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06 1943301

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LOS ANGELES COUNTY
CALIFORNIA
08/31/06 AT 08:00am

TITLE(S) :



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D.T.T.

~~QUALITY CONTROL BOARD
LOS ANGELES REGION~~

~~2006 SEP 10 PM 1:54~~

QUALITY CONTROL BOARD
LOS ANGELES REGION

2006 SEP 20 PM 3:55

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Assessor's Identification Number (AIN)
To be completed by Examiner OR Title Company in black ink.

Number of AIN's Shown

THIS FORM IS NOT TO BE DUPLICATED

2006A168
CHICAGO TITLE COMPANY

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Recording Requested By:

1000 North Orange, LLC
c/o Mr. Richard Howard
Executive Vice President & Chief Operating Officer
Occidental Entertainment Group Holdings, Inc.
1149 N. McCadden Place
Hollywood, CA 90038

06 1943301

When Recorded, Mail To:

Executive Officer
California Regional Water Quality Control Board
Los Angeles Region
320 W. 4th Street, Suite 200
Los Angeles, California 90013

RECEIVED
2006 SEP 10 PM 1:51
CALIFORNIA REGIONAL WATER
QUALITY CONTROL BOARD
LOS ANGELES REGION
ACCOMMODATION ONLY

**COVENANT AND ENVIRONMENTAL RESTRICTION
ON PROPERTY**

1000 NORTH ORANGE DRIVE, HOLLYWOOD, CALIFORNIA 90038

This Covenant and Environmental Restriction on Property ("Covenant") is made as of August 1, 2006 by 1000 North Orange, LLC, a California limited liability company ("Covenantor"), who is the Owner of record of that certain property situated at 1000 North Orange Drive, in the City of Los Angeles, County of Los Angeles, State of California, which is more particularly described in Exhibit A attached hereto and incorporated herein by this reference (hereinafter referred to as the "Burdened Property"), for the benefit of the California Regional Water Quality Control Board, Los Angeles Region ("Board"), with reference to the following facts:

A. Nature of Contamination. Soil and soil vapor underlying the Burdened Property contain residual chemical compounds that constitute "hazardous materials" (as defined in California Health and Safety Code Section 25260) from former onsite operations. The groundwater underlying the Burdened Property contains residual chemical compounds that constitute "hazardous materials" (as defined in California Health and Safety Code Section 25260) which arose, in part, from former onsite operations. Regarding these hazardous materials, however, (i) the Board has issued a "No Further Action" letter with respect to the Burdened Property to the Owner's representative, Mr. Albert Sweet of Albert Sweet Development, on February 24, 2006; and (ii) pursuant to the "No Further Action" letter, no further investigation or remediation actions are required with respect to the soil and/or groundwater on or under the Burdened Property unless new contaminated soils are encountered during future site construction activities or there is a change in land use (e.g., residential).

SEE EXHIBIT A

This document filed for recording by Chicago Title Insurance and trust as an accommodation only. It has not been examined as to its execution or as its effect upon the title.

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B. Contamination of the Burdened Property. Soil and groundwater at the Burdened Property were contaminated by metal plating operations conducted from 1986 to 2001 by a manufacturer of bath and kitchen fixtures within a building previously (but not now) located on the Burdened Property. These operations resulted in contamination of soil vapor and soils with chemicals including tetrachloroethylene (PCE) and trichloroethylene (TCE) which constitute hazardous materials as that term is defined in Health and Safety Code section 25260. In addition, concentrations of arsenic are present at a shallow depth (17 milligrams per kilogram at 3 feet below ground surface) and at a greater depth (49.3 milligrams per kilogram at 17 feet below ground surface) beneath the Burdened Property. Groundwater beneath the Burdened Property is also impacted by low concentrations of PCE (high of 62 micrograms per Liter) and TCE (high of 9.6 micrograms per Liter) which arose, in part, from former onsite operations. All industrial activities on the Burdened Property ceased in 2001 and, thereafter, potential contaminant sources, including an industrial waste clarifier, were removed from the Burdened Property, mitigating the contaminant sources that existed on the Burdened Property. At the present time, residual contamination is present in soils, soil vapor and groundwater at concentrations that preclude the use of the site for residential uses but does not prevent commercial development of the Burdened Property.

C. Exposure Pathways. The contaminants addressed in this Covenant are present in the soil, soil vapor and groundwater beneath the Burdened Property. Without the mitigation measures which have been performed on the Burdened Property, human exposure to arsenic and/or organic contaminants could take place via direct contact with soils or via vapor migration from underlying soil vapor and/or off-gassing of vapors from groundwater caused by inhalation of vapors. Contact with subsurface water runoff and wind dispersal of soil with elevated arsenic concentrations could result in inhalation and ingestion by humans. However, the risk of public exposure to the contaminants has been substantially lessened by the remediation and controls described herein.

D. Adjacent Land Uses and Population Potentially Affected. The Burdened Property is used for commercial/industrial purposes and is adjacent to industrial and commercial land uses.

E. Disclosure and Sampling. Disclosure of the presence of hazardous materials on the Burdened Property has been made to the Board and extensive sampling of the Burdened Property has been conducted.

F. Use of Burdened Property. Covenantor desires and intends that in order to benefit the Board, and to protect the present and future public health and safety, the Burdened Property shall be used in such a manner as to avoid potential harm to persons or property that may result from hazardous materials that may have been deposited on portions of the Burdened Property.

ARTICLE I GENERAL PROVISIONS

1.1 Provisions to Run with the Land. This Covenant sets forth protective provisions,

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covenants, conditions and restrictions (collectively referred to as "Restrictions") upon and subject to which the Burdened Property and every portion thereof shall be improved, held, used, occupied, leased, sold, hypothecated, encumbered, and/or conveyed. The restrictions set forth in Article III are reasonably necessary to protect present and future human health and safety or the environment as a result of the presence on the land of hazardous materials. Each and all of the Restrictions shall run with the land and pass with each and every portion of the Burdened Property, and shall apply to, inure to the benefit of, and bind the respective successors in interest thereof for the benefit of the Board and all Owners and Occupants. Each and all of the Restrictions are imposed upon the entire Burdened Property unless expressly stated as applicable to a specific portion of the Burdened Property. Each and all of the Restrictions run with the land pursuant to section 1471 of the Civil Code. Each and all of the Restrictions are enforceable by the Board.

1.2 Concurrence of Owners and Lessees Presumed. All purchasers, lessees, or possessors of all or any portion of the Burdened Property shall be deemed by their purchase, leasing, or possession of such Burdened Property to be bound as Owners or Occupants by the Restrictions and to agree for and among themselves, their heirs, successors, and assignees, and the agents, employees, and lessees of such owners, heirs, successors, and assignees, that the Restrictions herein established must be adhered to for the benefit of the Board and the Owners and Occupants and that the interest of the Owners and Occupants shall be subject to the Restrictions contained herein.

1.3 Incorporation into Deeds and Leases. Covenantor desires and covenants that the Restrictions set out herein shall be incorporated in and attached to each and all deeds and leases of all or any portion of the Burdened Property. Recordation of this Covenant shall be deemed binding on all successors, assigns, and lessees, regardless of whether a copy of this Covenant has been attached to or incorporated into any given deed or lease.

1.4 Purpose. It is the purpose of this instrument to convey to the Board real property rights, which will run with the land, to facilitate the remediation of past environmental contamination and to protect human health and the environment by reducing the risk of exposure to residual hazardous materials.

ARTICLE II DEFINITIONS

2.1 Board. "Board" shall mean the California Regional Water Quality Control Board, Los Angeles Region and shall include its successor agencies, if any.

2.2 Improvements. "Improvements" shall mean all buildings, structures, roads, driveways, re-gradings, and paved parking areas, constructed or placed upon any portion of the Burdened Property.

2.3 Occupants. "Occupants" shall mean Owners and those persons entitled by ownership, leasehold, or other legal relationship to the right to use and/or occupy all or any portion of the

Burdened Property.

2.4 Owner or Owners. "Owner" or "Owners" shall mean the Covenantor and Covenantor's successors in interest, who hold title to all or any portion of the Burdened Property.

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ARTICLE III
DEVELOPMENT, USE AND CONVEYANCE OF THE BURDENED PROPERTY

3.1 Restrictions on Development and Use. Covenantor promises to restrict the use of the Burdened Property as follows:

a. Development of the Burdened Property shall be restricted to industrial, commercial or office space; provided, further, as used herein, the term "industrial, commercial or office space" shall include any use permitted (with or without a conditional use permit and/or variance and/or any other conditions) in a "C" Zone or an "M" Zone as set forth in the City of Los Angeles Planning and Zoning Code and successor ordinances and related regulations.

b. Until such time as the Burdened Property is re-evaluated by the appropriate environmental oversight agency(ies) for potential residential or equivalent uses and approved for residential uses or equivalent uses by the agency(ies) after the appropriate study:

- 1) No residence for human habitation shall be permitted on the Burdened Property;
- 2) No hospitals shall be permitted on the Burdened Property;
- 3) No schools for persons under 21 years of age shall be permitted on the Burdened Property; and
- 4) No day care centers for children or day care centers for senior citizens shall be permitted on the Burdened Property;

c. Appropriate health and safety measures shall be fully implemented during any site redevelopment activities, which might include, but not be limited to, developing and implementing site-specific health and safety plans and obtaining permits from the South Coast Air Quality Management District and other local, state or federal agencies. No Owner or Occupant shall conduct any excavation work on the Burdened Property, unless expressly permitted in writing by the Board. If any contaminated soils are encountered during future site construction activities, the Owner or Occupant shall provide immediate verbal notification thereof to the Board and shall submit a follow-up written report to the Board within 72 hours. Any contaminated soils brought to the surface by grading, excavation, trenching, or backfilling shall be managed and disposed in accordance with all applicable provisions of local, state and federal law.

d. All uses and development of the Burdened Property shall be consistent with any

applicable Board Order or Risk Management Plan, each of which is hereby incorporated herein by reference, and including future amendments thereto. All uses and development shall preserve the integrity of any cap, any remedial measures taken or remedial equipment installed, and any groundwater monitoring system installed on the Burdened Property pursuant to the requirements of the Board, unless otherwise expressly permitted in writing by the Board. 6

e. No Owner or Occupant shall drill, bore, otherwise construct, or use a well for the purpose of extracting water for any use, including but not limited to, domestic, potable, or industrial uses, unless expressly permitted in writing by the Board. According to a report dated April 11, 2006 which Covenantor's consultant submitted to the Board, onsite monitoring wells MW1 through MW4 have been legally abandoned, but onsite monitoring well MW5 was not located and, therefore, not legally abandoned. Monitoring well MW5 is to be located during future grading of the Burdened Property and legally abandoned, and a well destruction report shall be submitted to the Board within ten (10) days after its legal destruction.

f. The Owner shall notify the Board of each of the following: (1) the type, cause, location and date of any disturbance to any cap, any remedial measures taken or remedial equipment installed, and of the groundwater monitoring system installed on the Burdened Property pursuant to the requirements of the Board, which could affect the ability of such cap or remedial measures, remedial equipment, or monitoring system to perform their respective functions and (2) the type and date of repair of such disturbance. Notification to the Board shall be made by registered mail within ten (10) working days of both the discovery of such disturbance and the completion of repairs.

g. Covenantor agrees that the Board, and any persons acting pursuant to Board orders, shall have reasonable access to the Burdened Property for the purposes of inspection, surveillance, maintenance, or monitoring, as provided in Division 7 of the Water Code.

h. No Owner or Occupant shall act in any manner that will aggravate or contribute to the existing environmental conditions of the Burdened Property. All use and development of the Burdened Property shall preserve the integrity of any capped areas.

i. Each Owner and Occupant shall notify the Board of any change in operations regarding the storage and handling of chemicals or the processing and disposal of hazardous waste.

j. The Owner shall provide written notice to the Board within thirty (30) days after any conveyance of an ownership interest in all or any portion of the Burdened Property (but expressly excluding mortgages, deeds of trust, and other liens). The Board shall not, by reason of this Covenant, have authority to approve, disapprove or otherwise affect any proposed conveyance of all or any portion of the Burdened Property, except as otherwise provided by law.

3.2 Enforcement. Failure of an Owner or Occupant to comply with any of the restrictions set forth in Paragraph 3.1, shall be grounds for the Board, by the authority of this Covenant, to

require that the Owner or Occupant modify or remove, or cause to be modified or removed, any Improvements constructed in violation of that Paragraph. Violation of the Covenant shall also be grounds for the Board to file civil actions against the Owner or Occupant as provided by law. 7

3.3 Notice in Agreements. After the date of recordation hereof, all Owners and Occupants shall execute a written instrument which shall accompany all purchase agreements or leases relating to all or any portion of the Burdened Property. The instrument shall contain the following statement:

"The land described herein contains hazardous materials in soils and in the groundwater under the property, and is subject to a Covenant and Environmental Restriction dated as of _____, 2006, and recorded on _____, 2006, in the Official Records of Los Angeles County, California, as Document No. _____, which Covenant and Environmental Restriction imposes certain covenants, conditions, and restrictions on usage of the property described herein. This statement is not a declaration that a hazard exists."

ARTICLE IV VARIANCE AND TERMINATION

4.1 Variance. Any Owner or, with the Owner's consent, any Occupant may apply to the Board for a written variance from the provisions of this Covenant.

4.2 Termination. Any Owner or, with the Owner's consent, any Occupant may apply to the Board for a termination of the Restrictions as they apply to all or any portion of the Burdened Property.

4.3 Term. Unless terminated in accordance with Paragraph 4.2 above, by law or otherwise, this Covenant shall continue in effect in perpetuity.

ARTICLE V MISCELLANEOUS

5.1 No Dedication Intended. Nothing set forth herein shall be construed to be a gift or dedication, or offer of a gift or dedication, of the Burdened Property or any portion thereof to the general public.

5.2 Notices. Whenever any person gives or serves any notice, demand, or other communication with respect to this Covenant, each such notice, demand, or other communication shall be in writing and shall be deemed effective (1) when delivered, if personally delivered to the person being served or an official of a government agency being served, or (2) three (3) business days after deposit in the mail if mailed by United States mail, postage paid certified,

return receipt requested, addressed:

If To: "Covenantor"

1000 North Orange, LLC
c/o Mr. Richard Howard
Executive Vice President & Chief Operating Officer
Occidental Entertainment Group Holdings, Inc.
1149 N. McCadden Place
Hollywood, CA 90038

With a copy to:

Alan M. Mirman, Esq.
Horgan, Rosen, Beckham & Coren LLP
23975 Park Sorrento, Suite 200
Calabasas, CA 91302-4001

If To: "Board"

Regional Water Quality Control Board
Los Angeles Region
Attention: Executive Officer
320 W. 4th Street, Suite 200
Los Angeles, California 90013

With a copy to:

Robert Sams
320 W. 4th Street, Suite 200
Los Angeles, California 90013

Either party may change its address for Notices by written notice given as provided in this Paragraph 5.2.

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5.3 Partial Invalidity. If any portion of the Restrictions or terms set forth herein is determined to be invalid for any reason, the remaining portion shall remain in full force and effect as if such portion had not been included herein.

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5.4 Article Headings. Headings at the beginning of each numbered article of this Covenant are solely for the convenience of the parties and are not a part of the Covenant.

5.5 Recordation. This instrument shall be executed by the Covenantor and by the Executive Officer of the Board. This instrument shall be recorded by the Covenantor in the office of the County Recorder of Los Angeles County, California, within ten (10) days after the date of execution by both the Covenantor and the Executive Officer of the Board.

5.6 References. All references to Code sections include successor provisions.

5.7 Construction. Any general rule of construction to the contrary notwithstanding, this instrument shall be liberally construed in favor of the Covenant to effect the purpose of this instrument and the policy and purpose of the Water Code. If any provision of this instrument is found to be ambiguous, an interpretation consistent with the purpose of this instrument that would render the provision valid shall be favored over any interpretation that would render it invalid.

5.8 No Third Party Beneficiary Contract. This Covenant is not intended to be, nor shall it be construed as, a third party beneficiary contract in favor of any person or entity other than the Covenantor, the Board and their respective successors and assigns.

IN WITNESS WHEREOF, the parties execute this Covenant as of the date set forth above.

Covenantor: 1000 North Orange, LLC, a California limited liability company

By: [Signature]

Title: Managing Member

Date: 8-17-06

California Regional Water Quality Control Board,
Los Angeles Region

By: [Signature]

Title: Executive Officer

Date: 8/1/06

08/31/06

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STATE OF CALIFORNIA) Acknowledgment as to Covenantor
)
COUNTY OF LOS ANGELES)

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On 8-17-, 2006 before me, Silvia Ceballos, Notary Public,
[insert date] [insert name and title of officer]
~~the undersigned~~, personally appeared Albert Sweet,
[insert Covenantor's or Covenantor's agent's name]

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

WITNESS my hand and official seal.

S. Ceballos
Notary Public in and for said
County and State



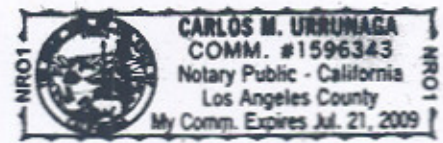
STATE OF CALIFORNIA) Acknowledgment as to California Regional Water
) Quality Control Board, Los Angeles Region
COUNTY OF LOS ANGELES)

On Aug 1, 2006 before me, Carlos Urrunaga NOTARY PUBLIC
[insert date] [insert name and title of officer]

~~the undersigned~~, personally appeared JONATHAN S. BISHOP, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity as Executive Officer, and that by his signature on the instrument the California Regional Water Quality Control Board, Los Angeles Region executed the instrument.

WITNESS my hand and official seal.

[Signature]
Notary Public in and for said
County and State



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EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

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Lots 24 and 25 of Tract No. 4685, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 51, page 13 of Maps, in the Office of the County Recorder of said County.

08/15/80

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