

July 10, 2009

Studley, Inc.
Attn: Max Franco
777 S. Figueroa Street
30th Floor
Los Angeles, CA 90017

RE: Inglewood, CA - JCPenney

Mr. Max Franco:

Penney understands that you own (will acquire) approximately 74.94 acres of land in Inglewood, CA, which you are developing as a shopping center named Inglewood Promenade (the "Shopping Center") and you have invited Penney to become an occupant thereof under a Ground Lease and upon the following terms and conditions set forth in this proposal:

1. PARTIES: The Parties to the transaction shall be Imperial Partners of Inglewood, LLC ("Landlord"), and J. C. Penney Corporation, Inc ("Penney" for the purpose of this LOI, Tenant shall be defined as Penney).
2. PENNEY PARCEL: Landlord shall lease to Penney an 8.5 acre +/- parcel of land ("Penney Parcel") sufficient in size to accommodate the Penney Building and a parking field capable of sustaining a 4.5 parking ratio at all times.
3. SITE PLAN: The Shopping Center and the Penney Parcel are conceptually depicted on the preliminary site plan that is attached to this letter prepared by PGAL and dated June 11, 2008. The site plan shall be agreed upon by Landlord and Penney no later than the Staffing Meeting. Once the site plan is approved by both Landlord and Penney, Penney shall plan the layout and fixture plan of the Penney Building based upon the site plan prior to Landlord's city submittal. In the event that any subsequent requests for changes to the site plan (other than changes requested by Penney) result in changes being made to the exterior lay out of the Penney Building and/or the interior floor plan of the Penney Building, Landlord agrees to reimburse Penney for all costs and expenses incurred by Penney in making the necessary changes to the exterior and/or the interior of the Penney Building, including but not limited to, the costs of delay in Penney's construction schedule.
4. PARKING RATIO: Developer shall at all times maintain at least a minimum of 4.5 parking spaces for each 1,000 square feet of Floor Area located within the Shopping Center.

5. SITE PLAN RESTRICTIONS: All Shopping Center buildings (including outlots) shall be placed within permissible building areas. Further, no inline restaurant shall be within 300 feet of the Penney Building and no theatre or health spa shall be located East of Doty Avenue.

6. TERM OF LEASE: The initial term of the Ground Lease shall be twenty (20) years.

7. OPTIONS TO EXTEND: Penney shall have eleven (11) successive options to elect to extend the term of the Ground Lease from the date upon which it would otherwise expire upon the same terms and conditions for eleven (11) separate additional periods of five (5) years each by giving Landlord written notice of such election at least six (6) months before the beginning of the additional period for which the term is to be extended by the exercise of such option; provided, however, that if Penney shall fail to give any such notice within such six (6) month time period, Penney's right to exercise its option shall nevertheless continue until 60 days after Landlord shall have given Penney notice of Penney's failure to elect such option, and Penney may exercise such option at any time until the expiration of said 60-day period.

8. RENT: Effective as of the earlier of: (1) the date that Penney opens the Penney Building to the public for business, or (2) twenty four (24) months after Landlord's delivery to and Penney's receipt of a properly graded and constructed Penney Building Pad in accordance with the Penney Development Criteria, Penney shall pay Landlord an annual fixed rent of \$200,000. Said sum shall be payable in equal monthly installments in advance on or before the tenth day of each month during the term of the lease. The fixed rent shall increase by five percent (5%) at the beginning of the eleventh and sixteenth year of the Term of Lease and first, fifth, ninth and eleventh option period.

9. PENNEY'S SHARE OF ON AND OFF-SITE WORK COSTS: The consideration to be paid by Penney to Landlord as its share of all engineering and architectural fees and on and off-site improvements costs is included in the fixed rent. All of the work related to on-site improvement and off-site improvement work shall be completed in accordance with the time schedule set forth in the Ground Lease.

10. ON-SITE IMPROVEMENTS: All on-site improvements shall be performed in accordance with the J. C. Penney New Store Development Criteria dated July, 2008 (the "Penney Development Criteria"). The Penney Development Criteria may be accessed at the following web site: http://www.jcpenney.net/company_interests/WebCriteriaLetter.pdf. Landlord shall perform all on site improvement work for the Penney Parcel and the Shopping Center which shall include, but not be limited to, grading, demolition (structures and utilities), relocation of existing utilities, environmental remediation, clearing, grubbing and removing vegetation, cutting, filling, excavation, replacing unsuitable soils, surcharging, compacting, and the creation of common areas and Building Pad (including the Penney Building Pad) pursuant to a soils investigation report and site construction documents that meet the Penney Development Criteria.

The Penney Building Pad shall be constructed per a Landlord provided geotechnical report (the "Geotechnical Report"), be certified by the geotechnical engineer writing the Geotechnical Report, and the certification shall provide that the Penney Building Pad was constructed as

agreed upon between Landlord and Penney. Any unsuitable soils discovered during the construction of the Penney Building Pad shall be removed and replaced by Landlord at Landlord's expense.

The Penney Building Pad shall be designed and constructed by Landlord for the use of shallow spread footings and slab on grade requirements of 4,000 pounds per square foot bearing pressure at the base of the footing elevation, with a maximum total settlement for footings limited to 1 inch, and the maximum differential settlement limited to ½ inch within a distance of 40 feet. Total range of movement of the slab on grade (without live load) shall be limited to ½ inch. If the Geotechnical Report recommends an alternate footing, foundation or floor slab design, Landlord shall undertake and pay for:

- (i) all corrective measures to the Penney Building Pad; and
- (ii) all structural design and construction upgrades to the Penney Building.

Landlord shall also install or cause to be installed all on-site improvements including, but not limited to:

- (i) the installation of storm drain systems, sanitary sewer systems, electrical systems, gas systems, telephone systems, cable TV systems, water systems; and internet systems (voice and data);
- (ii) the extension of all utilities (mains, laterals and service lines), including the electrical transformer and its pad, to within 5 feet of the Penney Building. Landlord acknowledges that storm sewer and sanitary sewer lines may need to be extended to multiple points. The exact location of such utilities shall be timely designated by Penney to Landlord. Penney shall complete the connection of the Penney Building to such utilities at Penney's expense;
- (iii) the installation and paving of all parking areas, roadways, sidewalks and curbs and other common facilities. The scope of this work shall not include Penney Building sidewalks (but shall include the ramped curbs adjacent thereto), loading docks, loading ramps and loading dock screen walls;
- (iv) the installation of parking lot lighting, including the installation of buried cable conduit and feeder wires to an underground junction box located within five (5) feet of the Penney Building. The exact location of the junction box shall be timely designated by Penney to Landlord. Penney shall complete the connection from the junction box to the Penney Building at Penney's expense. Penney's parking lot lights shall be wired and metered separately, at Landlord's expense, so lighting may be controlled by Penney;
- (v) the installation of landscaping and irrigation systems within the parking and landscaped areas including within the side walks adjacent to the Penney Building.

Penney's sidewalk and site irrigation shall be controlled by Landlord;

- (vi) the installation of subsurface drainage for the parking and landscaped areas including landscaped areas within the sidewalks adjacent to the Penney Building;
- (vii) construction of retaining wall(s) and associated handrail, guardrail and fall protection;
- (viii) the construction and installation of on-premises Shopping Center pylon and/or monument signs including the installation of Penney's sign panels thereon;
- (ix) payment of site related fees and "impact fees" or exactions, which are distinct and separate from Penney's building permit fees. Impact fees shall be deemed to include any and all municipal or utility company assessments for utility expansion fee, usage fee, infrastructure fee, special taxes, connection fee, or any other fees charged, associated with, or exacted upon the Penney Building for its anticipated need for off-site public facilities and services and/or the issuance of the Penney Building construction permit, occupancy permit and/or plat approval, notwithstanding that such fees may be included in any fee charged for Penney's permit(s), and/or utility connection or utility meter (collectively "Impact Fees"). Landlord agrees that Penney shall only be responsible for paying its building permit fee and nominal application, utility service initiation, and meter fees; and
- (x) the installation and maintenance of "all weather" staging areas, construction access roads, and construction surfaces around the Penney Building per the recommendations of the Landlord's geotechnical engineer.

11. OFF-SITE IMPROVEMENTS: To the extent that the same are not performed by the city, county, state, utility company or municipality ("Regulating Authorities"), as the case may be, Landlord shall cause all off-site improvements required by any Regulating Authorities and Penney to be installed to the Penney Parcel and the Shopping Center. All such improvements shall be adequate to serve the Penney Parcel and the Shopping Center, and shall include but not be limited to water, electricity, telephone, internet (voice and data), cable television, sanitary and storm sewers/detention, gas lines, roads, traffic signals, off-premises Shopping Center pylon and/or monument signs, means of ingress and egress and other street improvements.

12. STAFFING MEETING: Landlord, at Landlord's expense, shall promptly prepare and provide prior to the Staffing Meeting the documentation required in the Penney Development Criteria, including but not limited to a environmental site assessment report, a geotechnical report, a final site plan, building and pylon sign elevations, preliminary site improvements plans, on-site and off-site cost estimates, a review of the governmental approval process, a construction schedule and all other information for the development of the Shopping Center and the Penney Parcel as may be requested by Penney ("Staffing Information"). Landlord agrees, at Landlord's expense, to attend a meeting with Landlord's consultants at Penney's home office in Plano,

Texas to review the Staffing Information. Landlord and Penney shall set the Penney Building Pad delivery date and a project construction schedule at this meeting.

13. LANDLORD FINANCIAL GUARANTEE: As security for the timely completion by the Landlord of the on-site and off-site improvements, Landlord or Landlord's General Contractor (on behalf of Landlord) shall, simultaneously with the closing, obtain a performance bond from a bonding agency or Landlord's insurance carrier naming Penney as a beneficiary ("Bond"). The amount of the Bond shall be determined at the Staffing Meeting and shall be in an amount at least equivalent to 105 percent of the total amount which, in Penney's sole judgment, is necessary to complete that portion of the on-site and off-site improvements for which Landlord is responsible to complete in order for Penney to obtain a certificate of occupancy and open the Penney Building to the public with sufficient parking to meet the parking ratio, to provide parking at all entrances to the Penney Building, and to provide ingress and egress to all public roads. If the Landlord defaults under the Ground Lease, Penney shall have the right to draw upon the Bond and take over the construction of and complete any or all on and off-site improvements that it deems are necessary to operate and that are tied to the occupancy permit of the Penney Building.

14. LANDLORD FINANCING: Landlord shall, within 15 days after the execution of the Ground Lease, furnish Penney with copies of commitments issued by a responsible lender for construction and permanent financing for the construction of improvements to be erected by Landlord in the Shopping Center or such other evidence as Penney may reasonably require showing Landlord will have the requisite capital to construct such improvements. Penney shall have the right to terminate the Ground Lease, delay its receipt of the Penney Building Pad and/or delay the construction and/or opening of the Penney Building in the event Landlord fails to timely provide such items to Penney.

15. EXTERIOR COMMON FACILITIES MAINTENANCE AND CHARGE: Until such time as Penney shall, at its election, undertake the maintenance of the Penney Parcel, Landlord shall maintain in a first class condition the parking areas and other common facilities on the Shopping Center, including the Penney Parcel, in good order and condition, including, but not limited to removal of snow, ice and debris, repair of parking areas, restriping of parking areas, repairing parking area lighting, and replacing lighting elements and ballasts when necessary and maintaining all irrigation systems, all landscaped and planted areas, including between the Penney Building and the Penney perimeter sidewalks. Penney shall control the parking lot lighting within the Penney Parcel; however, the maintenance for such lighting shall be performed by Landlord and considered part of the common area maintenance cost of the Shopping Center.

Commencing on the date the Penney Building opens for business to the public, Penney shall contribute on a monthly basis an annual fiscal fee (specifically excluding electrical costs associated with the parking lot lighting, real estate taxes and insurance) of \$0.60 psf ("CAM Cap") paid in equal monthly installments. The CAM Cap shall be increased every year by a rate not to exceed one percent (1%) of the prior year period's common facilities maintenance charge.

Penney shall have the right to take over the maintenance of the Penney Parcel and cease its contributions for common area maintenance work performed by Landlord.

16. COMMON AREA LIGHTING: Each party shall keep, or cause to be kept, the parking areas and other common facilities located within its respective parcel illuminated during such nighttime hours as Penney is open for business and for one hour thereafter.

17. SIGNS: Subject to governmental laws and approvals, Penney at Penney's sole cost and expense, shall be allowed to erect its standard building signs on the front, rear and sides of its building.

Landlord shall design and construct all Shopping Center pylon and/or monument signs. Shopping Center identification pylon and/or monument signs shall be defined as signs that may designate the name of the Shopping Center and which contain two or more tenant panels. Penney shall be granted the top and largest sign panel on each Shopping Center identification pylon and/or monument sign and shall be responsible for the cost of fabricating and installing its panels. Penney's sign panel shall be 11' x 11' in size with a red background and white letters. It is understood that if an 11' x 11' sign panel is not allowed by governmental regulations, Landlord shall seek a variance to allow Penney to have a panel with such square footage. If a variance for an 11' x 11' Penney sign panel is not obtained, then Landlord and Penney shall mutually agree on the size of Penney's sign panel. In addition, Penney shall be granted an additional panel on each Shopping Center identification pylon and/or monumental sign for advertising "Sephora: Inside JCPenney" or words to such effect. Penney shall be responsible for the cost of fabricating its sign panels.

Landlord shall have the obligation to maintain, repair, replace, and illuminate all Shopping Center identification pylon and/or monument signs. The cost to maintain, repair, replace and illuminate Shopping Center identification pylon and/or monument signs shall be shared by the users of the sign and shall not be included in the common area maintenance costs of the Shopping Center. Penney shall pay its pro-rata share of the cost to maintain, repair, replace, (except the cost to maintain, repair, and replace other tenant sign panels) and illuminate the Shopping Center identification pylon and/or monument signs that it has a panel on. Penney's pro-rata share shall be based on the total square footage of all sign panels on the sign and shall be calculated by dividing the square footage of the Penney sign panel by the square footage of all panels on the sign including any panel designating the name of the Shopping Center. Landlord, Penney and each tenant with a sign panel on a Shopping Center identification pylon and/or monument sign shall maintain and repair their own sign panel(s).

18. PLATTING: Landlord, at Landlord's expense, shall subdivide the Shopping Center Tract and create a separate platted parcel for the Penney Parcel. The subdivision and platting of the Penney Parcel shall occur before or at the time of executing the Ground Lease.

19. REAL ESTATE TAXES: Property taxes shall be prorated to limit Penney's property tax liability to taxes actually assessed after the opening of the Penney Building. Effective as of the opening of the Penney Building, Penney shall pay all real and personal property taxes assessed

against the Penney Parcel and shall have no responsibility for the payment of any taxes assessed against the remainder of the Shopping Center. Any special assessments applicable to the Penney Parcel and/or the Shopping Center arising out of the construction activities related to on-site improvements and/or off-site improvements shall be paid by Landlord when levied. Landlord further agrees that it shall be responsible for any deferred or "roll back" taxes on the Penney Parcel. A separate tax parcel and a separate assessment of the Penney Parcel shall be obtained.

20. CO-OWNERS OR LESSEES: Landlord shall, within 15 days after the execution of the Ground Lease, furnish Penney with copies of completed binding agreements (economic terms blacked out are acceptable, but non-binding letters of intent or other documents are not acceptable) for the sale or lease of at least seventy five percent (75%) of the floor area within the Shopping Center (except for the Penney Building and the following named retailers) (collectively referred to herein as the "Unnamed Occupants") and for the following specific retailers of the size noted (collectively referred to herein as the "Named Occupants"):

<u>Occupant</u>	<u>Floor Are to be Occupied</u>
Toys R Us / Babies R Us	55,000 sf
Petco or Petsmart	sf to be determined

Such binding agreements shall also provide that such occupants will be open for business to the public on or before the anticipated opening date of the Penney Building. In the event Landlord fails to timely provide such items, Penney shall have the right to terminate the Ground Lease, delay its receipt of the Penney Building Pad and/or delay the construction and/or opening of the Penney Building.

21. SHOPPING CENTER OPENING DATE: The Shopping Center is anticipated to open in October 2011. The anticipated opening date of the Penney Building will be discussed at the Staffing Meeting. Penney shall not have an opening or operating covenant, provided, however, in the event Penney opens the Penney Building to the public for business prior to the Opening Conditions (defined below) being satisfied, then, and until the Opening Conditions are satisfied: (i) all rent or other charges under the Ground Lease shall abate, (ii) Landlord shall be obligated to pay Penney as liquidated damages the sum of \$10,000 per day, and (iii) Penney shall have the right to terminate the Ground Lease if such Opening Conditions remain unsatisfied for 12 months, whereby Landlord would be obligated to purchase the Penney Building and other improvements on the Penney Parcel for a price equal to 150% of their depreciated costs. The Opening Conditions shall be as follows: (i) all on-site and off-site improvements being completed; (ii) the Unnamed Occupants being open for business, and (iii) the Named Occupants being open for business.

Landlord acknowledges that the number and types of departments to be operated in the Penney Building, the particular contents, wares, and merchandise to be offered for sale and the services to be rendered (including but not limited to banking, financial, insurance sales and services), the methods and extent of merchandising and storage thereof, and the manner of

operating the Penney Building, in every respect whatsoever, shall be within the sole and absolute discretion of Penney.

22. LANDLORD'S REPURCHASE RIGHT: None

23. TITLE POLICY: At closing, Landlord shall furnish Penney, at Landlord's sole cost and expense, an up-to-date leasehold title policy issued by a title company acceptable to Penney insuring the Penney Parcel for Eight Million Dollars (\$8,000,000.00) in the form as required by the Ground Lease.

24. PENNEY BUILDING: Subject to Landlord paying all Impact Fees, Penney, at Penney's expense, shall obtain the building permit and all of the required governmental building approvals for the construction of its store and Penney's shall construct the Penney Building. Penney anticipates constructing its standard B Box prototype store subject to architectural elevation modifications required by local governmental authorities and reasonably required to conform the Penney Building elevation to the other buildings in the Shopping Center ("the Penney Building"). Landlord shall reimburse Penney for all architectural upgrades to its prototype building that are required by the Landlord and governmental authorities, however Penney's shall reimburse Landlord for all architectural upgrades required by Penney's subsequent to submittal of plans and/or any approvals to/by the City of Inglewood by Landlord. Penney shall provide Landlord with a breakdown of the cost to construct Penney's prototypical building elevations and the required architectural upgrades and Landlord shall reimburse Penney the incremental difference.

25. ENVIRONMENTAL: Landlord shall be solely responsible for the cost of cleaning up or otherwise remediating any hazardous materials, debris or refuse found on the Penney Parcel and the Shopping Center prior to delivery of the Penney Building Pad and prior to store opening including during the construction of the Penney store. Landlord shall be responsible for making any inquiries necessary to make the representations required by the Ground Lease with respect to environmental laws. Penney's shall be solely responsible for the cost of cleaning up or otherwise remediating any hazardous materials, debris or refuse introduced by Penney in the Penney building or Penney Parcel and the Shopping Center after the delivery by Landlord to Penneys of the Penney Building Pad.

26. COMMON FACILITIES RECIPROCAL EASEMENTS: Landlord will grant to Penney reciprocal non-exclusive easements over the common facilities on the Shopping Center, i.e. the parking areas, roadways, sidewalks, etc., to use without charge.

27. UNLIMITED BUILDING AREA REQUIREMENT: Landlord acknowledges that Penney proposes to construct a building which is classified as an "unlimited area building" under certain building codes. The term "unlimited area building" refers to a building that is allowed to exceed area limitations stipulated in the applicable building code, not by virtue of its construction type, but as a condition of its isolation on the property and by its inclusion of a sprinkler system. In the event that Landlord is unable to obtain an "unlimited area building" ruling from the applicable governmental agency, then Landlord shall reimburse Penney for all additional costs

incurred by Penney in the construction of the Penney Building due to the fact that an “unlimited area building” ruling was not obtained.

28. SUBORDINATION: During the term of the Ground Lease, the Ground Lease, Penney’s leasehold interest, Penney’s rights to the Common Facilities and any leasehold mortgage Penney may place on its leasehold interest shall not be subject or subordinate to any mortgage. Furthermore, if there is an Operating Agreement between Landlord and other occupants of the Shopping Center, as between Landlord and Penney, the terms of the Ground Lease shall control.

29. PENNEY’S PURCHASE OFFER AND FIRST REFUSAL RIGHTS: None

30. 1031 EXCHANGE: Either Penney or Properties shall have the right to cause the Ground Lease to be executed by an Intermediary or Accommodator in order to facilitate an exchange under Section 1031 and Revenue Procedure 2000-37 of the Internal Revenue Code. Penney or Properties shall cause its interest under the Ground Lease to be transferred from the Intermediary or Accommodator to Penney or Properties, as the case may be, on or prior to a date 180 days following the date that Penney’s Relinquished Property is exchanged. Upon such transfer, Penney or Properties, as the case may be, shall assume all obligations under the Ground Lease and agree to carry out and perform all the terms, covenants and conditions of the Ground Lease.

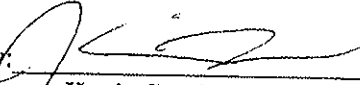
31. BROKER: Landlord and Penney acknowledge that other than John Pentz and Carol Springstead (the “Tenant Broker”) and Studley, Max Franco (the “Landlord Broker”), no other brokers, agents or other parties are due a brokerage commission or fee as a result of this transaction. Landlord will be responsible for paying any and all fees owed to the Broker pursuant to the terms of a separate brokerage agreement between Landlord and Broker. Landlord and Penney shall each indemnify, defend and hold the other harmless from and against any loss, cost or expense suffered by such party arising out of any claim or threat of claim of any person, party or entity (other than Broker) in the nature of a brokerage commission or other similar type arrangement.

32. OTHER PROVISIONS: Landlord and Penney are cognizant of the fact that additional provisions will have to be added, and that the foregoing is not intended to be a complete itemization of all of the terms and provisions of the Ground Lease, but only of the more salient ones. Landlord is further cognizant of the fact that (i) Penney will be relying on the provisions of this proposal in presenting it to Penney’s Capital Appropriations Committee for approval, which approval is a prerequisite to Penney acquiring leasehold title to the Penney Parcel and executing the Ground Lease, (ii) no acceptance or approval by either Penney or Landlord of this proposal, either verbal or written, shall be deemed to create an agreement between us and no such agreement shall be deemed to exist until the Ground Lease has been executed and delivered by all parties thereto, and (iii) whatever funds Landlord might have heretofore expended or will hereafter expend prior to the execution of the Ground Lease, by way of planning or site work or otherwise, will have been expended at Landlord’s peril.

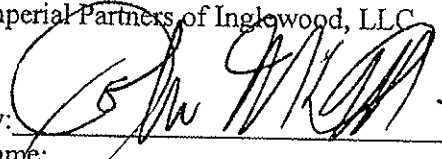
Landlord acknowledges that Penney negotiates many deals per year and that in each instance the deal negotiated is based on a different set of circumstances. Landlord agrees that no

past negotiations with Penney on other deals and no existing or past documents to which Penney is or was a party shall serve as a basis in the preparation or negotiation of the documents that are the subject of this letter of intent.

Sincerely,
J. C. Penney Corporation, Inc.

By: 
Name: Kevin Sendrey
Its: Real Estate Manager
Dated: 7-13-09

Nothing herein contained shall be considered an offer, nor shall Landlord or the Penney Company or any of its affiliates be bound or obligated hereby. Landlord or the Penney Company and its affiliates shall not be bound or obligated unless and until Penney internal corporate approvals have been obtained and final negotiated documentation has been fully executed and delivered by all parties thereto and then only to the extent of the terms and conditions contained in the executed documents.

Imperial Partners of Inglewood, LLC
By: 
Name: _____
Its: _____
Dated: 7-10-09

cc: JCP Broker – John Pentz & Carol Springstead
JCP Attorney - TBD
JCP Manager of Construction Services - TBD