

ASSIGNMENT OF CAPITAL LEASES

THIS ASSIGNMENT OF CAPITAL LEASES ("Assignment") is made as of this _____ day of May, 1998, by and between VVH RESORTS, LTD., a Delaware limited partnership ("Assignor"), and LHO MISSION BAY HOTEL, L.P., a California limited partnership ("Assignee"), with reference to the following facts:

RECITALS:

A. Assignor, as seller, and Assignee, as buyer, are parties to a Purchase and Sale Agreement With Joint Escrow Instructions dated as of May 19, 1998, (the "Purchase Agreement") for the property commonly known as The San Diego Princess Resort which is more particularly described on Schedule 1 attached to and made a part of this Assignment. Capitalized terms used in this Assignment and not defined herein shall have the meanings ascribed to them in the Purchase Agreement.

A. Capitalized terms used in this Assignment and not defined herein shall have the meanings ascribed to them in the Purchase Agreement.

B. Assignor has or may have an interest in the Capital Leases.

C. Assignor desires to assign, transfer, and deliver to Assignee all of Assignor's right, title and interest in, to, and under the Capital Leases in connection with the consummation of the purchase and sale of the Property.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and upon the conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. Effective Date. The "Effective Date" is defined to be the date of recordation of the Assignment of Ground Lease in the Official Records of San Diego County, State of California.

2. Assignment. Effective on the Effective Date, Assignor assigns, transfers and delivers to Assignee all of Assignor's right, title and interest in, to and under the Capital Leases.

3. Acceptance and Assumption. Upon the Effective Date, Assignee accepts the assignment, transfer and delivery of the Capital Leases and assumes and agrees to keep, perform and be bound by all of the terms, covenants, conditions and obligations which are required to be performed by Assignor under the Capital Leases from and after the Effective Date.

4. Assignor's Indemnification. Assignor hereby indemnifies, defends and holds harmless Assignee, its partners, members, shareholders, directors, officers, employees and agents and each of their respective successors and assigns from and against any and all claims, demands, damages, costs, liabilities and causes of action (including reasonable attorneys' fees and costs) suffered or incurred by Assignee by reason of any breach or default by Assignor of any of its obligations arising under the Capital Leases prior to the Effective Date.

5. Assignee's Indemnification. Assignee hereby indemnifies, defends and holds harmless Assignor, its partners, members, shareholders, directors, officers, employees and agents and each of their respective successors and assigns from and against any and all claims, demands, damages, costs, liabilities and causes of action (including reasonable attorneys' fees and costs) suffered or incurred by Assignor by reason of any breach or default by Assignee of any of its obligations arising under the Capital Leases from and after the Effective Date.

6. Miscellaneous Provisions.

6.1 Section Headings. The headings of sections are inserted only for convenience and shall in no way define, describe or limit the scope or intent of any provision of this Assignment.

6.2 No Oral Modifications. This Assignment may not be amended or modified except in writing executed by all parties hereto.

6.3 Binding Effect. This Assignment shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns, and no other party shall be a beneficiary hereunder.

6.4 Attorneys' Fees. If an action is commenced by a party hereto resulting from a dispute with respect to the transactions contemplated herein, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs from the other party in such action. As used herein, the term "attorneys' fees" means attorneys' fees whether or not litigation ensues and if litigation ensues whether incurred at trial, on appeal, on discretionary review or otherwise.

6.5 Governing Law. This Assignment will be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of California with venue in the County of Santa Diego. Each of the parties hereto acknowledge and agree that the laws of the State of California and the selection of venue in the County of San Diego were freely chosen.

6.6 Captions. The captions contained in this Assignment are for convenience only and are not intended to limit or define the scope or effect of any provision of this Assignment.

6.7 Severability. The invalidity, illegality or unenforceability of any provision of this Assignment shall not affect the enforceability of any other provision of this Assignment, all of which shall remain in full force and effect.

6.8 Time of the Essence. Time is of the essence of this Assignment and of the obligations required hereunder.

6.9 Non-Waiver. No delay or failure by any party to exercise any right hereunder, and no partial or single exercise of any such right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.

6.10 Facsimile. The parties hereto and their respective successors and assigns are hereby authorized to rely upon the signatures of each person and entity on this Assignment which are

delivered by facsimile as constituting a duly authorized, irrevocable, actual, current delivery of this Assignment with original ink signatures of each person and entity.

6.11 Further Assurances. The parties agree to execute all documents and instruments reasonably required in order to consummate the transactions contemplated in this Assignment.

6.12 Counterparts. This Assignment may be executed in any number of counterparts and each such counterpart shall be deemed to be an original, but all of which, when taken together, shall constitute one agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the date first above written.

"ASSIGNOR"

VVH RESORTS, LTD., a Delaware limited partnership

By: SAN DIEGO PRINCESS
MANAGEMENT CORPORATION
Its: Sole General Partner

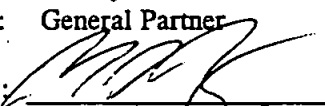
By: _____
Name: _____
Its: _____

"ASSIGNEE"

LHO MISSION BAY HOTEL, L.P., a California limited partnership

By: LASALLE HOTEL OPERATING
PARTNERSHIP, L.P., a Delaware limited partnership
Its: General Partner

By: _____
Name: LASALLE HOTEL PROPERTIES,
a Maryland trust
Its: General Partner

By: 
Name: Michael D. Carnello
Its: Chief Operating Officer

By: _____
Name: _____
Its: _____

SCHEDULE 1

THAT PORTION OF THE TIDE LANDS AND SUBMERGED OF FILLED LANDS OF FALSE BAY, ALSO KNOWN AS MISSION BAY, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT THE UNITED STATES COAST AND GEODETIC SURVEY TRIANGULATION STATION "OLD TOWN"; THENCE NORTH 9076.50 FEET; THENCE WEST 16,684.70 FEET TO POINT "A" OF THIS DESCRIPTION, HAVING A NORTH AMERICAN DATUM OF 1983 VALUE OF NORTHING 1863490.33 AND EASTING 6257218.18; THENCE NORTH 67°00'21" EAST 28.32 FEET TO POINT "Z" OF THIS DESCRIPTION, HAVING A NORTH AMERICAN DATUM OF 1983 VALUE OF NORTHING 1863501.40 AND EASTING 6257244.26; THENCE NORTH 1°19'36" WEST 540.00 FEET TO THE TRUE POINT OF BEGINNING; THENCE NORTH 88°40'24" EAST 370.10 FEET TO THE BEGINNING OF A TANGENT 100.00 FOOT RADIUS CURVE CONCAVE SOUTHWESTERLY; THENCE ALONG SAID CURVE SOUTHEASTERLY 157.08 FEET THROUGH A CENTRAL ANGLE OF 90°00'00"; THENCE TANGENT TO SAID CURVE SOUTH 1°19'36" EAST 160.04 FEET TO THE BEGINNING OF A TANGENT 320 FOOT RADIUS CURVE CONCAVE NORTHEASTERLY; THENCE ALONG SAID CURVE SOUTHEASTERLY 1071.57 FEET THROUGH AN ANGLE OF 191°51'49"; THENCE NORTH 81°03'17" EAST 263.43 FEET; THENCE SOUTH 9°40'52" EAST 439.37 FEET TO THE BEGINNING OF A TANGENT 250.00 FOOT RADIUS CURVE CONCAVE WESTERLY; THENCE ALONG SAID CURVE SOUTHERLY 171.42 FEET THROUGH A CENTRAL ANGLE OF 39°17'09" TO THE BEGINNING OF A REVERSE CURVE CONCAVE EASTERLY AND HAVING A RADIUS OF 150.00 FEET, A RADIAL LINE TO SAID CURVE BEARS SOUTH 60°23'43" EAST; THENCE ALONG SAID CURVE SOUTHERLY 157.04 FEET THROUGH A CENTRAL ANGLE OF 59°59'10"; THENCE SOUTH 1°14'21" EAST 352.61 FEET TO THE BEGINNING OF TANGENT 40.00 FOOT RADIUS CURVE CONCAVE NORTHWESTERLY; THENCE ALONG SAID CURVE SOUTHWESTERLY 62.70 FEET THROUGH AN ANGLE OF 89°48'54"; THENCE TANGENT TO SAID CURVE SOUTH 88°34'33" WEST 853.30 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE SOUTHEASTERLY AND HAVING A RADIUS OF 100.00 FEET; THENCE ALONG SAID CURVE SOUTHWESTERLY 157.97 FEET THROUGH A CENTRAL ANGLE OF 90°18'11" TO A POINT ON A 480.00 FOOT RADIUS CURVE CONCAVE WESTERLY TO WHICH POINT A RADIAL LINE BEARS NORTH 88°16'22" EAST; THENCE ALONG SAID CURVE SOUTHERLY 243.37 FEET THROUGH A CENTRAL ANGLE OF 29°03'02"; THENCE TANGENT TO SAID CURVE SOUTH 27°19'24" WEST 181.99 FEET; THENCE NORTH 62°40'36" WEST 555.00 FEET; THENCE NORTH 24°10'06" WEST 478.16 FEET; THENCE NORTH 204.14 FEET TO A POINT ON A 540.00 FOOT RADIUS CURVE, CONCAVE EASTERLY WITH A RADIAL CENTER AT SAID POINT "Z", THE RADIUS OF WHICH BEARS SOUTH 48°50'39" WEST; THENCE NORTHERLY ALONG SAID CURVE 1223.61 FEET THROUGH AN ANGLE OF 129°49'45" TO THE TRUE POINT OF BEGINNING.

SCHEDULE 2

Capital Leases

GMAC Lease Agreement for 1997 Cadillac Concours between Marvin K. Brown Auto Center, Inc. and San Diego Princess Management Corp.

Avis Rent-a-Car Monthly Rental Agreement for Plymouth Voyager Van.

PURCHASE AND SALE AGREEMENT WITH JOINT ESCROW INSTRUCTIONS

between

VVH RESORTS, LTD.,

a Delaware limited partnership

as Seller

and

LHO MISSION BAY HOTEL, L.P.,

a California limited partnership

as Buyer

PURCHASE AND SALE AGREEMENT WITH JOINT ESCROW INSTRUCTIONS

THIS PURCHASE AND SALE AGREEMENT WITH JOINT ESCROW INSTRUCTIONS ("Agreement") dated as of the ____ day of May, 1998 is by and between VVH RESORTS, LTD., a Delaware limited partnership ("Seller"), and LHO MISSION BAY HOTEL, L.P., a California limited partnership ("Buyer"). Capitalized terms used in the **Recitals** below, not otherwise defined therein, shall have the meanings ascribed to them in **Section 1** of this Agreement.

RECITALS

WHEREAS, this Agreement is made and entered into with reference to the following facts:

WHEREAS, Seller is the lessee pursuant to the Ground Lease (as defined below) of the Land which is improved with, among other things, the hotel commonly known as The San Diego Princess Resort located at 1404 West Vacation Road, San Diego, California, 92109.

WHEREAS, Buyer desires to purchase, and Seller desires to sell, the Property on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer and Seller agree as follows:

1. **DEFINITIONS.** For purposes of this Agreement, the following terms shall have the following meanings:

1.1 "**Accounts Receivable**" means all accounts receivable of the Hotel and the Property, including the Tray Ledger, receivables from Room Revenues, Other Revenues and Leases.

1.2 "**Assignment of Capital Leases**" means the Assignment of Capital Leases assigning to Buyer all of Seller's right, title and interest in and to those Capital Leases which by their terms are assignable or assignable with the other party's consent. The Assignment of Capital Leases shall be in the form of, and upon the terms contained in, **Exhibit "A"**.

1.3 "**Assignment of Ground Lease**" means the Assignment and Assumption of Ground Lease assigning to Buyer all of Seller's right, title and interest in, to and under the Ground Lease. The Assignment of Ground Lease shall be in the form of, and upon the terms contained in, **Exhibit "B"**.

1.4 "**Assignment of Intangible Property**" means the Assignment of Intangible Property assigning to Buyer all of Seller's right, title and interest in and to the Intangible

Property. The Assignment of Intangible Property shall be in the form of, and upon the terms contained in, Exhibit "C".

1.5 "Assignment of Leases" means the Assignment of Leases, assigning to Buyer all of Seller's right, title and interest in and to the Leases. The Assignment of Leases shall be in the form of, and upon the terms contained in, Exhibit "D".

1.6 "Assignment of Service Contracts" means the Assignment of Service Contracts assigning to Buyer all of Seller's right, title and interest in and to those Service Contracts which Buyer will assume pursuant to Section 5.2.6 below. The Assignment of Service Contracts shall be in the form of, and upon the terms contained in, Exhibit "E".

1.7 "Assignment Fee" means the fee payable to the City upon an assignment of the Ground Lease pursuant to Section 8.5 of the Ground Lease.

1.8 "Bill of Sale" means the Bill of Sale conveying to Buyer the Personal Property. The Bill of Sale shall be in the form of, and on the terms contained in Exhibit "F".

1.9 "Buyer Indemnities" has the meaning ascribed to it in Section 12 of this Agreement.

1.10 "Capital Leases" means the leases of equipment used in the operation of the Hotel, which are set forth on Exhibit "G".

1.11 "City" means the City of San Diego, a municipal corporation.

1.12 "Closing" means the consummation of the conveyances of the Property to Buyer.

1.13 "Closing Certificates" mean (a) as to Seller, a certificate of Seller stating that the warranties and representations of Seller contained in this Agreement are true and correct in all material respects as of the Closing Date, except as set forth in such certificate, and (b) as to Buyer, a certificate of Buyer stating that the warranties and representations of Buyer contained in this Agreement are true and correct in all material respects as of the Closing Date, except as set forth in such certificate.

1.14 "Closing Date" means May 28, 1998 unless otherwise mutually agreed to in writing by Buyer and Seller or extended pursuant to the terms of this Agreement, but in no event later than the Outside Closing Date (as defined below).

1.15 "Code" means the United States Internal Revenue Code of 1986, as amended.

1.16 "Deposit" means a deposit by Buyer in cash or immediately available funds in Escrow of an amount equal to Five Hundred Thousand and No/100 Dollars (\$500,000.00) to be delivered by Buyer to Escrow Holder within two (2) business days after the date of this Agreement.

1.17 "Eelgrass Mitigation Plan" means the eelgrass mitigation plan set forth in the Ground Lease.

1.18 "Employment Contracts" means all employment contracts, except for any management contracts, consulting agreements, union contracts, labor agreements, collective bargaining agreements, pension plans, profit sharing plans and employee benefit plans, together with all supplements, amendments and modifications thereto, which affect the Property, and which are set forth on Exhibit "H".

1.19 "Escrow" means the escrow established with Escrow Holder for the consummation of the purchase and sale of the Property in accordance with this Agreement.

1.20 "Escrow Holder" means Chicago Title Insurance Company.

1.21 "Excluded Personal Property" means (a) all personal property depicting the name "Princess" or any logo or trademark, of the "Princess Resort" and (b) the personal property described on Exhibit "I".

1.22 "Governmental Regulations" means any local, state, and federal laws, ordinances, rules, requirements, resolutions, policy statements and regulations (including, without limitation, those relating to land use, subdivision, zoning, environmental, labor relations, notification of sale to employees, Hazardous Materials, occupational health and safety, water, earthquake hazard reduction and building and fire codes) bearing on the construction, development, alteration, rehabilitation, maintenance, use, operation, or sale of the Property.

1.23 "Ground Lease" means the City of San Diego Percentage Lease, dated December 30, 1994 between the City, as lessor, and Seller, as Lessee.

1.24 "Ground Lessor Estoppel" means a written statement executed by the City dated within thirty (30) days prior to the Closing in substantially the form and content of Exhibit "J" attached hereto.

1.25 "Hazardous Materials" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, any agency of the State of California or any agency of the United States Government. The term "Hazardous Materials" includes, without limitation, any material or substance which (a) contains petroleum or any petroleum by-products, (b) contains asbestos, (c) contains urea formaldehyde foam insulation, (d) is designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. § 1317), (e) is defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. § 6901 (42 U.S.C. § 6903), or (f) is defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 (42 U.S.C. § 9601). Each reference to a statute or law in this definition shall be deemed to include any amendments thereto which are enacted from time to time.

1.26 "Hotel" means the real property and the improvements comprising The San Diego Princess Resort located on the Land.

1.27 "House Funds" means cash on hand at the Hotel as of the Transfer Time. At Closing, Buyer shall pay to Seller an amount equal to the aggregate amount of such House Funds in readily available funds in addition to, and not as part of, the Purchase Price.

1.28 "Intangible Property" means all of Seller's right, title and interest in and to any and all intangible personal property owned by Seller and used in connection with the ownership,

construction, development (including, without limitation, the benefit of future development rights, plans, models and specifications, which include plans for the Marina Construction (as defined below) and the "Master Plan 2000"), use and/or operation of the Property, including, without limitation, the toll-free telephone numbers for the Property, the Licenses and Permits, the Records and Plans, and the Warranties. Notwithstanding the foregoing, in no event shall the Intangible Property include any trade names, trademarks, service marks or logos including, without limitation, the name "Princess" or any mark or trade name that includes the word "Princess" as an element, which property shall remain the property of Seller.

1.29 "Land" means the leasehold estate in real property located in the City of San Diego, County of San Diego, State of California, as legally described in Exhibit "K".

1.30 "Leases" means all existing leases, rental and occupancy agreements and lease commitments relating to the Real Property, which Leases are set forth on Exhibit "L", together with any and all leases which are entered into after the date of this Agreement in accordance with Section 5.1 of this Agreement.

1.31 "Licenses and Permits" means all of Seller's right, title, interests, privileges, benefits and remedies in, to and under all authorizations, approvals, permits, licenses, agreements, variances, tentative maps, final maps, plans and specifications and land use entitlements held by Seller and/or relating to the construction, reconstruction, occupancy, operation or use of any part of the Property (other than the Liquor License), including, without limitation, the Marina Permits.

1.32 "Liquor Act" means the Alcoholic Beverage Control Act, as the same may be amended from time to time.

1.33 "Liquor Escrow Agreement" means the Agreement for Purchase and Sale of Liquor Inventory and Liquor License and Escrow Instructions to be executed and delivered by the holder of the Liquor Licenses and Buyer (or Buyer's designee) within five (5) business days after the execution of this Agreement for the acquisition of the Liquor Licenses and the Liquor Inventory by Buyer (or Buyer's designee) from the holder thereof. The Liquor Escrow Agreement shall be in substantially the form of, and upon the terms contained in, Exhibit "M".

1.34 "Liquor Inventory" means all wine, beer and other alcoholic beverages on hand at the Hotel as of the Transfer Time.

1.35 "Liquor Licenses" means collectively the On Site General Liquor License Number 47-208932, 47-208932-1, and 47-208932-2, the Caterer Permit No. 58-208932-1 and the Controlled Access Cabinet Permit No. 66-208932-1.

1.36 "Marina Construction" means the construction of the marina as contemplated by the Ground Lease and in accordance with the plans and specifications previously submitted to the City, as the same may be amended prior to the Closing.

1.37 "Marina Permits" means collectively (a) Permit No. 6-97-64 to be issued by the California Coastal Commission upon the satisfaction of all special conditions contained therein (the "Coastal Development Permit") and (b) Permit No. 96-20054-DZ issued by the United States Army Corps of Engineers (the "Army Corps Permit") relating to the Marina Construction.

1.38 "Other Revenues" means all revenues earned from the operation of the Property, other than Room Revenues, including, without limitation, revenues from the sale of food, the sale

of alcoholic and non-alcoholic beverages, rental of meeting and banquet rooms, telephone sales, pay television sales, valet and parking services, gift shop revenue, golf and tennis revenues, marina, boat and boat slip rental revenues, and other similar revenues, together with any sales tax or other taxes thereon.

1.39 "Outside Closing Date" means Friday, June 5, 1998. In the event the Closing does not occur for any reason prior to the Outside Closing Date, then either party may terminate this Agreement upon written notice to the other, and this Agreement shall thereupon terminate and be of no further force or effect, and the parties shall have no further liability or obligation thereunder, except for those provisions which survive the termination of this Agreement; provided, however, that in the event the Closing does not occur prior to the Outside Closing Date due to a breach of this Agreement by Seller, then Seller shall not be entitled to terminate this Agreement pursuant to this Section 1.39. In the event of a termination of this Agreement by either party pursuant to this Section, the other party shall provide written acknowledgment of such termination in form and substance reasonably satisfactory to the party terminating the Agreement. In the event the Seller terminates this Agreement pursuant to this Section, and such termination is not due to a breach of this Agreement by Buyer, then the Deposit shall be returned to Buyer within two (2) business days after the date of such termination.

1.40 "Permitted Exceptions" means collectively (a) matters of title respecting the Real Property approved or deemed approved by Buyer in accordance with this Agreement; and (b) matters affecting the condition of title to the Real Property created by or with the written consent of Buyer.

1.41 "Personal Property" means all personal property of Seller located on or in or used in connection with the Real Property (other than (i) the Excluded Personal Property and (ii) the Liquor Licenses and the Liquor Inventory, which shall be transferred pursuant to the Liquor Escrow Agreement).

1.42 "Pro Forma Title Policy" means the pro forma owner's policy of title insurance issued by the Title Company attached to this Agreement as Exhibit "N".

1.43 "Property" means the Real Property, the Personal Property, the Service Contracts, the Leases, and the Intangible Property and the Liquor Inventory and the Liquor Licenses (which shall be transferred in accordance with the terms and conditions of the Liquor Escrow Agreement).

1.44 "Purchase Price" means the sum of Seventy-Three Million Dollars (\$73,000,000).

1.45 "Real Property" means the Land, all rights, privileges and easements appurtenant to the Land, and all improvements and fixtures situated on the Land.

1.46 "Records and Plans" means (a) all books and records maintained by Seller in connection with the operation of the Property, (b) "as-built" plans and specifications respecting the Real Property, and (c) all structural reviews, architectural drawings, and engineering, soil, seismic, geologic and architectural reports, studies and certificates and other documents pertaining to the Real Property which are within the possession of, under the control of, or reasonably available to, Seller.

1.47 "Renovation Work" means the renovation of the Hotel guest rooms as contemplated by the Ground Lease and the Electrical Work.

1.48 "Reservation Agreements and Deposits" means all guest, banquet room and meeting room and restaurant reservation agreements executed by Seller and all deposits made thereunder for periods after the Closing.

1.49 "Room Revenues" means all revenues from the rental of guest rooms of the Real Property (but excluding any items included in the definition of Other Revenues), together with any sales or other taxes thereon collected by Seller.

1.50 "Seller Indemnities" has the meaning ascribed to it in Section 12 of this Agreement.

1.51 "Seller's Payables" means the accounts payable with respect to which Seller agrees to be fully responsible for the payment after the Closing Date.

1.52 "Service Contracts" means the maintenance contracts, warranties, guarantees, management contracts and bonds, and any other similar obligations, commitments or arrangements, together with all supplements, amendments and modifications thereto, relating to the construction, development, marketing, operation, maintenance or enjoyment of the Property, which are set forth on Exhibit "O" attached to this Agreement.

1.53 "Shoreline Restoration Work" means the improvements specified by the "Shoreline Restoration and Stabilization Plan" as described in Sections 6.5 and 10.7 of the Ground Lease.

1.54 "Survey" means an ALTA "as built" survey of the Real Property prepared by Southland Surveying of San Diego.

1.55 "Title Company" means Chicago Title Insurance Company.

1.56 "Title Policy" means the standard form of owner's title policy issued by the Title Company (together with such re-insurance carriers as Buyer may require) for property located in the State of California to be issued for the benefit of Buyer, which Title Policy shall be (a) without charges in excess of regular premiums, (b) in the same form as the Pro Forma Title Policy, and (c) shall show only those matters as set forth on the Pro Forma Title Policy and the Permitted Exceptions (defined below).

1.57 "Transfer Documents" means the Assignment of Ground Lease, the Bill of Sale, the Assignment of Leases, the Assignment of Capital Leases, the Assignment of Service Contracts, the Assignment of Intangible Property and the Liquor Escrow Agreement.

1.58 "Transfer Time" means 12:01 a.m. on the Closing Date in the Pacific time zone.

1.59 "Transferor's Certificate" means the certificate, to be duly executed and delivered by Seller in accordance with Section 3.1 of this Agreement, certifying that Seller is not a "foreign person" in accordance with the provisions of Section 1445 of the Code and any similar provisions of applicable state law. The Transferor's Certificate shall be in the form of, and upon the terms contained in, Exhibit "P".

1.60 "Tray Ledger" means any accounts receivable of registered guests who have not checked out and who are occupying rooms at the Real Property as of the Transfer Time.

1.61 "Warranties" means all third party warranties and guarantees relating to the Property.

1.62 "WARN Act" means (a) the Worker Adjustment Retraining Notification Act, 29 U.S.C. 2102, et seq. and/or (b) any other similar state or local statute or ordinance.

2. PURCHASE PRICE. Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, the Property in accordance with the terms, and subject to the conditions, of this Agreement. The Purchase Price for the Property will be paid as follows:

2.1 Deposit. Buyer shall deliver the Deposit in accordance with Section 1.16. Escrow Holder shall invest the Deposit in an interest bearing account with a responsible institutional lender approved by Buyer and Seller, and the interest will become part of the Deposit. Buyer's tax identification number is _____ and Seller's tax identification number is 33-0338932. Buyer's failure to deliver the Deposit in accordance with Section 1.16 shall, at Seller's election, render this Agreement void.

2.2 Balance of Purchase Price. On or before the Closing Date, Buyer shall deposit, in cash or by wire transfer (a) into the Escrow the Purchase Price less the Deposit and less the purchase price for the Liquor Inventory and the Liquor Licenses as established pursuant to Section 2.3 below, as adjusted for prorations and adjustments in accordance with Section 9 and Buyer's share of Escrow closing costs in accordance with Section 10, and (b) into the escrow established under the Liquor Escrow Agreement, the portion of the Purchase Price allocable to the Liquor Licenses and the Liquor Inventory as provided in Section 2.3 below, as adjusted for prorations and adjustments in accordance with the terms and conditions of the Liquor Escrow Agreement.

3. ESCROW; CLOSING.

3.1 Opening of Escrow. As soon as reasonably practicable following the mutual execution and delivery of this Agreement, the parties shall open the Escrow with Escrow Holder in order to consummate the purchase and sale in accordance with the terms and provisions of this Agreement by depositing a fully executed counterpart of this Agreement with Escrow Holder. This Agreement shall constitute joint escrow instructions to Escrow Holder; provided, however, that the parties shall execute such additional instructions as may be reasonably requested by Escrow Holder not inconsistent with the provisions of this Agreement. The Closing will take place on the Closing Date at the offices of the Escrow Holder.

3.2 By Seller. At the Closing, Seller shall deliver or cause to be delivered to Escrow Holder the following items, duly executed and, where appropriate, acknowledged by Seller.

- 3.2.1 The Assignment of Ground Lease.
- 3.2.2 The Bill of Sale.
- 3.2.3 The Assignment of Capital Leases.
- 3.2.4 The Assignment of Intangible Property.
- 3.2.5 The Assignment of Leases.
- 3.2.6 The Assignment of Service Contracts.

3.2.7 The Transferor's Certificate.

3.2.8 The Seller's Closing Certificate.

3.2.9 The Liquor Lease Agreement, if applicable.

3.2.10 Such resolutions, authorizations, certificates of good standing and/or other corporate and partnership documents relating to Seller as are reasonably required by Buyer in connection with the transactions contemplated under this Agreement.

3.3 By Buyer. At the Closing, Buyer will deliver or cause to be delivered to Escrow Holder the following items, duly executed and, where appropriate, acknowledged by Buyer:

3.3.1 The net balance of the Purchase Price, to be paid in accordance with Sections 2.2 of this Agreement, after deducting the Deposit and after taking into account the adjustments and cost allocations in accordance with Sections 9 and 10.

3.3.2 The Assignment of Capital Leases.

3.3.3 The Assignment of Intangible Property.

3.3.4 The Assignment of Leases.

3.3.5 The Assignment of Service Contracts.

3.3.6 The Buyer's Closing Certificate.

3.3.7 The "As Is" certificate described in Section 4.6 below.

3.3.8 The Liquor Lease Agreement, if applicable.

3.3.9 Such corporate resolutions, certificates of good standing and/or other corporate and partnership documents relating to Buyer as are reasonably required by Seller in connection with the transactions contemplated under this Agreement.

3.4 By Buyer and Seller. Buyer and Seller will each deposit into the Escrow such other documents and instruments consistent with this Agreement as are reasonably required to effectuate the transactions contemplated under this Agreement.

3.5 Close of Escrow. When (a) each party has deposited in Escrow all of the funds and documents required to be deposited in Escrow by it pursuant to this Section 3 or any other provision of this Agreement, and (b) each of the parties has approved or waived each of the conditions in its favor set forth in Section 7 of this Agreement, and (c) Escrow Holder is otherwise in a position to close Escrow, Escrow Holder shall close Escrow by:

3.5.1 **Recordation.** Recording in the Official Records of the County of San Diego State of California the Assignment of Ground Lease, the Ground Lessor Estoppel and any other documents deposited in Escrow which are in recordable form;

3.5.2 Funds. Delivering to Seller the Purchase Price, as adjusted for Seller's share of prorations and Closing costs:

3.5.3 Documents to Seller. Delivering to Seller the documents described in Section 3.3 above and any other documents (or copies thereof) delivered into Escrow by Buyer; and

3.5.4 Documents to Buyer. Delivering to Buyer the documents described in Section 3.2 above and any other documents (or copies thereof) delivered into Escrow by Seller.

3.6 Deliveries Outside of Escrow. On the Closing, Seller shall deliver to Buyer the following:

3.6.1 Revised and updated schedules and exhibits as required pursuant to Section 7.1.4 below, prepared as of the Closing Date; and

3.6.2 Possession of the Property, subject to the rights of parties claiming under the Leases and the provisions of the Ground Lease.

4. REPRESENTATIONS AND WARRANTIES.

4.1 Seller's Representations and Warranties. Seller makes the following representations and warranties to Buyer all of which are true as of the date of this Agreement and will be true and correct in all material respects as of the Closing.

4.1.1 Organization. Seller is duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified to do business in the State of California. The execution and delivery of this Agreement and the other documents contemplated in this Agreement by Seller, and the performance by Seller of the obligations under this Agreement and the other documents contemplated in this Agreement (i) are within the power of Seller; (ii) have been duly authorized by all requisite partnership action and (iii) will not violate any provision of law, any order of any court or agency of government, the charter documents of Seller or any indenture, agreement or any other instrument to which Seller is a party. This Agreement and each of the other documents described in this Agreement when executed and delivered to Buyer, will constitute legal, valid and binding obligations enforceable against Seller in accordance with the terms of such documents.

4.1.2 Personal Property Owner. Seller is the sole owner of all personal property situated on the Real Property (other than the Excluded Personal Property, the personal property subject to the Capital Leases, and the personal property owned by Hotel guests and tenants under the Leases) free of any adverse claim of any kind whatsoever.

4.1.3 No Prior Transfers - Property. Seller has not transferred, by sale, assignment or otherwise, to any person, partnership, corporation or other entity, all or any portion of any right, title or interest which it may have in and to the Property other than (a) encumbrances which are to be removed at the Closing and (b) the Permitted Exceptions.

4.1.4 Agreements.

4.1.4.1 Except as set forth on Schedule 4.1.4.1, to Seller's knowledge, there are no contracts for deed, land contracts or any oral or written agreements or other

executory agreements whatsoever for the assignment or transfer of any portion(s) of the Property in effect or in existence with respect to the Property, except those set forth on the Pro Forma Title Policy.

4.1.4.2 Except as set forth on Schedule 4.1.4.2, to Seller's knowledge, the Leases are in full force and effect. To Seller's knowledge, there are no defaults, or events which with the passage of time or notice or both, could constitute a default by Seller or by the tenant under any of the Leases.

4.1.4.3 Except as set forth on Schedule 4.1.4.3, Seller has received no written notice from the City that Seller is in default under the Ground Lease, and, to the best of Seller's knowledge, there is no default or event which with the passage of time or notice or both, could constitute a default by the City or Seller under the Ground Lease.

4.1.4.4 Except as set forth on Schedule 4.1.4.4, there are no management, service, maintenance, advance booking, employment or brokerage agreements, with respect to the Real Property which Seller has entered into which would be binding on Buyer following the Closing, except for the Employment Contracts, the Leases, the Service Contracts which Buyer will assume pursuant to Section 5.2.6 below, and the Reservation Agreements and Deposits.

4.1.5 No Litigation. Except as set forth on Schedule 4.1.5, (a) to Seller's knowledge, there is no actual suit, action or legal, administrative, arbitration or other proceeding or governmental investigation involving or affecting the Property, (b) Seller has not been served with written notice of any such proceeding, and (c) to Seller's knowledge, there are no judgments, decrees, or orders affecting the Property.

4.1.6 Notice of Violations. Except as set forth on Schedule 4.1.6, Seller has not received any written notice of any outstanding violations, past or present, of any Governmental Regulations.

4.1.7 Compliance with Agreements. To Seller's knowledge, the execution and delivery of, and performance under, this Agreement has not and will not constitute a breach or default under any other agreement, law or court order under which Seller is a party or may be bound.

4.1.8 Financial Position. To Seller's knowledge, the financial statements and all financial data delivered to Buyer by Seller are true, correct and complete in all material respects as of the date thereof. To Seller's knowledge, no material adverse change has occurred in such financial position subsequent to the date such statements are delivered to Buyer.

4.1.9 Insolvency. There are no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings pending or, to Seller's knowledge, threatened against Seller, nor are any such proceedings contemplated by Seller.

4.1.10 Eelgrass Mitigation Plan. Seller has undertaken the implementation of the Eelgrass Mitigation Plan by completing the planting of the eelgrass and instituting the requisite monitoring program. To the best of Seller's knowledge, Seller is in compliance with the terms of the Eelgrass Plan. All work necessary to comply with the Eelgrass Plan as of the Closing shall be fully paid for as of the Closing, or Buyer shall receive a credit at Closing for such unpaid amount.

4.1.11 Shoreline Restoration Work. To the best of Seller's knowledge, Seller has paid for its share of the Shoreline Restoration Work in accordance with the terms of the Ground Lease. In the event that, pursuant to the terms of the *Ground Lease*, Seller is required to pay additional monies for such work, Seller shall pay for the same.

4.1.12 Marina Permits. To the best of Seller's knowledge, the Army Corps Permit is in full force and effect and Seller has satisfied all conditions to the issuance of the Coastal Development Permit other than Special Condition No. 4 set forth therein.

4.2 Seller's Knowledge. The phrase "to Seller's knowledge," as used in this Agreement, refers to the actual current knowledge of Ned S. Holmes and Thomas C. Vincent, without duty of inquiry or investigation.

4.3 Seller's Closing Certificate. In the event that Seller's Closing Certificate expressly states that any representation and warranty made by Seller in Section 4.1 is not true and correct as of the date of Closing, then such shall not be a default by Seller under this Agreement; provided, however that such shall be treated as a failure of a condition in favor of Buyer, and Buyer shall have, as Buyer's sole and exclusive remedy, the right to terminate this Agreement upon written notice to Seller if such condition is of such a nature that in Buyer's reasonable judgment such failure of a condition would materially and adversely affect the acquisition, financing or use of the Property for Buyer's intended purpose. Upon such termination, Seller shall immediately return, or cause the Title Company to return, to Buyer any and all documents and funds theretofore deposited or paid by Buyer. Alternatively, notwithstanding such failure of condition, Buyer may elect to waive one or more of the specific representations and warranties which are set forth in Seller's Closing Certificate as not being true and correct as of the Closing, and proceed with the purchase of the Property without reduction in the Purchase Price.

4.4 Buyer's Representations and Warranties. Buyer makes the following representations and warranties to Seller upon which warranties and representations Seller has relied and will continue to rely, all of which are true as of the date of this Agreement and will be true and correct as of the Closing:

4.4.1 Organization. Buyer is duly organized, validly existing and in good standing under the laws of the State of California. The execution and delivery of this Agreement and the other documents contemplated in this Agreement by Buyer, and the performance by Buyer of the obligations under this Agreement and the other documents contemplated in this Agreement (i) are within the power of Buyer; (ii) have been duly authorized by all requisite action on the part of Buyer and all of its constituent corporate partners; and (iii) will not violate any provision of law, any order of any court or agency of government, the charter documents of Buyer or its general partners, or any indenture, agreement or any other instrument to which Buyer is a party. This Agreement and each of the other documents described in this Agreement when executed and delivered to Buyer, will constitute legal, valid and binding obligations enforceable against Buyer in accordance with the terms of such documents.

4.4.2 Insolvency. There are no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings pending or threatened against Buyer, nor are any such proceedings contemplated by Buyer.

4.5 Survival of Representations and Warranties. The representations and warranties contained in this Section 4 shall survive the Closing for a period of twelve (12) months.

4.6 AS IS. BUYER ACKNOWLEDGES AND AGREES THAT (A) BUYER IS EXPERIENCED IN THE ACQUISITION, DEVELOPMENT, OWNERSHIP AND OPERATION OF PROPERTIES SIMILAR TO THE PROPERTY AND BUYER WAS GIVEN THE OPPORTUNITY TO PERFORM, AND BUYER HAS PERFORMED AND COMPLETED, ALL INSPECTIONS AND INVESTIGATIONS CONCERNING THE PROPERTY TO ITS SATISFACTION AND IS QUALIFIED TO MAKE SUCH INSPECTIONS AND INVESTIGATIONS. BUYER ACKNOWLEDGES THAT IT IS FULLY RELYING ON BUYER'S (OR BUYER'S REPRESENTATIVES') INSPECTIONS OF THE PROPERTY AND NOT UPON ANY STATEMENTS (ORAL OR WRITTEN) WHICH MAY HAVE BEEN MADE OR MAY BE MADE (OR PURPORTEDLY MADE) BY SELLER OR ANY OF ITS REPRESENTATIVES, INCLUDING, WITHOUT LIMITATION, ANY STATEMENTS OR INFORMATION CONTAINED IN THAT CERTAIN INFORMATION BOOK PREPARED BY HOTEL PARTNERS INCORPORATED RELATING TO THE PROPERTY. BUYER ACKNOWLEDGES THAT BUYER HAS (OR BUYER'S REPRESENTATIVES HAVE), OR PRIOR TO THE CLOSING DATE WILL HAVE, THOROUGHLY INSPECTED AND EXAMINED THE PROPERTY TO THE EXTENT DEEMED NECESSARY BY BUYER IN ORDER TO ENABLE BUYER TO EVALUATE THE CONDITION OF THE PROPERTY AND ALL OTHER ASPECTS OF THE PROPERTY (INCLUDING, BUT NOT LIMITED TO, THE ENVIRONMENTAL CONDITION OF THE PROPERTY), AND BUYER ACKNOWLEDGES THAT BUYER IS RELYING SOLELY UPON ITS OWN (OR ITS REPRESENTATIVES') INSPECTION, EXAMINATION AND EVALUATION OF THE PROPERTY. AS A MATERIAL PART OF THE CONSIDERATION OF THIS CONTRACT AND THE PURCHASE, BUYER HEREBY AGREES TO ACCEPT THE PROPERTY ON THE CLOSING DATE IN ITS "AS-IS, WHERE IS" CONDITION, WITH ALL FAULTS, AND WITHOUT REPRESENTATIONS AND WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, EXCEPT ONLY THE TITLE WARRANTIES EXPRESSLY SET FORTH IN THE DEED DATED ON THE CLOSING DATE, WITHOUT IN ANY WAY LIMITING THE GENERALITY OF THE FOREGOING, IN CONNECTION WITH THE SALE OF THE PROPERTY TO BUYER. THE SALE OF THE PROPERTY IS WITHOUT ANY WARRANTY, AND SELLER AND SELLER'S OFFICERS, AGENTS, DIRECTORS, EMPLOYEES, ATTORNEYS, CONTRACTORS AND AFFILIATES (COLLECTIVELY, "SELLER'S RELATED PARTIES") HAVE MADE NO, AND EXPRESSLY AND SPECIFICALLY DISCLAIM, AND BUYER ACCEPTS THAT SELLER AND SELLER'S RELATED PARTIES HAVE DISCLAIMED, ANY AND ALL REPRESENTATIONS, GUARANTIES OR WARRANTIES, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW OR RELATING TO THE PROPERTY, INCLUDING WITHOUT LIMITATION, OF OR RELATING TO: (I) THE OWNERSHIP, USE, INCOME POTENTIAL, EXPENSES, OPERATION, CHARACTERISTICS OR CONDITION OF THE PROPERTY OR ANY PORTION THEREOF, INCLUDING WITHOUT LIMITATION, WARRANTIES OF SUITABILITY, HABITABILITY, MERCHANTABILITY, DESIGN OR FITNESS FOR ANY SPECIFIC PURPOSE OR A PARTICULAR PURPOSE, OR GOOD AND WORKMANLIKE CONSTRUCTION; (II) THE NATURE, MANNER, OR CONDITION OF THE PROPERTY, ON THE SURFACE OR SUBSURFACE THEREOF, WHETHER OR NOT OBVIOUS, VISIBLE OR APPARENT; (III) THE ENVIRONMENTAL CONDITION OF THE PROPERTY AND THE PRESENCE OR ABSENCE OF OR CONTAMINATION BY HAZARDOUS MATERIALS, OR THE COMPLIANCE OF THE PROPERTY WITH ALL REGULATIONS OR LAWS PERTAINING TO HEALTH OR THE ENVIRONMENT, INCLUDING, BUT NOT LIMITED TO, THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT, THE RESOURCE CONSERVATION AND RECOVERY ACT, AND ALL SIMILAR LOCAL AND STATE LAWS, EACH AS MAY BE AMENDED FROM TIME TO TIME, AND INCLUDING ANY AND ALL REGULATIONS, RULES OR POLICIES PROMULGATED THEREUNDER ("ENVIRONMENTAL LAWS"); AND (IV) THE SOIL CONDITIONS, DRAINAGE, FLOODING CHARACTERISTICS UTILITIES OR OTHER CONDITIONS EXISTING IN, ON OR UNDER THE PROPERTY. BUYER HEREBY EXPRESSLY ASSUMES ALL RISKS, LIABILITIES, CLAIMS, DAMAGES AND COSTS, INCLUDING ANY LIABILITY WITH RESPECT TO

ENVIRONMENTAL LAWS (AND AGREES THAT SELLER SHALL NOT BE LIABLE FOR ANY SPECIAL, DIRECT, INDIRECT, CONSEQUENTIAL OR OTHER DAMAGES) RESULTING OR ARISING FROM OR RELATED TO THE PROPERTY OR THE ACQUISITION, DEVELOPMENT, OWNERSHIP, USE, CONDITION, LOCATION, MAINTENANCE, REPAIR OR OPERATION THEREOF. IN CONSUMMATING THE PURCHASE OF THE PROPERTY, BUYER IS NOT RELYING ON ANY REPRESENTATIONS OR STATEMENTS (ORAL OR WRITTEN) WHICH MAY HAVE BEEN MADE OR MAY BE MADE BY SELLER OR SELLER'S RELATED PARTIES, AND IS RELYING SOLELY UPON BUYER'S OR ITS REPRESENTATIVES' OWN PHYSICAL INSPECTION OF THE PROPERTY. BUYER ACKNOWLEDGES THAT ANY CONDITION OF THE PROPERTY WHICH BUYER DISCOVERS OR DESIRES TO CORRECT OR IMPROVE PRIOR TO OR AFTER THE CLOSING DATE SHALL BE AT BUYER'S SOLE EXPENSE. BUYER EXPRESSLY WAIVES (TO THE EXTENT ALLOWED BY APPLICABLE LAW) ANY CLAIMS UNDER FEDERAL, STATE OR OTHER LAW (INCLUDING, BUT NOT LIMITED TO COMMON LAW, WHETHER SOUNDING IN CONTRACT OR TORT, AND ANY AND ALL ENVIRONMENTAL LAWS) THAT BUYER MIGHT OTHERWISE HAVE AGAINST SELLER RELATING TO THE ACQUISITION, DEVELOPMENT, USE, CHARACTERISTICS OR CONDITION OF THE PROPERTY. THE PROVISIONS OF THIS PARAGRAPH SHALL SURVIVE THE CLOSING AND AT CLOSING BUYER SHALL DELIVER TO SELLER A CERTIFICATE ("AS IS CERTIFICATE") CONFIRMING THE PROVISIONS HEREOF.

4.7 General Release. Except as otherwise expressly provided in Sections 4.1, 12.1 and 13, Buyer waives its right to recover from Seller and its affiliates, partners, shareholders, officers, directors, employees, agents, representatives and attorneys (collectively, "Released Parties") any and all damages, losses, liabilities, costs or expenses whatsoever (including attorneys' fees, court costs and litigation expenses) and claims therefor, whether direct or indirect, known or unknown, foreseen or unforeseen, which may arise on account of or in any way growing out of or connected with the physical or environmental condition of the Property (including the improvements thereon) or any law or regulation relating to Hazardous Materials

BUYER EXPRESSLY WAIVES THE BENEFITS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

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

5. COVENANTS OF SELLER AND BUYER

5.1 Seller's Covenants. From the date of this Agreement through and including the Closing Date, Seller covenants and agrees that:

5.1.1 Further Liens and Encumbrances. Seller will not voluntarily subject the Property to any additional liens, encumbrances, covenants, conditions, easements, rights of way or similar matters after the date of this Agreement that will not be released at Closing. Seller will not hereafter materially change any of the terms, covenants or conditions of any of such existing documents, or

enter into any new material agreements affecting the Property that cannot be terminated at Closing without cost or penalty without the prior written consent of Buyer, which consent shall not be unreasonably withheld.

5.1.2 Leases: Other Contracts. Seller will not hereafter materially amend any of the Leases, the Service Contracts or existing contracts or enter into new leases or contracts affecting the Property except (a) in the ordinary course of business, (b) in connection with the Marina Construction or the Renovation Work pursuant to the Ground Lease, or (c) with the prior written consent of Buyer. Without the prior written consent of Buyer, Seller shall not terminate any of the Leases or existing material contracts relating to the Property.

5.1.2.1 Contracts Relating to Marina Construction and Renovation Work. Notwithstanding the provisions of Section 5.1.2 to the contrary, Seller shall not enter into any material agreements in connection with the Marina Construction or the Renovation Work without Buyer's prior written approval, which approval shall not be unreasonably withheld. Buyer shall grant or deny its written approval within three (3) days after Seller's written request therefor (which request shall be accompanied by either a copy of the proposed agreement (if available) or a description of the material terms thereof). Buyer's failure to respond to Seller in writing within such three (3) day period shall be conclusively deemed to be Buyer's approval of such request. For purposes of this Section 5.1.2.1, a "material" agreement shall be any agreement which involves the expenditure of more than \$25,000 pursuant to the terms thereof. Notwithstanding the provisions of this Section 5.1.2.1, Buyer's consent shall not be required for those material agreements which are necessitated due to an emergency condition at the Property. In the event that an agreement to which Buyer's approval is required pursuant to the provisions of this Section is necessary in order for Seller to avoid being in default under the Ground Lease, and Seller informs Buyer of such fact concurrently with Seller's request for Buyer's approval of the same, then, if Buyer disapproves such agreement, Seller shall have the right to terminate this Agreement upon written notice to Buyer, in which event this Agreement shall terminate, the Deposit shall be refunded to Buyer, and all rights and obligations of the parties existing hereunder shall terminate and be of no further force or effect, except any rights and obligations which survive the termination of this Agreement. Subject to Seller's obligation to comply with Governmental Regulations and the Ground Lease, Seller covenants and agrees that it shall take no action which would result in the revocation or termination of the Marina Permits.

5.1.3 Property Management and Operation. Subject to Seller's right to remove the Excluded Property at Closing pursuant to Section 5.2.2, Seller shall maintain the operation of the Property in a manner and maintain inventory levels consistent with its historical practice. Seller shall promptly notify Buyer in writing of any casualty or condemnation of which Seller receives notice following the date of this Agreement.

5.1.4 Prepayments. Seller shall not accept (a) any prepaid rents, security deposits or other deposits under any of the Leases, or (b) any deposits made with respect to reservations for guest rooms, meeting rooms, restaurants and banquet facilities for dates after the Closing Date, unless the same shall be credited to Buyer on the Closing Date.

5.1.5 Cooperation with Representatives. Subject to the provisions of Section 8, Seller shall cooperate with Buyer and its accountants, counsel and/or other representatives in providing information and materials pertaining to the operation and marketing of the Property, including access to the Property; provided, however, that Seller shall not be obligated to provide any information or materials which is subject to the attorney-client privilege or which is proprietary in nature. From and after the execution and delivery of this Agreement, and subject to Section 8, Seller shall allow a representative or representatives of Buyer access to the Property at reasonable times and upon the notice

provided for in Section 8.1.2. for the purpose of (a) monitoring the operation of the Property and (b) performing such investigations and analyses of the Property as Buyer may reasonably require.

5.1.6 Liquor Licenses and Liquor Inventory. At Closing, and subject to approval by Department of Alcoholic Beverage Control, Seller shall cause the holder of the Liquor Licenses to transfer the Liquor Licenses and the Liquor Inventory to Buyer (or Buyer's designee) in accordance with the terms and conditions of the Liquor Escrow Agreement. Seller shall, at no cost or expense to Seller (except as provided in the Liquor Escrow Agreement), cooperate with Buyer or Buyer's designee (and shall cause the holder of the Liquor Licenses to cooperate with Buyer or Buyer's designee) in effectuating a transfer of the Liquor Licenses.

If Buyer, after diligently pursuing the same, does not obtain the Liquor Licenses by the Closing Date, Buyer shall, and Seller shall cause the holder of the Liquor Licenses to cooperate in good faith to enter into a short-term lease agreement (the "Liquor Lease Agreement") pursuant to which such holder will continue to operate the liquor facilities at the Hotel until a temporary liquor license is issued to Buyer. Such agreement shall be upon terms and conditions mutually satisfactory to Buyer and Seller and such holder.

5.1.7 Accrued Vacation, Sick Leave, Etc. At Closing, Seller will (a) pay all accrued sick leave, vacation pay and pension or retirement benefits as required under applicable law and any Employment Contract including any collective bargaining agreement, and (b) fulfill any and all bargaining obligations of Seller with any labor organizations.

5.1.8 Seller's Payables. Seller shall pay, in the ordinary course of business, Seller's Payables.

5.1.9 Obtaining Ground Lessor Estoppel. Seller shall use its reasonable efforts (at no cost or expense to Seller) to obtain the Ground Lessor Estoppel.

5.1.10 Electrical Work. Buyer acknowledges that Seller is currently undertaking certain electrical distribution work (the "Electrical Work"). To the extent that such Electrical Work is not completed by Closing, the Buyer shall receive a credit at Closing representing the cost of the uncompleted Electrical Work (the "Electrical Work Credit"), which credit shall be in full satisfaction of Seller's obligations to Buyer regarding the Electrical Work. It is agreed that the current estimate of the amount needed to complete the Electrical Work as of the date hereof is \$ 108,000.

5.1.11 Financial Audit. For a period of sixty (60) days after closing, upon Buyer's request, Seller shall, at no cost or expense to Seller, make available to Buyer all financial information for the Hotel for the three most recent fiscal years for the purpose of an audit to be performed by KPMG Peat Marwick LLP ("KPMG") in accordance with Rule 3.05 of Regulation S-X of the Securities and Exchange Commission Rules and Regulations. Such financial information will be made available to Buyer and KPMG at reasonable times and in a location mutually agreeable to Buyer and Seller and will include, but not be limited to, the following information pertaining to the Hotel: general ledgers, city ledgers, guest ledgers, financial statements and management letters, policies and procedures manuals, room contracts, labor contracts, loan agreements, compensation agreements and any other agreements, invoices for all expenditures made, sales and marketing plans, fixed assets registers, budgets and variance explanations, personnel files, payroll registers, bank statements, bank account reconciliations, check registers (including the period following the most recent fiscal year) and descriptions of benefit plans, related party transactions, insurance coverage, litigation, vacation accruals and taxes paid. In addition, in conjunction with such audit, Seller will provide to KPMG a letter substantially in the form of Exhibit "O" attached hereto.

5.2 Buyer's Covenants. From the date of this Agreement through and including the Closing Date (and, to the extent such covenants cannot reasonably be performed prior to the Closing, after the Closing Date). Buyer covenants and agrees that :

5.2.1 Liquor License. Buyer shall diligently pursue the issuance at Closing of a temporary liquor license for the Hotel.

5.2.2 Removal of Property. Prior to Closing, Seller shall have the right to remove from the Property (including, without limitation, the gift shop) the Excluded Personal Property. As soon as practicable after Closing (but in no event later than thirty (30) days) Seller shall cover or remove all signs, labels and personal property that contain the name "Princess" or any derivative thereof, and/or the Princess mark, and Buyer shall cooperate with Seller (including, without limitation, by providing Seller with reasonable access to the Property) in doing the same. The provisions of this Section 5.2.2 shall survive the Closing.

5.2.3 Intentionally Omitted

5.2.4 Marina Construction, Renovation and Electrical Work. At Closing, Buyer shall assume all obligations of Seller relating to the Marina Construction, the Renovation Work and the Electrical Work, including, without limitation, any construction, architects and/or consulting contracts entered into by Seller relating thereto and all permit fees and license obligations relating thereto.

5.2.5 Access to Books and Records. From and after the Closing, Buyer shall allow Seller reasonable access upon three (3) days prior written notice to the books and records relating to Seller's operation of the Hotel in order to allow Seller to prepare its final sales, occupancy and employee withholding tax returns. In addition to the foregoing, for a period of ninety (90) days after the Closing, Buyer shall allow Seller's designated representative(s) to occupy without charge a secure room or office at the Hotel (which room or office will contain a desk or table and telephone) for the purpose of winding up the affairs of Seller relating to Seller's operation of the Hotel.

5.2.6 Assumption of Service Contracts. Within five (5) days after the date of this Agreement, Buyer shall notify Seller in writing of which Service Contracts, if any, it intends to assume at Closing. Buyer's failure to so notify Seller shall be conclusively deemed to be Buyer's election to assume all Service Contracts. Notwithstanding the foregoing, Buyer shall assume all Service Contracts which (a) cannot be terminated upon thirty days' or less notice or (b) cannot be terminated without penalty. Seller shall cause all Service Contracts which Buyer has elected not to assume in accordance with this Section (other than those Service Contracts described in the immediately preceding sentence) to be terminated as of the Closing; provided, however, that in the event such Service Contracts cannot be terminated at Closing, then the amounts due thereunder shall be prorated as of the Closing.

6. TITLE TO REAL PROPERTY. At Closing, title to the Real Property will be conveyed to Buyer by Seller by the Assignment of Ground Lease, subject only to the matters contained in the Pro Forma Title Policy and the Permitted Exceptions.

7. CONDITIONS PRECEDENT/CONCURRENT TO CLOSING: CLOSING DATE.

7.1 Buyer's Conditions. Buyer shall not be required to close the transaction provided for under this Agreement, unless and until Buyer deems that each and every one of the following conditions has been fulfilled:

7.1.1 Representations, Warranties and Covenants of Seller.

Seller shall have duly and timely performed each and every covenant to be performed by Seller under this Agreement prior to the Closing Date and the representations and warranties set forth in this Agreement shall be true and correct as of the Closing in all material respects.

7.1.2 Seller's Deliveries.

Seller shall have duly and timely delivered to Buyer all of the items described in Section 3.2 of this Agreement.

7.1.3 Title Insurance.

The Title Company will have issued or have unconditionally and irrevocably committed to issue the Title Policy to Buyer, subject only to the Permitted Exceptions.

7.1.4 Exhibits and Schedules.

On the Closing Date, Seller shall have updated each of the Exhibits and Schedules attached hereto, so that, the same are true and accurate as of the Closing Date, and there shall have been no material adverse change in the information contained in the Schedules delivered at Closing from those attached to this Agreement which have not been approved (such approval not to be unreasonably withheld) or deemed approved by Buyer.

7.1.5 Approval of City; Ground Lessor Estoppel.

The City shall have (a) approved in writing the assignment of the Ground Lease to Buyer, (b) executed and delivered to the Escrow Holder the Assignment of Ground Lease and (c) executed and delivered to the Escrow Holder the Ground Lessor Estoppel.

7.1.6 Management, License and Reservation Agreements.

Seller shall have terminated (a) any and all management agreements affecting the Property in effect prior to the Closing, (b) that certain Agreement dated January 29, 1988 between Princess Cruises Resorts and Hotels, Inc. ("Princess") and Parkway Investments/California, Inc., and (c) that certain Memorandum Agreement dated January 29, 1988 between Princess and San Diego Princess Management Corporation.

7.2 Seller's Conditions. Seller shall not be required to close the transaction provided for under this Agreement, unless and until Seller deems that each and every one of the following conditions has been fulfilled:

7.2.1 Representations, Warranties and Covenants of Buyer.

Buyer shall have duly and timely performed each and every covenant to be performed by Buyer under this Agreement prior to the Closing Date and the representations and warranties set forth in this Agreement shall be true and correct as of the Closing in all respects.

7.2.2 Approval of City.

The City shall have approved in writing the assignment of the Ground Lease to Buyer and the release of Seller from all further obligations and liabilities with respect thereto, and shall have executed and delivered to the Escrow Holder the Assignment of Ground Lease.

7.2.3 Buyer's Deliveries.

Buyer shall have duly and timely delivered to Seller all of the items described in Section 3.3 of this Agreement.

8. INTENTIONALLY OMITTED

9. PRORATIONS AND ADJUSTMENTS. The following prorations and adjustments shall be made as of the Transfer Time:

9.1 **Inventory.** Buyer is acquiring all of the inventory as of the Transfer Time, and there shall be no adjustment or proration therefor.

9.2 **Room Revenues; Other Revenues.** Buyer shall be entitled to all Other Revenues from and after the Transfer Time, and Seller shall pay to Buyer on the Closing Date an amount equal to the sum of the following items: (i) one-half (1/2) of the Room Revenues for the night immediately preceding the Closing Date, (ii) the value of any complimentary rooms (based upon the "rack" rate for each room), and any complimentary food or beverages (based upon the advertised rate for each food and beverage) provided by Seller to officers, directors or shareholder of the partners of Seller for periods after the Transfer Time, (iii) all prepaid deposits under the Reservation Agreements and Deposits made to Seller for dates after the Transfer Time, (iv) the value of any gift certificates for which Seller has been paid in cash and which have not been redeemed as of the Closing, and (v) any other amounts received by Seller for the provision of rooms, goods, facilities or services after the Transfer Time.

9.3 **Utilities.** Prior to the Closing Date, Seller shall notify all utility companies servicing the Property of the anticipated change in ownership of the Property and request that all billings after the Transfer Time be made to Buyer at the Hotel address. Utility meters will be read, to the extent that the utility company will do so, during the daylight hours on the Closing Date, with charges to that time paid by Seller and charges thereafter paid by Buyer. Charges for utilities which are unmetered, or charges for the meters which have not been read on the Closing Date, will be prorated between Buyer and Seller as of the Transfer Time based upon utility billings for the prior month with an adjustment between the parties being made after Closing, and payment for such shall be made within seven (7) days from the date of any request for the same. All utility deposits made by Seller shall be assigned to Buyer, and Seller shall receive a credit at Closing for such amounts.

9.4 **Leases.** Buyer shall have the right to collect any delinquent rentals payable by tenants under the Leases. Delinquent rentals shall be applied first to current rents due, and Buyer shall pay to Seller any remaining amounts as and when received. Seller shall pay to Buyer on the Closing Date the amount of any prepaid rents made to Seller with respect to periods after the Closing Date, security deposits or other deposits under any of the Leases.

9.5 **Ground Lease Rental Payments.** Rent and all other payments due under the Ground Lease shall, to the extent possible, be prorated as of the Closing Date. Seller shall receive a credit at Closing equal to the amount of the security deposit, if any, paid by Seller under the Ground Lease.

9.6 **Capital Leases.** Amounts due under all Capital Leases shall be prorated as of the Closing Date.

9.7 **Reservations.** Buyer will honor, for its account, all Reservation Agreements and Deposits for dates after the Closing Date that are (a) made by Seller in accordance with the provisions of this Agreement or (b) approved by Buyer. Buyer authorizes Seller to continue to accept reservations for guest rooms, meeting rooms, restaurant and banquet facilities for periods after the Closing Date provided the terms and conditions of which are at current fair market value and are in the ordinary course of Seller's business, and Buyer agrees to honor all such reservations in accordance with their terms. Buyer further acknowledges that it is Seller's practice to offer guest rooms at the Property to employees of Seller at reduced room rates, and, provided the same are booked in a manner that is consistent with Seller's practice, Buyer agrees to honor all room reservations and rates which are booked and used by such employees prior to May 31, 1998.

9.8 Accounts Payable and Expenses. All accounts payable and expenses related to operations of the Property which have accrued before the Transfer Time shall be paid by Seller. All accounts payable and expenses arising after the Transfer Time or which are incurred by or at the direction of Buyer outside of this Agreement shall be paid by Buyer. In addition, Seller shall be responsible for paying the Seller's Payables.

9.9 Taxes. Seller shall pay general real estate and ad valorem personal property taxes and assessments for all periods prior to the Transfer Time and all special taxes or assessments becoming a lien against the Property and relating to the period prior to the Transfer Time, and any such taxes for the period in which the Closing Date falls shall be prorated as of the Closing Date.

9.10 Service Contracts. All amounts due under Service Contract which are not terminated as of the Closing shall be prorated as of the Closing Date.

9.11 Preliminary Statement of Prorations and Adjustments. Seller and Buyer shall cooperate with each other in examining the books and records of the Hotel as necessary to make the adjustments and prorations required under this Section 9, or under any other provision of this Agreement. Based upon such examination, Buyer and Seller will jointly prepare, no later than two (2) business days prior to the Closing, a preliminary closing statement (the "Preliminary Statement"). The Preliminary Statement shall contain the parties' best estimate of the amounts of the items to be prorated and adjusted pursuant to this Agreement, the allocation thereof between the parties and the basis for such allocation. The amounts set forth on the Preliminary Statement shall be adjusted as of the Transfer Time.

9.12 Final Adjustments. If any supplemental billing is issued or new information learned with respect to any of the foregoing prorations or credits, the same shall be adjusted and prorated between Seller and Buyer as soon as reasonably possible after the Closing. In any event, to the fullest extent possible Seller and Buyer shall jointly prepare a final schedule of adjustments (the "Final Statement") within sixty (60) days after Closing and either party owing the other a sum of money shall pay such sum within ten (10) days after such Final Statement is prepared. Notwithstanding the foregoing, any real property, personal property or other taxes assessed against any portion of the Property shall be subject to a final adjustment between the parties on or before one hundred and eighty (180) days after the Closing, and either party owing the other a sum of money shall pay such sum within ten (10) days after such final adjustment. If any dispute arises between Buyer and Seller in connection with such Final Statement or final adjustment for taxes, the parties shall diligently and in good faith attempt to resolve any such dispute. If such dispute is not resolved within forty-five (45) days after the date such dispute arose, then the parties shall submit such dispute to an independent accountant reasonably acceptable to the parties, and the determination of such independent accountant shall be conclusive. The fees and expenses of such independent accountant shall be paid equally by Buyer and Seller. The provisions of this Section 9.11 shall survive the Closing.

9.13 Method of Proration. All prorations will be made as of the Closing Date based on a 365-day year.

9.14 Accrued Vacation and Sick Pay. Seller shall pay any accrued vacation and sick pay owing to employees of the Hotel as of the Closing Date.

9.15 Accounts Receivable. Buyer shall not acquire the Accounts Receivable from Seller, and there shall be no adjustments or prorations therefor; provided, however, that Buyer shall use reasonable efforts (excluding litigation) to collect on behalf of Seller all Accounts Receivable outstanding as of the Closing, and shall remit all amounts collected therefor to Seller upon Buyer's receipt of same. Sellers shall have the right, upon reasonable advance notice, to examine Buyer's books and records after the Closing

to verify the status if the collection of such accounts. The provisions of this Section 9.12 shall survive the Closing.

10. COSTS AND EXPENSES. The closing costs shall be allocated as follows:

10.1 Seller. Seller shall pay all premiums for the standard coverage (e.g. CLTA Coverage) of the Title Policy (not to exceed \$0.43 per thousand dollars of insurance). Seller's share of prorations, all state and county transfer taxes, all general excise and occupancy taxes, any other tax or assessment imposed as a result of the transactions contemplated under this Agreement (other than sales taxes on the transfer of the Personal Property, which shall be the responsibility of Buyer), and any document recording charges and notary fees, including, without limitation, any recording fees and notary charges with respect to the Assignment of Ground Lease.

10.2 Buyer. Buyer shall pay all premiums for the Title Policy except for the CLTA portion of the Title Policy, the cost of the Survey, and Buyer's share of prorations as provided in this Agreement. In addition, Buyer shall pay, at Closing, all sales taxes due as a result of the transfer of the Personal Property to Buyer. Further, Buyer shall pay to Seller (i.e. Seller shall receive a credit at Closing) in an amount equal to \$16,500, which amount represents the cost of an appraisal of the Property performed by Lipman, Stevens, Marshall & Thene Incorporated in connection with the City's approval of the Ground Lessor Estoppel.

10.3 Liquor License. Buyer shall pay all costs associated with the transfer of the Liquor Licenses to Buyer, including, without limitation, any escrow fees and charges

10.4 Assignment Fee. Seller shall pay the Assignment Fee.

10.5 Other Closing Costs. Except as provided in Sections 8.1.2, 12, 14 and 16.20, Buyer and Seller will each pay their own legal and professional fees and fees of other consultants incurred by Buyer and Seller, respectively. All other closing costs and expenses will be allocated between Buyer and Seller in accordance with the customary practice in the county in which the Property is located.

11. CLOSING AND POSSESSION.

11.1 Delivery of Possession. Simultaneously with the delivery of the fully executed Transfer Documents, Seller shall deliver possession and enjoyment of the Property to Buyer and Buyer shall thereupon have the immediate right to possess, develop, use, sell, encumber and/or transfer the Property, or any part thereof for its own account to the total exclusion of Seller, and subject to the provisions of the Ground Lease, the Leases and the Permitted Exceptions.

12. GENERAL INDEMNIFICATION.

12.1 By Seller. Subject to Section 4.6 and the procedures set forth in Section 12.1.1 below, Seller will defend, indemnify and hold the Buyer and each of its respective officers, directors, agents, shareholders, representatives, employees, attorneys, affiliates, beneficiaries, subsidiaries, successors and assigns (collectively, the "Buyer Indemnitees") harmless from and against any and all claims, demands, liabilities, liens, costs, expenses, penalties, damages and losses (including, but not limited to, reasonable attorneys' fees and costs) which accrue in or relate to the period prior to the Closing Date and which (a) are based in tort, or (b) relate to the employment of a Hotel employee, or (c) relate to the obligations of Seller as tenant under the Ground Lease.

12.1.1 General Provisions Relating to Seller's Indemnity. The following provisions shall be applicable to the indemnification obligations of Seller set forth in Section 12.1.

12.1.1.1 Notice of Claims. Buyer shall deliver notice (the "Indemnification Notice") to Seller of the assertion of any claim, or the commencement of any suit, action or proceeding by any party for which indemnification is sought hereunder as soon as reasonably possible after Buyer receives notice thereof, but in no event later than ten (10) days in the event Buyer is served with notice of any suit, action or proceeding, and in no event later than thirty (30) days for all other matters. In the Indemnification Notice, Buyer shall (a) specify with reasonable particularity the basis for seeking indemnity and (b) provide Seller with such information with respect to the claim, suit, action or proceeding as may be known to Buyer at the time (and shall continue to provide Seller with any additional information as and when the same becomes known to Buyer). Buyer's failure to timely deliver the Indemnification Notice (and to provide such additional information as provided herein) pursuant to this Section shall relieve Seller of its indemnification obligation with respect to such claims, suit, action or proceeding.

12.1.1.2 Assumption of Defense. Seller shall have the right, in its sole and absolute discretion, to elect, upon written given to Buyer within fifteen (15) days after Seller's receipt of the Indemnification Notice, to investigate and/or defend such claim, suit, action or proceeding with counsel selected by Seller; provided that Seller shall thereafter consult with Buyer upon Buyer's reasonable request for such consultation from time to time with respect to such claim, suit, action or proceeding. If Seller assumes the defense, Buyer shall have the right (but not the duty) to participate in the defense thereof and to employ (at Buyer's sole cost and expense) counsel separate from the counsel employed by Seller, but Seller shall nonetheless have control over the defense. If Seller elects not to undertake the investigation and/or defense of such claim, suit, action or proceeding, Buyer shall defend such claim, suit, action or proceeding with counsel selected by Buyer and reasonably approved by Seller. Buyer shall thereafter consult with Seller and keep Seller informed with respect to such claim, suit, action or proceeding. If Seller elects to cause Buyer to assume the defense, the Seller shall have the right (but not the duty) to participate in the defense thereof and to employ (at Seller's sole cost and expense) counsel separate from the counsel employed by Buyer. Whether or not Seller elects to defend any such claim, suit, action or proceeding, Buyer and Seller shall cooperate in the defense thereof.

12.1.1.3 Buyer's Actions. Subject to Seller's right to control the investigation and defense of any claim, suit, action or proceeding pursuant to Section 12.1.1.2, Buyer shall take all commercially reasonable actions necessary or advisable to mitigate the amount of damages suffered by Buyer or any third party claiming against Buyer in connection with such claim, suit, action or proceeding. Any failure by Buyer to take such action, or any action which Buyer undertakes pursuant to this Section but which Buyer performs in a negligent manner, shall relieve Seller of its indemnification obligation with respect to such claims, suit, action or proceeding.

12.1.1.4 Settlement or Compromise. Seller may settle or compromise any claim, suit, action or proceeding without the approval of Buyer, provided that the settlement or compromise includes a release of Buyer from the claims asserted, and if Buyer fails to cooperate in the consummation of such settlement or compromise, Seller shall be relieved of its indemnification obligation with respect to the claims, suit, action or proceeding proposed to be so settled or compromised. If Buyer settles or compromises any claim, suit, action or proceeding for which indemnification has been sought without the prior approval of Seller, which approval may be granted or withheld in Seller's sole and absolute discretion, then unless Seller has elected to provide the defense and has failed to do so, Seller shall be relieved of its indemnification obligations with respect to such claim, suit, action or proceeding.

12.2 By Buyer. Buyer will defend, indemnify and hold Seller and its officers, directors, agents, shareholders, representatives, employees, attorneys, affiliates, beneficiaries, subsidiaries, successors and assigns (collectively, the "Seller Indemnitees") harmless from and against any and all claims, demands, liabilities, liens, costs, expenses, penalties, damages and losses (including, but not limited to, attorneys' fees and costs) of every kind and nature incurred or accrued from and after the Closing Date with respect to the Property, whether arising from acts or omissions of Buyer, its agents or employees or otherwise:

The indemnifications contained in this Section 12 shall survive the Closing for a period of twelve (12) months.

13. REMEDIES:

13.1 Buyer's Remedies Generally. IN THE EVENT THAT SELLER SHALL FAIL TO CONSUMMATE THIS AGREEMENT FOR ANY REASON OTHER THAN BUYER'S DEFAULT OR A TERMINATION OF THIS AGREEMENT BY BUYER OR SELLER PURSUANT TO A RIGHT TO DO SO UNDER THE PROVISIONS HEREOF, BUYER SHALL HAVE THE FOLLOWING REMEDIES, WHICH SHALL BE BUYER'S SOLE AND EXCLUSIVE REMEDIES BASED UPON A DEFAULT BY SELLER. SUCH REMEDIES SHALL NOT BE CUMULATIVE, MEANING BUYER MAY EXERCISE ONE (1) BUT NOT BOTH OF SUCH REMEDIES. BUYER SHALL DELIVER TO SELLER AND ESCROW HOLDER NOTICE OF ITS ELECTION OF REMEDIES WITHIN FIVE (5) BUSINESS DAYS AFTER BUYER HAS NOTICE OF SELLER'S DEFAULT. THE SOLE REMEDIES AVAILABLE TO BUYER ARE AS FOLLOWS:

13.1.1 BUYER MAY TERMINATE THIS AGREEMENT, IN WHICH CASE SELLER SHALL IMMEDIATELY RETURN THE DEPOSIT, TOGETHER WITH ANY INTEREST EARNED THEREON, TO BUYER, UPON EXECUTION OF CANCELLATION INSTRUCTIONS BY BUYER, AND SELLER SHALL PAY ANY ESCROW CANCELLATION CHARGES OR

13.1.2 BUYER MAY BRING AN ACTION FOR SPECIFIC PERFORMANCE AGAINST SELLER TO COMPEL THE DELIVERY OF THE TRANSFER DOCUMENTS TO BUYER (IN WHICH CASE BUYER SHALL BE DEEMED TO HAVE ACCEPTED THE TRANSFER SUBJECT TO ALL MATTERS OF RECORD AFFECTING THE LAND), BUT ONLY UNDER THE FOLLOWING CONDITIONS AND CIRCUMSTANCES:

13.1.2.1 BUYER SHALL HAVE FULLY PERFORMED ALL OBLIGATIONS OF BUYER UNDER THIS AGREEMENT, EXCEPT THAT WITH RESPECT TO DEPOSITING THE BALANCE OF THE PURCHASE PRICE, BUYER SHALL HAVE EVIDENCED TO SELLER'S REASONABLE SATISFACTION THAT BUYER IS READY, WILLING AND ABLE TO TIMELY DEPOSIT SAID FUNDS IN ESCROW AT THE TIME REQUIRED BY THIS AGREEMENT.

13.1.2.2 THE ACTION SHALL BE COMMENCED, AND SERVICE OF PROCESS UPON SELLER MADE, NOT LATER THAN THIRTY (30) DAYS AFTER BUYER HAS NOTICE OF SELLER'S DEFAULT; AND

13.1.2.3 ALL OF THE ISSUES IN SUCH ACTION, WHETHER OF FACT OR LAW, SHALL BE HEARD BY A REFERENCE PROCEEDING PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE, SECTION 638, ET. SEQ. WITHIN TEN (10) DAYS FOLLOWING THE COMMENCEMENT OF ANY SUCH ACTION. THE PARTIES SHALL MAKE

APPLICATION TO THE COURT IN WHICH THE ACTION IS PENDING FOR THE APPOINTMENT OF A RETIRED SUPERIOR COURT JUDGE OR COURT OF APPEAL JUSTICE FROM THE THEN CURRENT LIST OF RETIRED JUDGES AVAILABLE TO SERVE AS REFEREES IN THE COUNTY IN WHICH SUCH ACTION IS COMMENCED TO SERVE AS THE REFEREE. THE REFEREE CHOSEN SHALL BE DEEMED QUALIFIED ONLY IF HE IS WILLING TO AGREE TO HEAR THE SUBJECT ACTION WITHIN TWENTY (20) DAYS FOLLOWING THE DATE OF APPLICATION TO THE COURT, TO HEAR THE SUBJECT ACTION ON CONSECUTIVE DAYS AND TO RENDER A DECISION WITHIN A FURTHER FIFTEEN (15) DAY PERIOD. THE PARTIES SHALL ADVANCE, IN EQUAL SHARES, THE FEES AND EXPENSES OF THE REFEREE SELECTED PURSUANT TO TIES PROVISION, BUT THE LOSING PARTY IN ANY SUCH ACTION SHALL REIMBURSE THE PREVAILING PARTY FOR ANY AND ALL FEES AND EXPENSES PREVIOUSLY ADVANCED BY SUCH PREVAILING PARTY FOR THE REFEREE.

ALTERNATIVELY, BUYER MAY ELECT TO WAIVE SUCH BREACH. IN WHICH EVENT THE PARTIES SHALL PROCEED TO CLOSING AS PROVIDED IN THIS AGREEMENT, WITHOUT ANY ADJUSTMENT IN THE PURCHASE PRICE FOR SUCH BREACH.

13.2 Buyer's Remedies for Breach of Representations and Warranties.

Notwithstanding anything contained in Section 13.1 to the contrary, if Buyer discovers after the Closing that one or more of the representations and warranties of Seller contained in this Agreement was not true and correct in all material respects as of the Closing, and such inaccuracy was not known to or reasonably discoverable by Buyer prior to Closing, Buyer may bring an action against Seller for damages proximately caused by such inaccuracy; provided, however, that such action shall be initiated, if at all, within one (1) year after the Closing Date. Notwithstanding anything contained in this Section 13.2 to the contrary, in no event shall Seller's liability under this Section exceed Three Million Five Hundred Thousand Dollars (\$3,500,000).

13.3 Seller's Remedies. IF BUYER SHOULD FAIL TO CONSUMMATE THIS AGREEMENT AS A RESULT OF BUYER'S DEFAULT UNDER THE TERMS OF THIS AGREEMENT, THEN SELLER, AS ITS SOLE AND EXCLUSIVE REMEDY, MAY TERMINATE THIS AGREEMENT BY NOTIFYING BUYER THEREOF AND RECEIVE OR RETAIN THE DEPOSIT AS LIQUIDATED DAMAGES. THE PARTIES AGREE THAT SELLER WILL SUFFER DAMAGES IN THE EVENT OF BUYER'S DEFAULT ON ITS OBLIGATIONS. ALTHOUGH THE AMOUNT OF SUCH DAMAGES IS DIFFICULT OR IMPOSSIBLE TO DETERMINE, THE PARTIES AGREE THAT THE AMOUNT OF THE DEPOSIT IS A REASONABLE ESTIMATE OF SELLER'S LOSS IN THE EVENT OF BUYER'S DEFAULT. THUS, SELLER SHALL ACCEPT AND RETAIN THE DEPOSIT AS LIQUIDATED DAMAGES BUT NOT AS A PENALTY. SUCH LIQUIDATED DAMAGES SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY.

SELLER AND BUYER ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE PROVISIONS OF THE FOREGOING PROVISION AND BY THEIR SIGNATURES IMMEDIATELY BELOW AGREE TO BE BOUND BY ITS TERMS.

"BUYER"

LHO MISSION BAY HOTEL, L.P., a California limited partnership

By: LASALLE HOTEL OPERATING PARTNERSHIP, L.P., a Delaware limited partnership
Its: General Partner

By: LASALLE HOTEL PROPERTIES, a Maryland trust
Its: General Partner

By: _____
Name: _____
Its: _____

By: _____
Name: _____
Its: _____

"SELLER"

VVH RESORTS, LTD., a Delaware limited partnership

By: SAN DIEGO PRINCESS MANAGEMENT CORPORATION
Its: Sole General Partner

By: [Signature]
Name: NED S. HOLMES
Its: PRESIDENT

14. **HOTEL EMPLOYEES:** On or before the Closing Date, Seller shall terminate the services of the Hotel employees. Buyer shall rehire a sufficient number of such employees upon such terms and conditions (including, without limitation, pension benefits and COBRA plans) in order that the actions of the parties pursuant to this Agreement will not trigger the application of the WARN Act. Buyer further agrees that it shall not terminate any such employees without cause for at least ninety (90) days following the Closing. Buyer shall indemnify, defend and hold Seller and the Seller Indemnitees harmless from and against any and all liability incurred by Seller under the WARN Act, as a consequence of Buyer's breach of its obligations under this Section 14. The provisions of this Section 14 shall survive the Closing.

15. **NOTICE.** All notices, requests, demands or documents which are required or permitted to be given or served hereunder shall be in writing and (a) delivered personally, (b) delivered by a national overnight courier (e.g., FedEx), or (c) transmitted by facsimile, addressed as follows:

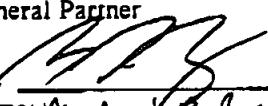
SELLER AND BUYER ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE PROVISIONS OF THE FOREGOING PROVISION AND BY THEIR SIGNATURES IMMEDIATELY BELOW AGREE TO BE BOUND BY ITS TERMS.

"BUYER"

LHO MISSION BAY HOTEL, L.P., a California limited partnership

By: LASALLE HOTEL OPERATING PARTNERSHIP, L.P., a Delaware limited partnership
Its: General Partner

By: LASALLE HOTEL PROPERTIES, a Maryland trust
Its: General Partner

By: 
Name: Michael D. Barnello
Its: Chief Operating Officer

By: _____
Name: _____
Its: _____

"SELLER"

VVH RESORTS, LTD., a Delaware limited partnership

By: SAN DIEGO PRINCESS MANAGEMENT CORPORATION
Its: Sole General Partner

By: _____
Name: _____
Its: _____

14. **HOTEL EMPLOYEES:** On or before the Closing Date, Seller shall terminate the services of the Hotel employees. Buyer shall rehire a sufficient number of such employees upon such terms and conditions (including, without limitation, pension benefits and COBRA plans) in order that the actions of the parties pursuant to this Agreement will not trigger the application of the WARN Act. Buyer further agrees that it shall not terminate any such employees without cause for at least ninety (90) days following the Closing. Buyer shall indemnify, defend and hold Seller and the Seller Indemnities harmless from and against any and all liability incurred by Seller under the WARN Act, as a consequence of Buyer's breach of its obligations under this Section 14. The provisions of this Section 14 shall survive the Closing.

15. **NOTICE.** All notices, requests, demands or documents which are required or permitted to be given or served hereunder shall be in writing and (a) delivered personally, (b) delivered by a national overnight courier (e.g., FedEx), or (c) transmitted by facsimile, addressed as follows:

To Seller at:

Parkway Investment
55 Waugh Drive, Suite 1111
Houston, Texas 77007
Attn: John C. Kinsella, Esq.
Facsimile: (713) 864-8887

with a copy to:

Jeffer, Mangels, Butler & Marmaro LLP
2121 Avenue of the Stars, 10th Floor
Los Angeles, California 90067
Attn: James R. Butler, Jr.
Facsimile: (310) 203-0567

with a copy to:

Hotel Partners, Inc.
1401 Dove Street, Suite 350
Newport Beach, California 92660
Attn: Mr. Russell D. Urban
Facsimile: (714) 553-0606

To Buyer at:

LHO MISSION BAY HOTEL, L.P.
c/o LaSalle Hotel Operating Partnership, L.P.
LaSalle Partners Limited
220 East 42nd Street
New York, New York 10017
Attn: Mr. Michael Barnello
Facsimile: (212) 687-8170

with a copy to:

Brown & Wood LLP
One World Trade Center
New York, New York 10048-0557
Attn: Hedwig O'Hara, Esq.
Facsimile: (212) 839-5599

Notice shall be deemed to have been delivered only upon actual delivery to the intended addressee in the case of either personal, courier, or facsimile delivery. The addresses for purposes of this paragraph may be changed by giving written notice of such change in the manner provided herein for giving notices. Unless and until such written notice is delivered, the latest information stated by written notice, or provided herein if no written notice of change has been delivered, shall be deemed to continue in effect for all purposes hereunder.

16. MISCELLANEOUS:

16.1 Survival. The recitals set forth at the beginning of this Agreement are deemed incorporated herein, and the parties to this Agreement warrant and represent that they do not omit to state any material fact necessary to make the statements or Exhibits, as the case may be, materially misleading. The representations, warranties, covenants, acknowledgments, agreements and indemnities contained in this Agreement and the Exhibits, or in any of the documents or agreements executed and/or delivered and/or exchanged pursuant to the terms of this Agreement, shall survive the Closing Date for the periods provided in this Agreement (or, if no period is provided, indefinitely) and shall not be deemed to have merged or terminated upon the Closing Date.

16.2 Parties in Interest. As and when used herein, the terms, "Seller" and, subject to Section 16.14 below, "Buyer", mean and include, and this Agreement their respective successor and assigns and shall be binding upon and inure to the benefit of, the above-named Seller and Buyer and their respective successors and permitted assigns.

16.3 Section Headings. The headings of sections are inserted only for convenience and shall in no way define, describe or limit the scope or intent of any provision of this Agreement.

16.4 No Oral Modifications. This Agreement may not be amended or modified except in writing executed by all parties hereto.

16.5 Full Integration. Buyer and Seller each acknowledge that, other than that certain letter understanding dated as of May 15, 1998 between Buyer and Seller, there are no other agreements or representations, either oral or written, express or implied, that are not embodied in this Agreement, and this Agreement, the Exhibits attached to this Agreement, and the Transfer Documents, represent a complete integration of all the prior and contemporaneous agreements and understandings and documents.

16.6 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns, and no other party shall be a beneficiary hereunder.

16.7 Buyer's Advice of Counsel. Buyer acknowledges that (a) Seller has not made any representation as to the Federal or State tax implications relating to the transactions contemplated herein, (b) Buyer has thoroughly read and reviewed the terms and provisions of this Agreement and the Exhibits attached hereto and is familiar with the terms of this Agreement, (c) the terms and provisions contained in this Agreement are clearly understood by Buyer and have been fully and unconditionally consented to by it, (d) Buyer has had full benefit and advice of counsel of its own selection, in regard to understanding the terms, meaning and effect of this Agreement, (e) the execution of this Agreement and of the Transfer Documents is done freely, voluntarily, with full knowledge, and without duress, (f) in executing this Agreement, Buyer is relying on no other representations, either written or oral, express or implied, made to it by any other party to this Agreement, and the consideration received by it under this Agreement has been actual and adequate.

16.8 Attorneys' Fees. If an action is commenced by a party hereto resulting from a dispute with respect to the transactions contemplated herein, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs from the other party in such action. As used herein, the term "attorneys' fees" means attorneys' fees whether or not litigation ensues and if litigation ensues whether incurred at trial, on appeal, on discretionary review or otherwise.

16.9 Governing Law. This Agreement will be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of California with venue in the city and County of San Diego, California. Each of the parties hereto acknowledge and agree that the laws of the State of California and the selection of venue in the city and County of San Diego were freely chosen by Buyer and Seller.

16.10 Confidentiality. Unless otherwise agreed to in writing by Seller and Buyer:

16.10.1 Each party will use reasonable efforts to keep confidential the specific economic terms of this Agreement.

16.10.2 Prior to the Closing, and except as required by applicable securities laws, Buyer will not: disclose to any person other than persons who agree to be bound by this confidentiality covenant, and are acting as its advisors, lenders or proposed assignees, any information concerning financial data pertaining to the Hotel which may be delivered by Seller or its agents to Buyer, including but not limited to, the Hotel's average daily rate, average occupancy rate, management and all fees and expenses, provided this restriction shall not apply after the Closing Date and does not apply to information which is or becomes generally available to the public other than as a result of a disclosure by the Buyer (or persons to whom it makes disclosure of such information), or becomes available to the Buyer on a nonconfidential basis from a source other than the Seller, and the source is not under an obligation of confidentiality with respect to that information.

16.10.3 Neither Buyer nor Seller shall issue any public announcement or press release without first giving the other party a reasonable opportunity to comment on the timing and terms of the announcement or release.

16.11 Severability. The invalidity, illegality or unenforceability of any provision of this Agreement shall not affect the enforceability of any other provision of this Agreement, all of which shall remain in full force and effect.

16.12 Time of the Essence. Time is of the essence of this Agreement and of the obligations required hereunder.

16.13 Non-Waiver. No delay or failure by any party to exercise any right hereunder, and no partial or single exercise of any such right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.

16.14 Assignment. Buyer may not assign this Agreement without the prior written consent of Seller, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, Buyer shall have the one-time right to assign this Agreement to an entity which controls, or is controlled by, or under common control with, Buyer provided that (a) such assignment shall occur concurrently with the Closing, (b) such assignee assumes each and all of the obligations of Buyer under this Agreement, and (c) such assignee will have, at the time of Closing a net worth of at least \$10,000,000. Provided that the conditions of clauses (a) through (b) above are satisfied, any assignment pursuant to this Section 16.14 shall relieve Buyer of its obligations under this Agreement as of the date of such Assignment. The provisions of this Section shall survive the Closing.

16.15 Facsimile. The parties hereto and their respective successors and assigns are hereby authorized to rely upon the signatures of each person and entity on this Agreement which are delivered by facsimile as constituting a duly authorized, irrevocable, actual, current delivery of this Agreement with original ink signatures of each person and entity.

16.16 Further Assurances. Buyer and Seller agree to execute all documents and instruments reasonably required in order to consummate the purchase and sale contemplated in this Agreement.

16.17 Counterparts. This Agreement may be executed in any number of counterparts and each such counterpart shall be deemed to be an original, but all of which, when taken together, shall constitute one Agreement.

16.18 1031 Exchange. Buyer hereby agrees that, if requested by Seller, and provided that Seller delivers written notice to Buyer at least five (5) days prior to the Closing Date of its intention to participate in a tax deferred exchange of the Property (the "1031 Exchange"). Buyer shall cooperate with Seller in effectuating the 1031 Exchange; provided, however, that notwithstanding such an assignment, Seller's liability to Buyer for a breach of any of Seller's representations, warranties and covenants, and Seller's indemnity obligations to Buyer Indemnities shall remain unmodified and in full force and effect as if Seller had not assigned its interest to a third party accommodator.

16.19 Escrow Holder. In performing its duties hereunder, Escrow Holder shall not incur any liability to anyone for any damages, losses or expenses, except for its negligence or intentional misconduct, and it shall accordingly not incur any such liability with respect (a) to any action taken or omitted in good faith upon advice of its counsel or (b) to any action taken or omitted in reliance upon any instrument, including any written notice or instruction provided for in this Agreement, not only as to its due execution and the validity and effectiveness of its provision, but also as to the truth and accuracy of any information contained therein, that Escrow Holder shall in good faith believe to be genuine, to have been signed or presented by a proper person, and to conform to the provisions of this Agreement. Seller and Buyer hereby agree to indemnify and hold harmless Escrow Holder against any and all losses, claims, damages, liabilities and expenses, including reasonable costs of investigation and legal fees and disbursements, that may be imposed upon Escrow Holder or incurred by Escrow Holder in connection with its acceptance or performance of its duties hereunder, including any litigation arising out of this Agreement or involving the subject matter hereof, unless resulting from Escrow Holder's negligence or intentional misconduct. If any dispute shall arise between Seller and Buyer sufficient in the discretion of Escrow Holder to justify its doing so, upon five (5) days prior written notice to Buyer and Seller, Escrow Holder shall be entitled to tender into the registry or custody of the clerk of any state court of general jurisdiction located in the county in which the Land is located or the clerk for the United States District Court, having jurisdiction over the county in which the Land is located, any or all money, property or documents in its hands relating to this Agreement, together with such pleadings as it

shall deem appropriate, and thereupon be discharged from all further duties and liabilities under this Agreement. Seller and Buyer shall bear all costs and expenses of any such legal proceedings equally.

16.20 Brokers. Other than Hotel Partners Incorporated (for whose commission Seller agrees to be responsible pursuant to the terms and conditions of the Exclusive Sales Listing Agreement dated May 22, 1997 between Seller and Hotel Partners Incorporated). Buyer and Seller each represents and warrants to the other that it has dealt with no broker, agent or other person in connection with this transaction and that no broker, agent or other person brought about this transaction, and Buyer and Seller shall indemnify, defend, protect and hold the other harmless from and against any claims, losses, liabilities, demands, costs, expenses or causes of action by any other broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with Seller or Buyer, respectively, with regard to this transaction. The provisions of this Section shall survive the Closing or termination of this Agreement.

Buyer and Seller have executed this Agreement as of the date written above.

"BUYER"

LHO MISSION BAY HOTEL, L.P., a California
limited partnership

By: LASALLE HOTEL OPERATING
PARTNERSHIP, L.P., a Delaware limited
partnership

Its: General Partner

By: LASALLE HOTEL PROPERTIES,
a Maryland trust

Its: General Partner

By: _____

Name: _____

Its: _____

By: _____

Name: _____

Its: _____

"SELLER"

VVH RESORTS, LTD., a Delaware limited
partnership

By: SAN DIEGO PRINCESS
MANAGEMENT CORPORATION

Its: Sole General Partner

By: Ned S. Holmes

Name: NED S. HOLMES

Its: PRESIDENT

Subject to the provisions of Section 13.2 of the Purchase Agreement, and provided that Buyer has complied with the provisions of Section 12.1.1 of the Purchase Agreement, the undersigned guaranties the obligations of Seller pursuant to Sections 4.1 and 12.1 of the Purchase Agreement.

Dated: May 22, 1998

PARKWAY INVESTMENTS/TEXAS, INC.,
a Delaware corporation

By: Ned S. Holmes

Name: NED S. HOLMES

Its: PRESIDENT

Escrow Holder acknowledges that it has read this Agreement and agrees to be bound by the provisions thereof.

DATED: May ____, 1998

Buyer and Seller have executed this Agreement as of the date written above.

"BUYER"

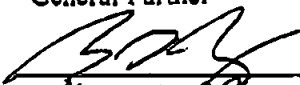
LHO MISSION BAY HOTEL, L.P., a California
limited partnership

By: LASALLE HOTEL OPERATING
PARTNERSHIP, L.P., a Delaware limited
partnership

Its: General Partner

By: LASALLE HOTEL PROPERTIES.
a Maryland trust

Its: General Partner

By: 

Name: Michael J. Rencello

Its: Chief Operating Officer

By: _____

Name: _____

Its: _____

"SELLER"

VVH RESORTS, LTD., a Delaware limited
partnership

By: SAN DIEGO PRINCESS
MANAGEMENT CORPORATION

Its: Sole General Partner

By: _____

Name: _____

Its: _____

Subject to the provisions of Section 13.2 of the Purchase Agreement, and provided that Buyer has complied with the provisions of Section 12.1.1 of the Purchase Agreement, the undersigned guaranties the obligations of Seller pursuant to Sections 4.1 and 12.1 of the Purchase Agreement.

Dated: May ____, 1998

PARKWAY INVESTMENTS/TEXAS, INC.,
a Delaware corporation

By: _____

Name: _____

Its: _____

Escrow Holder acknowledges that it has read this Agreement and agrees to be bound by the provisions thereof.

DATED: May ____, 1998

"ESCROW HOLDER"

CHICAGO TITLE COMPANY

By:

Name:

Its:

Shelva J. Molni
Shelva J. Molni
As Escrow Officer

LIST OF EXHIBITS

Exhibit "A"	Assignment of Capital Leases
Exhibit "B"	Assignment of Ground Lease
Exhibit "C"	Assignment of Intangible Property
Exhibit "D"	Assignment of Leases
Exhibit "E"	Assignment of Service Contracts
Exhibit "F"	Bill of Sale
Exhibit "G"	Capital Leases
Exhibit "H"	Employment Contracts
Exhibit "I"	Excluded Personal Property
Exhibit "J"	Ground Lessor Estoppel
Exhibit "K"	Land
Exhibit "L"	Leases
Exhibit "M"	Liquor Escrow Agreement
Exhibit "N"	Pro Forma Title Policy
Exhibit "O"	Service Contracts
Exhibit "P"	Transferor's Certificate
Exhibit "Q"	Audit Representation Letter

LIST OF SCHEDULES

Schedule 4.1.4.1

Contracts for the Transfer of the Property

Schedule 4.1.4.2

Defaults Under Leases

Schedule 4.1.4.3

Agreement Binding on Buyer After Closing

Schedule 4.1.4.4

Defaults Under the Ground Lease

Schedule 4.1.5.

Litigation

Schedule 4.1.6

Notice of Violations

EXHIBIT "A"ASSIGNMENT OF CAPITAL LEASES

THIS ASSIGNMENT OF CAPITAL LEASES ("Assignment") is made as of this _____ day of _____, 1998, by and between _____ ("Assignor"), and _____ ("Assignee"), with reference to the following facts:

RECITALS:

- A. Capitalized terms used in this Assignment and not defined herein shall have the meanings ascribed to them in the Purchase Agreement.
- B. Assignor has or may have an interest in the Capital Leases.
- C. Assignor desires to assign, transfer, and deliver to Assignee all of Assignor's right, title and interest in, to, and under the Capital Leases in connection with the consummation of the purchase and sale of the Property.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and upon the conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. Effective Date. The "Effective Date" is defined to be the date of recordation of the Assignment of Ground Lease in the Official Records of _____ County, State of _____.
2. Assignment. Effective on the Effective Date, Assignor assigns, transfers and delivers to Assignee all of Assignor's right, title and interest in, to and under the Capital Leases.
3. Acceptance and Assumption. Upon the Effective Date, Assignee accepts the assignment, transfer and delivery of the Capital Leases and assumes and agrees to keep, perform and be bound by all of the terms, covenants, conditions and obligations which are required to be performed by Assignor under the Capital Leases from and after the Effective Date.
4. Assignor's Indemnification. Assignor hereby indemnifies, defends and holds harmless Assignee, its partners, members, shareholders, directors, officers, employees and agents and each of their respective successors and assigns from and against any and all claims, demands, damages, costs, liabilities and causes of action (including reasonable attorneys' fees and costs) suffered or incurred by Assignee by reason of any breach or default by Assignor of any of its obligations arising under the Capital Leases prior to the Effective Date.
5. Assignee's Indemnification. Assignee hereby indemnifies, defends and holds harmless Assignor, its partners, members, shareholders, directors, officers, employees and agents and each of their respective successors and assigns from and against any and all claims, demands, damages, costs, liabilities and causes of action (including reasonable attorneys' fees and costs) suffered or incurred by Assignor by reason of any breach or default by Assignee of any of its obligations arising under the Capital Leases from and after the Effective Date.
6. Miscellaneous Provisions.

6.1 Section Headings. The headings of sections are inserted only for convenience and shall in no way define, describe or limit the scope or intent of any provision of this Assignment.

6.2 No Oral Modifications. This Assignment may not be amended or modified except in writing executed by all parties hereto.

6.3 Binding Effect. This Assignment shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns, and no other party shall be a beneficiary hereunder.

6.4 Attorneys' Fees. If an action is commenced by a party hereto resulting from a dispute with respect to the transactions contemplated herein, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs from the other party in such action. As used herein, the term "attorneys' fees" means attorneys' fees whether or not litigation ensues and if litigation ensues whether incurred at trial, on appeal, on discretionary review or otherwise.

6.5 Governing Law. This Assignment will be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of _____, with venue in the County of _____. Each of the parties hereto acknowledge and agree that the laws of the State of _____ and the selection of venue in the County of _____ were freely chosen.

6.6 Captions. The captions contained in this Assignment are for convenience only and are not intended to limit or define the scope or effect of any provision of this Assignment.

6.7 Severability. The invalidity, illegality or unenforceability of any provision of this Assignment shall not affect the enforceability of any other provision of this Assignment, all of which shall remain in full force and effect.

6.8 Time of the Essence. Time is of the essence of this Assignment and of the obligations required hereunder.

6.9 Non-Waiver. No delay or failure by any party to exercise any right hereunder, and no partial or single exercise of any such right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.

6.10 Facsimile. The parties hereto and their respective successors and assigns are hereby authorized to rely upon the signatures of each person and entity on this Assignment which are delivered by facsimile as constituting a duly authorized, irrevocable, actual, current delivery of this Assignment with original ink signatures of each person and entity.

6.11 Further Assurances. The parties agree to execute all documents and instruments reasonably required in order to consummate the transactions contemplated in this Assignment.

6.12 Counterparts. This Assignment may be executed in any number of counterparts and each such counterpart shall be deemed to be an original, but all of which, when taken together, shall constitute one agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the date first above written.

"ASSIGNOR"

By: _____
Name: _____
Its: _____

"ASSIGNEE"

By: _____
Name: _____
Its: _____

JUN 26 1998 10:16AM

BROWN & WOOD LLP

NO 1680 P. 11
JUN 26 '98 07:04AM

SCHEDULE 1

PROPERTY

JUN 26 1998 10:16AM

BROWN & WOOD LLP

NO. 1680 P. 42
JUN 26 '98 07:04AM

SCHEDULE 2

Capital Leases

JUN 26 1998 10:17AM

BROWN & WOOD LLP

NO. 1680 P. 14
JUN 26 '98 07:04AM

EXHIBIT "B"**ASSIGNMENT OF GROUND LEASE**

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

MAIL TAX STATEMENTS TO:

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE

ASSIGNMENT AND ASSUMPTION OF GROUND LEASE**ASSIGNMENT AND ASSUMPTION OF GROUND LEASE**

THIS ASSIGNMENT AND ASSUMPTION OF GROUND LEASE ("Assignment") is made as of this ____ day of _____, 1998, by and among _____, a _____ ("Seller") and _____, a _____ ("Buyer"), and _____, a _____ ("Ground Lessor").

RECITALS:

WHEREAS, Seller and Buyer are parties to that certain _____ dated as of _____, 1998 for the hotel commonly known as _____ (the "Purchase Agreement"), pursuant to which Seller has agreed to convey to Buyer, among other things, the leasehold estate and the improvements located thereon ("Property") as more particularly described on **Schedule 1** attached hereto and incorporated herein by this reference;

WHEREAS, Seller is the tenant under that certain Ground Lease dated by and between Ground Lessor and Seller (the "Ground Lease") as more particularly described on **Schedule 2** attached hereto and incorporated herein by this reference, pursuant to which Ground Lessor leased to Seller, and Seller leased from Ground Lessor, the Property; and

WHEREAS, Seller desires to assign, transfer and deliver all of its right, title and interest as lessee in and to the Ground Lease to Buyer in connection with the consummation of the purchase and sale of the Property, and, pursuant to that certain Consent and Estoppel Certificate dated as of May ____, 1998, Ground Lessor has consented to such assignment.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and upon the conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller, Buyer and Ground Lessor hereby agree as follows:

1. Effective Date. The "Effective Date" is defined to be the date of recordation of this Assignment conveying title to the Property from Seller to Buyer in the Official Records of _____ County, State of California.
2. Assignment. Effective on the Effective Date, Seller hereby assigns, transfers and delivers to Buyer all of Seller's right, title and interest as tenant in, to and under the Ground Lease (the "Assignment").
3. Acceptance. Upon the Effective Date, Buyer hereby accepts said assignment, sale and delivery and assumes and agrees to keep, perform and be bound by all of the terms, covenants, conditions and obligations which are required to be performed by the tenant under the Ground Lease from and after the Effective Date.
4. Modification. No modification, waiver, amendment, discharge or change of this Assignment shall be valid unless the same is in writing and signed by the party against which the enforcement of such modification, waiver, amendment, discharge or change is or may be sought.
5. Successors and Assigns. This Assignment shall be binding upon and inure to the benefit of the parties hereto, their successors in interest and assigns.
6. Governing Law. This Assignment shall be governed by, and construed and enforced in accordance with, the laws of the State of _____.
7. Attorneys' Fees. Should any dispute occur between or among Seller, Buyer and/or Ground Lessor, with respect to this Assignment or any document executed in connection herewith, which results in litigation, the losing party or parties shall pay the prevailing party or parties their respective attorneys' fees and costs at trial and upon any appeal.
8. Counterparts. This Assignment may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Assignment.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the date first above written.

"SELLER"

By: _____
Name: _____
Its: _____

"BUYER"

By: _____
Name: _____
Its: _____

STATE OF _____)
)
COUNTY OF _____)

On _____ before me, _____ personally appeared

☐ personally known to me

☐ proved to me on the basis of satisfactory
evidence

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

WITNESS my hand and official seal.

Signature of Notary

CAPACITY CLAIMED BY SIGNER:

☐ Individual(s)

☐ Partner(s)

☐ Trustee(s)

☐ Corporate _____

Officer(s) _____
Title(s)

☐ Attorney-In-Fact

☐ Subscribing Witness

☐ Guardian/Conservator

☐ Other: _____

SIGNER IS REPRESENTING:

Name of Person(s) or Entity(ies): _____

STATE OF _____)

COUNTY OF _____)

On _____ before me, _____, personally appeared
_____☐ personally known to me☐ proved to me on the basis of satisfactory
evidence

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

WITNESS my hand and official seal.

Signature of Notary**CAPACITY CLAIMED BY SIGNER:**☐ Individual(s)☐ Partner(s)☐ Trustee(s)☐ Corporate _____

Officer(s) _____

Title(s)

☐ Attorney-In-Fact☐ Subscribing Witness☐ Guardian/Conservator☐ Other: _____**SIGNER IS REPRESENTING:**Name of Person(s) or Entity(ies): _____

STATE OF _____)

COUNTY OF _____)

On _____ before me, _____, personally appeared
_____.☐ personally known to me☐ proved to me on the basis of satisfactory
evidence

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

WITNESS my hand and official seal.

Signature of Notary**CAPACITY CLAIMED BY SIGNER:**☐ Individual(s)☐ Partner(s)☐ Trustee(s)☐ Corporate _____Officer(s) _____
Title(s)☐ Attorney-In-Fact☐ Subscribing Witness☐ Guardian/Conservator☐ Other: _____

_____**SIGNER IS REPRESENTING:**Name of Person(s) or Entity(ies): _____

JUN 26 1998 10:19AM

BROWN & WOOD LLP

NO. 1680 P. 50
JUN 26 '98 07:04AM

SCHEDULE 1

PROPERTY

JUN 26 1998 10:18AM

BROWN & WOOD LLP

NO 1690 P. 51
JUN 26 '98 07:04AM

SCHEDULE 2
GROUND LEASE

EXHIBIT "C"ASSIGNMENT OF INTANGIBLE PROPERTY

THIS ASSIGNMENT OF INTANGIBLE PROPERTY ("Assignment") is made as of this _____ day of _____, 1998, by and between _____ ("Assignor") and _____ ("Assignee") with reference to the following facts:

RECITALS:

A. Assignor, as seller, and Assignee, as buyer, are parties to a _____ dated as of _____, 1998, (the "Purchase Agreement") for the property commonly known as _____ which is more particularly described on Schedule 1 attached to and made a part of this Assignment. Capitalized terms used in this Assignment and not defined herein shall have the meanings ascribed to them in the Purchase Agreement.

B. Assignor desires to assign, transfer and deliver to Assignee all of Assignor's right, title and interest in, to and under the Intangible Property, in connection with the consummation of the purchase and sale of the Property.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and upon the conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee hereby agree as follows:

1. Effective Date. The "Effective Date" is defined to be the date of recordation of the Assignment of Ground Lease in the Official Records of _____ County, State of _____.
2. Assignment. Effective on the Effective Date, Assignor assigns, transfers and delivers to Assignee all of Assignor's right, title and interest in, to and under the Intangible Property.
3. Acceptance. Upon the Effective Date, Buyer hereby accepts said assignment, transfer and delivery and assumes and agrees to keep, perform and be bound by all of the terms, covenants, conditions and obligations which are required to be performed by Assignor under the Intangible Property from and after the Effective Date.
4. Assignor's Indemnification. Assignor hereby indemnifies, defends and holds harmless Assignee, its partners, members, shareholders, directors, officers, employees and agents and each of their respective successors and assigns from and against any and all claims, demands, damages, costs, liabilities and causes of action (including reasonable attorneys' fees and costs) suffered or incurred by Assignee by reason of any breach or default by Assignor of any of its obligations arising under the Intangible Property prior to the Effective Date.
5. Assignee's Indemnification. Assignee hereby indemnifies, defends and holds harmless Assignor, its partners, members, shareholders, directors, officers, employees and agents and each of their respective successors and assigns from and against any and all claims, demands, damages, costs, liabilities and causes of action (including reasonable attorneys' fees and costs) suffered or incurred by Assignor by reason of any breach or default by Assignee of any of its obligations arising under the Intangible Property from and after the Effective Date.

6. Miscellaneous Provisions.

6.1 Section Headings. The headings of sections are inserted only for convenience and shall in no way define, describe or limit the scope or intent of any provision of this Assignment.

6.2 No Oral Modifications. This Assignment may not be amended or modified except in writing executed by all parties hereto.

6.3 Binding Effect. This Assignment shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns, and no other party shall be a beneficiary hereunder.

6.4 Attorneys' Fees. If an action is commenced by a party hereto resulting from a dispute with respect to the transactions contemplated herein, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs from the other party in such action. As used herein, the term "attorneys' fees" means attorneys' fees whether or not litigation ensues and if litigation ensues whether incurred at trial, on appeal, on discretionary review or otherwise.

6.5 Governing Law. This Assignment will be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of _____, with venue in the County of _____. Each of the parties hereto acknowledge and agree that the laws of the State of _____ and the selection of venue in the County of _____ were freely chosen.

6.6 Captions. The captions contained in this Assignment are for convenience only and are not intended to limit or define the scope or effect of any provision of this Assignment.

6.7 Severability. The invalidity, illegality or unenforceability of any provision of this Assignment shall not affect the enforceability of any other provision of this Assignment, all of which shall remain in full force and effect.

6.8 Time of the Essence. Time is of the essence of this Assignment and of the obligations required hereunder.

6.9 Non-Waiver. No delay or failure by any party to exercise any right hereunder, and no partial or single exercise of any such right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.

6.10 Facsimile. The parties hereto and their respective successors and assigns are hereby authorized to rely upon the signatures of each person and entity on this Assignment which are delivered by facsimile as constituting a duly authorized, irrevocable, actual, current delivery of this Assignment with original ink signatures of each person and entity.

6.11 Further Assurances. The parties agree to execute all documents and instruments reasonably required in order to consummate the transactions contemplated in this Assignment.

6.12 Counterparts. This Assignment may be executed in any number of counterparts and each such counterpart shall be deemed to be an original, but all of which, when taken together, shall constitute one agreement.

IN WITNESS WHEREOF, Seller has executed this Assignment as of the date first above written.

"ASSIGNOR"

By: _____
Name: _____
Its: _____

"ASSIGNEE"

By: _____
Name: _____
Its: _____

JUN 26 1998 10:19AM

BROWN & WOOD LLP

NO. 1680 P. 55
JUN 26 '98 07:04AM

SCHEDULE 1

PROPERTY

EXHIBIT "D"ASSIGNMENT OF LEASES

THIS ASSIGNMENT OF LEASES ("Assignment") is made as of this _____ day of _____, 1998, by and between _____ ("Assignor"), and _____ ("Assignee"), with reference to the following facts:

RECITALS:

A. Assignor, as seller, and Assignee, as buyer, are parties to a _____ dated as of _____, 1998, (the "Purchase Agreement") for the hotel commonly known as the _____, which is more particularly described on Schedule 1 attached to and made a part of this Assignment. Capitalized terms used in this Assignment and not defined herein shall have the meanings ascribed to them in the Purchase Agreement.

B. Assignor is the owner of the landlord's interest in and to all lease and rental agreements affecting the Property (individually a "Lease" and collectively, the "Leases"), which are identified on Schedule 2 attached to and made a part of this Assignment.

D. Assignor desires to assign, transfer, and deliver all of its right, title, and interest in, to and under the Leases to Assignee in connection with the consummation of the purchase and sale of the Property.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and upon the conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. Effective Date. The "Effective Date" is defined to be the date of recordation of the Assignment of Ground Lease in the Official Records of _____ County, State of _____.

2. Assignment. Upon the Effective Date, Assignor assigns, transfers and delivers to Assignee all of Assignor's right, title and interest in, to and under the Leases.

3. Acceptance and Assumption. Upon the Effective Date, Assignee hereby accepts the assignment, transfer and delivery of the Leases and assumes and agrees to keep, perform and be bound by all of the terms, covenants, conditions and obligations which are required to be performed by Assignor under the Leases from and after the Effective Date.

4. Assignor's Indemnification. Assignor hereby indemnifies, defends and holds harmless Assignee, its partners, members, shareholders, directors, officers, employees and agents and each of their respective successors and assigns from and against any and all claims, demands, damages, costs, liabilities and causes of action (including reasonable attorneys' fees and costs) suffered or incurred by Assignee by reason of any breach or default by Assignor of any of its obligations arising under the Leases prior to the Effective Date.

5. Assignee's Indemnification. Assignee hereby indemnifies, defends and holds harmless Assignor, its partners, members, shareholders, directors, officers, employees and agents and each of their respective successors and assigns from and against any and all claims, demands, damages, costs, liabilities and causes of action (including reasonable attorneys' fees and costs) suffered or incurred by Assignor by

reason of any breach or default by Assignee of any of its obligations arising under the Leases from and after the Effective Date.

6. Miscellaneous.

6.1 Section Headings. The headings of sections are inserted only for convenience and shall in no way define, describe or limit the scope or intent of any provision of this Assignment.

6.2 No Oral Modifications. This Assignment may not be amended or modified except in writing executed by all parties hereto.

6.3 Binding Effect. This Assignment shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns, and no other party shall be a beneficiary hereunder.

6.4 Attorneys' Fees. If an action is commenced by a party hereto resulting from a dispute with respect to the transactions contemplated herein, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs from the other party in such action. As used herein, the term "attorneys' fees" means attorneys' fees whether or not litigation ensues and if litigation ensues whether incurred at trial, on appeal, on discretionary review or otherwise.

6.5 Governing Law. This Assignment will be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of _____, with venue in the County of _____. Each of the parties hereto acknowledge and agree that the laws of the State of _____ and the selection of venue in the County of _____ were freely chosen.

6.6 Captions. The captions contained in this Assignment are for convenience only and are not intended to limit or define the scope or effect of any provision of this Assignment.

6.7 Severability. The invalidity, illegality or unenforceability of any provision of this Assignment shall not affect the enforceability of any other provision of this Assignment, all of which shall remain in full force and effect.

6.8 Time of the Essence. Time is of the essence of this Assignment and of the obligations required hereunder.

6.9 Non-Waiver. No delay or failure by any party to exercise any right hereunder, and no partial or single exercise of any such right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.

6.10 Facsimile. The parties hereto and their respective successors and assigns are hereby authorized to rely upon the signatures of each person and entity on this Assignment which are delivered by facsimile as constituting a duly authorized, irrevocable, actual, current delivery of this Assignment with original ink signatures of each person and entity.

6.11 Further Assurances. The parties agree to execute all documents and instruments reasonably required in order to consummate the transactions contemplated in this Assignment.

6.12 Counterparts. This Assignment may be executed in any number of counterparts and each such counterpart shall be deemed to be an original, but all of which, when taken together, shall constitute one agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the date first above written.

"ASSIGNOR"

By: _____
Name: _____
Its: _____

"ASSIGNEE"

By: _____
Name: _____
Its: _____

JUN 26 1998 10:19AM

BROWN & WOOD LLP

NO. 1680 P. 50
JUN 26 '98 07:04AM

SCHEDULE 1

PROPERTY

JUN 26 1998 10:20AM

BROWN & WOOD LLP

NO. 1680 P. 60
JUN 26 '98 07:04AM

SCHEDULE 2

LEASES

EXHIBIT "E"ASSIGNMENT OF SERVICE CONTRACTS

THIS ASSIGNMENT OF SERVICE CONTRACTS ("Assignment") is made as of this _____ day of _____, 1998, by and between _____ ("Assignor"), and _____ ("Assignee").

RECITALS:

A. Assignor, as seller, and Assignee, as buyer are parties to a _____ dated as of _____, 1998, (the "Purchase Agreement") for the property commonly known as the _____ which is more particularly described on Schedule 1 attached to and made a part of this Assignment. Capitalized terms used in this Assignment and not defined herein shall have the meanings ascribed to them in the Purchase Agreement.

B. Seller has or may have an interest in the Service Contracts (as defined below).

D. Assignor desires to assign, transfer and deliver to Assignee all of Assignor's right, title and interest in, to and under the those service contracts and supply orders listed on Schedule 2 attached hereto and made a part of this Assignment (the "Service Contracts") in connection with the consummation of the purchase and sale of the Property, and Assignee desires to accept such assignment.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and upon the conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. Effective Date. The "Effective Date" is defined to be the date of recordation of the Assignment of Ground Lease in the Official Records of _____ County, State of _____.
2. Assignment. Effective on the Effective Date, Assignor assigns, transfers and delivers to Assignee all of Assignor's right, title and interest in, to and under the Service Contracts.
3. Acceptance and Assumption. Upon the Effective Date, Assignee accepts the assignment, transfer and delivery of the Service Contracts and assumes and agrees to keep, perform and be bound by all of the terms, covenants, conditions and obligations which are required to be performed by Assignor under the Service Contracts from and after the Effective Date.
4. Assignor's Indemnification. Assignor hereby indemnifies, defends and holds harmless Assignee, its partners, members, shareholders, directors, officers, employees and agents and each of their respective successors and assigns from and against any and all claims, demands, damages, costs, liabilities and causes of action (including reasonable attorneys' fees and costs) suffered or incurred by Assignee by reason of any breach or default by Assignor of any of its obligations arising under the Service Contracts prior to the Effective Date.
5. Assignee's Indemnification. Assignee hereby indemnifies, defends and holds harmless Assignor, its partners, members, shareholders, directors, officers, employees and agents and each of their respective successors and assigns from and against any and all claims, demands, damages, costs, liabilities and causes of action (including reasonable attorneys' fees and costs) suffered or incurred by Assignor by

reason of any breach or default by Assignee of any of its obligations arising under the Service Contracts from and after the Effective Date.

6. Miscellaneous Provisions.

6.1 Section Headings. The headings of sections are inserted only for convenience and shall in no way define, describe or limit the scope or intent of any provision of this Assignment.

6.2 No Oral Modifications. This Assignment may not be amended or modified except in writing executed by all parties hereto.

6.3 Binding Effect. This Assignment shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns, and no other party shall be a beneficiary hereunder.

6.4 Attorneys' Fees. If an action is commenced by a party hereto resulting from a dispute with respect to the transactions contemplated herein, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs from the other party in such action. As used herein, the term "attorneys' fees" means attorneys' fees whether or not litigation ensues and if litigation ensues whether incurred at trial, on appeal, on discretionary review or otherwise.

6.5 Governing Law. This Assignment will be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of _____, with venue in the County of _____. Each of the parties hereto acknowledge and agree that the laws of the State of _____ and the selection of venue in the County of _____ were freely chosen.

6.6 Captions. The captions contained in this Assignment are for convenience only and are not intended to limit or define the scope or effect of any provision of this Assignment.

6.7 Severability. The invalidity, illegality or unenforceability of any provision of this Assignment shall not affect the enforceability of any other provision of this Assignment, all of which shall remain in full force and effect.

6.8 Time of the Essence. Time is of the essence of this Assignment and of the obligations required hereunder.

6.9 Non-Waiver. No delay or failure by any party to exercise any right hereunder, and no partial or single exercise of any such right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.

6.10 Facsimile. The parties hereto and their respective successors and assigns are hereby authorized to rely upon the signatures of each person and entity on this Assignment which are delivered by facsimile as constituting a duly authorized, irrevocable, actual, current delivery of this Assignment with original ink signatures of each person and entity.

6.11 Further Assurances. The parties agree to execute all documents and instruments reasonably required in order to consummate the transactions contemplated in this Assignment.

6.12 Counterparts. This Assignment may be executed in any number of counterparts and each such counterpart shall be deemed to be an original, but all of which, when taken together, shall constitute one agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the date first above written.

"ASSIGNOR"

By: _____
Name: _____
Its: _____

"ASSIGNEE"

By: _____
Name: _____
Its: _____

JUN 26 1998 10:21AM

BROWN & WOOD LLP

NO. 1680 P. 64
JUN 26 '98 07:04AM

SCHEDULE 1

PROPERTY

JUN 26 1998 10:21AM

BROWN & WOOD LLP

NO. 1690 P. 65
JUN 26 '98 07:04AM

SCHEDULE 2

LIST OF SERVICE CONTRACTS

EXHIBIT "F"BILL OF SALE

THIS BILL OF SALE ("Bill of Sale") is made as of this _____ day of _____, 1998, by _____ ("Seller"), with reference to the following:

A. Seller, as seller, and _____ ("Buyer"), as buyer, are parties to a _____ dated as of _____, 1998, (the "Purchase Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to purchase the Property (as defined in the Purchase Agreement). Unless expressly defined in this Bill of Sale, all capitalized terms used in this Bill of Sale shall have the same meanings as are given to them in the Purchase Agreement. Under the Purchase Agreement, Seller is obligated to transfer to Buyer the Personal Property.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged:

1. Transfer. Subject to the terms and conditions of the Purchase Agreement, Seller does transfer, assign, and deliver to Buyer all of the Personal Property.
2. No Representation or Warranty. Buyer acknowledges and agrees that all of the Personal Property is herein being assigned, transferred and delivered without warranty or representation by Seller of any kind whatsoever, express or implied, except as otherwise expressly set forth herein or in the Purchase Agreement.
3. Attorneys' Fees. If an action is commenced resulting from a dispute with respect to the transactions contemplated herein, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs from the other party in such action. As used herein, the term "attorneys' fees" means attorneys' fees whether or not litigation ensues and if litigation ensues whether incurred at trial, on appeal, on discretionary review or otherwise.
4. Governing Law. This Bill of Sale will be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of _____, with venue in the County of _____. Seller acknowledges and agrees that the laws of the State of _____ and the selection of venue in the County of _____ were freely chosen.

IN WITNESS WHEREOF, Seller has executed and delivered this Bill of Sale as of the day and year first above written.

"SELLER"

"BUYER"

EXHIBIT "G"

LIST OF CAPITAL LEASES

GMAC Lease Agreement for 1997 Cadillac Concours between Marvin K. Brown Auto Center, Inc. and San Diego Princess Management Corp.

Avis Rent-a-Car Monthly Rental Agreement for Plymouth Voyager Van.

EXHIBIT "H"**EMPLOYMENT CONTRACTS**

Independent Contractor Agreement dated June 1, 1995 between San Diego Princess Resort and Colleen Clery

Independent Contractor Agreement dated May 26, 1995 between San Diego Princess Resort and Jack Movido (Tennis Pro)

Independent Contractor Agreement dated February 16, 1998 between San Diego Princess Resort and John Pierce Nonorgues (Tennis Pro)

Sub Lease dated October 1, 1996 between San Diego Princess Resort and Ron Stewart, dba "Be Good to Yourself" Massage.

Various Live Performer Engagements Contracts (Unspecified) - No more than 2-3 weeks in advance of engagement

JUN 26 1998 10:21AM

BROWN & WOOD LLP

NO. 1680 P. 69
JUN 26 '98 07:04AM

EXHIBIT I"

EXCLUDED PERSONAL PROPERTY

San Diego Princess Resort

Executive Office Memorandum

To: Liza Stone via Facsimile: 310-712-3367

Date: May 20, 1998

From: Tom Vincent

Re: INVENTORY OF PERSONAL PROPERTY EXCLUDED FROM SALE - REV. 5/20/98

A&G:

- General Manager's cell phones (2)
- Princess Cruises' VCR's (driving Princess Cruises TV channel in guest rooms)
- Personal Computer #1:
 - Wyns box & keyboard
 - 14" Mono Monitor
 - IBM clone Pentium 100
 - 96MB RAM
 - 4 hard drives: (1) 2GB HD, (3) 1GB HD
 - 1.44 Floppy Drive
 - 3Com Network Card
 - EXB 4200c Tape Backup (external)
 - CD-Rom (external)
- Personal Computer #2:
 - Pentium 233MMX & keyboard
 - 14" SVGA Monitor
 - 32MB RAM
 - 2.6GB Hard Drive
 - 3 1/2" Floppy Drive
 - 2MB Diamond Stealth Video Adaptor
 - Bus Mouse
 - 3Com PCI 10/100 Network Card
 - Windows 3.11
- Printer #1:
 - HP Laser Jet 5N printer with extra paper tray
- Printer #2:
 - Okidata Microline 320 dot matrix printer
- Brother AX010 typewriter
- Leather carrying case (3)
- Notebook with calculator and pad
- Small computer tools
- Sony #M-52TV microcassette tape recorder
- Green freezer parka (Purchasing & Receiving)

Liza Stone
May 20, 1998
Page 2.

GUEST RECREATION

- Tennis Ball Hoppers (2)
- Tennis Ball Machine

MARINA

- Boats, Jet Skis, Kayaks, Paddleboats plus all other items in office building and on dock (owned by Action Sports Rentals, sublessee)

HUMAN RESOURCES

- Various training books and videos

SALES & MARKETING

- Sony Stereo
- 30 business related books
- training materials
- screen saver
- computer software package
- desk lamps (2)
- book case
- Magnavox radio & speaker
- various training manuals, etc.

(P:\BROWN\ALISA\BROWN\DOCS)

JUN 26 1998 10:22AM

BROWN & WOOD LLP

NO. 1680 P. 72
JUN 26 '98 07:04AM

EXHIBIT "J"

Ground Lessor Estoppel Certificate

**Recording Requested By and:
After Recording Return To:**

Richard F. Luther, Esq.
Gray Cary Ware & Freidenrich LLP
401 "B" Street, Suite 1700
San Diego, CA 92101-4297

Above for Recorder's Use Only

CONSENT AND ESTOPPEL CERTIFICATE

This Certificate is made as of May ____, 1998, by **THE CITY OF SAN DIEGO**, a municipal corporation ("City"), in favor of LHO Mission Bay Hotel, L.P., a California limited partnership ("Assignee"), Société Générale, Southwest Agency and Bank of Montreal, Chicago Branch (both referenced to herein as "Lender"), and Westgroup San Diego Associates, Ltd., a California limited partnership ("Sublessee"), in connection with the following facts.

A. Pursuant to that certain Percentage Lease dated December 30, 1994, between City and VVH Resorts, Ltd., a Delaware limited liability company ("VVH"), filed in the office of the City Clerk on November 28, 1994, as Document No. 00-18129, and a memorandum of which was recorded on October 1, 1997, as Document Number 1997-0487703 in the Official Records of the County Recorder of San Diego County, California, City leased to VVH certain lands located in the City of San Diego, County of San Diego, State of California, more particularly described on Exhibit "A" attached hereto and by this reference incorporated herein (the "Premises"). As of the date of this Certificate, VVH has sold its leasehold interest under the Lease (the "Leasehold") to Assignee pursuant to that certain assignment recorded concurrently herewith in the Official Records of the County Recorder of San Diego County, California (the Percentage Lease as assigned to Assignee being referred to herein as the "Lease"). As used herein, the term "Lessee" shall mean any lessee from time to time under the Lease, including, without limitation, Assignee.

B. In connection with the purchase by Assignee of the Leasehold, Assignee is obtaining a loan (the "Loan") from Lender.

C. In connection with the purchase by Assignee of the Leasehold, Assignee is also subleasing the Premises to Sublessee pursuant to that certain Lease Agreement dated May ____, 1998 (the "Sublease").

D. Sublessee is entering into a management agreement dated May ____, 1998, with Noble House San Diego, Ltd., a California limited partnership ("Manager") providing for the operation and management of the Premises (the "Management Agreement").

E. Assignee is unwilling to purchase the Leasehold, Sublessee is unwilling to enter into the Sublease, and Lender is unwilling to make the Loan unless City provides this Certificate to Assignee, Sublessee and Lender and their respective successors and assigns.

Now, therefore, for good and valuable consideration, the receipt of which is hereby acknowledged, City hereby covenants and agrees as follows:

1. **No Transfer or Encumbrance of Premises.** As of the date of this Certificate, City is the fee owner of the Premises. City has not previously sold, assigned, conveyed, encumbered or mortgaged its interest in the Premises or the Lease. No third party has any option or preferential right to purchase all or any part of the Premises.

2. **True Copy of Lease.** A true and complete copy of the Lease is attached hereto as Exhibit "B".

3. **No Modifications of Lease.** As of the date of this Certificate, the Lease is in full force and effect in accordance with its terms and there have been no modifications, amendments, supplements, assignments (other than the assignment to Assignee) or extensions thereof or, to the knowledge of City and except as set forth on Exhibit "C" attached hereto, subleases thereunder, whether oral or written, and there do not exist any other agreements (including subordination, non-disturbance and attornment agreements) concerning the Premises, whether oral or written, between City and VVH or Assignee. No modification or amendment of the Lease is required by City as a result of the assignment, sublease and financing which is the subject of this Certificate.

4. **Term of the Lease; Options.** The term of the Lease commenced on January 1, 1995 and expires on December 31, 2044. There are no options to renew or extend the term of the Lease.

5. **No Deposits or Prepaid Rent.** There are no security or other deposits or escrows being held by City in connection with the Lease nor, except as indicated in Paragraph 6 below, is there any prepaid rent under the Lease.

6. **Rent.** The minimum rent currently being paid to City under the Lease is \$1,403,837.44 per year; percentage rent is payable as set forth in the Lease. In connection with the most recent audit completed July 21, 1995, all rents, unauthorized use charges and other charges and audit fees payable pursuant to the Lease have been paid through December 31, 1994. All rent due under the Lease from and after said date has been paid through April 30, 1998; provided, however, the final determination of the accuracy of the calculation of percentage of rent due since the date of said prior audit is subject to audit as set forth in the Lease. The rent payable pursuant to the Lease shall not be increased as a result of the transactions to which this Certificate relates.

7. **No Default.** As of the date of this Certificate: (i) neither City nor VVH nor Assignee is in default in the performance of the terms and provisions of the Lease; and (ii) to the best knowledge of City, no event has occurred which, with the passage of time or the giving

of notice or both, would constitute any such default. City has not given VVH or Assignee any notice of default under the Lease. Without limiting the generality of the foregoing, each of the obligations on VVH's part to be performed under the Lease through the date of the assignment of the Leasehold to Assignee have been performed, including specifically, without limitation, as set forth below:

a. VVH is in compliance with the General Development Plan (as defined and referred to in the Lease). Although VVH has not completed the marina improvements, including the public pump out station and new transient mooring facilities, the lessee under the Lease has until August 19, 2000 (the "Marina Completion Date") to complete such facilities. City acknowledges such permits have not yet been obtained. Failure to timely complete such facilities shall result in liquidated damages of \$4,200 per month.

b. VVH has paid all costs to City in reimbursement for the Shoreline Restoration and the Stabilization Improvements pursuant to Section 6.5 of the Lease.

c. The required renovation of the guest rooms in accordance with the Development Plan has been completed.

d. VVH is in compliance with the Mission Bay provisions set forth in Section 8 of the Lease. Although VVH has not completed the marina improvements, including the public pump out station and new transient mooring facilities, the lessee under the Lease has until the Marina Completion Date to complete such facilities. City acknowledges such permits have not yet been obtained. Failure to timely complete such facilities shall result in liquidated damages of \$4,200 per month.

e. To the current knowledge of City, no sums are due to City pursuant to Section 3.7 of the Lease for payment of any unauthorized use charges since the date of the most recent audit referred to in Section 6 above. City reserves the right to conduct an audit of VVH's operations since the date of said prior audit, and any sums found to be due as a result thereof shall be the obligation of Assignee.

8. **No Claims.** As of the date of this Certificate, there are no offsets, counterclaims, defenses, deductions, credits or disputes whatsoever with respect to the Lease. City has no actual knowledge of any claims by others against VVH or Assignee relating to the Premises or its use. City has not received written notice of any pending or threatened eminent domain proceedings or other governmental actions or any judicial actions of any kind against City's or Assignee's interest in the Premises, and City is not now contemplating any such governmental or judicial action. City has not received written notice that City, VVH or Assignee is in violation of any governmental law or regulation applicable to their respective interests in the Premises or the operation thereof, including, without limitation, any environmental laws or the Americans with Disabilities Act (or any similar state or local laws), and City has no reason to believe that there are grounds for any claim of any such violation.

9. **No Existing Conditions Permitting Cancellation of the Lease.** As of the date of this Certificate, there are no conditions or events that would permit a cancellation or termination of the Lease by City, VVH or Assignee.

10. **City's Approval.** City hereby approves Assignee as an assignee of VVH's interest in the Lease. City further approves (i) Sublessee as a sublessee pursuant to the Sublease, and (ii) Manager as the manager and operator of the Premises pursuant to the Management Agreement. VVH had the right to assign any sublease to Assignee, and Assignee shall have the right to assign any sublease to Lender as collateral security for a deed of trust or other security for a loan, subject to the terms and conditions hereof. Upon VVH's assignment of the Lease to Assignee, City hereby releases VVH from any and all obligations under the Lease which arise from and after such assignment; provided, however, in the event that an audit by the City after the date of such assignment discovers a discrepancy in the rent paid prior to the date of assignment, VVH shall remain responsible therefor.

11. **Transfer Fee.** The consideration due and payable to City under the Lease in connection with the assignment to Assignee is Seven Hundred Thirty Thousand Dollars (\$730,000) and has been paid in full by VVH. No other consideration is due and payable to City as a result of the transactions which are the subject of this Certificate, including the Sublease and the encumbrance by Lender.

12. **Further Assignments.** Lessee shall not further assign the Leasehold without the prior written consent of City. In the event Lessee seeks such consent, and as a condition precedent thereto, Lessee shall provide to City (a) the name and identity of the persons involved in the assignment of the Lease and the nature of the interests of such persons, and (b) the additional consideration due to City pursuant to Section 8.5 of the Lease. Upon receipt and review of the foregoing, and upon a determination by the City that the assignee is an "Accredited Institutional Investor" (as defined in Section 17 below) or another person reasonably approved by City, City shall not withhold its consent to such assignment. In the event such conditions have not been met, City may withhold its consent. Upon any such assignment, the assignor shall be released from any and all obligations or liability under the Lease arising from and after the date of such assignment; provided, however, in the event that an audit by the City after the date of assignment discovers a discrepancy in the rent paid prior to the date of assignment, the assignor shall remain responsible therefor. Upon any such assignment, City may revise the noneconomic terms of the Lease to comply with then standard current lease requirements; provided, however, the City shall not require that the rent due under the Lease be adjusted to reflect the then current market rent nor shall any other economic terms of the Lease be changed. Upon approval of any such further assignment, City shall, upon request of Lessee, promptly execute and deliver to Lessee a consent and estoppel in substantially the form of this Certificate.

13. **Publicly Traded Lessee.** Notwithstanding any provision of the Lease, including but not limited to Section 4.6 or 8.5(b) thereof, in the event the ownership interests in Lessee, or any shareholder, partner or member of Lessee, are publicly traded, the transfer of such publicly traded interests shall not be deemed to be an assignment of the Lease.

14. **Encumbrance.** Lessee shall not encumber the Leasehold without the prior written consent of City. In the event Lessee seeks such consent, and as a condition thereto, Lessee shall provide to City (a) the name and identity of the persons involved in such encumbrance and the nature of the interests of such persons, and (b) a true copy of the loan documents. Upon receipt and review of the foregoing and a determination by the City that the following conditions have been met, (a) the transferee is a "Qualified Regulated Financial Institution" (as defined in Section 17 below) or another person reasonably approved by City, (b) the proposed encumbrance will be a first mortgage on the Premises, (c) the principal amount of the proposed loan encumbering the Leasehold (or the release price thereof, in the case of a "blanket" encumbrance) does not exceed eighty percent (80%) of the value of the Leasehold (including improvements) as reasonably determined by City at the time of such encumbrance, and (d) such loan is on terms and conditions which are commercially reasonable at the time of the loan, City shall not withhold its consent to such encumbrance nor shall City require that the Lease be revised upon any such encumbrance nor shall City require that the rent due under the Lease be adjusted to reflect the then current market rent. If such conditions have not been met, City may withhold its consent to such encumbrance and/or condition such consent upon an adjustment of rent or a change in the Lease terms. Upon approval of any such encumbrance, City shall, upon request of Assignee, promptly execute and deliver to Assignee a consent and estoppel in substantially the form of this Certificate upon any such encumbrance approved by City. Any fee payable to the City pursuant to the Lease upon such encumbrance shall be calculated as set forth in Section 18 below.

15. **Sale of Loan.** City acknowledges that City's consent is not needed for a sale of a loan, or any portion thereof, secured by an encumbrance on the Premises. Furthermore, City acknowledges that City may not require that the Lease be revised upon any such sale, nor shall the rent due under the Lease be adjusted to reflect the then current market rent. City shall, upon reasonable request of Assignee, promptly execute and deliver to Assignee a consent and estoppel in substantially the form of this Certificate in the event of any such sale or assignment of a loan or a portion of a lender's interest in a loan. Any fee payable to the City pursuant to the Lease upon such sale or assignment of such loan or any portion thereof shall be calculated as set forth in Section 18 below.

16. **Leasehold Mortgage Protection.** City agrees that as long as any mortgage approved by City shall remain unsatisfied of record or until written notice of satisfaction is given by the Holder to City, the following provisions shall apply:

a. There shall be no termination (except in the event of a default which shall be subject to the notice and cure rights set forth in Section 16.d hereof), cancellation, surrender or modification of the Lease by Lessee or by joint action of City and Lessee without the prior consent in writing of each Holder.

b. City shall, upon serving Lessee with any notice pursuant to the provisions of the Lease, simultaneously serve a copy of the same upon each Holder who has previously provided its address to City.

c. Each Holder shall have the right, but not the obligation, at any time prior to termination of the Lease and without payment of any penalty, to pay all of the rents due thereunder, to effect any insurance, to pay any taxes or assessments, to make any repairs or improvements, to do any other act or thing required of Lessee under the Lease, and to do any act or thing which may be necessary and proper to be done in the performance and observance of the agreements, covenants and conditions under the Lease to prevent termination of the Lease. Each Holder and its agents and contractors shall have the full access to the Premises for purposes of accomplishing any of the foregoing. Any of the foregoing done by any Holder shall be as effective to prevent a termination of the Lease as the same would have been if done by Lessee.

d. Anything contained in the Lease to the contrary notwithstanding, if any default shall occur which, pursuant to any provision of the Lease, entitles City to terminate the Lease, City shall not be entitled to terminate the Lease, and any notice of termination shall be rendered void, unless (i) City, following the expiration of any periods of time given Lessee in the Lease to cure such default or breach, shall have given written notice to each Holder stating City's intent to terminate the Lease, and (ii) within thirty (30) days after such written notice is given, no Holder shall either:

(1) cure the default or breach if the same consists of the nonperformance by Lessee of a covenant or condition of the Lease requiring the payment of money by Lessee to City; or

(2) if the default or breach does not involve a covenant or condition of the Lease requiring the payment of money by Lessee to City, either (A) cure such default or breach, or (B) commence, or cause any trustee under the mortgage to commence, steps and proceedings to foreclose on the interests covered by the mortgage (either judicially or nonjudicially), and thereafter diligently pursue to completion such foreclosure and perform or cause the performance of all of the covenants and conditions of the Lease requiring the payment of money by Lessee to City until such time as the Leasehold shall be sold upon foreclosure pursuant to the mortgage or shall be transferred upon foreclosure or by deed or assignment in lieu of foreclosure. In the event any default or breach is not susceptible of being cured by Holder within such thirty (30) day period, such period shall be extended pursuant to Section 4.4(a)(4) of the Lease for such time as Holder shall diligently pursue to completion a judicial or nonjudicial foreclosure of its interest under its deed of trust, and thereafter diligently pursue to completion all steps in proceeding to cure all defaults or breaches under the Lease which are susceptible of being cured by Holder, and upon such cure, City shall not exercise any rights with respect to defaults or breaches (such as lessee's bankruptcy) which are not capable of being cured by Holder.

e. All right of City to terminate the Lease as the result of the occurrence of any default shall be subject to, and conditioned upon, City having first given to each Holder the written notices as required under Section 4.4 of the Lease, and all Holders having failed to remedy such default or acquire the Leasehold or commence foreclosure or other appropriate proceedings in the nature thereof as set forth in Section 16.d, above.

f. If any Holder is prohibited from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof by any process or injunction

issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Lessee, the times specified in Section 16.d, above, for commencing or prosecuting foreclosure or other proceedings shall be extended for the period of the prohibition; provided that the Holder shall have fully cured any default in the payment of any monetary obligations of Lessee under the Lease and shall continue to pay currently those monetary obligations as and when the same fall due.

g. City agrees that the name of the senior most Holder may be added as the primary loss payee to the **"Loss Payable Endorsement"** attached to any and all insurance policies required to be carried by Lessee under the Lease.

h. In the event of termination of the Lease for any reason (including, without limitation, by reason or any default by Lessee or by reason of the disaffirmance thereof by Lessee, as a debtor-in-possession, or by a receiver, liquidator or trustee for Lessee or its property), City, if requested by any Holder, will enter into a new lease of the Premises with the most senior Holder requesting a new lease, which new lease shall commence as of the date of termination of the Lease and shall run for the remainder of the Lease term, at the same rent, percentage rent and additional rent and upon the same terms, provisions, covenants and agreements, and subject to the rights, if any, of any parties then in possession of any part of the Premises, provided:

(1) The Holder shall make written request upon City for the new lease within thirty (30) days after the date of termination;

(2) The Holder shall pay to City at the time of the execution and delivery of the new lease any and all sums which would, at the time of the execution and delivery thereof, be due and unpaid pursuant to the Lease but for its termination, and in addition thereto any expenses, including reasonable attorney's fees, to which City shall have been subjected by reason of Lessee's default, provided that no additional consideration shall be due pursuant to Section 8.5 of the Lease;

(3) The Holder shall perform and observe all covenants in the Lease to be performed and observed by Lessee, and shall further remedy any other conditions which Lessee under the terminated Lease was obligated to perform under its terms, to the extent the same are curable or may be performed by the Holder; and

(4) The tenant under the new lease shall have the same right, title and interest in and to the buildings and improvements on the Premises as Lessee had under the terminated Lease immediately prior to its termination.

i. Any new lease made pursuant to Section 16.h, above, shall be prior to any mortgage, deed of trust, or other lien, charge or encumbrance on the fee of the Premises and shall be accompanied by a quit-claim conveyance of title to the improvements (free of any mortgage, deed of trust, lien, charge or encumbrance created by City), subject to the reversion in favor of City upon expiration or sooner termination of the new lease.

j. Nothing herein contained shall require any Holder to enter into a new lease pursuant to Section 16.h, above, nor to cure any default of Lessee referred to above.

k. No amendment or modification of the mortgage or other documents evidencing or securing a Holder's loan, shall require the consent of City, or constitute a breach of any provision of, or a default under, the lease or entitle the City to amend any provision of the Lease, or require payment to the City of any additional consideration under Section 8.5 of the Lease.

l. Neither foreclosure of any mortgage (or any sale thereunder), whether by judicial proceedings or by virtue of any power contained in the mortgage, nor any conveyance of the Leasehold from Lessee to any Holder or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature thereof, shall require the consent of City, or constitute a breach of any provision of, or a default under, the Lease, or require payment to the City of any additional consideration under Section 8.5 of the Lease, and upon such foreclosure, sale or conveyance, City shall recognize such Holder or its designee as the Lessee under the Lease if such Holder was expressly approved by City pursuant to Section 14 or 15 hereof.

m. If any Holder or any designee of it becomes the Lessee under the Lease or under any new lease obtained pursuant to Section 16.h above, the Holder or its designee shall be personally liable for the obligations of Lessee under the Lease or new lease only to the extent that they arise during the period of time that the Holder or its designee constitutes the actual beneficial holder of the leasehold estate.

n. If a Holder shall elect to request a new lease of the Premises and such Holder has a right to request a new lease pursuant to Section 16.h, above, City agrees, at the request of, on behalf of and at the expense of the Holder, upon an indemnity or other assurance from it satisfactory to the City in its sole discretion, to institute and pursue diligently to conclusion the appropriate legal remedy or remedies to oust or remove the original Lessee from the Premises, but not any subtenant actually occupying the Premises or any part thereof.

o. Unless and until City has received notice from the Holder that the Holder elects not to request a new lease as provided in Section 16.h, above, or until the period therefor has expired, City shall not cancel or agree to the termination or surrender of any existing subleases nor enter into any new subleases without the prior written consent of the Holders.

p. The proceeds from any insurance policies and the proceeds arising from the condemnation shall be paid to and held by the Holder of the senior most mortgage and applied in accordance with the provisions of the Lease

q. City shall give all Holders notice of any arbitration or condemnation proceedings, or of any pending adjustment of insurance claims, and any Holder shall have the right to intervene therein and shall be made a party to such proceedings. City does hereby consent to such intervention. If any Holder shall not elect to intervene or become a party to the

proceedings, that Holder shall receive notice and a copy of any award or decision made in connection therewith.

r. If City shall mortgage or otherwise encumber its interest in the Premises, such mortgage or encumbrance shall at all times be subject and subordinate to the Lease.

17. **Defined Terms**

a. The term "mortgage," whenever used herein, shall include whatever security instruments are used in the locale of the Premises, such as, without limitation, deeds of trust, security deeds and conditional deeds, as well as financing statements, security agreements and other documentation required pursuant to the Uniform Commercial Code.

b. The term "mortgage," whenever used herein, shall also include any instruments required in connection with a sale-leaseback transaction.

c. The term "mortgagee" shall include the Holder of the secured position under each of the foregoing types of instruments, including, but not limited to, the beneficiary under a deed of trust, the secured party under a security agreement and the lessor in a sale-leaseback transaction.

d. The term "Holder," whenever used herein, shall mean and include (i) Lender or any trust to which Lender may sell or transfer all or any portion of the Loan, (ii) any institutional or non-institutional lender making any loan or loans, the proceeds of which are used, in whole or in part, to pay all or any part of the Loan, (iii) if Lender or any other person or entity acquires all or any part of Lessee's interest in the Premises in connection with the exercise by Lender or any other lender of their respective rights or remedies (or in lieu thereof), any institutional or non-institutional lender making any loan to Lender or such other person or entity, (iv) any institutional or non-institutional lender making any loan to any other person or entity succeeding to the interest of Lender or such other person or entity in the Premises, and (v) their respective successors and assigns.

e. The term "Accredited Institutional Investor" means a publicly traded institutional investor or a private investor of good character and reputation in the community with assets of not less than One Hundred Fifty Million Dollars (\$150,000,000), with business experience owning and/or operating hotel projects similar to this project, or an affiliate of such an investor; or if such investor does not have such experience, such investor has entered into a management agreement reasonably acceptable to City with a hotel operator of good character and reputation in the community experienced in operating hotels similar to the project.

f. The term "Qualified Regulated Financial Institution" means

(1) an insurance company subject to regulation by the insurance commissioner (or similar agency) of any state of the United States; a bank, savings bank, or savings and loan association chartered by the United States of America, any state thereof or any foreign nation or political subdivision thereof; or a pension or retirement fund operated for the

employees and former employees of, and regulated and controlled by, the United States of America or any state thereof or any agency of the United States or any state thereof; or a special purpose entity established by one of the foregoing entities or another reputable institution with substantial experience in financial markets (including but not limited to national brokerage companies) for the purpose of participating in the securitization of mortgages; or any affiliate of any of the foregoing; in each case, in good standing under the laws of the jurisdiction of its incorporation, and having assets equal to the greater of One Hundred Million Dollars (\$100,000,000) or three (3) times the amount of the loan or portion thereof held by such lender; or

(2) the United States of America, or any state thereof, or any agency of the United States or any state thereof.

In each of the foregoing cases, such entity shall constitute a regulated institutional lender regardless of whether it holds the loan, or any interest therein, for itself or as a trustee.

g. The term "affiliate" shall have the same meaning as set forth in Rule 405 promulgated under the Securities Act of 1993 and shall refer to a party directly or indirectly, through one or more intermediate parties, controlling, or controlled by, or under common control of such other party.

18. **Payment of Fees to City.** Notwithstanding anything to the contrary contained in the Lease:

a. In the case of an assignment of the Lease pursuant to Section 12 above, and a simultaneous mortgaging of the Leasehold in connection therewith, City shall be paid consideration pursuant to Section 8.5 of the Lease with respect to the assignment only and not the simultaneous mortgaging of the Leasehold.

b. In the case of a sale of a loan pursuant to Section 15 above, no consideration shall be due the City in connection therewith.

c. In the case of an encumbering of the Leasehold in connection with a financing or refinancing after an assignment of the Lease, a fee shall be due to City in connection with such financing or refinancing only to the extent that Lessee voluntarily reduces the amount of equity Lessee has in the Premises. A reduction in such equity resulting from a decrease in the value of the Premises shall not be deemed to be a voluntary reduction. The fee shall be calculated at one percent (1%) of such voluntary reduction.

19. **Successors and Assigns.** All rights herein granted to Lessee shall also apply to every successor and assign of Lessee and all rights herein granted to Lender shall also apply to every successor and assign of Lender. All rights herein granted to any Holder of Lessee shall also apply to any Holder of any successor or assign of Lessee.

20. **Notices.** Any notices to be given under the Lease to the tenant thereunder shall be given to Assignee at LHO Mission Bay Hotel, L.P., Attention: Michael D. Barnello, 220 East 42nd Street, New York, New York 10017.

Any notice to be given to City, Assignee, Lender or Sublessee hereunder shall be given in the manner set forth in the Lease and shall be effective as set forth therein when given to the parties at the following addresses:

If to City: City Manager
Attn: Real Estate Assets Manager
City Administration Building
202 C Street, MS-9B
San Diego, CA 92101-4155

If to Sublessee: Pat Dyer, Esq.
Westgroup San Diego Associates, Ltd.
25 Central Way, Suite 430
Kirkland, WA 98033

If to Manager: Pat Dyer, Esq.
Noble House San Diego, Ltd.
25 Central Way, Suite 430
Kirkland, WA 98033

21. **Miscellaneous.** The agreements contained herein shall be deemed to be covenants running with the Premises and the Leasehold and shall be binding upon and shall inure to the benefit of City and Assignee and their respective successors and assigns, and shall inure to the benefit of Assignee and Lender and their respective successors and assigns. City understands and acknowledges that Assignee relied upon this Certificate in purchasing the Leasehold and Lender is relying upon this Certificate in making the Loan. This Certificate may be signed in counterparts, which taken together shall constitute a single document. Notice of acceptance of this Certificate by Lender is waived. In the event of any conflict between the provisions of this Certificate and the provisions of the Lease, this Certificate shall control.

This Certificate is executed as of the date and year first above written.

THE CITY OF SAN DIEGO

By: _____

Name: Jane E. Vickers
Title: Deputy Director of Real Estate
Assets Department

STATE OF CALIFORNIA

)

) ss

COUNTY OF SAN DIEGO

)

On _____, 1998, before me, _____ Notary Public,
personally appeared _____

_____ personally known to me

or

_____ proved to me on the basis of satisfactory evidence

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

(SEAL)

EXHIBIT A

DESCRIPTION OF THE PREMISES

JUN. 26. 1998 10:34AM

BROWN & WOOD LLP

NO. 1681 P. 14
JUN 26 '98 07:23AM

EXHIBIT B

COPY OF LEASE

JUN. 26. 1998 10:34AM

BROWN & WOOD LLP

NO. 1681 P. 15
JUN 26 '98 07:23AM

EXHIBIT C

EXISTING SUBLEASES

JUN 26 1998 10:34AM

BROWN & WOOD LLP

NO 168 P 16
JUN 26 '98 07:23AM

EXHIBIT "K"

LAND

THAT PORTION OF THE TIDE LANDS AND SUBMERGED OF FILLED LANDS OF FALSE BAY, ALSO KNOWN AS MISSION BAY, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT THE UNITED STATES COAST AND GEODETIC SURVEY TRIANGULATION STATION "OLD TOWN"; THENCE NORTH 9076.50 FEET; THENCE WEST 16,684.70 FEET TO POINT "A" OF THIS DESCRIPTION, HAVING A NORTH AMERICAN DATUM OF 1983 VALUE OF NORTHING 1863490.33 AND EASTING 6257218.18; THENCE NORTH $67^{\circ}00'21''$ EAST 28.32 FEET TO POINT "Z" OF THIS DESCRIPTION, HAVING A NORTH AMERICAN DATUM OF 1983 VALUE OF NORTHING 1863501.40 AND EASTING 6257244.26; THENCE NORTH $1^{\circ}19'36''$ WEST 540.00 FEET TO THE TRUE POINT OF BEGINNING; THENCE NORTH $88^{\circ}40'24''$ EAST 370.10 FEET TO THE BEGINNING OF A TANGENT 100.00 FOOT RADIUS CURVE CONCAVE SOUTHWESTERLY; THENCE ALONG SAID CURVE SOUTHEASTERLY 157.08 FEET THROUGH A CENTRAL ANGLE OF $90^{\circ}00'00''$; THENCE TANGENT TO SAID CURVE SOUTH $1^{\circ}19'36''$ EAST 160.04 FEET TO THE BEGINNING OF A TANGENT 320 FOOT RADIUS CURVE CONCAVE NORTHEASTERLY; THENCE ALONG SAID CURVE SOUTHEASTERLY 1071.57 FEET THROUGH AN ANGLE OF $191^{\circ}51'49''$; THENCE NORTH $81^{\circ}03'17''$ EAST 263.43 FEET; THENCE SOUTH $9^{\circ}40'52''$ EAST 439.37 FEET TO THE BEGINNING OF A TANGENT 250.00 FOOT RADIUS CURVE CONCAVE WESTERLY; THENCE ALONG SAID CURVE SOUTHERLY 171.42 FEET THROUGH A CENTRAL ANGLE OF $39^{\circ}17'09''$ TO THE BEGINNING OF A REVERSE CURVE CONCAVE EASTERLY AND HAVING A RADIUS OF 150.00 FEET, A RADIAL LINE TO SAID CURVE BEARS SOUTH $60^{\circ}23'43''$ EAST; THENCE ALONG SAID CURVE SOUTHERLY 157.04 FEET THROUGH A CENTRAL ANGLE OF $59^{\circ}59'10''$; THENCE SOUTH $1^{\circ}14'21''$ EAST 352.61 FEET TO THE BEGINNING OF TANGENT 40.00 FOOT RADIUS CURVE CONCAVE NORTHWESTERLY; THENCE ALONG SAID CURVE SOUTHWESTERLY 62.70 FEET THROUGH AN ANGLE OF $89^{\circ}48'54''$; THENCE TANGENT TO SAID CURVE SOUTH $88^{\circ}34'33''$ WEST 853.30 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE SOUTHEASTERLY AND HAVING A RADIUS OF 100.00 FEET; THENCE ALONG SAID CURVE SOUTHWESTERLY 157.97 FEET THROUGH A CENTRAL ANGLE OF $90^{\circ}18'11''$ TO A POINT ON A 480.00 FOOT RADIUS CURVE CONCAVE WESTERLY TO WHICH POINT A RADIAL LINE BEARS NORTH $88^{\circ}16'22''$ EAST; THENCE ALONG SAID CURVE SOUTHERLY 243.37 FEET THROUGH A CENTRAL ANGLE OF $29^{\circ}03'02''$; THENCE TANGENT TO SAID CURVE SOUTH $27^{\circ}19'24''$ WEST 181.99 FEET; THENCE NORTH $62^{\circ}40'36''$ WEST 555.00 FEET; THENCE NORTH $24^{\circ}10'06''$ WEST 478.16 FEET; THENCE NORTH 204.14 FEET TO A POINT ON A 540.00 FOOT RADIUS CURVE, CONCAVE EASTERLY WITH A RADIAL CENTER AT SAID POINT "Z", THE RADIUS OF WHICH BEARS SOUTH $48^{\circ}50'39''$ WEST; THENCE NORTHERLY ALONG SAID CURVE 1223.61 FEET THROUGH AN ANGLE OF $129^{\circ}49'45''$ TO THE TRUE POINT OF BEGINNING.

EXHIBIT "L"

LEASES

Sub-Lessee/Concession Agreement dated June 1, 1996 between San Diego Princess Resort and Resort and Action Sports Rentals

Lease Agreement dated December 2, 1996 between San Diego Princess Resorts and Web Service Co., Inc.

EXHIBIT "M"**HOTEL LIQUOR BUSINESS
Purchase Agreement**

This Hotel Liquor Business Purchase Agreement (the "Agreement") is made and entered into as of the _____ day of _____, 1998, by and among _____ ("Seller"), and WESTGROUP SAN DIEGO ASSOCIATES, LTD., a California limited partnership ("Buyer").

RECITALS

- A. Seller is the owner of that certain [describe liquor licenses] (collectively, the "Liquor License") issued by the Department of Alcoholic Beverage Control ("ABC") pursuant to the Alcoholic Beverage Control Act of California (Business and Professions Code Sections 23000-25762) for use at the property commonly known as _____ located at _____ (the "Hotel").
- B. Seller is the owner of the liquor inventory (such inventory being comprised of stock-in-trade and merchandise) located at the Hotel (the "Liquor Inventory").
- C. Subject to the terms and conditions set forth below, Buyer desires to purchase and acquire from Seller, and Seller desires to sell and convey to Buyer, the Liquor License and the Liquor Inventory. The Liquor License and the Liquor Inventory, and the related liquor business at the Hotel, shall sometimes be collectively be referred to as the "Liquor Business".
- D. _____ and _____ have entered into a Purchase Agreement dated _____, 1998 (the "Purchase Agreement") the sale and purchase of the Property (as defined in the Purchase Agreement). A copy of the Purchase Agreement is attached hereto as Exhibit "A".
- E. Capitalized terms not otherwise defined herein shall have the meaning given them in the Purchase Agreement.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Purchase and Sale of Liquor License and Liquor Inventory. Subject to the terms and conditions of this Agreement, Seller agrees to assign, transfer and deliver to Buyer, and Buyer agrees to purchase and acquire from Seller the Liquor License and the Liquor Inventory, which, when an inventory thereof shall have been taken pursuant to the terms hereof, shall be attached as Schedule 1.

2. Purchase Price.

A. Purchase Price. Notwithstanding any terms contained in the Purchase Agreement to the contrary, the parties hereby agree that _____ Dollars (\$ _____) of the Purchase Price (as defined in the Purchase Agreement) for the Hotel shall be allocated to the Liquor Business and paid pursuant to the terms of this Agreement (the "Liquor Purchase Price").

B. Allocation of Liquor Purchase Price. The Liquor Purchase Price shall be allocated among the property related to the Liquor Business, as follows:

- (i) \$ _____ for the Liquor License
- (ii) \$ _____ for the Liquor Inventory

3. Payment of Liquor Purchase Price. Upon the opening of the Liquor License Escrow, Buyer shall deposit into the Escrow a demand promissory note in the amount of the Purchase Price in the form attached hereto as Exhibit "B" ("Demand Note").

4. Opening of Escrow.

A. Execution of Agreement. Promptly after execution of this Agreement, Seller and Buyer shall cooperate to cause the Liquor License Escrow to be opened for the consummation of the transactions to be contemplated by this Agreement by delivering a fully executed copy of this Agreement to the Escrow Holder, and Buyer depositing the Purchase Price into the Liquor License Escrow. The Escrow Holder shall notify Seller and Buyer in writing of the date of the opening of the Liquor License Escrow. It is the intention of the parties that this Agreement shall constitute instructions to the Escrow Holder for the Liquor License Escrow, but Seller and Buyer agree to execute such additional escrow instructions as Escrow Holder may reasonably require, consistent with the terms, conditions and provisions of this Agreement and with the B & P Code (as defined below). The cost of the Escrow shall be allocated between Buyer and Seller as provided in Section 13 hereof.

B. Holding in Escrow. The parties acknowledge that the terms and conditions of the Liquor License Escrow shall be conducted under Sections 24049 and 24070-24082 of the Business & Professions Code of California ("B & P Code"), and the Escrow Holder is hereby authorized and instructed to publish and record all required notices, handle creditor claims and to obtain tax releases in accordance therewith. The Escrow Holder is further hereby directed to handle funds in the Liquor License Escrow in accordance with Sections 24049 and 24070-24082 of the B & P Code.

C. Replacement of Demand Note. Upon the Primary Closing (as defined below), Buyer shall replace the Demand Note with an amount equal to the principal amount of the Demand Note in cash or other immediately available an amount U.S. funds, at which time the Demand Note shall be canceled and terminated and Escrow Holder shall return the original Demand Note to Buyer.

D. Close of Escrow. The Escrow shall close on the date the ABC issues the permanent Liquor License to Buyer.

6. Seller's Representations and Warranties. Seller represents and warrants to Buyer that the following statements are true, complete and accurate as of the date hereof and will be true, complete and accurate as of the date of the Closing

A. Seller has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transaction contemplated hereby.

B. All requisite action (corporate, trust, partnership or otherwise) has been taken by Seller in connection with entering into this Agreement, the instruments referenced herein, and the consummation of the transaction contemplated hereby.

C. The individuals executing this Agreement and the instruments referenced herein on behalf of Seller have the legal power, right and actual authority to bind Seller to the terms and conditions hereof and thereof.

7. Covenants of Seller.

A. No Transfers. Seller will not, except for transactions conducted by it in the ordinary course of the Liquor Business and consistent with past practices, without the prior written consent of Buyer, convey any interest in the Liquor License or the Liquor Inventory, and Seller will not subject the Liquor License or the Liquor Inventory to any additional encumbrances, covenants, conditions, or similar matters after the date of this Agreement, which will not be eliminated prior to Closing.

B. Payment of Expenses. Seller shall, unless disputed in good faith, pay, prior to delinquency, all expenses and trade payables related to the Liquor License or Liquor Inventory relating to the period of Seller's operation of the Liquor Business.

D. Cooperation and Assistance. Seller shall, at no cost or expense to Seller (except as provided in this Agreement) cooperate and assist Buyer and Escrow Holder in obtaining the transfer of the Liquor License, including, but not limited to attending any meetings with the ABC, filing any necessary documents, and delivering Seller's Liquor License to the ABC as and when required for the issuance of a temporary or permanent Liquor License to Buyer pursuant to the terms hereof.

8. Buyer's Representations, Warranties and Covenants. Buyer represents and warrants to Seller that the following statements are true, complete and accurate as of the date of this Agreement and will be true, complete and accurate as of the Closing:

A. Power. Buyer has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transaction contemplated hereby.

B. Requisite Action. All requisite action (corporate, trust, partnership or otherwise) has been taken by Buyer in connection with entering into this Agreement and the instruments referenced herein, and the consummation of the transactions contemplated hereby.

C. Authority. The individuals executing this Agreement and the instruments referenced herein on behalf of Buyer have the legal power, right and actual authority to bind Buyer to the terms and conditions hereof and thereof.

D. No Notice. Buyer is not aware of any facts or circumstances which would provide a basis for denial of Buyer's application for transfer of the Liquor Licenses.

E. Payment of Expenses. Buyer shall pay, as and when due, any and all expenses and trade payables related to the Liquor Business which relate to the period of Buyer's operation of the Liquor Business, whether after the Closing (or sooner in the event Buyer operates the Liquor Business pursuant to a temporary permit issued by the ABC in accordance with and subject to the provisions of Section 10 hereof).

9. Deliveries to Escrow Holder.

A. Deliveries by Seller. Seller hereby covenants and agrees to deliver or cause to be delivered to the Escrow Holder on or prior to Closing the following instruments, documents, and funds, the delivery of each of which shall be a condition to Closing:

(i) Bill of Sale. A "Bill of Sale" duly executed by Seller, in favor of Buyer duly transferring to Buyer all of Seller's right, title and interest in and to the Liquor License and the Liquor Inventory, free and clear of all liens, encumbrances and adverse claims. The Bill of Sale shall be substantially in the form of, and upon the terms contained in, Exhibit "C" attached hereto.

(ii) Additional Documents. Any additional documents or instruments reasonably required to effect this Closing and the transaction contemplated under this Agreement.

(iii) Supplemental Funds. Any additional funds requested by Escrow Holder sufficient to pay all fees and costs allocated to Seller pursuant to this Agreement.

B. Deliveries by Buyer. Buyer hereby covenants and agrees to deliver or cause to be delivered to the Escrow Holder on or prior to Closing the following funds, documents and instruments, the delivery of each of which shall be a condition to closing:

(i) Liquor Purchase Price. Buyer shall have paid the Liquor Purchase Price pursuant to Section 3 and 4(C) of this Agreement.

(ii) Additional Documents. Any additional documents or instruments reasonably required to effectuate Closing and the transaction contemplated under this Agreement.

(iii) Supplemental Funds. Any additional funds requested by Escrow Holder sufficient to pay all fees and costs allocated to Buyer pursuant to this Agreement.

10. Conditions to Closing.

A. Conditions Precedent to Buyer's Obligations. The Closing and Buyer's obligations with respect to the purchase of the Liquor Business are subject to the satisfaction, not later than the Closing, of the following conditions precedent, and the obligations of the parties with respect to such conditions precedent are as follows:

(i) Completion of Primary Closing. The Primary Closing shall have occurred.

(ii) Representations, Warranties and Covenants of Seller. Seller shall have duly performed in all material respects each and every agreement to be performed by Seller hereunder and Seller's representations and warranties and covenants, as set forth in Sections 6 and 7 shall be true, accurate and correct in all material respects as of the Closing.

(iii) Delivery of Documents. Seller shall have delivered or caused to be delivered to Buyer, the documents listed in Section 9.

(iv) Liquor License. The ABC shall have approved the transfer of the Liquor License to Buyer.

(v) Escrow. All actions required in connection with the Liquor License Escrow as provided in this Agreement shall have been satisfied.

The conditions set forth in this Section 10 are solely for the benefit of Buyer and may be waived only by Buyer; provided, however, Buyer may not waive the condition to Closing set forth in Section 10A(iv) and 10A(v). Buyer shall at all times have the right to waive any condition, other than the condition set forth in Section 10A(iv) and 10A(v), and any such waiver or waivers shall be in writing. To

the extent the Buyer specifically waives in writing the satisfaction of the condition precedent hereunder (including, without limitation, Seller's disclosure of information at variance with its representations and warranties contained herein) and Buyer proceeds to Closing, Seller shall be relieved from further liability to Buyer with respect to the subject matter specifically set forth in such written waiver by Buyer as of the Closing. All disapprovals given by Buyer under this Section 10A shall be in writing. Neither Buyer nor Seller shall act or fail to act for the purpose of permitting or causing any condition to fail.

B. Conditions Precedent to Seller's Obligation. The Closing and Seller's obligations with respect to the sale of the Liquor Business are subject to the satisfaction, not later than the Closing of the following conditions precedents, and the obligations of the parties with respect to such conditions precedent are as follows:

- (i) Completion of Primary Closing. The Primary Closing shall have occurred.
- (ii) Payment of Liquor Purchase Price. Buyer's shall have paid the Liquor Purchase Price in accordance with the provisions of Section 3 and 4C hereof.
- (iii) Representations, Warranties and Covenants of Buyer. Buyer shall have duly performed in all material respects each and every agreement to be performed by Buyer hereunder and Buyer's representations and warranties and covenants, as set forth in Section 8 shall be true, accurate and correct in all material respects as of the Closing.
- (iv) Delivery of Documents. Buyer shall have delivered or caused to be delivered to Buyer, the documents listed in Section 9.
- (v) Liquor Licenses. The ABC shall have approved the transfer of the Liquor License to Buyer.
- (vi) Escrow. All actions required in connection with the Liquor License Escrow as provided in Section 4 of this Agreement shall have been satisfied.

The conditions set forth in this Section 10B are solely for the benefit of Seller and may be waived only by Seller; provided, however, Seller may not waive the condition to Closing set forth in Section 10B(v) and 10B(vi). Seller shall at all times have the right to waive any condition, other than the condition set forth in Sections 10B(v) and 10B(vi), and any such waiver or waivers shall be in writing. To the extent Seller specifically waives in writing the satisfaction of the condition precedent hereunder (including, without limitation, the Buyer's disclosure of information at variance with its representations and warranties contained herein) and Seller proceeds to Closing, the Buyer shall be relieved from further liability to Seller with respect to the subject matter specifically set forth in such written waiver by Seller as of the Closing. All disapprovals given by Seller under this Section 10B shall be in writing. Neither the Buyer nor Seller shall act or fail to act for the purpose of permitting or causing any condition to fail.

C. Failure of Conditions to Close of Liquor License Escrow. In the event the conditions set forth in Section 10A(i), 10A(iv), 10A(v), 10B(i), 10B(iii) or 10B(iv) are not timely satisfied (such satisfaction to include a failure to disapprove) or waived for a reason other than the default of Buyer or Seller under this Agreement; or the Escrow Agent receives evidence that the Purchase Agreement has been terminated for a reason other than the default of Buyer or Seller thereunder, then,

- (i) The Liquor License Escrow shall terminate and the rights and obligations of Buyer and Seller shall terminate, except as otherwise provided herein; and

(ii) The Escrow Holder shall promptly return to Buyer and Seller all funds and documents deposited by them, respectively, into the Liquor License Escrow which are held by Escrow Holder on the date of said termination.

D. Failure to Obtain Approval of Liquor License Transfer Upon Primary Closing.

(i) In the event the Primary Closing has occurred, but as of the date thereof, Buyer has not obtained either a temporary Liquor License as provided in Section 10D(ii) hereof or the approval of the ABC to the transfer of the Liquor License. Seller and Buyer shall enter into an agreement in form and substance mutually satisfactory to Buyer and Seller under which Seller shall continue to conduct the Liquor Business in the ordinary course of business consistent with past practice; provided, that from the date of the Primary Closing to the earlier of (a) the date of the issuance of a temporary Liquor License as provided in Section 10D(ii) hereof, or (b) the approval of the ABC to the transfer of the Liquor License, any profit or loss with respect to the conduct of the Liquor Business shall be solely for the account of Seller. Buyer agrees to use its best efforts to obtain a temporary Liquor License if the Primary Closing will occur before the approval of the ABC for the transfer of the Liquor License.

(ii) Notwithstanding the foregoing, Buyer's right to obtain a temporary Liquor License shall arise only in the event the Primary Closing has occurred but the approval by the ABC of the transfer of the Liquor License and the Liquor License Escrow Closing has not occurred and only in the event that Buyer and Seller have entered into a mutually acceptable agreement with respect to Buyer's operation of the Liquor Business under the temporary Liquor License.

E. Liquor License Escrow Cancellation Fees and Expenses. In the event the Liquor License Escrow terminates because of the nonsatisfaction of any conditions for a reason other than default of Buyer or Seller under this Agreement, the cancellation charges required to be paid by and to the Escrow Holder shall be borne one-half (1/2) by Buyer and one-half (1/2) by Seller and all other charges shall be borne by the party incurring the same.

11. Close of Liquor License Transfer. The parties intend the Closing to occur on or about the date of the Primary Closing, or as soon as practicable thereafter. The Closing shall have occurred when all of the outstanding conditions precedent to the Close of the Liquor License Escrow set forth in Section 10 have occurred, and when the Escrow Holder has taken all actions as provided in Section 12 below.

12. Disbursements and Other Actions by Escrow Holder. At the Closing, Buyer and Seller shall instruct the Escrow Holder to promptly undertake all of the following in the manner hereinbelow indicated:

A. Fees, Costs and Taxes. Disburse funds to pay all fees, costs and taxes in connection with the transfer of the Liquor Licenses in accordance with Section 13 below.

B. Disbursements to Seller. The Escrow Holder shall disburse the Liquor Purchase Price, less the costs and expenses attributable to Seller as described herein, to Seller promptly upon Closing.

C. Distribution of Documents to Buyer and Seller. Distribute to Buyer (with copies to Seller) the documents described in Section 9, including the fully executed original of the Bill of Sale, the documents provided by the ABC and any other documents (or copies thereof) deposited into the Liquor License Escrow by Seller pursuant to this Agreement.

13. Costs and Expenses Relevant to Transfer of Liquor Business.

A. Seller shall pay through escrow (a) all transfer, sales, use and gross receipts taxes related to the transfer of the Liquor Business (or if exempt, provide such resale certificates or other documents necessary to evidence that the transfer is exempt from any such tax or taxes), (b) one-half (1/2) of all Liquor License Escrow fees and costs, and (c) all claims of bona fide creditors of Seller who file claims against the Liquor License Escrow with the Escrow Holder.

B. Buyer shall pay through escrow (a) one-half (1/2) of all Liquor License Escrow fees and costs, and (b) all other fees and costs associated with obtaining the approval of the ABC and the transfer of the Liquor License from Seller to Buyer.

14. Deliveries to Buyer Upon Close of Liquor License Escrow. Seller hereby covenants and agrees to deliver to Buyer, an update to the schedule of Liquor Inventory, attached hereto as Schedule I, through the day of the close of the transaction under the Purchase Agreement. The parties agree to comply with the provisions of the Purchase Agreement with regard to the taking and timing of such inventories of the Liquor Inventory and Personal Property as are contemplated therein.

15. Prorations. Any prorations of expenses pertaining to the Liquor Business not explicitly set forth in Section 13 above shall be determined pursuant to the terms of the Purchase Agreement.

16. Indemnification Provisions.

A. Buyer's Indemnification. Buyer agrees to indemnify, protect, defend and hold harmless Seller, its partners, joint venturers, shareholders, officers, directors, agents and employees from and against, and in respect of any and all claims, losses, expenses, obligations, liabilities, costs, damages, recoveries and deficiencies including interest penalties and all reasonable attorneys' fees and costs (the "Buyer's Claims") which they may incur by reason of Buyer's breach of or failure to perform any of its representations, warranties, covenants, or agreements contained in this Agreement or in any schedule, certificate, exhibit or other instrument to be furnished by buyer under this Agreement; and from and against any and all acts or omissions to act with respect to Buyer from and after the Closing Date or any earlier date buyer operates the Liquor Business prior to the Closing Date pursuant to the applicable provisions of this Agreement, including, without limitation, Section 10D hereof.

B. Seller's Indemnification. Seller shall indemnify, protect, defend and hold harmless Buyer, its affiliates and each their respective partners, joint venturers, shareholders, officers, directors, agents and employees from and against, and in respect of any and all claims, demands losses, expenses, obligations, liabilities, costs, damages, recoveries and deficiencies including interest penalties and all reasonable attorneys' fees and costs (the "Seller's Claims") which they may incur by reason of Seller's breach of or failure to perform any of its representations, warranties, covenants, or agreements contained in this Agreement or in any schedule, certificate, exhibit or other instrument to be furnished by buyer under this Agreement; and from and against any and all acts or omissions to act with respect to Seller and the Liquor Business for the period of Seller's operation of the Liquor Business.

17. Notices. All notices or other communications required or permitted hereunder shall be provided in the manner set forth in the Purchase Agreement.

18. Assignment. Except as otherwise provided herein, neither Buyer nor Seller shall assign, transfer or convey any of their respective rights or obligations hereunder without the prior written consent of the other party.

19. Definitions as Used Herein. The following terms shall have the meaning set forth below:

"Closing" shall mean the actions of the Escrow Holder to carry out the instructions provided in Section 12 after all conditions precedent to the close of the Liquor License Escrow as set forth in Section 10 have occurred.

"Escrow Holder" means Mission Valley Escrow Company.

"Liquor License Escrow" means the escrow opened with the Escrow Holder for the consummation of the purchase and sale of the Liquor Business, which shall be closed when all of the conditions to the Liquor License Escrow Closing have been satisfied and the ABC has approved the transfer of the Liquor License to Buyer.

"Primary Closing" means the closing of the transaction contemplated under the Purchase Agreement.

"Title Company" shall mean _____, which is the holder of the escrow established for the consummation of the transaction under the Purchase Agreement.

20. Miscellaneous.

A. Partial Invalidity. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

B. Waivers. No waiver of any breach of any covenant or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision herein contained. No extension of time for performance of any obligation or act shall be deemed an extension of the time for performance of any other obligation or act.

C. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the permitted successors and assigns of the parties hereto. Notwithstanding the foregoing, no assignment shall be permitted by either party except in accordance with Section 18 hereof.

D. Entire Agreement. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations and understandings of the parties; and may not be modified, changed, supplemented or terminated, nor may any obligations hereunder be waived, except by written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted herein. The parties do not intend to confer any benefit hereunder on any person, firm or corporation other than the parties hereto. To the extent that this Agreement is inconsistent with the terms of the Purchase Agreement, the terms of this Agreement shall control.

E. Time of Essence. Buyer and Seller hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision hereof and that failure to timely perform any of the terms, conditions, obligations or provisions hereof by either party shall constitute a material breach of and a non-curable (but waivable) default under this Agreement by the party so failing to perform.

F. Governing Law. The parties hereto expressly agree that this Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of California.

G. Counterparts. This Agreement may be executed in two counterparts, each of which shall constitute an original and all of which taken together shall constitute a single document.

H. Attorney's Fees Clause.

(i) If any legal action or proceeding is brought for the enforcement of this Agreement or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement the prevailing party or parties shall be entitled to recover reasonable attorney's fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

(ii) Attorney's fees incurred by a party to this Agreement in enforcing any judgment or any action brought to resolve any controversy arising under this Agreement, to enforce any of its terms or for the breach of this Agreement, shall be recoverable by the prevailing party. Such right to recover post judgment attorney's fees shall be separate and distinct from the right to recover attorney's fees pursuant to Section 20H(i). Provisions of this Section 20H(ii) shall be severable from all other provisions of this Agreement, and shall survive any judgment and shall not be deemed merged into any judgment.

I. Incorporation of Preliminary Statements and Exhibits and Schedules. The Preliminary Statement set forth in the introductory Sections hereof and all exhibits, schedules, instruments and documents which are attached to this Agreement are incorporated herein by this reference and made a part hereof.

K. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original and all of which taken together shall constitute a single document. a signature by either party delivered by facsimile shall be deemed an original and binding signature.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year written above.

BUYER:

SELLER:

JUN. 26. 1998 10:38AM

BROWN & WOOD LLP

NO. 1681 P. 28
JUN 26 '98 07:23AM

Schedule I

LIQUOR INVENTORY

JUN 26 1998 10:38AM

BROWN & WOOD LLP

NO 1681 P 29
JUN 26 '98 07:23AM

Exhibit A

Purchase Agreement

Exhibit B**DEMAND NOTE**

\$ _____, 1998

The undersigned, _____ ("Maker") promises to pay, in connection with Escrow No. _____ (the "Escrow"), held at Mission Valley Escrow Company ("Escrow Holder"), up to (\$ _____) on valid demand made by Escrow Holder prior to the termination of the Escrow, for the transfer of [describe license] and the related liquor inventory (the "License"). No interest shall accrue on the principal amount of this Note.

Demands shall be made, pursuant to California Business and Professions Code 24074 and Uniform Commercial Code Article 6, only on account of claims against Seller for the premises at 85 Fifth Street, San Francisco, California 94103.

Payment shall be made in lawful money of the United States of America upon valid demand, into the Escrow.

When the Escrow is terminated, whether by withdrawal of Maker's application to transfer the License or by the issuance of the License to Maker, this Note shall be immediately canceled and returned to Maker at the above address.

This Note has been delivered in the State of California and is to be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, Maker has executed this Note as of the date first written above.

MAKER:

Exhibit C

BILL OF SALE

_____ a _____ ("Seller"), for and in consideration of _____ (S _____) given by _____ ("Buyer"), the receipt of which is hereby acknowledged, does hereby grant, bargain, sell, assign, transfer and set over to Buyer, its successors and assigns, all of its right, title and interest in and to the Liquor License and Liquor Inventory as described in that certain Hotel Liquor Business Purchase Agreement between Seller and Buyer dated _____, free and clear of all liens, encumbrances and adverse claims. This Bill of Sale shall be binding upon and inure to the benefit of the successors and assigns of Seller and Buyer. This Bill of Sale shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, Seller has executed this Bill of Sale and delivered it to Buyer as of this _____ day of _____, 1998.

SELLER:

BUYER:

JUN 26 1998 10:38AM

BROWN & WOOD LLP

NO. 1681 P 32
JUN 26 '98 07:23AM

EXHIBIT "N"

PRO FORMA TITLE POLICY

EXHIBIT "O"LIST OF SERVICE CONTRACTS

Software License Agreement (undated) between Adaco Services, Inc. and San Diego Princess Resort

Annual Plan Agreement dated February 17, 1997 between AirTouch Cellular and San Diego Princess Resort

Hotel/Motel Music Performance Agreement dated February 27, 1995 between BMI and VVH Resort, Ltd.

Agreement between Basic System Services, Inc. and San Diego Princess Resort (relating to month-to-month maintenance on computer hardware and software)

Agreement for Use of Electronic Fund Transfer dated June 21, 1994 between BayNet Area Bank and Bay Area Bank and San Diego Princess Resort

Tradeout Agreement between San Diego Princess Resort and Carpenter Decorating Company pursuant to the terms of a letter dated May 30, 1997 from San Diego Princess Resort to Glenn Miesch of Lights for All Seasons/Carpenter Decorating.

Trade Agreement dated October 22, 1996 between San Diego Princess Resort and Custom Business Solutions, Inc.

Electronic Kiosk Display Site Agreement dated May 21, 1996 between Certified Folder Display Service, Inc. and Location Management

Trade Agreement dated February 1, 1997 between San Diego Princess Resort and Coast United Advertising

Agreement dated March 30, 1994 between Coca Cola Bottling Company of San Diego and San Diego Princess Hotel

Agreement (undated) between Comcast Sound Communications, Inc. and San Diego Princess Hotel

Maintenance Agreement dated June 5, 1996 between Continental Service and San Diego Princess Resort

Maintenance Agreement dated July 1, 1996 between Minolta Business Systems, Inc. and San Diego Princess Resort

Annual Hardware and Software Agreement (undated) between Custom Business Solutions, Inc. and (unnamed)

Pay Phone Royalty Agreement dated August 18, 1993 between Dillon Telephone Company, Inc. and San Diego Princess Resort

Letter Agreement (and Memorandum) dated October 14, 1996 between Ecolab, Inc. and San Diego Princess Resort

Concession Agreement dated March 1, 1998 between San Diego Princess Resort and Espresso Too, Larry Messina.

Sales Representation Agreement dated May 12, 1997 between The Hyland Group and San Diego Princess

Service Agreement dated March 22, 1996 between Johnny Valet, Inc. and San Diego Princess Resort

Installation & Service Agreement for Coin Operated Equipment dated April 30, 1998 between Newport Diversified Inc., dba San Diego Games and San Diego Princess Resorts

Trade Agreement dated May 28, 1996 between San Diego Princess Resort and Jacor Communications

Maintenance Agreement (undated) with Kronos (Expires 6/4/98).

Agreement dated March, 1992 between Laidlaw Waste Systems and San Diego Princess Resort

Audio/Visual Service Agreement dated June 30, 1996 between Meeting Services, Inc. and San Diego Princess Resort; Agreement pursuant to letter agreement dated January 14, 1997 from Thomas Vincent to Brent Erwood, Esq. of HSBC Business Loans, Inc. regarding equipment owned by Meeting Services, Inc.

Agreement dated January 15, 1996 between San Diego Princess Resort and Mission Linen Supply of Oceanside

Rental Service Agreement dated July 15, 1996 between Mission Uniform Service and San Diego Princess Resort

Music Services Agreement dated September 26, 1995 between Muzak Limited Partnership and San Diego Princess Resort

Agreement (undated) between National Guest Systems Corporations and The San Diego Princess

Maintenance Service Agreement dated January 24, 1996 between NEC Business Communications Systems (West), Inc.

Medical and Hospital Subscriber Agreement dated December 1, 1996 between Pacificare, Inc. and San Diego Princess Resort

Member Service Agreement dated October 31, 1996 between Servicios Medicos Internacionales S.M.I. and San Diego Princess Resort.

Computer Hardware Purchase Agreement and Software License between Springer-Miller Systems, Inc. and San Diego Princess

Agreement dated January 18, 1998 between Lexington Service Corporation and San Diego Princess Resort

Agreement dated May 24, 1992 and May 1, 1996 between Jim & Inge's Window Cleaning Service and San Diego Princess Resort

Volume Ticker Agreement (undated) between Zoological Society of San Diego and San Diego Princess Resort

Sprint Telecommunications Services Agreement dated November 15, 1996 between Sprint Communications Company L.P. and San Diego Princess Resort

Agreement dated September 13, 1996 between Sprint Communications Company L.P. and Princess Cruises

Merchant Credit Card Agreement dated June 7, 1995 between First USA Merchant Services, Inc. and VVH Resorts Ltd.

Service Agreement dated June 10, 1997 between USA Communications and San Diego Princess Cruise Resort

Agreement (undated) between San Diego Fitness Equipment Repair and San Diego Princess Resort

Agreement with CAM Data re: maintenance of gift shop cash register, inventory system (No copy available)

Agreement with Mobile Com re: maintenance of alpha-numeric pagers (no copy available)

Service Agreement dated November 17, 1992 between Digital Hold (formerly known as AdTech, Inc.) and San Diego Princess

Agreement dated May 19, 1992 between Wells Fargo Alarm Services and San Diego Princess Resort

Agreement dated March 25, 1983 between The Vault and Vacation Village

Agreement dated April 29, 1996 between Merkel & Associates, Inc. and San Diego Princess Resort

Maintenance Agreement dated December 12, 1995 between Atlas Tree Service and San Diego Princess Resorts

Software Maintenance & Technical Support Agreement between Telsfor Solutions, Inc. (call accounting system) and San Diego Princess Resort

Agreement for Spectravision Pay Per View Movies and other services and Spectravision Free-to-Guest Satellite Television Services, Modified 12/18/97 to Extend Original Agreement to 6/30/98

Seaworld of California Net Rate Agreement Dated December 10, 1997.

Trade Agreement dated March 3, 1998 between Creative Promotions, Inc. and San Diego Princess Resort

Trade Agreement dated March 16, 1998 between Ahntech, Inc. and San Diego Princess Resort

Trade Agreement dated March 9, 1998 between Kearny Electric Supply and San Diego Princess Resort

Advertising Agreement between San Diego Business Journal and San Diego Princess Resort

Advertising Agreement between Successful Meetings and San Diego Princess Resort

Advertising Agreement between Hotel & Travel Index and San Diego Princess Resort

EXHIBIT "P"**TRANSFEROR'S CERTIFICATE OF NON-FOREIGN STATUS**

To inform _____ ("Transferee"), that withholding of tax under Section 1445 of the Internal Revenue Code of 1986, as amended ("Code") will not be required upon the transfer of certain real property to the Transferee by _____ ("Transferor"), the undersigned hereby certifies the following on behalf of the Transferor:

A. That Transferor is a United States person and is not a foreign person, foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Code and the Income Tax Regulations promulgated thereunder):

B. The Transferor's U.S. employer identification number is _____;
and

C. The Transferor's office address is

The Transferor understands that this Certification may be disclosed to the Internal Revenue Service by the Transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalty of perjury I declare that I have examined this Certification and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of the Transferor.

Date: _____

"Transferor"

By: _____

Name: _____

Its: _____

EXHIBIT "Q"

AUDIT REPRESENTATION LETTER

San Diego Princess Management Corp.
1404 West Vacation Road
San Diego, California 92109-7994

Date of end of field work, but not later than 60 days after closing

KPMG Peat Marwick
303 East Wacker Drive
Chicago, Illinois 60601

Ladies and Gentlemen:

We are providing this letter in connection with your audits of the balance sheets of VVH Resorts Ltd. (the Company) as of December 31, 1997 and 1996 and the related statements of operations, owners' equity, and cash flows for each of the years in the three-year period ended December 31, 1997 for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the financial position of VVH Resorts Ltd., and the results of its operations, and its cash flows in conformity with generally accepted accounting principles. The representations contained in this letter are made to KPMG Peat Marwick LLP and not to any buyer of the assets of VVH Resorts Ltd. or any other third party. In connection therewith, we confirm to the best of our knowledge and belief, the following representations:

1. We have made available to you all financial records and data of the Company.
2. We have made available to you all minutes of meetings of stockholders, directors, committees of directors, or summaries of recent meetings for which minutes have not yet been prepared.
3. We are not aware of any:
 - (A) Fraud involving any member of management or employees that could have a materially adverse effect on the statements of operations,
 - (B) Notices of violations of laws or regulations, the effect of which should be considered for disclosure in the financial statements or as a basis for recording a loss contingency,
 - (C) Material liabilities, including unasserted claims, assessments or litigation that our lawyer has advised us are probable of assertion, gain or loss contingencies, oral or written guarantees that are required to be but have not been accrued or disclosed to you,
 - (D) Material events that have occurred subsequent to December 31, 1997 and through the date of this letter that would require material adjustment to the statements of operations.
4. The Company has complied with all material aspects of contractual agreements that would have a material effect on the statements of operations in the event of non-compliance.
5. Significant estimates have been properly disclosed in the financial statements or to you.

6. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements
- (A) Extent, nature and terms of financial instruments with off-balance sheet risk;
 - (B) The amount of credit risk of financial instruments with off-balance-sheet credit risk and information about the collateral supporting such financial instruments; and
 - (C) Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.
7. The amounts disclosed to you represent the Company's best estimate of the fair value of financial instruments required to be disclosed under SFAS No. 107.
8. All significant payments to affiliated companies have been properly recorded in the financial statements or disclosed to you.

We acknowledge that the Company historically prepares and presents financial statements including the results of operations in conformity with generally accepted accounting principles of the United Kingdom. We have to the best of our knowledge and belief, without extensive research, made you aware of any adjustments required to convert such financial statements to generally accepted accounting principles of the U.S. We are not aware of any material adjustments required to the balance sheets of VVH Resorts Ltd. as of December 31, 1997 and 1996 and the related statements of operations, owners' equity, and cash flows for each of the years in the three-year period ended December 31, 1997 or the unaudited interim financial information accompanying the financial statements which would be required to present such audited financial statements or unaudited interim financial statements in conformity with generally accepted accounting principles except as disclosed to you.

Chief Executive Officer

Chief Financial Officer

JUN 26 1998 10:40AM

BROWN & WOOD LLP

NO. 163: P. 41
JUN 26 '98 07:23AM

SCHEDULE 4.1.4.1

AGREEMENTS FOR TRANSFER OF PROPERTY

None

SCHEDULE 4.1.4.2

DEFAULTS UNDER LEASES

None

JUN. 26. 1998 10:40AM

BROWN & WOOD LLP

NO. 1681 P. 42
JUN 26 '98 07:23AM

SCHEDULE 4.1.4.3

DEFAULTS UNDER GROUND LEASE

None

SCHEDULE 4.1.4.4**AGREEMENTS BINDING ON BUYER**

Sub-Lessee/Concession Agreement dated June 1, 1996 between San Diego Princess Resort and Resort and Action Sports Rentals

Software License Agreement (undated) between Adaco Services, Inc. and San Diego Princess Resort

Annual Plan Agreement dated February 17, 1997 between AirTouch Cellular and San Diego Princess Resort

Hotel/Motel Music Performance Agreement dated February 27, 1995 between BMI and VVH Resort, Ltd.

Agreement for Use of Electronic Fund Transfer dated June 21, 1994 between BayNet Area Bank and Bay Area Bank and San Diego Princess Resort

Tradeout Agreement between San Diego Princess Resort and Carpenter Decorating Company pursuant to the terms of a letter dated May 30, 1997 from San Diego Princess Resort to Glenn Miesch of Lights for All Seasons/Carpenter Decorating.

Trade Agreement dated October 22, 1996 between San Diego Princess Resort and Custom Business Solutions, Inc.

Electronic Kiosk Display Site Agreement dated May 21, 1996 between Certified Folder Display Service, Inc. and Location Management

Trade Agreement dated February 1, 1997 between San Diego Princess Resort and Coast United Advertising

Agreement (undated) between Comcast Sound Communications, Inc. and San Diego Princess Hotel

Maintenance Agreement dated June 1, 1996 between Minolta Business Systems, Inc. and San Diego Princess Resort

Annual Hardware and Software Agreement (undated) between Custom Business Solutions, Inc. and (unnamed)

Letter Agreement (and Memorandum) dated October 14, 1996 between Ecolab, Inc. and San Diego Princess Resort

GMAC Lease Agreement for 1997 Cadillac Concours between Marvin K. Brown Auto Center, Inc. and San Diego Princess Management Corp.

Sales Representation Agreement dated May 12, 1997 between The Hyland Group and San Diego Princess

Installation & Service Agreement for Coin Operated Equipment dated April 30, 1998 between Newport Diversified, Inc., dba San Diego Games and San Diego Princess Resorts

Trade Agreement dated May 28, 1996 between San Diego Princess Resort and Jacor Communications.

Maintenance Agreement (undated) with Kronos

Agreement dated March. 1992 between Laidlaw Waste Systems and San Diego Princess Resort

Audio/Visual Service Agreement dated June 30. 1996 between Meeting Services, Inc. and San Diego Princess Resort; Agreement pursuant to letter agreement dated January 14. 1997 from Thomas Vincent to Brent Erwood, Esq. of HSBC Business Loans, Inc. regarding equipment owned by Meeting Services, Inc.

Agreement dated January 15. 1996 between San Diego Princess Resort and Mission Linen Supply of Oceanside

Rental Service Agreement dated July 15, 1996 between Mission Uniform Service and San Diego Princess Resort

Music Services Agreement dated September 26. 1995 between Muzak Limited Partnership and San Diego Princess Resort

Agreement (undated) between National Guest Systems Corporations and The San Diego Princess

Maintenance Service Agreement dated January 24. 1996 between NEC Business Communications Systems (West), Inc.

Medical and Hospital Subscriber Agreement dated December 1, 1996 between Pacificare, Inc. and San Diego Princess Resort

Computer Hardware Purchase Agreement and Software License between Springer-Miller Systems, Inc. and San Diego Princess

Agreement dated January 8. 1998 between Lexington Service Corporation and San Diego Princess Resort

Lease Agreement dated December 2. 1996 between San Diego Princess Resorts and Web Service Co., Inc.

Agreements dated May 24. 1992 and May 1. 1996 between Jim & Inge's Window Cleaning Service and San Diego Princess Resort

Volume Ticket Agreement (undated) between Zoological Society of San Diego and San Diego Princess Resort

Sprint Telecommunications Services Agreement dated November 15. 1996 between Sprint Communications Company L.P. and San Diego Princess Resort

Agreement dated September 13. 1996 between Sprint Communications Company L.P. and Princess Cruises

Merchant Credit Card Agreement dated June 7. 1995 between First USA Merchant Services, Inc. and VVH Resorts Ltd.

Agreement (undated) between San Diego Fitness Equipment Repair and San Diego Princess Resort

Agreement with CAM Data re: maintenance of gift shop cash register, inventory system (No copy available)

Agreement with Mobile Com re: maintenance of alpha-numeric pagers (no copy available)

Service Agreement dated November 17, 1992 between AdTech, Inc. and San Diego Princess

Service Agreement dated May 26, 1987 between LeBlanc Electronics, Inc. and San Diego Princess

Agreement dated May 19, 1992 between Wells Fargo Alarm Services and San Diego Princess Resort

Agreement dated March 25, 1983 between The Vault and Vacation Village

Agreement dated April 29, 1996 between Merkel & Associates, Inc. and San Diego Princess Resort

Maintenance Agreement dated December 12, 1995 between Atlas Tree Service and San Diego Princess Resorts

1998 Wholesale Contract between Alaska Airlines and San Diego Princess Resort for January 6, 1997 to January 5, 1999

Group and F.I.T. Rates Contract dated July 29, 1997 between Creative Receptives International and San Diego Princess Resort

Group and F.I.T. Rates Contract dated October 12, 1997 between North American Tour Organization and San Diego Princess Resort

Group and F.I.T. Rates Contract dated April 21, 1997 between Nato Tours and San Diego Princess Resort

Group and F.I.T. Rates Contract dated December 18, 1996 between Pacific Sunspot Tours and San Diego Princess Resort

Group and F.I.T. Rates Contract dated October 28, 1996 between Peregor Travel, Ltd. and San Diego Princess Resort

1997-1998 Wholesale Agreement dated June 9, 1997 between Walt Disney Travel Company and San Diego Princess

Software Maintenance & Technical Support Agreement between Telsfor Solutions, Inc. (call accounting system) and San Diego Princess Resort

Agreement for Spectravision Pay Per View Movies and other services and Spectravision Free-to-Guest Satellite Television Services. Modified 12/18/97 to Extend Original Agreement of 6/30/98

Seaworld of California Net Rate Agreement Dated December 10, 1997.

Trade Agreement dated March 3, 1998 between Creative Promotions, Inc. and San Diego Princess Resort

Trade Agreement dated March 16, 1998 between Ahntech, Inc. and San Diego Princess Resort

Trade Agreement dated March 9, 1998 between Kearny Electric Supply and San Diego Princess Resort

Advertising Agreement between San Diego Business Journal and San Diego Princess Resort

Advertising Agreement between Successful Meetings and San Diego Princess Resort

Advertising Agreement between Hotel & Travel Index and San Diego Princess Resort

SCHEDULE 4.1.5

SCHEDULE OF LITIGATIONPersonal Injury

1. Sacha Bambadji v. San Diego Princess Investment Corporation, dba San Diego Princess, a Princess Cruises Resort - DOL 3/2/96

Personal injury complaint filed 2/18/97 in San Diego Municipal Court. Plaintiff dislocated finger when he slipped and fell in guest room bath tub. Settled 8/97. Settlement Agreement and Release executed by Plaintiff September 1, 1997. Advised carrier of dismissal of action.

2. Jacob Tewel v. San Diego Princess Resorts, City of San Diego - DOL 3/21/96

Personal injury complaint filed 3/19/97 in Superior Court. Since trip and fall injury occurred on City of San Diego public park property *adjacent* to SDPR leasehold. Plaintiff has signed dismissal with prejudice.

3. Rosa Aereboe v. VVH Resorts, Ltd., dba San Diego Princess Resort - DOL 6/12/96

Personal injury complaint filed 6/10/97 in San Diego Superior Court by *uninsured* elderly woman who broke hip in trip & fall. Medicals exceed \$37,000. Plaintiff is citizen of South Africa. Zurich denied claim but Plaintiff hopes to prove premises liability. Current reserves - \$5,000 indemnity. Dismissed with \$10,000 deductible paid.

4. Carolyn Tyndall v. San Diego Princess Resort - DOL 6/8/96

Registered guest sustained broken ankle in trip & fall at marina. Settled 7/97 for \$3,000. Release signed 8/18/97. Notice of Dismissal (on 9/8/97) by Court has been received - awaiting conformed copy.

5. Alice Teichert - Trip & Fall - DOL 9/28/96

Personal injury complaint for "trip and fall" on a curb at the entrance of convention center. Summons and complaint filed 9/9/97, but as of October 2, 1997 Seller had not yet been served. Closed October 20, 1997 for settlement of \$3,400. Deductible paid December, 1997.

6. Lisa Davies v. San Diego Princess Resorts and Princess Cruises

Personal injury complaint from plaintiff who walked into a large window in the Sunset Ballroom. Summons and complaint filed, and Seller served on November 4, 1997. Closed December 23, 1997 with \$1,000 settlement.

7. Alice Knebel - Slip & Fall - DOL 4/15/96

Claim originally denied by Zurich 11/25/97. Claimant's workers comp carrier filed suit in Municipal Court against (unknown) to recover \$5,000 in meds. Because the comp carrier refused to dismiss, Zurich settled case for \$4,000 and obtained dismissal. Hotel will be billed deductible of \$4,000

8. Virginia Fellows - Slip & Fall - DOL 9/23/96

Personal injury suite filed 9/24/97 in Municipal Court based on premises liability. Plaintiff claims previous knee injury exacerbated by trip & fall on Hotel's parking lot island. Discovery in progress. Hotel's counsel offered to waive legal costs in exchange for dismissal for filing frivolous law suit. Reserves: \$15,000 bodily injury; \$10,000 legal defense.

9. Vitins - Power Outage "Ruined" Wedding Reception - DOL 8/30/97

Husband & wife filed suite January 23, 1998 for negligence and breach of contract against San Diego Princess Resort and against San Diego Gas & Electric Company due to area-wide power outage that occurred off resort premises and Hotels' alleged failure to provide auxiliary backup electrical power during a portion of claimant's wedding reception. San Diego Gas & Electric has won their motion for summary judgment. San Diego Princess Resort awaits response to discovery; has made settlement offer of \$500; is considering filing a motion for summary judgment. Zurich reserving rights to indemnify but has agreed to provide defense.

10. Cory Bowman - Knee Injury - DOL 5/25/97

Claim opened with Zurich in March, 1998 upon receipt of demand for \$8,500 meds and lost wages resulting from knee injury sustained during holiday musical event at Barefoot Bar & Grill. Zurich offered meds only based on finding of no liability. Claimant rejected offer, raised demand to \$12,000 and is in process of filing suit for negligence and negligent training of restaurant personnel.

Contract Related

Letter dated September 18, 1997 from Jay D. Pimentel of Haines Brydoin & Lea re: alleged default under the Agreement dated June 21, 1994 between Bay Area Bank and Princess Resorts claiming a default by Hotel under the Agreement. [Default cured]

Vitins - Power Outage "Ruined" Wedding Reception - DOL 8/30/97 (See above)

Employment Related1. Anderson Meekie (No lawsuit)

Filed discrimination claim with DFEH on 3/10/98 (employment terminated 11/5/97). Responded to DFEH within twenty-one days. Expect no action to be taken.

JUN. 26. 1998 10:42AM

BROWN & WOOD LLP

NO. 1681 P. 48
JUN 26 '98 07:23AM

SCHEDULE 4.1.6

NOTICES OF VIOLATION

None

JUN. 26. 1998 10:42AM

BROWN & WOOD LLP

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SCHEDULE 4.1.10

RESERVATION AGREEMENTS AND DEPOSITS

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BROKERAGE AGREEMENTS

None.