TERMINATION OF LOAN AGREEMENT

This Termination of Loan Agreement ("Agreement") is entered into as of this ___ day of _____, 2015 ("Effective Date"), by and between the City of San Diego ("City") and First Commercial Real Estate Financing, a California Corporation ("FCREF").

RECITALS

A. In 1996, the former Redevelopment Agency to the City of San Diego ("Former RDA") made a loan to Carnation, LLC, a California limited liability company, a predecessor in interest to FCREF ("Carnation"), in the principal amount of $536,000 ("Rehab Loan") pursuant to that certain Rehabilitation Loan Agreement by and between Carnation and the Former RDA dated as of September 13, 1996 ("Loan Agreement"). The Rehab Loan was evidenced by a promissory note in the amount of $536,000 dated as of February 20, 1997 ("Original Note") and secured by a Deed of Trust dated February 20, 1997 and recorded February 21, 1997 as Document No. 1997-0078779 in the Official Records of the San Diego County Recorder's Office ("Official Records") in which Carnation was the Trustor, Chicago Title Company, a California corporation, was the Trustee, and the Former RDA was the Beneficiary ("Original Deed of Trust"). In connection with the Rehab Loan, Carnation and the Former RDA entered into that certain Agreement Affecting Real Property dated February 20, 1997 and recorded February 21, 1997 as Document No. 1997-0078778 in the Official Records ("Original AARP").

B. The Rehab Loan was for the purpose of rehabilitating a portion of the Carnation Building for use as a cultural arts and performance center. The Original AARP required that a 6,050 square foot portion of the Carnation Building ("Sushi Space") be leased to Sushi Performance and Visual Art ("Sushi, Inc."), or to a substitute non-profit cultural arts use, at below-market rent until February 20, 2027. Carnation entered into that certain Commercial Lease with Sushi, Inc. dated August 19, 1996 relating to the Sushi Space, which included that certain "Addendum to Commercial Lease Agreement" for the benefit of the Former RDA (collectively, the "Lease").

C. In August 2003, Carnation, with Former RDA approval, sold the Carnation Building to ICON LLC, a California limited liability company ("ICON"), for the construction of a mixed-use development consisting of the historic rehabilitation of the Carnation Building, 320 condominium units, and approximately 18,000 square feet of commercial space. Pursuant to that certain Assignment and Assumption Agreement dated August 5, 2003 by and among the Former RDA, Carnation, and ICON, ICON assumed all obligations of Carnation under the Loan Agreement, the Original Note, the Original Deed of Trust, the Original AARP, and the Lease.

D. Pursuant to that certain Agreement Regarding Carnation Block Condominiums by and between the Former RDA and ICON date October 6, 2003 and that certain First Amendment to Agreement Regarding Carnation Block Condominiums by and between the Former RDA and ICON dated September 26, 2006, the Original Note was cancelled and replaced with a letter of credit in the amount of $536,000 ("Letter of Credit"), the Original Deed of Trust was reconveyed, and the lien of the Original AARP was released and extinguished.

E. In December 2008, ICON and the Former RDA replaced the Letter of Credit with a new promissory note for $536,000 dated December 10, 2008 ("Replacement Note"), secured by a deed of trust dated December 10, 2008 and recorded on December 31, 2008 as Document No. 2008-0660765 ("Replacement Deed of Trust"), and entered into that certain Agreement Affecting Real Property dated December 10, 2008 and recorded on December 31, 2008 as Document No. 2008-0660764 ("Replacement AARP"), limiting use of the Sushi Space to be leased to Sushi, Inc. or a substitute cultural arts use until May 19, 2031. The Loan Agreement, the Replacement Note, the Replacement Deed of Trust, and the Replacement AARP are referred to collectively in this Agreement as the "Agency Documents."

F. In December 2008, the Former RDA also consented to the sale of the Sushi Space to FCREF and the assignment of ICON's rights, interests, and obligations under the Agency Documents and the Sushi Lease to the FCREF pursuant to that certain Assignment and Assumption Agreement dated December 23, 2008 and recorded December 31, 2008 as Document No. 2008-0660767 in the Official Records in which ICON was the assignor and FCREF was the assignee.

G. In May 2011, Sushi, Inc. defaulted on the Lease and in June 2011, had vacated the Sushi Space. At the time of the default, Sushi, Inc. had $222,659 of obligations in default. As required under the Agency Documents, FCREF notified the Former RDA of the default. The Former RDA declined to cure the default.

H. As of February 1, 2012, the Former RDA dissolved by operation of State law, and the City of San Diego, solely in its capacity as the designated successor agency to the Redevelopment Agency of the City of San Diego, a former public body, corporate and politic ("Successor Agency"), became vested with all authority, rights, powers, duties, and obligations of the Former RDA under the California Community Redevelopment Law, including all authority, rights, powers, duties, and obligations under the Agency Documents and the Lease.

I. Pursuant to the Replacement AARP and the Lease, upon an uncured default by Sushi, Inc., FCREF may lease the Sushi Space to another entity for purposes other than exclusive use as a cultural arts and performance center ("Alternative User"). Pursuant to the Replacement AARP and the Lease, in the event FCREF leases the Sushi Space to an Alternative User, FCREF shall pay to the City the Excess Rent, defined as eighty percent (80%) of the differential between the gross rent that Sushi, Inc. was to pay and the gross rent from the Alternative User.

J. FCREF indicates that it does not have the resources to fund leasing commissions and tenant improvements for tenants in the Sushi Space and that FCREF's efforts to lease the Sushi Space to other entities have been unsuccessful.

K. The City and FCREF now desire that FCREF pay to the City $1,021,000 ("Payout Amount") in exchange for the termination, reconveyance and/or removal of the Agency Documents.

NOW, THEREFORE, in furtherance of the recitals stated above, the mutual covenants set forth below, and for good and valuable consideration, the receipt of which is hereby acknowledged, the City and FCREF agree, promise and declare as follows:

1. Termination. The City and FCREF each acknowledge and agree to terminate the Rehab Loan and the Agency Documents pursuant to the terms of this Agreement through an escrow to be established by FCREF and to be administered by an escrow agent selected by FCREF and reasonably acceptable to the City ("Escrow Agent"). Concurrently herewith, (i) FCREF shall deliver to the Escrow Agent an amount equal to the Payout Amount, and (ii) the City shall deliver to the Escrow Agent fully executed versions of the Substitution of Trustee and Deed of Full Reconveyance substantially in the form attached hereto as Exhibit A and the Termination and Release of Agreement Affecting Real Property substantially in the form attached hereto as Exhibit B. The fees and costs of Escrow (including recording fees) shall be paid by FCREF. The City acknowledges and agrees, that as of the Closing Date (defined in Section 2 below), all principal and accrued interest on the Rehab Loan and the Replacement Note shall be deemed satisfied in exchange for FCREF's payment of the Payout Amount, as set forth herein, and the Agency Documents shall be deemed terminated and extinguished. After the Closing Date, the City and FCREF agree to take any and all actions as may be reasonably necessary to terminate, reconvey and/or remove, all deeds of trust, rent and occupancy restrictions, security instruments, any other evidence of financing which have been recorded as encumbrances against the Sushi Space, and any other obligation of FCREF or its predecessors with respect to the Sushi Space, consistent with the intent of this Agreement.

2. Closing. Upon confirmation of receipt of all funds and documents described in Section 1 above, the Escrow Agent shall take the following actions on the same business day ("Closing Date"): (a) cause the Substitution of Trustee and Deed of Full Reconveyance and the Termination and Release of Agreement Affecting Real Property to be recorded in the Official Records; and (b) transmit the Payout Amount to the City through a wire transfer of funds to an account designated by the City. The Closing Date shall occur no later than 60 days after the Effective Date of this Agreement. This Section 2 shall be treated as the written escrow instructions of the City and FCREF to the Escrow Agent.

3. Representation and Warranties. By entering into this Agreement, the City and FCREF represent to one another that (i) it fully understands and accepts the terms of this Agreement; (ii) it has relied upon the legal advice of its attorneys or that it has freely and independently chosen not to seek the advice of an attorney; (iii) it has had a full and ample opportunity to consult with any other professionals of its choice in connection with the rights and liabilities created by this Agreement; (iv) it does not have any questions with regard to the legal import of any term, word, phrase, or portion of this Agreement, or this Agreement in its entirety; and (v) it accepts the terms of this Agreement as written.

4. Representation of Approvals by FCREF. FCREF makes the following representations and warranties with the understanding that the City is entering into this Agreement in reliance upon each of these representations and warranties, and that without these representations and warranties, the City would not enter into the Agreement: (1) this Agreement has been duly approved by all necessary actions of FCREF and no further or additional approvals are needed by FCREF and (2) FCREF has and continues to have the authority to enter into this Agreement.

5. Expert Witness, Attorneys' Fees, and Costs. The City and FCREF agree that the prevailing party in litigation for the breach and/or interpretation and/or enforcement of the terms of this Agreement shall be entitled to their expert witness fees, if any, as part of their costs of suit, and attorneys' fees as may be awarded by the court, pursuant to California Code of Civil Procedure ("CCP") Section 1033.5 and any other applicable provisions of California law, including, without limitation, the provisions of CCP Section 998. All claims, disputes, causes of action or controversies shall be subject solely to the jurisdiction of the San Diego Superior Court.

6. Construction of the Agreement. The provisions contained in this Agreement shall not be construed in favor of or against the City or FCREF but shall be construed as if the City and FCREF contributed equally to its preparation. This Agreement shall be construed in accordance with the laws of the State of California.

7. Severability. If any provision of this Agreement is deemed to be invalid or unenforceable by a court of competent jurisdiction, that provision shall be severed from the rest of this Agreement and the remaining provisions shall continue in full force and effect.

8. Exhibits and Recitals Incorporated. All exhibits referred to in this Agreement are hereby incorporated in this Agreement by this reference, regardless of whether or not the exhibits are actually attached to this Agreement. The Recitals to this Agreement are hereby incorporated in this Agreement by this reference.

9. Counterparts. This Agreement may be executed in any number of counterparts and, as so executed, the counterparts shall constitute one and the same Agreement. The City and FCREF agree that each such counterpart is an original and shall be binding upon the City and FCREF even though the City and FCREF are not signatories to the same counterpart.

10. Waiver and Amendment. No provision of this Agreement, or breach of any provision, can be waived except in writing. Waiver of any provision or breach shall not be deemed to be a waiver of any other provision, or of any subsequent breach of the same or other provision. Except as otherwise provided herein, this Agreement may be amended, modified or rescinded only in writing signed by the City and FCREF.

11. Capacity and Authority. All individuals signing this Agreement for a party which is a corporation, municipal corporation, limited liability company, partnership or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, covenant to the other parties hereto that they have obtained all necessary approvals by and for such party and have the necessary capacity and authority to act for, sign and bind the respective entity or principal on whose behalf they are signing.

[remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the City and FCREF have executed this Agreement on the date first set forth above.

FCREF:
First Commercial Real Estate Financing, a California corporation

By: _____
Name: Robert M. Kagan
Title: S.V.P

CITY:
City of San Diego, a municipal corporation

By: _____
Name: _____
Title: _____

Approved as to Form:
Jan I. Goldsmith, City Attorney

By: _____
Adam Wander
Deputy City Attorney

Exhibit A

Form of Substitution of Trustee and Deed of Full Reconveyance

RECORDING REQUESTED BY:

City of San Diego
Economic Development Department

WHEN RECORDED MAIL TO:

CITY OF SAN DIEGO
c/o Civic San Diego
401 B Street, Suite 400
San Diego, California 92101

Attn:

SPACE ABOVE FOR RECORDER'S USE

NO DOCUMENTARY TAX DUE - R&T 11922 (amended)
Presented for record by THE CITY OF SAN DIEGO
NO RECORDING FEE (Cal. Govt. Code §27383)

SUBSTITUTION OF TRUSTEE AND
DEED OF FULL RECONVEYANCE

The undersigned, City of San Diego, a municipal corporation ("City"), is the present Beneficiary under that certain Deed of Trust and Fixture Filing (with Assignment of Rents), made by ICON, LLC, a California limited liability company ("Trustor") and Chicago Title Company, a California corporation ("Trustee"), recorded on December 31, 2008 as Document No. 2008-0660765 in the Official Records of the San Diego County Recorder's Office. The Deed of Trust encumbers that certain real property described in Exhibit "A" attached hereto and incorporated herein by this reference. The City does hereby appoint and substitute itself, the City, as Trustee in lieu of the Trustee therein and does hereby vest in said substituted Trustee all the rights, title, estate, power, duty and trusts conferred by said Deed of Trust upon the Trustee therein named.

The indebtedness secured by the Deed of Trust has been satisfied in full. Accordingly, the City, as successor Trustee, and in accordance with the provisions of the Deed of Trust, does hereby RECONVEY WITHOUT WARRANTY, TO THE PERSON OR PERSONS LEGALLY ENTITLED THERETO, all the estate, title and interest now held by Trustee under the Deed of Trust.

[remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the City, through its duly authorized representative, has caused this instrument to be executed in San Diego, California.

THE CITY OF SAN DIEGO,
a California municipal corporation

BY: _____
Name: _____
Title: _____

Approved as to form:

JAN I. GOLDSMITH, City Attorney

BY: _____
Adam Wander
Deputy City Attorney

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, 201_ before me,
_____, Notary Public, personally appeared
_____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature _____

(Seal)

EXHIBIT “A”

LEGAL DESCRIPTION

Exhibit B

Form of Termination of Agreement Affecting Real Property

RECORDING REQUESTED BY:

City of San Diego
Economic Development Department

WHEN RECORDED MAIL TO:

CITY OF SAN DIEGO
c/o Civic San Diego
401 B Street, Suite 400
San Diego, California 92101

Attn:

SPACE ABOVE FOR RECORDER'S USE

NO DOCUMENTARY TAX DUE - R&T 11922 (amended)
Presented for record by THE CITY OF SAN DIEGO
NO RECORDING FEE (Cal. Govt. Code §27383)

TERMINATION AND RELEASE OF AGREEMENT AFFECTING REAL PROPERTY

This Termination and Release of Agreement Affecting Real Property (the "Release") is made by the CITY OF SAN DIEGO, a municipal corporation (the "City"), and FIRST COMMERCIAL REAL ESTATE FINANCING, a California corporation ("FCREF"). This Release pertains to that certain real property located at 500 West Broadway in the City of San Diego, State of California (the "Property"), which is described in Exhibit "A" attached hereto and incorporated herein by this reference.

WHEREAS, in 1996, the former Redevelopment Agency to the City of San Diego ("Former RDA") made a loan to Carnation, LLC, a California limited liability company, a predecessor in interest to FCREF ("Carnation"), in the principal amount of $536,000 ("Rehab Loan") pursuant to that certain Rehabilitation Loan Agreement by and between Carnation and the Former RDA dated as of September 13, 1996 ("Loan Agreement"). The Rehab Loan was evidenced by a promissory note in the amount of $536,000 dated as of February 20, 1997 ("Original Note") and secured by a Deed of Trust dated February 20, 1997 and recorded February 21, 1997 as Document No. 1997-0078779 in the Official Records of the San Diego County Recorder's Office ("Official Records") in which Carnation was the Trustor, Chicago Title Company, a California corporation, was the Trustee, and the Former RDA was the Beneficiary ("Original Deed of Trust"). In connection with the Rehab Loan, Carnation and the Former RDA entered into that certain Agreement Affecting Real Property dated February 20, 1997 and recorded February 21, 1997 as Document No. 1997-0078778 in the Official Records ("Original AARP").

WHEREAS, the Rehab Loan was for the purpose of rehabilitating a portion of the Carnation Building for use as a cultural arts and performance center. The Original AARP required that a 6,050 square foot portion of the Carnation Building ("Sushi Space") be leased to Sushi Performance and Visual Art ("Sushi, Inc."), or to a substitute non-profit cultural arts use, at below-market rent until February 20, 2027. Carnation entered into that certain Commercial Lease with Sushi, Inc. dated August 19, 1996 relating to the Sushi Space, which included that certain

"Addendum to Commercial Lease Agreement" for the benefit of the Former RDA (collectively, the "Lease").

WHEREAS, in August 2003, Carnation, with Former RDA approval, sold the Carnation Building to ICON LLC, a California limited liability company ("ICON") for the construction of a mixed-use development consisting of the historic rehabilitation of the Carnation Building, 320 condominium units, and approximately 18,000 square feet of commercial space. Pursuant to that certain Assignment and Assumption Agreement dated August 5, 2003 by and among the Former RDA, Carnation, and ICON, ICON assumed all obligations of Carnation under the Loan Agreement, the Original Note, the Original Deed of Trust, the Original AARP, and the Lease.

WHEREAS, pursuant to that certain Agreement Regarding Carnation Block Condominiums by and between the Former RDA and ICON date October 6, 2003 and that certain First Amendment to Agreement Regarding Carnation Block Condominiums by and between the Former RDA and ICON dated September 26, 2006, the Original Note was cancelled and replaced with a letter of credit in the amount of $536,000 ("Letter of Credit"), the Original Deed of Trust was reconveyed, and the lien of the Original AARP was released and extinguished.

WHEREAS, in December 2008, ICON and the Former RDA replaced the Letter of Credit with a new promissory note for $536,000 dated December 10, 2008 ("Replacement Note"), secured by a deed of trust dated December 10, 2008 and recorded on December 31, 2008 as Document No. 2008-0660765 ("Replacement Deed of Trust"), and entered into that certain Agreement Affecting Real Property dated December 10, 2008 and recorded on December 31, 2008 as Document No. 2008-0660764 ("Replacement AARP"), limiting use of the Sushi Space to be leased to Sushi, Inc. or a substitute cultural arts use until May 19, 2031. The Loan Agreement, the Replacement Note, the Replacement Deed of Trust, and the Replacement AARP are referred to collectively in this Agreement as the "Agency Documents."

WHEREAS, in December 2008, the Former RDA also consented to the sale of the Sushi Space to FCREF and the assignment of ICON's rights, interests, and obligations under the Agency Documents and the Sushi Lease to the FCREF pursuant to that certain Assignment and Assumption Agreement dated December 23, 2008 and recorded December 31, 2008 as Document No. 2008-0660767 in the Official Records in which ICON was the assignor and FCREF was the assignee.

WHEREAS, in May 2011, Sushi, Inc. defaulted on the Lease and in June 2011, had vacated the Sushi Space. At the time of the default, Sushi, Inc. had $222,659 of obligations in default. As required under the Agency Documents, FCREF notified the Former RDA of the default. The Former RDA declined to cure the default.

WHEREAS, as of February 1, 2012, the Former RDA dissolved by operation of State law, and the City of San Diego, solely in its capacity as the designated successor agency to the Redevelopment Agency of the City of San Diego, a former public body, corporate and politic ("Successor Agency"), became vested with all authority, rights, powers, duties, and obligations of the Former RDA under the California Community Redevelopment Law, including all authority, rights, powers, duties, and obligations under the Agency Documents and the Lease.

WHEREAS, pursuant to the Replacement AARP and the Lease, upon an uncured default by Sushi, Inc., FCREF may lease the Sushi Space to another entity for purposes other than exclusive use as a cultural arts and performance center ("Alternative User"). Pursuant to the Replacement AARP and the Lease, in the event FCREF leases the Sushi Space to an Alternative User, FCREF shall pay to the City the Excess Rent, defined as eighty percent (80%) of the differential between the gross rent that Sushi, Inc. was to pay and the gross rent from the Alternative User.

WHEREAS, FCREF indicates that it does not have the resources to fund leasing commissions and tenant improvements for tenants in the Sushi Space and that FCREF's efforts to lease the Sushi Space to other entities have been unsuccessful.

WHEREAS, concurrently with the execution of this Release, the City and FCREF have executed the unrecorded Termination of Loan Agreement ("Termination Agreement") under which FCREF has agreed to pay to the City $1,021,000 ("Payout Amount") in exchange for the City's termination, reconveyance and/or removal of the Agency Documents.

NOW, THEREFORE, the City terminates and releases the encumbrance of the Replacement AARP against the Property.

IN WITNESS WHEREOF, the City and FCREF hereby execute this Release as of the date first written above.

CITY OF SAN DIEGO,
a municipal corporation

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:
Jan Goldsmith, City Attorney

By: _____
Adam Wander
Deputy City Attorney

FIRST COMMERCIAL REAL ESTATE FINANCING,
a California corporation

By: _____
Name: _____
Title: _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)

County of_____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)

County of_____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT “A”

LEGAL DESCRIPTION