

SECOND IMPLEMENTATION AGREEMENT TO
DISPOSITION AND DEVELOPMENT AGREEMENT

This Second Implementation Agreement to Disposition and Development Agreement ("Agreement") is made as of this 24th day of ~~January~~ February, 1989, 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 effective as of November 23, 1987. The Disposition and Development Agreement was amended and supplemented by that certain First Implementation Agreement to Disposition and Development Agreement dated as of February 29, 1988, by and between Agency and Developer ("First Implementation Agreement") (the Disposition and Development Agreement, as amended and supplemented by the First Implementation Agreement, is hereafter referred to as the "DDA"). Capitalized terms not otherwise defined herein shall have the same meaning as provided in the DDA.

B. Agency and Developer desire to enter into this Agreement for purposes of setting forth certain amendments and modifications to the DDA and to establish certain agreements

reached by Developer and Agency since the date of effectiveness of the DDA.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Acquisition of Rehabilitation Parcels. Pursuant to that certain Owner Participation Agreement dated as of December 31, 1987 ("Berti OPA"), by and among the Agency, Esperanza Investments, a California limited partnership, Richard A. Berti, Morris M. Jurkowitz, Maxwell B. Sanders, and Old Town Mall, a California limited partnership (collectively "Berti"), Agency agreed to acquire by condemnation pursuant to stipulated judgment Acquisition Parcel 5 of the Project Site as shown on Attachment No. 1B to the DDA, which Acquisition Parcel 5 consists of the rear portions (fronting on Chapala Street) of the Ott and Parma Parcels. Agency acquired Acquisition Parcel 5 of the Project Site pursuant to a Final Order and Judgment in Condemnation in Case No. 169314 in the Superior Court of the State of California for the County of Santa Barbara filed on January 15, 1988. Pursuant to that certain Lease Agreement dated March 15, 1988, by and between Developer and Berti, Developer and Berti entered into a master lease for a term commensurate with the term of the Developer Lease for the front portions (fronting on State Street) of the Ott and Parma Parcels shown on Attachment No. 1B to the DDA as Acquisition Parcel 5A ("Rehabilitation Parcels"). Due to the fact that Acquisition

Parcel 5 of the Project Site was not acquired by the Agency in the manner contemplated by Section 104.2 of the DDA, Developer and Agency hereby delete Section 104.2 of the DDA in its entirety, and agree as follows:

(a) All references in the DDA to an agreement by Berti to convey to Agency a portion of the Ott and Parma Parcels shown as reconfigured Acquisition Parcel 5 on Attachment 1B are hereby deleted from the DDA.

(b) The Rehabilitation Parcels are hereby incorporated into the Retail Center.

(c) Developer shall not be entitled to a credit against Developer's Consideration of Two Million Two Hundred Thousand Dollars (\$2,200,000) as shown on Attachment 5 to the DDA.

(d) Annual Participation Rent (as defined in the Developer Lease) under the Developer Lease shall include the Rehabilitation Parcels and all other applicable provisions of the Developer Lease, such as Participation Rent Area, Project Costs, Participation Rent Debt Service, and Senior Mortgage Payments, shall apply to the Rehabilitation Parcels.

(e) The Scope of Development shall be deemed to include the Rehabilitation Parcels.

(f) Pursuant to an Easement, Covenant and Restriction Agreement by and among Agency, Berti and Developer, to be recorded upon the Close of Escrow in the Official Records of Santa Barbara County, California ("Berti ECR"), Berti will subject its fee interest in the Rehabilitation Parcels to certain covenants and restrictions as more particularly set forth in the Berti ECR. Concurrently with the Close of Escrow, Developer, the Majors and Agency shall execute and deliver an amendment to the REA, pursuant to which amendment Developer will subject its leasehold interest in the Rehabilitation Parcels to the terms of the REA.

(g) Agency shall have the right to approve development plans and specifications for the improvements to the Rehabilitation Parcels to the same extent provided for other Retail Center development in Section 300 of the DDA.

(h) The evidence of financing required under Section 217 of the DDA shall include financing for rehabilitation of the Rehabilitation Parcels.

(i) No additional parking shall be required to be constructed or paid for by either Developer or Agency as a result

of the rehabilitation, reconstruction and/or incorporation of the Rehabilitation Parcels into the Retail Center.

(j) Pursuant to Section 104.2 of the Berti OPA, Agency has agreed to convey to Berti a small portion of Acquisition Parcel 2 of the Project Site, and Berti has agreed to convey to Agency a small portion of the Ott and Parma Parcels in order to permit the Developer to construct the Retail Center entirely within the Lease Parcels as reconfigured and shown on Attachment 1B to the DDA. For purposes of the DDA, the Lease Parcels shall include the reconfigured Acquisition Parcel 5 as shown on Attachment No. 1B to the DDA.

Agency hereby acknowledges that Developer acquired its leasehold interest in the Rehabilitation Parcels at its own election and at its own cost and expense for purposes of enhancing the Retail Center. Agency further acknowledges that the DDA imposed no obligation upon Developer to acquire the Rehabilitation Parcels.

2. Revised Basic Concept Drawings.

(a) The parties acknowledge that to date Developer has been unable to enter into an agreement with the owner of the real property and buildings located contiguous to Building 200 shown on the Basic Concept Drawings (sometimes referred to as Design

Development Drawings) (such owners are hereafter referred to as "Piccadilly" and such real property and buildings are hereafter referred to as the "Piccadilly Property") that results in a waiver of claims by Piccadilly against Agency for loss of access to the Piccadilly Property. In settlement of certain condemnation actions filed by Agency against Piccadilly to obtain portions of the Piccadilly Property included within Acquisition Parcels 3 and 4 of the Project Site, including settlement of all claims for severance damages due to loss of access to the Piccadilly Property caused by the construction of the Retail Center, Agency intends to enter into an Owner Participation Agreement with Piccadilly ("Piccadilly OPA"). In contemplation of the Piccadilly OPA Developer has made certain design changes in the Retail Center from the design shown in the Basic Concept Drawings, including, specifically, the maintenance of a 16-foot wide corridor in Paseo 3A and the elimination of retail wall shops in Paseo 2 as shown in the Basic Concept Drawings. Developer has incorporated these design changes in revised Basic Concept Drawings for the Retail Center ("Revised Basic Concept Drawings"). Agency has approved the Revised Basic Concept Drawings by letter dated January 27, 1989. Notwithstanding anything contained in that certain Letter Agreement dated November 19, 1987, by and between Agency and Developer, no further revision of the site plans and elevations for the Retail Center shall be required with respect to the Rehabilitation Parcels or Building 200 of the Retail Center.

(b) Developer and Agency contemplate that the Piccadilly OPA will grant Piccadilly certain rights of access to the common areas of the Retail Center or portions thereof, and at Piccadilly's option and upon payment of certain benefit charges, certain rights to participate on the same basis as other tenants of Developer in the Retail Center in marketing programs and to obtain other rights with respect to the Retail Center. Developer and Agency agree that any rights of Piccadilly to use the common area of the Retail Center, to participate with other tenants of Developer in the Retail Center in marketing programs and to obtain any other benefits related to the Retail Center shall be set forth in an Easement, Covenant and Restriction Agreement, on terms and conditions satisfactory to Developer, executed by and between Piccadilly, Developer and the Agency, which agreement will name each of the Majors as a third party beneficiary. Agency acknowledges that the terms of any such Easement, Covenant and Restriction Agreement shall be subject to approval by the Majors in accordance with the terms of the REA.

(c) Agency and Developer acknowledge that the Developer Lease has been amended to include a reservation by Agency of the right to grant easements over limited portions of the Developer Tract to owners of the property adjacent to the Retail Center, including Piccadilly, for pedestrian and service access, utilities and access to and use of refuse storage areas

located on the Developer Tract or adjacent real property, subject to the terms and conditions set forth in that certain First Amendment to Ground Lease of even date herewith by and between Developer and Agency ("Developer Lease Amendment"). Notwithstanding anything contained in Section 2(b), if Agency and Piccadilly are unable to consummate the Piccadilly OPA, Agency shall have the right to grant easements to Piccadilly over limited portions of the Developer Tract for the limited purposes and subject to the terms and conditions set forth in the Developer Lease Amendment in settlement of all claims for severance damages due to loss of access to the Piccadilly Property caused by the construction of the Retail Center. In such event, Developer shall again have the right to place retail wall shops in Paseo 2 as shown in the original Basic Concept Drawings. Any construction of retail wall shops in Paseo 2 may be subject to further approval by City's Planning Staff or City's Planning Commission for "substantial conformance" (as that term is generally defined by City) with the Development Plan approved for the Retail Center.

3. Replacement Parking Spaces. Agency and Developer acknowledge that the Parking Agreement and the Parking Covenants, as amended, grant Agency the right to provide up to an aggregate of thirty-five (35) parking spaces in the Parcel A Offsite Parking Facility for owners or occupants of property wholly or partially acquired by Agency in connection with the acquisition

of the Project Site as a means of mitigating severance damages or relocation expenses caused to such owners or occupants by such acquisition ("Replacement Parking"). No Replacement Parking shall be located in either the Onsite Parking Facility or the Parcel B Offsite Parking Facility and Agency waives any right to locate Replacement Parking in the Onsite Parking Facility or Parcel B Offsite Parking Facility.

4. Inappropriate User Program. Pursuant to the Parking Agreement and the Offsite Parking Covenants, Developer, the Majors, Agency and the City of Santa Barbara have established the Inappropriate User Program (as defined in Section 1.7 of the Parking Agreement). The basic terms of the Inappropriate User Program are set forth in Resolution No. 88-167 adopted by the City Council of the City of Santa Barbara on December 20, 1988, which resolution is attached hereto as Exhibit A.

5. Additional Credits to Developer Consideration. Agency and Developer hereby agree that the Credits Against Developer's Consideration attached as Attachment 5 to the DDA is hereby deleted and the Credits Against Developer's Consideration listed in Exhibit "B" attached hereto is substituted in its place.

6. Delay in Demolition. Section 216 of the DDA and the Scope of Development attached to the DDA require the Agency to demolish, raze and remove all above surface structures to grade

level on Acquisition Parcels 1, 5 and 6 (with certain exceptions) prior to the Close of Escrow. Notwithstanding Section 216 and the Scope of Development, Agency and Developer agree that certain existing improvements on Acquisition Parcel 6, commonly known as 715, 711, 709-1/2, 709, 707 and 701 State Street, shall be demolished after the Close of Escrow in accordance with certain demolition plans approved by Agency and Developer ("Phase 3 Demolition Plan") and a demolition schedule approved by Agency and Developer ("Demolition Schedule"). The cost of such demolition shall be included as part of the demolition costs allocated between Developer and Agency in Article IV.E of the Scope of Development. All demolition work required by the Phase 3 Demolition Plan shall be completed in accordance with the Demolition Schedule. Section 216 of the DDA further provides that the Agency shall cause the improvements on Acquisition Parcels 3, 4, 5 and 7 that extend onto adjacent properties to be vacated and separated from the balance of such improvements and placed in a condition ready for demolition prior to the Close of Escrow. Developer and Agency agree that Agency shall cause such improvements to be vacated and separated from the balance of improvements at the times specified in the Demolition Schedule. Except as modified in this Agreement, all demolition obligations of Agency set forth in Section 216 of the DDA and the Scope of Development shall remain in full force and effect.

Agency acknowledges that as part of its condemnation settlement with the owners of the property at 707 and 701 State Street and as part of its demolition obligation under Section 216 of the DDA and the Scope of Development, Agency is required to remove the underground storage tank located on such property ("Frazee Storage Tank") and any soil contaminated with Hazardous Substances related to the Frazee Storage Tank. The cost of removal of the Frazee Storage Tank and any special handling of contaminated soil associated therewith shall be paid by Agency and shall not be included as part of the demolition costs allocated between Developer and Agency in Article IV.E of the Scope of Development. Except as provided above, all other underground storage tanks located on the Lease Parcels shall be removed by Developer's contractor after the Close of Escrow and the cost of removal of such underground storage tanks shall be included with the demolition costs allocated between Developer and Agency in Article IV.E of the Scope of Development. Except for soil contaminated by the Frazee Storage Tank, Developer shall be responsible for the removal of any soil contaminated with Hazardous Substances discovered as a result of the removal of underground storage tanks on the Lease Parcels. Developer shall be solely responsible for the cost of removal of such contaminated soil and the cost thereof shall not be included with the demolition costs allocated between Developer and Agency in Article IV.E of the Scope of Development.

7. Schedule of Performance. The Schedule of Performance attached as Attachment No. 9 to the DDA is hereby deleted in its entirety and the Schedule of Performance attached hereto as Exhibit "C" is substituted in its place.

8. Post-Closing Plan Approval and Permits. Pursuant to the revised Schedule of Performance attached as Exhibit "C" hereto, the parties contemplate that Design Development Drawings for Nordstrom and Broadway and Final Working Drawings for the Developer and each of the Majors will not be submitted for approval to Agency prior to the Close of Escrow. Notwithstanding anything contained in Section 206A(3) of the DDA, Developer hereby waives its right to condition its obligation to close escrow on the Lease Parcels on the receipt by Developer of all Development Approvals necessary with respect to the Final Working Drawings required for the construction of Developer's portion of the Retail Center; provided, however, Developer's right to condition the Close of Escrow on its receipt of all Development Approvals required with respect to Developer's Design Development Drawings shall remain in full force and effect. Notwithstanding anything contained in Section 309 of the DDA, the Developer and the Majors shall not be required to secure, prior to the conveyance of their respective leasehold interests in the Project Site, all permits which may be required by the City or any other governmental agency for the construction or development of the improvements to be constructed by Developer and the Majors. In

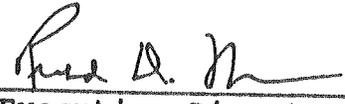
addition, neither Developer nor the Majors shall have any right to condition its acceptance of conveyance of its respective leasehold interest or the Close of Escrow on the receipt of all such permits; provided, however, that Developer shall have the right to condition its acceptance of conveyance of its leasehold interest on the receipt of an excavation permit required for the excavation work to be performed on the Developer Tract, Broadway Tract and Nordstrom Tract. Developer and each Major shall have the right to "fast track" the construction of their respective improvements in the Retail Center, provided, however, that Developer and each Major shall secure any and all permits which may be required by the City or any governmental agency for each component of the work of improvement to be performed by Developer or such Major prior to the commencement of construction of such component.

9. No Conflict. Except as modified by the terms of that certain Agency-Project Developers Cost Sharing Agreement and the terms of this Agreement, the terms and conditions of the DDA shall remain in full force and effect. In the event of any conflict between the terms of this Agreement and the DDA, the terms of this Agreement shall govern and control the agreement of the parties.

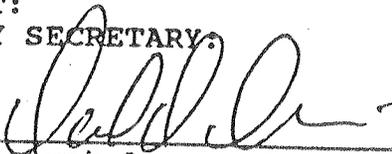
IN WITNESS WHEREOF, the parties hereto have executed this
Second Implementation Agreement to Disposition and Development
Agreement as of the date first set forth above.

AGENCY:

REDEVELOPMENT AGENCY OF
THE CITY OF SANTA BARBARA

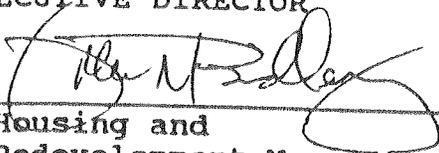
By 
Executive Director

ATTEST:
AGENCY SECRETARY:

By 
Assistant Agency Secretary

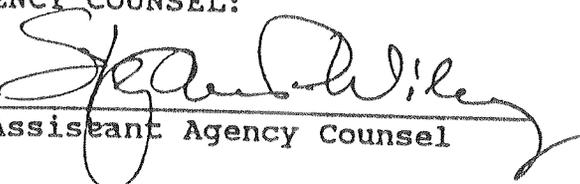
APPROVED AS TO CONTENT:

EXECUTIVE DIRECTOR

By 
Housing and
Redevelopment Manager

APPROVED AS TO FORM:

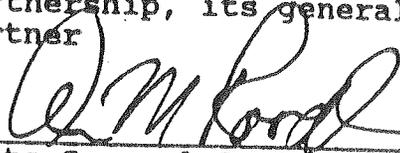
AGENCY COUNSEL:

By 
Assistant Agency Counsel

SBA:

SANTA BARBARA ASSOCIATES,
a California general partnership

By: PASEO NUEVO ASSOCIATES,
a California limited
partnership, its general
partner

By 
Its General Partner

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

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

By 
General Partner

EXHIBIT A

RESOLUTION NO. 88-167

A RESOLUTION OF THE COUNCIL OF THE CITY OF
SANTA BARBARA ESTABLISHING A PROGRAM TO
REGULATE EARLY MORNING PARKING IN CERTAIN
DOWNTOWN PARKING FACILITIES

WHEREAS, the City has authority under California Vehicle Code section 21113 to give permission for the general public to enter upon public parking facilities owned and operated by the City, and to place conditions and restrictions on that permission; and

WHEREAS, the City has authority under California Vehicle Code section 22519 to regulate parking by ordinance or resolution; and

WHEREAS, the City has agreed to adopt a program to regulate the early morning use of two new parking structures being built in connection with the Paseo Nuevo Retail Center so as to make as many spaces available as possible to patrons of the center, which agreement is found in the Paseo Nuevo Parking Agreement dated as of November 1, 1987 among the City, the Redevelopment Agency, Santa Barbara Associates, Carter Hawley Hale Stores, Inc. and Nordstrom, Inc.;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF SANTA BARBARA RESOLVES AS FOLLOWS:

SECTION 1. Definitions.

A. DAYS OF OPERATION. Those days for which parking charges are collected pursuant to the Parking Charge Resolution adopted by the City Council.

B. PARKING TICKET. A dated and time-stamped ticket issued to a driver upon entry to a parking facility.

C. PARKING FACILITIES. The parking structures known as Parking Structure Two and Parking Structure Ten and located, respectively, on the block bounded by Chapala, Carrillo, State and Canon Perdido Streets and on the block bounded by State, Ortega, Anacapa and Cota Street.

SECTION 2. Operations.

A. ORDINARY OPERATIONS. The Parking Facilities shall be open for ordinary operations from 9:00 am to 3:00 am each day of the year. It shall be unlawful to enter the Parking Facilities between 3:00 am and 5:00 am each day, or to permit a vehicle to remain in a Parking Facility during those hours. Any vehicle parked in a Parking Facility between 3:00 am and 5:00 am on any day is subject to citation. Between 3:00 am and 5:00 am of each day, vehicular access to each Parking Facility shall be prevented by closing of barrier gates at entrances and disconnection of the ticket dispenser mechanism.

B. EARLY OPERATIONS. The Parking Facilities shall be open for early operations only between 5:00 am and 9:00 am each day of the year.

C. PARKING TICKETS. It shall be unlawful to drive a vehicle into a Parking Facility between 5:00 am and 8:30 pm on any Day of Operation without securing a Parking Ticket. A ticket may not be transferred. At the time a vehicle exits a Parking Facility, the ticket shall be surrendered and either (i) all parking charges then due shall be paid, or (ii) the lot attendant shall provide the driver an envelope in which the parking charges are to be remitted to the City within seven days (along with any applicable service charge set by City Council Resolution), provided the driver signs an agreement promising to pay those charges. Both the driver and the registered owner of the vehicle shall be jointly and severally liable for payment of any unpaid parking charges.

D. PARKING CHARGES; FINES. Charges for parking in the Parking Facilities and fines for violations of this resolution shall be as follows:

1. Parking Charges. The hourly, daily, weekly and monthly charges for parking in the Parking Facilities shall be the same as those collected for parking in the other City-owned surface parking lots in the downtown area, except as follows:

a. For any vehicle which enters either of the Parking Facilities between 5:00 am and 9:00 am, a surcharge of \$5.00 per hour shall be charged for each hour (or portion thereof) exceeding the ninety (90) minutes free parking period the vehicle is parked. Parking charges and the 90 minute free parking period shall apply beginning at 8:00 am on each Day of Operation.

b. A surcharge of Twenty Five Dollars (\$25.00) shall be charged for any vehicle which remains in a Facility at any time between 3:00 am and 5:00 am.

2. Fine for Overnight Parking. A fine of Twenty Five Dollars (\$25.00) shall be levied against the registered owner of any vehicle which remains in a Facility at any time between 3:00 am and 5:00 am and which fails to pay the surcharge for overnight parking provided for in this resolution.

Adopted December 20, 1988

EXHIBIT B

CREDITS AGAINST DEVELOPER'S CONSIDERATION

1. \$125,000 DEPOSIT BY DEVELOPER.

EXHIBIT C
ATTACHMENT NO. 9

SCHEDULE OF PERFORMANCE - DISPOSITION AND DEVELOPMENT AGREEMENT

I. ACTIONS REQUIRED FOR AGENCY EXECUTION AND VALIDITY OF AGREEMENT

1. Submission - Agreement with Parking Agreement Attached. Developer shall submit to Agency the final form of this Agreement (with the Parking Agreement attached as an exhibit) and confirm Developer's commitment to execute and deliver to Agency originals of same with any modifications agreed thereto by the parties. [\$ 900A] Submitted to Agency
2. Execution and Delivery - Agreement and Parking Agreement. Developer shall execute and deliver to Agency executed originals of this Agreement and the Parking Agreement [\$ 900A] September 21, 1987
3. Public Hearing - Agency shall hold a public hearing to authorize execution and delivery of this Agreement to Developer. September 22, 1987
4. Submission - Agency's Design Development Drawings. Agency shall deliver to Developer, Broadway and Nordstrom Design Development Drawings for each Offsite Parking Facility [\$ 4.2.2 Paseo Nuevo Parking Agreement] Within 30 days after Delivery Date.
5. Approval - Agency's Design Development Drawings. Approving Party shall approve or disapprove Agency's Design Development Drawings [\$ 4.2.2 Paseo Nuevo Parking Agreement] Within 20 days after receipt by Approving Party.
6. Submission - Form of Developer's Deposit/Letter of Credit. Developer shall submit to Agency the form of Developer's Deposit/Letter of Credit if Deposit to be other than cash. [\$ 106A] Prior to delivery of Developer's Deposit/Letter of Credit.

EXHIBIT C

1 of 12

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| 7. <u>Approval - Form of Developer's Deposit.</u> Agency shall approve or disapprove form of Developer's Deposit/Letter of Credit if form of Deposit to be other than cash. [§ 106A] | Within 5 business days after submission. |
| 8. <u>Delivery - Developer's Deposit/Letter of Credit.</u> Developer shall deliver to Agency Developer's Deposit/Letter of Credit. [§§ 107, 900A and B] | On or before 60 days after Delivery Date. |
| 9. <u>Execution and Delivery of Parking Agreement.</u> City and Agency shall execute and deliver to Developer executed originals of the Parking Agreement. [§ 104.3A] | On the Effective Date. |
| 10. <u>Execution and Delivery of Cooperation Agreement.</u> Agency and City shall execute and deliver to Developer a copy of the executed Cooperation Agreement. [§§ 104.3B, 313B] | On the Effective Date. |
| 11. <u>Execution and Delivery of Agreement by Agency.</u> Agency shall execute and deliver executed originals of this Agreement to Developer. [§ 900A] | Within 61 days after Delivery Date. |

II. ACTIONS, SUBMISSIONS AND APPROVALS REQUIRED PRIOR TO CONVEYANCE

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| 12. <u>Inclusion - Rehabilitation Parcels.</u> Inclusion of Rehabilitation Parcels into Retail Center if the Rehabilitation Parcels are to be included. [§ 104.2D] | On or before 60 days after Effective Date. |
| 13. <u>Delivery - First Promissory Note and Pledge Agreement.</u> Agency shall execute and deliver to Developer the First Promissory Note and Pledge Agreement securing same. [§ 201.2C] | Only after Agency's Acquisition Costs reach \$12.5M and first advance is requested under First Promissory Note. |
| 14. <u>Submission - Written Schedule re: Condemnation.</u> If Agency adopts resolution of necessity, Agency to provide Developer with written schedule and timing re: condemnations. [§ 201.3B(3)] | If Agency cannot acquire parcels by negotiation, then within 30 days of adoption of a resolution of necessity. |
| 15. <u>Delivery - Notice to Proceed.</u> Agency shall deliver to Developer the Notice to Proceed. [Section 204B and E] | Not later than Date 2. |

16. Delivery - Confirmation of Majors. If a Major has fallen out Developer shall obtain written confirmation that both Majors will participate in Retail Center. [§ 204B] Within 60 days following receipt of Notice to Proceed
17. Delivery - Notice of Dispute. Developer may deliver to Agency Notice of Dispute if it believes Agency can not comply with conditions re acquisition time and costs. [§ 204C] Within 10 days after Developer's receipt of Agency's Notice to Proceed.
18. Submission - Marketing Plan. Developer shall submit to Agency marketing plan for mall tenants. [§ 108A(2)], § 206A(1)(b)(iii)] Not later than 60 days prior to Close of Escrow.
19. Approval - Marketing Plan. Agency shall approve or disapprove the marketing plan. [§ 108A(2), §206A(1)(b)(iii)] Within 20 days after receipt by Agency.
20. Submission - Relocation and Local Tenant Preference Plan. Developer shall submit to the Agency the Relocation and Local Tenant Preference Plan for the relocation of displaced occupants and the participation of local businesses in the Retail Center. [§ 206(A)(1)(b)(iii), 704A] Not later than 60 days prior to Close of Escrow.
21. Approval - Relocation and Local Tenant Preference Plan. Agency shall approve or disapprove the Relocation and Local Tenant Preference Plan. [§ 206A(1)(b)(iii), 704A] Within 20 days after receipt by Agency.
22. Approval - Condition of Project Site. Developer shall determine the soil, geologic, seismic and Hazardous Substances condition of the Project Site and its suitability for the development to be constructed thereon and shall notify the Agency if the Project Site is determined to be unacceptable. [§215] Within 10 days following expiration of the 90 day testing period.

23. Submission - Evidence of Financing. Developer shall submit and cause each Major to submit evidence that Developer and each Major has obtained firm and binding construction financing commitments for the lease and development of their respective Tract. [217A] Not later than 30 days prior to Close of Escrow.
24. Approval - Evidence of Financing. Agency shall approve or disapprove such evidence of financing commitments, and shall notify Developer and each Major, respectively. [217A] Within 10 days after receipt of the evidence of financing by Agency.
25. Submission - Restoration Plans and Specifications. Agency shall submit to Developer Restoration plans and specifications [Scope of Development § IVA] Within 60 days prior to Close of Escrow
26. Approval - Restoration Plans and Specifications. Developer shall approve the Restoration plans and specifications. [Scope of Development § IVA] Within 20 days after receipt by Developer.
27. Perform - Relocation. Agency to relocate occupants of Lease Parcels. [§ 201.3A, 213] Prior to Close of Escrow.
28. Perform - Zoning and Vacation of Streets. Agency to accomplish zoning and vacation of streets as necessary to allow development [§ 214A] Prior to Close of Escrow
29. Perform - Utility Relocation Work. Agency will perform required utility relocation work. [§ 4.1 of REA] Commence prior to Close of Escrow and complete within ten (10) weeks after commencement.
30. Perform - Demolition Work. Agency to perform demolition work [§ 215(A)(2) and Scope of Development § IVA]. As to those areas of the Project Site to which Developer requires access for soils testing and Hazardous Substances survey, not later than 120 days prior to Close of Escrow; as to the balance of Project Site, not later than 30 days prior to Close of Escrow.

31. Submission - Design Development Drawings. Developer shall prepare and submit, or cause the preparation and submission, to Agency of the Design Development Drawings. [§§ 303, 304] Not later than 6 months after Effective Date.
32. Approval - Design Development Drawings. Agency shall approve or disapprove in writing the Design Development Drawings. [§§ 303, 304] Within 20 days after receipt by Agency.
33. Submission - Major's Design Development Drawings. Developer shall cause each Major to submit to Agency for approval that portion of the Design Development Drawings for the Major's Improvements as are subject to Agency's approval [§ 5.1 of REA] Not later than 6 months after Effective Date.
34. Approval - Major's Design Development Drawings. Agency shall approve or disapprove each Major's Design Development Drawings [§ 5.1 of REA] Within 20 days after receipt by Agency.
35. Submission - Final Working Drawings. Developer shall prepare and submit, or cause the preparation and submission, to Agency of Final Working Drawings (including the Onsite Parking Structure and landscaping). [§§ 303, 304] Within 6 months after delivery of Notice to Proceed.
36. Approval - Final Working Drawings. Agency shall approve or disapprove the Final Working Drawings (including the Onsite Parking Structure and landscaping). [§§ 303, 304] Within 20 days after receipt by Agency.
37. Submission - Major's Final Working Drawings. Developer shall cause each Major to submit to Agency for approval that portion of the Final Working Drawings for the Major's Improvements as are subject to Agency's approval [§ 5.1 of REA] Within 6 months after delivery of Notice to Proceed.
38. Approval - Major's Final Working Drawings. Agency shall approve or disapprove each Major's Final Working Drawings [§ 5.1 of REA] Within 20 days after receipt by Agency.

39. Submission - Agency's Final Working Drawings. Agency shall deliver to Developer, Broadway and Nordstrom Final Working Drawings for each Offsite Parking Facility [§ 4.2.2 Paseo Nuevo Parking Agreement] Within 30 days prior to commencement of construction.
40. Approval - Agency's Final Working Drawings. Approving Party shall approve or disapprove Agency's Final Working Drawings [§ 4.2.2 Paseo Nuevo Parking Agreement] Within 20 days after receipt by Approving Party.
41. Submission - Evidence Re Offsite Parking Facilities. Agency shall submit to Developer evidence that (i) the Parcel A Public Parking Facility or the Parcel B Public Parking Facility is substantially completed, and (ii) the Offsite Parking Facility not so completed is under construction and both structures will be completed prior to the opening date of the Retail Center. [§§ 206A(2)(c), 701.3C] Prior to Close of Escrow.
42. Submission and Approval of Title Insurance. The Agency shall submit or cause to be submitted, and the Developer and each Major shall approve the title insurance required by Section 211 of this Agreement. [§ 206A(2)(b)] After Notice to Proceed and prior to Close of Escrow.
43. Acquisition - Lease Parcels. Agency shall acquire fee title to the Lease Parcels and the Lot 1 Parking Tract. [206A(2)(a) and §1.1.1 Paseo Nuevo Parking Agreement] At or prior to Close of Escrow.

III. ACTIONS REQUIRED FOR OPENING AND CLOSE OF ESCROW AND CONVEYANCE OF LEASEHOLD INTEREST

44. Opening of Escrow. Agency and Developer shall open escrow for conveyance of the leasehold estate in the Site to be conveyed to Developer. [§ 205A(1)] Upon issuance of Notice to Proceed.
45. Acceptance of Escrow by Escrow Holder. Escrow Holder shall accept in writing this Agreement and Section 205. [§ 205A(2)] Within 5 days after opening of escrow.

46. Preparation and Submission - Parcel Map. Developer to prepare parcel map in consultation with City and Agency. [\$ 208] Not later than 60 days prior to Close of Escrow.
47. Approve and Record - Parcel Map. Agency and City to approve and Agency to record parcel map and City Engineer's Certificate of Compliance. [\$ 208, § 214C] At Close of Escrow.
48. Developer's Deposits Into Escrow. Developer shall deposit, or cause to be deposited, into escrow the following: No later than 3 business days prior to Close of Escrow.
- a. Developer's Consideration of \$7,780,000. [§§ 107, 202, 205] (except that Developer's Consideration may be wire transferred on the date of Close of Escrow)
- b. REA executed by Developer and each Major. [\$ 702] [To be recorded]
- c. Onsite and Offsite Parking Covenants executed by Agency, Developer and each Major. [\$ 104.3] [To be recorded]
- d. Developer Lease and Memorandum of Lease executed by Developer and Agency [\$ 202] [Memo to be recorded]
- e. If Rehabilitation Parcels included, Subordination Agreement whereby Developer subordinates its interest in Rehabilitation Parcels ground lease to REA; and owners of Rehabilitation Parcels subordinate their interest to ECR. [\$ 104.2E(4)] [To be recorded]
- f. Substitution of Ground Lease in lieu of Pledge Agreements as security for First and Second Promissory Notes. [\$ 201.2G]
- g. Developer's share of escrow expenses. [\$ 205] (except that Developer's funds may be wire transferred on the date of Close of Escrow)

49. Agency's Deposits Into Escrow. Agency shall deposit into escrow the following:
- Not later than 3 business days prior to Close of Escrow.
- a. Executed estoppel certificates, if any [§ 205.E].
 - b. REA [§ 702] [To be recorded]
 - c. Onsite and Offsite Parking Covenants executed by Agency, Developer and each Major [§ 104.3]. [To be recorded]
 - d. Developer Lease and Memorandum of Lease [§ 202]. [Memo to be recorded]
 - e. Broadway Ground Lease [§ 206A(2)(f)].
 - f. Memorandum of Broadway Ground Lease [§ 206A(2)(f)]. [To be recorded]
 - g. Nordstrom Ground Lease [§ 206A(2)(f)].
 - h. Memorandum of Nordstrom Ground Lease [§ 206A(2)(f)]. [To be recorded]
 - i. Agency's share of escrow expenses [§ 205]. (except that Agency's funds may be wire transferred on the date of Close of Escrow).
 - j. De La Guerra Easement Agreement executed and acknowledged by City. [To be recorded]

50. Close of Escrow and Conveyance of Leasehold Estate. The executed Memorandum of Lease and other Recordable Instruments shall be recorded as required by this Agreement, with concurrent delivery of possession of Lease Parcels. [§ 206]

On that date which is approximately 8 months following the date of issuance of Notice to Proceed, but if the date that is 29 months (or 32 months due to Utility Relocation and Demolition, as defined below) after the date of issuance of the Notice to Proceed falls outside of the Major's "opening window" (as defined in §§ 8.3 and 9.3 of the REA), Close of Escrow shall be extended to that date which is 21 months (or 24 months due to Utility Relocation and Demolition) prior to the next such "opening window."

51. Issuance - Title Policy. Title insurer shall issue title policies to Developer and Majors; title insurer to provide copy of policies to Agency. Insurance to be in amount of Project Costs. Agency to provide indemnifications for title insurer re order of possession. Agency to pay for portion of title premium equal to CLTA protection for \$7,780,000; Developer/Majors to pay for all other title costs. [§ 211]

At Close of Escrow.

52. Return of Developer's Deposit. Agency shall return Developer's Deposit to Developer. [§ 106C]

At Close of Escrow.

IV. ACTIONS REQUIRED AFTER CLOSE OF ESCROW AND CONVEYANCE OF LEASEHOLD INTEREST

53. Submission - Evidence of Liability Insurance. Developer/Majors to furnish Agency with evidence of liability insurance. [§ 308B]

At Close of Escrow.

54. Submission - Sublease or Management Agreement, Initial Operating Plan and Initial Budget for Arts Complex. Developer shall submit to Agency any sublease or management agreement and initial operating plan and initial budget for operation of the Arts Complex. [\$ 703C] Prior to Certificate of Completion.
55. Approval - Sublease or Management Agreement, Initial Operating Plan and Initial Budget for Arts Complex. Agency shall approve or disapprove any sublease or management agreement and initial operating plan and initial budget for operation of the Arts Complex. [\$703C] Within 20 days after receipt by Agency.
56. Completion of Construction - Offsite Parking Facilities. Agency shall complete the Offsite Parking Facilities. [Paseo Nuevo Parking Agreement § 4.6] Not later than 4 months prior to the Opening Date of the Shopping Center (as defined in the REA).
57. Completion of Construction - Agency Common Improvement Work. Agency and/or City shall complete that portion of Agency Common Improvement Work pertaining to street and traffic improvements [\$ 1(H) of the Cooperation Agreement, and §§ 6.2 and 6.3 of REA] Prior to Opening Date of the Shopping Center
58. Delivery - Broadway Pad. Developer shall deliver the Broadway Pad to Broadway [\$ 8.1 of REA]. 5 months following Developer's commencement of construction or 8 months if Developer performs Utility Relocation and Demolition.
59. Delivery - Nordstrom Pad. Developer shall deliver the Nordstrom Pad to Nordstrom [\$ 9.1 of REA]. 5 months following Developer's commencement of construction or 8 months if Developer performs Utility Relocation and Demolition.

60. Commencement of Construction - Developer. Developer shall commence construction of the Onsite Parking Structure, utility relocation and installation of Developer Improvements, Common Areas, and Developer Common Improvement Work (collectively "Developer's Construction Work") [§ 4.1.1, 6.2 and 7.1 of REA]

Not later than 90 days following Close of Escrow

61. Completion of Construction; Open for Business - Developer. Developer shall complete the Onsite Parking Structure, Developer Mall Shops, and Common Areas [§§ 7.3 and 7.6 of REA]

Within 21 months following commencement of construction; however if Developer performs Utility Relocation and Demolition, 24 months following commencement of construction. The period for utility relocation and demolition shall be referred to as "Utility Relocation and Demolition."

62. Commencement of Construction -Broadway. Broadway shall commence construction of the Broadway Improvements including Broadway portion of Onsite Parking Structure. [§ 8.1 of REA]

In sufficient time to complete construction and open for business within the "opening window" (as provided in § 8.4 of REA) next following the 21st month following Developer's commencement of construction.

63. Completion of Construction; Open for Business - Broadway. Broadway shall complete the Broadway Improvements and open for business. [§ 8.3 of REA]

During opening window next following the 21st month following Developer's commencement of construction.

64. Commencement of Construction - Nordstrom. Nordstrom shall commence construction of the Nordstrom Improvements including Nordstrom portion of Onsite Parking Structure [§ 9.1 of REA].

In sufficient time to complete construction and open for business within the "opening window" (as provided in § 8.4 of REA) next following the 21st month following Developer's commencement of construction.

65. Completion of Construction; Open for Business - Nordstrom. Nordstrom shall complete the Nordstrom Improvements and open for business [§ 9.3 of REA] During opening window next following the 21st month following Developer's commencement of construction.
66. Submission - Project Reports. Developer/Majors shall submit written progress reports to Agency. [§ 307B] Periodically during construction or as requested by Agency.
67. Delivery - Certificate of Completion. Agency shall furnish Developer/Majors with Certificate(s) of Completion. [§ 317] Upon completion of construction of Shopping Center and Major Improvements.
68. Delivery - Architect Certificate. Each Offsite Owner shall deliver to Developer, Broadway and Nordstrom a certificate of its architect stating that its Offsite Parking Facility has been completed in compliance with all applicable laws and approved Final Working Drawings therefor. Upon completion of construction of each Offsite Parking Facility.

THIRD IMPLEMENTATION AGREEMENT TO
DISPOSITION AND DEVELOPMENT AGREEMENT

This Third Implementation Agreement to Disposition and Development Agreement ("Agreement") is made as of this ____ day of June, 1990, 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 effective as of November 23, 1987. The Disposition and Development Agreement was amended and supplemented by that certain First Implementation Agreement to Disposition and Development Agreement dated as of February 29, 1988 ("First Implementation Agreement") and that certain Second Implementation Agreement to Disposition and Development Agreement dated as of February 24, 1989 ("Second Implementation Agreement") (the Disposition and Development Agreement, as amended and supplemented by the First Implementation Agreement and Second Implementation Agreement, is hereafter referred to as the "DDA"). Capitalized terms not otherwise defined herein shall have the same meaning as provided in the DDA.

B. Agency and Developer desire to enter into this Agreement for purposes of setting forth certain amendments and modifications to the DDA.

NOW, THEREFORE, the parties agree as follows:

1. Increase in Cost. Paragraphs 2 and 3 of Article IV, Section E of the Scope of Development attached to the DDA as Attachment No. 10 are hereby deleted in their entirety and the following paragraphs substituted in their place:

"2. Except for payments or costs allocated to Developer in 1 above, Agency shall pay or reimburse Developer in accordance with the procedure set forth in Paragraph 4 below for all of the costs of Demolition, Restoration, Utility Relocation or Design, Architect/Landscape Conditions, up to a total of Three Million One Hundred Forty-eight Thousand Two Hundred Fifty Dollars (\$3,148,250.00), less the demolition costs incurred by Agency as provided in Article IV, Section A above.

3. If the aggregate of the costs required to be paid by Agency pursuant to Paragraph 2 above exceed Three Million One Hundred Forty-eight Thousand Two Hundred Fifty Dollars (\$3,148,250.00), Developer shall pay or reimburse Agency the additional amount in excess of Three Million One Hundred Forty-eight Thousand Two Hundred Fifty Dollars (\$3,148,250.00); provided, however, that the amount of such payment or reimbursement by Developer shall not exceed Three Million One Hundred Forty-eight Thousand Two Hundred Fifty Dollars (\$3,148,250.00) in the aggregate."

2. No Conflict. Except as modified by the terms of this Agreement, the terms and conditions of the DDA shall remain in full force and effect. In the event of any conflict between the terms of this Agreement and the DDA, the terms of this Agreement shall govern and control the agreement of the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Third Implementation Agreement to Disposition and Development Agreement as of the date first set forth above.

AGENCY:

REDEVELOPMENT AGENCY OF
THE CITY OF SANTA BARBARA

By 
Executive Director

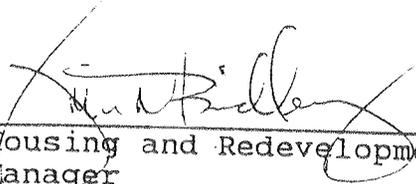
ATTEST:

AGENCY SECRETARY:

By 
Assistant Agency Secretary

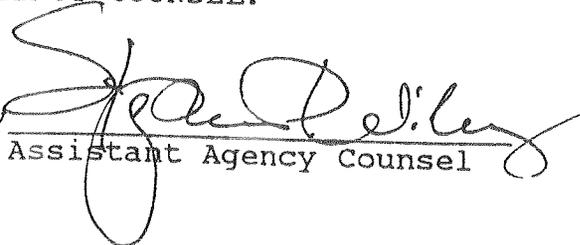
APPROVED AS TO CONTENT:

EXECUTIVE DIRECTOR:

By 
Housing and Redevelopment
Manager

APPROVED AS TO FORM:

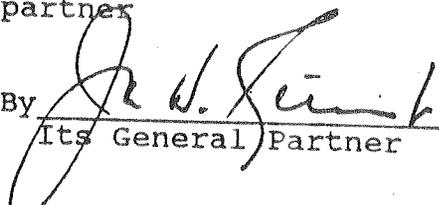
AGENCY COUNSEL:

By 
Assistant Agency Counsel

SBA:

SANTA BARBARA ASSOCIATES,
a California general partnership

By: PASEO NUEVO ASSOCIATES,
a California limited
partnership, its general
partner

By 
Its General Partner

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

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

By 