

GROUND LEASE

This GROUND LEASE (the "Lease") is dated as of April 26, 2002, between the REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO ("Landlord") and McMILLIN-NTC, LLC, a Delaware limited liability company ("Tenant"), who agree as follows:

ARTICLE 1 FUNDAMENTAL INFORMATION

1.1 Landlord: THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO, a public body, corporate and politic.

1.2 Tenant: McMILLIN-NTC, LLC, a Delaware limited liability company.

1.3 Commencement Date: The Commencement Date shall be the date set forth in the introductory paragraph, above.

1.4 The Premises: The property leased hereunder (the "Property") is that real property described as the "Lease Parcel" in the Legal Description attached hereto as Exhibit "A" and incorporated herein by this reference. The "Property" consists of the Lease Parcel and the Improvements now or hereinafter located on the Lease Parcel from time to time.

1.5 Term: The Lease term (the "Term") shall commence on the Commencement Date, and shall continue for sixty-six (66) Lease Years thereafter (as defined below), or on the date resulting from an earlier termination as hereinafter set forth. For purposes of this Lease, a "Lease Year" shall mean the partial calendar year commencing the first day of the month following the Commencement Date, and each full calendar year thereafter, including the full calendar year in which the 66th anniversary of the Commencement Date occurs.

1.6 Landlord's address for notices: City Administration Building, 202 C Street, San Diego, California 92101, Attention: NTC Project Manager.

1.7 Tenant's address for notices: 2727 Hoover Avenue, National City, California 91950.

1.8 Tenant's rent: As described in Sections 2.5 and 2.6., below.

1.9 The specified use of the Property: For the Term of this Lease, the Property shall be used for the following purposes and other additional uses as may be reasonably related thereto, and for no other purposes:

(1) The Property (including the adjacent portions of the Boat Channel) is intended to be leased to Tenant to be subleased on an economic basis, subject to the public trust for commerce, navigation, fisheries, water-oriented recreation and preservation, for the construction and operation of one or more hotels and conference centers, as provided in the Reuse Plan and the Precise Plan and the Development Permits (as those terms are defined in the DDA).

(2) The improvements to be developed on the Property shall be limited to one or more hotel(s), containing between 500-650 guest rooms, and shall be comparable in quality to the Sheraton Harbor Island Hotel, Hilton Mission Bay Hotel, or better.

(3) Tenant shall include in any sublease relating to any hotel development on the Property, a provision that, in the event the hotel operator receives compensation for the use of guest rooms on a "time share" or similar basis such that transient occupancy tax is not payable under applicable law, such hotel operator shall nevertheless pay to the Tenant an amount equivalent to the transient occupancy tax which would otherwise have been payable if such guest rooms had been used as hotel rooms, and Tenant shall remit such funds to Landlord as "additional rent" pursuant to this Lease.

1.10 Relation to the DDA. Reference is hereby made to that certain Disposition and Development Agreement dated June 26, 2000 (the "DDA") by and between Landlord ("Agency" therein) and Tenant ("Master Developer" therein). It is contemplated that upon the satisfaction of Phase Four Conditions Precedent (as defined in the DDA), Tenant will assign Tenant's rights and obligations under the DDA as to the Property, and will sublease the Property or assign its rights under this Lease, to an assignee ("Assignee"), in accordance with and subject to the terms and conditions of the DDA. Until Tenant or such Assignee is entitled to the execution and recordation of the Agency Certificate of Completion for the Property as provided in Section 6.15 of the DDA, a default under the DDA by Tenant shall constitute a breach of the terms of this Lease, as specifically provided in Section 2.24 below. It is the intention of the parties that (a) prior to the recordation of the Agency Certificate of Completion for the Property, a breach or default under the DDA shall constitute a default under this Lease

(as provided in Section 2.24 hereof) that is not cured within the applicable cure period.

c. Surrender. Subject to the damage and reconstruction provisions of Section 2.23, Tenant shall upon the expiration or sooner termination of this Lease surrender the Property to Landlord in good and clean condition, ordinary wear and tear excepted, including any buildings, structures, improvements or additions then located on the Property which are, during the Term of this Lease, owned in fee by Tenant.

2.5 BASIC RENT.

The Basic Rent shall be the sum of One Dollar (\$1.00) per year, payable annually in advance.

2.6 ADDITIONAL RENT

In addition to any Basic Rent that is due pursuant to this Lease, Tenant shall pay to Landlord, as additional consideration for the lease of the Property, any sums described in this Lease as "Additional Rent."

2.7 RENT GENERALLY

a. All Rent (both Basic and Additional) shall be paid absolutely net to Landlord, so that this Lease shall yield to Landlord the full amount of the Rent throughout the Term of this Lease. This Lease is and shall be a "Pure Net" or "Triple Net" lease, as such terms are commonly used in the real estate industry, it being intended that Tenant shall pay all costs, expenses and charges arising out of the use, occupancy and operation of the Property.

b. All payments of Rent and of other sums to be paid by Tenant to Landlord pursuant to this Lease shall be paid in lawful money of the United States of America, at Landlord's address set forth above, or at such other place within the United States or to such other person, firms or corporations as Landlord from time to time may designate in writing. Except as otherwise expressly provided by the terms of this Lease, Landlord and Tenant agree that all sums payable hereunder to or on behalf of Landlord shall be paid without notice or demand.