

FIRST IMPLEMENTATION AGREEMENT TO
DISPOSITION AND DEVELOPMENT AGREEMENT

This First Implementation Agreement to Disposition and Development Agreement ("Agreement") is made as of this 29 day of February, 1988, by and between the REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA ("Agency") and SANTA BARBARA ASSOCIATES, a California general partnership ("Developer").

RECITALS

A. Agency and Paseo Nuevo Associates, a California Limited Partnership, predecessor in interest to Developer, entered into that certain Disposition and Development Agreement ("DDA") effective as of November 23, 1987. Capitalized terms not otherwise defined herein shall have the same meanings as provided in the DDA.

B. ESPERANZA INVESTMENTS, a California limited partnership, RICHARD A. BERTI, MORRIS M. JURKOWITZ, MAXWELL B. SANDERS, and OLD TOWN MALL, a California limited partnership (collectively, the "Owners") are the owners of that certain real property more particularly described in Exhibit "A" attached hereto, which real property is hereinafter referred to as the "Parma Parcel" and the "Ott's Parcel," respectively.

C. Agency entered into an Owner Participation Agreement dated December 31, 1987 with Owners ("OPA") pursuant to which Agency acquired certain real property adjacent to the Parma Parcel and Ott's Parcel more particularly described in Exhibits "B" and "C" attached hereto, which real property is hereinafter referred to as the "Parma Center Parcel" and the "Ott's Center Parcel", respectively. The Parma Center Parcel

and the Ott's Center Parcel were, prior to Agency's acquisition, joined together with the Parma Parcel and Ott's Parcel, respectively, as larger parcels. Pursuant to the DDA, the Parma Center Parcel and the Ott's Center Parcel will be part of the Developer Tract leased by Agency to Developer pursuant to the Developer Lease.

D. Developer is negotiating a lease with Owners for the Parma Parcel and the Ott's Parcel ("Ott's/Parma Lease").

E. Among other improvements, the Parma Center Parcel contains (i) a basement area; (ii) a patio area; (iii) restroom facilities adjacent to said patio area; and (iv) an exterior stairway to the second floor of the existing improvements located on the Ott's Parcel (collectively, the "Parma Improvements"). The Parma Improvements were available for use, to varying extent, by certain existing tenants of the Parma Parcel and Ott's Parcel prior to Agency's acquisition of the Parma Center Parcel.

F. In order to minimize claims by tenants of the Parma Parcel and Ott's Parcel for the loss of use of the Parma Improvements, it is the understanding of Agency and Developer that, notwithstanding the acquisition by Agency of title to the Parma Center Parcel, the Parma Improvements will not be removed, and the Agency will allow any tenants of the Parma Parcel and Ott's Parcel who may be entitled to use the Parma Improvements to continue such use, until the Close of Escrow, or such earlier date that Developer and Agency agree to commence demolition of the Parma Improvements for construction of the Retail Center (the earlier of the Close of Escrow or the date Agency and Developer agree to commence demolition of the Parma Improvements shall hereafter be referred to as the "Disposition Date").

G. The Agency desires to be indemnified from, and Developer is willing to indemnify the Agency from, any claims made by tenants of the Parma Parcel and Ott's Parcel for loss of use of the Parma Improvements for any period of time after the Disposition Date, subject to the terms and conditions set forth herein.

NOW, THEREFORE, the parties hereto agree as follows:

1. Use of Parma Improvements. Agency shall not demolish, remove or otherwise alter the Parma Improvements until the Disposition Date. Until the Disposition Date, Agency shall allow any tenants of the Parma Parcel and the Ott's Parcel who are entitled to use the Parma Improvements to continue such use, notwithstanding the acquisition by Agency of title to the Parma Center Parcel. Agency expressly recognizes that any interference with the use of the Parma Improvements before the Disposition Date could give rise to claims for the loss of the use thereof by tenants of the Parma Parcel and Ott's Parcel, but that Developer will have no obligation in connection with any such claims.

2. Indemnity. Provided that the condition precedent in Section 3 below is satisfied, Developer shall indemnify, defend and hold Agency harmless from any claims by tenants of the Parma Parcel and Ott's Parcel for compensation for loss of use of the Parma Improvements for any period of time after the Disposition Date. Developer may act in its sole discretion, limited only by the terms of the DDA, so as to reduce or eliminate any such tenant claim, including but not limited to (i) redesigning the affected portion of the Retail Center to provide substitute facilities for the Parma Improvements or any of them, (ii) replacing the Parma Improvements or any of them on the Parma Parcel and Ott's Parcel, or (iii) providing a rent reduction or other monetary compensation to any tenant

making such claim. This indemnity is expressly limited to claims for loss of use of the Parma Improvements and does not apply to any claims by tenants for the elimination of parking, access, signage or other improvements or rights currently provided on the Parma Center Parcel or the Ott's Center Parcel or in the leases for such parcels.

At the Close of Escrow for the Developer Lease, Developer shall execute and deliver to Agency an indemnity agreement containing the indemnity set forth in this Section 2.

3. Condition Precedent. The indemnity obligation of Developer set forth in Section 2 above shall be conditioned upon execution by Agency and Owners of an amendment to the OPA revising Section 200.5 thereof to provide substantially as follows:

Agency shall have the sole responsibility, at Agency's expense except as expressly provided below, to provide substitute facilities for, or make other satisfactory arrangements with, tenants of the Remainder Parcels with respect to loss of use by such tenants of access, utilities, the patio area, the restrooms located adjacent to the patio area, the basement and exterior stairs located on the Parma Center Parcel and Ott's Center Parcel necessitated by the construction of the Retail Center. Pursuant to the terms of that certain First Implementation Agreement to Disposition and Development Agreement dated _____, 1988 ("First Implementation Agreement") by and between Agency and the Center Developer, Agency has agreed not to demolish, remove or otherwise alter the patio area, restrooms located adjacent to the patio area, the basement and the exterior stairs located on the Parma Center Parcel, and to permit the tenants of the Remainder Parcels to use such improvements until the earlier of the Close of Escrow (as defined in the DDA) for the Agency Lease or the date that the Center Developer and Agency agree to commence demolition of such improvements for construction of the Retail Center ("Disposition Date"). The First Implementation Agreement further provides that the Center Developer, from and after the Disposition Date, shall be responsible for claims by tenants of the Remainder Parcels for loss of use of the basement, patio area, restrooms located adjacent to the patio area and exterior stairs to the Remainder Parcels located on the Parma Center Parcel. The First Imple-

mentation Agreement requires that the Center Developer deliver a written indemnity agreement to Agency with respect to such claims on the Close of Escrow for the Agency Lease. From and after the delivery of such written indemnity agreement, Agency shall no longer have any liability to Participants for claims or compensation for loss of use of the basement area, patio, restrooms located adjacent to the patio area and exterior stairways to the Remainder Parcels located on the Parma Center Parcel for which the Center Developer has agreed to become responsible under such written indemnity agreement, but all other obligations of Agency under Section 200.4 hereof shall remain in full force and effect.

In the event that Agency and Owners do not execute an amendment to the OPA containing language substantially similar to the language set forth in this Section 3, the indemnity obligation of Developer set forth in Section 2 hereof shall be null and void.

4. Termination of DDA. In the event of a termination of the DDA in accordance with the terms thereof prior to the Close of Escrow, this Agreement shall terminate concurrently therewith and neither party shall have any further obligation hereunder.

5. Effect on DDA. Except as otherwise provided herein, the terms of the DDA shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective on the date first set forth above.

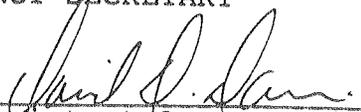
AGENCY:

REDEVELOPMENT AGENCY OF THE CITY
OF SANTA BARBARA

By 
Executive Director

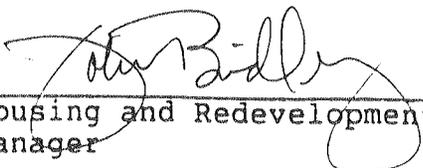
ATTEST:

AGENCY SECRETARY

By 
Assistant Agency Secretary

APPROVED AS TO CONTENT:

DEPUTY EXECUTIVE DIRECTOR

By 
Housing and Redevelopment
Manager

APPROVED AS TO FORM:

AGENCY COUNSEL

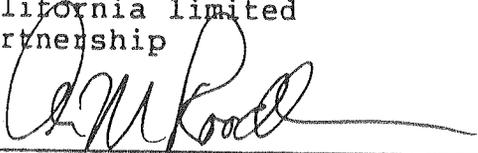
By 
Assistant Agency Counsel

By _____
Special Agency Counsel

DEVELOPER:

SANTA BARBARA ASSOCIATES, a
California general partnership

By: PASEO NUEVO ASSOCIATES, a
California limited
partnership

By 
Its General Partner

By: JMB/PASEO NUEVO ASSOCIATES,
an Illinois general
partnership

By: JMB/PN, INC., an
Illinois corporation,
General Partner

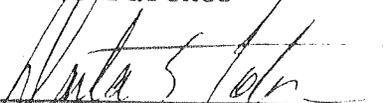
By 
DARLA S. TOTUSEK
Vice President

EXHIBIT A
Part I

All that real property in the City of Santa Barbara, County of Santa Barbara, State of California being Parcels No. Five (5), and Six (6) in Block One Hundred Ninety-Three (193) of said City, as shown on the map accompanying the Commissioner's Report filed in the Office of the Clerk of the Superior Court of the State of California, in and for the County of Santa Barbara, in the action for partition entitled Maria Andonaegui Thompson vs. Frank Andonaegui and Hortensia Andonaegui Garcia, said Parcel No. 5 being described as follows:

Beginning at a point on the Southwesterly line of State Street, said point being distant Northwesterly 216.83 feet from the most Easterly corner of said Block 193; thence along said Southwesterly line of State Street Northwesterly 50.28 feet to a point at an iron stake $\frac{3}{4}$ inches in diameter; thence at a right angle Southwesterly 225 feet to an iron stake $\frac{3}{4}$ inches in diameter; thence at a right angle Southeasterly 53.39 feet to an iron stake $\frac{3}{4}$ inches in diameter; thence deflecting $90^{\circ}15'$ to the left in a Northeasterly direction 225.02 feet to the place of beginning.

Said Parcel Six being described as follows:

Commencing at an iron stake $\frac{3}{4}$ inches in diameter on the Northeasterly line of Chapala Street, said stake being distant 210.3 feet in the Northwesterly direction from the South corner of City Block 193; thence along said Northeasterly line of Chapala Street, Northwesterly 41.35 feet to an iron stake $\frac{3}{4}$ inches in diameter; thence deflecting $89^{\circ}33'$ to the right, Northeasterly 225 feet to an iron stake $\frac{3}{4}$ inches in diameter; thence deflecting $90^{\circ}27'$ to the right, Southeasterly 39.72 feet to an iron stake $\frac{3}{4}$ inches in diameter; thence deflecting $89^{\circ}10'$ to the right, Southwesterly 225.02 feet to the place of beginning.

EXCEPTING therefrom that portion of City Block 193, in the City of Santa Barbara, County of Santa Barbara, State of California, being a portion of the land shown on the map recorded in Book 12, Page 119 of Maps, in the Office of the County Recorder of said County, more particularly described as follows:

Commencing at the most Northerly corner of the land shown on said map, thence South $41^{\circ}28'20''$ West, 120.58 feet along the Northwesterly line of the land shown on said map, being also the Southeasterly line of the land described in the deed recorded as Instrument No. 78-29955 of Official Records, in the Office of the County Recorder of said County, to the True Point of Beginning; thence 1st, South $48^{\circ}11'08''$ East, 51.98 feet to the Southeasterly line of the land shown on said map; thence 2nd, South $40^{\circ}40'45''$ West, 104.31 feet along said last mentioned Southeasterly line to an angle point in said line; thence 3rd, South $40^{\circ}38'28''$ West, 215.19 feet continuing along said last mentioned Southeasterly line to the most Southerly corner of the land shown on said map; thence 4th, North $48^{\circ}30'40''$ West, 41.31 feet along the Southwesterly line of the land shown on said map, to the Southeasterly line of said deed; thence 5th, North $41^{\circ}03'25''$ East 215.18 feet along said last mentioned Southeasterly line to an angle point in

said line; thence 6th, North $48^{\circ}30'20''$ West, 13.68 feet, continuing along said last mentioned Southeasterly line to an angle point in said line; thence 7th, North $41^{\circ}28'20''$ East, 104.59 feet,— continuing along said last mentioned Southeasterly line to the True Point of Beginning.

EXHIBIT A
Part II

All those portions of City Block 193 in the City of Santa Barbara, County of Santa Barbara, State of California, according to the Official Map thereof, described as follows:

PARCEL ONE:

Beginning at a point on the Southeasterly line of De la Guerra Street, distant thereon 163.45 feet Southwesterly from the most Northerly corner of said block; thence Southwesterly along the Southeasterly line of said De la Guerra Street, 277.00 feet, more or less, to the intersection of said street line with the Northeasterly line of Chapala Street as said last mentioned street line existed on July 1, 1963; thence Southeasterly along the Northeasterly line of said Chapala Street hereinabove referred to, 199.35 feet, more or less, to a point on the Northwesterly line of "Parcel No. 6" so described in the Deed to Parma Company, a corporation recorded March 20, 1920 in Book 181, Page 101 of Deeds, records of said County; thence Northeasterly, along the Northwesterly line of said "Parcel No. 6" of said Parma Company tract of land, 215 feet, more or less, to the most Northerly corner of said "Parcel No. 6," and a point on the Southwesterly line of "Parcel No. 5" in said Deed to Parma Company hereinabove referred to; thence along the Southwesterly and Northwesterly lines of said "Parcel No. 5" of said Parma Company tract of land, the following courses and distances; Northwesterly, 13.67 feet to the most Westerly corner thereof; and North-easterly, at right angles, 225 feet to the most Northerly corner thereof and a point on the Southwesterly line of State Street; thence Northwesterly, along the Southwesterly line of said State Street, 81.05 feet, more or less, to the most Easterly corner of the tract of land described in the Deed to David C. Williams, recorded January 3, 1906 in Book 113, Page 130 of Deeds, records of said County; thence along the Southeasterly and Southwesterly lines of said Williams tract of land the following courses and distances: Southwesterly, 152.02 feet to the most Southerly corner thereof; and North-westerly, 102.81 feet to the point of beginning.

EXCEPTING therefrom that portion of City Block 193, in the City of Santa Barbara, County of Santa Barbara, State of California, being a portion of the land described in a deed recorded as Instrument No. 78-29955 of Official Records, in the Office of the County Recorded of said County, more parti-cularly described as follows:

Commencing at the Northerly corner of said City Block 193; thence South $41^{\circ}29'45''$ West, 264.61 feet along the North-westerly line of said City Block 193, to the True Point of Beginning; thence 1st, South $48^{\circ}44'27''$ East, 183.10 feet; thence 2nd, North $41^{\circ}28'20''$ East, 38.66 feet to an angle point in the Southeasterly line of the land described in said deed; thence 3rd, South $48^{\circ}30'20''$ East, 13.68 feet along said last mentioned Southeasterly line to an angle point in said line; thence 4th, South $41^{\circ}03'25''$ West, 215.18 feet along said last mentioned Southeasterly line to the most Southerly corner of the land described in said deed, being also the Southwesterly line of said City Block 193; thence 5th, North $48^{\circ}30'40''$ West,

198.41 feet along said Southwesterly line to the said Northwesterly line; thence 6th, North $41^{\circ}29'45''$ East, 175.78 feet along said Northwesterly line to the True Point of Beginning.

PARCEL TWO:

The perpetual right of way for all the uses and purposes of a private alley, in, over, along and upon a strip of land 11.45 feet in width lying Southwesterly of, adjacent to and parallel with measured at right angles to, the following described line:

Beginning at a point on the Southeasterly line of De la Guerra Street, distant thereon 152.00 feet Southwesterly from the most Northerly corner of said Block; thence at right angles and parallel with the Southwesterly line of State Street, Southeasterly, 101 feet, more or less, to the most Southerly corner of the tract of land described in the Deed to David C. Williams hereinabove referred to in Parcel One, and the end of said easement line.

EXCEPTING therefrom that portion lying within the lines of Parcel One hereinabove described.

All that real property in the City of Santa Barbara, County of Santa Barbara, State of California being Parcels No. Five (5), and Six (6) in Block One Hundred Ninety-Three (193) of said City, as shown on the map accompanying the Commissioner's Report filed in the Office of the Clerk of the Superior Court of the State of California, in and for the County of Santa Barbara, in the action for partition entitled Maria Andonaegui Thompson vs. Frank Andonaegui and Hortensia Andonaegui Garcia, said Parcel No. 5 being described as follows:

Beginning at a point on the Southwesterly line of State Street, said point being distant Northwesterly 216.83 feet from the most Easterly corner of said Block 193; thence along said Southwesterly line of State Street Northwesterly 50.28 feet to a point at an iron stake 3/4 inches in diameter; thence at a right angle Southwesterly 225 feet to an iron stake 3/4 inches in diameter; thence at a right angle Southeasterly 53.39 feet to an iron stake 3/4 inches in diameter; thence deflecting 90°15' to the left in a Northeasterly direction 225.02 feet to the place of beginning.

Said Parcel Six being described as follows:

Commencing at an iron stake 3/4 inches in diameter on the Northeasterly line of Chapala Street, said stake being distant 210.3 feet in the Northwesterly direction from the South corner of City Block 193; thence along said Northeasterly line of Chapala Street, Northwesterly 41.35 feet to an iron stake 3/4 inches in diameter; thence deflecting 89°33' to the right, Northeasterly 225 feet to an iron stake 3/4 inches in diameter; thence deflecting 90°27' to the right, Southeasterly 39.72 feet to an iron stake 3/4 inches in diameter; thence deflecting 89°10' to the right, Southwesterly 225.02 feet to the place of beginning.

EXCEPTING therefrom that portion of City Block 193, in the City of Santa Barbara, County of Santa Barbara, State of California, being a portion of the land shown on the map recorded in Book 12, Page 119 of Maps, in the Office of the County Recorder of said County, more particularly described as follows:

Commencing at the most Northerly corner of the land shown on said map, thence South 41°28'20" West, 120.58 feet along the Northwesterly line of the land shown on said map, being also the Southeasterly line of the land described in the deed recorded as Instrument No. 78-29955 of Official Records, in the Office of the County Recorder of said County, to the True Point of Beginning; thence 1st, South 48°11'08" East, 51.98 feet to the Southeasterly line of the land shown on said map; thence 2nd, South 40°40'45" West, 104.31 feet along said last mentioned Southeasterly line to an angle point in said line; thence 3rd, South 40°38'28" West, 215.19 feet continuing along said last mentioned Southeasterly line to the most Southerly corner of the land shown on said map; thence 4th, North 48°30'40" West, 41.31 feet along the Southwesterly line of the land shown on said map to the Southeasterly line of said deed; thence 5th, North 41°03'25" East 215.18 feet along said last mentioned Southeasterly line to an angle point in

said line; thence 6th, North 48°30'20" West, 13.68 feet, continuing along said last mentioned Southeasterly line to an angle point in said line; thence 7th, North 41°28'20" East, 104.59 feet, continuing along said last mentioned Southeasterly line to the True Point of Beginning.

All those portions of City Block 193 in the City of Santa Barbara, County of Santa Barbara, State of California, according to the Official Map thereof, described as follows:

PARCEL ONE:

Beginning at a point on the Southeasterly line of De la Guerra Street, distant thereon 163.45 feet Southwesterly from the most Northerly corner of said block; thence Southwesterly along the Southeasterly line of said De la Guerra Street, 277.00 feet, more or less, to the intersection of said street line with the Northeasterly line of Chapala Street as said last mentioned street line existed on July 1, 1963; thence Southeasterly along the Northeasterly line of said Chapala Street hereinabove referred to, 199.35 feet, more or less, to a point on the Northwesterly line of "Parcel No. 6" so described in the Deed to Parma Company, a corporation recorded March 20, 1920 in Book 181, Page 101 of Deeds, records of said County; thence Northeasterly, along the Northwesterly line of said "Parcel No. 6" of said Parma Company tract of land, 215 feet, more or less, to the most Northerly corner of said "Parcel No. 6," and a point on the Southwesterly line of "Parcel No. 5" in said Deed to Parma Company hereinabove referred to; thence along the Southwesterly and Northwesterly lines of said "Parcel No. 5" of said Parma Company tract of land, the following courses and distances; Northwesterly, 13.67 feet to the most Westerly corner thereof; and North-easterly, at right angles, 225 feet to the most Northerly corner thereof and a point on the Southwesterly line of State Street; thence Northwesterly, along the Southwesterly line of said State Street, 81.05 feet, more or less, to the most Easterly corner of the tract of land described in the Deed to David C. Williams, recorded January 3, 1906 in Book 113, Page 130 of Deeds, records of said County; thence along the Southeasterly and Southwesterly lines of said Williams tract of land the following courses and distances: Southwesterly, 152.02 feet to the most Southerly corner thereof; and North-westerly, 102.81 feet to the point of beginning.

EXCEPTING therefrom that portion of City Block 193, in the City of Santa Barbara, County of Santa Barbara, State of California, being a portion of the land described in a deed recorded as Instrument No. 78-29955 of Official Records, in the Office of the County Recorded of said County, more parti-cularly described as follows:

Commencing at the Northerly corner of said City Block 193; thence South $41^{\circ}29'45''$ West, 264.61 feet along the North-westerly line of said City Block 193, to the True Point of Beginning; thence 1st, South $48^{\circ}44'27''$ East, 183.10 feet; thence 2nd, North $41^{\circ}28'20''$ East, 38.66 feet to an angle point in the Southeasterly line of the land described in said deed; thence 3rd, South $48^{\circ}30'20''$ East, 13.68 feet along said last mentioned Southeasterly line to an angle point in said line; thence 4th, South $41^{\circ}03'25''$ West, 215.18 feet along said last mentioned Southeasterly line to the most Southerly corner of the land described in said deed, being also the Southwesterly line of said City Block 193; thence 5th, North $48^{\circ}30'40''$ West,

198.41 feet along said Southwesterly line to the said Northwesterly line; thence 6th, North $41^{\circ}29'45''$ East, 175.78 feet along said Northwesterly line to the True Point of Beginning.

PARCEL TWO:

The perpetual right of way for all the uses and purposes of a private alley, in, over, along and upon a strip of land 11.45 feet in width lying Southwesterly of, adjacent to and parallel with measured at right angles to, the following described line:

Beginning at a point on the Southeasterly line of De la Guerra Street, distant thereon 152.00 feet Southwesterly from the most Northerly corner of said Block; thence at right angles and parallel with the Southwesterly line of State Street, Southeasterly, 101 feet, more or less, to the most Southerly corner of the tract of land described in the Deed to David C. Williams hereinabove referred to in Parcel One, and the end of said easement line.

EXCEPTING therefrom that portion lying within the lines of Parcel One hereinabove described.