the Leased Premises by electing the remedy provided in Section 14.2 above, then Landlord may, pursuant to Section 1951.4 of the Civil Code of the State of California, recover all Rent as it becomes due.

(ii) Landlord's entry into the Leased Premises for maintenance purposes or in an attempt to relet the Leased Premises shall not be considered to terminate Tenant's right to possession of the Leased Premises and no entry of the Leased Premises by Landlord shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction. Landlord may at any time after any default by Tenant elect to terminate this Lease pursuant to Section 14.2 above.

(iii) The rights of Landlord under this Lease shall be cumulative to all other rights or remedies now or hereafter available to Landlord at law or in equity.

15. Maintenance.

15.1 Landlord's Obligations. Landlord shall maintain in good order, condition and repair the exterior and structural components of the McGrath House, except for any maintenance or repair necessitated by any act or omission of Tenant or any of Tenant's Representatives for which Tenant shall be responsible.

15.2 Tenant's Obligations. Tenant, at its sole cost and expense, shall provide all janitorial services for the Leased Premises, McGrath House and all portions thereof and shall keep, maintain and, if necessary, repair all portions of the Leased Premises as well as all improvements on the Leased Premises (including, without limitation, the McGrath House) and all facilities appurtenant to the Leased Premises (other than the exterior and structural components of the McGrath House) in good order and repair and in a safe and clean condition, including, without limitation, the interior surface of exterior walls, windows, window frames, doors, door frames, locks, plate or other glass, floor covering, interior ceiling and walls, all electrical equipment, all heating, ventilation, exhaust, and air conditioning equipment, all plumbing, sewage and sprinkler systems, handicap lift, and all other equipment installed in, or located outside of, the Leased Premises but otherwise exclusively serving the Leased Premises. Landlord's Community Development Director or designee shall have the right, but not the obligation, to establish from time to time by providing written notice to Tenant the type and/or frequency of janitorial services which shall be required hereunder. In the event Tenant fails to make repairs and/or maintain (including, without limitation, providing janitorial services) the Leased Premises, McGrath House, or any part thereof in good order, condition and repair, Landlord may give Tenant ten (10) days notice to do such acts as are reasonably required to so repair or maintain the Leased Premises. In the event Tenant fails to promptly commence such work within said ten (10) day period and diligently prosecute same to completion, then Landlord shall have the right, but not the obligation, to do such acts and expend such funds at the expense of Tenant as are reasonably required to perform such work. Any amount so expended, together with interest thereon at the rate of five percent (5%) from the date of payment by Landlord until the date of repayment by Tenant shall be paid by Tenant as Additional Rent hereunder. Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the Leased Premises by Tenant as a result of performing any such work. In the event of emergency repairs, Tenant hereby grants to Landlord the right to enter upon the Leased Premises at any time.

15.3 Maintenance of Glass. Notwithstanding anything which may be or appear to be herein to the contrary, Tenant shall, at its own cost and expense, repair and replace any plate or other glass in any window on the Leased Premises that is broken for any reason. Should Tenant fail to repair or replace any broken glass within two (2) days after same is broken, Landlord may, without notice to Tenant, replace or repair such glass and Tenant shall immediately reimburse Landlord as Additional Rent for the cost thereof together with interest on such cost at the rate of five percent (5%) from the date the cost is incurred by Landlord to the date same is reimbursed to Landlord by Tenant.

15.4 Waiver by Tenant. Landlord shall have no obligation to repair or maintain the Leased Premises, the McGrath House, or any portion thereof or improvements constructed therein except as provided in this Lease. Tenant hereby waives all right to make repairs at the expense of Landlord as provided for in any statute or law in effect at the time of execution of this Lease (including Section 1942 of the Civil Code of the State of California) or any amendment thereof or any other statute or law which may be hereafter enacted during the Term of this Lease.

15.5 Liens. Tenant shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Premises, other than as may be provided in this Lease in Section 17, below. Tenant shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim. Tenant shall reimburse Landlord for any expense incurred by Tenant in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

16. Landlord's Right of Entry.

Tenant shall permit Landlord or Landlord's Representatives to enter the Leased Premises at all reasonable times for the purpose of inspecting the Leased Premises to determine whether Tenant is complying with the terms of this Lease and for the purpose of doing other lawful acts that may be necessary to protect Landlord's interest in the Leased Premises under this Lease or to perform Landlord's duties under this Lease. Landlord also reserves and shall at any and all times have the right to enter the Leased Premises in connection with any utilities to be provided by Landlord to Tenant hereunder, to submit said Leased Premises to inspection by prospective purchasers or tenants or prospective or existing mortgagees, to post notices of non-responsibility and "for lease" signs, and to alter, improve or repair the Leased Premises and any portion of the McGrath House without abatement of Rent. Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Leased Premises, and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Leased Premises, excluding Tenant's vaults and safes, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency, the existence of which shall be determined by Landlord in its sole discretion, in order to obtain entry to the Leased Premises. Any entry to the Leased Premises obtained by Landlord by any of said means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Leased Premises, or an eviction of Tenant from the Leased Premises or any portion thereof.

17. Transfers.

17.1 Assignment and Subletting. Tenant shall not voluntarily or by operation of law assign, license, franchise, transfer, mortgage or otherwise encumber all or any part of Tenant's interest in this Lease or in the Leased Premises, the McGrath House, or any

portion thereof, and shall not sublet, franchise, or license all or any part of the Leased Premises or McGrath House, without the prior written consent of Landlord in each instance, which consent may be withheld in Landlord's sole and absolute discretion. Any attempted assignment, license, franchise, transfer, mortgage, encumbrance or subletting without such consent shall be wholly void. Without in any way limiting Landlord's right to refuse to give such consent for any other reason or reasons, Landlord reserves the right to refuse to give such consent if in Landlord's discretion and opinion the quality or character of the business operation conducted on the Leased Premises or throughout any other portion of the McGrath House is or may be in any way adversely affected during the Term of this Lease by such proposed assignment, license, franchise, transfer, mortgage, encumbrance or subletting, or if the financial worth, capability and/or liquidity of the proposed new tenant is less than that of Tenant at the time of the execution of this Lease or if the proposed new tenant has less experience in operating a business of the specific type as Tenant's than does Tenant.

17.2 Bankruptcy. In the event that Tenant files any type of petition in bankruptcy or has same filed against it and Landlord does not elect to terminate this Lease, and in the event that the trustee or receiver appointed by the bankruptcy court attempts to assume this Lease and thereupon or otherwise assign it to a third party, then:

(i) Such assignee shall have a net worth at least equal to that of the Tenant at the time of execution of this Lease,

(ii) The business of the assuming third party shall be consistent with the character and concept of Heritage Square, and

(iii) All other provisions of 11 U.S.C. 365, as well as other applicable Bankruptcy Law provisions for Landlord's protection, shall be satisfied before any assignment of Tenant's rights, or assumption of Tenant's obligations under this Lease. This subparagraph shall not be deemed to waive any of Landlord's rights under Bankruptcy Law or otherwise.

17.3 Management. In the event Tenant fails to exercise such management and control of the business hereunder permitted to be conducted in the Leased Premises, as is ordinarily exercised by an owner of such a business, then Landlord shall have the right to approve the manager, franchisee, independent contractor, employee or other person or entity selected by Tenant to operate and conduct such business on the Leased Premises. The preceding sentence shall not be deemed to restrict Tenant from delegating day to day management of the Tenant's business, or taking vacations, but shall restrict Tenant from surrendering authority for setting general policy and business practices of the business. If Tenant makes such restricted selection or appointment without first securing Landlord's consent thereto, then Landlord, upon thirty (30) days' written notice to Tenant, shall have the right to terminate this Lease. Landlord shall not unreasonably withhold such consent.

17.4 Effect of Assignment. No approved subletting or assignment shall relieve Tenant of its obligation to pay all Rent and to perform all of the other obligations to be

performed by Tenant hereunder. Tenant shall pay Landlord for Landlord's fees and costs for the review of any proposed assignment or sublease as provided herein. The acceptance of Rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any assignment, subletting or other transfer and such acceptance of Rent shall not be deemed to constitute consent to any subsequent assignment, subletting or other transfer.

18. Rules and Regulations.

Tenant and Tenant's Representatives shall observe faithfully the Rules and Regulations as set forth in Exhibit "C" attached hereto and incorporated by this reference in full herein, and such other and further reasonable Rules and Regulations as Landlord may from time to time adopt. Landlord shall not be liable for violation of any Rules and Regulations or the breach of any provision of any lease by any other tenant or other party in the Landlord's premises.

19. Attorneys' Fees.

In case of any action or proceeding brought by either Party against the other under this Lease, the prevailing Party shall be entitled to recover reasonable attorneys' fees and costs incurred.

20. Notices.

Formal notices, demands and communications between the Parties shall be deemed sufficiently given if dispatched by first class mail, registered or certified mail, postage prepaid, return receipt requested, or by electronic facsimile transmission followed by delivery of a "hard" copy, or by personal delivery (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), to the addresses of the Parties set forth below. Such written notices, demands and communications may be sent in the same manner to such other addresses as any Party may from time to time designate by mail. Any notice that is transmitted by electronic facsimile transmission followed by delivery of a "hard" copy, shall be deemed delivered upon its transmission, provided that if such transmission is delivered after 5:00 p.m., notice shall be deemed given on the next business day; any notice that is personally delivered (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), shall be deemed received on the documented date of receipt; and any notice that is sent by registered or certified mail, postage prepaid, return receipt required shall be deemed received on the date of receipt thereof.

If to Tenant:	La Dolce Vita Di Mare, Inc. 740 So. B Street Oxnard, California 93030 Attn Michelle Kenney, President
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If to Landlord: Community Development Commission
 of the City of Oxnard
 305 W. 3rd Street
 Oxnard, California 93030
 Attn: Community Development Director

21. Subordination: Attornment.

(i) Upon request of Landlord or any mortgagee or beneficiary of Landlord, Tenant shall, in a writing provided by Landlord or any mortgagee or beneficiary of Landlord, subordinate its rights hereunder to the lien of any mortgage or deed of trust or ground lease ("Mortgage"), now or hereafter in force against the land, Leased Premises, and McGrath House, and to all advances made or hereafter to be made upon the security thereof. Tenant further agrees, upon request of Landlord or any mortgagee or beneficiary of Landlord, to provide to Landlord and/or any such mortgagee or beneficiary, financial statements of Tenant and the principal owners of Tenant within ten (10) days after request therefor.

(ii) In the event any proceedings are brought for the foreclosure of any mortgage or deed of trust encumbering the McGrath House, or any portion thereof, or in the event of the exercise of the power of sale under any mortgage or deed of trust made by the Landlord covering the Leased Premises, Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the landlord under this Lease.

(iii) The provisions of this Section 21 to the contrary notwithstanding, and so long as Tenant is not in default hereunder, this Lease shall remain in full force and effect for the full Term hereof.

22. Surrender.

By entry hereunder, Tenant accepts the Leased Premises as being in good and sanitary order, condition and repair and agrees on the last day of the said Term, or sooner termination of this Lease, to surrender unto Landlord the Leased Premises and the McGrath House with said appurtenances in the same condition as when received, reasonable use and wear excepted, and to remove all of the Tenant's personal property from the Leased Premises (which shall not include the furniture, fixtures and equipment detailed on Exhibit "B"). Tenant shall, upon the request of Landlord, remove from the Leased Premises those trade fixtures and other improvements identified by Landlord and installed in the Leased Premises by or at the direction of Tenant, and Tenant shall repair any damage occasioned by such removal.

23. Holding Over.

If Tenant, with Landlord's express written consent, remains in possession of the Leased Premises after expiration of this Lease, such possession by Tenant shall be

deemed to be a tenancy from month-to-month at a Base Rent determined in accordance with Sections 3.1 and 3.2 above (with the commencement date of such tenancy constituting an Adjustment Date) and upon all provisions of this Lease applicable to such a month-to-month tenancy. If Tenant remains in possession of the Leased Premises after expiration or earlier termination of this Lease without the express written consent of Landlord, such possession by Tenant shall be deemed a tenancy at sufferance at a rental rate of three hundred percent (300%) of the then Base Rent in effect as of such expiration or earlier termination.

24. Option to Purchase.

24.1 Option to Purchase. Throughout the Term hereof, so long as Tenant is not in default hereunder, subject to all of the terms and conditions herein, Landlord agrees that in the event Landlord desires to sell (in Landlord's sole and absolute discretion) the entire Leased Premises (including, without limitation, the McGrath House and, subject to any rights of the Small Business Administration, the existing furniture, fixtures and equipment detailed on Exhibit "B"), subject to all applicable notice and legal requirements, Tenant shall have a first option to purchase the Leased Premises ("Purchase Option"). The Purchase Option shall not apply in the event Landlord desires to sell the Leased Premises to the City of Oxnard.

24.2 Exercise of Purchase Option. Landlord shall provide Tenant written notice of Tenant's Purchase Option ("Landlord's Notice"). Tenant shall have thirty (30) days from the date of Landlord's Notice to provide Landlord written notice that Tenant desires to exercise the Purchase Option ("Tenant's Notice").

24.3 Purchase Price and other Purchase Terms. The Purchase Price for the entire Leased Premises (including, without limitation, the McGrath House and, subject to any rights of the Small Business Administration, the existing furniture, fixtures and equipment detailed on Exhibit "B") shall be the then fair market value of the Leased Premises as determined by Landlord through a formal written appraisal of the Leased Premises. Landlord's appraiser shall be an independent, MAI certified appraiser or member in good standing of the American Institute of Real Estate Appraisers. Landlord may condition the purchase with any easements, licenses, covenants, conditions or restrictions Landlord desires in order to protect or further the Heritage Square project, the Redevelopment Plan for the Merged Downtown Redevelopment Project or Landlord's interest as the Oxnard Community Development Commission. Escrow and title shall be opened with an escrow agent and title company chosen by Landlord. All title charges, documentary transfer taxes, escrow and recording fees and costs shall be paid by the Parties in accordance with customary practices in Ventura County. Close of escrow shall occur within the time provided in Landlord's Notice. Title to the Leased Premises shall be subject to any easements, licenses, covenants, conditions or restrictions desired by Landlord as described above and/or any liens, encumbrances, easements, licenses, covenants, conditions or restrictions of record as of the date of Landlord's Notice. In the event Tenant exercises the Purchase Option as described herein, Tenant agrees that

Landlord will not provide any seller financing and that Tenant will be obligated to arrange for private financing of the purchase.

24.4 Waiver of Purchase Option. If Tenant does not provide Tenant's Notice within the 30-day period or Tenant does not agree to purchase the Leased Premises upon all of the terms and conditions contained in this Section, then Tenant shall be deemed to have waived its Purchase Option and Landlord shall have the right to sell or convey the Leased Property to any third party of Landlord's choosing upon any terms and conditions.

25. Marketing.

At a cost to be determined by Landlord's Community Development Director (in his or her sole discretion). Landlord shall assist, and shall use good faith efforts to cause the City of Oxnard to assist, Tenant in outreach and marketing efforts as part of on-going retail retention/attraction efforts.

26. Heritage Square Exclusive Catering Events.

(i) Throughout the Term hereof, so long as Tenant is not in default hereunder, subject to all of the terms and conditions herein, Landlord agrees that Tenant shall have certain exclusive catering rights to the following Heritage Square common areas: Main Plaza, East Courtyard, and West Courtyard, and the "Second Floor Office Building" as described in Exhibit "A." Tenant shall not have any exclusive catering rights to Heritage Square Hall.

(ii) The seating capacities of Main Plaza, East Courtyard, West Courtyard, and Heritage Square Hall are as provided in the following chart:

Location	Facility	Fixed Seating Capacity	Additional Capacity	Exclusive Catering
1	Main Plaza	220 (Ceremony)	180 (reception)	Yes
2	East Courtyard	20 (Reception)	-0-	Yes
3	West Courtyard	20 (Reception)	-0-	Yes
4	Heritage Sq Hall	102	120 (chairs)	No

(iii) The numbers shown in the "Location" column of the above chart correspond to the site map of the Heritage Square and the respective facilities attached hereto as Exhibit "D" and incorporated herein by reference. Exhibit A shows the Second Floor Office Building Space.

(iv) Notwithstanding the foregoing, any non-profit or community organization pre-approved in writing from time to time by the Landlord's Community Development Director or designee shall not be obligated to use Tenant to cater such non-profit's or community organization's own events at the Main Plaza, the East Courtyard, the West Courtyard, or the Second Floor Office Building Space. "Non-profit or community organization" as used herein shall mean any nonprofit, non-governmental association of

persons and/or entities which has been in existence for not less than one year prior to the subject catering date, which has as a primary focus one or any combination of two or more of the following:

A. The provision of charitable support services within the City of Oxnard, such as shelter, food, clothing, counseling and medical assistance;

B. The enhancement of the City of Oxnard through an improvement in business conditions, planning or quality of life; or

C. The preservation of ethnic culture, historical preservation, education, music, theater, dance, art or similar programs within the City of Oxnard.

(v) Any event catered by Tenant at the Main Plaza, East Courtyard, or West Courtyard, or Second Floor Office Building Space shall be referred to herein as a "Heritage Square Exclusive Catering Event". Tenant shall pay to Landlord ten percent (10%) of all gross food and beverage sales from any Heritage Square Exclusive Catering Event as Catering Events Additional Rent as described above in Section 3.3.

(vi) Tenant may reserve without fee that space designed in Exhibit "A" as "Second Floor Office Building" for use by events which Tenant caters, provided that at the time the reservation is made the space is available for use at the time requested. Tenant's right to reserve space shall be on an event by event basis. In other words, Tenant does not have the right to reserve space unless a customer is committed to use the space and use Tenant's catering services.

27. Estoppel Certificate.

(i) Within ten (10) days after request by Landlord (which request may be from time to time as often as reasonably required by Landlord), Tenant shall execute and deliver to Landlord an estoppel certificate in a form reasonably requested by Landlord. Any such estoppel certificate may be conclusively relied upon by any prospective purchaser or encumbrancer, of the Leased Premises or of all or any portion of the McGrath House of which the Leased Premises are a part. Tenant's failure to deliver such statement within ten (10) days of Landlord's written request therefor shall be a binding agreement of Tenant that:

(a) That this Lease is in full force and effect without modification except as may be represented by Landlord.

(b) That there are no uncured defaults in Landlord's performance hereunder, and

(c) That not more than one monthly installment of Base Rent has been paid in advance.

(ii) Further, such failure to deliver such certificate (showing any exceptions to any of the statements of fact required thereby) shall be a material default under this Lease.

28. Signs.

Tenant shall not erect or install any signs or advertising media or window or door lettering or placards without Landlord's Community Development Director's prior written consent, which may be withheld in the Landlord's Community Development Director's sole and absolute discretion. All signs erected by Tenant shall conform to the sign standards if any, set forth in the Rules and Regulations, or as approved by Landlord in any specific addendum to Lease, and which are consistent with existing signage and the Declaration of Covenants, Conditions, and Restrictions of the Heritage Square Property Owners' Association. Tenant shall not install any exterior lighting or plumbing fixtures, shades or awnings, or make any exterior decoration or painting, or build any fences, or install any radio or television antennae, loud speakers, sound amplifiers or similar devices on the roof or exterior walls of the Leased Premises, or make any changes to the McGrath House exterior without Landlord's Community Development Director's prior written consent, which may be withheld in the Landlord's Community Development Director's sole and absolute discretion. Use of roof is reserved to Landlord. Once any signage is installed over the Leased Premises, Tenant shall keep such signage in a first class condition, normal wear and tear excepted.

29. Deliveries.

Tenant agrees that all deliveries or merchandise or otherwise to and from the Leased Premises shall be made upon and over such access roads as are designated therefore by Landlord, and the use thereof shall be subject to the rules and regulations established by Landlord; and such deliveries shall be made only at the rear of the Leased Premises. All automobiles, trucks and other vehicles of Tenant, and its officers, agents and employees, shall be parked only where and as permitted by Landlord from time to time, in such place or in such particular area as may be designated by Landlord as employee parking areas. Tenant agrees that, when and if requested by Landlord to do so, Tenant will furnish Landlord with the license numbers of the vehicles of Tenant and its officers, agents and employees.

30. Binding on Successors and Assigns.

Each provision of this Lease performable by Tenant shall be deemed both a covenant and a condition. The terms, conditions and covenants of this Lease shall be binding upon and shall inure to the benefit of each of the Parties, their heirs, personal representatives, and permitted successors and assigns.

31. 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. The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Rent. No term, covenant or condition of this Lease shall be deemed to have been waived by Landlord unless such waiver be in writing signed by Landlord.

32. Entire Agreement; Amendments.

There are no oral or written agreements or representations between the Parties affecting this Lease, and this Lease supersedes and cancels any and all previous negotiations, arrangements, representations, agreements and understandings, if any, between the Parties with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Lease. All reliance by either Party with respect to representations and warranties shall be solely upon the representations and agreements contained in this Lease. No amendment or addition to this Lease shall be binding upon the Parties unless in writing, signed and delivered by the Party to be charged.

33. Time.

Time is of the essence of this Lease.

34. No Broker.

Tenant represents and warrants that it has dealt with no real estate brokers, leasing agents or finders in connection with or arising out of any of the transactions contemplated by this Lease, and covenants and agrees to indemnify, defend and save Landlord harmless from any and all losses, liability, damages and expenses (including reasonable attorneys' fees and costs), that may arise from a breach of this representation and warranty.

35. Severability.

If any provisions of this Lease shall be determined to be void by any court of competent jurisdiction, then such determination shall not affect any other provision of this Lease and all such other provisions shall remain in full force and effect. The Parties intend that if any provision of this Lease is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid.

36. Applicable Law.

The laws of the State of California shall govern the validity, performance and enforcement of this Lease. This Lease shall not be construed either for or against Landlord or Tenant, but this Lease shall be interpreted in accordance with the general tenor of the language in an effort to reach an equitable result.

37. Corporate Tenant: Partnership.

In the event Tenant (or a general partner of Tenant) shall be a corporation, the persons executing this Lease on behalf of such corporation hereby covenant, represent and warrant that such corporation is a duly constituted corporation in good standing and qualified to do business in the State of California; all franchise and corporate taxes have been paid to date; all future forms, reports, fees and other documents necessary to comply with applicable laws will be filed when due; and such persons are duly authorized by the governing body of such corporation to execute and deliver this Lease on behalf of the corporation. In the event Tenant is a partnership, the persons executing this Lease on behalf of Tenant hereby represent and warrant that Tenant is duly organized and validly existing and is qualified to do business in the State of California; all future forms, reports, fees and other documents necessary for Tenant to comply with applicable laws will be filed by Tenant when due; and such persons are authorized to execute and deliver this Lease on behalf of the partnership.

38. Waiver of Redemption Rights.

Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event of Landlord obtaining possession of the Leased Premises by reason of the violation by Tenant of any of the covenants and conditions of this Lease or otherwise. The rights given to Landlord herein are in addition to any rights that may be given to Landlord by any statute or otherwise.

39. Counterparts.

This Lease may be executed in counterparts, each of which shall be deemed to be an original document.

40. Captions.

The captions of the paragraphs of this Lease or any Exhibits or Riders attached hereto are for convenience only and shall not be deemed to be relevant in resolving any question of interpretation or construction of any section of this Lease.

41. Interpretation of Agreement.

This Lease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters addressed in this Lease. In addition, each Party has

been given the opportunity to consult with experienced and knowledgeable legal counsel. Accordingly, any rule of law (including Civil Code section 1654) or legal decision that would require interpretation of any ambiguities in this Lease against the Party that has drafted it is not applicable and is waived. The provisions of this Lease shall be interpreted in a reasonable manner to effect the purpose and intent of the Parties to this Lease.

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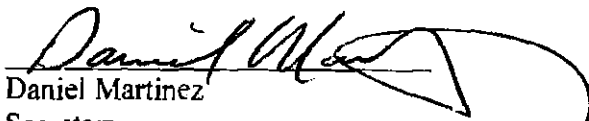
IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the dates set forth below to be effective as the Effective Date.

COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF OXNARD, a public body,
corporate and politic

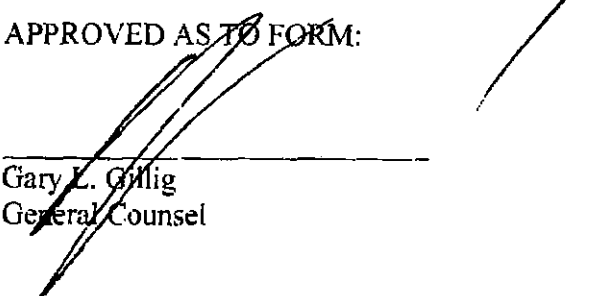
Date: July 1, 2008

By: 
Dr. Thomas E. Holden
Chairman

ATTEST:


Daniel Martinez
Secretary

APPROVED AS TO FORM:


Gary L. Gillig
General Counsel

APPROVED AS TO CONTENT:

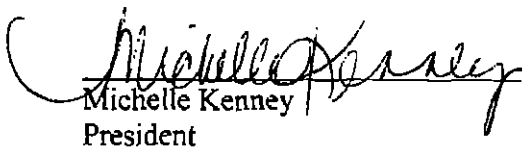
By: 
Curtis P. Cannon
Director of Community Development

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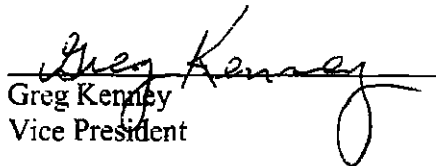
[signatures on following page]

LA DOLCE VITA DI MARE, INC., a
California corporation

Date: 6-19-08


Michelle Kenney
President

Date: 6-19-08


Greg Kenney
Vice President

[remainder of page left intentionally blank]

Exhibit "A"

Site Map of Leased Premises

[behind this page]

The site plan for 740 South B Street shows a building with a complex, irregular footprint. The building is oriented with its long side running diagonally from the top-left to the bottom-right. The main building area is labeled "740 South B Street". An "OUTDOOR DINING" area is located at the bottom of the building, with a size of "52.30'". The building has several setbacks and dimensions: 47.2' on the left side, 47.2' on the top-left corner, 47.2' on the top side, 47.2' on the top-right corner, 47.2' on the right side, 47.2' on the bottom-right corner, 47.2' on the bottom side, and 47.2' on the bottom-left corner. The building is surrounded by a "MATCH LINE" on the left and right sides. The plan also shows "BEE SHEET NO. 7." and "MATCH LINE" on the right side. The plan includes a north arrow pointing towards the top-right and a scale bar indicating 10.0'.

Packet Pg. 183

McGrath House
Heritage Square

Exhibit "A"

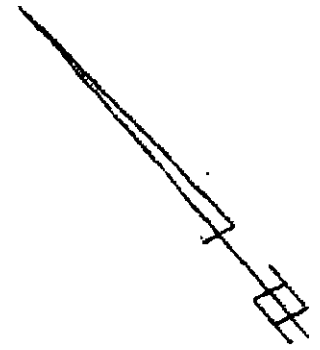
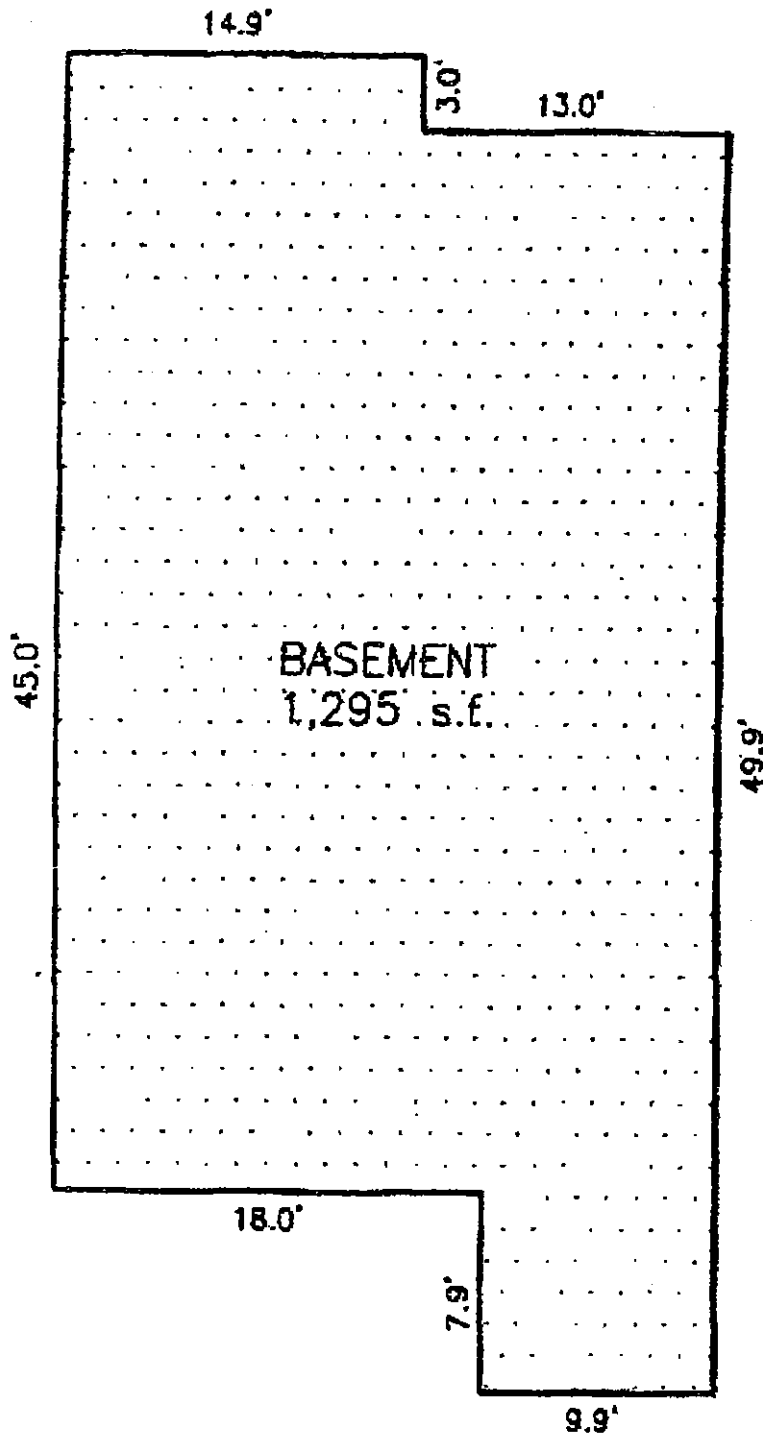


Exhibit "A"
Page 4 of 4

McGrath House
Heritage Square

Exhibit "A"

SECOND FLOOR
OFFICE BUILDING
1,407 s.f.

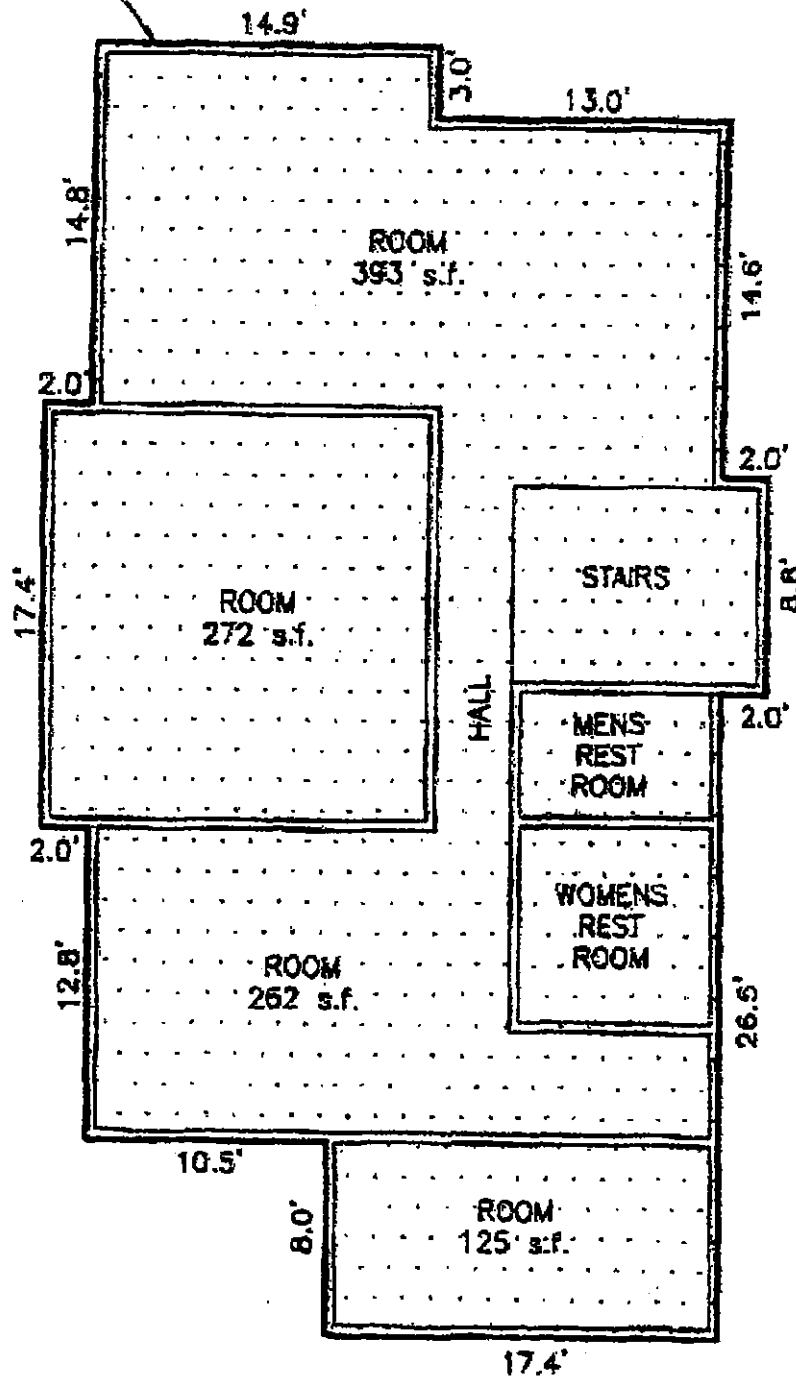


Exhibit "A"
Page 3 of 4

McGrath House
Heritage Square

Exhibit "A"

FIRST FLOOR
RESTAURANT
1,479 s.f.

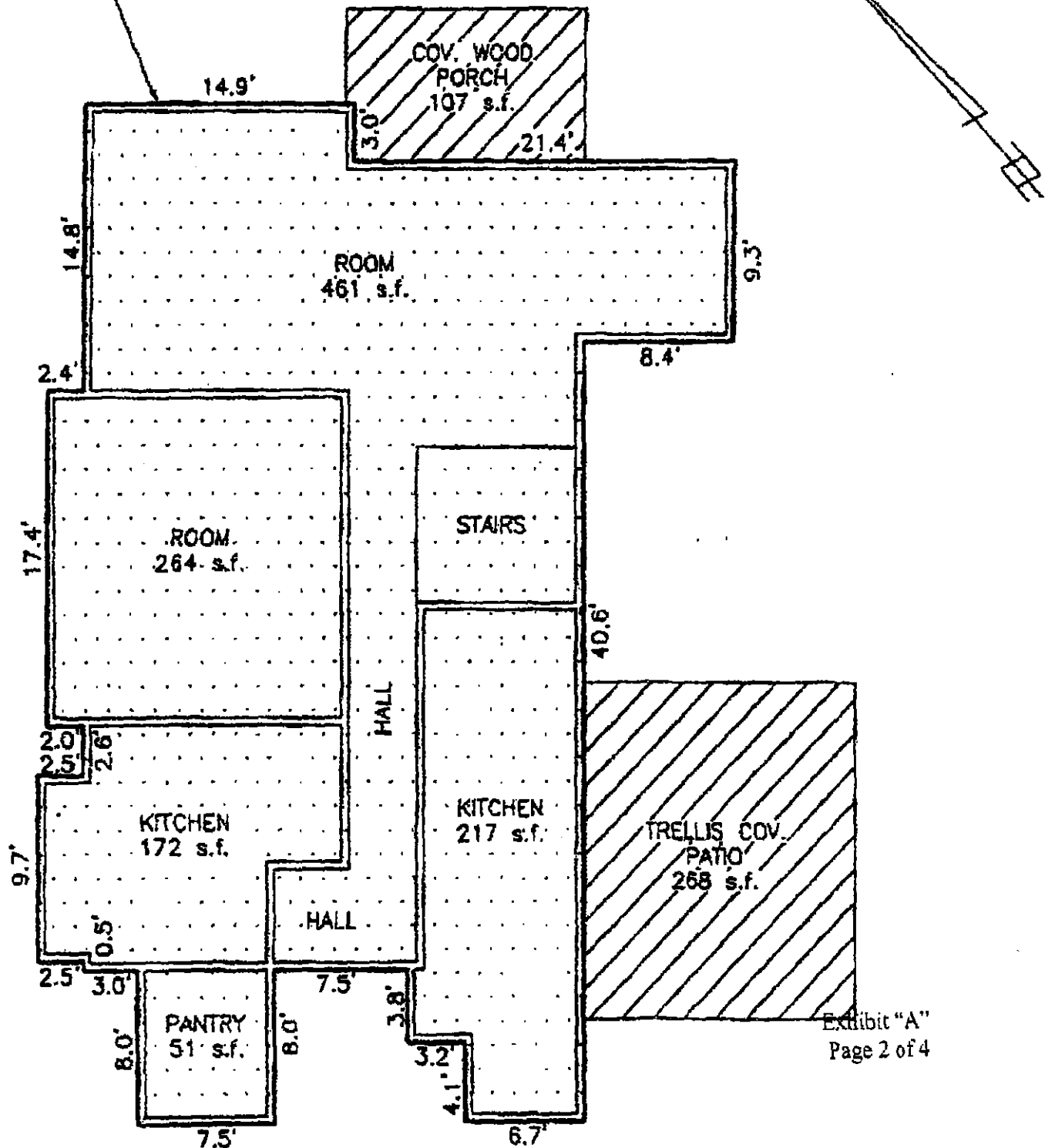


Exhibit "A"
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Exhibit "B"

List of Existing Furniture, Fixtures and Equipment

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Furniture, Fixtures, Equipment List
McGrath House at Heritage Square, 740 South B Street
12/04/05

Pub

- 19-foot front and back bar with counter
- 72-inch back bar coolers (2)
- 6 foot 3-compartment with sink
- 36-inch cocktail unit
- Tub/mop sink (1)
- Coffee makers (2) / warmer (1)
- 30-inch black tables and bases (12)
- Black metal chairs (48)
- Sharpe electronic cash register
- Satellite receiver system
- Music system with 4 speakers
- Speaker mounting brackets (4)
- Television sets (6) one 35-inch, three 26-inch, two 20-inch
- Television mounting brackets (6)
- Security alarm system
- Desk and filing cabinet
- Casablanca ceiling fans (3)
- 12-unit stack locker
- Ashtrays
- Candles
- Keg hoses
- Bar glasses (assorted sizes for beer and drinks; approx. 50)
- Champagne glasses (approx. 3 dozen)
- Popcorn machine (1)

Kitchen

- 2-door refrigerator
- 2-door freezer (non-working)
- Ice machine
- Gas grill
- 6-burner stove with oven and flat grill
- Fryer
- 3-bay steam table
- Stainless steel tables (2) one 3-foot, one 15-foot
- Microwave (1)
- Miscellaneous catering and chafing dishes
- Large bread mixer
- Small stainless prep table (1)
- 3-bay kitchen sink (1)
- Mop sink (1)/ hand mops (2)
- Under counter dishwasher (1)
- Assorted table service for approx. 50 people
- Pots, saucepan, size misc. (5)
- Silverware for approx. 15
- Assorted ice cream bowls (approx. 24)
- Wooden chairs with padded seats (approx. 50) / assorted size tables (8)
- 3-wire storage racks for dishes / dish racks for glasses (8)
- Desk in office (1)
- Oval freestanding mirror (1)

Exhibit "C"

Rules and Regulations

1. Tenant shall not suffer or permit the obstruction of any Common Areas (as defined in the Heritage Square Declaration of Covenants, Conditions and Restrictions), including driveways, walkways and stairways.
2. Landlord reserves the right to refuse access to any persons Landlord's Community Development Director or designee in good faith judges to be a threat to the safety, reputation, or property of the McGrath House and its occupants.
3. Tenant shall not make or permit any noise or odors that annoy or interfere with other tenants or persons having business within the Heritage Square project.
4. Tenant shall not keep animals or birds within the McGrath House, and shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.
5. Tenant shall not make, suffer or permit litter except in appropriate receptacles for that purpose.
6. Tenant shall not alter any lock or install new or additional locks and bolts.
7. Tenant shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substances of any kind are to be inserted therein.
8. Tenant shall not deface the walls, partitions or other surfaces of the McGrath House.
9. Tenant shall not suffer or permit anything in or around the Leased Premises or McGrath House that causes excessive vibration or floor loading in any part of the McGrath House.
10. Furniture, significant freight and equipment shall be moved into or out of the McGrath House only with the Landlord's Community Development Director's or designee's prior knowledge and written consent, and subject to such reasonable limitations, techniques and timing, as may be designated by Landlord's Community Development Director or designee. Tenant shall be responsible for any damage to the McGrath House arising from any such activity.

Exhibit C

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11. Tenant shall not employ any service or contractor for service or work to be performed in the McGrath House, except as approved in writing by Landlord's Community Development Director or designee.
12. Tenant shall be responsible for securely locking any doors it may have opened for entry.
13. Tenant shall return all keys at the termination of its tenancy and shall be responsible for the cost of replacing any keys that are lost.
14. No window coverings, shades or awnings shall be installed or used by Tenant without prior written approval of Landlord's Community Development Director or designee.
15. Neither Tenant nor any Tenant Representative shall go upon the roof of the McGrath House.
16. Tenant shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas reasonably designated by Landlord's Community Development Director or designee or by applicable governmental agencies as non-smoking area.
17. Tenant shall not use any method of heating or air conditioning other than as provided by Landlord.
18. Tenant shall not install, maintain or operate any vending machines upon the Leased Premises without Landlord's Community Development Director's or designee's written consent.
19. The Leased Premises shall not be used for lodging or manufacturing.
20. Tenant shall comply with all safety, fire protection and evacuation regulations established by Landlord or any applicable governmental agency.
21. Landlord reserves the right to waive in writing any one of these rules or regulations, and/or as to any particular, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent application thereof to such. Landlord's Community Development Director or designee shall have the right to waive in writing any rule or regulation on behalf of Landlord in the Landlord's Community Development Director's or designee's sole and absolute discretion.
22. Tenant assumes all risks from theft or vandalism and agrees to keep its Leased Premises locked as may be required.

Exhibit C

23. Landlord reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the McGrath House and its occupants. Tenant agrees to abide by these and such rules and regulations. Landlord's Community Development Director shall have the right to make any such rules and regulations on behalf of Landlord.

Exhibit "D"

Heritage Square Site Map

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Heritage Square

McGrath House Restaurant Services

