
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2010

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 001-14429

SKECHERS U.S.A., INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

95-4376145
(I.R.S. Employer Identification No.)

228 Manhattan Beach Blvd.
Manhattan Beach, California
(Address of Principal Executive Office)

90266
(Zip Code)

(310) 318-3100

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

THE NUMBER OF SHARES OF CLASS A COMMON STOCK OUTSTANDING AS OF NOVEMBER 1, 2010: 36,317,159.
THE NUMBER OF SHARES OF CLASS B COMMON STOCK OUTSTANDING AS OF NOVEMBER 1, 2010: 11,310,610.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
FORM 10-Q
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PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**SKECHERS U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)**

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 248,828	\$ 265,675
Short-term investments	0	30,000
Trade accounts receivable, net	286,085	219,924
Other receivables	4,497	12,177
Total receivables	290,582	232,101
Inventories	326,651	224,050
Prepaid expenses and other current assets	46,987	28,233
Deferred tax assets	8,950	8,950
Total current assets	921,998	789,009
Property and equipment, at cost, less accumulated depreciation and amortization	268,642	171,667
Intangible assets, less accumulated amortization	7,762	9,011
Deferred tax assets	13,678	13,660
Other assets, at cost	18,196	12,205
TOTAL ASSETS	\$ 1,230,276	\$ 995,552
LIABILITIES AND EQUITY		
Current Liabilities:		
Short-term borrowings	\$ 2,329	\$ 2,006
Current installments of long-term borrowings	15,767	529
Accounts payable	231,533	196,163
Accrued expenses	22,206	31,843
Total current liabilities	271,835	230,541
Long-term borrowings, excluding current installments	15,802	15,641
Total liabilities	287,637	246,182
Commitments and contingencies		
Equity:		
Preferred Stock, \$.001 par value; 10,000 authorized; none issued and outstanding	0	0
Class A Common Stock, \$.001 par value; 100,000 shares authorized; 36,310 and 34,229 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	36	34
Class B Common Stock, \$.001 par value; 100,000 shares authorized; 11,311 and 12,360 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	12	13
Additional paid-in capital	301,714	272,662
Accumulated other comprehensive income	9,304	9,348
Retained earnings	596,776	463,865
Skechers U.S.A., Inc. equity	907,842	745,922
Noncontrolling interests	34,797	3,448
Total equity	942,639	749,370
TOTAL LIABILITIES AND EQUITY	\$ 1,230,276	\$ 995,552

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
(Unaudited)
(In thousands, except per share data)

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2010	2009	2010	2009
Net sales	\$ 554,626	\$ 405,374	\$ 1,552,249	\$ 1,047,820
Cost of sales	301,975	221,648	824,535	616,062
Gross profit	252,651	183,726	727,714	431,758
Royalty income	1,888	418	3,148	1,022
	<u>254,539</u>	<u>184,144</u>	<u>730,862</u>	<u>432,780</u>
Operating expenses:				
Selling	59,516	41,245	146,262	97,568
General and administrative	139,455	110,454	389,241	304,340
	<u>198,971</u>	<u>151,699</u>	<u>535,503</u>	<u>401,908</u>
Earnings from operations	<u>55,568</u>	<u>32,445</u>	<u>195,359</u>	<u>30,872</u>
Other income (expense):				
Interest income	487	322	2,350	1,612
Interest expense	(3)	(987)	(835)	(1,944)
Other, net	(3,143)	2,176	(1,323)	2,203
	<u>(2,659)</u>	<u>1,511</u>	<u>192</u>	<u>1,871</u>
Earnings before income taxes	52,909	33,956	195,551	32,743
Income tax expense	16,330	10,175	62,532	8,236
Net earnings	36,579	23,781	133,019	24,507
Less: Net earnings (loss) attributable to noncontrolling interests	201	(679)	108	(2,246)
Net earnings attributable to Skechers U.S.A., Inc.	<u>\$ 36,378</u>	<u>\$ 24,460</u>	<u>\$ 132,911</u>	<u>\$ 26,753</u>
Net earnings per share attributable to Skechers U.S.A., Inc.:				
Basic	<u>\$ 0.76</u>	<u>\$ 0.53</u>	<u>\$ 2.81</u>	<u>\$ 0.58</u>
Diluted	<u>\$ 0.74</u>	<u>\$ 0.52</u>	<u>\$ 2.71</u>	<u>\$ 0.57</u>
Weighted average shares used in calculating earnings per share attributable to Skechers U.S.A., Inc.:				
Basic	<u>47,586</u>	<u>46,405</u>	<u>47,268</u>	<u>46,304</u>
Diluted	<u>49,176</u>	<u>47,095</u>	<u>49,017</u>	<u>46,649</u>
Comprehensive income:				
Net earnings	\$ 36,378	\$ 24,460	\$ 132,911	\$ 26,753
Unrealized gain on marketable securities, net of tax	0	0	0	8,151
Gain (loss) on foreign currency translation adjustment, net of tax	10,372	1,009	(44)	4,883
Total comprehensive income	<u>\$ 46,750</u>	<u>\$ 25,469</u>	<u>\$ 132,867</u>	<u>\$ 39,787</u>

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine-Months Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Net earnings	\$ 132,911	\$ 26,753
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Noncontrolling interest in subsidiaries	108	(2,246)
Depreciation of property and equipment	17,641	14,465
Amortization of deferred financing costs	1,111	370
Amortization of intangible assets	1,287	579
Provision for bad debts and returns	4,663	2,959
Non-cash stock compensation	10,136	2,464
Loss on disposal of property and equipment	42	2
Deferred taxes	(19)	(614)
Impairment of property and equipment	0	761
(Increase) decrease in assets:		
Receivables	(63,355)	(31,039)
Inventories	(101,911)	70,925
Prepaid expenses and other current assets	(18,681)	2,369
Other assets	(7,342)	(1,362)
Increase (decrease) in liabilities:		
Accounts payable	32,332	(6,339)
Accrued expenses	(9,642)	10,229
Net cash provided by (used in) operating activities	<u>(719)</u>	<u>90,276</u>
Cash flows from investing activities:		
Capital expenditures	(65,617)	(31,197)
Purchases of investments	0	(30,000)
Maturities of investments	30,000	375
Redemption of auction rate securities	0	95,250
Intangible additions	(40)	0
Net cash provided by (used in) investing activities	<u>(35,657)</u>	<u>34,428</u>
Cash flows from financing activities:		
Net proceeds from the issuances of stock through employee stock purchase plan and the exercise of stock options	11,527	1,344
Payments on long-term debt	(576)	(275)
Increase in short-term borrowings	281	525
Capital contribution from noncontrolling interest of consolidated entity	1,000	4,000
Excess tax benefits from stock-based compensation	7,389	0
Net cash provided by financing activities	<u>19,621</u>	<u>5,594</u>
Net increase (decrease) in cash and cash equivalents	(16,755)	130,298
Effect of exchange rates on cash and cash equivalents	(92)	1,141
Cash and cash equivalents at beginning of the period	<u>265,675</u>	<u>114,941</u>
Cash and cash equivalents at end of the period	<u>\$ 248,828</u>	<u>\$ 246,380</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 1,830	\$ 3,260
Income taxes	82,941	1,624
Non-cash transactions:		
Land contribution from noncontrolling interest of consolidated entity	30,000	0
Note payable contribution from noncontrolling interest of consolidated entity	16,032	0
Acquisition of Chilean distributor	0	4,382

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 and 2009
(Unaudited)

(1) GENERAL

Basis of Presentation

The accompanying condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include certain footnotes and financial presentations normally required under accounting principles generally accepted in the United States of America for complete financial reporting. The interim financial information is unaudited, but reflects all material normal recurring adjustments and accruals which are, in the opinion of management, considered necessary to provide a fair presentation for the interim periods presented. The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

The results of operations for the nine months ended September 30, 2010 are not necessarily indicative of the results to be expected for the entire fiscal year ending December 31, 2010.

Use of Estimates

The preparation of the condensed consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Noncontrolling interests

The Company has interests in certain joint ventures which are consolidated into its financial statements. Noncontrolling interest was income of \$0.2 million and loss of \$0.7 million for the three months ended September 30, 2010 and 2009, respectively, which represents the share of net earnings or loss that is attributable to our joint venture partners. Noncontrolling interest was income of \$0.1 million and a loss of \$2.2 million for the nine months ended September 30, 2010 and 2009, respectively. Our joint venture partners made a \$30.0 million capital contribution in land and a cash capital contribution of \$1.0 million during the nine months ended September 30, 2010.

For the period ended September 30, 2010, the Company has determined that its joint venture with HF Logistics I, LLC ("HF") is a variable interest entity ("VIE") and that the Company is the primary beneficiary. The VIE is consolidated into the condensed consolidated financial statements and the carrying amounts and classification of assets and liabilities was as follows (in thousands):

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Current assets	\$ 8,669	\$ 0
Noncurrent assets	84,960	0
Total assets	\$ 93,629	\$ 0
Current liabilities	\$ 17,551	\$ 0
Noncurrent liabilities	16,031	0
Total liabilities	\$ 33,582	\$ 0

The Company does not have a significant variable interest in any unconsolidated VIE's.

Recent accounting pronouncements

In June 2009, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2009-17, *Amendments to FASB Interpretation No. 46(R)*. ASU 2009-17 requires a qualitative approach to identifying a controlling financial interest in a VIE, and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. ASU 2009-17 is effective for interim and annual reporting periods beginning after November 15, 2009. Our adoption of ASU 2009-17 did not have a material impact on our consolidated financial statements.

(2) INVESTMENTS

At December 31, 2009, short-term investments were \$30.0 million, which consisted of U.S. government obligations with maturities of greater than 90 days. These investments were redeemed at par during the nine months ended September 30, 2010.

(3) REVENUE RECOGNITION

The Company recognizes revenue on wholesale sales when products are shipped and the customer takes title and assumes risk of loss, collection of relevant receivable is reasonably assured, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. This generally occurs at time of shipment. The Company recognizes revenue from retail sales at the point of sale. Allowances for estimated returns, discounts, doubtful accounts and chargebacks are provided for when related revenue is recorded. Related costs paid to third-party shipping companies are recorded as a cost of sales.

Royalty income is earned from licensing arrangements. Upon signing a new licensing agreement, we receive up-front fees, which are generally characterized as prepaid royalties. These fees are initially deferred and recognized as revenue as earned (i.e., as licensed sales are reported to the company or on a straight-line basis over the term of the agreement). The first calculated royalty payment is based on actual sales of the licensed product. Typically, at each quarter-end we receive correspondence from our licensees indicating the actual sales for the period. This information is used to calculate and accrue the related royalties based on the terms of the agreement.

(4) OTHER COMPREHENSIVE INCOME

In addition to net earnings, other comprehensive income includes changes in foreign currency translation adjustments and unrealized gains and losses on marketable securities. The Company operates internationally through several foreign subsidiaries. Assets and liabilities of the foreign operations denominated in local currencies are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at the weighted average rate of exchange during the period of translation. The resulting translation adjustments, along with translation adjustments related to long-term intercompany loans, make up the translation adjustment in other comprehensive income.

The activity in other comprehensive income, net of income taxes, was as follows (in thousands):

Diluted earnings per share	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2010	2009	2010	2009
Net earnings	\$ 36,579	\$ 23,781	\$ 133,019	\$ 24,507
Unrealized gain on marketable securities, net of tax	0	0	0	8,151
Income on foreign currency translation adjustment, net of tax	10,555	1,093	197	4,992
Comprehensive income	47,134	24,874	133,216	37,650
Comprehensive income (loss) attributable to noncontrolling interest	384	(595)	349	(2,137)
Comprehensive income attributable to Skechers U.S.A.	\$ 46,750	\$ 25,469	\$ 132,867	\$ 39,787

(5) STOCK COMPENSATION

The Company recognizes compensation expense for stock-based awards based on the grant date fair value. Stock compensation expense was \$3.5 million and \$1.3 million for the three months ended September 30, 2010 and 2009, respectively. Stock compensation expense was \$10.1 million and \$2.5 million for the nine months ended September 30, 2010 and 2009, respectively.

Stock options granted pursuant to the 1998 Stock Option, Deferred Stock and Restricted Stock Plan and the 2007 Incentive Award Plan (collectively, the "Equity Incentive Plan") were as follows:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL TERM	AGGREGATE INTRINSIC VALUE
Outstanding at December 31, 2009	1,505,694	\$ 12.01		
Granted	0	0		
Exercised	(906,516)	12.46		
Cancelled	(24,791)	3.94		
Outstanding at September 30, 2010	<u>574,387</u>	11.65	1.6 years	\$ 6,838,894
Exercisable at September 30, 2010	<u>574,387</u>	11.65	1.6 years	\$ 6,838,894

A summary of the status and changes of our nonvested shares related to the Equity Incentive Plan as of and during the nine months ended September 30, 2010 is presented below:

	SHARES	WEIGHTED AVERAGE GRANT-DATE FAIR VALUE
Nonvested at December 31, 2009	2,158,644	\$ 17.86
Granted	139,000	30.38
Vested	(105,977)	17.29
Cancelled	0	0
Nonvested at September 30, 2010	<u>2,191,667</u>	18.68

As of September 30, 2010, there was \$28.5 million of unrecognized compensation cost related to nonvested common shares. The cost is expected to be amortized over a weighted average period of 2.1 years.

(6) EARNINGS PER SHARE

Basic earnings per share represents net earnings divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share represents the weighted average number of common shares and potential common shares, if dilutive, that would arise from the exercise of stock options and nonvested shares using the treasury stock method.

The following is a reconciliation of net earnings and weighted average common shares outstanding for purposes of calculating basic earnings per share (in thousands, except per share amounts):

Basic earnings per share	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2010	2009	2010	2009
Net earnings attributable to Skechers U.S.A., Inc.	\$ 36,378	\$ 24,460	\$ 132,911	\$ 26,753
Weighted average common shares outstanding	47,586	46,405	47,268	46,304
Basic earnings per share attributable to Skechers U.S.A., Inc.	\$ 0.76	\$ 0.53	\$ 2.81	\$ 0.58

The following is a reconciliation of net earnings and weighted average common shares outstanding for purposes of calculating diluted earnings per share (in thousands, except per share amounts):

Diluted earnings per share	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2010	2009	2010	2009
Net earnings attributable to Skechers U.S.A., Inc.	\$ 36,378	\$ 24,460	\$ 132,911	\$ 26,753
Weighted average common shares outstanding	47,586	46,405	47,268	46,304
Dilutive effect of stock options	1,590	690	1,749	345
Weighted average common shares outstanding	49,176	47,095	49,017	46,649
Diluted earnings per share attributable to Skechers U.S.A., Inc.	\$ 0.74	\$ 0.52	\$ 2.71	\$ 0.57

There were no options excluded from the computation of diluted earnings per share for the three months and nine months ended September 30, 2010, respectively. Options to purchase 370,528 shares and 768,220 shares of Class A common stock were not included in the computation of diluted earnings per share for the three months and nine months ended September 30, 2009, respectively, because their effect would have been anti-dilutive.

(7) INCOME TAXES

The Company's effective tax rates for the third quarter and first nine months of 2010 were 30.9% and 32.0%, respectively, compared to the effective tax rates of 30.0% and 25.2% for the third quarter and first nine months of 2009, respectively. Income tax expense for the three months ended September 30, 2010 was \$16.3 million compared to \$10.2 million for the same period in 2009. Income tax expense for the nine months ended September 30, 2010 was \$62.5 million compared to \$8.2 million for the same period in 2009. The income tax expense for the nine months ended September 30, 2010 includes \$0.9 million in discrete tax benefits relating to the settlement of certain tax reserves during the period. The income tax benefit for the nine months ended September 30, 2009 includes a \$1.9 million discrete tax benefit adjusting the amount of tax benefit recognized in 2008 relating to the Company entering into an advanced pricing agreement "APA" with the U.S. Internal Revenue Service "IRS".

The tax provision for the nine months ended September 30, 2010 was computed using the estimated effective tax rates applicable to each of the domestic and international taxable jurisdictions for the full year. The estimated effective tax rate is subject to management's ongoing review and revision, if necessary. The rate for the nine months ended September 30, 2010 is lower than the expected domestic rate of approximately 40% due to our non-U.S. subsidiary earnings in lower tax rate jurisdictions and our planned permanent reinvestment of undistributed earnings from our non-U.S. subsidiaries, thereby indefinitely postponing their repatriation to the United States. As such, the Company did not provide for deferred income taxes on accumulated undistributed earnings of our non-U.S. subsidiaries.

The Company files income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. The Company has completed U.S. federal audits through 2003, and is currently under examination by the IRS for the 2008 tax year. The Company is also under examination by a number of states. During the nine months ended September 30, 2010, settlements were reached with certain state tax jurisdictions which reduced the balance of 2010 and prior year unrecognized tax benefits by \$0.3 million.

With few exceptions, the Company is no longer subject to federal, state, local or non-U.S. income tax examinations by tax authorities for years before 2007. Tax years 2007 through 2009 remain open to examination by the U.S. federal, state, and foreign tax authorities. During the third quarter, the statute of limitations for the 2006 tax year lapsed for the U.S. federal and several state tax jurisdictions. The lapse in statute reduced the balance of prior year unrecognized tax benefits by \$0.6 million.

(8) LINE OF CREDIT AND SHORT-TERM BORROWINGS

On June 30, 2009, the Company entered into a \$250 million secured credit agreement with a group of eight banks that replaced the existing \$150 million credit agreement. The new credit facility matures in June 2013. The

credit agreement permits the Company and certain of its subsidiaries to borrow up to \$250 million based upon a borrowing base of eligible accounts receivable and inventory, which amount can be increased to \$300 million at the Company's request and upon satisfaction of certain conditions including obtaining the commitment of existing or prospective lenders willing to provide the incremental amount. Borrowings bear interest at the borrowers' election based on LIBOR or a Base Rate (defined as the greatest of LIBOR plus 1.00%, the Federal Funds Rate plus 0.5% or one of the lenders' prime rate), in each case, plus an applicable margin based on the average daily principal balance of revolving loans under the credit agreement (2.75% to 3.25% for Base Rate Loans and 3.75% to 4.25% for LIBOR loans). The Company pays a monthly unused line of credit fee between 0.5% and 1.0% per annum, which varies based on the average daily principal balance of outstanding revolving loans and undrawn amounts of letters of credit outstanding during such month. The credit agreement further provides for a limit on the issuance of letters of credit to a maximum of \$50 million. The credit agreement contains customary affirmative and negative covenants for secured credit facilities of this type, including a fixed charges coverage ratio that applies when excess availability is less than \$50 million. In addition, the credit agreement places limits on additional indebtedness that the Company is permitted to incur as well as other restrictions on certain transactions. We and our subsidiaries were in compliance with all of the covenants of the credit agreement at September 30, 2010. The Company and its subsidiaries had \$2.8 million of outstanding letters of credit and short-term borrowings of \$2.3 million as of September 30, 2010. The Company paid syndication and commitment fees of \$5.9 million on this facility which are being amortized over the four-year life of the facility.

(9) LITIGATION

The Company's claims and advertising for its products including for its Shape-ups are subject to the requirements of various regulatory and quasi-government agencies around the world and the Company receives periodic requests for information. The Company is currently responding to requests for information from regulatory and quasi-regulatory agencies in several countries throughout the world and fully cooperates with such requests. The Company believes that its claims and advertising are supported by tests, medical opinions and other relevant data and has been successful in substantiating and/or defending its claims and advertising in several different countries.

Tamara Grabowski v. Skechers USA, Inc. — On June 18, 2010, Tamara Grabowski filed an action against the Company in the United States District Court for the Southern District of California, Case No. 10 CV 1300 JM (WVG), on her behalf and on behalf of all others similarly situated, alleging that the Company's advertising for Shape-ups violates California's Unfair Competition Law and the California Consumer Legal Remedies Act, and constitutes a breach of express warranty (the "*Grabowski* action"). The complaint seeks certification of a nationwide class, damages, restitution and disgorgement of profits, declaratory and injunctive relief, corrective advertising, and attorneys' fees and costs. The matter is still in the early stages. While it is too early to predict the outcome of the litigation and whether an adverse result would have a material adverse impact on the Company's operations or financial statements, the Company believes it has meritorious defenses, vehemently denies the allegations, believes that class certification is not warranted and intends to defend the case vigorously.

Sonia Stalker v. Skechers USA, Inc. — On July 2, 2010, Sonia Stalker filed an action against the Company in the Superior Court of the State of California for the County of Los Angeles, on her behalf and on behalf of all others similarly situated, alleging that the Company's advertising for Shape-ups violates California's Unfair Competition Law and the California Consumer Legal Remedies Act. The complaint, as subsequently amended, seeks certification of a nationwide class, actual and punitive damages, restitution, declaratory and injunctive relief, corrective advertising, and attorneys' fees and costs. On July 23, 2010, the Company removed the case to the United States District Court for the Central District of California, and it is now pending as *Sonia Stalker v. Skechers USA, Inc.*, CV 10-5460 SJO (JEM). On August 23, 2010, the Company filed a motion to dismiss the action or transfer it to the United States District Court for the Southern District of California, in view of the prior pending *Grabowski* action. On August 27, 2010, plaintiff moved to certify the class, which motion the Company has opposed. The matter is still in its early stages. While it is too early to predict the outcome of the litigation and whether an adverse result would have a material adverse impact on the Company's operations or financial statements, the Company believes it has meritorious defenses, vehemently denies the allegations, believes that class certification is not warranted and intends to defend the case vigorously.

Venus Morga v. Skechers USA, Inc. — On August 25, 2010, Venus Morga filed an action against the Company in the United States District Court for the Southern District of California, Case No. 10 CV 1780 JM (WVG), on her behalf and on behalf of all others similarly situated, alleging that the Company's advertising for Shape-ups violates California's Unfair Competition Law, California's False Advertising Law and the California Consumer Legal Remedies Act, and gives rise to a claim for unjust enrichment. The complaint seeks certification of a nationwide class, restitution, injunctive relief, and attorneys' fees and costs. On September 10, 2010, a motion was filed to consolidate the action with the prior pending *Grabowski* action. The matter is still in the early stages. While it is too early to predict the outcome of the litigation and whether an adverse result would have a material adverse impact on the Company's operations or financial statements, the Company believes it has meritorious defenses, vehemently denies the allegations, believes that class certification is not warranted and intends to defend the case vigorously.

(10) STOCKHOLDERS' EQUITY

Certain Class B stockholders converted 34,900 shares of Class B common stock into an equivalent number of shares of Class A common stock during the three months ended September 30, 2010. No shares of Class B common stock were converted into shares of Class A common stock during the three months ended September 30, 2009. Certain Class B stockholders converted 1,049,005 and 43,902 shares of Class B common stock into an equivalent number of shares of Class A common stock during the nine months ended September 30, 2010 and 2009, respectively.

The following table reconciles equity attributable to noncontrolling interest (in thousands):

	Nine-Months Ended September 30,	
	2010	2009
Noncontrolling interest, beginning of the period	\$ 3,448	\$ 3,199
Net income (loss) attributable to noncontrolling interest	108	(2,246)
Foreign currency translation adjustment	241	109
Capital contribution by noncontrolling interest	31,000	4,000
Noncontrolling interest, end of the period	<u>\$ 34,797</u>	<u>\$ 5,062</u>

(11) SEGMENT AND GEOGRAPHIC REPORTING INFORMATION

We have four reportable segments — domestic wholesale sales, international wholesale sales, retail sales, and e-commerce sales. Management evaluates segment performance based primarily on net sales and gross profit. All other costs and expenses of the Company are analyzed on an aggregate basis, and these costs are not allocated to the Company's segments. Net sales, gross profit and identifiable assets for the domestic wholesale segment, international wholesale, retail, and the e-commerce segment on a combined basis were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net sales				
Domestic wholesale	\$ 312,319	\$ 202,963	\$ 904,066	\$ 544,352
International wholesale	124,623	100,099	325,751	261,140
Retail	111,825	95,250	301,410	227,541
E-commerce	5,859	7,062	21,022	14,787
Total	<u>\$ 554,626</u>	<u>\$ 405,374</u>	<u>\$ 1,552,249</u>	<u>\$ 1,047,820</u>
Gross profit				
Domestic wholesale	\$ 129,496	\$ 82,328	\$ 387,478	\$ 194,715
International wholesale	52,070	39,281	138,073	93,127
Retail	68,043	58,449	191,156	136,113
E-commerce	3,042	3,668	11,007	7,803
Total	<u>\$ 252,651</u>	<u>\$ 183,726</u>	<u>\$ 727,714</u>	<u>\$ 431,758</u>

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Identifiable assets		
Domestic wholesale	\$ 887,754	\$ 712,712
International wholesale	229,527	192,085
Retail	112,752	90,049
E-commerce	243	706
Total	\$ 1,230,276	\$ 995,552

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Additions to property and equipment				
Domestic wholesale	\$ 30,443	\$ 402	\$ 47,185	\$ 19,628
International wholesale	521	1,718	3,113	4,811
Retail	4,932	2,217	15,319	6,758
Total	\$ 35,896	\$ 4,337	\$ 65,617	\$ 31,197

Geographic Information:

The following summarizes our operations in different geographic areas for the period indicated (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net sales (1)				
United States	\$ 416,577	\$ 296,458	\$ 1,193,410	\$ 766,865
Canada	17,472	14,044	45,347	29,988
Other international (2)	120,577	94,872	313,492	250,967
Total	\$ 554,626	\$ 405,374	\$ 1,552,249	\$ 1,047,820

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Long-lived assets		
United States	\$ 252,382	\$ 160,444
Canada	1,390	866
Other international (2)	14,870	10,357
Total	\$ 268,642	\$ 171,667

- (1) The Company has subsidiaries in Canada, United Kingdom, Germany, France, Spain, Italy, Netherlands, Brazil, and Chile that generate net sales within those respective countries and in some cases the neighboring regions. The Company has joint ventures in China, Hong Kong, Malaysia, Singapore, and Thailand that generate net sales from those countries. The Company also has a subsidiary in Switzerland that generates net sales from Switzerland in addition to net sales to our distributors located in numerous non-European countries. Net sales are attributable to geographic regions based on the location of the Company subsidiary.
- (2) Other international consists of Switzerland, United Kingdom, Germany, France, Spain, Italy, Netherlands, China, Hong Kong, Malaysia, Singapore, Thailand, Brazil and Chile.

(12) BUSINESS AND CREDIT CONCENTRATIONS

The Company generates the majority of its sales in the United States; however, several of its products are sold into various foreign countries, which subjects the Company to the risks of doing business abroad. In addition, the Company operates in the footwear industry, which is impacted by the general economy, and its business depends on the general economic environment and levels of consumer spending. Changes in the marketplace may significantly affect management's estimates and the Company's performance. Management performs regular evaluations concerning the ability of customers to satisfy their obligations and provides for estimated doubtful accounts. Domestic accounts receivable, which generally do not require collateral from customers, were equal to \$178.7 million and \$148.3 million before allowances for bad debts, sales returns and chargebacks at September 30, 2010

and December 31, 2009, respectively. Foreign accounts receivable, which in some cases are collateralized by letters of credit, were equal to \$126.1 million and \$86.0 million before allowance for bad debts, sales returns and chargebacks at September 30, 2010 and December 31, 2009, respectively. The Company's credit losses due to write-offs for the three months ended September 30, 2010 and 2009 were \$2.2 million and \$2.6 million, respectively. The Company's credit losses due to write-offs for the nine months ended September 30, 2010 and 2009 were \$3.8 million and \$1.7 million, respectively.

Net sales to customers in the U.S. exceeded 70% of total net sales for the three and nine months ended September 30, 2010 and 2009. Assets located outside the U.S. consist primarily of cash, accounts receivable, inventory, property and equipment, and other assets. Net assets held outside the United States were \$252.5 million and \$205.9 million at September 30, 2010 and December 31, 2009, respectively.

The Company's net sales to its five largest customers accounted for approximately 26.0% and 24.7% of total net sales for the three months ended September 30, 2010 and 2009, respectively. The Company's net sales to its five largest customers accounted for approximately 27.2% and 25.0% of total net sales for the nine months ended September 30, 2010 and 2009, respectively. No customer accounted for more than 10% of our net sales during the three months ended September 30, 2010 and 2009. No customer accounted for more than 10% of our net sales during the nine months ended September 30, 2010 and 2009, respectively. No customer accounted for more than 10% of our outstanding accounts receivable balance at September 30, 2010. One customer accounted for 11.3% of our outstanding accounts receivable at December 31, 2009. No customer accounted for more than 10% of our outstanding accounts receivable balance at September 30, 2009.

The Company's top five manufacturers produced the following for the three and nine months ended September 30, 2010 and 2009, respectively:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Manufacturer #1	36.3%	30.1%	35.4%	27.8%
Manufacturer #2	12.2%	14.7%	12.8%	12.5%
Manufacturer #3	9.5%	11.6%	9.4%	11.4%
Manufacturer #4	8.6%	11.1%	9.0%	10.6%
Manufacturer #5	6.0%	4.7%	4.7%	6.0%
	<u>72.6%</u>	<u>72.2%</u>	<u>71.3%</u>	<u>68.3%</u>

The majority of the Company's products are produced in China. The Company's operations are subject to the customary risks of doing business abroad, including, but not limited to, currency fluctuations and revaluations, custom duties and related fees, various import controls and other monetary barriers, restrictions on the transfer of funds, labor unrest and strikes and, in certain parts of the world, political instability. The Company believes it has acted to reduce these risks by diversifying manufacturing among various factories. To date, these business risks have not had a material adverse impact on the Company's operations.

(13) RELATED PARTY TRANSACTIONS

On July 29, 2010, the Company formed Skechers Foundation (the "Foundation"), which is a 501(c)(3) non-profit entity that does not have any shareholders or members. The Foundation is not a subsidiary of and is not otherwise affiliated with the Company, and the Company does not have a financial interest in the Foundation. However, two officers of the Company, Michael Greenberg who is its President and David Weinberg who is its Chief Operating Officer and Chief Financial Officer, are also officers and directors of the Foundation. During the three months and nine months ended September 30, 2010, the Company contributed \$250,000 to the Foundation to use for various charitable causes.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our Condensed Consolidated Financial Statements and Notes thereto in Item 1 of this document and our company's annual report on Form 10-K for the year ended December 31, 2009.

We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from period to period, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements. The discussion also provides information about the financial results of the various segments of our business to provide a better understanding of how those segments and their results affect the financial condition and results of operations of our company as a whole.

This quarterly report on Form 10-Q may contain forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, which can be identified by the use of forward-looking language such as "intend," "may," "will," "believe," "expect," "anticipate" or other comparable terms. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected in forward-looking statements, and reported results shall not be considered an indication of our company's future performance. Factors that might cause or contribute to such differences include:

- international, national and local general economic, political and market conditions, including the recent global economic slowdown and financial crisis;
- entry into the highly competitive performance footwear market;
- sustaining, managing and forecasting our costs and proper inventory levels;
- losing any significant customers, decreased demand by industry retailers and cancellation of order commitments due to the lack of popularity of particular designs and/or categories of our products;
- maintaining our brand image and intense competition among sellers of footwear for consumers;
- anticipating, identifying, interpreting or forecasting changes in fashion trends, consumer demand for the products and the various market factors described above;
- sales levels during the spring, back-to-school and holiday selling seasons; and
- other factors referenced or incorporated by reference in our company's annual report on Form 10-K for the year ended December 31, 2009.

The risks included here are not exhaustive. Other sections of this report may include additional factors that could adversely impact our business, financial condition and results of operations. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and we cannot predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Investors should also be aware that while we do, from time to time, communicate with securities analysts, we do not disclose any material non-public information or other confidential commercial information to them. Accordingly, individuals should not assume that we agree with any statement or report issued by any analyst, regardless of the content of the report. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

FINANCIAL OVERVIEW

We have four reportable segments — domestic wholesale sales, international wholesale sales, retail sales, which includes domestic and international retail sales, and e-commerce sales. We evaluate segment performance based primarily on net sales and gross profit. The largest portion of our revenue is derived from the domestic wholesale segment. Net earnings for the three months ended September 30, 2010 was \$36.4 million, or \$0.74 per diluted share.

Revenue as a percentage of net sales was as follows:

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2010	2009	2010	2009
Percentage of revenues by segment				
Domestic wholesale	56.3%	50.1%	58.2%	52.0%
International wholesale	22.5%	24.7%	21.0%	24.9%
Retail	20.2%	23.5%	19.4%	21.7%
E-commerce	1.0%	1.7%	1.4%	1.4%
Total	100%	100%	100%	100%

As of September 30, 2010, we owned 235 domestic retail stores and 40 international retail stores, and we have established our presence in most of what we believe to be the major domestic retail markets. During the first nine months of 2010, we opened eleven domestic concept stores, five domestic outlet stores, one domestic warehouse store, three international concept stores, and ten international outlet stores and we closed one domestic outlet store. We periodically review all of our stores for impairment, and we carefully review our under-performing stores and consider the potential for non-renewal of leases upon completion of the current term of the applicable lease.

During the remainder of 2010 and in 2011, we intend to focus on: (i) enhancing the efficiency of our operations by managing our inventory and reducing expenses (ii) growing our international business to 25% to 30% of our total sales, (iii) expanding our retail distribution channel by opening another nine to eleven stores, including three international company-owned stores, (iv) increasing the product count of all customers by delivering trend-right styles at reasonable prices, and (v) developing our domestic infrastructure to support ongoing growth.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated, selected information from our results of operations (in thousands) and as a percentage of net sales:

	Three-Months Ended September 30,				Nine-Months Ended September 30,			
	2010		2009		2010		2009	
Net sales	\$554,626	100.0%	\$405,374	100.0%	\$1,552,249	100.0%	\$1,047,820	100.0%
Cost of sales	301,975	54.4	221,648	54.7	824,535	53.1	616,062	58.8
Gross profit	252,651	45.6	183,726	45.3	727,714	46.9	431,758	41.2
Royalty income	1,888	0.3	418	0.1	3,148	0.2	1,022	0.1
	254,539	45.9	184,144	45.4	730,862	47.1	432,780	41.3
Operating expenses:								
Selling	59,516	10.7	41,245	10.2	146,262	9.4	97,568	9.3
General and administrative	139,455	25.1	110,454	27.2	389,241	25.1	304,340	29.1
	198,971	35.8	151,699	37.4	535,503	34.5	401,908	38.4
Earnings from operations	55,568	10.1	32,445	8.0	195,359	12.6	30,872	2.9
Interest income	487	0.1	322	0.1	2,350	0.2	1,612	0.2
Interest expense	(3)	0	(987)	(0.2)	(835)	(0.1)	(1,944)	(0.2)
Other, net	(3,143)	(0.7)	2,176	0.5	(1,323)	(0.1)	2,203	0.2
Earnings before income taxes	52,909	9.5	33,956	8.4	195,551	12.6	32,743	3.1
Income tax expense	16,330	2.9	10,175	2.5	62,532	4.0	8,236	0.8
Net earnings	36,579	6.6	23,781	5.9	133,019	8.6	24,507	2.3
Less: Net earnings (loss) attributable to noncontrolling interests	201	0	(679)	(0.1)	108	0	(2,246)	(0.3)
Net earnings attributable to Skechers U.S.A., Inc.	\$ 36,378	6.6%	\$ 24,460	6.0%	\$ 132,911	8.6%	\$ 26,753	2.6%

Net sales

Net sales for the three months ended September 30, 2010 were \$554.6 million, an increase of \$149.2 million or 36.8%, as compared to net sales of \$405.4 million for the three months ended September 30, 2009. The increase in net sales was broad-based.

Our domestic wholesale net sales increased \$109.3 million, or 53.9%, to \$312.3 million for the three months ended September 30, 2010, from \$203.0 million for the three months ended September 30, 2009. The largest increases in our domestic wholesale segment came in our Women's and Men's divisions. The average selling price per pair within the domestic wholesale segment was \$25.87 per pair for the three months ended September 30, 2010 compared to \$21.71 per pair for the same period last year, primarily due to acceptance of new designs and styles for our in-demand products and reduced close-outs. The increase in the domestic wholesale segment's net sales came on a 29.2% unit sales volume increase to 12.1 million pairs from 9.3 million pairs for the same period in 2009.

Our international wholesale segment net sales increased \$24.5 million, or 24.5%, to \$124.6 million for the three months ended September 30, 2010, compared to \$100.1 million for the three months ended September 30, 2009. Our international wholesale sales consist of direct subsidiary sales — sales we make to department stores and specialty retailers — and sales to our distributors who in turn sell to retailers in various international regions where we do not sell direct. Direct subsidiary sales increased \$19.5 million, or 26.3%, to \$93.6 million for the three months ended September 30, 2010 compared to net sales of \$74.1 million for the three months ended September 30, 2009. The largest sales increases during the quarter came from our subsidiaries in Germany, Canada, and Switzerland. Our distributor sales increased \$5.0 million, or 19.3%, to \$31.0 million for the three months ended September 30, 2010, compared to sales of \$26.0 million for the three months ended September 30, 2009. This was primarily due to increased sales to our distributors in Korea and Serbia.

Our retail segment sales increased \$16.5 million to \$111.8 million for the three months ended September 30, 2010, a 17.4% increase over sales of \$95.3 million for the three months ended September 30, 2009. The increase in retail sales was due to positive comparable store sales (i.e. those open at least one year) and a net increase of 31 stores. For the three months ended September 30, 2010, we realized positive comparable store sales of 6.2% in our domestic retail stores and 4.2% in our international retail stores. During the three months ended September 30, 2010, we opened five new domestic concept stores, one domestic outlet store, one domestic warehouse store, three international concept stores, and three international outlet stores. Our domestic retail sales increased 13.8% for the three months ended September 30, 2010 compared to the same period in 2009 due to positive comparable store sales and a net increase of 17 domestic stores. Our international retail sales increased 52.3% for the three months ended September 30, 2010 compared to the same period in 2009 attributable to positive comparable store sales and a net increase of 14 international stores.

Our e-commerce sales decreased \$1.2 million, or 17.0%, to \$5.9 million for the three months ended September 30, 2010 from \$7.1 million for the three months ended September 30, 2009. Our e-commerce sales made up approximately 1% of our consolidated net sales for the three-month period ended September 30, 2010 and approximately 2% of our consolidated net sales for the three-month period ended September 30, 2009.

Gross profit

Gross profit for the three months ended September 30, 2010 increased \$68.9 million to \$252.6 million as compared to \$183.7 million for the three months ended September 30, 2009. Gross profit as a percentage of net sales, or gross margin, increased to 45.6% for the three months ended September 30, 2010 from 45.3% for the same period in the prior year. Our domestic wholesale segment gross profit increased \$47.2 million, or 57.3%, to \$129.5 million for the three months ended September 30, 2010 compared to \$82.3 million for the three months ended September 30, 2009. Domestic wholesale margins increased to 41.5% in the three months ended September 30,

2010 from 40.6% for the same period in the prior year. The increase in domestic wholesale margins was due to increased average selling prices, less closeouts and more in-demand inventory.

Gross profit for our international wholesale segment increased \$12.8 million, or 32.6%, to \$52.1 million for the three months ended September 30, 2010 compared to \$39.3 million for the three months ended September 30, 2009. Gross margins were 41.8% for the three months ended September 30, 2010 compared to 39.2% for the three months ended September 30, 2009. The increase in gross margins for our international wholesale segment was due to less closeouts and more in-demand inventory. International wholesale sales through our foreign subsidiaries historically have achieved higher gross margins than our international wholesale sales through our foreign distributors. Gross margins for our direct subsidiary sales were 46.8% for the three months ended September 30, 2010 as compared to 43.0% for the three months ended September 30, 2009. Gross margins for our distributor sales were 26.7% for the three months ended September 30, 2010 as compared to 28.5% for the three months ended September 30, 2009.

Gross profit for our retail segment increased \$9.6 million, or 16.4%, to \$68.0 million for the three months ended September 30, 2010 as compared to \$58.4 million for the three months ended September 30, 2009. Gross margins for all stores were 60.9% for the three months ended September 30, 2010 as compared to 61.4% for the three months ended September 30, 2009. Gross margins for our domestic stores were 60.8% for the three months ended September 30, 2010 as compared to 61.3% for the three months ended September 30, 2009. Gross margins for our international stores were 61.5% for the three months ended September 30, 2010 as compared to 62.4% for the three months ended September 30, 2009. The decrease in domestic retail margins was due to increased sales volumes in our warehouse and outlet stores.

Our cost of sales includes the cost of footwear purchased from our manufacturers, royalties, duties, quota costs, inbound freight (including ocean, air and freight from the dock to our distribution centers), broker fees and storage costs. Because we include expenses related to our distribution network in general and administrative expenses while some of our competitors may include expenses of this type in cost of sales, our gross margins may not be comparable, and we may report higher gross margins than some of our competitors in part for this reason.

Selling expenses

Selling expenses increased by \$18.3 million, or 44.3%, to \$59.5 million for the three months ended September 30, 2010 from \$41.2 million for the three months ended September 30, 2009. As a percentage of net sales, selling expenses were 10.7% and 10.2% for the three months ended September 30, 2010 and 2009, respectively. The increase in selling expenses was primarily due to advertising expenses that increased by \$17.4 million for the three months ended September 30, 2010.

Selling expenses consist primarily of sales representative sample costs, sales commissions, trade shows, advertising and promotional costs, which may include television, print ads, ad production costs and point-of-purchase (POP) costs.

General and administrative expenses

General and administrative expenses increased by \$29.0 million, or 26.3%, to \$139.5 million for the three months ended September 30, 2010 from \$110.5 million for the three months ended September 30, 2009. As a percentage of sales, general and administrative expenses were 25.1% and 27.2% for the three months ended September 30, 2010 and 2009, respectively. The increase in general and administrative expenses was primarily due to increased salaries and wages of \$12.6 million that included \$3.5 million in stock compensation costs, increased temporary help costs of \$2.8 million, and higher rent expense of \$2.3 million due to an additional 31 stores from prior year. In addition, the expenses related to our distribution network, including the functions of purchasing, receiving, inspecting, allocating, warehousing and packaging of our products totaled \$30.9 million and \$28.9 million for the three months ended September 30, 2010 and 2009, respectively. The \$2.0 million increase was primarily due to significantly higher sales volumes.

General and administrative expenses consist primarily of the following: salaries, wages and related taxes and various overhead costs associated with our corporate staff, stock-based compensation, domestic and international retail store operations, non-selling-related costs of our international operations, costs associated with our domestic and European distribution centers, professional fees related to legal, consulting and accounting, insurance, depreciation and amortization, and expenses related to our distribution network, which includes the functions of purchasing, receiving, inspecting, allocating, warehousing and packaging our products. These costs are included in general and administrative expenses and are not allocated to segments.

Interest income

Interest income for the three months ended September 30, 2010 increased \$0.2 million to \$0.5 million compared to \$0.3 million for the same period in 2009. The increase in interest income was primarily due to interest received on refunds of customs and duties payments for the three months ended September 30, 2010.

Interest expense

Interest expense decreased \$1.0 million for the three months ended September 30, 2010 compared to the interest expense for the same period in 2009. The decrease was due to reduced interest paid to our foreign manufacturers and capitalized interest costs. Interest expense was incurred on our mortgages for our domestic distribution center and our corporate office located in Manhattan Beach, California, and on amounts owed to our foreign manufacturers.

Income taxes

The Company's effective tax rate was 30.9% and 30.0% for the three months ended September 30, 2010 and 2009, respectively. Income tax expense for the three months ended September 30, 2010 was \$16.3 million compared to \$10.2 million for the same period in 2009. The tax provision for the three months ended September 30, 2010 was computed using the estimated effective tax rates applicable to each of the domestic and international taxable jurisdictions for the full year. The estimated effective tax rate is subject to management's ongoing review and revision, if necessary. We expect our effective annual tax rate in 2010 to be approximately 32.0 percent.

The rate for the three months ended September 30, 2010 is lower than the expected domestic rate of approximately 40% due to our non-U.S. subsidiary earnings in lower tax rate jurisdictions and our planned permanent reinvestment of undistributed earnings from our non-U.S. subsidiaries, thereby indefinitely postponing their repatriation to the United States. As such, the Company did not provide for deferred income taxes on accumulated undistributed earnings of our non-U.S. subsidiaries.

Noncontrolling interest in net income and loss of consolidated subsidiaries

Noncontrolling interest for the three months ended September 30, 2010 increased \$0.9 million to income of \$0.2 million as compared to a loss of \$0.7 million for the same period in 2009. Noncontrolling interest represents the share of net earnings or loss that is attributable to our joint venture partners.

NINE MONTHS ENDED SEPTEMBER 30, 2010 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2009

Net sales

Net sales for the nine months ended September 30, 2010 were \$1.552 billion, an increase of \$504.4 million or 48.1%, as compared to net sales of \$1.048 billion for the nine months ended September 30, 2009. The increase in net sales was broad-based in all our segments.

Our domestic wholesale net sales increased \$359.7 million, or 66.1%, to \$904.1 million for the nine months ended September 30, 2010, from \$544.4 million for the nine months ended September 30, 2009. The largest

increases in our domestic wholesale segment came in our Women's and Men's divisions. The average selling price per pair within the domestic wholesale segment was \$24.81 per pair for the nine months ended September 30, 2010 compared to \$19.17 per pair for the same period last year, primarily due to acceptance of new designs and styles for our in-demand products and reduced close-outs. The increase in the domestic wholesale segment's net sales came on a 28.3% unit sales volume increase to 36.4 million pairs from 28.4 million pairs for the same period in 2009.

Our international wholesale segment net sales increased \$64.6 million, or 24.7%, to \$325.7 million for the nine months ended September 30, 2010, compared to \$261.1 million for the nine months ended September 30, 2009. Direct subsidiary sales increased \$65.8 million, or 36.0%, to \$248.9 million for the nine months ended September 30, 2010 compared to net sales of \$183.1 million for the nine months ended September 30, 2009. The largest sales increases during the nine months ended September 30, 2010 came from our subsidiaries in Canada and Germany as well as the acquisition of our distributor in Chile on June 1, 2009. Our distributor sales decreased \$1.3 million, or 1.6%, to \$76.8 million for the nine months ended September 30, 2010, compared to sales of \$78.1 million for the nine months ended September 30, 2009. This was primarily due to decreased sales to our distributors in Japan and Panama partially offset by increased sales to our distributors in Russia and Korea.

Our retail segment sales increased \$73.9 million to \$301.4 million for the nine months ended September 30, 2010, a 32.5% increase over sales of \$227.5 million for the nine months ended September 30, 2009. The increase in retail sales was due to positive comparable store sales and a net increase of 31 stores. For the nine months ended September 30, 2010, we realized positive comparable store sales of 20.9% in our domestic retail stores and 10.8% in our international retail stores. During the nine months ended September 30, 2010, we opened eleven new domestic concept stores, five domestic outlet stores, one domestic warehouse store, three international concept stores, ten international outlet stores, and closed one domestic outlet store. Our domestic retail sales increased 29.2% for the nine months ended September 30, 2010 compared to the same period in 2009 due to positive comparable store sales and a net increase of 17 domestic stores. Our international retail sales increased 67.0% for the nine months ended September 30, 2010 compared to the same period in 2009 attributable to positive comparable store sales and a net increase of 14 international stores.

Our e-commerce sales increased \$6.2 million, or 42.2%, to \$21.0 million for the nine months ended September 30, 2010 from \$14.8 million for the nine months ended September 30, 2009. Our e-commerce sales made up approximately 1% of our consolidated net sales for each of the nine-month periods ended September 30, 2010 and 2009.

Gross profit

Gross profit for the nine months ended September 30, 2010 increased \$295.9 million to \$727.7 million as compared to \$431.8 million for the nine months ended September 30, 2009. Gross profit as a percentage of net sales, or gross margin, increased to 46.9% for the nine months ended September 30, 2010 from 41.2% for the same period in the prior year. Our domestic wholesale segment gross profit increased \$192.8 million, or 99.0%, to \$387.5 million for the nine months ended September 30, 2010 compared to \$194.7 million for the nine months ended September 30, 2009. Domestic wholesale margins increased to 42.9% in the nine months ended September 30, 2010 from 35.8% for the same period in the prior year. The increase in domestic wholesale margins was due to increased average selling prices, less closeouts and more in-demand inventory.

Gross profit for our international wholesale segment increased \$45.0 million, or 48.3%, to \$138.1 million for the nine months ended September 30, 2010 compared to \$93.1 million for the nine months ended September 30, 2009. Gross margins were 42.4% for the nine months ended September 30, 2010 compared to 35.7% for the nine months ended September 30, 2009. The increase in gross margins for our international wholesale segment was due to less closeouts and more in-demand inventory. Gross margins for our direct subsidiary sales were 46.8% for the nine months ended September 30, 2010 as compared to 39.1% for the nine months ended September 30, 2009. Gross margins for our distributor sales were 28.2% for the nine months ended September 30, 2010 as compared to 27.6% for the nine months ended September 30, 2009.

Gross profit for our retail segment increased \$55.1 million, or 40.4%, to \$191.2 million for the nine months ended September 30, 2010 as compared to \$136.1 million for the nine months ended September 30, 2009. Gross margins for all stores were 63.4% for the nine months ended September 30, 2010 as compared to 59.8% for the nine months ended September 30, 2009. Gross margins for our domestic stores were 63.5% for the nine months ended September 30, 2010 as compared to 59.9% for the nine months ended September 30, 2009. Gross margins for our international stores were 63.0% for the nine months ended September 30, 2010 as compared to 58.6% for the nine months ended September 30, 2009. The increase in domestic and international retail margins was due to less closeouts and more in-demand inventory.

Selling expenses

Selling expenses increased by \$48.7 million, or 49.9%, to \$146.3 million for the nine months ended September 30, 2010 from \$97.6 million for the nine months ended September 30, 2009. As a percentage of net sales, selling expenses were 9.4% and 9.3% for the nine months ended September 30, 2010 and 2009, respectively. The increase in selling expenses was primarily due to advertising expenses that increased by \$43.0 million for the nine months ended September 30, 2010.

General and administrative expenses

General and administrative expenses increased by \$84.9 million, or 27.9%, to \$389.2 million for the nine months ended September 30, 2010 from \$304.3 million for the nine months ended September 30, 2009. As a percentage of sales, general and administrative expenses were 25.1% and 29.1% for the nine months ended September 30, 2010 and 2009, respectively. The increase in general and administrative expenses was primarily due to increased salaries and wages of \$39.4 million that included \$10.1 million in stock compensation costs, higher professional fees of \$6.1 million, higher rent expense of \$5.9 million due to an additional 31 stores from prior year, increased warehouse and distribution costs of \$5.4 million, increased office supplies of \$4.0 million, and increased outside services of \$3.9 million. In addition, the expenses related to our distribution network, including the functions of purchasing, receiving, inspecting, allocating, warehousing and packaging of our products totaled \$89.6 million and \$83.0 million for the nine months ended September 30, 2010 and 2009, respectively. The \$6.6 million increase was primarily due to significantly higher sales volumes.

Interest income

Interest income for the nine months ended September 30, 2010 increased \$0.8 million to \$2.4 million compared to \$1.6 million for the same period in 2009. The increase in interest income was primarily due to interest received on refunds of customs and duties payments for the nine months ended September 30, 2010.

Interest expense

Interest expense was \$0.8 million for the nine months ended September 30, 2010 compared to \$1.9 million for the same period in 2009. The decrease was due to reduced interest paid to our foreign manufacturers and capitalized interest costs.

Income taxes

The Company's effective tax rate was 32.0% and 25.2% for the nine months ended September 30, 2010 and 2009, respectively. Income tax expense for the nine months ended September 30, 2010 was \$62.5 million compared to \$8.2 million for the same period in 2009. The income tax expense for the nine months ended September 30, 2009 includes a \$1.9 million discrete benefit adjusting the amount of tax benefit recognized in 2008 relating to the APA with the IRS. The tax provision for the nine months ended September 30, 2010 was computed using the estimated effective tax rates applicable to each of the domestic and international taxable jurisdictions for the full year. The estimated effective tax rate is subject to management's ongoing review and revision, if necessary. We expect our effective annual tax rate in 2010 to be approximately 32.0 percent.

The rate for the nine months ended September 30, 2010 is lower than the expected domestic rate of approximately 40% due to our non-U.S. subsidiary earnings in lower tax rate jurisdictions and our planned permanent reinvestment of undistributed earnings from our non-U.S. subsidiaries, thereby indefinitely postponing their repatriation to the United States. As such, the Company did not provide for deferred income taxes on accumulated undistributed earnings of our non-U.S. subsidiaries.

Noncontrolling interest in net income and loss of consolidated subsidiaries

Noncontrolling interest for the nine months ended September 30, 2010 increased \$2.3 million to income of \$0.1 million as compared to a loss of \$2.2 million for the same period in 2009.

LIQUIDITY AND CAPITAL RESOURCES

Our working capital at September 30, 2010 was \$650.2 million, an increase of \$91.7 million from working capital of \$558.5 million at December 31, 2009. Our cash and cash equivalents at September 30, 2010 were \$248.8 million compared to \$265.7 million at December 31, 2009. The decrease in cash and cash equivalents of \$16.9 million was the result of increased inventory of \$101.9 million due to customer order cancellations, capital expenditures of \$65.6 million, increased receivables of \$63.4 million, which was partially offset by our net earnings of \$132.9 million, increased payables of \$32.3 million, and the maturity of \$30.0 million in short-term investments.

For the nine months ended September 30, 2010, net cash used in operating activities was \$0.7 million compared to net cash provided of \$90.3 million for the nine months ended September 30, 2009. The decrease in our operating cash flows for the nine months ended September 30, 2010, when compared to the nine months ended September 30, 2009 was primarily the result of increased inventory levels due to customer order cancellations partially offset by higher net earnings.

Net cash used in investing activities was \$35.7 million for the nine months ended September 30, 2010 as compared to net cash provided of \$34.4 million for the nine months ended September 30, 2009. The decrease in cash provided by investing activities in the nine months ended September 30, 2010 as compared to the same period in the prior year was primarily the result of the redemption of auction rate securities that were classified as long-term investments in the prior year. Capital expenditures for the nine months ended September 30, 2010 were approximately \$65.6 million, which \$38.1 million consisted of development costs for our new distribution center, a corporate real property purchase and \$16.7 million for new store openings and remodels. This compared to capital expenditures of \$31.2 million for the nine months ended September 30, 2009, which primarily consisted of warehouse equipment upgrades and new store openings and remodels. Excluding the costs of our new distribution center and distribution equipment, we expect our ongoing capital expenditures for the remainder of 2010 to be approximately \$13 million to \$17 million, which includes opening an additional nine to eleven retail stores and store remodels. We are currently in the process of designing and purchasing the equipment to be used in our new distribution center and estimate the cost of this equipment to be approximately \$85.0 million, of which \$39.3 million was incurred as of September 30, 2010. We expect to spend the remaining balances in 2011. Our operating cash flows, current cash, and available lines of credit should be adequate to fund these capital expenditures, although we may seek additional funding for all or a portion of these expenditures.

Net cash provided by financing activities was \$19.6 million during the nine months ended September 30, 2010 compared to \$5.6 million during the nine months ended September 30, 2009. The increase in cash provided by financing activities was primarily due to higher proceeds from the issuance of Class A common stock upon the exercise of stock options during the nine months ended September 30, 2010 as compared to the same period in the prior year.

On January 30, 2010, we entered into a joint venture agreement with HF Logistics I, LLC through Skechers R.B., LLC, a wholly-owned subsidiary, regarding the ownership and management of HF Logistics-SKX, LLC, a Delaware limited liability company (the "JV"). The purpose of the JV is to acquire and to develop real property consisting of approximately 110 acres situated in Rancho Belago, California, and to construct approximately 1.8 million square feet of buildings and other improvements to lease to us as a distribution facility. The term of the JV

is fifty years. The parties are equal fifty percent partners. In April 2010, we made an initial cash capital contribution of \$30 million and HF made an initial capital contribution of land to the JV. Additional capital contributions, if necessary, would be made on an equal basis by Skechers R.B., LLC and HF. During the second quarter, the JV obtained \$55 million in construction financing and broke ground on the facility, which we expect to occupy when completed in 2011. We have completed our assessment of the joint venture and have determined it to be a VIE and that Skechers is the primary beneficiary, and therefore consolidate the operations of the joint venture into our financial statements.

We have outstanding debt of \$31.6 million, of which \$15.6 million relates to notes payable for one of our distribution center warehouses and one of our administrative offices, which notes are secured by the respective properties, and \$16.0 million relates to a note for development costs paid by HF for our new distribution center.

On June 30, 2009, we entered into a \$250 million secured credit agreement with a group of eight banks that replaced the existing \$150 million credit agreement. The new credit facility matures in June 2013. The credit agreement permits us and certain of our subsidiaries to borrow up to \$250 million based upon a borrowing base of eligible accounts receivable and inventory, which amount can be increased to \$300 million at our request and upon satisfaction of certain conditions including obtaining the commitment of existing or prospective lenders willing to provide the incremental amount. Borrowings bear interest at the borrowers' election based on LIBOR or a Base Rate (defined as the greatest of the base LIBOR plus 1.00%, the Federal Funds Rate plus 0.5% or one of the lenders' prime rate), in each case, plus an applicable margin based on the average daily principal balance of revolving loans under the credit agreement (2.75% to 3.25% for Base Rate loans and 3.75% to 4.25% for LIBOR loans). We pay a monthly unused line of credit fee between 0.5% and 1.0% per annum, which varies based on the average daily principal balance of outstanding revolving loans and undrawn amounts of letters of credit outstanding during such month. The credit agreement further provides for a limit on the issuance of letters of credit to a maximum of \$50 million. The credit agreement contains customary affirmative and negative covenants for secured credit facilities of this type, including a fixed charges coverage ratio that applies when excess availability is less than \$50 million. In addition, the credit agreement places limits on additional indebtedness that we are permitted to incur as well as other restrictions on certain transactions. We and our subsidiaries were in compliance with all of the covenants of the credit agreement at September 30, 2010. We and our subsidiaries had \$2.8 million of outstanding letters of credit and short-term borrowings of \$2.3 million as of September 30, 2010. We paid syndication and commitment fees of \$5.9 million on this facility which are being amortized over the four year life of the facility.

We believe that anticipated cash flows from operations, available borrowings under our secured line of credit, cash on hand and financing arrangements will be sufficient to provide us with the liquidity necessary to fund our anticipated working capital and capital requirements through September 30, 2011. However, in connection with our current strategies, we will incur significant working capital requirements and capital expenditures. Our future capital requirements will depend on many factors, including, but not limited to, costs associated with moving to a new distribution facility, the levels at which we maintain inventory, the market acceptance of our footwear, the success of our international operations, the levels of advertising and marketing required to promote our footwear, the extent to which we invest in new product design and improvements to our existing product design, any potential acquisitions of other brands or companies, and the number and timing of new store openings. To the extent that available funds are insufficient to fund our future activities, we may need to raise additional funds through public or private financing of debt or equity. We cannot be assured that additional financing will be available or that, if available, it can be obtained on terms favorable to our stockholders and us. Failure to obtain such financing could delay or prevent our current business plans, which could adversely affect our business, financial condition and results of operations. In addition, if additional capital is raised through the sale of additional equity or convertible securities, dilution to our stockholders could occur.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any relationships with unconsolidated entities or financial partnerships such as entities often referred to as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance-sheet arrangements or for other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. For a detailed discussion of our critical accounting policies please refer to our annual report on Form 10-K for the year ended December 31, 2009 filed with the U.S. Securities and Exchange Commission ("SEC") on March 5, 2010. Our critical accounting policies and estimates did not change materially during the quarter ended September 30, 2010.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued ASU 2009-17, *Amendments to FASB Interpretation No. 46(R)*. ASU 2009-17 requires a qualitative approach to identifying a controlling financial interest in a VIE, and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. ASU 2009-17 is effective for interim and annual reporting periods beginning after November 15, 2009. Our adoption of ASU 2009-17 did not have a material impact on our consolidated financial statements.

QUARTERLY RESULTS AND SEASONALITY

While sales of footwear products have historically been somewhat seasonal in nature with the strongest sales generally occurring in the second and third quarters, we believe that our product offerings somewhat mitigate the effect of this seasonality and, consequently, our sales are not necessarily as subjected to seasonal trends as those of our competitors in the footwear industry.

We have experienced, and expect to continue to experience, variability in our net sales and operating results on a quarterly basis. During 2009, various macroeconomic pressures created a difficult retail environment which caused a downturn in our overall business. Our domestic customers generally assume responsibility for scheduling pickup and delivery of purchased products. Any delay in scheduling or pickup which is beyond our control could materially negatively impact our net sales and results of operations for any given quarter. We believe the factors which influence this variability include (i) the timing of our introduction of new footwear products, (ii) the level of consumer acceptance of new and existing products, (iii) general economic and industry conditions that affect consumer spending and retail purchasing, (iv) the timing of the placement, cancellation or pickup of customer orders, (v) increases in the number of employees and overhead to support growth, (vi) the timing of expenditures in anticipation of increased sales and customer delivery requirements, (vii) the number and timing of our new retail store openings and (viii) actions by competitors. Due to these and other factors, the operating results for any particular quarter are not necessarily indicative of the results for the full year.

INFLATION

We do not believe that the relatively moderate rates of inflation experienced in the United States over the last three years have had a significant effect on our sales or profitability. However, we cannot accurately predict the effect of inflation on future operating results. We do not believe that inflation has had or will have a material effect on our sales or profitability. While we have been able to offset our foreign product cost increases by increasing prices or changing suppliers in the past, we cannot assure you that we will be able to continue to make such increases or changes in the future.

EXCHANGE RATES

Although we currently invoice most of our customers in U.S. Dollars, changes in the value of the U.S. Dollar versus the local currency in which our products are sold, along with economic and political conditions of such foreign countries, could adversely affect our business, financial condition and results of operations. Because we operate in several foreign countries and have recently experienced both favorable and unfavorable currency translations we cannot predict whether currency translations will be favorable or unfavorable to us in the future. Purchase prices for our products may be impacted by fluctuations in the exchange rate between the U.S. dollar and the local currencies of the contract manufacturers, which may have the effect of increasing our cost of goods in the future. In addition, the weakening of an international customer's local currency and banking market may negatively impact such customer's ability to meet their payment obligations to us. We regularly monitor the creditworthiness of our international customers and make credit decisions based on both prior sales experience with such customers and their current financial performance, as well as overall economic conditions. While we currently believe that our international customers have the ability to meet all of their obligations to us, there can be no assurance that they will continue to be able to meet such obligations. During 2009 and the first nine months of 2010, exchange rate fluctuations did not have a material impact on our inventory costs. We do not engage in hedging activities with respect to such exchange rate risk.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not hold any derivative securities that require fair value presentation per FASB ASC 815-25.

Market risk is the potential loss arising from the adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates. Changes in interest rates and changes in foreign currency exchange rates have had and may continue to have an impact on our results of operations.

Interest rate fluctuations. The interest rate charged on our secured line of credit fluctuates and changes in interest rates will have an effect on the interest charged on outstanding balances. No amounts relating to this secured line of credit facility are currently outstanding at September 30, 2010. We had \$2.3 million of outstanding short-term borrowings subject to changes in interest rates; however, we do not expect any changes will have a material impact on our financial condition or results of operations.

Foreign exchange rate fluctuations. We face market risk to the extent that changes in foreign currency exchange rates affect our non-U.S. dollar functional currency foreign subsidiary's revenues, expenses, assets and liabilities. In addition, changes in foreign exchange rates may affect the value of our inventory commitments. Also, inventory purchases of our products may be impacted by fluctuations in the exchange rates between the U.S. dollar and the local currencies of the contract manufacturers, which could have the effect of increasing the cost of goods sold in the future. We manage these risks by primarily denominating these purchases and commitments in U.S. dollars. We do not engage in hedging activities with respect to such exchange rate risks.

Assets and liabilities outside the United States are located in the United Kingdom, France, Germany, Spain, Switzerland, Italy, Canada, Belgium, the Netherlands, Brazil, Chile, China, Hong Kong, Singapore, Malaysia and Thailand. Our investments in foreign subsidiaries with a functional currency other than the U.S. dollar are generally considered long-term. Accordingly, we do not hedge these net investments. The fluctuation of foreign currencies resulted in a cumulative foreign currency translation loss of less than \$0.1 million and gain of \$4.9 million for the nine months ended September 30, 2010 and 2009, respectively, that are deferred and recorded as a component of accumulated other comprehensive income in stockholders' equity. A 200 basis point reduction in the exchange rates used to calculate foreign currency translations at September 30, 2010 would have reduced the values of our net investments by approximately \$5.1 million.

ITEM 4. CONTROLS AND PROCEDURES

Attached as exhibits to this quarterly report on Form 10-Q are certifications of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), which are required in accordance with Rule 13a-14 of the Securities

Exchange Act of 1934, as amended (the “Exchange Act”). This Controls and Procedures section includes information concerning the controls and controls evaluation referred to in the certifications.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The term “disclosure controls and procedures” refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods. We have established disclosure controls and procedures to ensure that material information relating to Skechers and its consolidated subsidiaries is made known to the officers who certify our financial reports, as well as other members of senior management and the Board of Directors, to allow timely decisions regarding required disclosures. As of the end of the period covered by this quarterly report on Form 10-Q, we carried out an evaluation under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective in timely alerting them, at the reasonable assurance level, to material information related to our company that is required to be included in our periodic reports filed with the SEC under the Exchange Act.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting during the three months ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

INHERENT LIMITATIONS ON EFFECTIVENESS OF CONTROLS

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See note nine to the financial statements on page 10 of this quarterly report for a discussion of legal proceedings as required under applicable SEC rules and regulations.

ITEM 1A. RISK FACTORS

The information presented below updates the risk factors disclosed in our annual report on Form 10-K for the year ended December 31, 2009 and should be read in conjunction with the risk factors and other information

disclosed in our 2009 annual report that could have a material effect on our business, financial condition and results of operations.

We Depend Upon A Relatively Small Group Of Customers For A Large Portion Of Our Sales.

During the nine months ended September 30, 2010 and September 30, 2009, our net sales to our five largest customers accounted for approximately 27.2% and 25.0% of total net sales, respectively. No customer accounted for more than 10% of our net sales during the nine months ended September 30, 2010 or 2009. No customers accounted for more than 10% of our outstanding accounts receivable balance at September 30, 2010 or September 30, 2009. Although we have long-term relationships with many of our customers, our customers do not have a contractual obligation to purchase our products and we cannot be certain that we will be able to retain our existing major customers. Furthermore, the retail industry regularly experiences consolidation, contractions and closings which may result in our loss of customers or our inability to collect accounts receivable of major customers. If we lose a major customer, experience a significant decrease in sales to a major customer or are unable to collect the accounts receivable of a major customer, our business could be harmed.

We Rely On Independent Contract Manufacturers And, As A Result, Are Exposed To Potential Disruptions In Product Supply.

Our footwear products are currently manufactured by independent contract manufacturers. During the nine months ended September 30, 2010 and September 30, 2009, the top five manufacturers of our manufactured products produced approximately 71.3% and 68.3% of our total purchases, respectively. One manufacturer accounted for 35.4% and 27.8% of total purchases during the nine months ended September 30, 2010 and 2009, respectively. A second manufacturer accounted for 12.8% and 12.5% of our total purchases during the nine months ended September 30, 2010 and 2009, respectively. Two other manufacturers accounted for 11.4% and 10.6% of our total purchases during the nine months ended September 30, 2009. We do not have long-term contracts with manufacturers, and we compete with other footwear companies for production facilities. We could experience difficulties with these manufacturers, including reductions in the availability of production capacity, failure to meet our quality control standards, failure to meet production deadlines or increased manufacturing costs. This could result in our customers canceling orders, refusing to accept deliveries or demanding reductions in purchase prices, any of which could have a negative impact on our cash flow and harm our business.

If our current manufacturers cease doing business with us, we could experience an interruption in the manufacture of our products. Although we believe that we could find alternative manufacturers, we may be unable to establish relationships with alternative manufacturers that will be as favorable as the relationships we have now. For example, new manufacturers may have higher prices, less favorable payment terms, lower manufacturing capacity, lower quality standards or higher lead times for delivery. If we are unable to provide products consistent with our standards or the manufacture of our footwear is delayed or becomes more expensive, our business would be harmed.

One Principal Stockholder Is Able To Exert Significant Influence Over All Matters Requiring A Vote Of Our Stockholders And His Interests May Differ From The Interests Of Our Other Stockholders.

As of September 30, 2010, Robert Greenberg, Chairman of the Board and Chief Executive Officer, beneficially owned 56.4% of our outstanding Class B common shares and members of Mr. Greenberg's immediate family beneficially owned an additional 15.6% of our outstanding Class B common shares. The remainder of our outstanding Class B common shares is held in two irrevocable trusts for the benefit of Mr. Greenberg and his immediate family members, and voting control of such shares resides with an independent trustee. The holders of Class A common shares and Class B common shares have identical rights except that holders of Class A common shares are entitled to one vote per share while holders of Class B common shares are entitled to ten votes per share on all matters submitted to a vote of our stockholders. As a result, as of September 30, 2010, Mr. Greenberg beneficially owned approximately 42.1% of the aggregate number of votes eligible to be cast by our stockholders, and together with shares beneficially owned by other members of his immediate family, they beneficially owned approximately 54.7% of the aggregate number of votes eligible to be cast by our stockholders. Therefore, Mr.

Greenberg is able to exert significant influence over all matters requiring approval by our stockholders. Matters that require the approval of our stockholders include the election of directors and the approval of mergers or other business combination transactions.

Mr. Greenberg also has significant influence over our management and operations. As a result of such influence, certain transactions are not likely without the approval of Mr. Greenberg, including proxy contests, tender offers, open market purchase programs or other transactions that can give our stockholders the opportunity to realize a premium over the then-prevailing market prices for their shares of our Class A common shares. Because Mr. Greenberg's interests may differ from the interests of the other stockholders, Mr. Greenberg's significant influence on actions requiring stockholder approval may result in our company taking action that is not in the interests of all stockholders. The differential in the voting rights may also adversely affect the value of our Class A common shares to the extent that investors or any potential future purchaser view the superior voting rights of our Class B common shares to have value.

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1	General Conditions of the Contract for Construction regarding 29800 Eucalyptus Avenue, Rancho Belago, California.
10.2+	Construction Loan Agreement dated as of April 30, 2010, by and among HF Logistics-SKX T1, LLC, which is a wholly owned subsidiary of a joint venture entered into between HF Logistics I, LLC and a wholly owned subsidiary of the Registrant, Bank of America, N.A., as administrative agent and as a lender, and Raymond James Bank FSB, as a lender.
10.3+	Amended and Restated Limited Liability Company Agreement dated April 12, 2010 between Skechers R.B., LLC, a Delaware limited liability company and wholly owned subsidiary of the Registrant, and HF Logistics I, LLC, regarding the ownership and management of the joint venture, HF Logistics-SKX, LLC, a Delaware limited liability company.
10.4	Second Amendment to Lease Agreement, dated April 12, 2010, between the Registrant and HF Logistics I, LLC, regarding distribution facility in Moreno Valley, California.
10.5	Assignment of Lease Agreement, dated April 12, 2010, between HF Logistics I, LLC and HF Logistics-SKX T1, LLC, regarding distribution facility in Moreno Valley, California.
10.6	Third Amendment to Lease Agreement, dated August 18, 2010, between the Registrant and HF Logistics-SKX T1, LLC, regarding distribution facility in Moreno Valley, California.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1***	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

+ The Company has applied with the Secretary of the Securities and Exchange Commission for confidential treatment of certain information pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. The Company has filed separately with its application a copy of the exhibit including all confidential portions, which may be made available for public inspection pending the Securities and Exchange Commission's review of the application in accordance with Rule 24b-2.

*** In accordance with Item 601(b)(32)(ii) of Regulation S-K, this exhibit shall not be deemed "filed" for the purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 9, 2010

SKECHERS U.S.A., INC.

By: /s/ DAVID WEINBERG

David Weinberg
Chief Financial Officer

Contract #: **MHOO-121-226-A**
Project: **HIGHLAND CORPORATE PARK**
SKECHERS DISTRIBUTION CENTER
Trade: **GENERAL CONTRACTOR**

AIA Document A201 – 1997

General Conditions of the Contract for Construction

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for the following PROJECT:
(Name and location or address):

**Highland Fairview Corporate Park
Skechers Distribution Center
29800 Eucalyptus Avenue
Rancho Belago, California 92555**

THE OWNER:
(Name and address):

**HF Logistics-SKX T1, LLC
14225 Corporate Way
Moreno Valley, California 92553**

THE ARCHITECT:
(Name and address):

**“Vertical Architect”:
HPA, Inc.
18831 Bardeen Avenue, Suite 100
Irvine, California 92612
“Civil Engineer”:**

**RBF Consulting
14725 Alton Parkway
Irvine, Ca 92618
(949) 855-5716**

“Landscape Architect”:

**Mission Landscape Architecture
16361 Scientific Way
Irvine, CA 92618
(949) 224-0044**

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ARTICLE 1 GENERAL PROVISIONS

§ 1.1 BASIC DEFINITIONS

§ 1.1.1 THE CONTRACT DOCUMENTS

The Contract Documents consist of the Agreement between Owner and Contractor (hereinafter the Agreement), Conditions of the Contract (General, Supplementary and other Conditions), Drawings, Specifications, Addenda issued prior to execution of the Contract, including Addendum A, Exhibits, including the Conditions of Approval from City of Moreno Valley (“Conditions of Approval”) and the January 7, 2010 Settlement Agreement with the Sierra Club (“Settlement Agreement”) further set out in Exhibit “G” except to the extent indicated in the Contract Documents to be the responsibility of others, other documents listed in this Agreement and Modifications issued after execution of the Contract. A Modification is (1) a written amendment to the Contract signed by both parties, (2) a Change Order, (3) a Construction Change Directive or (4) a written order for a minor change in the Work issued by the Owner. Unless specifically enumerated in the Agreement, the Contract Documents do not include other documents such as bidding requirements (advertisement or invitation to bid, Instructions to Bidders, sample forms, the Contractor’s bid or portions of Addenda relating to bidding requirements).

§ 1.1.2 THE CONTRACT

The Contract Documents form the Contract for Construction. The Contract represents the entire and integrated agreement between the parties hereto and supersedes prior negotiations, representations or agreements, either written or oral. The Contract may be amended or modified only by a Modification. The Contract Documents shall not be construed to create a contractual relationship of any kind (1) between the Architect and Contractor, (2) between the Owner and a Subcontractor or Sub-subcontractor, (3) between the Owner and Architect or (4) between any persons or entities other than the Owner and Contractor.

§ 1.1.3 THE WORK

The term “Work” means the construction and services required by the Contract Documents, whether completed or partially completed, and includes all other labor, materials, equipment and services provided or to be provided by the Contractor to fulfill the Contractor’s obligations. The Work may constitute the whole or a part of the Project. The Work shall include all labor, services, supervision, materials, supplies, fixtures, tools, equipment, transportation, parking, material lay down area, jobsite security, preconstruction services (including without limitation: estimating, budgeting, scheduling, and consultation on materials, constructability, reliability and maintenance and value engineering) and all other items necessary to construct and complete the Project pursuant to the Contract Documents, including all items, construction and services inferable from the Contract Documents in order to complete the Work in full compliance with the Contract Documents, including but not limited to The Conditions of Approval and terms of the Settlement Agreement as detailed in Ex. G, and all applicable laws, regulations, ordinances and codes pertaining to the Work.

§ 1.1.4 THE PROJECT

The Project is the total construction of which the Work performed under the Contract Documents may be the whole or a part and which may include construction by the Owner or by separate contractors.

§ 1.1.5 THE DRAWINGS

The Drawings are the graphic and pictorial portions of the Contract Documents showing the design, location and dimensions of the Work, generally including plans, elevations, sections, details, schedules and diagrams.

§ 1.1.6 THE SPECIFICATIONS

The Specifications are that portion of the Contract Documents consisting of the written requirements for materials, equipment, systems, standards and workmanship for the Work, and performance of related services.

§ 1.1.7 THE PROJECT MANUAL

The Project Manual is a volume assembled for the Work which may include the bidding requirements, sample forms, Conditions of the Contract and Specifications.

§ 1.1.8 (Not Used)

§ 1.1.9 The term “Final Completion” means that all Work has been completed in accordance with the Contract Documents to the satisfaction of Owner, Architect and all applicable governmental agencies (including Punch List items).

§ 1.2 CORRELATION AND INTENT OF THE CONTRACT DOCUMENTS

§ 1.2.1 The intent of the Contract Documents is to include all items necessary for the proper execution and completion of the Work by the Contractor. The Contract Documents are complementary, and what is required by one shall be as binding as if required by all; performance by the Contractor shall be required only to the extent consistent with the Contract Documents and reasonably inferable from them as being necessary to produce the indicated results. The Contract Documents shall be interpreted together and in harmony with one another. The Contractor must call any known conflict or discrepancy to the Owner’s attention, in writing, prior to executing this Agreement. In the case of any conflict between the Contract Documents regarding the obligations or responsibilities of Contractor, whichever document imposes the greater obligation on the Contractor shall be controlling.

§ 1.2.2 Organization of the Specifications into divisions, sections and articles, and arrangement of Drawings shall not control the Contractor in dividing the Work among Subcontractors or in establishing the extent of Work to be performed by any trade.

§ 1.2.3 Unless otherwise stated in the Contract Documents, words which have well-known technical or construction industry meanings are used in the Contract Documents in accordance with such recognized meanings.

§ 1.2.4 The Drawings shall be accurately followed, preference being given to figured dimensions over scaled, and to large scale details over small scale drawings. In the case of an inconsistency between Drawings and Specifications or within either Document not clarified by addendum, the better quality or greater quantity of work shall be provided in accordance with the Owner’s direction. If there is any difference, conflict or discrepancy between two or more of the Contract Documents or between the Contract Documents whichever document imposes the greater obligation on the Contractor shall be controlling.

In general, Drawings compliment Specifications as to the scope, quality and workmanship of the Work. Anything mentioned in the Specifications and not shown on the Drawings, or shown in the Drawings and not mentioned in the Specifications, shall be of like effect as if shown or mentioned or both. In case of a conflict or discrepancy on the Drawings or Specifications, the matter may, at Owner’s election, be promptly submitted by Owner to the Architect for resolution to the extent provided in Subsection 4.2.11. Any inconsistency or question of intent in any of the Contract Documents prepared by the Architect that cannot be resolved with reference to this Section shall be referred to Owner for interpretation before proceeding.

§ 1.3 CAPITALIZATION

§ 1.3.1 Terms capitalized in these General Conditions include those which are (1) specifically defined, (2) the titles of numbered articles or (3) the titles of other documents published by the American Institute of Architects.

§ 1.4 INTERPRETATION

§ 1.4.1 In the interest of brevity the Contract Documents frequently omit modifying words such as “all” and “any” and articles such as “the” and “an,” but the fact that a modifier or an article is absent from one statement and appears in another is not intended to affect the interpretation of either statement.

§ 1.5 EXECUTION OF CONTRACT DOCUMENTS

§ 1.5.1 The Contract Documents shall be signed by the Owner and Contractor. If either the Owner or Contractor or both do not sign all the Contract Documents, the Architect shall identify such unsigned, Documents upon request.

§ 1.5.2 Execution of the Contract by the Contractor is a representation that the Contractor has visited the site, become generally familiar with local conditions under which the Work is to be performed, including The Conditions of Approval and terms of the Settlement Agreement as detailed in Ex. G, and correlated personal observations with requirements of the Contract Documents.

§ 1.6 OWNERSHIP AND USE OF DRAWINGS, SPECIFICATIONS AND OTHER INSTRUMENTS OF SERVICE

§ 1.6.1 The Drawings, Specifications Shop Drawings, and other documents pertaining to the Work, including those in electronic form, prepared by the Architect and the Architect’s consultants and/or the Contractor or any Subcontractor, Sub-subcontractor or material or equipment supplier are and shall remain the property of Owner. The Contractor may retain one record set. Neither the Contractor nor any Subcontractor, Sub-subcontractor or material or equipment supplier shall own or claim a copyright in the Drawings, Specifications and other documents prepared by the Architect or the Architect’s consultants, and Owner will retain all common law, statutory and other reserved rights, in addition to the copyrights. All copies of Instruments of Service, except the Contractor’s record set, shall be returned or suitably accounted for to the Owner, on request, upon completion of the Work. The Drawings, Specifications, Shop Drawings, and other documents pertaining to the Work, including those in electronic form, prepared by the Architect and the Architect’s consultants and/or the Contractor or any Subcontractor, Sub-subcontractor or material or equipment supplier, and copies thereof furnished to the Contractor, are for use solely with respect to this Project. They are not to be used by the Contractor or any Subcontractor, Sub-subcontractor or material or equipment supplier on other projects or for additions to this Project outside the scope of the Work without the specific written consent of the Owner. The Contractor, Subcontractors, Sub-subcontractors and material or equipment suppliers are authorized to use and reproduce applicable portions of the Drawings, Specifications, Shop Drawings, and other documents pertaining to the Work, including those in electronic form, prepared by the Architect and the Architect’s consultants and/or the Contractor or any Subcontractor, Sub-subcontractor or material or equipment supplier appropriate to and for use in the execution of their Work under the Contract Documents. Submittal or distribution to meet official regulatory requirements or for other purposes in connection with this Project is not to be construed as publication in derogation of the Owner’s or the Architect’s copyrights or other reserved rights. The Owner may, at any time, request Drawings, Specifications Shop Drawings, and other documents pertaining to the Work, including those in electronic form, prepared by the Architect and the Architect’s consultants and/or the Contractor or any Subcontractor, Sub-subcontractor or material or equipment supplier to be provided in their original native format and each party is obligated to take whatever steps are necessary to effectuate the useful transfer of same immediately upon request.

ARTICLE 2 OWNER

§ 2.1 GENERAL

§ 2.1.1 The Owner is the person or entity identified as such in the Agreement and is referred to throughout the Contract Documents as if singular in number. The Owner shall designate in writing a representative who shall have express authority to bind the Owner with respect to all matters requiring the Owner’s approval or authorization. Except as otherwise provided in Section 4.2.1, the Architect does not have such authority. The term “Owner” means the Owner or the Owner’s authorized representative. Owner’s representative will be responsible for communication and coordination with any and all professional service consultants engaged by Owner, including, but not limited to, architects, engineers, planners, designers and

any other specialized consultant. Contractor will direct questions regarding communication, coordination or contract management functions to Owner's representative.

§ 2.1.2 The Owner shall furnish to the Contractor within fifteen days after receipt of a written request, information necessary and relevant for the Contractor to evaluate, give notice of or enforce mechanic's lien rights. Such information shall include a correct statement of the record legal title to the property on which the Project is located, usually referred to as the site, and the Owner's interest therein.

§ 2.2 INFORMATION AND SERVICES REQUIRED OF THE OWNER

§ 2.2.1 The Owner shall, at the written request of the Contractor, prior to the commencement of the Work and thereafter as requested, furnish to the Contractor reasonable evidence that financial arrangements have been made to fulfill the Owner's obligations under the Contract including, but not limited to, 1) documentation from any and all lenders regarding the amount of loan proceeds authorized for the Contractor's work, 2) confirmation of any Owner-supplied funds to be used to fund the Contractor's work, as well as the source(s) of those funds (from members, investors, etc.), and 3) confirmation of the overall funds available and segregated for the Contractor's work including an Owner's contingency of not less than a total of \$2.1 Million, including the \$500,000 in Schedule D, when work on the Project commences. Furnishing such evidence shall be a condition precedent to commencement of continuation of the Work. After such evidence has been furnished, the Owner shall not materially vary such financial arrangements without prior notice to the Contractor.

§ 2.2.2 Except for permits and fees, including those required under Section 3.7.1, which are the responsibility of the Contractor under the Contract Documents, the Owner shall secure and pay for necessary approvals, easements, assessments and charges required for construction, use or occupancy of permanent structures or for permanent changes in existing facilities.

§ 2.2.3 The Owner shall furnish surveys describing physical characteristics, legal limitations and utility locations for the site of the Project, and a legal description of the site. The Contractor shall be entitled to rely on the accuracy of information furnished by the Owner but shall exercise proper precautions relating to the safe performance of the Work.

§ 2.2.4 Information or services required of the Owner by the Contract Documents shall be furnished by the Owner with reasonable promptness. Any other information or services relevant to the Contractor's performance of the Work under the Owner's control shall be furnished by the Owner after receipt from the Contractor of a written request for such information or services.

§ 2.2.5 Unless otherwise provided in the Contract Documents, the Contractor will be furnished, free of charge, such copies of Drawings and Project Manuals as are reasonably necessary for execution of the Work.

§ 2.3 OWNER'S RIGHT TO STOP THE WORK

§ 2.3.1 If the Contractor fails to correct Work which is not in accordance with the requirements of the Contract Documents as required by Section 12.2 or persistently fails to carry out Work in accordance with the Contract Documents, in addition to all other rights and remedies available to Owner, Owner may issue a written order to the Contractor to stop the Work, or any portion thereof, until the cause for such order has been eliminated; however, the right of the Owner to stop the Work shall not give rise to a duty on the part of the Owner to exercise this right for the benefit of the Contractor or any other person or entity, except to the extent required by Section 6.1.3.

§ 2.4 OWNER'S RIGHT TO CARRY OUT THE WORK

§ 2.4.1 If the Contractor defaults or neglects to carry out the Work in accordance with the Contract Documents, including but not limited to delaying the Project and/or failing to meet the Construction

and continue correction of such default or neglect with diligence and promptness, the Owner may after such seven-day period give the Contractor a second written notice to correct such deficiencies within a three day period. If the Contractor within such three day period after receipt of such second notice fails to commence and diligently continue to correct any deficiencies, the Owner may (provided that such notices shall not be applicable to Punch List Items (as defined below)) without prejudice to other remedies the Owner may have, correct such deficiencies and/or supplement Contractor's labor forces with its own, if applicable. Such additional forces shall be directed and coordinated by Owner. In such case an appropriate Change Order shall be issued deducting from payments then or thereafter due the Contractor the reasonable cost of correcting such deficiencies, and/or supplemental labor forces, including Owner's expenses and compensation for the Architect's additional services made necessary by such default, neglect or failure. If payments then or thereafter due the Contractor are not sufficient to cover such amounts, the Contractor shall pay the difference to the Owner.

ARTICLE 3 CONTRACTOR

§ 3.1 GENERAL

§ 3.1.1 The Contractor is the person or entity identified as such in the Agreement and is referred to throughout the Contract Documents as if singular in number. The term "Contractor" means the Contractor or the Contractor's authorized representative.

§ 3.1.2 The Contractor shall expeditiously and diligently perform the Work in accordance with the Contract Documents in a sound and workmanlike manner and using new materials that are equal in quality to the best of their kind or as is specified in the Contract Documents and in sufficient quantities to ensure the proper and rapid execution of the Work.

§ 3.1.3 The Contractor shall not be relieved of obligations to perform the Work in accordance with the Contract Documents either by activities or duties of the Owner or the Architect in their administration of the Contract, or by tests, inspections or approvals required or performed by persons other than the Contractor.

§ 3.2 REVIEW OF CONTRACT DOCUMENTS AND FIELD CONDITIONS BY CONTRACTOR

§ 3.2.1 Since the Contract Documents are complementary, before starting each portion of the Work, the Contractor shall carefully study and compare the various Drawings and other Contract Documents relative to that portion of the Work, as well as the information furnished by the Owner pursuant to Section 2.2.3, shall take field measurements of any existing conditions related to that portion of the Work and shall observe any conditions at the site affecting it. These obligations are for the purpose of facilitating construction by the Contractor and are not for the purpose of discovering errors, omissions, or inconsistencies in the Contract Documents; however, any errors, inconsistencies or omissions discovered by the Contractor shall be reported promptly to the Architect as a request for information in such form as the Architect may require.

§ 3.2.2 Any design errors or omissions noted by the Contractor during this review shall be reported promptly to the Owner, but it is recognized that the Contractor's review is made in the Contractor's capacity as a contractor and not as a licensed design professional unless otherwise specifically provided in the Contract Documents. The Contractor is not required to ascertain that the Contract Documents are in accordance with applicable laws, statutes, ordinances, building codes, and rules and regulations, but any nonconformity discovered by or made known to the Contractor shall be reported promptly to the Architect.

§ 3.2.3 If the Contractor believes that additional cost or time is involved because of clarifications or instructions issued by the Architect in response to the Contractor's notices or requests for information pursuant to Sections 3.2.1 and 3.2.2, the Contractor shall make Claims as provided in Sections 4.3.6 and 4.3.7. If the Contractor fails to perform the obligations of Sections 3.2.1 and 3.2.2, the Contractor shall pay such costs and damages to the Owner as would have been avoided if the Contractor had performed such obligations. The Contractor shall not be liable to the Owner or Architect for damages resulting from errors, inconsistencies or omissions in the Contract Documents or for differences between field measurements or

conditions and the Contract Documents unless the Contractor recognized such error, inconsistency, omission or difference and knowingly failed to report it to the Architect.

§ 3.3 SUPERVISION AND CONSTRUCTION PROCEDURES

§ 3.3.1 The Contractor shall supervise and direct the Work, using the Contractor's best skill and attention. The Contractor shall be solely responsible for and have control over construction means, methods, techniques, sequences and procedures and for coordinating all portions of the Work under the Contract, unless the Contract Documents give other specific instructions concerning these matters. If the Contract Documents give specific instructions concerning construction means, methods, techniques, sequences or procedures, the Contractor shall evaluate the jobsite safety thereof and, except as stated below, shall be fully and solely responsible for the jobsite safety of such means, methods, techniques, sequences or procedures. If the Contractor determines that such means, methods, techniques, sequences or procedures may not be safe, the Contractor shall give timely written notice to the Owner and shall not proceed with that portion of the Work without further written instructions from the Owner. If the Contractor is then instructed in writing by Owner to proceed with the required means, methods, techniques, sequences or procedures without acceptance of changes proposed by the Contractor, the Owner shall be solely responsible for any resulting loss or damage.

§ 3.3.2 The Contractor shall be responsible to the Owner for acts and omissions of the Contractor's employees, Subcontractors and their agents and employees, and other persons or entities performing portions of the Work for or on behalf of the Contractor or any of its Subcontractors.

§ 3.3.3 The Contractor shall be responsible for inspection of portions of Work already performed to determine that such portions are in proper condition to receive subsequent Work.

§ 3.3.4 Contractor will supervise, administer and protect the Work against loss or damage from any cause and will be responsible for all parts of the Work, temporary or permanent, finished or not, until Final Completion. Contractor will take reasonable precautions and maintain reasonable safeguards to protect against loss or damage to persons or property owing to weather conditions and arising out of its activities at or about the site including, without limitation, bracing and reinforcing where necessary and providing for guards with such guards at Owner's discretion and cost, locks, fences, signs, barricades, lights and such other warning and security devices where appropriate. Except to the extent covered by property insurance required to be carried under Article 11, Contractor will bear and be liable for and Owner will not be responsible for any loss or damage to the Work and any material, equipment or other thing used in the Work or placed at the site including, but not limited to, loss or damage due to theft, trespass or vandalism before Final Completion of the Work.

§ 3.3.5 Contractor shall provide a Project office at the Project Site adequate for the personnel and office facilities of the Project staff and the Contractor, exclusive of Owner's trailer.

§ 3.3.6 The Contractor shall conduct regularly scheduled (in no event less than weekly) job meetings, and special meetings as required, to be attended by the Architect, the Subcontractors and the Owner to discuss, among other things, such matters as procedures, progress, problems, coordination and scheduling.

§ 3.3.7 Contractor shall establish and maintain quality control procedures for all parts of the Work, and shall take measures to prevent the installation of any Work not in conformity with the Contract Documents, including, but not limited to, material or equipment not properly approved, suspend operations upon the installation thereof, and report promptly to the Owner that the particular Work or material fails to conform to the Contract Documents. Contractor shall ascertain that all tests of soils, cement, concrete, structural or reinforcing steel, or any other material or equipment required to be tested under the terms of the Contract Documents are performed by qualified consultants. Contractor shall employ a quality assurance and quality control program satisfactory to Owner.

§ 3.4 LABOR AND MATERIALS

§ 3.4.1 Unless otherwise expressly provided in the Contract Documents, the Contractor shall provide and pay for labor, materials, equipment, tools, construction equipment and machinery, water, heat, utilities, transportation, and other facilities and services necessary for proper execution and completion of the Work, whether temporary or permanent and whether or not incorporated or to be incorporated in the Work.

§ 3.4.2 The Contractor may make substitutions only with the prior written consent of the Owner, and in accordance with a Change Order.

§ 3.4.3 The Contractor shall enforce strict discipline and good order among the Contractor's employees and other persons carrying out the Contract. The Contractor shall not permit employment of unfit persons or persons not skilled in tasks assigned to them.

§ 3.5 WARRANTY

§ 3.5.1 The Contractor warrants to the Owner that materials and equipment furnished under the Contract will be of good quality and new unless otherwise required or permitted by the Contract Documents, that the Work will be free from defects not inherent in the quality required or permitted, and that the Work will conform to the requirements of the Contract Documents. Work not conforming to these requirements, including substitutions not properly approved and authorized, may be considered defective. The Contractor's warranty excludes remedy for damage or defect caused by abuse, modifications not executed by the Contractor, improper or insufficient maintenance, improper operation, or normal wear and tear and normal usage. In addition, Contractor is fully responsible for obtaining for the Owner the warranties detailed in Exhibit J. If required by the Owner, the Contractor shall furnish satisfactory evidence as to the kind and quality of materials and equipment. The Contractor's warranty will be consistent with any manufacturer's warranty or Subcontractor's warranty. Contractor agrees that it will not cause, or allow any Subcontractor to install any product or use any procedure which voids any warranty. The Contractor is responsible for Subcontractors' installation and/or non-performance on warranty work. The refusal of a Subcontractor or supplier to correct defective work for which it is responsible will not excuse the Contractor from performing under the Warranty. City of Moreno Valley shall have one (1) year warranty from time of final punch sign-off for Work performed on Redlands and Theodore.

In addition, the Contractor shall, within five (5) working days of written notice from Owner, proceed to commence and diligently proceed to complete the correction of any Work that fails to conform to the requirements of the Contract Documents and unconditionally guarantees and warrants that it shall correct any defects due to faulty materials, equipment, and/or workmanship and warranties of fitness of all of the materials for the particular purpose for a period of one (1) year, or such longer period as may be required by the warranties described in Exhibit "J" to be provided by Contractor, subcontractors and or Manufacturers, from Final Completion of the Work, or within such longer period of time as specified in the Contract Documents or as required by California law, if applicable, whichever time period is longest. The provisions of this Article apply to Work done by subcontractors as well as to Work done by the Contractor. Those items described in Exhibit "J" shall in no way be deemed to limit Contractor's responsibility to do all things necessary to obtain and keep all warranties in full force and effect. Moreover, those warranties identified in Exhibit "J" shall in no way limit the Contractor's obligations herein and are in addition to and not in lieu of such obligations. Similarly, these warranties are not in lieu of any other warranties, express or implied, which may be provided by law. This limited warranty shall not apply to latent defects in the Work and/or defective Work not reasonably discovered by the Owner which may be the subject of a claim by Owner against Contractor within the time limits set by California Code of Civil Procedure section 337.15, if applicable.

§ 3.5.2 The Contractor shall bear all costs of correcting defective Work or Work not in conformance with the Contract Documents. This obligation shall survive termination of this Agreement.

§ 3.5.3 Nothing contained in this Article shall be construed to establish a period of limitation with respect to any other obligation which the Contractor might have under the Contract Documents or law. The

establishment of the time periods set forth in paragraph 13.7 herein relates only to the specific obligation of the Contractor to correct the Work, and has no relationship to the time within which its obligation to comply with the Contract Documents may be sought to be enforced, nor to the time within which proceedings may be commenced to establish the Contractor's liability with respect to his obligations and any damages caused by the Contractor, including but not limited to any action commenced by the Owner for negligence, strict liability, breach of contract or warranties.

§ 3.6 TAXES

§ 3.6.1 The Contractor shall pay sales, consumer, use and similar taxes for the Work provided by the Contractor which are legally enacted when bids are received or negotiations concluded, whether or not yet effective or merely scheduled to go into effect. Contractor will be solely responsible for the payment of all local, state and federal income taxes, withholding requirements, self employment taxes, social security taxes and other taxes on the payments made to Contractor and payments made by Contractor to its employees and suppliers.

§ 3.7 PERMITS, FEES AND NOTICES

§ 3.7.1 Unless otherwise provided in the Contract Documents, Contractor shall secure and pay for the building permit and other permits and governmental fees, licenses and inspections necessary for proper execution and completion of the Work which are customarily secured after execution of the Contract and which are legally required when bids are received or negotiations concluded.

§ 3.7.2 The Contractor shall comply with and give notices required by laws, ordinances, rules, regulations, and lawful orders of public authorities as the same may be amended or supplemented from time to time (hereinafter collectively called "Law") applicable to performance of the Work. The Owner shall be responsible for ensuring that the Project as designed complies the Americans with Disabilities Act.

§ 3.7.3 It is not the Contractor's responsibility to ascertain that the Contract Documents are in accordance with applicable Laws. However, if the Contractor observes in the exercise of reasonable care that portions of the Contract Documents are at variance therewith, the Contractor shall immediately notify the Architect and Owner in writing, and necessary changes shall be accomplished by appropriate Modification.

§ 3.7.4 If the Contractor performs Work knowing it to be contrary to Laws without such notice to the Architect and Owner, the Contractor shall assume appropriate responsibility for such Work and shall bear the costs attributable to correction.

§ 3.8 ALLOWANCES

§ 3.8.1 The Contractor shall include in the Contract Sum all allowances stated in the Contract Documents. Items covered by allowances shall be supplied for such amounts and by such persons or entities as the Owner may direct, but the Contractor shall not be required to employ persons or entities to whom the Contractor has reasonable objection.

§ 3.8.2 Unless otherwise provided in the Contract Documents:

- .1** allowances shall cover the cost to the Contractor of materials and equipment delivered at the site and all required taxes, less applicable trade discounts;
- .2** Contractor's costs for unloading and handling at the site, labor, installation costs, overhead, profit and other expenses contemplated for stated allowance amounts shall be included in the Contract Sum but not in the allowances;
- .3** whenever costs are more than or less than allowances, the Contract Sum shall be adjusted accordingly by Change Order. The amount of the Change Order shall reflect (1) the difference between actual costs and the allowances under Section 3.8.2.1 and (2) changes in Contractor's costs under Section 3.8.2.2. In the event of a Change Order executed for the purpose of adjusting an allowance, the Contractor's fee shall be 1.75%.

§ 3.8.3 Materials and equipment under an allowance shall be selected by the Owner in sufficient time to avoid delay in the Work.

§ 3.9 SUPERINTENDENT

§ 3.9.1 The Contractor shall employ a competent superintendent and necessary assistants who shall be in attendance at the Project site during performance of the Work. The superintendent shall represent the Contractor, and communications given to the superintendent shall be as binding as if given to the Contractor. Important communications shall be confirmed in writing. Other communications shall be similarly confirmed on written request in each case.

§ 3.10 CONTRACTOR'S CONSTRUCTION SCHEDULES

§ 3.10.1 The Contractor, promptly after being awarded the Contract, shall prepare and submit for the Owner's and Architect's information a Contractor's construction schedule for the Work. The schedule shall not exceed time limits current under the Contract Documents, shall be revised at appropriate intervals as required by the conditions of the Work and Project, shall be related to the entire Project to the extent required by the Contract Documents, and shall provide for expeditious and practicable execution of the Work.

§ 3.10.2 The Contractor shall prepare and keep current, for the Owner's approval, a schedule of submittals which is coordinated with the Contractor's construction schedule and allows the Owner reasonable time to review submittals.

§ 3.10.3 The Contractor shall perform the Work in general accordance with the most recent schedules submitted to the Owner and Architect.

§ 3.11 DOCUMENTS AND SAMPLES AT THE SITE

§ 3.11.1 The Contractor shall maintain at the site for the Owner one record copy of the Drawings, Specifications, Addenda, Change Orders and other Modifications, in good order and marked currently to record field changes and selections made during construction, and one record copy of approved Shop Drawings, Product Data, Samples and similar required submittals. These shall be available to the Architect, Owner and its representatives and shall be delivered to the Owner upon completion of the Work. Contractor will deliver to Owner a complete set of as-built plans upon Substantial Completion.

§ 3.12 SHOP DRAWINGS, PRODUCT DATA AND SAMPLES

§ 3.12.1 Shop Drawings are drawings, diagrams, schedules and other data specially prepared for the Work by the Contractor or a Subcontractor, Sub-subcontractor, manufacturer, supplier or distributor to illustrate some portion of the Work.

§ 3.12.2 Product Data are illustrations, standard schedules, performance charts, instructions, brochures, diagrams and other information furnished by the Contractor to illustrate materials or equipment for some portion of the Work.

§ 3.12.3 Samples are physical examples which illustrate materials, equipment or workmanship and establish standards by which the Work will be judged.

§ 3.12.4 Shop Drawings, Product Data, Samples and similar submittals are not Contract Documents. The purpose of their submittal is to demonstrate for those portions of the Work for which submittals are required by the Contract Documents the way by which the Contractor proposes to conform to the information given and the design concept expressed in the Contract Documents. Review by the Architect is subject to the limitations of Section 4.2.7. Informational submittals upon which the Architect is not expected to take responsive action may be so identified in the Contract Documents. Submittals which are not required by the Contract Documents may be reviewed and returned by the Architect without action.

§ 3.12.5 The Contractor shall review for compliance with the Contract Documents, approve and submit to the Architect Shop Drawings, Product Data, Samples and similar submittals required by the Contract Documents with reasonable promptness and in such sequence as to cause no delay in the Work or in the activities of the Owner or of separate contractors. Submittals which are not marked as reviewed for compliance with the Contract Documents and approved by the Contractor may be returned by the Architect without action.

§ 3.12.6 By approving and submitting Shop Drawings, Product Data, Samples and similar submittals, the Contractor represents that the Contractor has determined and verified materials, field measurements and field construction criteria related thereto, or will do so, and has checked and coordinated the information contained within such submittals with the requirements of the Work and of the Contract Documents.

§ 3.12.7 The Contractor shall perform no portion of the Work for which the Contract Documents require submittal and review of Shop Drawings, Product Data, Samples or similar submittals until the respective submittal has been approved in writing by the Architect.

§ 3.12.8 The Work shall be in accordance with approved submittals except that the Contractor shall not be relieved of responsibility for deviations from requirements of the Contract Documents by the Architect's approval of Shop Drawings, Product Data, Samples or similar submittals unless the Contractor has specifically informed the Architect in writing of such deviation at the time of submittal and (1) the Architect has given written approval to the specific deviation as a minor change in the Work, or (2) a Change Order or Construction Change Directive has been issued authorizing the deviation. The Contractor shall not be relieved of responsibility for errors or omissions in Shop Drawings, Product Data, Samples or similar submittals by the Architect's approval thereof.

§ 3.12.9 The Contractor shall direct specific attention, in writing or on resubmitted Shop Drawings, Product Data, Samples or similar submittals, to revisions other than those requested by the Architect on previous submittals. In the absence of such written notice the Architect's approval of a resubmission shall not apply to such revisions.

§ 3.12.10 The Contractor shall not be required to provide professional services which constitute the practice of architecture or engineering unless such services are specifically required by the Contract Documents for a portion of the Work or unless the Contractor needs to provide such services in order to carry out the Contractor's responsibilities for construction means, methods, techniques, sequences and procedures. The Contractor shall not be required to provide professional services in violation of applicable law. If professional design services or certifications by a design professional related to systems, materials or equipment are specifically required of the Contractor by the Contract Documents, the Owner and the Architect will specify all performance and design criteria that such services must satisfy. The Contractor shall cause such services or certifications to be provided by a properly licensed design professional, whose signature and seal shall appear on all drawings, calculations, specifications, certifications, Shop Drawings and other submittals prepared by such professional. Shop Drawings and other submittals related to the Work designed or certified by such professional, if prepared by others, shall bear such professional's written approval when submitted to the Architect. The Owner and the Architect shall be entitled to rely upon the adequacy, accuracy and completeness of the services, certifications or approvals performed by such design professionals, provided the Owner and Architect have specified to the Contractor all performance and design criteria that such services must satisfy. Pursuant to this Section 3.12.10, the Architect will review, approve or take other appropriate action on submittals only for the limited purpose of checking for conformance with information given and the design concept expressed in the Contract Documents. The Contractor shall not be responsible for the adequacy of the performance or design criteria required by the Contract Documents, unless the Contractor is responsible for the design.

§ 3.13 USE OF SITE

§ 3.13.1 The Contractor shall confine operations at the site to areas permitted by law, ordinances, permits and the Contract Documents and shall not unreasonably encumber the site with materials or equipment.

§ 3.14 CUTTING AND PATCHING

§ 3.14.1 The Contractor shall be responsible for cutting, fitting or patching required to complete the Work or to make its parts fit together properly.

§ 3.14.2 The Contractor shall not damage or endanger a portion of the Work or fully or partially completed construction of the Owner or separate contractors by cutting, patching or otherwise altering such construction, or by excavation. The Contractor shall not cut or otherwise alter such construction by the Owner or a separate contractor except with written consent of the Owner and of such separate contractor; such consent shall not be unreasonably withheld. The Contractor shall not unreasonably withhold from the Owner or a separate contractor the Contractor's consent to cutting or otherwise altering the Work.

§ 3.15 CLEANING UP

§ 3.15.1 The Contractor shall keep the premises and surrounding area free from accumulation of waste materials or rubbish caused by operations under the Contract. A clean and safe site is a continuous obligation that must be performed by the Contractor to the satisfaction of Owner. At completion of the Work and each portion thereof, the Contractor shall remove from and about the Project waste materials, rubbish, the Contractor's tools, construction equipment, machinery and surplus materials.

§ 3.15.2 If the Contractor fails to clean up as provided in the Contract Documents, the Owner may do so and the cost thereof shall be charged to the Contractor.

§ 3.16 ACCESS TO WORK

§ 3.16.1 The Contractor shall provide the Owner, Architect and all applicable governmental authorities access to the Work in preparation and progress wherever located. Contractor agrees to cooperate with any consultants engaged by Owner to provide peer review services. Owner shall have, at all reasonable times, the right to enter the Project for conducting its marketing activities, inspecting the Work, and all other reasonable purposes.

§ 3.17 ROYALTIES, PATENTS AND COPYRIGHTS

§ 3.17.1 The Contractor shall pay all royalties and license fees. The Contractor shall defend suits or claims for infringement of copyrights and patent rights and shall hold the Owner and Architect harmless from loss on account thereof, but shall not be responsible for such defense or loss when a particular design, process or product of a particular manufacturer or manufacturers is required by the Contract Documents or where the copyright violations are contained in Drawings, Specifications or other documents prepared by the Owner or Architect. However, if the Contractor has reason to believe that the required design, process or product is an infringement of a copyright or a patent, the Contractor shall be responsible for such loss unless such information is promptly furnished to the Architect.

§ 3.18 INDEMNIFICATION

§ 3.18.1 To the fullest extent permitted by law and to the extent claims, damages, losses or expenses are not covered by Project Management Protective Liability insurance purchased by the Contractor in accordance with Section 11.3, the Contractor shall indemnify and hold harmless the Owner, Architect, Architect's consultants, and agents and employees of any of them from and against claims, damages, losses and expenses, including but not limited to attorneys' fees, arising out of or resulting from performance of the Work, provided that such claim, damage, loss or expense is attributable to bodily injury, sickness, disease or death, injury to or destruction of tangible property (other than the Work itself), any direct damages of economic loss defined as fines and/or penalties assessed by a governmental agency, increased material costs, and increased subcontractor costs (individually and collectively, a "Loss"), but only to the extent attributable to the negligent acts or omissions or failure to fulfill a specific responsibility of the Contractor, a Subcontractor, anyone directly or indirectly employed by them or anyone for whose acts they may be liable, regardless of whether or not such claim, damage, loss or expense is caused in part by a party indemnified hereunder. Such obligation shall not be construed to negate, abridge, or reduce other rights or obligations of indemnity which would otherwise exist as to a party or person described in this Section 3.18.

§ 3.18.2 In claims against any person or entity indemnified under this Section 3.18 by an employee of the Contractor, a Subcontractor, anyone directly or indirectly employed by them or anyone for whose acts they may be liable, the indemnification obligation under Section 3.18.1 shall not be limited by a limitation on amount or type of damages, compensation or benefits payable by or for the Contractor or a Subcontractor under workers' compensation acts, disability benefit acts or other employee benefit acts.

§ 3.18.3 Payments by Contractor on behalf of the Indemnitees shall be in addition to any and all other legal remedies available to the Indemnitees and shall not be considered such Indemnitee's exclusive remedy. Contractor and the other Contractor Parties shall be solely responsible for their respective tools and equipment, and hereby waive any right of recovery against the Indemnitees regarding any loss involving tools or equipment in any way occurring incident to, arising out of or in connection with the Work. Contractor's obligations under this Section 3.18 shall survive both final payment for the Work and the expiration or any termination of this Contract.

§ 3.18.4 Owner understands that Contractor bid and intends to perform this Project based on a GMP without the payment of prevailing wages and employment of apprentices given that Owner has represented that the Project is not a public works project within the meaning of Labor Code Section 1720 or under the Federal Davis Bacon Act (collectively, the "Prevailing Wage Laws"). To the fullest extent permitted by law, Owner hereby agrees to defend, indemnify and hold harmless both Contractor and its Surety that provided the payment bond for the Project from any and all claims or costs, including wages, interest, penalties and attorney's fees, that the Department of Industrial Relations, U.S. Department of Labor or a court of law may determine, or any third party may assert, are applicable to the Work performed on the Project based on Contractor's alleged non-compliance with the Prevailing Wage Laws. Contractor agrees to cooperate with Owner in defending any claims relating to the foregoing indemnity obligation, at no expense to Owner, including without limitation (1) promptly providing Owner with all notices received by Contractor relating to any alleged violation of applicable prevailing wage laws, (2) promptly providing Owner upon request with all documents in Contractor's possession or under Contractor's control relating to any such claim, (3) communicating and consulting with Owner upon request with regard to any such claim, and (4) making available Contractor employees upon reasonable prior notice from Owner for administrative hearings, depositions, court appearances, or other administrative and judicial proceedings relating thereto.

ARTICLE 4 ADMINISTRATION OF THE CONTRACT

§ 4.1 ARCHITECT

§ 4.1.1 The Architect is the person lawfully licensed to practice architecture or an entity lawfully practicing architecture identified as such in the Agreement and is referred to throughout the Contract Documents as if singular in number. The term "Architect" means the Architect or the Architect's authorized representative.

§ 4.1.2 Duties, responsibilities and limitations of authority of the Architect as set forth in the Contract Documents shall not be restricted, modified or extended without written consent of the Owner and Architect. Consent shall not be unreasonably withheld. Owner reserves the right to perform certain administrative duties herein listed as responsibilities of the Architect.

§ 4.1.3 If the employment of the Architect is terminated, the Owner may employ a new Architect against whom the Contractor has no reasonable objection and whose status under the Contract Documents shall be that of the former Architect.

§ 4.2 ARCHITECT'S ADMINISTRATION OF THE CONTRACT

§ 4.2.1 The Architect may assist Owner in the administration of the Contract as described in the Contract Documents. The Architect will have authority to act on behalf of the Owner only to the extent provided in the Contract Documents, unless otherwise modified in writing in accordance with other provisions of the Contract.

§ 4.2.2 The Architect, as a representative of the Owner, and/or Owner may visit the site at Owner's request at intervals appropriate to the stage of the Contractor's operations (1) to become generally familiar with and to keep the Owner informed about the progress and quality of the portion of the Work completed, (2) to endeavor to guard the Owner against defects and deficiencies in the Work, and (3) to determine in general if the Work is being performed in a manner indicating that the Work, when fully completed, will be in accordance with the Contract Documents. However, neither the Owner nor the Architect will be required to make exhaustive or continuous on-site inspections to check the quality or quantity of the Work. The Owner and the Architect will neither have control over or charge of, nor be responsible for, the construction means, methods, techniques, sequences or procedures, or for the safety precautions and programs in connection with the Work, since these are solely the Contractor's rights and responsibilities under the Contract Documents, except as provided in Section 3.3.1.

§ 4.2.3 The Owner and the Architect will not be responsible for the Contractor's failure to perform the Work in accordance with the requirements of the Contract Documents. The Owner and the Architect will not have control over or charge of and will not be responsible for acts or omissions of the Contractor, Subcontractors, or their agents or employees, or any other persons or entities performing portions of the Work.

§ 4.2.4 Communications Facilitating Contract Administration. Except as otherwise provided in the Contract Documents or when direct communications have been specially authorized by Owner, the Architect and Contractor shall endeavor to communicate with each other through the Owner about matters arising out of or relating to the Contract. Communications by and with the Architect's consultants shall be through the Architect. Communications by and with Subcontractors and material suppliers shall be through the Contractor. Communications by and with separate contractors shall be through the Owner.

§ 4.2.5 Based on the Architect's evaluations of the Contractor's Applications for Payment, if requested by Owner, the Architect will promptly review and certify the completion of the portion of the Work described in the Application for Payment and will issue Certificates for Payment for such portion of the Work, provided that the amount due to Contractor will be determined by Owner in accordance with the Contract Documents.

§ 4.2.6 The Owner will have authority to reject Work that does not conform to the Contract Documents. Whenever the Architect considers it necessary or advisable, the Architect will have authority to make recommendations to Owner regarding inspection or testing of the Work in accordance with Sections 13.5.2 and 13.5.3, whether or not such Work is fabricated, installed or completed. However, neither this authority of the Architect nor a decision made in good faith either to exercise or not to exercise such authority shall give rise to a duty or responsibility of the Architect to the Contractor, Subcontractors, material and equipment suppliers, their agents or employees, or other persons or entities performing portions of the Work.

§ 4.2.7 The Architect may, at Owner's request, review and make recommendations to Owner regarding the Contractor's submittals such as Shop Drawings, Product Data and Samples, but only for the limited purpose of checking for conformance with information given and the design concept expressed in the Contract Documents. The Architect's action will be taken with such reasonable promptness as to cause no delay in the Work or in the activities of the Owner, Contractor or separate contractors, while allowing sufficient time in the Architect's professional judgment to permit adequate review. Review of such submittals is not conducted for the purpose of determining the accuracy and completeness of other details such as dimensions and quantities, or for substantiating instructions for installation or performance of equipment or systems, all of which remain the responsibility of the Contractor as required by the Contract Documents. The Architect's review of the Contractor's submittals shall not relieve the Contractor of the obligations under Sections 3.3, 3.5 and 3.12. The Architect's review shall not constitute approval of safety precautions or, unless otherwise specifically stated by the Architect, of any construction means, methods, techniques, sequences or procedures. The Architect's review of a specific item shall not indicate approval of an assembly of which the item is a component.

§ 4.2.8 Intentionally Omitted.

§ 4.2.9 If requested by Owner, the Architect will conduct inspections to make recommendations to Owner regarding the date or dates of Substantial Completion and the date of Final Completion, will receive and forward to the Owner, for the Owner's review and records, written warranties and related documents required by the Contract and assembled by the Contractor, and will make recommendations to Owner regarding a final Certificate for Payment upon compliance with the requirements of the Contract Documents.

§ 4.2.10 [Intentionally Omitted]

§ 4.2.11 The Architect may interpret and decide matters concerning performance under, and requirements of, the Contract Documents on written request of the Owner. The Architect's response to such requests will be made in writing within any time limits agreed upon or otherwise with reasonable promptness. If no agreement is made concerning the time within which interpretations required of the Architect shall be furnished in compliance with this Section 4.2, then delay shall not be recognized on account of failure by the Architect to furnish such interpretations until 15 days after written request is made for them.

§ 4.2.12 Interpretations and decisions of the Architect will be consistent with the intent of and reasonably inferable from the Contract Documents and will be in writing or in the form of drawings. When making such interpretations and initial decisions, the Architect will endeavor to secure faithful performance by both Owner and Contractor, will not show partiality to either and will not be liable for results of interpretations or decisions so rendered in good faith.

§ 4.3 CLAIMS AND DISPUTES

§ 4.3.1 Definition. A Claim is a demand or assertion by one of the parties seeking, as a matter of right, adjustment or interpretation of Contract terms, payment of money, extension of time or other relief with respect to the terms of the Contract. For purposes of this Section and Section 4.4 the term "Claim" also includes other disputes and matters in question between the Owner and Contractor arising out of or relating to the Contract. Claims must be initiated by written notice. The responsibility to substantiate Claims shall rest with the party making the Claim.

§ 4.3.2 Time Limits on Claims. Claims by either party must be initiated within 21 days after occurrence of the event giving rise to such Claim or within 21 days after the claimant first recognizes the condition giving rise to the Claim, whichever is later. Claims must be initiated by written notice to the Architect and the other party.

§ 4.3.3 Continuing Contract Performance. Pending final resolution of a Claim except as otherwise agreed in writing or as provided in Article 14, the Contractor shall proceed diligently with performance of the Contract and the Owner shall continue to make payments in accordance with the Contract Documents.

§ 4.3.4 Claims for Concealed or Unknown Conditions. If conditions are encountered at the site which are (1) subsurface or otherwise concealed physical conditions which differ materially from those indicated in the Contract Documents or (2) unknown physical conditions of an unusual nature, which differ materially from those ordinarily found to exist and generally recognized as inherent in construction activities of the character provided for in the Contract Documents, then notice by the observing party shall be given to the other party promptly before conditions are disturbed and in no event later than 21 days after first observance of the conditions. The Owner will promptly investigate such conditions and, if they differ materially and cause an increase or decrease in the Contractor's cost of, or time required for, performance of any part of the Work, will recommend an equitable adjustment in the Contract Sum or Contract Time, or both. If the Owner determines that the conditions at the site are not materially different from those indicated in the Contract Documents and that no change in the terms of the Contract is justified, the Owner shall so notify Contractor in writing, stating the reasons. Claims by Contractor in opposition to such

determination must be made within 21 days after the Owner has given notice of the decision. If the conditions encountered are materially different, the Contract Sum and Contract Time shall be equitably adjusted, but if the Owner and Contractor cannot agree on an adjustment in the Contract Sum or Contract Time, the adjustment shall be, at Owner's option, referred to the Architect for initial determination, subject to further proceedings pursuant to Section 4.4.

§ 4.3.5 Claims for Additional Cost. If the Contractor wishes to make Claim for an increase in the Contract Sum, written notice as provided herein shall be given before proceeding to execute the Work. Prior notice is not required for Claims relating to an emergency endangering life or property arising under Section 10.6; provided, however, in such cases notice shall be given as soon as possible thereafter.

§ 4.3.6 If the Contractor believes additional cost is involved for reasons including but not limited to (1) a written interpretation from the Architect, (2) an order by the Owner to stop the Work where the Contractor was not at fault, (3) a written order for a minor change in the Work issued by the Owner, (4) failure of payment by the Owner, (5) termination of the Contract by the Owner, (6) Owner's suspension or (7) other reasonable grounds, Claim shall be filed in accordance with this Section 4.3.

§ 4.3.7 Claims for Additional Time

§ 4.3.7.1 If the Contractor wishes to make Claim for an increase in the Contract Time, written notice as provided herein shall be given to Owner, Lender and Architect within 10 calendar days of the event giving rise to allow Owner, Lender and Architect to properly and adequately investigate the claim. If the Contractor is delayed at any time in the progress of the Work by changes ordered in the Work, by labor disputes, fire, unusual delay in transportation, unavoidable casualties, causes beyond the Contractor's control, or by any cause which Owner and/or Architect may determine justifies the delay, then the Contract Time shall be extended by written change order for such reasonable time as the Owner and/or Architect may determine. All requests for extensions in time other than those associated with changes in the Work must be submitted in writing to both Owner and Lender within 10 calendar days of the event giving rise to the delay. Failure to so request an extension will constitute a waiver of any right for an extension of time.

§ 4.3.7.2 If adverse weather conditions are the basis for a Claim for additional time, such Claim shall be documented by data substantiating that weather conditions were abnormal for the period of time, could not have been reasonably anticipated and had an adverse effect on the scheduled construction. The schedule for the Work currently includes a total of ten (10) days for adverse weather conditions that could be the basis for a Claim for additional time. Therefore, there shall be no impact to the schedule and no Claim for additional time due to adverse weather conditions unless and until these ten (10) days have been previously documented and approved.

§ 4.3.8 Injury or Damage to Person or Property. If either party to the Contract suffers injury or damage to person or property because of an act or omission of the other party, or of others for whose acts such party is legally responsible, written notice of such injury or damage, whether or not insured, shall be given to the other party within a reasonable time not exceeding 21 days after discovery. The notice shall provide sufficient detail to enable the other party to investigate the matter.

§ 4.3.9 If unit prices are stated in the Contract Documents or subsequently agreed upon, and if quantities originally contemplated are materially changed in a proposed Change Order or Construction Change Directive so that application of such unit prices to quantities of Work proposed will cause substantial inequity to the Owner or Contractor, the applicable unit prices shall be equitably adjusted.

§ 4.3.10 Claims for Consequential Damages. The Contractor and Owner waive Claims against each other for consequential damages arising out of or relating to this Contract. This mutual waiver includes but is not limited to:

- .1 damages incurred by the Owner for rental expenses, for losses of use, income, profit, financing, business and reputation, and for loss of management or employee productivity or of the services of such persons; and
- .2 damages incurred by the Contractor for principal office expenses including the compensation of personnel stationed there, for losses of financing, business and reputation, and for loss of profit except anticipated profit arising directly from the Work.

This mutual waiver is applicable, without limitation, to all consequential damages due to either party's termination in accordance with Article 14. Nothing contained in this Section 4.3.10 shall be deemed to preclude an award of liquidated damages, when applicable, in accordance with the requirements of the Contract Documents.

§ 4.3.11 If Contractor does not make a Claim for an increase in the Contract Time or the Contract Sum within the time periods set forth in Paragraph 4.3.2, then Contractor shall have waived such Claim.

§ 4.4 RESOLUTION OF CLAIMS AND DISPUTES

§ 4.4.1 Decision of Architect. Claims, including those alleging an error or omission by the Architect but excluding those arising under Sections 10.3 and 10.4, may be referred by Owner initially to the Architect for recommendation. If Owner so refers a Claim to Architect, an initial decision by the Architect shall be required as a condition precedent to mediation, arbitration or litigation of such Claim between the Contractor and Owner, unless 30 days have passed after the Claim has been referred to the Architect with no decision having been rendered by the Architect. The Architect will not decide disputes between the Contractor and persons or entities other than the Owner.

§ 4.4.2 The Architect will review Claims and within ten days of the receipt of the Claim take one or more of the following actions: (1) request additional supporting data from the claimant or a response with supporting data from the other party, (2) reject the Claim in whole or in part, (3) approve the Claim, (4) suggest a compromise, or (5) advise the Contractor that it is unable to resolve the Claim because it lacks sufficient information to evaluate the merits of the Claim.

§ 4.4.3 If the Architect is involved in evaluating Claims at the Owner's direction, the Architect may, with Owner's prior written approval, but shall not be obligated to, consult with or seek information from either party or from persons with special knowledge or expertise who may assist the Architect in rendering a decision.

§ 4.4.4 If the Architect is involved in evaluating Claims at the Owner's direction, it may request a party to provide a response to a Claim or to furnish additional supporting data. Such party shall respond, within 10 days after receipt of such request, and shall either provide a response on the requested supporting data, advise the Architect when the response or supporting data will be furnished or advise the Architect that no supporting data will be furnished. Upon receipt of the response or supporting data, if any, the Architect will either reject or approve the Claim in whole or in part.

§ 4.4.5 If the Architect is involved in evaluating Claims at the Owner's direction, the Architect will approve or reject Claims by written decision, which shall state the reasons therefor and which shall notify the parties of any recommended change in the Contract Sum or Contract Time or both.

§ 4.4.6 [Intentionally Omitted]

§ 4.4.7 Upon receipt of a Claim against the Contractor or at any time thereafter, the Architect or the Owner may, but is not obligated to, notify the surety, if any, of the nature and amount of the Claim. If the Claim relates to a possibility of a Contractor's default, the Architect or the Owner may, but is not obligated to, notify the surety and request the surety's assistance in resolving the controversy.

§ 4.4.8 If a Claim relates to or is the subject of a mechanic's lien, the party asserting such Claim may proceed in accordance with applicable law to comply with the lien notice or filing deadlines prior to resolution of the Claim by the Architect, by mediation or by arbitration.

§ 4.5 MEDIATION

§ 4.5.1 Any Claim arising out of or related to the Contract, except those waived as provided for in Sections 4.3.10, 9.10.4 and 9.10.5 shall, after initial decision by the Architect or 30 days after submission of the Claim to the Architect, or if Owner does not submit the Claim to the Architect, be subject to mediation as a condition precedent to arbitration or the institution of legal or equitable proceedings by either party.

§ 4.5.2 The parties shall endeavor to resolve their Claims by mediation which, unless the parties mutually agree otherwise, shall be in accordance with the Construction Industry Mediation Rules of the American Arbitration Association currently in effect. Request for mediation shall be filed in writing with the other party to the Contract and with the American Arbitration Association. The request may be made concurrently with the filing of a demand for arbitration but, in such event, mediation shall proceed in advance of arbitration or legal or equitable proceedings, which shall be stayed pending mediation for a period of 60 days from the date of filing, unless stayed for a longer period by agreement of the parties or court order.

§ 4.5.3 The parties shall share the mediator's fee and any filing fees equally. The mediation shall be held in the place where the Project is located, unless another location is mutually agreed upon. Agreements reached in mediation shall be enforceable as settlement agreements in any court having jurisdiction thereof.

§ 4.6 ARBITRATION

§ 4.6.1 Any Claim arising out of or related to the Contract, except those waived as provided for in Sections 4.3.10, 9.10.4 and 9.10.5, shall, after decision by the Architect or 30 days after submission of the Claim to the Architect or if Owner does not submit the Claim to the Architect, be subject to arbitration. Prior to arbitration, the parties shall endeavor to resolve disputes by mediation in accordance with the provisions of Section 4.5.

§ 4.6.2 Claims not resolved by mediation shall be decided by arbitration which, unless the parties mutually agree otherwise, shall be in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association currently in effect. The demand for arbitration shall be filed in writing with the other party to the Contract and with the American Arbitration Association.

§ 4.6.3 A demand for arbitration shall be made within the time limits specified in Section 4.6.1 as applicable, and in other cases within a reasonable time after the Claim has arisen, and in no event shall it be made after the date when institution of legal or equitable proceedings based on such Claim would be barred by the applicable statute of limitations.

§ 4.6.4 Intentionally Omitted.

§ 4.6.5 Claims and Timely Assertion of Claims. The party filing a notice of demand for arbitration must assert in the demand all Claims then known to that party on which arbitration is permitted to be demanded.

§ 4.6.6 Judgment on Final Award. The award rendered by the arbitrator or arbitrators shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

ARTICLE 5 SUBCONTRACTORS

§ 5.1 DEFINITIONS

§ 5.1.1 A Subcontractor is a person or entity who has a direct contract with the Contractor to perform a portion of the Work at the site. The term "Subcontractor" is referred to throughout the Contract Documents

as if singular in number and means a Subcontractor or an authorized representative of the Subcontractor. The term "Subcontractor" does not include a separate contractor or subcontractors of a separate contractor.

§ 5.1.2 A Sub-subcontractor is a person or entity who has a direct or indirect contract with a Subcontractor to perform a portion of the Work at the site. The term "Sub-subcontractor" is referred to throughout the Contract Documents as if singular in number and means a Sub-subcontractor or an authorized representative of the Sub-subcontractor.

§ 5.2 AWARD OF SUBCONTRACTS AND OTHER CONTRACTS FOR PORTIONS OF THE WORK

§ 5.2.1 Unless otherwise stated in the Contract Documents or the bidding requirements, the Contractor, as soon as practicable after award of the Contract, shall furnish in writing to the Owner the names of persons or entities (including those who are to furnish materials or equipment fabricated to a special design) proposed for each principal portion of the Work. The Owner will promptly reply to the Contractor in writing stating whether or not the Owner has reasonable objection to any such proposed person or entity.

Each subcontract shall contain (i) insurance provisions substantially the same as those set forth in Addendum "A", (ii) The Conditions of Approval and terms of the Settlement Agreement as detailed in Ex. G, (iii) indemnity provision substantially the same as those set forth in section 3.18 herein, (iv) a provision stating that Contractor shall assign its interest in the subcontract to Owner, which assignment shall become effective upon Contractor's default under the Contract Documents or upon termination of the Agreement and the Subcontractor's receipt of notification from Owner that Owner has chosen to have the assignment become effective, and (v) such other provisions as Owner may request, each of which shall be in form and substance satisfactory to Owner.

§ 5.2.2 The Contractor shall not contract with a proposed person or entity to whom the Owner or Architect has made reasonable and timely objection. The Contractor shall not be required to contract with anyone to whom the Contractor has made reasonable objection.

§ 5.2.3 If the Owner has reasonable objection to a person or entity proposed by the Contractor, the Contractor shall propose another to whom the Owner or Architect has no reasonable objection. If the proposed but rejected Subcontractor was reasonably capable of performing the Work, the Contract Sum and Contract Time shall be increased or decreased by the difference, if any, occasioned by such change, and an appropriate Change Order shall be issued before commencement of the substitute Subcontractor's Work. However, no increase in the Contract Sum or Contract Time shall be allowed for such change unless the Contractor has acted promptly and responsively in submitting names as required.

§ 5.2.4 The Contractor shall not terminate or change a Subcontractor, person or entity previously selected without Owner's prior written consent.

§ 5.3 SUBCONTRACTUAL RELATIONS

§ 5.3.1 All work performed for the Contractor by a Subcontractor shall be pursuant to a written agreement between the Contractor and the Subcontractor (and, as applicable, between Subcontractors and Sub-subcontractors). The subcontracts shall require each Subcontractor, to the extent of the Work to be performed by the Subcontractor, to be bound to the Contractor by terms of the Contract Documents, and to assume toward the Contractor all the obligations and responsibilities, including but not limited compliance with The Conditions of Approval and terms of the Settlement Agreement as detailed in Ex. G and the responsibility for safety of the Subcontractor's Work, which the Contractor, by these Documents, assumes toward the Owner and Architect. Each subcontract agreement shall preserve and protect the rights of the Owner and Architect under the Contract Documents with respect to the Work to be performed by the Subcontractor so that subcontracting thereof will not prejudice such rights, and shall allow to the Subcontractor, unless specifically provided otherwise in the subcontract agreement, the benefit of all rights, remedies and redress against the Contractor that the Contractor, by the Contract Documents, has against the Owner. Where appropriate, the Contractor shall require each Subcontractor to enter into similar agreements with Sub-subcontractors. The Contractor shall make available to each proposed Subcontractor, prior to the

execution of the subcontract agreement, copies of the Contract Documents to which the Subcontractor will be bound, and, upon written request of the Subcontractor, identify to the Subcontractor terms and conditions of the proposed subcontract agreement which may be at variance with the Contract Documents. Subcontractors will similarly make copies of applicable portions of such documents available to their respective proposed Sub-subcontractors.

§ 5.4 CONTINGENT ASSIGNMENT OF SUBCONTRACTS

§ 5.4.1 Each subcontract agreement for a portion of the Work is assigned by the Contractor to the Owner provided that:

- .1** assignment is effective only after termination of the Contract by the Owner with or without cause pursuant to Article 14 and only for those subcontract agreements which the Owner accepts by notifying the Subcontractor and Contractor in writing (Owner will be responsible for any payments due for Work performed after termination of the Contract under any subcontract agreements that are so accepted by Owner); and
- .2** assignment is subject to the prior rights of the surety, if any, obligated under bond relating to the Contract.

§ 5.4.2 Upon such assignment, if the Work has been suspended for more than 30 days, the Subcontractor's compensation shall be equitably adjusted for increases in cost resulting from the suspension.

ARTICLE 6 CONSTRUCTION BY OWNER OR BY SEPARATE CONTRACTORS

§ 6.1 OWNER'S RIGHT TO PERFORM CONSTRUCTION AND TO AWARD SEPARATE CONTRACTS

§ 6.1.1 The Owner reserves the right to perform construction or operations related to the Project with the Owner's own forces, and to award separate contracts in connection with other portions of the Project or other construction or operations on the site under Conditions of the Contract identical or substantially similar to these including those portions related to insurance and waiver of subrogation. If the Contractor claims that delay or additional cost is involved because of such action by the Owner, the Contractor shall make such Claim as provided in Section 4.3.

§ 6.1.2 When separate contracts are awarded for different portions of the Project or other construction or operations on the site, the term "Contractor" in the Contract Documents in each case shall mean the Contractor who executes each separate Owner-Contractor Agreement.

§ 6.1.3 The Owner shall provide for coordination of the activities of the Owner's own forces and of each separate contractor with the Work of the Contractor, who shall cooperate with them. The Contractor shall participate with other separate contractors and the Owner in reviewing their construction schedules when directed to do so. The Contractor shall make any revisions to the construction schedule deemed necessary after a joint review and mutual agreement. The construction schedules shall then constitute the schedules to be used by the Contractor, separate contractors and the Owner until subsequently revised.

§ 6.1.4 Unless otherwise provided in the Contract Documents, when the Owner performs construction or operations related to the Project with the Owner's own forces, the Owner shall be deemed to be subject to the same obligations and to have the same rights which apply to the Contractor under the Conditions of the Contract, including, without excluding others, those stated in Article 3, this Article 6 and Articles 10, 11 and 12.

§ 6.2 MUTUAL RESPONSIBILITY

§ 6.2.1 The Contractor shall afford the Owner and separate contractors reasonable opportunity for introduction and storage of their materials and equipment and performance of their activities, and shall connect and coordinate the Contractor's construction and operations with theirs as required by the Contract Documents.

§ 6.2.2 If part of the Contractor's Work depends for proper execution or results upon construction or operations by the Owner or a separate contractor, the Contractor shall, prior to proceeding with that portion

of the Work, promptly report to the Owner apparent discrepancies or defects in such other construction that would render it unsuitable for such proper execution and results. Failure of the Contractor so to report shall constitute an acknowledgment that the Owner's or separate contractor's completed or partially completed construction is fit and proper to receive the Contractor's Work, except as to defects not then reasonably discoverable.

§ 6.2.3 The Owner shall be reimbursed by the Contractor for costs incurred by the Owner which are payable to a separate contractor because of delays, improperly timed activities or defective construction of the Contractor. The Owner shall be responsible to the Contractor for costs incurred by the Contractor because of delays, improperly timed activities, damage to the Work or defective construction of a separate contractor.

§ 6.2.4 The Contractor shall promptly remedy damage wrongfully caused by the Contractor to completed or partially completed construction or to property of the Owner or separate contractors as provided in Section 10.2.5.

§ 6.2.5 The Owner and each separate contractor shall have the same responsibilities for cutting and patching as are described for the Contractor in Section 3.14.

§ 6.3 OWNER'S RIGHT TO CLEAN UP

§ 6.3.1 If a dispute arises among the Contractor, separate contractors and the Owner as to the responsibility under their respective contracts for maintaining the premises and surrounding area free from waste materials and rubbish, the Owner may clean up and the Owner will allocate the cost among those responsible.

ARTICLE 7 CHANGES IN THE WORK

§ 7.1 GENERAL

§ 7.1.1 Changes in the Work may be accomplished after execution of the Contract, and without invalidating the Contract, by Change Order, Construction Change Directive or order for a minor change in the Work, subject to the limitations stated in this Article 7 and elsewhere in the Contract Documents.

§ 7.1.2 A Change Order shall be based upon agreement among the Owner and Contractor; a Construction Change Directive may or may not be agreed to by the Contractor; an order for a minor change in the Work may be issued by the Owner alone. Notwithstanding anything in Sections 7.1.2, 7.2.1 and 7.3.1 to the contrary, except for Permitted Changes (as defined below), a Change Order and a Construction Change Directive shall require the written approval of Lender. Lender shall not be obligated to review a proposed change unless it has received all documents necessary to review such change, including the change order, cost estimates, plans and specifications, and evidence that all required approvals other than that of Lender have been obtained. "Permitted Changes" means changes to the Work, including so-called "Field changes", provided that the cost of any single change or extra does not exceed FIFTY THOUSAND DOLLARS (\$50,000.00) and the aggregate amount of all such changes and extras (whether positive or negative) does not exceed FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00).

§ 7.1.3 Changes in the Work shall be performed under applicable provisions of the Contract Documents, and the Contractor shall proceed promptly, unless otherwise provided in the Change Order, Construction Change Directive or order for a minor change in the Work.

§ 7.2 CHANGE ORDERS

§ 7.2.1 A Change Order is a written instrument signed by the Owner and Contractor, stating their agreement upon all of the following:

- .1 change in the Work;
- .2 the amount of the adjustment, if any, in the Contract Sum; and
- .3 the extent of the adjustment, if any, in the Contract Time.

The Contract Sum and the Contract Time may only be changed by Change Order or by Construction Change Directive. No change in the Work, whether by way of alterations or additions to the Work, shall be the basis of any addition to or change in the Contract Sum and/or the Contract Time unless and until such alteration or addition has been authorized by a written Change Order or Construction Change Directive executed and issued in strict compliance with the requirements of the Contract Documents. No course of conduct or dealing between the parties, or express or implied acceptance of alterations or additions to the Work, and no claim that Owner has been unjustly enriched by any alteration or addition to the Work, whether or not there is in fact any unjust enrichment, shall be the basis for any claim to increase the Contract Sum and/or the Contract Time.

§ 7.2.2 Methods used in determining adjustments to the Contract Sum may include those listed in Section 7.3.3.

§ 7.3 CONSTRUCTION CHANGE DIRECTIVES

§ 7.3.1 A Construction Change Directive is a written order prepared by the Owner and signed by the Owner, directing a change in the Work prior to agreement on adjustment, if any, in the Contract Sum or Contract Time, or both. The Owner may by Construction Change Directive, without invalidating the Contract, order changes in the Work within the general scope of the Contract consisting of additions, deletions or other revisions, the Contract Sum and Contract Time being adjusted accordingly.

§ 7.3.2 A Construction Change Directive may be used by Owner in the absence of total agreement on the terms of a Change Order.

§ 7.3.3 If the Construction Change Directive provides for an adjustment to the Contract Sum, the adjustment shall be based on one of the following methods:

- .1 mutual acceptance of a lump sum properly itemized and supported by sufficient substantiating data to permit evaluation;
- .2 unit prices stated in the Contract Documents or subsequently agreed upon;
- .3 cost to be determined in a manner agreed upon by the parties and a mutually acceptable fixed or percentage fee; or
- .4 as provided in Section 7.3.6.

§ 7.3.4 Upon receipt of a Construction Change Directive, the Contractor shall promptly proceed with the change in the Work involved and advise the Owner of the Contractor's agreement or disagreement with the method, if any, provided in the Construction Change Directive for determining the proposed adjustment in the Contract Sum or Contract Time.

§ 7.3.5 A Construction Change Directive signed by the Contractor indicates the agreement of the Contractor therewith, including adjustment in Contract Sum and Contract Time or the method for determining them. Such agreement shall be effective immediately and shall be recorded as a Change Order.

§ 7.3.6 If the Contractor does not respond promptly or disagrees with the method for adjustment in the Contract Sum, the method and the adjustment shall be determined on the basis of reasonable expenditures and savings of those performing the Work attributable to the change, including, in case of an increase in the Contract Sum, a reasonable allowance for overhead and profit in accordance with Subparagraph 7.3.10. In such case, and also under Section 7.3.3, the Contractor shall keep and present, in such form as the Owner may prescribe, an itemized accounting together with appropriate supporting data. Unless otherwise provided in the Contract Documents, costs for the purposes of this Section 7.3.6 shall be limited to the following:

- .1 costs of labor, including social security, old age and unemployment insurance, fringe benefits required by agreement or custom, and workers' compensation insurance;

- .2 costs of materials, supplies and equipment, including cost of transportation, whether incorporated or consumed;
- .3 rental costs of machinery and equipment, exclusive of hand tools, whether rented from the Contractor or others;
- .4 costs of premiums for all bonds and insurance, permit fees, and sales, use or similar taxes related to the Work; and
- .5 additional costs of supervision and field office personnel directly attributable to the change.

§ 7.3.7 The amount of credit to be allowed by the Contractor to the Owner for a deletion or change which results in a net decrease in the Contract Sum shall be actual net cost as confirmed by the Owner. When both additions and credits covering related Work or substitutions are involved in a change, the allowance for overhead and profit, if any, shall be figured on the basis of net increase, if any, with respect to that change.

§ 7.3.8 Pending final determination of the total cost of a Construction Change Directive to the Owner, amounts not in dispute for such changes in the Work shall be included in Applications for Payment accompanied by a Change Order indicating the parties' agreement with part or all of such costs. For any portion of such cost that remains in dispute, the Owner will make an interim determination for purposes of monthly certification for payment for those costs. That determination of cost shall adjust the Contract Sum on the same basis as a Change Order, subject to the right of either party to disagree and assert a Claim in accordance with Article 4.

§ 7.3.9 When the Owner and Contractor agree with the determination made by the Owner concerning the adjustments in the Contract Sum and Contract Time, or otherwise reach agreement upon the adjustments, such agreement shall be effective immediately and shall be recorded by preparation and execution of an appropriate Change Order.

§ 7.3.10 The allowable fees for Change Orders included in the total cost to the Owner shall be Fifteen percent (15%) apportioned as follows: **Contractors Change Order Fee shall be Five percent (5.0%) of the Cost of Work reflected in the change and the Subcontractors fee shall be Ten percent (10%) each inclusive of overhead and profit.**

§ 7.4 MINOR CHANGES IN THE WORK

§ 7.4.1 The Owner will have authority to order minor changes in the Work not involving adjustment in the Contract Sum or extension of the Contract Time and not inconsistent with the intent of the Contract Documents. Such changes shall be effected by written order and shall be binding on the Owner and Contractor. The Contractor shall carry out such written orders promptly.

ARTICLE 8 TIME

§ 8.1 DEFINITIONS

§ 8.1.1 Unless otherwise provided, Contract Time is the period of time, including authorized adjustments, allotted in the Contract Documents for Substantial Completion of the Work.

§ 8.1.2 The date of commencement of the Work is the date established in the Agreement.

§ 8.1.3 The date of Substantial Completion is the date determined by the Owner in accordance with Section 9.8.

§ 8.1.4 The term "day" as used in the Contract Documents shall mean calendar day unless otherwise specifically defined.

§ 8.2 PROGRESS AND COMPLETION

§ 8.2.1 Time limits stated in the Contract Documents are of the essence of the Contract. By executing the Agreement the Contractor confirms that the Contract Time is a reasonable period for performing the Work.

§ 8.2.2 The Contractor shall not knowingly, except by agreement or instruction of the Owner in writing, prematurely commence operations on the site or elsewhere prior to the effective date of insurance required by Article 11 to be furnished by the Contractor and Owner. The date of commencement of the Work shall not be changed by the effective date of such insurance. Unless the date of commencement is established by the Contract Documents or a notice to proceed given by the Owner, the Contractor shall notify the Owner in writing not less than five days or other agreed period before commencing the Work to permit the timely filing of mortgages, mechanic's liens and other security interests.

§ 8.2.3 The Contractor shall proceed expeditiously with adequate forces and shall achieve Substantial Completion within the Contract Time.

§ 8.3 DELAYS AND EXTENSIONS OF TIME

§ 8.3.1 If the Contractor is delayed at any time in the commencement or progress of the Work by an act or neglect of the Owner or Architect, or of an employee of either, or of a separate contractor employed by the Owner, or by changes ordered in the Work, or by labor disputes, fire within the Project, unusual delay in deliveries, unavoidable casualties or other causes beyond the Contractor's control, or by delay authorized in writing by the Owner pending mediation and arbitration, then the Contract Time shall be extended by Change Order. Notwithstanding anything to the contrary in this Contract, in no event shall Contractor be entitled to any extension in the Contract Time in excess of sixty (60) days for any event other than pursuant to a Change Order or Construction Change Directive.

§ 8.3.2 Claims relating to time extensions shall be made in accordance with applicable provisions of Section 4.3.

§ 8.3.3 This Section 8.3 does not preclude recovery of damages for delay by either party under other provisions of the Contract Documents.

ARTICLE 9 PAYMENTS AND COMPLETION

§ 9.1 CONTRACT SUM

§ 9.1.1 The Contract Sum is stated in the Agreement and, including authorized adjustments, is the total amount payable by the Owner to the Contractor for performance of the Work under the Contract Documents.

§ 9.2 SCHEDULE OF VALUES

§ 9.2.1 Exhibit "D" to this Contract is a schedule of values allocating to various portions of the Work and aggregating the total Contract Sum ("Schedule of Values"). Contractor shall furnish similar information from each Subcontractor prior to any payment request involving funds payable to such Subcontractor. The Schedule of Values shall be used as a basis for Contractor's Applications for Payment. The Schedule of Values lists as separate line items the actual subcontract amounts or purchase order amounts for all executed subcontracts and purchase orders, and lists as separate line items the Contractor's estimated amounts as used to establish the price for all subcontract amounts or purchase order amounts for unexecuted subcontracts and purchase orders. The Schedule of Values shall be updated monthly or otherwise as the Owner may reasonably require, and shall indicate the status of all aspects of the cost of the project as well as the costs related to changes in the Work which have been approved by Change Orders. Such change amounts shall be distributed within the line items for each subcontractor or purchase order, and shall be broken down into the smallest level of detail that is included in the Schedule of Values.

§ 9.3 APPLICATIONS FOR PAYMENT

§ 9.3.1 The procedures for application and certification of monthly Applications for Payment are as described herein and in Article 5 of the Agreement. Contractor shall submit to Owner and, at Owner's direction the Architect, an itemized, notarized Application for Payment for operations completed in accordance with the Schedule of Values. Each Application for Payment shall be accompanied by a contract summary report which shall set forth the percentage complete of each line item included in the Schedule of

Values. The exact format of the progress report shall be determined by Owner prior to submission of the initial Application for Payment; however, the progress reports shall at a minimum describe those aspects of the Work which have been commenced and the status thereof, enumerate the trades and Subcontractors then involved in the Work and Contractor's appraisal of the progress of the Work. Such Application shall be supported by such data substantiating the Contractor's right to payment as Owner may require, such as copies of invoices and/or requisitions from Subcontractors and material suppliers, and reflecting retainage provided for in the Contract Documents. Each Application for Payment shall be accompanied by (i) certifications from Contractor and from Subcontractors that as-built plans are complete and current, (ii) conditional lien waivers in form and substance consistent with the applicable statutes and acceptable to Owner executed by Contractor and all Subcontractors, materialmen and others who may have lien rights whose Work is the subject of such Application for Payment (iii) unconditional lien waivers in form and substance consistent with the applicable statutes and acceptable to Owner executed by Contractor and by all Subcontractors, materialmen and others who may have lien rights whose Work is the subject of the prior month's Application for Payment (iv) evidence that all inspections necessary to issue Warranties required pursuant to the Contract Documents have been made. All Applications for Payment shall be made on AIA form G702 and G703, if applicable.

§ 9.3.1.1 As provided in Section 7.3.8, such applications may include requests for payment on account of changes in the Work which have been properly authorized by Construction Change Directives, but not yet included in Change Orders.

§ 9.3.1.2 Such applications may not include requests for payment for portions of the Work for which the Contractor does not intend to pay to a Subcontractor or material supplier, unless such Work has been performed by others whom the Contractor intends to pay. Contractor shall not submit for Owner's review and approval any Application for Payment which is incomplete, inaccurate or lacks the detail, specificity or supporting documentation required herein. Contractor acknowledges and agrees that any Application for Payment which is deficient in any such manner shall not constitute a valid and proper Application for Payment, and the Contractor shall be required to resubmit such Application for Payment in proper form prior to the Owner incurring any obligation to make a payment on account thereof.

§ 9.3.2 Unless otherwise provided in the Contract Documents, payments shall be made on account of materials and equipment delivered and suitably stored at the site for subsequent incorporation in the Work. If approved in advance by the Owner, payment may similarly be made for materials and equipment suitably stored off the site at a location agreed upon in writing. Payment for materials and equipment stored on or off the site shall be conditioned upon compliance by the Contractor with procedures satisfactory to the Owner to establish the Owner's title to such materials and equipment or otherwise protect the Owner's interest, and shall include the costs of applicable insurance, storage and transportation to the site for such materials and equipment stored off the site. The Owner will not make payment for stored materials for items of a commodity nature which are readily available through distribution channels unless specifically approved by Owner in writing.

§ 9.3.3 The Contractor warrants that title to all Work covered by an Application for Payment will pass to the Owner no later than the time of payment. The Contractor further warrants that upon submittal of an Application for Payment all Work for which Certificates for Payment have been previously issued and payments received from the Owner shall, to the best of the Contractor's knowledge, information and belief, be free and clear of liens, claims, security interests or encumbrances in favor of the Contractor, Subcontractors, material suppliers, or other persons or entities making a claim by reason of having provided labor, materials and equipment relating to the Work.

§ 9.3.4 Owner reserves the right to make payments by joint checks payable to Contractor and any Subcontractor or materials supplier.

§ 9.4 CERTIFICATES FOR PAYMENT

§ 9.4.1 The Owner or, at the Owner's direction, the Architect will, within seven days after receipt of the Contractor's Application for Payment, either issue a Certificate for Payment, with a copy to the Contractor, for such amount as it determines is properly due, or notify the Contractor in writing of the reasons for withholding certification in whole or in part as provided in Section 9.5.1. At Owner's direction, the Architect may certify to Owner that the Work has progressed to the point indicated in the Application for Payment. Approval of an Application for Payment by Owner shall not in any way release Contractor from its obligation to perform the Work in accordance with the Contract Documents.

§ 9.4.2 The issuance of a Certificate for Payment will constitute a representation by the Architect to the Owner, based on the Architect's evaluation of the Work and the data comprising the Application for Payment, that the Work has progressed to the point indicated and that, to the best of the Architect's knowledge, information and belief, the quality of the Work is in accordance with the Contract Documents. The foregoing representations are subject to an evaluation of the Work for conformance with the Contract Documents upon Substantial Completion, to results of subsequent tests and inspections, to correction of minor deviations from the Contract Documents prior to completion and to specific qualifications expressed by the Architect. However, Architect's issuance of a Certificate for Payment will not be a representation that the Architect or the Owner has (1) made exhaustive or continuous on-site inspections to check the quality or quantity of the Work, (2) reviewed construction means, methods, techniques, sequences or procedures, (3) reviewed copies of requisitions received from Subcontractors and material suppliers and other data requested by the Owner to substantiate the Contractor's right to payment, or (4) made examination to ascertain how or for what purpose the Contractor has used money previously paid on account of the Contract Sum.

§ 9.5 DECISIONS TO WITHHOLD APPROVAL

§ 9.5.1 The Architect or Owner may withhold approval of an Application for Payment in whole or in part, to the extent reasonably necessary to protect the Owner, and/or because the Work has not progressed to the point indicated or is not in accordance with the Contract Documents. If the Contractor and Owner and/or Architect cannot agree on a revised amount, the Owner will promptly pay the amount that is not disputed by the Owner. The Owner may also withhold a payment or, because of subsequently discovered evidence, may nullify the whole or a part of a Certificate for Payment previously issued, to such extent as may be necessary in the Owner's opinion to protect the Owner from loss for which the Contractor is responsible, including loss resulting from acts and omissions described in Section 3.3.2, because of:

- .1** Work not in accordance with the Contract Documents;
- .2** third party claims filed or reasonable evidence indicating probable filing of such claims unless security acceptable to the Owner is provided by the Contractor;
- .3** failure of the Contractor to make payments properly to Subcontractors or for labor, materials or equipment or to provide invoices, signed releases and lien waivers;
- .4** reasonable evidence that the Work cannot be completed for the unpaid balance of the Contract Sum;
- .5** damage to the Owner or another contractor;
- .6** reasonable evidence that the Work will not be completed within the Contract Time, and that the unpaid balance would not be adequate to cover actual or liquidated damages for the anticipated delay;
- .7** failure to carry out the Work in accordance with the Contract Documents; or
- .8** Contractor has failed to perform any of its material obligations under the Contract Documents.
- .9** Failure of the Contractor to submit with each application for payment evidence that all inspections necessary to issue Warranties required pursuant to the Contract Documents have been made.
- .10** Failure of the Contractor to comply in any way with the requirements set forth herein for any Application for Payment.

§ 9.5.2 When the above reasons for withholding payment are removed, approval will be made for amounts previously withheld.

§ 9.6 PROGRESS PAYMENTS

§ 9.6.1 After receipt of the Certificate of Payment from Architect, Owner shall review it and all other considerations regarding whether Contractor is entitled to payment, including the matters described in Sections 9.4.2 and 9.5.1. If Owner disapproves of payment, it shall notify Contractor in writing of such disapproval, which notice will state the specific reasons for the disapproval. Owner will use reasonable efforts to provide such notices within seven (7) days after receipt of a Certificate of Payment. Notwithstanding such disapproval, Owner will pay any undisputed portion of the Certificate of Payment to Contractor. If Owner approves of payment, Owner shall make payment in the manner and within the time provided in the Contract Documents. In accordance with Article 5 of the Agreement, Owner shall pay the amount requested in each Application for Payment within each line item of the Schedule of Values. Except as otherwise provided herein, all retention amounts authorized pursuant to the Agreement shall be held until Substantial Completion. The provisions of this Article 9 shall not lessen or diminish, but shall be in addition to, the right or duty of Owner to withhold any payments under applicable provisions of law respecting the withholding of sums due to contractors.

§ 9.6.2 The Contractor shall promptly pay each Subcontractor, upon receipt of payment from the Owner, out of the amount paid to the Contractor on account of such Subcontractor's portion of the Work, the amount to which said Subcontractor is entitled, reflecting percentages actually retained from payments to the Contractor on account of such Subcontractor's portion of the Work. The Contractor shall, by appropriate agreement with each Subcontractor, require each Subcontractor to make payments to Sub-subcontractors in a similar manner. If all Subcontractor and purchase order lien waivers of any tier are not included and correct, then the applicable portion of the payment may be withheld by the Owner until such waivers are correctly submitted.

§ 9.6.3 The Architect will, on request of Owner, furnish to a Subcontractor, if practicable, information regarding percentages of completion or amounts applied for by the Contractor and action taken thereon by the Architect and Owner on account of portions of the Work done by such Subcontractor.

§ 9.6.4 Neither the Owner nor Architect shall have an obligation to pay or to see to the payment of money to a Subcontractor except as may otherwise be required by law.

§ 9.6.5 Payment to material suppliers shall be treated in a manner similar to that provided in Sections 9.6.2, 9.6.3 and 9.6.4.

§ 9.6.6 Unless the Contractor provides the Owner with a payment bond in the full penal sum of the Contract Sum, payments received by the Contractor for Work properly performed by Subcontractors and suppliers shall be held by the Contractor for those Subcontractors or suppliers who performed Work or furnished materials, or both, under contract with the Contractor for which payment was made by the Owner. Nothing contained herein shall require money to be placed in a separate account and not commingled with money of the Contractor, shall create any fiduciary liability or tort liability on the part of the Contractor for breach of trust or shall entitle any person or entity to an award of punitive damages against the Contractor for breach of the requirements of this provision.

§ 9.6.7 Neither approval of any progress payment or final payment nor any payment by Owner to Contractor under the Contract Documents nor any use or occupancy of the Project or any part thereof by Owner or any other party, nor any act of acceptance by Owner, nor any failure to do so, nor any correction of any defective Work by Owner, shall constitute an acceptance of Work not in accordance with the Contract Documents.

§ 9.6.8 In taking action on Contractor's Applications for Payment, whether the Progress Payments or the Final Payment, Owner and the Architect shall be entitled to rely on the accuracy and completeness of the information furnished by Contractor.

§ 9.7 FAILURE OF PAYMENT

§ 9.7.1 If the Owner does not pay the Contractor within seven days after the date established in the Contract Documents the amount due to Contractor (excluding any amount disputed by Owner), then the Contractor may, upon seven additional days' written notice to the Owner and Architect, stop the Work until payment of the amount owing has been received. The Contract Time shall be extended appropriately and the Contract Sum shall be increased by the amount of the Contractor's reasonable costs of shut-down, delay and start-up, plus interest as provided for in the Contract Documents.

§ 9.8 SUBSTANTIAL COMPLETION

§ 9.8.1 "Substantial Completion" or "Substantially Complete" is the stage in the progress of the Work (or the applicable phase thereof) when (a) the Work (or the applicable phase thereof) is completed in a substantially finished condition consistent with the Plans and Specifications and other applicable Contract Documents sufficient for the Owner to be able to occupy and utilize the Project for its intended purpose subject only to completion of "punch list" items that do not materially interfere with the utilization of the Work; (b) no occupancy or other necessary permits and approvals related to the Work (or the applicable phase thereof) are being withheld due to any failure to complete any portion of the Work; (c) Contractor is in compliance with the payment and lien provisions of this Agreement at the time of such Substantial Completion; (d) all temporary utilities are disconnected if requested by the Owner; (e) Contractor has complied with all reasonable requirements of the Owner's construction lender regarding Substantial Completion; (f) all remaining "punch list" items can reasonably be completed by Contractor within forty-five (45) days thereafter, subject, however, to long lead time items that must be ordered and to seasonal requirements for any landscaping and exterior work; and (g) all systems for which Contractor is responsible are operable and the Work is habitable.

§ 9.8.1.1 Contractor acknowledges that the Project is being constructed for the use and operations of Skecher USA, Inc. Notwithstanding the progress of the rest of the Work, Contractor will achieve access completion of such portion of the Work that is necessary to allow the pre-ordered materials to be delivered to the Project site. Contractor shall coordinate such delivery and storage with the advice and consent of Owner. The date such portion of the Work is substantially complete in order to allow such delivery, storage and installation may be referred to herein as the "Administrative Access Approval for Equipment Readiness." The Administrative Access Approval for Equipment Readiness Date may be satisfied without having achieved Substantial Completion of any other particular portion of the Work in accordance with the requirements of Section 9.8.1 above. Contractor will deliver to Owner all maintenance manuals, manufacturer and subcontractor warranties, and warranties applicable to each portion of Work described in gridlines 1 to 16, 17 to 32, or 33 to 48.8 as identified in Exhibit B, which such documentation shall only have to be delivered by Contractor once.

§ 9.8.2 Contractor shall notify Owner regarding Contractor's estimated date of Substantial Completion approximately 65 days before such estimated date of Substantial Completion. When the Contractor considers that the Work, or a portion thereof which the Owner agrees to accept separately, is Substantially Complete, the Contractor shall prepare and submit to the Owner and the Architect (i) a written Certification that the Work is Substantially Complete and (ii) a comprehensive list of items in a format reasonably acceptable to Owner to be completed or corrected prior to Final Payment. Failure to include an item on such list does not alter the responsibility of the Contractor to complete all Work in accordance with the Contract Documents. As a condition to final payment contractor must deliver to Owner all fully executed warranties from the Contractor, subcontractors and material/equipment providers as provided in the Contract Documents.

§ 9.8.3 Upon receipt of the Contractor's list, the Owner and the Architect will make an inspection to determine whether the Work or designated portion thereof is Substantially Complete. If the Owner's and/or

Architect's inspection discloses any item, whether or not included on the Contractor's list, which is not complete, the Owner and/or Architect shall prepare a list of all such items. Failure to include an item on such list does not alter the responsibility of the Contractor to complete all Work in accordance with the Contract Documents. Contractor shall, before issuance of the Certificate of Substantial Completion, complete or correct such item upon notification by the Owner and the Architect to the extent the completion of such item is necessary for Owner to be able to occupy and utilize the Project for its intended purpose. In such case, the Contractor shall then submit a request for another inspection by the Owner and the Architect to determine Substantial Completion. The procedures set forth in Sections 9.8.2 and this 9.8.3 shall be repeated until the Architect determines that the entire Work is Substantially Complete. When the Work is determined by Owner to be Substantially Complete, the Owner and the Architect shall prepare a final list of all items that remain to be completed ("Punch List") and the Contractor's written acceptance of the Punch List shall constitute its unconditional promise to complete the Punch List items within forty-five (45) days thereafter, subject, however, to long lead time items that must be ordered and to seasonal requirements for any landscaping and exterior work. Failure of the Contractor to timely complete the Punch List items will constitute sufficient cause for the Owner to cause the completion of the Punch List items to be performed by others. Further, the cost of such Work will be charged to the Contractor to the extent such costs exceed the portion of the retainage held by Owner for such Punch List items. If the Owner's agreement with the Architect provides for a limit on the number of inspections for any portion of the Work to determine whether such portion of Work is Substantially Complete, as part of the Architect's Basic Services, then the Contractor shall be responsible and pay for any additional payments or amounts the Owner is required to pay to the Architect for any additional inspections (i.e., beyond one [1] inspection) to determine if a portion of the Work is Substantially Complete.

§ 9.8.4 When the Work or designated portion thereof is Substantially Complete, and the documents to be delivered by Contractor pursuant to Section 9.8.5 have been received by Owner, the Architect will prepare a Certificate for Payment upon Substantial Completion. Notwithstanding anything to the contrary contained in this Subsection, all notices to Architect shall also be delivered to Owner and all matters to be certified or approved by Architect shall be subject to Owner's reasonable and good faith determination that Substantial Completion has occurred according to the Contract Documents. The Architect's Certificate for Payment upon Substantial Completion shall only constitute a recommendation to Owner regarding the matters set forth therein, and shall be subject to Owner's independent approval based upon its reasonable and good faith determination of whether Substantial Completion has occurred. Substantial Completion shall not be deemed to have occurred, and payment on account thereof shall not be required, unless and until Owner approves the Project as being Substantially Complete. The payment upon Substantial Completion shall include the retention, and shall exclude such amounts as the Owner shall reasonably determine for incomplete Work and unsettled claims, to the extent authorized under Section 12.1.9 of the Agreement and to the extent consented to by the surety. Amounts withheld for incomplete Work or unsettled claims will be paid prior to Final Payment as such Work is completed or claims settled, in accordance with the regular monthly payment procedures.

§ 9.8.5 Architect shall not issue the Certificate for Payment upon Substantial Completion and no retentions shall be released to Contractor until the Contractor submits to the Architect and Owner, in form and substance satisfactory to Owner, only to the extent applicable to the portion of the Work that is Substantially Complete: (1) an affidavit that payrolls, bills for materials and equipment, and other indebtedness connected with the Work for which the Owner or the Owner's property might be responsible or encumbered (less amounts withheld by Owner) have been paid or otherwise satisfied, (2) if required by the Owner, other data satisfactory to Owner establishing payment or satisfaction of all obligations relating to the Work that is Substantially Complete, such as receipts, releases and waivers of liens (including conditional final lien releases from Contractor and all Subcontractors), claims, security interests or encumbrances arising out of the Contract, to the extent and in such form as may be designated by the Owner, (3) all releases, waivers, affidavits, certificates, approvals, maintenance and operating instructions, schedules and guarantees, certificates of inspection and other documents required by the Contract Documents, (4) all operation and warranty manuals relating to the Work, (5) marked-up plans for the Work certified by the Contractor and all applicable Subcontractors to be complete and accurate, to the best of

their knowledge, to be prepared at Contractor's sole cost and expense and (6) consent of any surety to payment for Substantial Completion. The marked-up plans shall show the field changes and selections affecting the general construction, mechanical, electrical, plumbing, and other work, and indicating the Work as actually installed. These shall consist of carefully drawn markings on one (1) set of reproducible prints of the Architect's drawings, obtained and paid for by Contractor.

§ 9.9 PARTIAL OCCUPANCY OR USE

§ 9.9.1 The Owner may occupy or use any Substantially Completed phase of the Work as designated in Exhibit "E", provided such occupancy or use is authorized by public authorities having jurisdiction over the Work. Such partial occupancy or use may commence whether or not the portion is substantially complete. When the Contractor considers a portion substantially complete, the Contractor shall prepare and submit a list to the Owner as provided under Section 9.8.2. Consent of the Contractor to partial occupancy or use shall not be unreasonably withheld. Contractor must use commercially reasonable efforts to perform the Work in a manner that will minimize the interference with the use and enjoyment of any phase after such partial use or occupancy commences.

§ 9.9.2 Immediately prior to such partial occupancy or use, the Owner and the Contractor shall jointly inspect the area to be occupied or portion of the Work to be used in order to determine and record the condition of the Work.

§ 9.9.3 Unless otherwise agreed upon, partial occupancy or use of a portion or portions of the Work shall not constitute acceptance of Work not complying with the requirements of the Contract Documents.

§ 9.10 FINAL COMPLETION AND FINAL PAYMENT

§ 9.10.1 When Contractor has completed the Punch List items, Contractor shall notify Owner and Architect that the Work is ready for final inspection and acceptance and upon receipt of a final Application for Payment, the Owner and the Architect will promptly make such inspection and, when the Owner and the Architect determine that the Work has been completed in accordance with the Contract Documents and the Contract fully performed (including all Punch List items), the Architect will certify to Owner that to the best of the Architect's knowledge, information and belief, and on the basis of the Architect's on-site visits and inspections, the Work has been completed in accordance with terms and conditions of the Contract Documents. The Architect's final Certificate for Payment will constitute a further representation that conditions listed in Section 9.8.5 as precedent to the Contractor's being entitled to final payment have been fulfilled. If Owner or the Architect determines that the Work inspected is not final and complete, Contractor shall reimburse Owner for any additional fees and costs incurred to provide any inspections in addition to the initial inspection, one punch list inspection and one follow-up re-inspection. If any of the items listed in Section 9.8.5 have been changed since Substantial Completion, Contractor shall provide updated documents to the Owner prior to receiving final payment. Such final certificate will constitute a recommendation only and shall be subject to the independent review and approval of Owner. Final Completion shall not be deemed to have occurred, and no payment shall be required on account thereof, unless and until Owner has reasonably and in good faith determined that Final Completion has occurred in accordance with the Contract Documents. Should the Owner or the Architect reasonably and in good faith determine that the Work has not been completed in accordance with the Contract Documents and the Contract not fully performed, costs associated with the reinspection under this Subsection will be reimbursed to the Owner by the Contractor. The approval of a Final Application for Payment shall not in any way release Contractor from its obligation to complete the Work in accordance with the Contract Documents nor constitute an acceptance of the Work.

If Owner and the Architect are not satisfied that the Work has been properly completed, Owner shall return the Application to Contractor, indicating in writing the reasons for refusing to approval final payment, and Contractor shall make the necessary corrections and resubmit the Application.

§ 9.10.2 Neither final payment nor any remaining retained percentage shall become due until the Contractor submits to the Owner, only to the extent not previously provided to Owner pursuant to Section 9.8.5 above:

(1) an affidavit that payrolls, bills for materials and equipment, and other indebtedness connected with the Work for which the Owner or the Owner's property might be responsible or encumbered (less amounts withheld by Owner) have been paid or otherwise satisfied, (2) a certificate evidencing that insurance required by the Contract Documents to remain in force after final payment is currently in effect and will not be canceled or allowed to expire until at least 30 days' prior written notice has been given to the Owner, (3) a written statement that the Contractor knows of no substantial reason that the insurance will not be renewable to cover the period required by the Contract Documents, (4) consent of surety, if any, to final payment, (5) if required by the Owner, other data establishing payment or satisfaction of obligations, such as receipts for the Costs of the Work, claims, security interests or encumbrances arising out of the Contract, other reasonable data establishing payment or satisfaction of all obligations under the Contract Documents, to the extent and in such form as may be reasonably designated by Owner; (6) (a) unconditional waivers of lien from the Contractor and each Subcontractor, Sub-subcontractor and material supplier for the portions of the Contract Sum that have been previously paid; and (b) conditional releases of lien upon final payment from Contractor and each Subcontractor, Sub-subcontractor or materialmen; (7) final inspection and approval by the applicable building department with respect to the Work to the extent within Contractor's control or responsibility under this Contract; (8) if applicable, submission by Contractor to Owner of two (2) copies of "as built" sepias completely posted, signed by the Contractor and the applicable Subcontractors; (9) the submission by the Contractor to Owner of operating instructions, parts lists and maintenance manuals for equipment installed Contractor has delivered to Owner all maintenance manuals, operating instructions, parts lists manufacturer and subcontractor guaranties, and warranties applicable thereto, to the extent not provided previously during Substantial Completion of a portion of the Work; and (10) a valid Notice of Completion by the Owner has been recorded and the statutorily prescribed period has expired for the filing of mechanics' or materialmen's liens without such liens having been filed (or discharged), or if liens have been filed, lien bonds have been provided to the extent required by Section 9.11 below.

§ 9.10.3 If, after Substantial Completion of the Work, final completion thereof is materially delayed through no fault of the Contractor or by issuance of Change Orders affecting final completion, the Owner shall, upon application by the Contractor and certification by the Architect, and without terminating the Contract, make payment of the balance due for that portion of the Work fully completed and accepted. If the remaining balance for Work not fully completed or corrected is less than retainage stipulated in the Contract Documents, and if bonds have been furnished, the written consent of surety to payment of the balance due for that portion of the Work fully completed and accepted shall be submitted by the Contractor to the Owner and Architect prior to certification of such payment. Such payment shall be made under terms and conditions governing final payment, except that it shall not constitute a waiver of claims.

§ 9.10.4 The making of final payment shall constitute a waiver of claims except those arising from:

- .1 liens, Claims, security interests or encumbrances arising out of the Contract and unsettled;
- .2 failure of the Work to comply with the requirements of the Contract Documents, including latent defects;
- .3 terms of warranties required by the Contract Documents; or
- .4 all of Contractor's indemnity and defense obligations and all other obligations that survive completion of the Work.

§ 9.10.5 Acceptance of final payment by the Contractor, a Subcontractor or material supplier shall constitute a waiver of claims by that payee except those previously made in writing and identified by that payee as unsettled at the time of final Application for Payment. As a condition precedent to final payment, Contractor shall furnish Owner with a release of any and all claims, disputes, indebtedness, liens, interests, encumbrances and other matters in controversy in connection with or in relation to the Project in form and substance satisfy to Owner, and duly executed by Contractor and its Subcontractors.

§ 9.11 Mechanic's Liens and Stop Notices. Contractor shall prevent (i) the recording of any mechanic's liens against the Project by its Subcontractors or any other persons or parties directly or indirectly employed by Contractor or its Subcontractors, including without limitation, all laborers, materialmen and

others entitled to assert mechanic's liens; (ii) legal actions involving title to the Project or any portion thereof as a result of any mechanic's liens described in clause (i) above, and any attachments or executions of judgments pursuant thereto; and (iii) the filing of any stop notices with Owner or any lender by its Subcontractors or any such other persons or parties. If any such lien is recorded, or any such legal action is commenced, or any such stop notice is filed, Contractor shall, within ten (10) days, cause the effect of any such lien or legal action to be removed from the Project and the effect of any such stop notice to be negated by means of an appropriate bond or other action satisfactory to Owner. Contractor may litigate or otherwise object to or dispute any matter leading to the recording of such a lien, or the commencement of such a legal action, or the filing of such a stop notice, provided that Contractor shall first cause the effect of the same to be removed or negated as provided in this Section. If Contractor fails to do so within such ten (10) day period, Owner may employ whatever means it may, in its sole discretion, deem best to cause said lien, attachment, or suit, together with its effect upon title to the Project, to be removed, discharged, compromised, or dismissed, and the effect of any such stop notices or other notices to be negated. In addition, Owner and its agents and employees shall have the right at any and all times during regular business hours to examine and inspect all financial and other records of Contractor pertinent or relating to the Project, including, without limitation, records of other jobs of Contractor to which Project funds may have been diverted. Contractor shall, upon demand, reimburse Owner for all costs incurred in connection with any such action by Owner, including, without limitation, reasonable attorneys' fees and costs incurred in connection therewith. Notwithstanding the foregoing provisions, Contractor shall not be liable for removing or bonding around any mechanic's liens and/or stop notices that result from non-payment or untimely payments by the Owner, unless such non-payment or untimely payment is the result of a good faith dispute.

ARTICLE 10 PROTECTION OF PERSONS AND PROPERTY

§ 10.1 SAFETY PRECAUTIONS AND PROGRAMS

§ 10.1.1 The Contractor shall be responsible for initiating, maintaining and supervising all safety precautions and programs in connection with the performance of the Contract.

§ 10.2 SAFETY OF PERSONS AND PROPERTY

§ 10.2.1 The Contractor shall take reasonable precautions for safety of, and shall provide reasonable protection to prevent damage, injury or loss to:

- .1** employees on the Work and other persons who may be affected thereby;
- .2** the Work and materials and equipment to be incorporated therein, whether in storage on or off the site, under care, custody or control of the Contractor or the Contractor's Subcontractors or Sub-subcontractors; and
- .3** other property at the site or adjacent thereto, such as trees, shrubs, lawns, walks, pavements, roadways, structures and utilities not designated for removal, relocation or replacement in the course of construction.

§ 10.2.2 The Contractor shall give notices and comply with applicable Laws, ordinances, rules, regulations and lawful orders of public authorities bearing on safety of persons or property or their protection from damage, injury or loss.

§ 10.2.3 The Contractor shall erect and maintain, as required by existing conditions and performance of the Contract, reasonable safeguards for safety and protection, including installing fencing, posting danger signs and other warnings against hazards, promulgating safety regulations and notifying owners and users of adjacent sites and utilities.

§ 10.2.4 When use or storage of explosives or other hazardous materials or equipment or unusual methods are necessary for execution of the Work, the Contractor shall give Owner written notice at least ten (10) days in advance of such use or storage and shall exercise utmost care and carry on such activities under supervision of properly qualified personnel.

§ 10.2.5 The Contractor shall promptly remedy damage and loss (other than damage or loss insured under property insurance required by the Contract Documents) to property referred to in Sections 10.2.1.2 and 10.2.1.3 caused in whole or in part by the Contractor, a Subcontractor, a Sub-subcontractor, or anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable and for which the Contractor is responsible under Sections 10.2.1.2 and 10.2.1.3, except damage or loss attributable to acts or omissions of the Owner or Architect or anyone directly or indirectly employed by either of them, or by anyone for whose acts either of them may be liable, and not attributable to the fault or negligence of the Contractor. The foregoing obligations of the Contractor are in addition to the Contractor's obligations under Section 3.18.

§ 10.2.6 The Contractor shall designate a responsible member of the Contractor's organization at the site whose duty shall be the prevention of accidents. This person shall be the Contractor's superintendent unless otherwise designated by the Contractor in writing to the Owner. If Owner, Architect, or any governmental agency notifies Contractor of any claimed dangerous condition at the site that has been caused by Contractor, Contractor shall take immediate action to rectify the condition at no additional cost to Owner.

§ 10.2.7 The Contractor shall not load or permit any part of the construction or site to be loaded so as to endanger its safety.

§ 10.2.8 Contractor shall prohibit its employees, agents, subcontractors or suppliers from using illegal drugs or alcohol within 100 feet of or on the site. Contractor's employees, agents, subcontractors or suppliers in possession of illegal drugs or alcohol on the site will be subject to immediate termination. Individuals on the Site whose performance, coordination or ability to Work is impaired, in the opinion of Owner's representatives, will be subject to immediate removal from the site.

§ 10.2.9 Contractor will be responsible for implementing dust control procedures adequate to ensure at all times that dust caused by the Work does not migrate to neighboring properties.

§ 10.2.10 No children, dogs, loud radios or other devices that may endanger workers or subcontractors will be permitted at the site.

§ 10.3 HAZARDOUS MATERIALS

§ 10.3.1 If reasonable precautions will be inadequate to prevent foreseeable bodily injury or death to persons resulting from a material or substance, including but not limited to asbestos or polychlorinated biphenyl (PCB), encountered on the site by the Contractor, the Contractor shall, upon recognizing the condition, immediately stop Work in the affected area and report the condition to the Owner and Architect in writing.

§ 10.3.2 The Owner shall obtain the services of a licensed laboratory to verify the presence or absence of the material or substance reported by the Contractor and, in the event such material or substance is found to be present, to verify that it has been rendered harmless. Unless otherwise required by the Contract Documents, the Owner shall furnish in writing to the Contractor the names of persons or entities who are to perform tests verifying the presence or absence of such material or substance or who are to perform the task of removal or safe containment of such material or substance. When the material or substance has been rendered harmless, Work in the affected area shall resume upon written agreement of the Owner. The Contract Time shall be extended appropriately and the Contract Sum shall be increased in the amount of the Contractor's reasonable additional costs of shut-down, delay and start-up, which adjustments shall be accomplished as provided in Article 7.

§ 10.3.3 To the fullest extent permitted by law, the Owner shall indemnify and hold harmless the Contractor, Subcontractors, Architect, Architect's consultants and agents and employees of any of them from and against claims, damages, losses and expenses, including but not limited to attorneys' fees, arising out of or resulting from performance of the Work in the affected area if in fact the material or substance presents the risk of bodily injury or death as described in Section 10.3.1 and has not been rendered

harmless, provided that such claim, damage, loss or expense is attributable to bodily injury, sickness, disease or death, or to injury to or destruction of tangible property (other than the Work itself) and provided that such damage, loss or expense is not due to the sole negligence of a party seeking indemnity.

§ **10.4** The Owner shall not be responsible under Section 10.3 for materials and substances brought to the site by the Contractor. Contractor shall not permit any Hazardous Substances to be brought onto or stored at or used in the construction of the Work, except for commonly used construction materials, provided, however, that all such material shall be handled in full compliance with all applicable current or future Laws, and all notices required to be given with respect to such products shall be given by Contractor. "Hazardous Substance" means any substance or material which has been determined by any state, federal or local governmental authority to be capable of posing a risk of injury to health, safety, property or the environment.

§ **10.5** If, without negligence or other fault on the part of the Contractor, the Contractor is held liable for the cost of remediation of a hazardous material or substance solely by reason of performing Work as required by the Contract Documents, the Owner shall indemnify the Contractor for all cost and expense thereby incurred.

§ **10.5 EMERGENCIES**

§ **10.5.1** In an emergency affecting safety of persons or property, the Contractor shall act to prevent threatened damage, injury or loss. Additional compensation or extension of time claimed by the Contractor on account of an emergency shall be determined as provided in Section 4.3 and Article 7, provided such emergency is not proximately caused by the negligent act or negligent omission of Contractor or its agents.

§ **10.6** SWPPP. Contractor shall comply with (i) all applicable water quality Laws, including those enforced by the California State Water Resources Control Board (the "SWRCB") and the Regional Water Quality Control Board (Region 8); (ii) the National Pollutant Discharge Elimination System and the Waste Discharge Requirements for Discharges of Storm Water Runoff Associated with Construction Activity (SWRCB Order No. 99-08-DWQ) (July 1, 2010 2009-0009-DWQ) and all amendments and modifications thereto; (iii) any Storm Water Pollution Prevention Plan applicable to the Project (as modified by Owner from time to time, the "SWPPP") and all associated Best Management Practices; and (iv) City and/or County of Riverside ordinances, guidelines, and manuals applicable to storm water discharges from construction sites. If Contractor observes any violation of any Laws, it shall immediately correct such violation. Any Work performed by Contractor that is not in compliance with applicable Laws shall be redone in compliance with applicable Laws at Contractor's sole expense. The SWPPP will be part of the Contract Documents. Any costs of complying with (SWRCB Order No. 99-08-DWQ) (July 1, 2010 2009-0009-DWQ) are not currently included in the GMP.

§ **10.7** PREVENTION OF MOLD. Contractor will conform with all Laws pertaining to the Work and the Standard of Care in order to keep the Project free from mold, moisture and other conditions that may cause mold to be present. Without limiting the foregoing, Contractor will use reasonable precautions to avoid the presence of mold or moisture in any construction materials. Contractor will also comply with all Laws relating to the remediation of any mold that may be present within the Project at any time as a result of the Work.

ARTICLE 11 INSURANCE AND BONDS

SEE ADDENDUM "A" ATTACHED HERETO AND INCORPORATED HEREIN.

§ **11.1 CONTRACTOR'S LIABILITY INSURANCE** See Addendum "A" attached hereto and incorporated herein.

§ **11.2 OWNER'S LIABILITY INSURANCE**

§ **11.2.1** Owner has liability insurance. Owner's policy is available for inspection and contractor has accepted such policy by execution of this Agreement.

§ 11.3 PROJECT MANAGEMENT PROTECTIVE LIABILITY INSURANCE

§11.3.1 Intentionally Omitted.

§ 11.3.2 To the extent damages are covered by Project Management Protective Liability insurance, the Owner, Contractor and Architect waive all rights against each other for damages, except such rights as they may have to the proceeds of such insurance. The policy shall provide for such waivers of subrogation by endorsement or otherwise.

§ 11.4 PROPERTY INSURANCE

§ 11.4.1 Owner has purchased property insurance. Owner's policy is available for inspection and contractor has accepted such policy by execution of this Agreement.

§ 11.5 PERFORMANCE BOND AND PAYMENT BOND

§11.5.1 See A111

§11.5.2 See A111

ARTICLE 12 UNCOVERING AND CORRECTION OF WORK

§12.1 UNCOVERING OF WORK

§ 12.1.1 If a portion of the Work is covered contrary to the Owner's request or to requirements specifically expressed in the Contract Documents, it must, if required in writing by the Owner, be uncovered for the Owner's examination and be replaced at the Contractor's expense without change in the Contract Time.

§ 12.1.2 If a portion of the Work has been covered which the Owner has not specifically requested to examine prior to it's being covered, the Owner may request to see such Work and it shall be uncovered by the Contractor. If such Work is in accordance with the Contract Documents, costs of uncovering and replacement shall, by appropriate Change Order, be at the Owner's expense. If such Work is not in accordance with the Contract Documents, correction shall be at the Contractor's expense unless the condition was caused by the Owner or a separate contractor in which event the Owner shall be responsible for payment of such costs.

§ 12.2 CORRECTION OF WORK

§ 12.2.1 BEFORE OR AFTER SUBSTANTIAL COMPLETION

§ 12.2.1.1 The Contractor shall promptly correct Work rejected by the Owner or failing to conform to the requirements of the Contract Documents, for any reason, whether discovered before or after Substantial Completion and whether or not fabricated, installed or completed. Costs of correcting such rejected Work, including additional testing and inspections and compensation for the Architect's or other consultant's services and expenses made necessary thereby, shall be at the Contractor's expense.

§ 12.2.2 AFTER SUBSTANTIAL COMPLETION

§ 12.2.2.1 In addition to the Contractor's obligations under Section 3.5, if, within one year after the date of Substantial Completion of the Work ("Warranty Period") or by terms of an applicable special warranty required by the Contract Documents, any of the Work is found to be not in accordance with the requirements of the Contract Documents, the Contractor shall correct it promptly after receipt of written notice from the Owner to do so unless the Owner has previously given the Contractor a written acceptance of such condition. The Owner shall give such notice promptly after discovery of the condition. During the Warranty Period for correction of Work, if the Owner fails to notify the Contractor and give the Contractor an opportunity to make the correction, the Owner waives the rights to require correction by the Contractor and to make a claim for breach of warranty. If the Contractor fails to correct nonconforming Work within a reasonable time during that period after receipt of notice from the Owner or Architect, the Owner may correct it in accordance with Section 2.4. The Warranty Period for all corrective work shall be twelve (12) months from the completion of such corrective work. This obligation shall survive both final payment for

the Work and termination of the Contract. All guarantees and warranties will inure to the benefit of Owner, its successors and assigns. Contractor shall also insert the terms of this provision in all subcontracts and/or agreements executed in connection with the services to be performed under the Contract Documents and shall pass such provision to its Subcontractors.

§ **12.2.3** The Contractor shall remove from the site portions of the Work which are not in accordance with the requirements of the Contract Documents and are neither corrected by the Contractor nor accepted by the Owner.

§ **12.2.4** The Contractor shall bear the cost of correcting destroyed or damaged construction, whether completed or partially completed, of the Owner or separate contractors caused by the Contractor's correction or removal of Work which is not in accordance with the requirements of the Contract Documents.

§ **12.2.5** Nothing contained in this Section 12.2 shall be construed to establish a period of limitation with respect to other obligations which the Contractor might have under the Contract Documents. Establishment of the one-year period for correction of Work as described in Section 12.2.2 relates only to the specific obligation of the Contractor Subcontractors, Sub-subcontractors and material suppliers to correct the Work, and has no relationship to the time within which the obligation to comply with the Contract Documents may be sought to be enforced, nor to the time within which proceedings may be commenced to establish the Contractor's liability with respect to the Contractor's obligations other than specifically to correct the Work.

§ **12.2.6 CALL BACK RESPONSIBILITY.** During the Warranty Period set forth above, in connection with the performance of the Work by the Contractor, Contractor hereby agrees that:

(a) It will within 5 working days from written notice thereof (unless an emergency exists) start to correct any and all deficiencies in the Work (and thereafter diligently pursue to completion) at Contractor's sole cost and expense;

(b) The determination as to what constitutes a deficiency will be within the sole discretion of the Owner, whose judgment will be reasonably exercised;

(c) Failure of the Contractor to make timely performance hereunder will constitute sufficient cause for the Owner to cause the correction of such deficiencies to be performed by others. Further, the cost of such Work will be charged to the Contractor and such cost plus a sum equal to 15% thereof (which additional sum will represent an allowance for the administration by the Owner of such Work) will be charged against the account of the Contractor. If the amount owing the Contractor under this Agreement at the time such Work is performed by others is less than the sum charged against its account, the Contractor will remit the difference to the Owner within five (5) days following Owner's request therefore.

§ **12.3 ACCEPTANCE OF NONCONFORMING WORK**

§ **12.3.1** If the Owner prefers to accept Work which is not in accordance with the requirements of the Contract Documents, the Owner may do so instead of requiring its removal and correction, in which case the Contract Sum will be reduced as appropriate and equitable. Such adjustment shall be effected whether or not final payment has been made.

ARTICLE 13 MISCELLANEOUS PROVISIONS

§ **13.1 GOVERNING LAW**

§ **13.1.1** The Contract shall be governed by the law of the place where the Project is located without regard to conflict of law rules.

§ 13.2 SUCCESSORS AND ASSIGNS

§ 13.2.1 The Owner and Contractor respectively bind themselves, their partners, successors, assigns and legal representatives to the other party hereto and to partners, successors, assigns and legal representatives of such other party in respect to covenants, agreements and obligations contained in the Contract Documents. Except as provided in Section 13.2.2, neither party to the Contract shall assign the Contract as a whole without written consent of the other. If either party attempts to make such an assignment without such consent, that party shall nevertheless remain legally responsible for all obligations under the Contract.

§ 13.2.2 The Owner may, without consent of the Contractor, assign the Contract to an institutional lender providing construction financing for the Project. In such event, the lender shall assume the Owner's rights and obligations under the Contract Documents. The Contractor shall execute all consents reasonably required to facilitate such assignment as long as such consents contain language acceptable to Contractor.

§ 13.3 WRITTEN NOTICE Any notice provided for herein will be in writing and deemed delivered to the other party when delivered to the address shown for such party in the first Section of this Agreement, or to such other address as may be designated by either party by written notice in accordance with this Agreement, (a) in person, (b) by facsimile transmission (with the original and a copy of the facsimile confirmation following in the United States mail), (c) by overnight delivery service, or (d) by certified mail, return receipt requested. If such notice is given in person or via facsimile transmission, such notice will be deemed to have been given when delivered or transmitted. If such notice is given by overnight delivery service, such notice is deemed received two (2) business days after delivery to the overnight delivery service. If such notice is given by certified mail, such notice will be deemed received two (2) business days after a certified letter containing such notice, properly addressed with postage prepaid, is deposited in the United States mail.

§13.4 RIGHTS AND REMEDIES

§ 13.4.1 Except as otherwise provided herein, duties and obligations imposed by the Contract Documents and rights and remedies available thereunder shall be in addition to and not a limitation of duties, obligations, rights and remedies otherwise imposed or available by law.

§ 13.4.2 No action or failure to act by the Owner, Architect or Contractor shall constitute a waiver of a right or duty afforded them under the Contract, nor shall such action or failure to act constitute approval of or acquiescence in a breach thereunder, except as may be specifically agreed in writing.

§ 13.5 TESTS AND INSPECTIONS

§ 13.5.1 Tests, inspections and approvals of portions of the Work required by the Contract Documents or by laws, ordinances, rules, regulations or orders of public authorities having jurisdiction shall be made at an appropriate time. Unless otherwise provided, the Contractor shall make arrangements for such tests, inspections and approvals with an independent testing laboratory or entity acceptable to the Owner, or with the appropriate public authority. The Contractor shall facilitate all such inspections give the Owner timely notice (at least 48 hours) of when and where tests and inspections are to be made so that the Architect may be present for such procedures. The Owner shall bear costs of tests, inspections or approvals which do not become requirements until after bids are received or negotiations concluded. Lender and its agents may enter upon the site of the Project to inspect the Project and any materials at any reasonable time, upon reasonable advance notice, unless Lender such inspection is of an emergency nature, in which event Contractor shall provide Lender with immediate access to the Project site. Owner will accompany Lender in any such inspection, who shall comply with Project site safety requirements. Contractor will make available to Lender and its agents, for inspection and copying, all Plans and Specifications, shop drawings, books and records, and other documents and information that Lender may request from time to time.

§ 13.5.2 If the Owner or public authorities having jurisdiction determine that portions of the Work require additional testing, inspection or approval not included under Section 13.5.1, Owner will instruct the Contractor to make arrangements for such additional testing, inspection or approval by an entity acceptable

to the Owner, and the Contractor shall give timely notice to the Owner (not less than 48 hours) of when and where tests and inspections are to be made so that the Owner may be present for such procedures. Such costs, except as provided in Section 13.5.3, shall be at the Owner's expense.

§ 13.5.3 If such procedures for testing, inspection or approval under Sections 13.5.1 and 13.5.2 reveal failure of the portions of the Work to comply with requirements established by the Contract Documents, all costs made necessary by such failure including those of repeated procedures and compensation for the Architect's and other consultants' services and expenses shall be at the Contractor's expense.

§ 13.5.4 Required certificates of testing, inspection or approval shall, unless otherwise required by the Contract Documents, be secured by the Contractor and promptly delivered to the Owner.

§ 13.5.5 If the Owner is to observe tests, inspections or approvals required by the Contract Documents, the Owner will do so promptly and, where practicable, at the normal place of testing. Neither the observations nor other duties, if any, of the Owner, Lender or the Architect in the administration of the Contract Documents, nor inspections, tests or approvals by the Owner, Lender or any other persons other than Contractor shall relieve Contractor from its obligations to perform the Work in accordance with the Contract Documents.

§ 13.5.6 Tests or inspections conducted pursuant to the Contract Documents shall be made promptly to avoid unreasonable delay in the Work.

§ 13.6 INTEREST

§ 13.6.1 Payments due and unpaid under the Contract shall bear interest from the date payment is due at the Prime Rate plus 2% in effect at the beginning of each month as published in the Wall Street Journal.

§ 13.7 COMMENCEMENT OF STATUTORY LIMITATION PERIOD As between the Owner and Contractor:

- .1 Before Substantial Completion. As to acts or failures to act occurring prior to the relevant date of Substantial Completion, any applicable statute of limitations shall commence to run and any alleged cause of action shall be deemed to have accrued in any and all events not later than such date of Substantial Completion;
- .2 Between Substantial Completion and Final Certificate for Payment. As to acts or failures to act occurring subsequent to the relevant date of Substantial Completion and prior to issuance of the final Certificate for Payment, any applicable statute of limitations shall commence to run and any alleged cause of action shall be deemed to have accrued in any and all events not later than the date of issuance of the final Certificate for Payment; and
- .3 After Final Certificate for Payment. As to acts or failures to act occurring after the relevant date of issuance of the final Certificate for Payment, any applicable statute of limitations shall commence to run and any alleged cause of action shall be deemed to have accrued in any and all events not later than the date of any act or failure to act by the Contractor pursuant to any Warranty provided under Section 3.5, the date of any correction of the Work or failure to correct the Work by the Contractor under Section 12.2, or the date of actual commission of any other act or failure to perform any duty or obligation by the Contractor or Owner, whichever occurs last.

ARTICLE 14 TERMINATION OR SUSPENSION OF THE CONTRACT

§ 14.1 TERMINATION BY THE CONTRACTOR

§ 14.1.1 The Contractor may terminate the Contract if the Work is stopped for a period of 30 consecutive days through no act or fault of the Contractor or a Subcontractor, Sub-subcontractor or their agents or employees or any other persons or entities performing portions of the Work under direct or indirect contract with the Contractor, for any of the following reasons:

- .1 issuance of an order of a court or other public authority having jurisdiction which requires all Work to be stopped;

- .2 an act of government, such as a declaration of national emergency which requires all Work to be stopped; or
- .3 because the Owner has not made payment on a Certificate for Payment within the time stated in the Contract Documents; provided, however, if Owner is disputing the payment in good faith, Contractor shall not have the right to terminate the Contract for nonpayment. If such a dispute is resolved and Owner fails to make the payment in the manner agreed to by the parties in the resolution, Contractor shall have the right to terminate the Contract for nonpayment as set forth herein.
- .4 the Owner has failed to furnish to the Contractor promptly, upon the Contractor's request, reasonable evidence as required by Section 2.2.1.

§ 14.1.2 The Contractor may terminate the Contract if, through no act or fault of the Contractor or a Subcontractor, Sub-subcontractor or their agents or employees or any other persons or entities performing portions of the Work under direct or indirect contract with the Contractor, repeated suspensions, delays or interruptions of the entire Work by the Owner as described in Section 14.3 constitute in the aggregate more than 100 percent of the total number of days scheduled for completion, or 120 days in any 365-day period, whichever is less.

§ 14.1.3 If one of the reasons described in Section 14.1.1 or 14.1.2 exists, the Contractor may, upon seven days' written notice to the Owner and Architect, terminate the Contract and recover from the Owner payment for Work executed and for proven loss with respect to materials, equipment, tools, and construction equipment and machinery, including reasonable overhead, profit and damages. Upon written notice, the Owner shall have 7 days to cure the reason described in Section 14.1.1 or 14.1.2 as the basis for the Contractor's notice.

§ 14.1.4 If the Work is stopped for a period of 60 consecutive days through no act or fault of the Contractor or a Subcontractor or their agents or employees or any other persons performing portions of the Work under contract with the Contractor because the Owner has persistently failed to fulfill the Owner's obligations under the Contract Documents with respect to matters important to the progress of the Work, the Contractor may, upon seven additional days' written notice to the Owner, terminate the Contract and recover from the Owner as provided in Section 14.1.3. However, if there is a dispute about whether the Work stoppage described in Sections 14.1.1 or 14.1.2 or 14.1.4 is due to the act or fault of the Contractor or a Subcontractor, Sub-subcontractor or their agents or employees or any other persons or entities performing portions of the Work under direct or indirect contract with the Contractor, then the Contractor shall not have the right to terminate the Contract.

§ 14.2 TERMINATION BY THE OWNER FOR CAUSE

§ 14.2.1 The Owner may terminate the Contract if the Contractor:

- .1 refuses or fails to supply enough properly skilled workers or proper materials except in cases where an extension of time is provided under the Contract Documents;
- .2 fails to make payment to Subcontractors for materials or labor in accordance with the respective agreements between the Contractor and the Subcontractors;
- .3 disregards any material laws, ordinances, or rules, regulations or orders of a public authority having jurisdiction;
- .4 otherwise fails to comply with a material provision of the Contract Documents;
- .5 if Contractor should be adjudged bankrupt, file or suffer to be filed a petition for relief under the Bankruptcy Act, or make a general assignment for the benefit of creditors; or
- .6 if a receiver should be appointed on account of Contractor's insolvency.

§ 14.2.2 When any of the above reasons exist, the Owner may, without prejudice to any other rights or remedies of the Owner and after giving the Contractor and the Contractor's surety, if any, three days' written notice, terminate employment of the Contractor and may, subject to any prior rights of the surety:

- .1 take possession of the site and of all materials, equipment, tools, and construction equipment and machinery thereon owned by the Contractor;

- .2 accept assignment of subcontracts pursuant to Article 5 herein; and
- .3 finish the Work by whatever reasonable method the Owner may deem expedient including requiring that Contractor's surety within 30 days of the written notice described herein, immediately proceed with completion of the Work. Upon request of the Contractor, the Owner shall furnish to the Contractor a detailed accounting of the costs incurred by the Owner in finishing the Work.

§ 14.2.3 When the Owner terminates the Contract for one of the reasons stated in Section 14.2.1, the Contractor shall not be entitled to receive further payment until the Work is finished.

§ 14.2.4 If the unpaid balance of the Contract Sum exceeds costs of finishing the Work, including compensation for the Architect's services and expenses made necessary thereby, and other damages incurred by the Owner and not expressly waived, such excess shall be paid to the Contractor. If such costs and damages exceed the unpaid balance, the Contractor shall pay the difference to the Owner. The amount to be paid to the Contractor or Owner, as the case may be, shall be certified by the Architect, upon application, and this obligation for payment shall survive termination of the Contract.

§ 14.3 SUSPENSION BY THE OWNER FOR CONVENIENCE

§ 14.3.1 The Owner may, without cause, order the Contractor in writing to suspend, delay or interrupt the Work in whole or in part for such period of time as the Owner may determine.

§ 14.3.2 The Contract Sum and Contract Time shall be adjusted for increases in the cost and time caused by suspension, delay or interruption as described in Section 14.3.1 in accordance with the change order provisions of the Contract. Adjustment of the Contract Sum shall, if applicable, adjust the Contractor's Fee and Exhibit D's line item for General Conditions. No adjustment shall be made to the extent:

- .1 that performance is, was or would have been so suspended, delayed or interrupted by another cause for which the Contractor is responsible; or
- .2 that an equitable adjustment is made or denied under another provision of the Contract.

§ 14.4 TERMINATION BY THE OWNER FOR CONVENIENCE

§ 14.4.1 The Owner may, at any time, terminate the Contract for the Owner's convenience and without cause.

§ 14.4.2 Upon receipt of written notice from the Owner of such termination for the Owner's convenience, the Contractor shall:

- .1 cease operations as directed by the Owner in the notice vacate the site and remove all of Contractor's equipment and materials;
- .2 take actions necessary, or that the Owner may direct, for the protection and preservation of the Work; and
- .3 except for Work directed to be performed prior to the effective date of termination stated in the notice, and except for subcontracts to be assigned to Owner pursuant to Article 5 herein, terminate all existing subcontracts and purchase orders and enter into no further subcontracts and purchase orders.

§ 14.4.3 In case of such termination for the Owner's convenience, the Contractor shall be entitled to receive payment for Work executed, and costs incurred by reason of such termination, along with reasonable overhead and profit on the Work not executed.

In no event shall Contractor have a claim for other damages, lost profits, savings, or otherwise on account of the termination of the Agreement pursuant to this provision except as stated herein.

In the event of any termination, the Owner may deduct from any sums due and owing to Contractor according to the provisions of Article 14, the cost to repair and/or correct any defective work.

All Warranties, Indemnity obligations, and any and all claims by the Owner for defective work and/or warranty items, survive any termination of this Agreement.

§14.4.4 CHANGE IN CONTROL

Upon a Change of Control, all of Contractor's rights hereunder shall, at the Owner's option and sole discretion, terminate. "Change of Control" means (i) the acquisition of the Contractor by another entity by means of any transaction or series of related transactions (including, without limitation, any merger, consolidation or other form of reorganization in which outstanding shares of the Contractor are exchanged for securities or other consideration issued, or caused to be issued, by the acquiring entity or its subsidiary, but excluding any transaction effected primarily for the purpose of changing the Contractor's state of incorporation), unless the Contractor's stockholders of record as constituted immediately prior to such transaction or series of related transactions will, immediately after such transaction or series of related transactions hold at least a majority of the voting power of the surviving or acquiring entity, or (ii) a sale of all or substantially all of the assets of the Contractor.

In case of such termination for a Change in Control, the Contractor, as its sole and exclusive remedy, shall be entitled to receive payment as follows:

Take the Cost of the Work incurred by the Contractor to the date of termination;

Add the Contractor's Fee computed upon the Cost of the Work to the date of termination at the rate stated in Section 5.1.2 of AIA111-1997 or, if the Contractor's Fee is stated as a fixed sum in that Section, an amount that bears the same ratio to that fixed-sum Fee as the Cost of the Work at the time of termination bears to a reasonable estimate of the probable Cost of the Work upon its completion; and

Subtract the aggregate of previous payments made by the Owner.

In no event shall Contractor have a claim for other damages, lost profits, savings, or otherwise on account of the termination of the Agreement pursuant to this provision.

(Confidential Portions Omitted)

Construction Loan Agreement

among

HF Logistics-SKX TI, LLC, a Delaware limited liability company,
as Borrower

and

Bank of America, N.A.,
a national banking association
as Administrative Agent and as a Lender

and

Raymond James Bank FSB,
a federal savings bank, as a Lender

Dated as of April 30, 2010

Banc of America Securities LLC,

as

Sole Lead Arranger and Sole Book Manager

Bank of America



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EXHIBITS:

EXHIBIT “A”	—	Legal Description of Land
EXHIBIT “B”	—	Definitions and Financial Statements
EXHIBIT “C”	—	Conditions Precedent to the Initial Advance
EXHIBIT “D”	—	Budget
EXHIBIT “E”	—	Plans
EXHIBIT “F”	—	Advances
EXHIBIT “F-1”	—	Draw Request
EXHIBIT “G”	—	Survey Requirements
EXHIBIT “H”	—	Intentionally Omitted
EXHIBIT “I”	—	Leasing and Tenant Matters
EXHIBIT “J”	—	List of Required Bonds
EXHIBIT “K”	—	Letters of Credit
EXHIBIT “L”	—	Assignment and Assumption
EXHIBIT “M”	—	Promissory Note
EXHIBIT “N”	—	Schedule of Lenders and Other Parties

CONSTRUCTION LOAN AGREEMENT

(Syndication)

THIS CONSTRUCTION LOAN AGREEMENT ("Agreement") is made by and among each lender from time to time a party hereto (individually, a "Lender" and collectively, the "Lenders"), and Bank of America, N.A., a national banking association as Administrative Agent and HF Logistics-SKX TI, LLC, a Delaware limited liability company ("Borrower"), who agree as follows:

ARTICLE 1 — THE LOAN

1.1. General Information and Exhibits. This Agreement includes the Exhibits listed below which are marked by an "X," all of which Exhibits are attached hereto and made a part hereof for all purposes. Borrower and Lenders agree that if any Exhibit to be attached to this Agreement contains blanks, the same shall be completed correctly and in accordance with this Agreement prior to or at the time of the execution and delivery thereof.

<u>X</u>	Exhibit "A"	—	Legal Description of the Land
<u>X</u>	Exhibit "B"	—	Definitions and Financial Statements
<u>X</u>	Exhibit "C"	—	Conditions Precedent to the Initial Advance
<u>X</u>	Exhibit "D"	—	Budget
<u>X</u>	Exhibit "E"	—	Plans
<u>X</u>	Exhibit "F"	—	Advances
<u>X</u>	Exhibit "F-1"	—	Draw Request
<u>X</u>	Exhibit "G"	—	Survey Requirements
	Exhibit "H"	—	Intentionally Omitted
<u>X</u>	Exhibit "I"	—	Leasing and Tenant Matters
<u>X</u>	Exhibit "J"	—	List of Required Bonds
<u>X</u>	Exhibit "K"	—	Letters of Credit
<u>X</u>	Exhibit "L"	—	Assignment and Assumption
<u>X</u>	Exhibit "M"	—	Promissory Note
<u>X</u>	Exhibit "N"	—	Schedule of Lenders

The Exhibits contain other terms, provisions and conditions applicable to the Loan. Capitalized terms used in this Agreement shall have the meanings assigned to them in Exhibit "B". This Agreement and the other Loan Documents, which must be in form, detail and substance satisfactory to Lenders, evidence the agreements of Borrower and Lenders with respect to the Loan. Borrower shall comply with all of the Loan Documents, but to the extent that the provisions of this Agreement conflict or are inconsistent with the provisions in any of the other Loan Documents, the provisions of this Agreement shall control.

1.2. Purpose. The proceeds of the Loan shall be used by Borrower to pay (i) the cost of the construction of the Improvements on the Land and (ii) other fees, costs and expenses relating to the Property if and to the extent that such costs are specifically provided for in the Budget.

1.3. Commitment to Lend. Borrower agrees to borrow from each Lender, and each Lender severally agrees to make advances of its Pro Rata Share of the proceeds of the Loan to Borrower in amounts at any one time outstanding not to exceed such Lender's Pro Rata Share of the Loan and (except for Administrative Agent with respect to Administrative Agent Advances), on the terms and subject to the conditions set forth in this Agreement and Exhibit "C" and Exhibit "F" attached to this Agreement. Lender's commitment to lend shall expire and terminate automatically if the Loan is prepaid in full. The Loan is not revolving. Any amount repaid may not be reborrowed.

1.4. Budget. The Budget is attached to this Agreement as Exhibit "D". The amounts listed in the Budget as the (a) "Total Costs" is the maximum cost anticipated by Borrower for each item specified; (b) "Total Budget" is the maximum cost anticipated by Borrower for the Project; (c) "Loan Proceeds" is the maximum amount to be advanced under the Loan, and as used herein, such term shall mean Loan funds to be advanced by the Lenders subject to the terms and conditions of this Agreement; and (d) "Up-Front Equity" is FIFTY SEVEN MILLION FIVE HUNDRED SIXTY ONE THOUSAND TWO HUNDRED THIRTY SEVEN AND NO/100 DOLLARS

(\$57,561,237.00), the amount which is to be paid by Borrower toward the Total Costs, and advanced prior to the first Advance of any Loan Proceeds. Up-Front Equity Cash and Loan Proceeds shall be advanced subject to the terms, covenants, conditions and provisions of this Agreement. Borrower shall not amend the Budget, or otherwise reallocate Loan funds from one Budget line item to another, without the prior written approval of Administrative Agent in its sole discretion or except as expressly provided for herein. The Budget has been prepared by Borrower, and Borrower represents to Administrative Agent and Lenders that to the best of Borrower's knowledge, the Budget includes all costs incident to the Loan and the Project through the maturity date of the Loan (collectively, the "Aggregate Cost") after taking into account the requirements of this Agreement, including "hard" and "soft" costs, fees and expenses. Unless approved by Administrative Agent in its sole discretion, no advance shall be made (a) for any cost not set forth in the Budget, (b) from any line item in the Budget that, when added to all prior advances from that line item, would exceed the lesser of (i) the actual cost incurred by Borrower for such line item, or (ii) the sum shown in the Budget for such line item, (c) from any contingency line item, or (d) to pay interest on the Loan after commencement of operations in the Improvements if and to the extent that, subject to the provisions of Exhibit "I", there is sufficient net operating income from the Property to pay such interest. Advances from any line item in the Budget for purposes other than those for which amounts are initially allocated to such line item, or changes in the relative amounts allocated to particular line items in the Budget may only be made as Administrative Agent in its sole discretion deems necessary or advisable.

In the event the general contractor produces a cost savings on a particular line item under a construction contract with such general contractor, the general contractor will deduct the savings on that line item and increase the general contractor fee line item by twenty-five percent of the savings. The balance of the savings will be re-allocated to interest reserve, contingency or hard cost line items after consent of the Administrative Agent pursuant to the requirements of this Agreement.

1.5. Borrower's Deposit. If at any time Administrative Agent determines that the sum of: (i) any unadvanced portion of the Loan to which Borrower is entitled, plus (ii) the portions of the Aggregate Cost that are to be paid by Borrower from other funds that, to Administrative Agent's satisfaction, are available, set aside and committed, is or will be insufficient to pay the actual unpaid Aggregate Cost, Borrower shall, within ten (10) days after written notice from Administrative Agent, deposit with Administrative Agent the amount of the deficiency ("Borrower's Deposit") in an interest-bearing account of Administrative Agent's selection with interest earned thereon to be part of Borrower's Deposit. Such Borrower's Deposit is hereby pledged to Administrative Agent and Lenders as additional security for the Loan, and Borrower hereby grants and conveys to Administrative Agent for the ratable benefit of Administrative Agent and Lenders a security interest in all funds so deposited with Administrative Agent, as additional security for the Loan. Administrative Agent may advance all or a portion of the Borrower's Deposit prior to the Loan Proceeds. Upon the occurrence of any Default by Borrower, Administrative Agent may (but shall have no obligation to) apply all or any part of Borrower's Deposit against the unpaid Indebtedness in such order as Administrative Agent determines. Absent the existence of any Default or the occurrence of any event which, upon the giving of notice or the passage of time would become a Default, Borrower's Deposit shall be used to pay amounts of any insufficiencies in the Aggregate Cost.

1.6. Evidence of Debt. Amounts of the Loan made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Loan made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Indebtedness. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of Administrative Agent shall control in the absence of manifest error.

1.7. Interest Rate.

(a) The unpaid principal balance of this Loan from day to day outstanding which is not past due, shall bear interest at a fluctuating rate of interest equal to the sum of (i) the greater of (x) the BBA LIBOR Daily Floating Rate or (y) ONE HUNDRED AND FIFTY (150) basis points per annum and (ii) FOUR HUNDRED AND FIFTY (450) basis points, until default (the "Applicable Rate"). The "BBA LIBOR Daily Floating Rate" shall

mean a fluctuating rate of interest equal to the British Bankers Association LIBOR Rate (“BBA LIBOR”), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as selected by Administrative Agent from time to time) as determined for each Business Day at approximately 11:00 a.m. London time two (2) London Banking Days prior to the date in question, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a one month term, as adjusted from time to time in Administrative Agent’s sole discretion for reserve requirements, deposit insurance assessment rates and other regulatory costs. If such rate is not available at such time for any reason, then the rate will be determined by such alternative method as reasonably selected by Administrative Agent. A “London Banking Day” is a day on which banks in London are open for business and dealing in offshore dollars. Interest shall be computed for the actual number of days which have elapsed, on the basis of a 360-day year. Interest shall accrue from the date that funds are actually deposited into the Borrower’s account described in Section 1.15 below or disbursed to a third party on behalf of the Borrower or in connection with the construction and development of the Project.

(b) If Administrative Agent determines that no adequate basis exists for determining the BBA LIBOR Daily Floating Rate or that the BBA LIBOR Daily Floating Rate will not adequately and fairly reflect the cost to Lenders of funding the Loan, or that any applicable law or regulation or compliance therewith by any Lender prohibits or restricts or makes impossible the charging of interest based on the BBA LIBOR Daily Floating Rate and such Lender so notifies Administrative Agent and Borrower, then until Administrative Agent notifies Borrower that the circumstances giving rise to such suspension no longer exist, interest shall accrue and be payable on the unpaid principal balance of this Loan from the date Administrative Agent so notifies Borrower until the Maturity Date of this Loan (whether by acceleration, declaration, extension or otherwise) at a fluctuating and per annum rate of interest equal to the sum of 1.75% plus the greater of (1) the Prime Rate of Administrative Agent; and (2) 4.25%. Each Lender agrees to designate a different Lending Office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender. Each time the Prime Rate changes, the per annum rate of interest on this Loan shall change immediately and contemporaneously with such change in the Prime Rate. If Administrative Agent (including any subsequent Administrative Agent) ceases to exist or to establish or publish a prime rate from which the Prime Rate is then determined, the applicable variable rate from which the Prime Rate is determined thereafter shall be instead the prime rate reported in The Wall Street Journal (or the average prime rate if a high and a low prime rate are therein reported), and the Prime Rate shall change without notice with each change in such prime rate as of the date such change is reported.

1.8. Past Due Rate. If any amount payable by Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Past Due Rate (as defined herein) to the fullest extent permitted by applicable law. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable on demand, at a rate per annum equal to the Applicable Rate plus FOUR HUNDRED (400) basis points (the “Past Due Rate”).

1.9. Prepayment. Borrower may prepay the principal balance of this Loan, in full at any time or in part from time to time, without fee, premium or penalty, provided that: (a) Administrative Agent shall have actually received from Borrower prior written notice of (i) Borrower’s intent to prepay, (ii) the amount of principal which will be prepaid (the “Prepaid Principal”), and (iii) the date on which the prepayment will be made; (b) each prepayment shall be in an amount of One Thousand and No/100 Dollars (\$1,000.00) or a larger integral multiple of One Thousand and No/100 Dollars (\$1,000.00) (unless the prepayment retires the outstanding balance of this Loan in full); and (c) each prepayment shall be in the amount of 100% of the Prepaid Principal, plus accrued unpaid interest thereon to the date of prepayment, plus any other sums which have become due to Administrative Agent and Lenders under the Loan Documents on or before the date of prepayment but have not been paid. If this Loan is prepaid in full, any commitment of Lenders for further advances shall automatically terminate.

1.10. Consequential Loss. Within fifteen (15) days after request by any Lender (or at the time of any prepayment), Borrower shall pay to such Lender such amount or amounts as will compensate such Lender for any reasonable loss, cost, expense, penalty, claim or liability, including any loss incurred in obtaining, prepaying, liquidating or employing deposits or other funds from third parties and any loss of revenue, profit or yield, as determined by such Lender in its judgment reasonably exercised (together, “Consequential Loss”) incurred by such Lender with respect to any LIBOR Rate as a result of: (a) the failure of Borrower to make payments on the date

specified under this Agreement or in any notice from Borrower to Administrative Agent; (b) the failure of Borrower to borrow, continue or convert into LIBOR Rate Principal on the date or in the amount specified in a notice given by Borrower to Administrative Agent pursuant to this Agreement; (c) the early termination of any Interest Period for any reason; or (d) the payment or prepayment of any amount on a date other than the date such amount is required or permitted to be paid or prepaid, whether voluntarily or by reason of acceleration, including, but not limited to, acceleration upon any transfer or conveyance of any right, title or interest in the Property giving Administrative Agent on behalf of Lenders the right to accelerate the maturity of the Loan as provided in the Mortgage. The foregoing notwithstanding, the amounts of the Consequential Loss shall never be less than zero or greater than what is permitted by applicable Law. If any Consequential Loss will be due, the Lender shall deliver to Borrower a notice as to the amount of the Consequential Loss, which notice shall be conclusive in the absence of manifest error. Neither Administrative Agent nor the Lenders shall have any obligation to purchase, sell and/or match funds in connection with the funding or maintaining of the Loan or any portion thereof. The obligations of Borrower under this Section shall survive any termination of the Loan Documents and payment of the Loan and shall not be waived by any delay by Administrative Agent or Lenders in seeking such compensation.

1.11. Late Charge. If Borrower shall fail to make any payment due hereunder or under the terms of any Note within fifteen (15) days after the date such payment is due, Borrower shall pay to the applicable Lender or Lenders on demand a late charge equal to four percent (4%) of such payment. Such fifteen (15) day period shall not be construed as in any way extending the due date of any payment. The “late charge” is imposed for the purpose of defraying the expenses of a Lender incident to handling such defaulting payment. This charge shall be in addition to, and not in lieu of, any other remedy Lenders may have and is in addition to any fees and charges of any agents or attorneys which Administrative Agent or Lenders may employ upon the occurrence of a Default, whether authorized herein or by Law.

1.12. Taxes.

(a) Any and all payments by Borrower to or for the account of Administrative Agent or any Lender under any Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and all liabilities with respect thereto, excluding, in the case of Administrative Agent and any Lender, taxes imposed on or measured by its net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which Administrative Agent or such Lender, as the case may be, is organized or maintains a Lending Office (all such non-excluded taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and liabilities being hereinafter referred to as “Taxes”). If Borrower shall be required by any Laws to deduct any Taxes from or in respect of any sum payable under any Loan Document to Administrative Agent or any Lender, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), Administrative Agent and such Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) Borrower shall make such deductions, (iii) Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Laws, and (iv) within 30 days after the date of such payment, Borrower shall furnish to Administrative Agent (which shall forward the same to such Lender) the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, Borrower agrees to pay any and all present or future stamp, court or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under any Loan Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document (hereinafter referred to as “Other Taxes”).

(c) If Borrower shall be required by the Laws of any jurisdiction outside the United States to deduct any Taxes or Other Taxes from or in respect of any sum payable under any Loan Document to Administrative Agent or any Lender, Borrower shall also pay to Administrative Agent (for the account of such Lender) or to such Lender, at the time interest is paid, such additional amount that such Lender specifies is necessary to preserve the after-tax yield (after factoring in United States (federal and state) taxes imposed on or measured by net income) the Lender would have received if such deductions (including deductions applicable to additional sums payable under this Section) had not been made.

(d) Borrower agrees to indemnify Administrative Agent and each Lender for the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by Administrative Agent and such Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, in each case whether or not such Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Tribunal. Payment under this subsection (d) shall be made within 30 days after the date the Lender or the Administrative Agent makes a demand therefor.

(e) Without prejudice to the survival of any other agreement of Borrower hereunder, the agreements and obligations of Borrower contained in this Section shall survive the termination of the Commitments and the payment in full of all the other Indebtedness.

1.13. Payment Schedule and Maturity Date.

1.13.1 Accrued and unpaid interest shall be due and payable commencing on May 15, 2010 and on the 15th day of each succeeding month thereafter until all principal and accrued interest owing on the Loan shall have been fully paid and satisfied.

1.13.2 Commencing on the 15th day of the first calendar month following the first payment of rent by Skechers pursuant to the Lease and continuing on the 15th day of each and every calendar month thereafter until the Loan has been repaid in full, Borrower shall make principal payments in an amount derived assuming a thirty (30) year amortization and interest at the rate of the greater of eight percent (8%) per annum or the rate then paid on ten (10) year Treasury Notes, plus TWO HUNDRED AND FIFTY (250) basis points; provided, that on the Maturity Date the entire principal balance of the Loan then unpaid and all accrued interest then unpaid shall be finally due and payable. It is acknowledged and agreed that the interest rate set forth in this Section 1.13.2 shall not be the interest rate under the Loan (which interest rate is set forth in Section 1.7 above), but rather shall be used solely for the determination of the amount of each principal payment to be made pursuant to this Section 1.13.2.

1.13.3 Administrative Agent shall grant a request by Borrower to extend the Maturity Date of the Loan to October 30, 2012 (the "Extended Maturity Date"), upon and subject to the following terms and conditions:

(a) Basic Conditions. Unless otherwise agreed by Administrative Agent with the consent of all Lenders in writing:

(i) Borrower shall request the extension, if at all, by written notice to Administrative Agent not more than one hundred twenty (120) days, and not less than sixty (60) days, prior to the Maturity Date.

(ii) At the time of the request, the construction of the Improvements shall have been completed in accordance with the requirements of the Loan Documents, an unconditional certificate of occupancy (or local equivalent) shall have been issued for the Improvements by the applicable governmental authority with jurisdiction over the Property, and all conditions to the final disbursement shall have been satisfied.

(iii) At the time of the request, and at the time of the extension, there shall not exist any default, nor any condition or state of facts which after notice and/or lapse of time would constitute a Default under any Loan Document.

(iv) Current Financial Statements regarding Borrower and TG Development (dated not earlier than thirty (30) days prior to the request for extension) and all other financial statements and other information as may be required under the Loan Documents regarding Borrower, TG Development and the Property, shall have been submitted promptly to Administrative Agent, and there shall not have occurred, in the opinion of Administrative Agent, any material adverse change in the business or financial condition of Borrower or any Guarantor or Skechers, or in the Property or in any other state of facts submitted to Administrative Agent in connection with the Loan Documents, from that which existed on the date of this Agreement.

(v) Whether or not the extension becomes effective, Borrower shall pay all out-of-pocket costs and expenses incurred by Administrative Agent and Lenders in connection with the proposed extension (pre- and post-closing), including, without limitation, appraisal fees, environmental audit and reasonable legal fees; all such costs and expenses incurred up to the time of Lenders' written agreement to the extension shall be due and payable prior to Lenders' execution of that agreement (or if the proposed extension does not become effective, then upon demand by Administrative Agent), and any future failure to pay such amounts shall constitute a default under the Loan Documents.

(vi) All applicable regulatory requirements, including appraisal requirements, shall have been satisfied with respect to the extension.

(vii) Not later than the Maturity Date, (A) the extension shall have been consented to and documented to Administrative Agent and Lenders' satisfaction by Borrower, each Guarantor, Lenders, and all other parties deemed necessary by Administrative Agent (such as any permitted subordinate lienholders); (B) Administrative Agent shall have been provided with an updated title report and judgment and lien searches, and appropriate title insurance endorsements shall have been issued as required by Administrative Agent; and (C) Borrower shall have paid to Administrative Agent for the pro rata benefit of Lenders a non-refundable extension fee in the amount of Twenty Five Thousand and No/100 Dollars (\$25,000.00).

(viii) At the time of such extension, the Property shall have a Loan to Value Ratio (as hereinafter defined) of not greater than fifty-eight percent (58%), which Loan to Value Ratio shall be calculated as follows: the outstanding principal balance and accrued but unpaid interest on the Loan as of the date of the determination of the ratio shall be divided by the appraised "As-Is" value of the Property. The appraised "As-Is" value of the Property shall be based upon Administrative Agent's existing appraisal of the Property, or, at Administrative Agent's election (in its sole discretion), an updated appraisal, prepared by an appraiser acceptable to Administrative Agent at Borrower's expense, and satisfactory to Administrative Agent in all respects, as reviewed, adjusted and approved by Administrative Agent. In the event this Loan to Value Ratio is not met, Borrower may satisfy this Loan to Value Ratio prior to the extension date by either (A) making a principal curtailment on the Loan in an amount sufficient to bring this Loan to Value Ratio into compliance and/or (B) provide additional collateral acceptable to Administrative Agent, which shall have value (as determined by Administrative Agent) which when added to the Property value is sufficient to satisfy this Loan to Value Ratio.

(ix) At the time of such extension, Skechers shall have taken occupancy of the Improvements and commenced to pay rent under the Lease

(x) At the time of such extension, Borrower shall satisfy a Debt Service Coverage Ratio (as hereinafter defined) as determined by Administrative Agent for the preceding twelve (12) month period of at least 1.40 to 1.00, which Debt Service Coverage Ratio shall be calculated by dividing the cash flow for the preceding twelve (12) month period (the "Determination Period") by the amount of the debt service payments in the amount calculated assuming a thirty (30) year amortization and interest at the rate of the greater of eight percent (8%) per annum or the rate then paid on ten (10) year Treasury Notes, plus TWO HUNDRED AND FIFTY (250) basis points. For the purposes hereof, "cash flow" shall be defined as net income of Borrower after provision for approved operating expenses and state and federal income taxes, increased by the amount of depreciation, amortization and other non-cash charges, if any. In the event that Skechers has not been in possession of the Improvements and paying rent during the entirety of the Determination Period, then the following shall apply: (a) cash flow for that period of time during the Determination Period during which Skechers has been paying rent shall be annualized (e.g., if one month, then such cash flow shall be multiplied by 12, if three months, then such cash flow shall be multiplied by 4, etc.); and (b) any and all expenses which may not occur on a monthly basis (e.g., payment of real estate taxes and insurance premiums) shall also be annualized.

If all of the foregoing conditions are not satisfied strictly in accordance with their terms, the extension shall not be or become effective.

(b) No Changes in Loan Terms. All terms and conditions of the Loan Documents shall continue to apply to the extended term except that the Maturity Date shall mean the Extended Maturity Date.

1.14. Certain Provisions Regarding Payments. All payments made as scheduled on the Loan shall be applied, to the extent thereof, to late charges, to accrued but unpaid interest, unpaid principal, and any other sums due and unpaid to Administrative Agent under the Loan Documents, in such manner and order as Administrative Agent may elect in its sole discretion. All permitted prepayments on the Loan shall be applied, to the extent thereof, to accrued but unpaid interest on the amount prepaid, to the remaining principal installments, and any other sums due and unpaid to Administrative Agent under the Loan Documents, in such manner and order as Administrative Agent may elect in its sole discretion, including but not limited to application to principal installments in inverse order of maturity. Except to the extent that specific provisions are set forth in this Agreement or another Loan Document with respect to application of payments, all payments received by Administrative Agent shall be applied, to the extent thereof, to the indebtedness secured by the Mortgage in such manner and order as Administrative Agent may elect in its sole discretion, any instructions from Borrower or anyone else to the contrary notwithstanding. Remittances in payment of any part of the indebtedness other than in the required amount in immediately available U.S. funds shall not, regardless of any receipt or credit issued therefor, constitute payment until the required amount is actually received by Administrative Agent in immediately available U.S. funds and shall be made without offset, demand, counterclaim, deduction, or recoupment (each of which is hereby waived) and accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks. Acceptance by the Administrative Agent of any payment in an amount less than the amount then due on any indebtedness shall be deemed an acceptance on account only, notwithstanding any notation on or accompanying such partial payment to the contrary, and shall not in any way excuse the existence of a Default. Payments received after 2:00 p.m. shall be deemed to be received on, and shall be posted as of, the following Business Day. Whenever any payment under this Agreement or any other Loan Document falls due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day.

1.15. Advances and Payments.

(a) Following receipt of a Draw Request, Administrative Agent shall promptly provide each Lender with a copy of the Draw Request Form in the form of Exhibit "F-1", the related AIA Document G-702 and G-703, the related written certification by Borrower's Architect and if available the related written certification of the Construction Consultant. Administrative Agent shall notify each Lender telephonically (with confirmation by facsimile or electronic mail), by facsimile (with confirmation by telephone or electronic mail) or by electronic mail (with confirmation by telephone or facsimile) not later than 1:00 p.m. Administrative Agent's Time two (2) Business Days prior to the advance Funding Date for LIBOR Rate Principal advances, and one (1) Business Day prior to the advance Funding Date for all other advances, of its Pro Rata Share of the amount Administrative Agent has determined shall be advanced in connection therewith ("Advance Amount"). In the case of an advance of the Loan, each Lender shall make the funds for its Pro Rata Share of the Advance Amount available to Administrative Agent not later than 11:00 a.m. Administrative Agent's Time on the Funding Date thereof. After Administrative Agent's receipt of the Advance Amount from Lenders, Administrative Agent shall make proceeds of the Loan in an amount equal to the Advance Amount (or, if less, such portion of the Advance Amount that shall have been paid to Administrative Agent by Lenders in accordance with the terms hereof) available to Borrower on the applicable Funding Date by advancing such funds to Borrower in accordance with the provisions of Exhibit "F".

(b) All payments by Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by Borrower hereunder shall be made to Administrative Agent not later than 12:00 p.m. (Administrative Agent's Time) on the date specified herein. Administrative Agent shall distribute to each Lender such funds as such Lender may be entitled to receive hereunder (i) on or before 3:00 p.m. (Administrative Agent's Time) on the day Administrative Agent receives such funds, if Administrative Agent has received such funds on or before 12:00 p.m. (Administrative Agent's Time), or (ii) on or before 12:00 p.m. (Administrative Agent's Time) on the Business Day following the day Administrative Agent receives such funds, if Administrative Agent receives such funds after 12:00 p.m. (Administrative Agent's Time). If Administrative Agent fails to timely pay any amount to any Lender in accordance with this subsection, Administrative Agent shall pay to such Lender interest at the Federal Funds Rate on such amount, for each day from the day such amount was to be paid until it is paid to such Lender (any such interest paid shall not be chargeable to Borrower).

(c) Except as otherwise provided herein, all payments by Borrower or any Lender shall be made to Administrative Agent at Administrative Agent's Office not later than the time for such type of payment specified in this Agreement. All payments received after such time shall be deemed received on the next succeeding Business Day. All payments shall be made in immediately available funds in lawful money of the United States of America.

(d) Upon satisfaction of any applicable terms and conditions set forth herein, Administrative Agent shall promptly make any amounts received in accordance with the prior subsection available in like funds received as follows: (i) if payable to Borrower, in accordance with Exhibit "F", except as otherwise specified herein, and (ii) if payable to any Lender, by wire transfer to such Lender at the address specified in the Schedule of Lenders.

(e) Except as otherwise provided in Exhibit "K" with respect to Borrower reimbursing drawings under Letters of Credit, unless Borrower or any Lender has notified Administrative Agent, prior to the date any payment is required to be made by it to Administrative Agent, that Borrower or such Lender, as the case may be, will not make such payment, Administrative Agent may assume that Borrower or such Lender, as the case may be, has timely made such payment and may (but shall not be required to do so) in reliance thereon, make available a corresponding amount to the person or entity entitled thereto. If and to the extent that such payment was not in fact made to Administrative Agent in immediately available funds, then:

(i) if Borrower failed to make such payment, each Lender shall forthwith on demand repay to Administrative Agent the portion of such assumed payment that was made available to such Lender in immediately available funds, together with interest thereon in respect of each day from and including the date such amount was made available by Administrative Agent to such Lender to the date such amount is repaid to Administrative Agent in immediately available funds at the Federal Funds Rate from time to time in effect; and

(ii) if any Lender failed to make such payment, such Lender or, if applicable, Electing Lender or Lenders shall forthwith on demand pay to Administrative Agent the amount thereof in immediately available funds, together with interest thereon for the period from the date such amount was made available by Administrative Agent to Borrower to the date such amount is recovered by Administrative Agent (the "Compensation Period") at a rate per annum equal to the interest rate applicable to such amount under the Loan. If such Lender pays such amount to Administrative Agent, then such amount shall constitute such Lender's Pro Rata Share, included in the applicable Loan advance. If such Lender does not pay such amount forthwith upon Administrative Agent's demand therefor, Administrative Agent may make a demand therefor upon Borrower, and the Borrower shall pay such amount to Administrative Agent, together with interest thereon for the Compensation Period at a rate per annum equal to the non-default rate of interest applicable to such amount under the Loan. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Commitment or to prejudice any rights which Administrative Agent or Borrower may have against any Lender as a result of any default by such Lender hereunder.

A notice of the Administrative Agent to any Lender or to Borrower with respect to any amount owing under this subsection shall be conclusive, absent manifest error.

(f) If any Lender makes available to the Administrative Agent funds for any Loan advance to be made by such Lender as provided in the foregoing provisions of this Section, and the funds are not advanced to Borrower or otherwise used to satisfy any Obligations of such Lender hereunder, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(g) Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan advance in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan advance in any particular place or manner.

(h) Conditions to Initial Advance of Loan Proceeds. The following are conditions precedent to Administrative Agent and Lenders' obligation to make the Initial Advance of Loan Proceeds to Borrower

hereunder and are in addition to any other conditions for advances and for the Initial Advance of Loan Proceeds set forth in this Agreement, including, but not limited to, those contained in Exhibit F of this Agreement:

(i) Permits. Borrower, Administrative Agent and Lenders acknowledge that as of the date hereof, Borrower has not yet obtained from the applicable governmental authorities the permits that are required for the construction of the Improvements. Borrower agrees that Administrative Agent and Lenders shall have no obligation to make an Initial Advance of Loan Proceeds unless and until Borrower has obtained all permits required for the construction of the Improvements and has provided true and correct copies of such valid building permits for the Improvements, acceptable to the Administrative Agent in its sole discretion, together with all other consents, licenses, permits and approvals necessary for construction of the Improvements, all in assignable form (to the extent appropriate) and in full force and effect.

(ii) Relocation and/or Release of Utility Easements. Borrower, Administrative Agent and Lenders acknowledge that the Property is currently encumbered by certain utility easements (collectively, the "Utility Easements") in favor of each of Southern California Edison Company (as successor to Nevada-California Electric Corporation and California Electric Power Company) ("SCE") and the Eastern Municipal Water District (the "EMWD", and collectively with SCE, the "Grantees") as more specifically set forth in Preliminary Report NCS-413199A issued by the Title Company. Borrower, Administrative Agent and each Lender also acknowledge that the Improvements are intended to be constructed over portions of the Property that are subject to the Utility Easements and that Borrower intends either to cause the Grantees to release the Utility Easements or to relocate them so that once constructed the Improvements will not encroach upon those portions of the Property encumbered by the Utility Easements or violate the terms or conditions of the Utility Easements. Borrower agrees that Administrative Agent and Lenders shall have no obligation to make an Initial Advance of Loan Proceeds hereunder unless and until (i) the Utility Easements have been released by the Grantees or relocated by the Grantees in a manner approved of by Administrative Agent in its sole and absolute discretion; (ii) executed and recorded copies of all instruments effecting such release or relocation (as applicable) have been provided to Administrative Agent; (iii) Borrower has provided to Administrative Agent, at no cost to Administrative Agent, (a) an updated survey of the Property reflecting the release or relocation of the Utility Easements and (b) such endorsements to its policy of Title Insurance, required by, and acceptable to, Administrative Agent in its sole discretion, including, but not limited to an unmodified Form 103.3 endorsement and an endorsement reflecting the release of the Utility Easements or the relocation of same in the manner approved by Administrative Agent.

(iii) Recordation of Final Map. Borrower agrees that Administrative Agent and Lenders shall have no obligation to make the Initial Advance of Loan Proceeds unless and until (A) the Final Map, as such term is defined in the Section 6.24 of the Mortgage, is approved by the City and recorded in the Official Records of Riverside County, California and a copy of such recorded Final Map is provided to Administrative Agent; and (B) Administrative Agent and Lenders are provided with the items specifically set forth in Section 6.24 of the Mortgage.

1.16. Administrative Agent Advances.

(a) Administrative Agent is authorized, from time to time, in Administrative Agent's sole discretion to make, authorize or determine advances of the Loan, or otherwise expend funds, on behalf of Lenders ("Administrative Agent Advances"), (i) to pay any costs, fees and expenses as described in Section 6.10 herein, (ii) when the applicable conditions precedent set forth in Exhibit "C" and Exhibit "F" have been satisfied to the extent required by Administrative Agent, and (iii) when Administrative Agent deems necessary or desirable to preserve or protect the Loan collateral or any portion thereof (including those with respect to property taxes, insurance premiums, completion of construction, operation, management, improvements, maintenance, repair, sale and disposition) (A) subject to Section 5.5, after the occurrence of a Default, and (B) subject to Section 5.10, after acquisition of all or a portion of the Loan collateral by foreclosure or otherwise.

(b) Administrative Agent Advances shall constitute obligatory advances of Lenders under this Agreement, shall be repayable on demand and secured by the Loan collateral, and if unpaid by Lenders as set forth below shall bear interest at the rate applicable to such amount under the Loan or if no longer applicable, at the

Base Rate. Administrative Agent shall notify each Lender in writing of each Administrative Agent Advance. Upon receipt of notice from Administrative Agent of its making of an Administrative Agent Advance, each Lender shall make the amount of such Lender's Pro Rata Share of the outstanding principal amount of the Administrative Agent Advance available to Administrative Agent, in same day funds, to such account of Administrative Agent as Administrative Agent may designate, (i) on or before 3:00 p.m. (Administrative Agent's Time) on the day Administrative Agent provides Lenders with notice of the making of such Administrative Agent Advance if Administrative Agent provides such notice on or before 12:00 p.m. (Administrative Agent's Time), or (ii) on or before 12:00 p.m. on the Business Day immediately following the day Administrative Agent provides Lenders with notice of the making of such advance if Administrative Agent provides notice after 12:00 p.m. (Administrative Agent's Time).

1.17. Defaulting Lender.

1.17.1 Notice and Cure of Lender Default; Election Period; Electing Lenders. Administrative Agent shall notify (such notice being referred to as the "Default Notice") Borrower (for Loan advances) and each non-Defaulting Lender if any Lender is a Defaulting Lender. Each non-Defaulting Lender shall have the right, but in no event or under any circumstance the obligation, to fund such Defaulting Lender Amount, *provided* that within twenty (20) days after the date of the Default Notice (the "Election Period"), such non-Defaulting Lender or Lenders (each such Lender, an "Electing Lender") irrevocably commit(s) by notice in writing (an "Election Notice") to Administrative Agent, the other Lenders and Borrower to fund the Defaulting Lender Amount and to assume the Defaulting Lender's obligations with respect to the advancing of the entire undisbursed portion of the Defaulting Lender's principal obligations under this Agreement (such entire undisbursed portion of the Defaulting Lender's principal obligations under this Agreement, including its portion of the Payment Amount that is the subject of the default, is hereinafter referred to as the "Defaulting Lender Obligation"). If Administrative Agent receives more than one Election Notice within the Election Period, then the commitment to fund the Defaulting Lender Amount and the Defaulting Lender Obligation shall be apportioned pro rata among the Electing Lenders in the proportion that the amount of each such Electing Lender's Commitment bears to the total Commitments of all Electing Lenders. If the Defaulting Lender fails to pay the Defaulting Lender Payment Amount within the Election Period, the Electing Lender or Lenders, as applicable, shall be automatically obligated to fund the Defaulting Lender Amount and Defaulting Lender Obligation (and Defaulting Lender shall no longer be entitled to fund such Defaulting Lender Amount and Defaulting Lender Obligation) within three (3) Business Days following the expiration of the Election Period to reimburse Administrative Agent or make payment to Borrower, as applicable. Notwithstanding anything to the contrary contained herein, if Administrative Agent has funded the Defaulting Lender Amount, Administrative Agent shall be entitled to reimbursement for its portion of the Defaulting Lender Payment Amount pursuant to Section 5.11.

1.17.2 Removal of Rights; Indemnity. Administrative Agent shall not be obligated to transfer to a Defaulting Lender any payments made by or on behalf of Borrower to Administrative Agent for the Defaulting Lender's benefit; nor shall a Defaulting Lender be entitled to the sharing of any payments hereunder or under any Note until all Defaulting Lender Payment Amounts are paid in full. Amounts payable to a Defaulting Lender shall be paid by Administrative Agent to reimburse Administrative Agent and any Electing Lender pro rata for all Defaulting Lender Payment Amounts. Solely for the purposes of voting or consenting to matters with respect to the Loan Documents, a Defaulting Lender shall be deemed not to be a "Lender" and such Defaulting Lender's Commitment shall be deemed to be zero. A Defaulting Lender shall have no right to participate in any discussions among and/or decisions by Lenders hereunder and/or under the other Loan Documents. Further, any Defaulting Lender shall be bound by any amendment to, or waiver of, any provision of, or any action taken or omitted to be taken by Administrative Agent and/or the non-Defaulting Lenders under, any Loan Document which is made subsequent to the Defaulting Lender's becoming a Defaulting Lender. This Section shall remain effective with respect to a Defaulting Lender until such time as the Defaulting Lender shall no longer be in default of any of its obligations under this Agreement by curing such default by payment of all Defaulting Lender Payment Amounts (i) within the Election Period, or (ii) after the Election Period with the consent of the non-Defaulting Lenders. Such Defaulting Lender nonetheless shall be bound by any amendment to or waiver of any provision of, or any action taken or omitted to be taken by Administrative Agent and/or the non-Defaulting Lenders under any Loan Document which is made subsequent to that Lender's becoming a Defaulting Lender and prior to such cure or waiver. The operation of this subsection or the subsection above alone shall not be construed to increase or otherwise affect the Commitment of any non-Defaulting Lender, or relieve or excuse the performance by Borrower of their duties and

obligations hereunder or under any of the other Loan Documents. Furthermore, nothing contained in this Section shall release or in any way limit a Defaulting Lender's obligations as a Lender hereunder and/or under any other of the Loan Documents. Further, a Defaulting Lender shall indemnify and hold harmless Administrative Agent and each of the non-Defaulting Lenders from any claim, loss, or costs incurred by Administrative Agent and/or the non-Defaulting Lenders as a result of a Defaulting Lender's failure to comply with the requirements of this Agreement, including, without limitation, any and all additional losses, damages, costs and expenses (including, without limitation, attorneys' fees) incurred by Administrative Agent and any non-Defaulting Lender as a result of and/or in connection with (i) a non-Defaulting Lender's acting as an Electing Lender, (ii) any enforcement action brought by Administrative Agent against a Defaulting Lender, and (iii) any action brought against Administrative Agent and/or Lenders. The indemnification provided above shall survive any termination of this Agreement.

1.17.3 Commitment Adjustments. In connection with the adjustment of the amounts of the Loan Commitments of the Defaulting Lender and Electing Lender(s) upon the expiration of the Election Period as aforesaid, Borrower, Administrative Agent and Lenders shall execute such modifications to the Loan Documents as shall, in the reasonable judgment of Administrative Agent, be necessary or desirable in connection with the adjustment of the amounts of Commitments in accordance with the foregoing provisions of this Section. For the purpose of voting or consenting to matters with respect to the Loan Documents such modifications shall also reflect the removal of voting rights of the Defaulting Lender and increase in voting rights of Electing Lenders to the extent an Electing Lender has funded the Defaulting Lender Amount and assumed the Defaulting Lender Obligation. In connection with such adjustments, Defaulting Lenders shall execute and deliver an Assignment and Assumption covering that Lender's Commitment and otherwise comply with Section 6.5. If a Lender refuses to execute and deliver such Assignment and Assumption or otherwise comply with Section 6.5, such Lender hereby appoints Administrative Agent to do so on such Lender's behalf. Administrative Agent shall distribute an amended Schedule of Lenders, which shall thereafter be incorporated into this Agreement, to reflect such adjustments. However, all such Defaulting Lender Amounts and Defaulting Lender Obligation funded by Administrative Agent or Electing Lenders shall continue to be Defaulting Lender Amounts of the Defaulting Lender pursuant to its obligations under this Agreement.

1.17.4 No Election. In the event that no Lender elects to commit to fund the Defaulting Lender Amount and Defaulting Lender Obligations within the Election Period, Administrative Agent shall, upon the expiration of the Election Period, so notify Borrower and each Lender.

1.18. Several Obligations; No Liability, No Release. Notwithstanding that certain of the Loan Documents now or hereafter may have been or will be executed only by or in favor of Administrative Agent in its capacity as such, and not by or in favor of Lenders, any and all obligations on the part of Administrative Agent (if any) to make any advances of the Loan or reimbursements for other Payment Amounts shall constitute the several (and not joint) obligations of the respective Lenders on a ratable basis, according to their respective Pro Rata Shares. Except as may be specifically provided in this Agreement, no Lender shall have any liability for the acts of any other Lender. No Lender shall be responsible to Borrower or any other person for any failure by any other Lender to fulfill its obligations to make advances of the Loan or reimbursements for other Payment Amounts, nor to take any other action on its behalf hereunder or in connection with the financing contemplated herein. The failure of any Lender to pay to Administrative Agent its Pro Rata Share of a Payment Amount shall not relieve any other Lender of any obligation hereunder to pay to Administrative Agent its Pro Rata Share of such Payment Amounts as and when required herein, but no Lender shall be responsible for the failure of any other Lender to so fund its Pro Rata Share of the Payment Amount. In furtherance of the foregoing, Lenders shall comply with their obligation to pay Administrative Agent their Pro Rata Share of such Payment Amounts regardless of (i) the occurrence of any Default hereunder or under any Loan Document; (ii) any failure of consideration, absence of consideration, misrepresentation, fraud, or any other event, failure, deficiency, breach or irregularity of any nature whatsoever in the Loan Documents; or (iii) any bankruptcy, insolvency or other like event with regard to Borrower or any Guarantor. The obligation of Lenders to pay to such Payment Amounts are in all regards independent of any claims between Administrative Agent and any Lender.

1.19. Replacement of Lenders. If any Lender is a Defaulting Lender, Borrower may, upon notice to such Lender and the Administrative Agent, replace such Lender by causing such Lender to assign its Commitment with the payment of any assignment fee by the replaced Lender to one or more other lenders or Eligible Assignees

acceptable to Borrower, the Administrative Agent and the L/C Issuer. Borrower shall or shall cause the replacement lender to (subject to the provisions of Section 1.14 through 1.15 providing for payment of all Defaulting Lender Payment Amounts to Administrative Agent and/or Electing Lenders, as applicable, prior to payment of amounts due to a Defaulting Lender), (x) pay in full all principal, interest, fees and other amounts owing to such Lender through the date of replacement, (y) provide appropriate assurances and indemnities (which may include letters of credit) as such Lender may reasonably require with respect to such replaced Lender's obligation to fund its participation interest in any Letters of Credit then outstanding and (z) provide a release of such Lender from its obligations under the Loan Documents. Any Lender being replaced shall execute and deliver an Assignment and Assumption covering that Lender's Commitment and otherwise comply with Section 6.5. If a Lender being replaced refuses to execute and deliver such Assignment and Assumption or otherwise comply with Section 6.5, such Lender hereby appoints Administrative Agent to do so on such Lender's behalf. Administrative Agent shall distribute an amended Schedule of Lenders, which shall thereafter be incorporated into this Agreement, to reflect adjustments to Lenders and their Commitments.

ARTICLE 2 — ADDITIONAL COVENANTS AND AGREEMENTS

2.1. Construction of the Improvements. Borrower shall commence construction of the Improvements on or before the Construction Commencement Date, and shall prosecute the construction of the Improvements with diligence and continuity, in a good and workmanlike manner, and in accordance with sound building and engineering practices, all applicable Laws and governmental requirements, the Plans and the Loan Documents. Borrower shall not permit cessation of work for a period in excess of ten (10) consecutive days, except for Excusable Delays. Borrower shall complete construction of the Improvements free and clear of all liens (except liens created by the Loan Documents), and shall obtain a certificate of occupancy and all other permits, licenses and approvals from all applicable governmental authorities required for the occupancy, use and operation of the Improvements, in each case satisfactory to Administrative Agent, on or before the Completion Date. Borrower shall promptly after receiving knowledge of same, correct (a) any material defect in the Improvements, (b) any material departure from the Plans, Law or governmental requirements, or (c) any encroachment by any Improvements or structure on any building setback line, easement, property line or restricted area.

2.2. Plans and Changes. No construction shall be undertaken on the Land except as shown in the Plans. Borrower assumes full responsibility for the compliance of the Plans and the Property with all Laws, governmental requirements and sound building and engineering practices. No plans or specifications, or any changes thereto, shall be included as part of the Plans until approved by Administrative Agent, Construction Consultant, all applicable governmental authorities, and all other parties required under the Loan Documents. Without Administrative Agent's prior written consent, Borrower shall not change or modify the Plans, agree to any change order, or allow any extras to any contractor or any subcontractor, except that Borrower may make Permitted Changes without such consent if: (a) Borrower notifies Administrative Agent in writing of the change or extra with appropriate supporting documentation and information; (b) Borrower obtains the approval of the applicable contractor, Borrower's architect and all sureties; (c) the structural integrity, quality and standard of workmanship of the Improvements is not impaired by such change or extra; (d) no substantial change in architectural appearance is effected by such change or extra; (e) no default in any obligation to any person or violation of any Law or governmental requirement would result from such change or extra; (f) Borrower complies with Section 1.5 of this Agreement to cover any excess cost resulting from the change or extra; and (g) completion of the Improvements by the Completion Date will not be affected. Administrative Agent shall not be obligated to review a proposed change unless it has received all documents necessary to review such change, including the change order, cost estimates, plans and specifications, and evidence that all required approvals other than that of Administrative Agent have been obtained.

2.3. Contracts. Without Administrative Agent's prior written approval as to parties, terms, and all other matters, Borrower shall not (a) enter into any Material Contract for the performance of any work or the supplying of any labor, materials or services for the design or construction of the Improvements, (b) enter into any management, leasing, maintenance or other contract pertaining to the Property not described in clause (a) that is not unconditionally terminable by Borrower or any successor owner without penalty or payment on not more than thirty (30) days notice to the other party thereunder, or (c) modify, amend, or terminate any such contracts. Administrative Agent hereby approves of the Development Management Services Agreement dated January 30, 2010 entered into by HF Logistics-SKX, LLC, a Delaware limited liability company and HFC Holdings, LLC, a Delaware limited liability company [as assigned by HF Logistics-SKX, LLC to Borrower?]. All such contracts shall

provide that all rights and liens of the applicable contractor, architect, engineer, supplier, surveyor or other party and any right to remove removable Improvements are subordinate to Lender's rights and liens, shall require all subcontracts and purchase orders to contain a provision subordinating the subcontractors' and mechanics' and materialmen's liens and any right to remove removable Improvements to Lender's rights and liens, and shall provide that no change order shall be effective without the prior written consent of Administrative Agent, except for change orders which implement Permitted Changes. Borrower shall not default under any contract, Borrower shall not permit any contract to terminate by reason of any failure of Borrower to perform thereunder, and Borrower shall promptly notify Administrative Agent of any default thereunder. Borrower will deliver to Administrative Agent, upon request of Administrative Agent, the names and addresses of all persons or entities with whom each contractor has contracted for the construction of the Improvements or for the furnishing of labor or materials therefor.

2.4. Assignment of Contracts and Plans. As additional security for the Obligations, Borrower hereby transfers and assigns to Administrative Agent for the ratable benefit of Administrative Agent and Lenders and grants a security interest in all of Borrower's right, title and interest, but not its liability, in, under, and to all construction, architectural and design contracts, and the Plans, and agrees that all of the same are covered by the security agreement provisions of the Mortgage. Borrower agrees to deliver to Administrative Agent from time to time upon Administrative Agent's request such consents to the foregoing assignment from parties contracting with Borrower as Administrative Agent may require. Neither this assignment nor any action by Administrative Agent or Lenders shall constitute an assumption by Administrative Agent or Lenders of any obligation under any such contract or with respect to the Plans, Borrower hereby agrees to perform all of its obligations under any such contract, and Borrower shall continue to be liable for all obligations of Borrower with respect thereto. Administrative Agent shall have the right at any time (but shall have no obligation) to take in its name or in the name of Borrower such action as Administrative Agent may determine to be necessary to cure any default under any such contract or with respect to the Plans or to protect the rights of Borrower, Administrative Agent or Lenders with respect thereto. Borrower irrevocably constitutes and appoints Administrative Agent as Borrower's attorney-in-fact, which power of attorney is coupled with an interest and irrevocable, after a Default by Borrower under this Agreement to enforce in Borrower's name or in Administrative Agent's and Lender's name all rights of Borrower under any such contract or with respect to the Plans. Administrative Agent shall incur no liability if any action so taken by it or on its behalf shall prove to be inadequate or invalid. Borrower indemnifies and holds Administrative Agent and Lenders harmless against and from any loss, cost, liability or expense (including, but not limited to, consultants' fees and expenses and attorneys' fees and expenses) incurred in connection with Borrower's failure to perform such contracts or any action taken by Administrative Agent or Lenders. Administrative Agent may use the Plans for any purpose relating to the Improvements. Borrower represents and warrants to Administrative Agent and Lenders that the copy of any contract furnished or to be furnished to Administrative Agent is and shall be a true and complete copy thereof, that the copies of the Plans delivered to Administrative Agent are and shall be true and complete copies of the Plans, that there have been no modifications thereof which are not fully set forth in the copies delivered, and that Borrower's interest therein is not subject to any claim, setoff, or encumbrance.

2.5. Storage of Materials. Borrower shall cause all materials supplied for or intended to be utilized in the construction of the Improvements, but not yet affixed to or incorporated into the Improvements or the Land, to be stored on the Land or at such other site as Administrative Agent may approve, in each case with adequate safeguards to prevent loss, theft, damage or commingling with materials for other projects. Borrower shall not purchase or order materials for delivery more than sixty (60) days prior to the scheduled incorporation of such materials into the Improvements without the prior approval of Administrative Agent, which will not be unreasonably withheld (and in that regard, Administrative Agent shall give due consideration to expected "lead times" for any such orders and potential cost savings resulting from early ordering of materials).

2.6. Construction Consultant. Administrative Agent may retain the services of a Construction Consultant, whose duties may include, among others, reviewing the Plans and any proposed changes to the Plans, performing construction cost analyses, observing work in place and reviewing Draw Requests. The duties of Construction Consultant run solely to Administrative Agent for the ratable benefit of Lenders, and Construction Consultant shall have no obligations or responsibilities whatsoever to Borrower, Borrower's architect, engineer, contractor or any of their agents or employees. Unless prohibited by applicable Law, all fees, costs, and expenses of Construction Consultant shall be paid by Borrower. Borrower shall cooperate with Construction Consultant and will furnish to Construction Consultant such information and other material as Construction Consultant considers necessary or useful in performing its duties.

2.7. Inspection. Administrative Agent and its agents, including Construction Consultant, may enter upon the Property to inspect the Property, the Project and any materials at any reasonable time, upon reasonable advance notice, unless Administrative Agent deems such inspection is of an emergency nature, in which event Borrower shall provide Administrative Agent with immediate access to the Property. Borrower will furnish to Administrative Agent and its agents, including Construction Consultant, for inspection and copying, all Plans, shop drawings, specifications, books and records, and other documents and information that Administrative Agent may request from time to time.

2.8. Notice to Lenders. Borrower shall promptly within five (5) days after Borrower receives knowledge of the occurrence of any of the following events, notify each Lender in writing thereof, specifying in each case the action Borrower has taken or will take with respect thereto: (a) any violation of any Law or governmental requirement; (b) any litigation, arbitration or governmental investigation or proceeding instituted or threatened against Borrower or any Guarantor or the Property, and any material development therein; (c) any actual or threatened condemnation of any portion of the Property, any negotiations with respect to any such taking, or any loss of or substantial damage to the Property; (d) any labor controversy pending or threatened against Borrower or any contractor, and any material development in any labor controversy; (e) any notice received by Borrower with respect to the cancellation, alteration or non-renewal of any insurance coverage maintained with respect to the Property; (f) any failure by Borrower or any contractor, subcontractor or supplier to perform any material obligation under any construction contract, any event or condition which would permit termination of a construction contract or suspension of work thereunder, or any notice given by Borrower or any contractor with respect to any of the foregoing; (g) any lien filed against the Property or any stop notice served on Borrower in connection with construction of the Improvements; or (h) any required permit, license, certificate or approval with respect to the Property lapses or ceases to be in full force and effect.

2.9. Financial Statements. Borrower shall deliver to Administrative Agent with sufficient copies for each Lender the Financial Statements and other statements and information at the times and for the periods described in (a) Exhibit "B" and (b) any other Loan Document, and Borrower shall deliver to Administrative Agent with sufficient copies for each Lender from time to time such additional financial statements and information as Administrative Agent may at any time request. Borrower will make all of its books, records and accounts available to Administrative Agent and its representatives at the Property upon request and will permit them to review and copy the same. Borrower shall promptly notify Administrative Agent of any event or condition that could reasonably be expected to have a Material Adverse Effect in the financial condition of Borrower and, if known by Borrower, any Guarantor, or in the construction progress of the Improvements. Administrative Agent shall provide a copy of such Financial Statements to each Lender upon receipt.

2.10. Other Information. Borrower shall furnish to Administrative Agent from time to time upon Administrative Agent's request to the extent in Borrower's possession or under Borrower's control (i) copies of any or all subcontracts entered into by contractors or subcontractors and the names and addresses of all persons or entities with whom Borrower or any contractor has contracted for the construction of the Improvements or the furnishing of labor or materials in connection therewith; (ii) copies of any or all contracts, bills of sale, statements, receipts or other documents under which Borrower claims title to any materials, fixtures or articles of personal property incorporated or to be incorporated into the Improvements or subject to the lien of the Mortgage; (iii) a list of all unpaid bills for labor and materials with respect to construction of the Improvements and copies of all invoices therefor; (iv) budgets of Borrower and revisions thereof showing the estimated costs and expenses to be incurred in connection with the completion of construction of the Improvements; (v) current or updated detailed Project schedules or construction schedules; and (vi) such other information relating to Borrower, Guarantors, the Improvements, the Property, or any indemnitor or other person or party connected with Borrower, the Loan, the construction of the Improvements or any security for the Loan.

2.11. Reports and Testing. Borrower shall (a) promptly deliver to Administrative Agent copies of all reports, studies, inspections and tests made on the Land, the Improvements or any materials to be incorporated into the Improvements; and (b) make such additional tests on the Land, the Improvements or any materials to be incorporated into the Improvements as Administrative Agent reasonably requires. Borrower shall immediately notify Administrative Agent of any report, study, inspection or test that indicates any adverse condition relating to the Land, the Improvements or any such materials.

2.12. Advertising by Lenders. At Administrative Agent's request and at Borrower's expense, Borrower shall erect and maintain on the Property one or more advertising signs approved by Administrative Agent indicating that the construction financing for the Property has been provided by Lenders.

2.13. Appraisal. Administrative Agent may obtain from time to time, an appraisal of all or any part of the Property prepared in accordance with written instructions from Administrative Agent by a third-party appraiser engaged directly by Administrative Agent. Each such appraiser and appraisal shall be satisfactory to Administrative Agent (including satisfaction of applicable regulatory requirements). The cost of any such appraisal shall be borne by Borrower if such appraisal is the first appraisal in any calendar year and in all events if Administrative Agent obtains such appraisal after the occurrence of a Default, and such cost is due and payable by Borrower on demand and shall be secured by the Loan Documents. Administrative Agent shall provide a copy of such Appraisal to each Lender upon receipt, and to Borrower subject to Borrower's payment for such Appraisal and delivery to Administrative Agent of a release and indemnity as to the matters stated therein on Administrative Agent's standard form document.

2.14. Payment of Withholding Taxes. Borrower shall not use, or knowingly permit any contractor or subcontractor to use, any portion of the proceeds of any Loan advance to pay the wages of employees unless a portion of the proceeds or other funds are also used to make timely payment to or deposit with (a) the United States of all amounts of tax required to be deducted and withheld with respect to such wages under the Code, and (b) any state and/or local Tribunal or agency having jurisdiction of all amounts of tax required to be deducted and withheld with respect to such wages under any applicable state and/or local Laws.

2.15. ERISA and Prohibited Transaction Taxes. As of the date hereof and throughout the term of this Loan Agreement, (a) Borrower is not and will not be (i) an "employee benefit plan," as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); or (ii) a "plan" within the meaning of Section 4975(e) of the Internal Revenue Code of 1986, as amended from time to time (the "Code"); (b) the assets of Borrower do not and will not constitute "plan assets" within the meaning of the United States Department of Labor Regulations set forth in 29 C.F.R. §2510.3-101; (c) Borrower is not and will not be a "governmental plan" within the meaning of Section 3(32) of ERISA; (d) transactions by or with Borrower are not and will not be subject to state statutes applicable to Borrower regulating investments of fiduciaries with respect to governmental plans; and (e) Borrower shall not engage in any transaction which would cause any obligation, or action taken or to be taken, hereunder (or the exercise by Administrative Agent of any of Lender's rights under this Agreement, any Note or the other Loan Documents) to be a non-exempt (under a statutory or administrative class exemption) prohibited transaction under ERISA or Section 4975 of the Code. Borrower further agrees to deliver to Administrative Agent such certifications or other evidence of compliance with the provisions of this Section 2.15 as Administrative Agent may from time to time request.

2.16. Certificate of Deposit. As additional security for the Obligations and a condition for the closing of the Loan, pursuant to the terms and provisions of a separate assignment agreement, Borrower has transferred and assigned to Administrative Agent for the ratable benefit of Administrative Agent and Lenders and grants a security interest in all of Borrower's right, title and interest, in and to a certificate of deposit (the "Certificate of Deposit") in the amount of FIVE MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$5,500,000.00) issued by Administrative Agent in the name of Borrower.

2.17. TG Development Net Worth Requirement. Until all of the Obligations are paid in full, Borrower shall cause TG Development to maintain a minimum book net worth, as determined by the generally accepted accounting principles, of ONE HUNDRED AND FIFTY MILLION AND NO/100 DOLLARS (\$150,000,000.00). It is acknowledged that a component of TG Development's book net worth is derived from its indirect ownership, through one or more subsidiaries, of certain unsold residential condominium inventory (the "Condominium Inventory"). In connection with its testing of TG Development's book net worth, Administrative Agent, in its sole discretion, shall have the right to obtain updated appraisals of the Condominium Inventory prepared by appraisers selected by Administrative Agent (at Borrower's expense with respect to one such appraisal each year, or for all such appraisals if a Default should occur). Further Borrower covenants and agrees that TG Development shall not (a) incur contingent liability in an aggregate amount exceeding TWENTY FIVE MILLION AND NO/100 DOLLARS (\$25,000,000.00) other than the Loan without the prior written consent of Lender which consent Lender may withhold in its sole and absolute discretion; provided, however, that any guaranties of liabilities of subsidiaries of

TG Development which are taken into account when computing the book net worth (by reductions to book net worth in amounts equal to the amount of such guaranteed liabilities), as provided above, shall be permitted and shall be excluded from the aforesaid limit on contingent liabilities; provided further that there shall be no restriction on contingent liability incurred by TG Development in connection with any loan made for the acquisition or development of income producing commercial real estate; and (b) transfer any of its assets without the prior written consent of Lender in its sole and absolute discretion, except (i) in the ordinary course of business for fair value; or (ii) to any unrelated third party for fair and reasonably equivalent value; or (iii) to an entity that is wholly owned (directly or indirectly) by TG Development.

ARTICLE 3 — REPRESENTATIONS AND WARRANTIES

To induce Lenders to make the Loan, Borrower hereby represents and warrants to Administrative Agent and Lenders that except as otherwise disclosed to Administrative Agent in writing (a) Borrower has complied with any and all Laws and regulations concerning its organization, existence and the transaction of its business, and has the right and power to own the Property and to develop the Improvements as contemplated in this Agreement and the other Loan Documents; (b) Borrower is authorized to execute, deliver and perform all of its obligations under the Loan Documents; (c) the Loan Documents are valid and binding obligations of Borrower; (d) Borrower is not in violation of any Law, regulation or ordinance, or any order of any court or Tribunal, and no provision of the Loan Documents violates any applicable Law, any covenants or restrictions affecting the Property, any order of any court or Tribunal or any contract or agreement binding on Borrower or the Property; (e) to the extent required by applicable Law, Borrower and Guarantors have filed all necessary tax returns and reports and have paid all taxes and governmental charges thereby shown to be owing; (f) the Plans are complete in all material respects, contain all necessary detail and are adequate for construction of the Improvements, are satisfactory to Borrower, have been approved by all applicable governmental authorities, have been accepted by each contractor which has entered into a contract relating to construction of the Improvements, and comply with the Loan Documents and all applicable Laws, restrictive covenants, and governmental requirements, rules, and regulations; (g) the Land is not included under any unity of title or similar covenant with other lands not encumbered by the Mortgage, and constitutes a separate tax lot or lots with a separate tax assessment or assessments for the Land and Improvements, independent of those for any other lands or improvements; (h) the Land and Improvements comply with all Laws and governmental requirements, including all subdivision and platting requirements, without reliance on any adjoining or neighboring property; (i) the Plans do, and the Improvements when constructed will, comply with all legal requirements regarding access and facilities for handicapped or disabled persons; (j) Borrower has not directly or indirectly conveyed, assigned or otherwise disposed of or transferred (or agreed to do so) any development rights, air rights or other similar rights, privileges or attributes with respect to the Property, including those arising under any zoning or land use ordinance or other Law or governmental requirement; (k) in Borrower's reasonable opinion, the construction schedule for the Project is realistic and the Completion Date is a reasonable estimate of the time required to complete the Project; (l) the Financial Statements delivered to Administrative Agent are true, correct, and complete in all material respects, and there has been no event or condition that could reasonably be expected to have a Material Adverse Effect on Borrower's or any of the Guarantors' financial condition from the financial condition of Borrower or Guarantors (as the case may be) indicated in such Financial Statements; (m) all utility services necessary for the development of the Land and the construction of the Improvements and the operation thereof for their intended purpose are available at the boundaries of the Land, including electric and natural gas facilities, telephone service, water supply, storm and sanitary sewer facilities; (n) except as otherwise provided for in the Loan Documents, the Borrower has made no contract or arrangement of any kind the performance of which by the other party thereto would give rise to a lien on the Property; (o) the current and anticipated use of the Property complies with all applicable zoning ordinances, regulations and restrictive covenants affecting the Land without the existence of any variance, non-complying use, nonconforming use or other special exception, all use restrictions of any Tribunal having jurisdiction have been satisfied, and no violation of any Law or regulation exists with respect thereto; (p) attached hereto as Exhibit "J" is a list of all bonds required in connection with completion of the Improvements, and to the best of Borrower's knowledge, no other bonds or other security are currently required or will be required prior to completion of the Improvements; and (q) prior to the recordation of the Mortgage, except as disclosed to Administrative Agent in writing, no work of any kind (including destruction or removal of any existing improvements, site work, clearing, grading, grubbing, draining or fencing of the Land) has been or will be commenced or performed on the Land, no equipment or material has been or will be delivered to or placed upon the Land for any purpose whatsoever, and no contract (or memorandum or affidavit thereof) for the supplying of labor, materials, or services for the design or construction of the Improvements, or the surveying of the Land or Improvements, nor any affidavit or notice of commencement of construction of the Improvements, has been or

will be executed or recorded, which could cause a mechanic's or materialman's lien or similar lien to achieve priority over the Mortgage or the rights of Administrative Agent and Lenders thereunder.

ARTICLE 4 — DEFAULT AND REMEDIES

4.1 Events of Default. The occurrence of any one of the following shall be a default under this Agreement (“Default”): (a) any of the Indebtedness is not paid when due, whether on the scheduled due date or upon acceleration, maturity or otherwise; (b) any covenant or agreement in this Agreement (other than covenants to pay the Indebtedness and other Defaults expressly listed in this Section with a different notice and cure period) is not fully and timely performed, observed or kept or any representation or warranty given by the Borrower was untrue when given and is not corrected within thirty (30) days after written notice thereof is given to the Borrower by the Administrative Agent or within sixty (60) days if such matter cannot reasonably be cured within thirty (30) days, so long as a cure is being diligently and continuously pursued; (c) the occurrence of a Default under any other Loan Document (taking into account any applicable notice and cure period set forth in such Loan Document); (d) the execution and/or filing of any affidavit of commencement stating construction on the Land actually commenced prior to the date on which the Mortgage was duly filed for record and any mechanics liens or other title defect resulting from the filing of any affidavit of commencement which is a lien senior in priority to the Mortgage is not cleared to the Administrative Agent's satisfaction within twenty (20) days after written notice thereof is given to the Borrower by the Administrative Agent; (e) construction of the Improvements ceases for more than ten (10) consecutive days except for Excusable Delays; (f) the construction of the Improvements, or any materials for which an advance has been requested, fails to comply with the Plans, the Loan Documents, any Laws or governmental requirements, or any applicable restrictive covenants and such noncompliance is not cured within a period of thirty (30) days after written notice thereof from Administrative Agent to Borrower or within sixty (60) days if such matter cannot reasonably be cured within thirty (30) days so long as a cure is being diligently and continuously pursued; (g) Borrower fails to satisfy any condition precedent to the obligation of Lenders to make an advance within thirty (30) days after written notice thereof is given to the Borrower by the Administrative Agent or within sixty (60) days if such matter cannot reasonably be cured within thirty (30) days so long as a cure is being diligently and continuously pursued; (h) construction of the Improvements is abandoned, Administrative Agent reasonably determines that construction of the Improvements in accordance with this Agreement will not be completed on or before the Completion Date, or Borrower fails to substantially complete construction of the Improvements and obtain all applicable permits, licenses, certificates and approvals including, but not limited to, a final and unconditional certificate of occupancy (or local equivalent) from the applicable governmental authority in accordance with this Agreement on or before the Completion Date; (i) any required permit, license, certificate or approval with respect to the Property lapses or ceases to be in full force and effect and is not replaced or renewed within thirty (30) days after such lapse or within sixty (60) days if such matter cannot reasonably be cured within thirty (30) days so long as a cure is being diligently and continuously pursued; (j) a Borrower's Deposit is not made with Administrative Agent within ten (10) days after Administrative Agent's request therefor in accordance with Section 1.5; (k) construction is enjoined or Borrower, Administrative Agent or any Lender is enjoined or prohibited from performing any of its respective obligations under any of the Loan Documents and such injunction is not released or lifted within ten (10) days of its imposition; (l) the owner of the Property enters into any lease of part or all of the Property which does not comply with the Loan Documents and such matter is not remedied within thirty (30) days after written notice thereof is given to the Borrower by the Administrative Agent or within sixty (60) days if such matter cannot reasonably be cured within thirty (30) days so long as cure is being diligently and continuously pursued; (m) a lien for the performance of work or the supply of materials which is established against the Property, or any stop notice served on Borrower, the general contractor, Administrative Agent or a Lender, remains unsatisfied or unbonded for a period of twenty (20) days after the date of filing or service; (n) the occurrence of any condition or situation which, in the sole determination of Administrative Agent, constitutes a danger to or impairment of the Property or the lien of the Mortgage, if such condition or situation is not remedied within fifteen (15) days after written notice to the Borrower thereof; (o) the entry of a final and non-appealable judgment against Borrower or any Guarantor of more than One Hundred Thousand Dollars (\$100,000.00) which is not paid in full or bonded within fifteen (15) days or the issuance of any attachment, sequestration, or similar writ levied upon any of its property which is not discharged within a period of fifteen (15) days; (p) Administrative Agent determines that an event or condition that could reasonably be expected to have a Material Adverse Effect has occurred in the financial condition of Borrower or any Guarantor or in the condition of the Property and such matter is not remedied within thirty (30) days after written notice thereof is given to the Borrower by the Administrative Agent or within sixty (60) days if such matter cannot reasonably be cured within thirty (30) days so long as a cure is being diligently and continuously pursued; (q) the Property is no

longer leased to Skechers under terms and conditions of the Lease; (r) the dissolution or insolvency of Borrower or any Guarantor and such matter is not remedied within thirty (30) days after written notice thereof is given to the Borrower by the Administrative Agent or within sixty (60) days if such matter cannot reasonably be cured within thirty (30) days so long as a cure is being diligently and continuously pursued; (s) a default occurs under any other Loan Document which is not cured within any applicable notice and cure period provided therein; (t) TG Development fails to comply with the net worth requirement set forth in Section 2.17 of this Agreement and such matter is not remedied within thirty (30) days after written notice thereof is given to the Borrower by the Administrative Agent or within sixty (60) days if such matter cannot reasonably be cured within thirty (30) days so long as a cure is being diligently and continuously pursued; (u) the failure of Borrower to have satisfied the conditions set forth in Section 1.15(h) of this Agreement within one hundred eighty (180) days from the date hereof; and (v) the transfer by Borrower, any Guarantor, or any Affiliate of Borrower or any Guarantor of any property or asset to TGD Holdings, LLC, a Delaware limited liability company.

4.2 Remedies. Upon a Default, Administrative Agent may with the consent of, and shall at the direction of the Required Lenders, without notice, exercise any and all rights and remedies afforded by this Agreement, the other Loan Documents, Law, equity or otherwise, including (a) declaring any and all Indebtedness immediately due and payable; (b) reducing any claim to judgment; or (c) obtaining appointment of a receiver (to which Borrower hereby consents) and/or judicial or nonjudicial foreclosure under the Mortgage; provided, however, that upon a Default, Administrative Agent at its election may (but shall not be obligated to) without the consent of and shall at the direction of the Required Lenders, without notice, do any one or more of the following: (a) terminate Lenders' Commitment to lend and any obligation to disburse any Borrower's Deposit hereunder; (b) in its own name on behalf of the Lenders or in the name of Borrower, enter into possession of the Property, perform all work necessary to complete construction of the Improvements substantially in accordance with the Plans (as modified as deemed necessary by Administrative Agent), the Loan Documents, and all applicable Laws, governmental requirements and restrictive covenants, and continue to employ Borrower's architect, engineer and any contractor pursuant to the applicable contracts or otherwise; or (c) set-off and apply, to the extent thereof and to the maximum extent permitted by Law, any and all deposits, funds, or assets at any time held and any and all other indebtedness at any time owing by Administrative Agent or any Lender to or for the credit or account of Borrower against any Indebtedness. Further, L/C Issuer may, with the approval of Administrative Agent on behalf of the Required Lenders, demand immediate payment by Borrower of an amount equal to the aggregate amount of all outstanding Letters of Credit to be held in a deposit account with Administrative Agent to secure amounts due from Borrower under Letters of Credit and when no Letters of Credit exist, the Loan.

Borrower hereby appoints Administrative Agent as Borrower's attorney-in-fact, which power of attorney is irrevocable and coupled with an interest, with full power of substitution if Administrative Agent so elects, to do any of the following in Borrower's name upon the occurrence of a Default: (i) use such sums as are necessary, including any proceeds of the Loan and any Borrower's Deposit, make such changes or corrections in the Plans, and employ such architects, engineers, and contractors as may be required, or as Lenders may otherwise consider desirable, for the purpose of completing construction of the Improvements substantially in accordance with the Plans (as modified as deemed necessary by Administrative Agent), the Loan Documents, and all applicable Laws, governmental requirements and restrictive covenants; (ii) execute all applications and certificates in the name of Borrower which may be required for completion of construction of the Improvements; (iii) endorse the name of Borrower on any checks or drafts representing proceeds of any insurance policies, or other checks or instruments payable to Borrower with respect to the Property; (iv) do every act with respect to the construction of the Improvements that Borrower may do; (v) prosecute or defend any action or proceeding incident to the Property, (vi) pay, settle, or compromise all bills and claims so as to clear title to the Property; and (vii) take over and use all or any part of the labor, materials, supplies and equipment contracted for, owned by, or under the control of Borrower, whether or not previously incorporated into the Improvements. Any amounts expended by Administrative Agent itself or on behalf of Lenders to construct or complete the Improvements or in connection with the exercise of its remedies herein shall be deemed to have been advanced to Borrower hereunder as a demand obligation owing by Borrower to Administrative Agent or Lenders as applicable and shall constitute a portion of the Indebtedness, regardless of whether such amounts exceed any limits for Indebtedness otherwise set forth herein. Neither Administrative Agent nor Lenders shall have any liability to Borrower for the sufficiency or adequacy of any such actions taken by Administrative Agent.

No delay or omission of Administrative Agent or Lenders to exercise any right, power or remedy accruing upon the happening of a Default shall impair any such right, power or remedy or shall be construed to be a waiver of

any such Default or any acquiescence therein. No delay or omission on the part of Administrative Agent or Lenders to exercise any option for acceleration of the maturity of the Indebtedness, or for foreclosure of the Mortgage following any Default as aforesaid, or any other option granted to Administrative Agent and Lenders hereunder in any one or more instances, or the acceptances by Administrative Agent or Lenders of any partial payment on account of the Indebtedness, shall constitute a waiver of any such Default, and each such option shall remain continuously in full force and effect. No remedy herein conferred upon or reserved to Administrative Agent and/or Lenders is intended to be exclusive of any other remedies provided for in any Note or any of the other Loan Documents, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder, or under any Note or any of the other Loan Documents, or now or hereafter existing at Law or in equity or by statute. Every right, power and remedy given to Administrative Agent and Lenders by this Agreement, any Note or any of the other Loan Documents shall be concurrent, and may be pursued separately, successively or together against Borrower, or the Property or any part thereof, or any personal property granted as security under the Loan Documents, and every right, power and remedy given by this Agreement, any Note or any of the other Loan Documents may be exercised from time to time as often as may be deemed expedient by the Required Lenders.

Regardless of how a Lender may treat payments received from the exercise of remedies under the Loan Documents for the purpose of its own accounting, for the purpose of computing the Indebtedness, payments shall be applied as elected by Lenders. No application of payments will cure any Event of Default, or prevent acceleration, or continued acceleration, of amounts payable under the Loan Documents, or prevent the exercise, or continued exercise, of rights or remedies of Administrative Agent and Lenders hereunder or thereunder or at Law or in equity.

ARTICLE 5 — ADMINISTRATIVE AGENT

5.1. Appointment and Authorization of Administrative Agent.

(a) Each Lender hereby irrevocably (subject to Section 5.9) appoints, designates and authorizes Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere herein or in any other Loan Document, Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall Administrative Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term “agent” herein and in the other Loan Documents with reference to Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) L/C Issuer shall act on behalf of Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and that L/C Issuer shall have all of the benefits and immunities (i) provided to Administrative Agent in this Article with respect to any acts taken or omissions suffered by L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term “Administrative Agent” as used in this Article and in the definition of “Agent — Related Person” included L/C Issuer with respect to such acts or omissions, and (ii) as additionally provided in this Agreement with respect to L/C Issuer.

(c) No individual Lender or group of Lenders or L/C Issuer shall have any right to amend or waive, or consent to the departure of any party from any provision of any Loan Document, or secure or enforce the obligations of Borrower or any other party pursuant to the Loan Documents, or otherwise. All such rights, on behalf of Administrative Agent, L/C Issuer, or any Lender or Lenders, shall be held and exercised solely by and at the option of Administrative Agent for the pro rata benefit of the Lenders. Such rights, however, are subject to the rights of L/C Issuer, Lender or Lenders, as expressly set forth in this Agreement, to approve matters or direct Administrative Agent to take or refrain from taking action as set forth in this Agreement. Except as expressly otherwise provided in this Agreement or the other Loan Documents, Administrative Agent shall have and may use its sole discretion with respect to exercising or refraining from exercising any discretionary rights, or taking or

refraining from taking any actions which Administrative Agent is expressly entitled to exercise or take under this Agreement and the other Loan Documents, including, without limitation, (i) the determination if and to what extent matters or items subject to Administrative Agent's satisfaction are acceptable or otherwise within its discretion, (ii) the making of Administrative Agent Advances, and (iii) the exercise of remedies pursuant to, but subject to, Article 4 or pursuant to any other Loan Document, if applicable, and any action so taken or not taken shall be deemed consented to by Lenders.

(d) In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to Borrower or any Guarantor, no individual Lender or group of Lenders or L/C Issuer shall have the right, and the Administrative Agent (irrespective of whether the principal of the Loan or any L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be exclusively entitled and empowered on behalf of itself, L/C Issuer, and the Lenders, by intervention in such proceeding or otherwise:

(i) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loan, any L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Section 6.10 and Exhibit "K" allowed in such judicial proceeding; and

(ii) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to Administrative Agent and, in the event that Administrative Agent shall consent to the making of such payments directly to Lenders, to pay to Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of Administrative Agent and its agents and counsel, and any other amounts due Administrative Agent under Section 6.10.

Nothing contained herein shall be deemed to authorize Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of the Lenders except as approved by Required Lenders or to authorize Administrative Agent to vote in respect of the claims of Lenders except as approved by Required Lenders in any such proceeding.

5.2. Delegation of Duties. Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultant experts concerning all matters pertaining to such duties. Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

5.3. Liability of Administrative Agent. No Agent-Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of Lenders for any recital, statement, representation or warranty made by Borrower or any subsidiary or Affiliate of Borrower, or any officer thereof, contained herein or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of Borrower, Guarantors, or any of their Affiliates.

5.4. Reliance by Administrative Agent. Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper person or persons, and upon advice and statements of legal counsel (including counsel to any party to the Loan Documents), independent accountants and other experts selected by Administrative Agent. Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders or all Lenders if required hereunder as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders or such greater number of Lenders as may be expressly required hereby in any instance, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders. In the absence of written instructions from the Required Lenders or such greater number of Lenders, as expressly required hereunder, Administrative Agent may take or not take any action, at its discretion, unless this Agreement specifically requires the consent of the Required Lenders or such greater number of Lenders.

5.5. Notice of Default. Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default, unless Administrative Agent shall have received written notice from a Lender or Borrower referring to this Agreement, describing such Default that Administrative Agent determines will have a Material Adverse Effect. Administrative Agent will notify Lenders of its receipt of any such notice. Administrative Agent shall take such action with respect to such Default as may be requested by the Required Lenders in accordance with Article 4; provided, however, that unless and until Administrative Agent has received any such request, Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable or in the best interest of Lenders.

5.6. Credit Decision; Disclosure of Information by Administrative Agent.

(a) Each Lender acknowledges that none of Agent-Related Persons has made any representation or warranty to it, and that no act by Administrative Agent hereafter taken, including any consent to and acceptance of any assignment or review of the affairs of Borrower and Guarantors, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lenders as to any matter, including whether Agent-Related Persons have disclosed material information in their possession. Each Lender represents to Administrative Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower and Guarantors, and all applicable bank or other regulatory Laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to Borrower and Guarantors hereunder. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower and Guarantors.

(b) Administrative Agent upon its receipt shall provide each Lender such notices, reports and other documents expressly required to be furnished to Lenders by Administrative Agent herein. To the extent not already available to a Lender, Administrative Agent shall also provide the Lender and/or make available for the Lender's inspection during reasonable business hours and at the Lender's expense, upon the Lender's written request therefor: (i) copies of the Loan Documents; (ii) such information as is then in Administrative Agent's possession in respect of the current status of principal and interest payments and accruals in respect of the Loan; (iii) copies of all current financial statements in respect of Borrower, any Guarantor or other person liable for payment or performance by Borrower of any obligations under the Loan Documents, then in Administrative Agent's possession with respect to the Loan; and (iv) other current factual information then in Administrative Agent's possession with respect to the Loan and bearing on the continuing creditworthiness of Borrower or any Guarantor, or any of their respective Affiliates; provided that nothing contained in this Section shall impose any liability upon Administrative Agent for its failure to provide a Lender any of such Loan Documents, information, or financial statements, unless such failure constitutes willful misconduct or gross

negligence on Administrative Agent's part; and *provided further* that Administrative Agent shall not be obligated to provide any Lender with any information in violation of Law or any contractual restrictions on the disclosure thereof (provided such contractual restrictions shall not apply to distributing to a Lender factual and financial information expressly required to be provided herein). Except as set forth above, Administrative Agent shall not have any duty or responsibility to provide any Lenders with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of Borrower or any Guarantor or any of their respective Affiliates which may come into the possession of any of Agent-Related Persons.

5.7. Indemnification of Administrative Agent. Whether or not the transactions contemplated hereby are consummated, Lenders shall indemnify upon demand each Agent-Related Person (to the extent not reimbursed by or on behalf of Borrower and without limiting the obligation of Borrower to do so), pro rata, and hold harmless each Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; *provided, however*, that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities to the extent determined in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Agent-Related Person's own gross negligence or willful misconduct; *provided, however*, that no action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, to the extent that Administrative Agent is not reimbursed by or on behalf of Borrower, each Lender shall reimburse Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including attorney fees) incurred by Administrative Agent as described in Section 6.10. The undertaking in this Section shall survive the payment of all Indebtedness hereunder and the resignation or replacement of Administrative Agent.

5.8. Administrative Agent in Individual Capacity. Administrative Agent, in its individual capacity, and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with any party to the Loan Documents and their respective Affiliates as though Administrative Agent were not Administrative Agent hereunder and without notice to or consent of Lenders. Lenders acknowledge that Bank of America, N.A. is the L/C Issuer and Borrower and Bank of America, N.A. or its Affiliate have entered or may enter into Swap Transactions. A portion of the Loan may be funded to honor Borrower's payment obligations under the terms of such Swap Transactions, and Lenders shall have no right to share in any portion of such payments. Lenders acknowledge that, pursuant to such activities, Bank of America, N.A. or its Affiliates may receive information regarding any party to the Loan Documents, or their respective Affiliates (including information that may be subject to confidentiality obligations in favor of such parties or such parties' Affiliates) and acknowledge that Administrative Agent shall be under no obligation to provide such information to them. With respect to its Pro Rata Share of the Loan, Bank of America, N.A. shall have the same rights and powers under this Agreement as any other Lenders and may exercise such rights and powers as though it were not Administrative Agent, or party to Swap Transactions, and the terms "Lender" and "Lenders" include Bank of America, N.A. in its individual capacity.

5.9. Successor Administrative Agent. Administrative Agent may, and at the request of the Required Lenders as a result of Administrative Agent's gross negligence or willful misconduct in performing its duties under this Agreement shall, resign as Administrative Agent upon 30 days' notice to Lenders, and any such resignation by Administrative Agent shall also constitute its resignation as L/C Issuer. If Administrative Agent resigns under this Agreement, the Required Lenders shall appoint from among Lenders a successor administrative agent for Lenders, which successor administrative agent shall be consented to by the Borrower at all times other than during the existence of a Default (which consent of the Borrower shall not be unreasonably withheld or delayed). If no successor administrative agent is appointed prior to the effective date of the resignation of Administrative Agent, Administrative Agent may appoint, after consulting with Lenders and Borrower, a successor administrative agent from among Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and L/C Issuer and the respective terms "Administrative Agent" and "L/C Issuer" shall mean such successor administrative agent and L/C Issuer, and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated and the retiring L/C Issuer's rights, powers and duties as such shall be terminated, without any other or further act or deed on the part of such retiring L/C Issuer or any other Lender, other than the obligation of the successor L/C Issuer to issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or to make other arrangements satisfactory to the retiring L/C Issuer to effectively assume the obligations of the retiring L/C Issuer with respect to such Letter of Credit. After any

retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article and other applicable Sections of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent and L/C Issuer under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent and L/C Issuer by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and Lenders shall perform all of the duties of Administrative Agent and L/C Issuer hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. Notwithstanding the foregoing, however, Bank of America, N.A. may not be removed as Administrative Agent at the request of the Required Lenders unless Bank of America shall also simultaneously be replaced and fully released as "L/C Issuer" hereunder pursuant to documentation in form and substance reasonably satisfactory to Bank of America, N.A.

5.10. Releases; Acquisition and Transfers of Collateral.

(a) Lenders hereby irrevocably authorize Administrative Agent to transfer or release any lien on, or after foreclosure or other acquisition of title by Administrative Agent on behalf of Lenders to transfer or sell, any Loan collateral (i) upon the termination of the Commitments and payment and satisfaction in full of all Indebtedness, (ii) constituting a release, transfer or sale of a lien or Loan collateral if Borrower will certify to Administrative Agent that the release, transfer or sale is permitted under this Agreement or the other Loan Documents (and Administrative Agent may rely conclusively on any such certificate, without further inquiry); or (iii) after foreclosure or other acquisition of title (1) for a purchase price of at least 90% of the value indicated in the most recent appraisal of the collateral obtained by Administrative Agent made in accordance with regulations governing Administrative Agent, less any reduction indicated in the appraisal estimated by experts in such areas; or (2) if approved by the Required Lenders.

(b) If all or any portion of the Loan collateral is acquired by foreclosure or by deed in lieu of foreclosure, Administrative Agent shall take title to the collateral in its name or by an Affiliate of Administrative Agent, but for the benefit of all Lenders in their Pro Rata Shares on the date of the foreclosure sale or recordation of the deed in lieu of foreclosure (the "Acquisition Date"). Administrative Agent and all Lenders hereby expressly waive and relinquish any right of partition with respect to any collateral so acquired. After any collateral is acquired, Administrative Agent shall appoint and retain one or more persons (individually and collectively, "Property Manager") experienced in the management, leasing, sale and/or dispositions of similar properties.

After consulting with the Property Manager, Administrative Agent shall prepare a written plan for completion of construction (if required), operation, management, improvement, maintenance, repair, sale and disposition of the Loan collateral and a budget for the aforesaid, which may include a reasonable management fee payable to Administrative Agent (the "Business Plan"). Administrative Agent will deliver the Business Plan not later than the sixtieth (60th) day after the Acquisition Date to each Lender with a written request for approval of the Business Plan. If the Business Plan is approved by the Required Lenders, Administrative Agent and the Property Manager shall adhere to the Business Plan until a different Business Plan is approved by the Required Lenders. Administrative Agent may propose an amendment to the Business Plan as it deems appropriate, which shall also be subject to Required Lender approval. If the Business Plan (as may be amended) proposed by Administrative Agent is not approved by the Required Lenders, (or if sixty (60) days have elapsed following the Acquisition Date without a Business Plan being proposed by Administrative Agent), any Lender may propose an alternative Business Plan, which Administrative Agent shall submit to all Lenders for their approval. If an alternative Business Plan is approved by the Required Lenders, Administrative Agent may appoint one of the approving Lenders to implement the alternative Business Plan. Notwithstanding any other provision of this Agreement, unless in violation of an approved Business Plan or otherwise in an emergency situation, Administrative Agent shall, subject to subsection (a) of this Section, have the right but not the obligation to take any action in connection with the Loan collateral (including those with respect to property taxes, insurance premiums, completion of construction, operation, management, improvement, maintenance, repair, sale and disposition), or any portion thereof.

(c) Upon request by Administrative Agent or Borrower at any time, Lenders will confirm in writing Administrative Agent's authority to sell, transfer or release any such liens of particular types or items of Loan collateral pursuant to this Section; provided, however, that (i) Administrative Agent shall not be required to execute any document necessary to evidence such release, transfer or sale on terms that, in Administrative Agent's

opinion, would expose Administrative Agent to liability or create any obligation or entail any consequence other than the transfer, release or sale without recourse, representation or warranty, and (ii) such transfer, release or sale shall not in any manner discharge, affect or impair the obligations of Borrower other than those expressly being released.

(d) If only two (2) Lenders (other than the L/C Issuer) exist at the time Administrative Agent receives a purchase offer for Loan collateral for which one of the Lenders does not consent within ten (10) Business Days after notification from Administrative Agent, the consenting Lender may offer (“Purchase Offer”) to purchase all of non-consenting Lender’s right, title and interest in the collateral for a purchase price equal to non-consenting Lender’s Pro Rata Share of the net proceeds anticipated from such sale of such collateral (as reasonably determined by Administrative Agent, including the undiscounted face principal amount of any purchase money obligation not payable at closing) (“Net Proceeds”). Within ten (10) Business Days thereafter the non-consenting Lender shall be deemed to have accepted such Purchase Offer unless the non-consenting Lender notifies Administrative Agent that it elects to purchase all of the consenting Lender’s right, title and interest in the collateral for a purchase price payable by the non-consenting Lender in an amount equal to the consenting Lender’s Pro Rata Share of the Net Proceeds. Any amount payable hereunder by a Lender shall be due on the earlier to occur of the closing of the sale of the collateral or 90 days after the Purchase Offer, regardless of whether the collateral has been sold.

5.11. Application of Payments. Except as otherwise provided below with respect to Defaulting Lenders, aggregate principal and interest payments, payments for Indemnified Liabilities, and/or foreclosure or sale of the collateral, and net operating income from the collateral during any period it is owned by Administrative Agent on behalf of the Lenders (“Payments”) shall be apportioned pro rata among Lenders and payments of any fees (other than fees designated for Administrative Agent’s separate account) shall, as applicable, be apportioned pro rata among Lenders. Notwithstanding anything to the contrary in this Agreement, all Payments due and payable to Defaulting Lenders shall be due and payable to and be apportioned pro rata among Administrative Agent and Electing Lenders. Such apportionment shall be in the proportion that the Defaulting Lender Payment Amounts paid by them bears to the total Defaulting Lender Payment Amounts of such Defaulting Lender. Such apportionment shall be made until the Administrative Agent and Lenders have been paid in full for the Defaulting Lender Payment Amounts. All pro rata Payments shall be remitted to Administrative Agent and all such payments not constituting payment of specific fees, and all proceeds of the Loan collateral received by Administrative Agent, shall be applied first, to pay any fees, indemnities, costs, expenses (including those in Section 5.7) and reimbursements then due to Administrative Agent from Borrower; second, to pay any fees, costs, expenses and reimbursements then due to Lenders from Borrower; third, to pay pro rata interest and late charges due in respect of the Indebtedness and Administrative Agent Advances; fourth, to pay or prepay pro rata principal of, and to secure any outstanding Letters of Credit for, the Indebtedness and Administrative Agent Advances; fifth, to pay any indebtedness of Borrower under Swap Transactions; and last, to Borrower, if required by law, or Lenders in Pro Rata Share percentages equal to their percentages at the termination of the Aggregate Commitments.

Notwithstanding the above, subject to Section 3 of Exhibit “K”, amounts used to Cash Collateralize the aggregate undrawn amount of Letters of Credit above shall be applied to satisfy drawings under such Letters of Credit as they occur. If any amount remains on deposit as Cash Collateral after all Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to the other Indebtedness, if any, in the order set forth above.

5.12. Benefit. The terms and conditions of this Article are inserted for the sole benefit of Administrative Agent and Lenders; the same may be waived in whole or in part, with or without terms or conditions, without prejudicing Administrative Agent’s or Lenders’ rights to later assert them in whole or in part.

ARTICLE 6 — GENERAL TERMS AND CONDITIONS

6.1. Consents; Borrower’s Indemnity. Except where otherwise expressly provided in the Loan Documents, in any instance where the approval, consent or the exercise of Administrative Agent’s or Lenders’ judgment or discretion (or sole discretion) is required, the granting or denial of such approval or consent and the exercise of such judgment shall be (a) within the sole discretion of Administrative Agent or Lenders; (b) deemed to have been given only by a specific writing intended for the purpose given and executed by Administrative Agent or Lenders; and (c) free from any limitation or requirement of reasonableness. Notwithstanding any approvals or

consents by Administrative Agent or Lenders, neither Administrative Agent nor any Lender has any obligation or responsibility whatsoever for the adequacy, form or content of the Plans, the Budget, any appraisal, any contract, any change order, any lease, or any other matter incident to the Property or the construction of the Improvements. Administrative Agent's or Lenders' acceptance of an assignment of the Plans for the benefit of Administrative Agent and Lenders shall not constitute approval of the Plans. Any inspection, appraisal or audit of the Property or the books and records of Borrower, or the procuring of documents and financial and other information, by or on behalf of Administrative Agent shall be for Administrative Agent's and Lenders' protection only, and shall not constitute an assumption of responsibility to Borrower or anyone else with regard to the condition, value, construction, maintenance or operation of the Property, or relieve Borrower of any of Borrower's obligations. Borrower has selected all surveyors, architects, engineers, contractors, materialmen and all other persons or entities furnishing services or materials to the Project. Neither Administrative Agent nor any Lender has any duty to supervise or to inspect the Property or the construction of the Improvements nor any duty of care to Borrower or any other person to protect against, or inform Borrower or any other person of the existence of, negligent, faulty, inadequate or defective design or construction of the Improvements. Neither Administrative Agent nor any Lender shall be liable or responsible for, and Borrower shall indemnify each Agent-Related Person and each Lender and their respective Affiliates, directors, officers, agents, attorneys and employees (collectively, the "Indemnitees") from and against: (a) any claim, action, loss or cost (including reasonable attorney's fees and costs) arising from or relating to (i) any defect in the Property or the Improvements, (ii) the performance or default of Borrower, Borrower's surveyors, architects, engineers, contractors, the Construction Consultant, or any other person, (iii) any failure to construct, complete, protect or insure the Improvements, (iv) the payment of costs of labor, materials, or services supplied for the construction of the Improvements, (v) in connection with the protection and preservation of the Loan collateral (including those with respect to property taxes, insurance premiums, completion of construction, operation, management, improvements, maintenance, repair, sale and disposition), or (vi) the performance of any obligation of Borrower whatsoever; (b) any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses and disbursements (including reasonable attorney fees and costs) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (i) the execution, delivery, enforcement, performance or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (ii) any Commitment or Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto; (c) any and all claims, demands, actions or causes of action arising out of or relating to the use of Information (as defined in Section 6.6) or other materials obtained through internet, Intralinks or other similar information transmission systems in connection with this Agreement; and (d) any and all liabilities, losses, costs or expenses (including attorney fees and costs) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action, cause of action or proceeding, or as a result of the preparation of any defense in connection with any foregoing claim, demand, action, cause of action or proceeding, in all cases, whether or not an Indemnitee is a party to such claim, demand, action, cause of action or proceeding and whether it is defeated, successful or withdrawn, (all the foregoing, collectively, the "Indemnified Liabilities"); *provided, however*, that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses or disbursements are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. Further, Borrower shall not be obligated to indemnify any of the Indemnitees from matters which relate solely to disputes or disagreements among Lenders and/or Administrative Agent, or any default by any of the Lenders and/or Administrative Agent of any of their respective obligations under this Agreement to Borrower or to each other. Nothing, including any advance or acceptance of any document or instrument, shall be construed as a representation or warranty, express or implied, to any party by Administrative Agent or Lenders. Inspection shall not constitute an acknowledgment or representation by Administrative Agent, any Lender or the Construction Consultant that there has been or will be compliance with the Plans, the Loan Documents, or applicable Laws, governmental requirements and restrictive covenants, or that the construction is free from defective materials or workmanship. Inspection, whether or not followed by notice of Default, shall not constitute a waiver of any Default then existing, or a waiver of Administrative Agent's and Lenders' right thereafter to insist that the Improvements be

constructed in accordance with the Plans, the Loan Documents, and all applicable Laws, governmental requirements and restrictive covenants. Administrative Agent's failure to inspect shall not constitute a waiver of any of Administrative Agent's or Lenders' rights under the Loan Documents or at Law or in equity.

6.2. Miscellaneous. This Agreement may be executed in several counterparts, all of which are identical, and all of which counterparts together shall constitute one and the same instrument. The Loan Documents are for the sole benefit of Administrative Agent, Lenders and Borrower and are not for the benefit of any third party. A determination that any provision of this Agreement is unenforceable or invalid shall not affect the enforceability or validity of any other provision and the determination that the application of any provision of this Agreement to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to other persons, entities or circumstances. Time shall be of the essence with respect to Borrower's obligations under the Loan Documents. This Agreement, and its validity, enforcement and interpretation, shall be governed by Florida law (without regard to any conflict of Laws principles) and applicable United States federal Law.

6.3. Notices.

6.3.1 Modes of Delivery; Changes. Except as otherwise provided herein, all notices, demands, requests, and other communications required or which any party desires to give under this Agreement or any other Loan Document shall be in writing. Unless otherwise specifically provided in such other Loan Document, all such notices and other communications shall be deemed sufficiently given or furnished if (a) delivered by personal delivery; (b) by courier; (c) by registered or certified United States mail, postage prepaid; (d) by overnight delivery by a nationally recognized overnight delivery service; (e) by facsimile addressed to the party to whom directed with, subject to Subsection 6.3.2 below, a confirmatory original delivered by one of the methods set forth in (a) through (d); or (f) by electronic mail addressed to Borrower, at the addresses set forth at the end of this Agreement or to Administrative Agent, the L/C Issuer or Lenders at the addresses specified for notices on the Schedule of Lenders (unless changed by similar notice in writing given by the particular party whose address is to be changed) with a confirmatory original delivered by one of the methods set forth in (a) through (d). Any such notice or communication shall be deemed to have been given and received either at the time of personal delivery or, in the case of courier or mail, as of the date of first attempted delivery at the address and in the manner provided herein, or, in the case of facsimile or e-mail, upon receipt; *provided, however*, that service of a notice required by any applicable statute shall be considered complete when the requirements of that statute are met. Notwithstanding the foregoing, no notice of change of address shall be effective except upon actual receipt. This Section shall not be construed in any way to affect or impair any waiver of notice or demand provided in any Loan Document or to require giving of notice or demand to or upon any person in any situation or for any reason.

6.3.2 Effectiveness of Facsimile Documents and Signatures. Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as manually-signed originals and shall be binding on all parties to the Loan Documents. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; *provided, however*, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

6.3.3 Intentionally Omitted.

6.3.4 Reliance by Administrative Agent and Lenders. Administrative Agent and Lenders shall be entitled to rely and act upon any notices (including telephonic Loan advance notices) purportedly given by or on behalf of Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. Borrower shall indemnify each Agent-Related Person and each Lender from all losses, costs, expenses and liabilities resulting from the reliance by such person on each notice purportedly given by or on behalf of Borrower. All telephonic notices to and other communications with Administrative Agent may be recorded by Administrative Agent, and each of the parties hereto hereby consents to such recording. If a Lender does not notify or inform Administrative Agent of whether or not it consents to, or approves of or agrees to any matter of any nature whatsoever with respect to which its consent, approval or agreement is required under the express provisions of this Agreement or with respect to which its consent, approval or agreement is otherwise

requested by Administrative Agent, in connection with the Loan or any matter pertaining to the Loan, within ten (10) Business Days (or such longer period as may be specified by Administrative Agent) after such consent, approval or agreement is requested by Administrative Agent, Lender shall be deemed to have given its consent, approval or agreement, as the case may be, with respect to the matter in question.

6.4. Payments Set Aside. To the extent that any payment by or on behalf of Borrower is made to Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law, to a depository (including Administrative Agent, any Lender or its or their Affiliates) for returned items or insufficient collected funds, or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Lender severally agrees to pay to Administrative Agent upon demand its applicable share of any amount so recovered from or repaid by Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect.

6.5. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender, and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and Pro Rata Share of the Loan (including for purposes of this subsection (b), participations in L/C Obligations) at the time owing to it); provided that:

(i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and Pro Rata Share of the Loan at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund as defined in subsection (h) of this Section with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes its Pro Rata Share of the Loan outstanding) subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent, shall not be less than \$10,000,000 unless each of the Administrative Agent and, so long as no Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed);

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to its Pro Rata Share of the Loan and the Commitment assigned;

(iii) any assignment of a Commitment must be approved by Administrative Agent, and L/C Issuer unless the person that is the proposed assignee is itself a Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and

(iv) the parties to each assignment shall execute and deliver to Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500 plus the cost of any applicable endorsement to the Title Insurance or new Title Insurance.

Subject to acceptance and recording thereof by Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of this Agreement with respect to Borrower's obligations surviving termination of this Agreement). Upon request, Administrative Agent shall prepare and Borrower shall execute and deliver a Note ("Replacement Note") to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Administrative Agent, acting solely for this purpose as an agent of Borrower, shall forward the Assignment and Assumption, and the Replacement Note to the Title Company for issuance of an applicable endorsement to the Title Insurance or new Title Insurance, and shall maintain at Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of each Lender's Pro Rata Share of the Loan owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and Borrower, Administrative Agent and Lenders may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Any Lender may, without the consent of, but with prior notice to Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or its Pro Rata Share of the Loan (including such Lender's participations in L/C Obligations) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) Borrower, Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and (iv) except to the extent consented to by Administrative Agent in its sole discretion with respect to each participation, any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement.

(e) A Participant shall not be entitled to receive any greater payment under Sections 1.7, 1.8 or 1.9 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant.

(f) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) If the consent of Borrower to an assignment or to an assignee is required hereunder (including a consent to an assignment which does not meet the minimum assignment threshold specified in clause (i) of the provision to the first sentence of subsection (b) above), Borrower shall be deemed to have given its consent five Business Days after the date notice thereof has been delivered by the assigning Lender (through Administrative Agent) unless such consent is expressly refused by Borrower prior to such fifth Business Day.

(h) As used herein, the following terms have the following meanings:

“Eligible Assignee” means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other person (other than a natural person) approved by the Administrative Agent, and, unless a Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed).

“Fund” means any person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial real estate loans and similar extensions of credit in the ordinary course of its business.

“Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(i) Notwithstanding anything to the contrary contained herein, if at any time Bank of America, N.A. assigns all of its Commitment and interest in the Loan pursuant to subsection (b) above, Bank of America, N.A. may, upon 30 days’ notice to the Borrower and the Lenders, resign as L/C Issuer. In the event of any such resignation as L/C Issuer, the Borrower shall be entitled to appoint from among the Lenders a successor L/C Issuer hereunder; *provided, however*, that no failure by the Borrower to appoint any such successor shall affect the resignation of Bank of America, N.A. as L/C Issuer. If Bank of America, N.A. resigns as L/C Issuer it shall retain all the rights and obligations of the L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as L/C Issuer and all L/C Obligations with respect thereto (including the right to require the Lenders to make an advance of Base Rate Principal or fund risk participations for L/C Borrowings pursuant to Exhibit “K”).

(j) Borrower shall not be responsible for any costs or expenses incurred by Administrative Agent or any of the Lenders in connection with or as a result of any assignment or transfer of a Lender’s rights and obligations under this Agreement (or any part thereof), or in connection with the sale of participations by any Lender.

6.6. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates’ directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent requested by any regulatory authority; (c) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process; (d) to any other party to this Agreement; (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder; (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement or (ii) any direct or indirect contractual counterparty or prospective counterparty (or such contractual counterparty’s or prospective counterparty’s professional advisor) to any Swap Transaction or credit derivative transaction relating to obligations of the Borrower and Guarantors; (g) with the consent of the Borrower; (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section, “Information” means all information received from the Borrower or any Guarantor relating to the Borrower or any of the Guarantors or their business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower or any Guarantor; *provided* that in the case of information received from the Borrower or any Guarantor after the date hereof, such information is clearly identified in writing at the time of delivery as confidential (*provided* that any financial statements received from Borrower or any Guarantor shall be deemed confidential regardless of whether so identified). Any person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such person has exercised the same degree of care to maintain the confidentiality of such Information as such person would accord to its own confidential information. The Administrative Agent and the Lenders may disclose the existence of this Agreement and information about this

Agreement to market data collectors, similar service providers to the lending industry, and service providers to the Administrative Agent and the Lenders in connection with the administration and management of this Agreement, the Loan and Loan Documents.

6.7. Set-off. In addition to any rights and remedies of Administrative Agent and Lenders provided by Law, upon the occurrence and during the continuance of any Event of Default, Administrative Agent and each Lender is authorized at any time and from time to time, without prior notice to Borrower or any other party to the Loan Documents, any such notice being waived by Borrower (on its own behalf and on behalf of each party to the Loan Documents to the fullest extent permitted by Law), to set-off and apply any and all deposits, general or special, time or demand, provisional or final, any time owing by Administrative Agent or such Lender hereunder or under any other Loan Document to or for the credit or the account of such parties to the Loan Documents against any and all Indebtedness, irrespective of whether or not the Administrative Agent or such Lender shall have made demand under this Agreement or any other Loan Document and although such Indebtedness may be contingent or unmatured or denominated in a currency different from that of the applicable depositor indebtedness. Each Lender hereby acknowledges that the exercise by any Lender of offset, set-off, Banker's lien, or similar rights against any deposit account or other property or asset of Borrower whether or not located in California or another state with certain laws restricting Lenders from pursuing multiple collection methods, could result under such laws in significant impairment of the ability of all Lenders to recover any further amounts in respect of the Loan. Therefore, each Lender agrees not to charge or offset any amount owed to it by Borrower against any of the accounts, property or assets of Borrower or any of its Affiliates held by such Lender, without the prior written approval of Administrative Agent and the Required Lenders. Notwithstanding the foregoing, neither Administrative Agent nor any Lender nor any assignee or Affiliate thereof (each a "Lender Party") shall proceed directly, by right of set-off, banker's lien, counterclaim or otherwise, against any assets of Borrower or any Guarantor (including any general or special, time or demand, provision or other deposits or other indebtedness owing by such Lender Party to or for the credit or the account of Borrower or any Guarantor) for purposes of applying such assets against the Indebtedness, without the prior written consent of all Lenders.

6.8. Sharing of Payments. If, other than as expressly provided elsewhere herein, any Lender shall obtain on account of the portions of the Loan advanced by it, or the participations in L/C Obligations held by it, any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its ratable share (or other share contemplated hereunder) thereof, such Lender shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase from the other Lenders such participations in the portions of the Loan made by them and/or such subparticipations in the participations in the L/C Obligations held by them, as the case may be, as shall be necessary to cause such purchasing Lender to share the excess payment in respect of such portions of the Loan or such participations, as the case may be, pro rata with each of them; *provided, however*, that if all or any portion of such excess payment is thereafter recovered from the purchasing Lender, such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's ratable share (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered without further interest thereon. The Borrower agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by Law, exercise all its rights of payment (including the right of set-off), but subject to Section 6.7 with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Lenders following any such purchases or repayments. Each Lender that purchases a participation pursuant to this Section shall from and after such purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased.

6.9. Amendments; Survival. Administrative Agent and Lenders shall be entitled to amend (whether pursuant to a separate intercreditor agreement or otherwise) any of the terms, conditions or agreements set forth in Article 5 or as to any other matter in the Loan Documents respecting payments to Administrative Agent or Lenders or the required number of the Lenders to approve or disapprove any matter or to take or refrain from taking any action, without the consent of Borrower or any other person or the execution by Borrower or any other person of any such amendment or intercreditor agreement provided that such matter does not affect Borrower's rights or

obligations. Subject to the foregoing, Administrative Agent may amend or waive any provision of this Agreement or any other Loan Document, or consent to any departure by any party to the Loan Documents therefrom which amendment, waiver or consent is intended to be within Administrative Agent's discretion or determination, or otherwise in Administrative Agent's reasonable determination shall not have a Material Adverse Effect; *provided, however*, that otherwise no such amendment, waiver or consent shall be effective unless in writing, signed by the Required Lenders and Borrower or the applicable party to the Loan Documents, as the case may be, and acknowledged by Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; and *provided further* that no such amendment, waiver or consent shall:

(a) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 4.2), without the written consent of such Lender (it being understood that a waiver of a Default shall not constitute an extension or increase in any Lender's Commitment);

(b) postpone any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document, without the written consent of each Lender directly affected thereby;

(c) reduce the principal of, or the rate of interest specified herein on, any portion of the Loan, or L/C Borrower, or any fees or other amounts payable hereunder or under any other Loan Document, without the written consent of each Lender directly affected thereby; *provided, however*, that the Administrative Agent may waive any obligation of the Borrower to pay interest at the Past Due Rate and/or late charges for periods of up to thirty days, and only the consent of the Required Lenders shall be necessary to waive any obligation of the Borrower to pay interest at the Past Due Rate or late charges thereafter, or to amend the definition of "Past Due Rate" or "late charges";

(d) change the percentage of the combined Commitments or of the aggregate unpaid principal amount of the Loan and L/C Obligations which is required for the Lenders or any of them to take any action hereunder, without the written consent of each Lender;

(e) change the definition of "Pro Rata Share" or "Required Lender" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender;

(f) amend this Section, or Section 6.8, without the written consent of each Lender;

(g) release the liability of Borrower or any existing Guarantor without the written consent of each Lender;

(h) permit the sale, transfer, pledge, mortgage or assignment of any Loan collateral or any direct or indirect interest in Borrower, except as expressly permitted under the Loan Documents, without the written consent of each Lender; or

(i) transfer or release any lien on, or after foreclosure or other acquisition of title by Administrative Agent on behalf of the Lenders transfer or sell, any Loan collateral except as permitted in Section 5.10, without the written consent of each Lender,

and *provided further* that (i) no amendment, waiver or consent shall, unless in writing and signed by the L/C Issuer in addition to the Lenders required above affect the rights or duties of the L/C Issuer under this Agreement or any Letter of Credit Application relating to any Letter of Credit issued or to be issued by it; and (ii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased without the consent of such Lender.

This Agreement shall continue in full force and effect until the Indebtedness is paid in full and all of Administrative Agent's and Lenders' obligations under this Agreement are terminated; and all representations and warranties and all provisions herein for indemnity of the Indemnitees, Administrative Agent and Lenders (and any other provisions herein specified to survive) shall survive payment in full, satisfaction or discharge of the Indebtedness, the resignation or removal of Administrative Agent or replacement of any Lender, and any release or termination of this Agreement or of any other Loan Documents.

6.10. Costs and Expenses. Without limiting any Loan Document and to the extent not prohibited by applicable Laws, Borrower shall pay when due, shall reimburse to Administrative Agent for the benefit of itself and Lenders on demand and shall indemnify Administrative Agent and Lenders from, all out-of-pocket fees, costs, and expenses paid or incurred by Administrative Agent in connection with the negotiation, preparation and execution of this Agreement and the other Loan Documents (and any amendments, approvals, consents, waivers and releases requested, required, proposed or done from time to time), or in connection with the disbursement, administration or collection of the Loan or the enforcement of the obligations of Borrower or the exercise of any right or remedy of Administrative Agent, including (a) all fees and expenses of Administrative Agent's counsel; (b) fees and charges of each Construction Consultant, inspector and engineer; (c) appraisal, re-appraisal and survey costs; (d) title insurance charges and premiums; (e) title search or examination costs, including abstracts, abstractors' certificates and uniform commercial code searches; (f) judgment and tax lien searches for Borrower and each Guarantor; (g) escrow fees; (h) fees and costs of environmental investigations, site assessments and remediations; (i) recordation taxes, documentary taxes, transfer taxes and mortgage taxes; (j) filing and recording fees; and (k) loan brokerage fees. Borrower shall pay all costs and expenses incurred by Administrative Agent, including reasonable attorneys' fees, if the obligations or any part thereof are sought to be collected by or through an attorney at law, whether or not involving probate, appellate, administrative or bankruptcy proceedings. Borrower shall pay all costs and expenses of complying with the Loan Documents, whether or not such costs and expenses are included in the Budget. Borrower's obligations under this Section shall survive the delivery of the Loan Documents, the making of advances, the payment in full of the Indebtedness, the release or reconveyance of any of the Loan Documents, the foreclosure of the Mortgage or conveyance in lieu of foreclosure, any bankruptcy or other debtor relief proceeding, and any other event whatsoever.

6.11. Tax Forms.

(a) (i) Each Lender, and each holder of a participation interest herein, that is not a "United States person" (a "Foreign Lender") within the meaning of Section 7701(a)(30) of the Code shall deliver to Administrative Agent, prior to receipt of any payment subject to withholding (or upon accepting an assignment or receiving a participation interest herein), two duly signed completed copies of either Form W-8BEN or any successor thereto (relating to such Foreign Lender and entitling it to a complete exemption from withholding on all payments to be made to such Foreign Lender by Borrower pursuant to this Agreement) or Form W-8ECI or any successor thereto (relating to all payments to be made to such Foreign Lender by Borrower pursuant to this Agreement) of the United States Internal Revenue Service or such other evidence satisfactory to Borrower and Administrative Agent that such Foreign Lender is entitled to an exemption from or reduction of, United States withholding tax, including any exemption pursuant to Section 881(c) of the Code. Thereafter and from time to time, each such Foreign Lender shall (A) promptly submit to Administrative Agent such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States Laws and regulations to avoid, or such evidence as is satisfactory to Borrower and Administrative Agent of any available exemption from or reduction of, United States withholding taxes in respect of all payments to be made to such Foreign Lender by Borrower pursuant to the Loan Documents, (B) promptly notify Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (C) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lenders, and as may be reasonably necessary (including the re-designation of its Lending Office, if any) to avoid any requirement of applicable Laws that Borrower make any deduction or withholding for taxes from amounts payable to such Foreign Lender.

(ii) Each Foreign Lender, to the extent it does not act or ceases to act for its own account with respect to any portion of any sums paid or payable to such Lender under any of the Loan Documents (for example, in the case of a typical participation by such Lender), shall deliver to the Administrative Agent on the date when such Foreign Lender ceases to act for its own account with respect

to any portion of any such sums paid or payable, and at such other times as may be necessary in the determination of the Administrative Agent (in the reasonable exercise of its discretion), (A) two duly signed completed copies of the forms or statements required to be provided by such Lender as set forth above, to establish the portion of any such sums paid or payable with respect to which such Lender acts for its own account that is not subject to U.S. withholding tax, and (B) two duly signed completed copies of United States Internal Revenue Service Form W-8IMY (or any successor thereto), together with any information such Lender chooses to transmit with such form, and any other certificate or statement of exemption required under the Code, to establish that such Lender is not acting for its own account with respect to a portion of any such sums payable to such Lender.

(iii) The Borrower shall not be required to pay any additional amount to any Foreign Lender under Section 1.11 or pay or reimburse Administrative Agent or any of the Lenders, (A) with respect to any Taxes required to be deducted or withheld on the basis of the information, certificates or statements of exemption such Lender transmits with an United States Internal Revenue Service Form W-8IMY pursuant to this subsection (a) of this Section, or (B) if such Lender shall have failed to satisfy the foregoing provisions of this subsection (a); *provided* that if such Lender shall have satisfied the requirement of this subsection (a) on the date such Lender became a Lender or ceased to act for its own account with respect to any payment under any of the Loan Documents, nothing in this subsection (a) shall relieve the Borrower of its obligation to pay any amounts pursuant to Section 1.11 in the event that, as a result of any change in any applicable law, treaty or governmental rule, regulation or order, or any change in the interpretation, administration or application thereof, such Lender is no longer properly entitled to deliver forms, certificates or other evidence at a subsequent date establishing the fact that such Lender or other person for the account of which such Lender receives any sums payable under any of the Loan Documents is not subject to withholding or is subject to withholding at a reduced rate.

(iv) The Administrative Agent may, without reduction, withhold any Taxes required to be deducted and withheld from any payment under any of the Loan Documents with respect to which the Borrower is not required to pay additional amounts under this subsection (a).

(b) Upon the request of Administrative Agent, each Lender that is a “United States person” within the meaning of Section 7701(a)(30) of the Code shall deliver to Administrative Agent two duly signed completed copies of United States Internal Revenue Service Form W-9. If such Lender fails to deliver such forms, then Administrative Agent may withhold from any interest payment to such Lender an amount equivalent to the applicable back-up withholding tax imposed by the Code, without reduction.

(c) If any Tribunal asserts that Administrative Agent did not properly withhold or backup withhold, as the case may be, any tax or other amount from payments made to or for the account of any Lender, such Lender shall indemnify Administrative Agent therefor, including all penalties and interest and costs and expenses (including attorney fees) of Administrative Agent. The obligation of Lenders under this subsection shall survive the removal or replacement of a Lender, the payment of all Indebtedness and the resignation or replacement of Administrative Agent.

6.12. Further Assurances. Borrower will, upon Administrative Agent’s request, (a) promptly correct any defect, error or omission in any Loan Document; (b) execute, acknowledge, deliver, procure, record or file such further instruments and do such further acts as Administrative Agent deems necessary, desirable or proper to carry out the purposes of the Loan Documents and to identify and subject to the liens and security interest of the Loan Documents any property intended to be covered thereby, including any renewals, additions, substitutions, replacements, or appurtenances to the Property; (c) execute, acknowledge, deliver, procure, file or record any document or instrument Administrative Agent deems necessary, desirable, or proper to protect the liens or the security interest under the Loan Documents against the rights or interests of third persons; and (d) provide such certificates, documents, reports, information, affidavits and other instruments and do such further acts deemed necessary, desirable or proper by Administrative Agent to comply with the requirements of any agency having jurisdiction over Administrative Agent. In addition, at any time, and from time to time, upon request by Administrative Agent or any Lender, Borrower will, at Borrower’s expense, provide any and all further instruments, certificates and other documents as may, in the opinion of Administrative Agent or such Lender, be necessary or

desirable in order to verify the Borrower's identity and background in a manner satisfactory to Administrative Agent or such Lender.

6.13. Inducement to Lenders. The representations and warranties contained in this Agreement and the other Loan Documents (a) are made to induce Lenders to make the Loan and extend any other credit to or for the account of the Borrower pursuant hereto, and Administrative Agent and Lenders are relying thereon, and will continue to rely thereon, and (b) shall survive any bankruptcy proceedings involving Borrower, any Guarantor or the Property, foreclosure, or conveyance in lieu of foreclosure.

6.14. Forum. Each party to this Agreement hereby irrevocably submits generally and unconditionally for itself and in respect of its property to the jurisdiction of any state court, or any United States federal court, sitting in the State specified in Section 6.2 of this Agreement and to the jurisdiction of any state court or any United States federal court, sitting in the state in which any of the Property is located, over any suit, action or proceeding arising out of or relating to this Agreement or the Indebtedness. Each party to this Agreement hereby irrevocably waives, to the fullest extent permitted by Law, any objection that they may now or hereafter have to the laying of venue in any such court and any claim that any such court is an inconvenient forum. Each party to this Agreement hereby agrees and consents that, in addition to any methods of service of process provided for under applicable Law, all service of process in any such suit, action or proceeding in any state court, or any United States federal court, sitting in the state specified in Section 6.2 may be made by certified or registered mail, return receipt requested, directed to such party at its address for notice stated in the Loan Documents, or at a subsequent address of which Administrative Agent received actual notice from such party in accordance with the Loan Documents, and service so made shall be complete on the date of delivery as shown on the return receipt. Nothing herein shall affect the right of Administrative Agent to serve process in any manner permitted by Law or limit the right of Administrative Agent to bring proceedings against any party in any other court or jurisdiction.

6.15. Interpretation. References to "Dollars," "\$," "money," "payments" or other similar financial or monetary terms are references to lawful money of the United States of America. References to Articles, Sections, and Exhibits are, unless specified otherwise, references to articles, sections and exhibits of this Agreement. Words of any gender shall include each other gender. Words in the singular shall include the plural and words in the plural shall include the singular. References to Borrower or Guarantor shall mean, each person comprising same, jointly and severally. References to "persons" shall include both natural persons and any legal entities, including public or governmental bodies, agencies or instrumentalities. The words "include" and "including" shall be interpreted as if followed by the words "without limitation". Captions and headings in the Loan Documents are for convenience only and shall not affect the construction of the Loan Documents.

6.16. No Partnership, etc. The relationship between Lenders (including Administrative Agent) and Borrower is solely that of lender and borrower. Neither Administrative Agent nor any Lender has any fiduciary or other special relationship with or duty to Borrower and none is created by the Loan Documents. Nothing contained in the Loan Documents, and no action taken or omitted pursuant to the Loan Documents, is intended or shall be construed to create any partnership, joint venture, association, or special relationship between Borrower and Administrative Agent or any Lender or in any way make Administrative Agent or any Lender a co-principal with Borrower with reference to the Project, the Property or otherwise. In no event shall Administrative Agent's or Lenders' rights and interests under the Loan Documents be construed to give Administrative Agent or any Lender the right to control, or be deemed to indicate that Administrative Agent or any Lender is in control of, the business, properties, management or operations of Borrower.

6.17. Records. The unpaid amount of the Loan and the amount of any other credit extended by Administrative Agent or Lenders to or for the account of Borrower set forth on the books and records of Administrative Agent shall be presumptive evidence of the amount thereof owing and unpaid, but failure to record any such amount on Administrative Agent's books and records shall not limit or affect the obligations of Borrower under the Loan Documents to make payments on the Loan when due.

6.18. Commercial Purpose. Borrower warrants that the Loan is being made solely to acquire or carry on a business or commercial enterprise, and/or Borrower is a business or commercial organization. Borrower further warrants that all of the proceeds of this Loan shall be used for commercial purposes and stipulates that the Loan

shall be construed for all purposes as a commercial loan, and is made for other than personal, family, household or agricultural purposes.

6.19. **WAIVER OF JURY TRIAL.** EACH PARTY TO THIS AGREEMENT WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THEY MAY BE A PARTY, ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY PERTAINING TO, ANY NOTE, THE LOAN AGREEMENT, THE MORTGAGE OR ANY OF THE OTHER LOAN DOCUMENTS. IT IS AGREED AND UNDERSTOOD THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTION OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO ANY NOTE. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY EACH PARTY TO THIS AGREEMENT, AND THEY HEREBY REPRESENT THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. EACH PARTY FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE EXECUTION OF THE LOAN DOCUMENTS AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

6.20. **Service of Process.** Borrower hereby consents to process being served in any suit, action, or proceeding instituted in connection with this Loan by (a) the mailing of a copy thereof by certified mail, postage prepaid, return receipt requested, to Borrower and (b) serving a copy thereof upon the agent designated and appointed by Borrower as Borrower's agent for service of process. Borrower irrevocably agrees that such service shall be deemed to be service of process upon Borrower in any such suit, action, or proceeding. Nothing in any Note shall affect the right of Administrative Agent to serve process in any manner otherwise permitted by Law and nothing in any Note will limit the right of Administrative Agent on behalf of the Lenders otherwise to bring proceedings against Borrower in the courts of any jurisdiction or jurisdictions.

6.21. **USA Patriot Act Notice.** Each Lender and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Act.

6.22. **Entire Agreement.** The Loan Documents constitute the entire understanding and agreement between Borrower, Administrative Agent and Lenders with respect to the transactions arising in connection with the Loan, and supersede all prior written or oral understandings and agreements between Borrower, Administrative Agent and Lenders with respect to the matters addressed in the Loan Documents. In particular, and without limitation, the terms of any commitment letter, letter of intent or quote letter by Administrative Agent or any Lender to make the Loan are merged into the Loan Documents. Neither Administrative Agent nor any Lender has made any commitments to extend the term of the Loan past its stated maturity date or to provide Borrower with financing except as set forth in the Loan Documents. Except as incorporated in writing into the Loan Documents, there are not, and were not, and no persons are or were authorized by Administrative Agent or any Lender to make, any representations, understandings, stipulations, agreements or promises, oral or written, with respect to the matters addressed in the Loan Documents.

6.23. **Dispute Resolution.**

(a) **Arbitration.** Except to the extent expressly provided below, any Dispute shall, upon the request of any party, be determined by binding arbitration in accordance with the Federal Arbitration Act, Title 9, United States Code (or if not applicable, the applicable state law), the then-current rules for arbitration of financial services disputes of AAA and the "Special Rules" set forth below. In the event of any inconsistency, the Special Rules shall control. The filing of a court action is not intended to constitute a waiver of the right of Borrower, Administrative Agent or any Lender, including the suing party, thereafter to require submittal of the Dispute to

arbitration. Except to the extent expressly provided below, any party to this Agreement may bring an action, including a summary or expedited proceeding, to compel arbitration of any Dispute in any court having jurisdiction over such action. For the purposes of this Dispute Resolution Section only, the terms “party” and “parties” shall include any parent corporation, subsidiary or affiliate of Administrative Agent involved in the servicing, management or administration of any obligation described in or evidenced by this Agreement, together with the officers, employees, successors and assigns of each of the foregoing.

(b) Special Rules.

(i) The arbitration shall be conducted in any U.S. state where real or tangible personal property collateral is located, or if there is no such collateral, in the city and county where Administrative Agent is located pursuant to its address for notice purposes in this Agreement.

(ii) The arbitration shall be administered by AAA, who will appoint an arbitrator. If AAA is unwilling or unable to administer or legally precluded from administering the arbitration, or if AAA is unwilling or unable to enforce or legally precluded from enforcing any and all provisions of this Dispute Resolution Section, then any party to this Agreement may substitute, without the necessity of the agreement or consent of the other party or parties, another arbitration organization that has similar procedures to AAA but that will observe and enforce any and all provisions of this Dispute Resolution Section. All Disputes shall be determined by one arbitrator; however, if the amount in controversy in a Dispute exceeds Five Million Dollars (\$5,000,000), upon the request of any party, the Dispute shall be decided by three arbitrators (for purposes of this Agreement, referred to collectively as the “arbitrator”).

(iii) All arbitration hearings will be commenced within ninety (90) days of the demand for arbitration and completed within ninety (90) days from the date of commencement; provided, however, that upon a showing of good cause, the arbitrator shall be permitted to extend the commencement of such hearing for up to an additional sixty (60) days.

(iv) The judgment and the award, if any, of the arbitrator shall be issued within thirty (30) days of the close of the hearing. The arbitrator shall provide a concise written statement setting forth the reasons for the judgment and for the award, if any. The arbitration award, if any, may be submitted to any court having jurisdiction to be confirmed and enforced, and such confirmation and enforcement shall not be subject to arbitration.

(v) The arbitrator will give effect to statutes of limitations and any waivers thereof in determining the disposition of any Dispute and may dismiss one or more claims in the arbitration on the basis that such claim or claims is or are barred. For purposes of the application of the statute of limitations, the service on AAA under applicable AAA rules of a notice of Dispute is the equivalent of the filing of a lawsuit.

(vi) Any dispute concerning this Dispute Resolution Section, including any such dispute as to the validity or enforceability hereof or whether a Dispute is arbitrable, shall be determined by the arbitrator; provided, however, that the arbitrator shall not be permitted to vary the express provisions of these Special Rules or the Reservations of Rights in subsection (c) below.

(vii) The arbitrator shall have the power to award legal fees and costs pursuant to the terms of this Agreement.

(viii) The arbitration will take place on an individual basis without reference to, resort to, or consideration of any form of class or class action.

(ix) No arbitration arising out of or relating to this Agreement shall include, by consolidation, joinder or in any other manner, an additional person or entity not a party to this Agreement, except by written consent containing a specific reference to this Agreement signed by the undersigned and

any other person or entity sought to be joined. Consent to arbitration involving an additional person or entity shall not constitute consent to arbitration of any claim, dispute or other matter in question not described in the written consent or with a person or entity not named or described therein. The foregoing agreement to arbitrate and other agreements to arbitrate with an additional person or entity duly consented to by the parties to this Agreement shall be specifically enforceable in accordance with applicable law in any court having jurisdiction thereof.

(c) Reservations of Rights. Nothing in this Agreement shall be deemed to (i) limit the applicability of any otherwise applicable statutes of limitation and any waivers contained in this Agreement, or (ii) apply to or limit the right of Administrative Agent or any Lender (A) to exercise self help remedies such as (but not limited to) setoff, or (B) to foreclose judicially or nonjudicially against any real or personal property collateral, or to exercise judicial or nonjudicial power of sale rights, (C) to obtain from a court provisional or ancillary remedies such as (but not limited to) injunctive relief, writ of possession, prejudgment attachment, or the appointment of a receiver, or (D) to pursue rights against a party to this Agreement in a third-party proceeding in any action brought against Administrative Agent or any Lender in a state, federal or international court, tribunal or hearing body (including actions in specialty courts, such as bankruptcy and patent courts). Subject to the terms of this Agreement, Administrative Agent and any Lender may exercise the rights set forth in clauses (A) through (D), inclusive, before, during or after the pendency of any arbitration proceeding brought pursuant to this Agreement. Neither the exercise of self help remedies nor the institution or maintenance of an action for foreclosure or provisional or ancillary remedies shall constitute a waiver of the right of any party, including the claimant in any such action, to arbitrate the merits of the Dispute occasioning resort to such remedies. No provision in the Loan Documents regarding submission to jurisdiction and/or venue in any court is intended or shall be construed to be in derogation of the provisions in any Loan Document for arbitration of any Dispute.

(d) Conflicting Provisions for Dispute Resolution. If there is any conflict between the terms, conditions and provisions of this Section and those of any other provision or agreement for arbitration or dispute resolution, the terms, conditions and provisions of this Section shall prevail as to any Dispute arising out of or relating to (i) this Agreement, (ii) any other Loan Document, (iii) any related agreements or instruments, or (iv) the transaction contemplated herein or therein (including any claim based on or arising from an alleged personal injury or business tort). In any other situation, if the resolution of a given Dispute is specifically governed by another provision or agreement for arbitration or dispute resolution, the other provision or agreement shall prevail with respect to said Dispute.

(e) Jury Trial Waiver in Arbitration. By agreeing to this Section, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Dispute.

(f) The procedure described above will not apply if (1) the Claim, at the time of the proposed submission to arbitration, arises from or relates to an obligation to Administrative Agent and/or Lenders secured by real property; and (2) Administrative Agent and each Lender in their sole and absolute discretion have not consented to submission of the Claim to arbitration.

(g) To the extent any Claims are not arbitrated, to the extent permitted by law the Claims shall be resolved in court by a judge without a jury, except any Claims which are brought in a California state court may, at the election of Administrative Agent and each Lender, be determined by judicial reference as described below.

(h) Any Claim which is not arbitrated and which is brought in California state court may, at the joint election of Administrative Agent and each Lender, be resolved by general reference to a referee (or a panel of referees) as provided in California Code of Civil Procedure ("CCP") Section 638. The referee (or presiding referee of the panel) shall be a retired Judge or Justice. The referee (or panel of referees) shall be selected by mutual written agreement of the parties. If the parties do not agree, the referee shall be selected by the Presiding Judge of eth Court (or his or her representative) as provided in CCP Section 638 and the following related sections. The referee shall determine all issues in accordance with California rules of evidence and civil procedure and other applicable laws, rules and regulations. The referee shall be empowered to enter equitable as well as legal relief, provide all temporary or provisional remedies, enter equitable orders that will be binding on the parties and rule on any motion which would be authorized in a trial, including motions for summary judgment or summary

adjudication. The aware that results from the decisions of the referee(s) will be entered as a judgment in the court that appointed the referee, in accordance with the provisions of CCP Sections 644(a) and 645. The parties reserve the right to seek appellate review of any judgment or order, including orders pertaining to class certification, to the same extent permitted in a court of law.

THE WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO ORAL AGREEMENTS BETWEEN THE PARTIES.

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IN WITNESS WHEREOF, THIS CONSTRUCTION LOAN AGREEMENT is EXECUTED and DELIVERED UNDER SEAL as of the date first appearing above.

WITNESS/ATTEST:

/s/ Mary S. Fredenburg
Name: Mary S. Fredenburg

Borrower's Address for Notices:

HF Logistics-SKX T1, LLC
c/o Highland Fairview Properties
14225 Corporate Way
Moreno Valley CA 92553
Telephone: (951) 867-5301
Facsimile: (951) 867-5302
Electronic Mail: [ILLEGIBLE].com
FEIN: 27-1865350

With a copy to:

TG Services, Inc.
Stage Coach Run
East Brunswick, NJ 08816
Attn: James Licb, EVP

WITNESS/ATTEST:

/s/ Xavier Arcentales
Name: Xavier Arcentales

WITNESS/ATTEST:

/s/ [ILLEGIBLE]
Name: [ILLEGIBLE]

HF LOGISTICS-SKX T1, LLC,
a Delaware limited liability company

By: HF Logistics-SKX, LLC, a Delaware limited liability company, its sole member

By: HF Logistics I, LLC, a Delaware limited liability company, its managing member

By: /s/ Iddo Benzeevi
Iddo Benzeevi, President and Chief Executive Officer

BANK OF AMERICA, N.A.,
a national banking association, individually as Administrative Agent, L/C Issuer, and a Lender

By: /s/ [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: Senior Vice President

RAYMOND JAMES BANK, FSB.
as a Lender

By: /s/ Jennifer Ehrhart
Name: Jennifer Ehrhart
Title: Senior Vice President

EXHIBIT "A"

LEGAL DESCRIPTION OF LAND

Real property in the City of Moreno Valley, County of Riverside, State of California, described as follows:

PARCEL 1:

THAT CERTAIN PARCEL SHOWN AND DESCRIBED AS "PROPOSED PARCEL C" BEING SET FORTH, DESCRIBED AND CREATED BY THAT CERTAIN LOT LINE ADJUSTMENT NO. 1005 / AND CERTIFICATE OF COMPLIANCE RECORDED MARCH 29, 2010 AS DOCUMENT NO. 2010-0140636 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY, CALIFORNIA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THOSE PORTIONS OF LOTS 2 AND 7, IN BLOCK 34 OF MAP NO. 1 OF BEAR VALLEY AND ALESSANDRO DEVELOPMENT COMPANY, IN THE CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 11 OF MAPS, PAGE 10, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN BERNARDINO COUNTY, CALIFORNIA, TOGETHER WITH THAT PORTION OF FIR AVENUE, VACATED BY RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY RECORDED MARCH 27, 1962 AS FILE NO. 27882 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, LYING BETWEEN REDLANDS BOULEVARD AND SINCLAIR STREET, AS SAID STREETS ARE SHOWN ON THE MAP OF SAID TRACT, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWESTERLY CORNER OF SAID LOT 7, BEING ALSO THE CENTERLINE OF FIR AVENUE (VACATED); THENCE ALONG THE SOUTHERLY LINE OF SAID LOT 7 AND THE CENTERLINE OF FIR AVENUE (VACATED) SOUTH 89 DEGREES 33"11' EAST 288.98 FEET TO THE TRUE POINT OF BEGINNING; THENCE NORTH 1280.03 FEET TO THE NORTHERLY LINE OF SAID LOT 2, BEING ALSO THE SOUTHERLY LINE OF GREVILLEA AVENUE (80 FEET WIDE) AS SHOWN ON SAID MAP NO. 1 OF BEAR VALLEY AND ALESSANDRO DEVELOPMENT COMPANY (NOW THE SOUTHERLY LINE OF STATE HIGHWAY 60); THENCE ALONG THE NORTHERLY LINE OF SAID LOT 2 AND THE SOUTHERLY LINE OF GREVILLEA AVENUE SOUTH 89 DEGREES 33"13' EAST 381.32 FEET TO THE NORTHEASTERLY CORNER OF SAID LOT 2; THENCE ALONG THE EASTERLY LINES OF SAID LOT 2 AND SAID LOT 7 SOUTH 00 DEGREES 27"17' WEST 1280.00 FEET TO SAID SOUTHERLY LINE OF LOT 7 AND SAID CENTERLINE OF FIR AVENUE (VACATED); THENCE ALONG SAID SOUTHERLY LINE OF LOT 7 AND SAID CENTERLINE OF FIR AVENUE (VACATED) NORTH 89 DEGREES 33"11' WEST 371.16 FEET TO THE TRUE POINT OF BEGINNING.

CONTAINING AN AREA OF 11.056 ACRES, MORE OR LESS.

PARCEL 2:

THAT CERTAIN PARCEL SHOWN AND DESCRIBED AS "PROPOSED PARCEL A" BEING SET FORTH, DESCRIBED AND CREATED BY THAT CERTAIN LOT LINE ADJUSTMENT NO. 1004 / AND CERTIFICATE OF COMPLIANCE RECORDED MARCH 29, 2010 AS DOCUMENT NO. 2010-0140637 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY, CALIFORNIA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THOSE PORTIONS OF LOTS 1, 2 AND 8 IN BLOCK 33 OF BEAR VALLEY AND ALESSANDRO DEVELOPMENT COMPANY, IN THE CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 11 OF MAPS, PAGE 10, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN BERNARDINO COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWESTERLY CORNER OF SAID LOT 8; THENCE ALONG THE SOUTHERLY LINE OF SAID LOT 8, BEING ALSO THE NORTHERLY LINE OF FIR AVENUE (80 FEET WIDE) SOUTH 89 DEGREES 33'11" EAST 130.38 FEET; THENCE LEAVING SAID SOUTHERLY LINE OF LOT 8 AND SAID NORTHERLY LINE OF FIR AVENUE, NORTH 854.59 FEET TO A POINT ON A NON-TANGENT CURVE CONCAVE NORTHEASTERLY AND HAVING A RADIUS OF 497.00 FEET, A RADIAL LINE OF SAID CURVE FROM SAID POINT BEARS NORTH 15 DEGREES 41'23" EAST; THENCE ALONG SAID CURVE NORTHWESTERLY 103.15 FEET THROUGH A CENTRAL ANGLE OF 11 DEGREES 53'28"; THENCE TANGENT FROM SAID CURVE NORTH 62 DEGREES 25'09" WEST 49.57 FEET; THENCE NORTH 56 DEGREES 42'31" WEST 120.60 FEET; THENCE NORTH 62 DEGREES 25'09" WEST 222.69 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE SOUTHWESTERLY AND HAVING A RADIUS OF 800.00 FEET; THENCE ALONG SAID CURVE NORTHWESTERLY 310.88 FEET THROUGH A CENTRAL ANGLE OF 22 DEGREES 15'55"; THENCE TANGENT FROM SAID CURVE NORTH 84 DEGREES 41'04" WEST 47.33 FEET TO THE WESTERLY LINE OF SAID LOT 2; THENCE ALONG THE WESTERLY AND SOUTHERLY LINES OF SAID LOT 2, AND THE WESTERLY LINE OF LOT 8 THE FOLLOWING COURSES: SOUTH 00 DEGREES 27'24" WEST 550.52 FEET; THENCE SOUTH 89 DEGREES 33'12" EAST 660.21 FEET; THENCE SOUTH 00 DEGREES 27'19" WEST 620.01 FEET TO THE POINT OF BEGINNING.

CONTAINING AN AREA OF 9.396 ACRES, MORE OR LESS.

PARCEL A:

LOTS 1 AND 8 OF BLOCK 34, MAP NO. 1, OF BEAR VALLEY AND ALESSANDRO DEVELOPMENT COMPANY, IN THE CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11, PAGE 10 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN BERNARDINO COUNTY.

TOGETHER WITH THAT PORTION OF FIR AVENUE, VACATED BY RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY RECORDED MARCH 27, 1962 AS FILE NO. 27882 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, LYING BETWEEN REDLANDS BOULEVARD, AND SINCLAIR STREET AS SAID STREETS ARE SHOWN ON THE MAP OF SAID TRACT.

ALSO TOGETHER WITH THAT PORTION OF SINCLAIR STREET ADJACENT ON THE EAST, AS REJECTED FOR DEDICATION BY THE CITY OF MORENO VALLEY PURSUANT TO THE TERMS AND PROVISIONS OF A DOCUMENT RECORDED MARCH 31, 2010 AS DOCUMENT NO. 2010-0144493 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY, CALIFORNIA.

PARCEL B:

PARCELS 1 AND 2 OF PARCEL MAP 12975, IN THE CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 72, PAGE 47 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY.

ALSO TOGETHER WITH THAT PORTION OF SINCLAIR STREET ADJACENT ON THE WEST, AS REJECTED FOR DEDICATION BY THE CITY OF MORENO VALLEY PURSUANT TO THE TERMS AND PROVISIONS OF A DOCUMENT RECORDED MARCH 31, 2010 AS DOCUMENT NO. 2010-0144493 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY, CALIFORNIA.

PARCEL C:

LOT 4 IN BLOCK 33 OF MAP NO. 1 OF THE LANDS OF THE BEAR VALLEY AND ALESSANDRO DEVELOPMENT COMPANY, IN THE CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11, PAGE 10 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN BERNARDINO COUNTY, CALIFORNIA.

EXCEPTING THEREFROM THAT PORTION DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF SAID LOT 4;
THENCE EASTERLY ON THE NORTHERLY LINE OF SAID LOT 257.00 FEET;
THENCE AT RIGHT ANGLES SOUTHERLY 398.00 FEET;
THENCE AT RIGHT ANGLES WESTERLY 257.00 FEET, TO THE WESTERLY LINE OF SAID LOT;
THENCE NORTHERLY, ON THE WESTERLY LINE OF SAID LOT, 398.00 FEET, TO THE POINT OF BEGINNING.

ALSO TOGETHER WITH THAT PORTION OF SINCLAIR STREET ADJACENT ON THE WEST, AS REJECTED FOR DEDICATION BY THE CITY OF MORENO VALLEY PURSUANT TO THE TERMS AND PROVISIONS OF A DOCUMENT RECORDED MARCH 31, 2010 AS DOCUMENT NO. 2010-0144493 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY, CALIFORNIA.

PARCEL D:

ALL THAT CERTAIN REAL PROPERTY SITUATED IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

LOTS 3 AND 6 OF BLOCK 33 OF MAP NO. 1 OF BEAR VALLEY AND ALESSANDRO DEVELOPMENT COMPANY, IN THE CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11, PAGE(S) 10, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN BERNARDINO COUNTY.

PARCEL E:

LOT 7 IN BLOCK 33, OF MAP NO. 1 OF BEAR VALLEY AND ALESSANDRO DEVELOPMENT COMPANY, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 11, PAGE 10 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL F:

ALL THAT CERTAIN REAL PROPERTY SITUATED IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

LOT 5 OF BLOCK 33 OF MAP NO. 1 OF BEAR VALLEY AND ALESSANDRO DEVELOPMENT CO., IN THE CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11, PAGE 10 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN BERNARDINO COUNTY.

ALSO TOGETHER WITH THAT PORTION OF SINCLAIR STREET ADJACENT ON THE WEST, AS REJECTED FOR DEDICATION BY THE CITY OF MORENO VALLEY PURSUANT TO THE TERMS AND PROVISIONS OF A DOCUMENT RECORDED MARCH 31, 2010 AS DOCUMENT NO. 2010-0144493 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY, CALIFORNIA.

PARCEL G:

ALL THAT CERTAIN REAL PROPERTY SITUATED IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

THE NORTHERLY 160.00 FEET OF THE WESTERLY 120.00 FEET OF LOT 4 IN BLOCK 33, AS PER MAP NO. 1 OF BEAR VALLEY AND ALESSANDRO DEVELOPMENT COMPANY, IN THE CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11, PAGE 10 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN BERNARDINO COUNTY.

SAID NORTHERLY 160.00 FEET BEING MEASURED FROM THE SOUTHERLY LINE OF GREVILLEA AVENUE AS SHOWN ON SAID MAP AND THE WESTERLY 120.00 FEET BEING MEASURED FROM THE EAST LINE OF SINCLAIR STREET AS SHOWN ON SAID MAP.

ALSO TOGETHER WITH THAT PORTION OF SINCLAIR STREET ADJACENT ON THE WEST, AS REJECTED FOR DEDICATION BY THE CITY OF MORENO VALLEY PURSUANT TO THE TERMS AND PROVISIONS OF A DOCUMENT RECORDED MARCH 31, 2010 AS DOCUMENT NO. 2010-0144493 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY, CALIFORNIA.

PARCEL AA:

TEMPORARY CONSTRUCTION EASEMENTS FOR GRADING PURPOSES, TOGETHER WITH THE RIGHT TO ENTER ON, ACROSS, AND WITHIN THE REAL PROPERTY AS SHOWN THEREIN, FOR THE PURPOSE OF CONSTRUCTING THE PLANNED IMPROVEMENTS AND ASSOCIATED SLOPE AND DRAINAGE AREA GRADING ADJACENT TO AND SOUTH OF EUCALYPTUS AVENUE AS SHOWN ON ROUGH GRADING PLANS FOR CITY PROJECT NO. PA07-0090, ON FILE WITH THE CITY OF MORENO VALLEY, AS IRREVOCABLY OFFERED TO HF LOGISTICS-SKX T1, LLC, BY THOSE CERTAIN TEMPORARY CONSTRUCTION EASEMENTS RECORDED MARCH 26, 2010 AS DOCUMENT NO.'S 2010-0138030, 2010-0138031 AND 2010-0138032, ALL OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY, CALIFORNIA.

EXHIBIT “B”

DEFINITIONS AND FINANCIAL STATEMENTS

1. **DEFINITIONS:** As used in this Agreement and the attached exhibits, the following terms shall have the following meanings:

“**AAA**” means the American Arbitration Association, or any successor thereof.

“**Adjusted LIBOR Rate**” means the quotient obtained by dividing (i) the applicable London Interbank Offered Rate by (ii) 1.00 minus the LIBOR Reserve Percentage, where,

“**London Interbank Offered Rate**” means, with respect to any applicable Interest Period, the rate per annum equal to the British Bankers’ Association LIBOR Rate (“**BBA LIBOR**”), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as selected by Administrative Agent from time to time) at approximately 11:00 a.m. London time two (2) London Banking Days before the commencement of the Interest Period, for deposits in U.S. Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the rate for that Interest Period will be determined by such alternate method as reasonably selected by Administrative Agent; and

“**LIBOR Reserve Percentage**” means, with respect to any applicable Interest Period, for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including basic, supplemental, emergency, special and marginal reserves) generally applicable to financial institutions regulated by the Federal Reserve Board whether or not applicable to any Lender, in respect of “Eurocurrency liabilities” (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on LIBOR Rate Principal is determined), whether or not any Lender has any Eurocurrency liabilities. The LIBOR Rate shall be adjusted automatically as of the effective date of each change in the LIBOR Reserve Percentage.

“**Administrative Agent**” means Bank of America, N.A., in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

“**Administrative Agent Advances**” has the meaning set forth in Section 1.16 of this Agreement.

“**Administrative Agent’s Office**” means Administrative Agent’s address and, as appropriate, account as set forth on the Schedule of Lenders, or such other address or account as Administrative Agent hereafter may from time to time notify Borrower and Lenders.

“**Administrative Agent’s Time**” means the time of day observed in the city where Administrative Agent’s Office is located.

“**Advance Termination Date**” means that date which is thirty (30) days prior to the Maturity Date (or Extended Maturity Date, if applicable).

“**Affiliate**” means any person directly or indirectly through one or more intermediaries controlling, controlled by, or under direct or indirect common control with, such person. A person shall be deemed to be “controlled by” any other person if such other person possesses, directly or indirectly, power (a) to vote 10% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners or the equivalent; or (b) to direct or cause the direction of the management and policies of such person whether by contract or otherwise.

“**Agent-Related Persons**” means Administrative Agent, together with its Affiliates (including Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such persons and Affiliates.

“Aggregate Commitments” means the Commitments of all the Lenders.

“Aggregate Cost” has the meaning set forth in Section 1.4 of this Agreement.

“Agreement” has the meaning set forth in the introductory paragraph of this Agreement, and includes all exhibits attached hereto and referenced in Section 1.1.

“Appraised Value” means Ninety Five Million and No/100 Dollars (\$95,000,000.00).

“Arranger” means Banc of America Securities LLC, in its capacity as sole lead arranger and sole book manager.

“Assignment and Assumption” means an Assignment and Assumption substantially in the form of Exhibit “L”.

“Base Rate” means, on any day, a simple rate per annum equal to the sum of the Prime Rate for that day plus the Base Rate Margin. Without notice to Borrower or anyone else, the Base Rate shall automatically fluctuate upward and downward as and in the amount by which the Prime Rate fluctuates.

“Base Rate Margin” means two and three quarters percent (2.75%) per annum.

“Base Rate Principal” means, at any time, the Principal Debt minus the portion, if any, of such Principal Debt which is LIBOR Rate Principal and Letters of Credit which have not been drawn.

“Borrower” has the meaning set forth in the introductory paragraph of this Agreement.

“Borrower’s Deposit” has the meaning set forth in Section 1.5 of this Agreement.

“Budget” means the budget and cost itemization for the Project attached as Exhibit “D”.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where Administrative Agent’s Office is located.

“Cash Collateralize” has the meaning set forth in Section 7 of Exhibit “K”.

“City” means the City of Moreno Valley, California.

“Closing Checklist” means that certain Closing Requirements and Checklist setting forth the conditions for closing the Loan and recording the Mortgage.

“Code” has the meaning set forth in Section 2.15 of this Agreement.

“Commitment” means, as to each Lender, its obligation to advance (a) its Pro Rata Share of the Loan and (b) purchase participations in L/C Obligations in an aggregate principal amount not exceeding the amount set forth opposite such Lender’s name on the Schedule of Lenders at any one time outstanding, as such amount may be adjusted from time to time in accordance with this Agreement.

“Completion Date” means the earlier of (a) the date of completion of tenant improvements pursuant to the terms and provisions of the Lease or (b) twenty (20) months after the date of this Agreement.

“Construction Commencement Date” means thirty (30) days after the date of this Agreement.

“Construction Consultant” means the construction consultant, if any, engaged by Administrative Agent with respect to the Project.

“Debtor Relief Laws” means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” has the meaning set forth in Section 4.1 of this Agreement.

“Defaulting Lender” means a Lender that fails to pay its Pro Rata Share of a Payment Amount within five (5) Business Days after notice from Administrative Agent, until such Lender cures such failure as permitted in this Agreement.

“Defaulting Lender Amount” means the Defaulting Lender’s Pro Rata Share of a Payment Amount.

“Defaulting Lender Payment Amounts” means a Defaulting Lender Amount plus interest from the date such Defaulting Lender Amount was funded by Administrative Agent and/or an Electing Lender, as applicable, to the date such amount is repaid to Administrative Agent and/or such Electing Lender, as applicable, at the rate per annum applicable to such Defaulting Lender Amount under the Loan or otherwise at the Base Rate.

“Deferred Up-Front Equity Cash” means that portion of the Up-Front Equity consisting of the sum of NINE HUNDRED FORTY ONE THOUSAND TWO HUNDRED THIRTY SEVEN AND NO/100 DOLLARS (\$941,237.00) in cash which shall be deposited into the Up-Front Equity Account in accordance with the terms and conditions of this Agreement.

“Dispute” means any controversy, claim or dispute between or among the parties to this Agreement, including any such controversy, claim or dispute arising out of or relating to (a) this Agreement, (b) any other Loan Document, (c) any related agreements or instruments, or (d) the transaction contemplated herein or therein (including any claim based on or arising from an alleged personal injury or business tort).

“Draw Request” has the meaning set forth in Section 1 of Exhibit “F”.

“Eligible Assignee” has the meaning set forth in Section 6.5 of this Agreement.

“Environmental Agreement” means the Environmental Indemnification and Release Agreement of even date herewith by and among Borrower, Guarantors and Administrative Agent for the benefit of Lenders.

“Excusable Delay” means a delay, not to exceed a total of sixty (60) days, caused by unusually adverse weather conditions which have not been taken into account in the construction schedule, fire, earthquake or other acts of God, strikes, lockouts, acts of public enemy, riots or insurrections or any other unforeseen circumstances or events beyond the control of Borrower (except financial circumstances or events or matters which may be resolved by the payment of money), and as to which Borrower notifies Administrative Agent in writing within ten (10) days after such occurrence; *provided, however*, no Excusable Delay shall extend the Completion Date or suspend or abate any obligation of Borrower or any Guarantor or any other person to pay any money.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; *provided* that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upwards to the next higher 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by Administrative Agent.

“Financial Statements” means (i) for each reporting party other than an individual, a balance sheet, income statement, a reconciliation of changes in equity and liquidity verification, annual statements of cash flow and amounts and sources of contingent liabilities, and unless Administrative Agent otherwise consents, consolidated and consolidating statements if the reporting party is a holding company or a parent of a subsidiary entity; and (ii) for each

reporting party who is an individual, a balance sheet, statements of amount and sources of contingent liabilities, sources and uses of cash and liquidity verification and, unless Administrative Agent otherwise consents, Financial Statements for each entity owned or jointly owned by the reporting party. For purposes of this definition and any covenant requiring the delivery of Financial Statements, each party for whom Financial Statements are required is a “reporting party” and a specified period to which the required Financial Statements relate is a “reporting period”.

“Funding Date” means the date on which an advance of Loan Proceeds, Up-Front Equity Cash or Borrower’s Deposit shall occur.

“Guarantors” means collectively TG Development, Trans LP Holdings, LLC, a Delaware limited liability company, Boca Ocean Holdings, LLC, a Delaware limited liability company, T/CAL Holdings, LLC, a Delaware limited liability company, and Island Boulevard Holdings, LLC, a Delaware limited liability company, jointly and severally (and each of the foregoing is referred to herein as a “Guarantor”).

“Improvements” means all on-site and off-site improvements to the Land for industrial warehouse, office and retail use, to be constructed on the Land and expected to be Leadership in Energy and Environmental Design certified, together with all fixtures, tenant improvements, and appurtenances now or later to be located on the Land and/or in such improvements.

“Indebtedness” means any and all indebtedness to Administrative Agent, or Lenders evidenced, governed or secured by, or arising under, any of the Loan Documents, including the Loan.

“Indemnified Liabilities” has the meaning set forth in Section 6.1.

“Initial Advance” means the first advance of Up-Front Equity Cash in an amount requested by Borrower and approved by Administrative Agent in accordance with the terms and conditions of this Agreement.

“Initial Advance of Loan Proceeds” means the first advance of any of the Loan Proceeds which shall be made in accordance with the terms and conditions of this Agreement.

“Initial Up-Front Equity Cash” means that portion of the Up-Front Equity consisting of the sum of TWENTY FOUR MILLION FIVE HUNDRED THOUSAND DOLLARS (\$24,500,000.00) in cash which shall be deposited on the date hereof into the Up-Front Equity Account pursuant to the terms and conditions of this Agreement.

“L/C Borrowing” means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Loan advance.

“L/C Credit Extension” means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the renewal or increase of the amount thereof.

“L/C Issuer” means Bank of America, N.A. in its capacity as issuer of Letters of Credit hereunder or any successor issuer of Letter of Credit hereunder.

“L/C Obligations” means, as at any date of determination, the aggregate undrawn face amount of all outstanding Letters of Credit plus the aggregate of all L/C Borrowings.

“Land” means the real property described in Exhibit “A”.

“Laws” means all constitutions, treaties, statutes, laws, ordinances, regulations, rules, orders, writs, injunctions, or decrees of the United States of America, any state or commonwealth, any municipality, any foreign country, any territory or possession, or any Tribunal.

“Lease” means, collectively, that certain Lease Agreement dated September 24, 2007 by and between HF Logistics I, LLC, a Delaware limited liability company (the “Original Landlord”), as landlord, and Skechers, as tenant, for the lease of the Improvements to be constructed by Borrower in accordance with the terms and provisions of this Agreement, as modified by that certain Amendment to Lease Agreement dated December 18, 2009 by and between

Original Landlord and Skechers, as assigned to Borrower pursuant to that certain Assignment of Lease (Skechers Lease) dated April 12, 2010 executed by and between Original Landlord and Borrower, and as further modified by that certain Second Amendment to Lease Agreement dated April 12, 2010 executed by and between Borrower and Skechers.

“Lender” means each lender from time to time party to this Agreement and L/C Issuer.

“Lending Office” means, as to any Lender, the office or offices of such Lender described as such on the Schedule of Lenders, or such other office or offices as such Lender may from time to time notify Borrower and Administrative Agent.

“Letter of Credit” means any letter of credit issued hereunder.

“Letter of Credit Application” means an application and agreement for the issuance or amendment of a letter of credit in the form from time to time in use by the L/C Issuer.

“Letter of Credit Expiration Date” means the day that is seven days prior to the Maturity Date (or, if such day is not a Business Day, the next preceding Business Day).

“Letter of Credit Sublimit” means an amount equal to NINETEEN MILLION DOLLARS (\$19,000,000.00). The Letter of Credit Sublimit is a part of, and not in addition to, the combined Commitments.

“LIBOR Business Day” means a Business Day which is also a London Banking Day.

“LIBOR Margin” means four and one half percent (4.5%) per annum.

“LIBOR Rate” means for any applicable Interest Period for any LIBOR Rate Principal, a simple rate per annum equal to the sum of the LIBOR Margin plus the Adjusted LIBOR Rate.

“LIBOR Rate Principal” means any portion of the Principal Debt which bears interest at an applicable LIBOR Rate at the time in question.

“Loan” means the loan and Letters of Credit by Lenders to Borrower, in the amount of lesser of (i) \$55,000,000.00; (ii) 58% of the Appraised Value; (iii) the payment of 55% of the costs incident to the Project as specified in the Budget; (iv) 1.40 times the coverage ratio using stress tests of 8% rate, 30-year amortization and first year NOI as per the approved appraisal. In the event the aggregate amount of the actual costs incident to the Project are less than the aggregate amount specified in the Budget, the maximum amount described above shall be reduced by the difference between the aggregate amount specified in the Budget and the aggregate amount of such actual costs.

“Loan Documents” means this Agreement (including all exhibits), the Mortgage, any Note, the Environmental Agreement, any guaranty, financing statements, the Budget, each Draw Request, any and all documents, instruments or agreements executed and delivered to evidence, secure or in connection with all Letters of Credit, and such other documents evidencing, securing or pertaining to the Loan as shall, from time to time, be executed and/or delivered by Borrower, each of the Guarantors, or any other party to Administrative Agent or any Lender pursuant to this Agreement, as they may be amended, modified, restated, replaced and supplemented from time to time.

“London Banking Day” means a day on which dealings in dollar deposits are conducted by and between banks in the London interbank eurodollar market.

“Material Adverse Effect” means (a) a material adverse change in, or a material adverse effect upon, the Project, or the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) of the Borrower or the Borrower and its Subsidiaries taken as a whole; (b) a material impairment of the ability of any party to the Loan Documents to perform its obligations under any Loan Document to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against any party to the Loan Documents of any Loan Document to which it is a party.

“Material Contract” means any contract for the performance of any work or the supplying of any labor, materials or services which exceeds FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) in total price.

“Maturity Date” means twenty four (24) months from the date of this Agreement, as it may be earlier terminated or extended in accordance with the terms hereof.

“Mortgage” means the Construction Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing dated of even date herewith, from Borrower to Administrative Agent, securing repayment of the Indebtedness and Borrower’s performance of its other obligations to Administrative Agent and Lenders under the Loan Documents, as amended, modified, supplemented, restated and replaced from time to time.

“Notes” means the Promissory Notes each dated of even date herewith executed by Borrower and payable to the order of each Lender in the amount of each Lender’s Commitment and collectively in the maximum principal amount of the Loan, substantially in the form of Exhibit “M” as amended, modified, replaced, restated, extended or renewed from time to time.

“Obligations” means all liabilities, obligations, covenants and duties of, any party to a Loan Document arising under or otherwise with respect to any Loan Document, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any party to a Loan Document or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceedings.

“Payment Amount” means an advance of the Loan, an unreimbursed Administrative Agent Advance, an unreimbursed Indemnified Liability, a reimbursement to L/C Issuer for an unreimbursed drawing under a Letter of Credit or any other amount that a Lender is required to fund under this Agreement.

“Permitted Changes” means changes to the Plans or Improvements, including so-called “field changes”, *provided* that the cost of any single change or extra does not exceed FIFTY THOUSAND DOLLARS (\$50,000.00) and the aggregate amount of all such changes and extras (whether positive or negative) does not exceed FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00).

“Plans” means the plans and specifications listed in Exhibit “E” and all modifications thereof and additions thereto that are included as part of the Plans as the same shall be approved by Administrative Agent in the exercise of its sole discretion in accordance with the terms of this Agreement.

“Potential Default” means any condition or event which with the giving of notice or lapse of time or both would, unless cured or waived, become a Default.

“Prime Rate” means, on any day, the rate of interest per annum then most recently established by Administrative Agent as its “prime rate,” it being understood and agreed that such rate is set by Administrative Agent as a general reference rate of interest, taking into account such factors as Administrative Agent may deem appropriate, that it is not necessarily the lowest or best rate actually charged to any customer or a favored rate, that it may not correspond with future increases or decreases in interest rates charged by other lenders or market rates in general, and that Administrative Agent may make various business or other loans at rates of interest having no relationship to such rate. If Administrative Agent (including any subsequent Administrative Agent) ceases to exist or to establish or publish a prime rate from which the Prime Rate is then determined, the applicable variable rate from which the Prime Rate is determined thereafter shall be instead the prime rate reported in The Wall Street Journal (or the average prime rate if a high and a low prime rate are therein reported), and the Prime Rate shall change without notice with each change in such prime rate as of the date such change is reported.

“Principal Debt” means the aggregate unpaid principal balance of this Loan at the time in question.

“Pro Rata Share” means, with respect to each Lender at any time, a fraction expressed as a percentage, the numerator of which is the amount of the Commitment of such Lender at such time and the denominator of which is the amount of the Aggregate Commitments at such time or, if the Aggregate Commitments have been terminated, a

fraction (expressed as a percentage, carried out to the ninth decimal place), the numerator of which is the total outstanding amount of all Indebtedness held by such Lender at such time (taking into account funded participations in L/C Obligations) and the denominator of which is the total outstanding amount of all Indebtedness at such time. The initial Pro Rata Share of each Lender named on the signature pages hereto is set forth opposite the name of that Lender on the Schedule of Lenders.

“Project” means the acquisition of the Land, the construction of the Improvements, and if applicable, the leasing and operation of the Improvements.

“Property” means the Land, the Improvements and all other property constituting the “Mortgaged Property,” as described in the Mortgage, or subject to a right, lien or security interest to secure the Loan pursuant to any other Loan Document.

“Required Lenders” means as of any date of determination at least two Lenders having at least 66-2/3% of the Aggregate Commitments or, if the Aggregate Commitments have been terminated, at least two Lenders holding in the aggregate at least 66-2/3% of the total outstanding amount of all Indebtedness (taking into account funded participations in L/C Obligations); *provided* that the Commitment of, and the portion of the total outstanding amount of all Indebtedness (taking into account funded participations in L/C Obligations) held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

“Schedule of Lenders” means the schedule of Lenders party to this Agreement as set forth on Exhibit “N”, as it may be modified from time to time in accordance with this Agreement.

“Skechers” means Skechers U.S.A., Inc., a Delaware corporation.

“Stored Materials Advance Limit” means THREE MILLION DOLLARS (\$3,000,000.00).

“Subsidiary” means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries.

“Survey” means a survey prepared in accordance with Exhibit “G” or as otherwise approved by Administrative Agent in its sole discretion.

“Swap Contract” has the meaning set forth in the Mortgage.

“Swap Transaction” has the meaning set forth in the Mortgage.

“Taxes” has the meaning set forth in Section 1.11 of this Agreement.

“TG Development” means TG Development Corp., a Delaware corporation.

“Title Company” means First American Title Insurance Company.

“Title Insurance” means the loan policy or policies of title insurance issued to Administrative Agent for the benefit of Lenders by the Title Company, in an amount equal to the maximum principal amount of the Loan, insuring the validity and priority of the Mortgage encumbering the Land and Improvements for the benefit of Administrative Agent and Lenders.

“Tribunal” means any state, commonwealth, federal, foreign, territorial or other court or governmental department, commission, board, bureau, district, authority, agency, central bank, or instrumentality, or any arbitration authority.

“Up-Front Equity Account” means that certain deposit account number 1499708217 in the name of Borrower established with Administrative Agent and under the control of Administrative Agent into which the Up-Front Equity Cash has been deposited and which will be utilized by Borrower to fund the Total Costs through the advance procedures set forth in Exhibit “F”.

“Up-Front Equity Cash” means collectively, the Initial Up-Front Equity Cash and the Deferred Up-Front Equity Cash.

2. FINANCIAL STATEMENTS:

Borrower shall provide or cause to be provided to Administrative Agent with a copy for each Lender all of the following:

- (a) Financial Statements of Borrower (i) for each fiscal year as soon as reasonably practicable and in any event within ninety (90) days after the close of each fiscal year. Financial Statements of Borrower shall be certified by the manager (or managing member as applicable) of the Borrower.
- (b) Financial Statements of TG Development certified by the chief financial officer of TG Development (i) for each fiscal year as soon as reasonably practicable and in any event within ninety (90) days after the close of each fiscal year; (ii) for each calendar quarter as soon as reasonably practicable and in any event within forty-five (45) days after the end of each calendar quarter; provided that annual statements of cash flow and amounts and sources of contingent liabilities shall only be provided annually.
- (c) Financial Statements of TG Development which are consolidated and consolidating and which include each of the other Guarantors certified by the chief financial officer of TG Development (i) for each fiscal year as soon as reasonably practicable and in any event within ninety (90) days after the close of each fiscal year; and (iv) for each calendar quarter as soon as reasonably practicable and in any event within forty-five (45) days after the end of each calendar quarter; provided that annual statements of cash flow and amounts and sources of contingent liabilities shall only be provided annually.
- (d) Prior to commencement of operations of the Improvements, a capital and operating budget for the Property for its first fiscal year (or portion thereof) of operations; and after commencement of operations in the Improvements: (i) prior to the beginning of each fiscal year of Borrower, a capital and operating budget for the Property; and (ii) for each month (and for the fiscal year through the end of that month) (A) a statement of all income and expenses in connection with the Property, and (B) if requested by Administrative Agent, a current leasing status report (including tenants’ names, occupied tenant space, lease terms, rents, vacant space and proposed rents), including in each case a comparison to the budget, as soon as reasonably practicable but in any event within fifteen (15) days after the end of each such month, certified in writing as true and correct by a representative of Borrower satisfactory to Administrative Agent. Items provided under this paragraph shall be in form and detail satisfactory to Administrative Agent.
- (e) Copies of filed federal and state income tax returns of Borrower and TG Development for each taxable year, within twenty (20) days after filing but in any event not later than one hundred twenty (120) days after the close of each such taxable year. Notwithstanding the foregoing, in the event Borrower or TG Development timely files for an extension for the filing of a federal or state income tax return and provides Administrative Agent with a copy of the extension filing within five (5) days of filing same, a copy of the return shall be provided to Administrative Agent five (5) days after the filing of such return but in any event not later than the expiration of the applicable extension period.
- (f) From time to time promptly after Administrative Agent’s request, such additional information, reports and statements respecting the Property and the Improvements, or the business operations and financial condition of each reporting party, as Administrative Agent may reasonably request.

All Financial Statements shall be in form and detail satisfactory to Administrative Agent and shall contain or be attached to the signed and dated written certification as required above in form specified by Administrative Agent to

certify that the Financial Statements are furnished to Administrative Agent in connection with the extension of credit by Lenders and constitute a true and correct statement of the reporting party's financial position.

EXHIBIT B, PAGE 9

EXHIBIT "C"

CONDITIONS PRECEDENT TO THE INITIAL ADVANCE

As conditions precedent to the Initial Advance, if and to the extent required by Administrative Agent, Administrative Agent shall have received and approved the following:

1. **Fees and Expenses.** Any and all required commitment and other fees, and evidence satisfactory to Administrative Agent that Borrower has paid all other fees, costs and expenses (including the fees and costs of Administrative Agent's counsel) then required to be paid pursuant to this Agreement and all other Loan Documents, including, without limitation, all fees, costs and expenses that Borrower is required to pay pursuant to any loan application or commitment.

2. **Financial Statements.** The Financial Statements of Borrower and TG Development or any other party required by any loan application or commitment or otherwise required by Administrative Agent.

3. **Appraisal.** A market value appraisal of the Property made within one hundred eighty (180) days prior to the date of this Agreement, which appraises the Property on a "completed value" basis at not less than the Appraised Value. The appraiser and appraisal must be satisfactory to Administrative Agent (including satisfaction of applicable regulatory requirements) and the appraiser must be engaged directly by Administrative Agent.

4. **Draw Schedule and Budget.** Borrower's proposed cash flow, draw schedule, and construction schedule for the Project, and Administrative Agent shall be satisfied, in its sole discretion, that the Improvements may be completed in accordance with the construction schedule and for costs not exceeding those set forth in the Budget.

5. **Authorization.** Evidence Administrative Agent requires of the existence, good standing, authority and capacity of Borrower, Guarantors, and their respective constituent partners, members, managers and owners (however remote) to execute, deliver and perform their respective obligations to Administrative Agent and Lenders under the Loan Documents, including:

(a) For each partnership (including a joint venture or limited partnership): (i) a true and complete copy of an executed partnership agreement or limited partnership agreement, and all amendments thereto; (ii) for each limited partnership, a copy of the certificate of limited partnership and all amendments thereto accompanied by a certificate issued by the appropriate governmental official of the jurisdiction of formation that the copy is true and complete, and evidence Administrative Agent requires of registration or qualification to do business in the state where Borrower's principal place of business is located and the state where the Project is located, and (iii) a partnership affidavit certifying who will be authorized to execute or attest any of the Loan Documents, and a true and complete copy of the partnership resolutions approving the Loan Documents and authorizing the transactions contemplated in this Agreement and the other Loan Documents.

(b) For each corporation: (i) a true and complete copy of its articles of incorporation and by-laws, and all amendments thereto, a certificate of incumbency of all of its officers who are authorized to execute or attest to any of the Loan Documents, and a true and complete copy of resolutions approving the Loan Documents and authorizing the transactions contemplated in this Agreement and the other Loan Documents; and (ii) certificates of existence, good standing and qualification to do business issued by the appropriate governmental officials in the state of its formation and, if different, the state in which the Project is located.

(c) For each limited liability company or limited liability partnership: (i) a true and complete copy of the articles of organization and operating agreement, and all amendments thereto, a certificate of incumbency of all of its members who are authorized to execute or attest to any of the Loan Documents, and a true and complete copy of resolutions approving the Loan Documents and authorizing the transactions contemplated in this Agreement and the other Loan Documents; and (ii) certificates of existence, good standing and qualification to do business issued by appropriate governmental officials in the state of its formation and, if different, the state in which the Property is located.

(d) For each entity or organization that is not a corporation, partnership, limited partnership, joint venture, limited liability company or limited liability partnership, a copy of each document creating it or governing the existence, operation, power or authority of it or its representatives.

(e) All certificates, resolutions, and consents required by Administrative Agent applicable to the foregoing.

6. Loan Documents. From Borrower, Guarantors and each other person required by Administrative Agent, duly executed, acknowledged and/or sworn to as required, and delivered to Administrative Agent (with a copy for each Lender) all Loan Documents then required by Administrative Agent, dated the date of this Agreement, each in form and content satisfactory to Administrative Agent, and evidence Administrative Agent requires that the Mortgage has been recorded in the official records of the city or county in which the Property is located and UCC-1 financing statements have been filed in all filing offices that Administrative Agent may require.

7. Opinions. The written opinion of counsel satisfactory to Administrative Agent for the Borrower, Guarantors, and any other persons or entities addressed to Administrative Agent for the benefit of Lenders, dated the date of this Agreement.

8. Survey; No Special Flood Hazard. (a) two (2) prints of an original survey (with a copy for each Lender) of the Land and improvements thereon dated not more than sixty (60) days prior to the date of this Agreement (or dated such earlier date, if any, as is satisfactory to the Title Company, but in any event not more than one hundred eighty (180) days prior to the date of this Agreement) satisfactory to Administrative Agent and the Title Company and otherwise, to the extent required by Administrative Agent, complying with Exhibit "G", and (b) a flood insurance policy (with a copy for each Lender) in an amount equal to the lesser of the maximum Loan amount or the maximum amount of flood insurance available under the Flood Disaster Protection Act of 1973, as amended, and otherwise in compliance with the requirements of the Loan Documents, or evidence satisfactory to Administrative Agent that none of the Land is located in a flood hazard area.

9. Title Insurance. An ALTA title insurance policy (or a title insurance commitment marked through the Loan closing date with all Schedule B-1 requirements and standard exceptions deleted), issued by the Title Company (which shall be approved by the Administrative Agent) in the maximum amount of the Loan plus any other amount secured by the Mortgage, insuring that the Mortgage constitutes a valid lien covering the Land and all Improvements thereon, having the priority required by Administrative Agent and subject only to those exceptions and encumbrances (regardless of rank or priority) Administrative Agent approves, in a form acceptable to Administrative Agent, and with all "standard" exceptions which can be deleted, including the exception for matters which a current survey would show, deleted to the fullest extent authorized under applicable title insurance rules, and Borrower shall satisfy all requirements therefor permitted; containing no exception for standby fees or real estate taxes or assessments other than those for the year in which the closing occurs to the extent the same are not then due and payable and endorsed "not yet due and payable" and no exception for subsequent assessments for prior years (other than any lien of supplemental taxes assessed pursuant to California Revenue and Taxation Code Section 75, et sq.); providing full coverage against mechanics' and materialmen's liens to the extent authorized under applicable title insurance rules, and Borrower shall satisfy all requirements therefor; insuring that no restrictive covenants shown in the Title Insurance have been violated, and that no violation of the restrictions will result in a reversion or forfeiture of title; insuring all appurtenant easements; insuring that fee simple indefeasible or marketable (as coverage is available) fee simple title to the Land and Improvements is vested in Borrower; containing such affirmative coverage and endorsements as Administrative Agent may require and are available under applicable title insurance rules, and Borrower shall satisfy all requirements therefor; insuring any easements, leasehold estates or other matters appurtenant to or benefiting the Land and/or the Improvements as part of the insured estate; insuring the right of access to the Land to the extent authorized under applicable title insurance rules, and Borrower shall satisfy all requirements therefor; and containing provisions acceptable to Administrative Agent regarding advances and/or readvances of Loan funds after closing. Borrower and Borrower's counsel shall not have any interest, direct or indirect, in the Title Company (or its agent) or any portion of the premium paid for the Title Insurance.

10. Plans. Two (2) true and correct copies of all existing Plans (including the site plan), together with evidence satisfactory to Administrative Agent that all applicable governmental authorities, Borrower, Borrower's architect, engineer, and contractors and Construction Consultant have approved the same.

11. Contracts. If requested by Administrative Agent (a) a list containing the names and addresses of all existing material contractors, architects, engineers, and other suppliers of services and materials for the Project under any Material Contract, their respective contract amounts, and a copy of their contracts; and (b) duly executed, acknowledged and delivered originals from each contractor, architect, engineer, subcontractor, or supplier of services or materials as may be required by Administrative Agent under any Material Contract, of (i) consents or other agreements satisfactory to Administrative Agent and (ii) agreements satisfactory to Administrative Agent subordinating all rights, liens, claims and charges they may have or acquire against Borrower or the Property to the rights, liens and security interests of Lenders.

12. Insurance Policies. The insurance policies initially required by Administrative Agent, pursuant to the Loan Documents, together with evidence satisfactory to Administrative Agent that all premiums therefor have been paid for a period of not less than one (1) year from the date of this Agreement and that the policies are in full force and effect.

13. Leases. If Exhibit "I" is attached hereto, (i) true and correct copies of all leases and subleases, and guarantees thereof; (ii) estoppel certificates and subordination non-disturbance and attornment agreements, dated within thirty (30) days prior to this Agreement in form and content satisfactory to Administrative Agent, from the tenants and subtenants as Administrative Agent requires; (iii) evidence satisfactory to Administrative Agent of Borrower's compliance with the leases; and (iv) evidence satisfactory to Administrative Agent of the tenants' approval of all matters requiring their approval.

14. Environmental Compliance/Report. Evidence satisfactory to Administrative Agent that no portion of the Land is "wetlands" under any applicable Law and that the Land does not contain and is not within or near any area designated as a hazardous waste site by any Tribunal, that neither the Property nor any adjoining property contains or has ever contained any substance classified as hazardous or toxic (or otherwise regulated, such as, without limitation, asbestos, radon and/or petroleum products) under any Law or governmental requirement pertaining to health or the environment, and that neither the Property nor any use or activity thereon violates or is or could be subject to any response, remediation, clean-up or other obligation under any Law or governmental requirement pertaining to health or the environment including without limitation, a written report of an environmental assessment of the Property, made within twelve (12) months prior to the date of this Agreement, by an engineering firm, and of a scope and in form and content satisfactory to Administrative Agent, complying with Administrative Agent's established guidelines, showing that there is no evidence of any such substance which has been generated, treated, stored, released or disposed of in the Property, and such additional evidence as may be required by Administrative Agent. All reports, drafts of reports, and recommendations, whether written or oral, from such engineering firm shall be made available and communicated to Administrative Agent.

15. Soil Reports. A soil composition and test boring report and a foundation report satisfactory to Administrative Agent regarding the Land, made within three (3) years prior to the date of this Agreement, by a licensed professional engineer satisfactory to Lenders.

16. Access, Utilities, and Laws. (a) evidence satisfactory to Administrative Agent that the Property abuts and has fully adequate direct and free access to one or more public streets, dedicated to public use, fully installed and accepted by the appropriate Tribunal, that all fees, costs and expenses of the installation and acceptance thereof have been paid in full, and that there are no restrictions on the use and enjoyment of such streets which would adversely affect the Project; (b) letters from the applicable utility companies or governmental authorities confirming that all utilities necessary for the Improvements are available at the Land in sufficient capacity, together with evidence satisfactory to Administrative Agent of paid impact fees, utility reservation deposits, and connection fees required to assure the availability of such services; (c) evidence satisfactory to Administrative Agent that all applicable zoning ordinances, restrictive covenants and governmental requirements affecting the Property permit the use for which the Property is intended and have been or will be complied with without the existence of any variance, non-complying use, nonconforming use or other special exception; (d) evidence satisfactory to Administrative Agent that the Land and Improvements comply and will comply with all Laws and governmental requirements regarding subdivision and platting and would so comply if the Land and the Improvements thereon were conveyed as a separate parcel; (e) evidence satisfactory to Administrative Agent of compliance by Borrower and the Property, and the proposed construction, use and occupancy of the Improvements, with such other applicable Laws and governmental requirements

as Administrative Agent may request, including all Laws and governmental requirements regarding access and facilities for handicapped or disabled persons including, without limitation and to the extent applicable; any other applicable state of California requirements; The Federal Architectural Barriers Act (42 U.S.C. § 4151 et seq.); The Fair Housing Amendments Act of 1988 (42 U.S.C. § 3601 et seq.); The Americans With Disabilities Act of 1990 (42 U.S.C. § 12101 et seq.); The Rehabilitation Act of 1973 (29 U.S.C. § 794) and any other state or local requirements; and (f) written evidence satisfactory to Administrative Agent that construction of the Improvements on the Land is permissible under all federal, state and local statutes, regulations and rulings protecting tidal and non-tidal wetlands and other environmentally protected areas.

17. Priority. (a) evidence satisfactory to Administrative Agent that prior to and as of the time the Mortgage was filed for record (i) no activity or circumstance was visible on or near the Land which would constitute inception of a mechanic's or materialman's lien against the Property; (ii) no contract, or memorandum thereof, for construction, design, surveying, or any other service relating to the Project has been filed for record in the county where the Property is located; and (iii) no mechanic's or materialman's lien claim or notice, lis pendens, judgment, or other claim or encumbrance against the Property has been filed for record in the county where the Property is located or in any other public record which by Law provides notice of claims or encumbrances regarding the Property; (b) a certificate or certificates of a reporting service acceptable to Administrative Agent, reflecting the results of searches made not earlier than ten (10) days prior to the date of this Agreement, (i) of the central and local Uniform Commercial Code records, showing no filings against any of the collateral for the Loan or against Borrower otherwise except as consented to by Administrative Agent; and (ii) if required by Administrative Agent, of the appropriate judgment and tax lien records, showing no outstanding judgment or tax lien against Borrower or any Guarantor.

18. Bonds. (a) a performance bond for the general contractor in amount, form and content satisfactory to Administrative Agent and (b) a payment bond for the general contractor, in form and content satisfactory to Administrative Agent, and if required by Administrative Agent duly recorded before any construction is commenced. Each bond shall be issued by a corporate surety acceptable to Administrative Agent and authorized and admitted to do business and to execute bonds in the state where the Project is located and contain a dual obligee rider with power of attorney in favor of Administrative Agent in form and content satisfactory to Administrative Agent.

19. Taxes and Impact Fees. Evidence satisfactory to Administrative Agent (a) of the identity of all taxing authorities and utility districts (or similar authorities) having jurisdiction over the Property or any portion thereof; (b) that to the extent they have been assessed, all taxes, impact fees, water and sewer connection charges and any other similar charges have been paid, including copies of receipts or statements marked "paid" by the appropriate authority; and (c) that the Land is a separate tax lot or lots with separate assessment or assessments of the Land and Improvements, independent of any other land or improvements and that the Land is a separate legally subdivided parcel.

20. Intentionally Omitted.

21. Other Documents. Such other documents and certificates as Administrative Agent may reasonably request from Borrower, any Guarantor, and any other person or entity, in form and content satisfactory to Administrative Agent.

22. Intentionally Omitted.

23. Intentionally Omitted.

24. Up-Front Equity. Evidence satisfactory to Administrative Agent that all components of the Up-Front Equity has been fully paid and funded except for the Deferred Up-Front Equity Cash (it being acknowledged and agreed to that prior to first Advance of Loan Proceeds, the Deferred Up-Front Equity Cash shall be deposited by Borrower into the Up-Front Equity Account).

25. Borrower Identification Due Diligence. Administrative Agent and each Lender shall have received all due diligence materials they deem necessary with respect to verifying the Borrower's identity and background information in a manner satisfactory to each of them.

EXHIBIT "D"

BUDGET

EXHIBIT D, PAGE 1

EXHIBIT "D"

BUDGET — HF Logistics-SKX T1, LLC

LINE ITEMS	\$ Per Sq. Ft. of Land Area	% of Total Costs	\$ Per Sq. Ft. of Bldg Area	\$ Per Unit	Total Costs
LAND					
Land Acquisition (Cost)	5.00	14.4%	9.40	0	17,120,000.00
		0.0%	—	0	
		0.0%	—	0	
SUB-TOTAL LAND	5.00	14.4%	9.40	—	17,120,000.00
HARD COSTS					
GC Contract (Prime Contract)		[*]%	[*]	0	[*]
GC Contract (Eucalyptus St. Costs)		[*]%	[*]	0	[*]
Pre-Purchased Items (paid by Borrower equity)		1.2%	0.78	0	1,413,114.00
Borrower's General Conditions		0.2%	0.13	0	233,000.00
Previous Site Prep (already paid by Borrower)		0.4%	0.24	0	429,149.00
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
Hard Costs Contingency	[*]%	[*]%	[*]	0	[*]
SUB-TOTAL HARD COSTS		[*]%	[*]	—	[*]
SOFT COSTS					
Architectural, Engineering and Other Consultants		[*]%	[*]	0	[*]
Government Fees		2.6%	1.68	0	3,058,000.00
Construction Sureties		0.3%	0.19	0	337,000.00
Impact Fees		[*]%	[*]	0	[*]
Insurance and Taxes		1.0%	0.65	0	1,184,000.00
Leasing Commissions		1.9%	1.24	0	2,250,000.00
Skecher's Alternative Site Rental		0.8%	0.55	0	1,000,000.00
Entitlements		2.1%	1.39	0	2,537,000.00
Development Management Fee		0.6%	0.42	0	761,924.00
Project and Construction Management		2.4%	1.56	0	2,843,000.00
Solar Facility		[*]%	[*]	0	[*]
Closing/legal Costs		0.2%	0.12	0	227,052.00
Site Grading and Other Cash Sureties		1.3%	0.84	0	1,535,076.00
Additional Cash Collateral (CD)		4.6%	3.02	0	5,500,000.00
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
		0.0%	—	0	
Fees		0.6%	0.41	0	737,500.00
Developer's Fee		0.0%	—	0	
Interest Reserve		1.7%	1.10	0	2,000,000.00
Operating Deficit		0.0%	—	0	
Soft Cost Contingency	0.0%	0.0%	—	0	
SUB-TOTAL SOFT COSTS		[*]%	[*]	0	[*]
TOTAL BUDGET		[*]%	[*]	0	[*]
EQUITY / OTHER SOURCES OF FUNDS		TIMING			
Upfront Equity	Upfront	[*]%	[*]	0	[*]
Upfront Equity (contribution from HF Logistics SKX T2)	Upfront	0.1%	0.08	0	150,000.00
Additional Cash Collateral (CD)	Not Equity	4.6%	3.02	0	5,500,000.00
Deferred Equity (Covered by Grant subject to Exhibit F Section 2.(f) of the Loan Agreement)	Deferred	0.8%	0.55	0	1,000,000.00
		0.0%	—	0	
SUB-TOTAL EQUITY/OTHER SOURCES OF FUNDS		[*]%	[*]	0	[*]

<i>LOAN PROCEEDS</i>	46.1%	30.21	0	55,000,000.00
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* Confidential Portions Omitted and Filed Separately with the Commission.

EXHIBIT "E"

PLANS

EXHIBIT E, PAGE 1

EXHIBIT "E"
DRAWING LOG

SKECHERS DISTRIBUTION CENTER

29800 Eucalyptus Avenue, Rancho Belago, California 92555

ARCHITECTURAL			
A0.1	Highland Fairview Corporate Park Title Sheet — ASI #2	11/11/2008	Delta 2
A0.2	Highland Fairview Corporate Park General Sheet	5/21/2008	
A0.3.1	Disability Access Notes	5/21/2008	
A0.3.2	Disability Access Notes	5/21/2008	
A0.3.3	Disability Access Notes	5/21/2008	
A1.1	Overall Site Plan	5/21/2008	
A1.2	Enlarged Site Plan	5/21/2008	
A1.3	Enlarged Site Plan	5/21/2008	
A1.4	Enlarged Site Plan	12/4/2008	Delta 4
A1.5	Enlarged Site Plan	12/4/2008	Delta 5
A1.6	Enlarged Site Plan	12/4/2008	Delta 6
A1.7	Pump House Plans	5/21/2008	
A1.8	Enlarged Site Plan	12/4/2008	Delta 4
A2.1	Overall Floor Plan	5/21/2008	
A2.2	Enlarged Floor Plan — ASI #4	1/28/2009	Delta 6
A2.3	Enlarged Mezzanine Plan — ASI #2	11/11/2008	Delta 2
A2.4	Enlarged Floor Plan	5/21/2008	
A2.5	Enlarged Floor Plan	5/21/2008	
A2.6	Enlarged Floor Plan	5/21/2008	
A2.7	Enlarged Floor Plan — ASI #2	11/11/2008	Delta 3
A2.8	Enlarged Restroom Plan	5/21/2008	
A2.9	Enlarged Restroom Plan — ASI #4	1/28/2009	Delta 6
A2.10	Enlarged Stair Plan	5/21/2008	
A2.11	Reflected Ceiling Plan — ASI #4	1/28/2009	Delta 6
A2.12	Reflected Ceiling Plan — ASI #2	11/11/2008	Delta 2
A2.13	Reflected Ceiling Plan — ASI #4	1/28/2009	Delta 6
A2.14	Floor Plan — ASI #2	11/11/2008	Delta 2
A2.15	Enlarged Floor Plan	5/21/2008	
A2.16	Enlarged Roof Plan	5/21/2008	
A3.1	Elevations	5/21/2008	
A3.2	Elevations	5/21/2008	
A3.3	Elevations	5/21/2008	
A3.4	Elevations	5/21/2008	
A3.5	Elevations — ASI #2	11/11/2008	Delta 2
A4.1	Wall Section	5/21/2008	
A4.2	Wall Section — ASI #2	11/11/2008	Delta 2
A4.3	Wall Section	5/21/2008	
A4.4	Wall Section	5/21/2008	
A4.5	Wall Section	5/21/2008	

ARCHITECTURAL CONTINUATION

A4.6	Wall Section	5/21/2008	
A4.7	Wall Section	5/21/2008	
A5.1	Room Finish Schedule — ASI #2	11/11/2008	Delta 3
A5.1A	Door Hardware Schedule	5/21/2008	
A5.2	Door Schedule	11/11/2008	Delta 2
A5.3	Room Finish Legend — ASI #2	11/11/2008	Delta 2
A5.4	First Floor Office Finish Plan — ASI #2	11/11/2008	Delta 2
A5.5	Mezzanine Finish Plan — ASI #2	11/11/2008	Delta 2
A5.6	Finish Plan @ Warehouse	5/21/2008	
A6.1	Interior Elevations — ASI #2	11/11/2008	Delta 2
A6.2	Interior Elevations — ASI #3	11/11/2008	Delta 3
A6.3	Interior Elevations — ASI #4	11/11/2008	Delta 4
A6.4	Interior Elevations	5/21/2008	
A6.5	Interior Elevations	5/21/2008	
A6.6	Interior Elevations — ASI #2	11/11/2008	Delta 2
A6.7	Not Used		
A6.8	Interior Elevations	5/21/2008	
A6.9	Interior Elevations	5/21/2008	
A6.10	Interior Elevations	5/21/2008	
AD.1	Details	5/21/2008	
AD.1A	Site Details for ADA Access	12/4/2009	Delta 4
AD.2	Details	5/21/2008	
AD.3	Details — ASI #1	9/15/2008	Delta 1
AD.3A	Details — ASI #3	12/30/2008	Delta 5
AD.4	Details	5/21/2008	
AD.5	Details	5/21/2008	
AD.6	Details	5/21/2008	
AD.7	Details	5/21/2008	
AD.8	Details	5/21/2008	
AD.9	Details	5/21/2008	
AD.10	Details — ASI #2	11/11/2008	Delta 2
AD.11	Details — ASI #2	11/11/2008	Delta 2

EGRESS PLAN

T01	Title Layout Egress Plan West Section	12/10/2008	Rev. 05
T02	Title Layout Egress Plan Center Section Mezzanine Level	12/10/2008	Rev. 05
T03	Title Layout Egress Plan Center Section Floor Level	12/10/2008	Rev. 05
T04	Title Layout Egress Plan East Section	12/10/2008	Rev. 05
	Floor Level Restrooms / Mezzanine Level Restrooms	12/10/2008	

STRUCTURAL

S1	Foundation Plan — ASI #4	1/28/2009	(Delta 6)
S2	Foundation Plan — ASI #4	1/28/2009	(Delta 6)
S3	Foundation Plan — ASI #4	1/28/2009	(Delta 6)
S4	Partial Enlarged Foundation Plan — ASI #4	1/28/2009	(Delta 6)
S5	Partial Enlarged Foundation Plan	7/25/2008	
S6	Partial Enlarged Foundation Plan	7/25/2008	

STRUCTURAL CONTINUATION

S7	Partial Enlarged Foundation Plan — ASI #2	11/11/2008	Delta 2
S8	Mezzanine Floor Framing Plan — ASI #2	11/11/2008	Delta 3
S9	Partial Roof Framing Plan — ASI #4	1/28/2009	Delta 6
S10	Partial Roof Framing Plan — ASI #4	1/28/2009	Delta 6
S11	Partial Roof Framing Plan — ASI #4	1/28/2009	Delta 6
S12	Roof Information	7/25/2008	
S13	Partial Enlarged Roof Framing Plan — ASI #4	1/28/2009	Delta 6
S14	Partial Enlarged Roof Framing Plan — ASI #1	9/15/2008	Delta 1
S15	Partial Enlarged Roof Framing Plan — ASI #4	1/28/2009	Delta 6
S15A	Curtain Wall Framing Plan	7/25/2008	
S16	Partial Enlarged Roof Framing Plan — ASI #2	11/11/2008	Delta 2
S17	Panel Elevation — ASI #1	9/15/2008	Delta 1
S18	Panel Elevation — ASI #1	9/16/2008	Delta 1
S19	Panel Elevation — ASI #1	9/17/2008	Delta 1
S20	Panel Elevation — ASI #2	11/11/2008	Delta 3
S21	Panel Elevation — ASI #1	9/15/2008	Delta 1
S22	Panel Elevation — ASI #1	9/15/2008	Delta 1
S23	Panel Elevation — ASI #1	9/15/2008	Delta 1
S24	Panel Elevation — ASI #1	9/15/2008	Delta 1
S25	Panel Elevation — ASI #1	9/15/2008	Delta 1
S26	Panel Elevation — ASI #1	9/15/2008	Delta 1
S27	Panel Elevation — ASI #2	11/11/2008	Delta 2
S28	Panel Elevation — ASI #2	11/11/2008	Delta 2
S29	Panel Elevation — ASI #1	9/15/2008	Delta 1
S30	Panel Elevation — ASI #1	9/15/2008	Delta 1
S31	Panel Elevation — ASI #1	9/15/2008	Delta 1
S32	Panel Elevation — ASI #1	9/15/2008	Delta 1
S33	Panel Elevation — ASI #1	9/15/2008	Delta 1
S34	Panel Elevation — ASI #1	9/15/2008	Delta 1
S35	Panel Elevation — ASI #1	9/15/2008	Delta 1
S36	Panel Elevation — ASI #1	9/15/2008	Delta 1
S37	Panel Elevation — ASI #1	9/15/2008	Delta 1
S38	Panel Elevation — ASI #1	9/15/2008	Delta 1
S39	Panel Elevation	7/25/2008	
S40	Panel Elevation — ASI #2	11/11/2008	Delta 2
S41	Panel Elevation — ASI #2	11/11/2008	Delta 2
SD1	General Notes	7/25/2008	
SD1A	Special Inspections	7/25/2008	
SD2	Construction Details — ASI #2	11/11/2008	Delta 2
SD3	Construction Details	7/25/2008	
SD4	Construction Details	7/25/2008	
SD5	Construction Details — ASI #1	9/15/2008	Delta 1
SD6	Construction Details	7/25/2008	
SD7	Construction Details — ASI #2	11/11/2008	Detail 2
SD8	Construction Details — ASI #4	1/28/2009	Detail 6

STRUCTURAL CONTINUATION			
SD9	Construction Details	7/25/2008	
SD10	Construction Details — ASI #1	9/15/2008	Delta 1
SD11	Construction Details — ASI #1	9/15/2008	Delta 1
SD12	Construction Details — ASI #2	11/11/2008	Detail 2
SD13	Construction Details — ASI #2	11/11/2008	Detail 2
SD14	Construction Details — ASI #2	11/11/2008	Detail 2
SD15	Construction Details — ASI #1	9/15/2008	Delta 1
SD16	Construction Details — ASI #1	9/15/2008	Delta 1
SD17	Construction Details — ASI #2	11/11/2008	Detail 2
SD18	Construction Details — ASI #2	11/11/2008	Detail 2
SD19	Construction Details	7/25/2008	
SD20	Construction Details — ASI #1	9/15/2008	Delta 1
SD21	Construction Details	7/25/2008	
SD22	Construction Details — ASI #1	9/15/2008	Delta 1
SD23	Construction Details — ASI #2	11/11/2008	Delta 2
SD24	Construction Details — ASI #3	12/30/2008	Delta 5
SPH1	Construction Details	7/25/2008	
SPH2	Construction Details	7/25/2008	
SPH3	General Notes	7/25/2008	
MECHANICAL			
M-0.0	Title Sheet	11/14/2008	
M-0.1	Title 24	11/14/2008	
M-1	Schedules & Notes	11/14/2008	Delta 2
M-1.1	Schedules — ASI #4	1/21/2009	Delta 6
M-2	Partial Roof Plan	11/14/2008	Delta 2
M-3	Partial Roof Plan	11/14/2008	Delta 2
M-4	Partial Floor Plan — ASI #4	1/21/2009	Delta 6
M-5	Mezzanine Floor Plan — ASI #2	11/13/2008	Delta 3
M-6	Partial Floor Plan — ASI #4	1/21/2009	Delta 6
M-7	Partial Roof Plan	11/14/2008	Delta 2
M-8	Partial Roof Plan — ASI #4	1/21/2009	Delta 6
M-9	Details	11/14/2008	Delta 2
M-10	Controls — ASI #4	1/21/2009	Delta 6
PLUMBING			
P-1	Specifications & Calculations — ASI #4	1/28/2009	Delta 6
P-2	Overall Site Plan ASI #4	1/28/2009	Delta 6
P-2.1	Partial Site Plan — ASI #4	1/28/2009	Delta 6
P-2.2	Partial Site Plan — ASI #4	1/28/2009	Delta 6
P-3	Partial Floor, Roof Plan — ASI #4	1/28/2009	Delta 6
P-4	Partial Floor, Roof Plan — ASI #4	1/28/2009	Delta 6
P-5	Partial Floor, Roof Plan	11/14/2008	Delta 2
P-6	Restroom Details ASI #4	1/28/2009	Delta 6
P-7	Restroom Details	11/11/2008	Delta 2
P-8	Restroom Details	11/11/2008	Delta 2
P-9	Restroom Details	11/11/2008	Delta 2

PLUMBING CONTINUATION

P-10	Restroom Details	11/11/2008	Delta 2
P-11	Restroom Details	11/11/2008	Delta 2
P-12	Restroom Details	11/11/2008	Delta 2
P-13	Restroom Details	11/11/2008	Delta 2
P-14	Restroom Details	11/11/2008	Delta 2
P-15	Waste & Vent Isometrics	11/11/2008	Delta 2
P-16	Hot & Cold Water Isometrics	11/11/2008	Delta 2
P-17	Plumbing Details — ASI #4	1/28/2009	Delta 6

ELECTRICAL

EO.1	Specifications, Symbols & Abbreviations	11/14/2008	
EO.2	Outdoor Title 24 — ASI #4	1/28/2009	Delta 6
EO.3	Indoor Title 24 — ASI #4	1/28/2009	Delta 6
E1.1A	Partial Site Electrical Plan — ASI #4	1/28/2009	Delta 6
E1.1B	Partial Site Electrical Plan — ASI #4	1/28/2009	Delta 6
E1.2A	Partial Site Lighting Plan	11/14/2008	
E1.2B	Partial Site Lighting Plan	11/14/2008	
E1.2C	Partial Site Photometric Plan	11/14/2008	
E1.2D	Partial Site Photometric Plan	11/14/2008	
E2.1	Single Line Diagram — ASI #2	11/11/2008	Delta 2
E2.2	Single Line Diagram — ASI #4	1/28/2009	Delta 6
E2.3	Single Line Diagram — ASI #4	1/28/2009	Delta 6
E2.4	Single Line Diagram — ASI #2	11/11/2008	Delta 2
E2.5	Single Line Diagram — ASI #4	1/28/2009	Delta 6
E2.6	Single Line Diagram — ASI #2	11/11/2008	Delta 2
E2.7	Single Line Diagram — ASI #4	1/28/2009	Delta 6
E3.1	Warehouse Electrical Plan — ASI #4	1/28/2009	Delta 6
E3.2	Warehouse Underground Conduit Plan	11/14/2008	
E3.3	Partial Warehouse Lighting Plan — ASI #2	11/11/2008	Delta 2
E3.4	Partial Warehouse Lighting Plan — ASI #2	11/11/2008	Delta 2
E3.5	Partial Warehouse Lighting Plan — ASI #2	11/11/2008	Delta 2
E3.6	Partial Warehouse Lighting Plan — ASI #2	11/11/2008	Delta 2
E3.7	Partial Warehouse Lighting Plan — ASI #2	11/11/2008	Delta 2
E3.8	Partial Warehouse Lighting Plan — ASI #2	11/11/2008	Delta 2
E4	Warehouse Electrical Roof Plan	11/14/2008	
E5.1	Enlarged Main Office Ground Floor Lighting Plan — ASI #4	1/28/2009	Delta 6
E5.2	Enlarged Main Office Second Floor Lighting Plan — ASI #2	11/11/2008	Delta 2
E5.3	Enlarged Warehouse Office Lighting Plan — ASI #4	1/28/2009	Delta 6
E6.1	Enlarged Main Office Ground Floor Plan — ASI #2	11/11/2008	Delta 2
E6.2	Enlarged Main Office Second Floor Plan — ASI #2	11/11/2008	Delta 2
E6.3	Enlarged Main Office Roof Plan — ASI #2	11/11/2008	Delta 2
E6.4	Enlarged Warehouse Office Power Plan — ASI #4	1/28/2009	Delta 6
E6.5	Enlarged Dock Door Power Plans — ASI #2	11/11/2008	Delta 2
E7	Details — ASI #2	11/11/2008	Delta 2
E8.1	Wiring Diagram — ASI #2	11/11/2008	Delta 2
E8.2	Wiring Diagram & Fixture Schedule — ASI #2	11/11/2008	Delta 2

ELECTRICAL CONTINUED			
E8.3	Wiring Diagrams — ASI #2	11/11/2008	Delta 2
E8.4	Wiring Diagrams — ASI #2	11/11/2008	Delta 2
E9	Schedules — ASI #4	1/28/2009	Delta 6
E10	Schedules — ASI #4	1/28/2009	Delta 6
E11	Schedules — ASI #4	1/28/2009	Delta 6
E12	Schedules — ASI #4	1/28/2009	Delta 6
E13	Schedules — ASI #4	1/28/2009	Delta 6
E14	Schedules — ASI #4	1/28/2009	Delta 6
EFP1	Fire Pump House Plan	11/14/2008	
FIRE PROTECTION PARCEL 1 / SKECHERS			
HFCP	Cover Page		
FP 1	Underground Fire Master Plan	7/29/2008	
FP 2	Enlarged Underground Fire Piping Part I	7/29/2008	
FP 3	Enlarged Underground Fire Piping Part II	7/29/2008	
FP 4	Underground Fire Notes / Details	7/29/2008	
FP 5	Diesel Fire Pump Plans & Details	7/29/2008	
FP 6	Overhead Master Plan Area "A" (reference only)	7/29/2008	
FP 7	Overhead Master Plan Area "B" (reference only)	7/29/2008	
FP 8	Overhead Master Plan Area "C" (reference only)	7/29/2008	
FP 9	System 1 — 4 Overhead Piping Plan	2/12/2009	
FP 10	System 5 — 9 Overhead Piping Plan	2/12/2009	
FP 11	System 10 — 14 Overhead Piping Plan	2/12/2009	
FP 12	System 15 — 19 Overhead Piping Plan	2/12/2009	
FP 13	System 20 — 24 Overhead Piping Plan	2/12/2009	
FP 14	System 25 — 29 Overhead Piping Plan	2/12/2009	
FP 15	System 30 — 34 Overhead Piping Plan	2/12/2009	
FP 16	System 35 — 39 Overhead Piping Plan	2/12/2009	
FP 17	System 40 — 44 Overhead Piping Plan	2/12/2009	
FP 18	System 45 — 48 Overhead Piping Plan	2/12/2009	
FP 19	Building Section & Maximum Storage Heights	2/12/2009	
FP 20	Overhead Sprinkler Layout Notes	2/12/2009	
FP 21	1st Floor Room Coverage Plan	2/12/2009	
FP 22	Mezzanine Piping Plan & Details	2/12/2009	
FP 23	2 Second Floor Room Coverage Plan	2/12/2009	
FP 24	2 Second Floor Piping Enlarged	2/12/2009	
FP 25	Warehouse Office Room Coverage Plans & Piping Enlargements	2/12/2009	
SR 60 CONSTRUCTION STAGING PLAN			
SC 1	Stage Construction	4/9/2010	
TH 01	Traffic Handling / Construction area Sign Plan	4/9/2010	
TH 02	Traffic Handling / Construction area Sign Plan	4/9/2010	
TH 03	Traffic Handling / Construction area Sign Plan	4/9/2010	

REDLANDS BLVD. TRAFFIC CONTROL PLAN

TCP 1	Traffic Control Plan — Title Sheet	2/18/2009
TCP 2	Traffic Control Plan — Phase I & II	2/18/2009
TCP 3	Traffic Control Plan — Phase I	2/18/2009
TCP 4	Traffic Control Plan — Phase II	2/18/2009
TCP 5	Traffic Control Plan — Phase I	2/18/2009
TCP 6	Traffic Control Plan — Phase II	2/18/2009

ROUGH GRADING

RGP 1	Rough Grading Plan — Title Sheet	4/9/2010
RGP 2	Rough Grading Plan — Detail Sheet	4/9/2010
RGP 3	Rough Grading Plan — Detail Sheet	4/9/2010
RGP 4	Rough Grading Plan — Detail Sheet	4/9/2010
RGP 5	Rough Grading Plan — Storm Drain Profiles	4/9/2010
RGP 6	Rough Grading Plan	4/9/2010
RGP 7	Rough Grading Plan	4/9/2010
RGP 8	Rough Grading Plan	4/9/2010
RGP 9	Rough Grading Plan	4/9/2010
RGP 10	Rough Grading Plan	4/9/2010
RGP 11	Rough Grading Plan	4/9/2010
RGP 12	Rough Grading Plan	4/9/2010
RGP 13	Rough Grading Plan	4/9/2010
RGP 14	Rough Grading Plan	4/9/2010
RGP 15	Rough Grading Plan — Erosion Control	4/9/2010
RGP 16	Rough Grading Plan — Erosion Control	4/9/2010
RGP 17	Rough Grading Plan — Noise Reduction Compliance Plan	4/9/2010
RGP 18	Rough Grading Plan — Conditions of Approval	4/9/2010
RGP 19	Rough Grading Plan — Conditions of Approval	4/9/2010

PRECISE GRADING

PG 1	Precise Grading — Title Sheet	4/12/2010
PG 2	Precise Grading — Detail Sheet	4/12/2010
PG 3	Precise Grading — Detail Sheet	4/12/2010
PG 4	Precise Grading Plan	4/12/2010
PG 5	Precise Grading Plan	4/12/2010
PG 6	Precise Grading Plan	4/12/2010
PG 7	Precise Grading Plan	4/12/2010
PG 8	Precise Grading Plan	4/12/2010
PG 9	Precise Grading Plan	4/12/2010
PG 10	Precise Grading Plan	4/12/2010
PG 11	Precise Grading Plan	4/12/2010
PG 12	Precise Grading Plan	4/12/2010
PG 13	Precise Grading Plan	4/12/2010
PG 14	Precise Grading Plan	4/12/2010
PG 15	Precise Grading Plan	4/12/2010
PG 16	Precise Grading Plan	4/12/2010
PG 17	Erosion Control Plan	4/12/2010
PG 18	Erosion Control Plan	4/12/2010

PRECISE GRADING CONTINUED

PG 19	Erosion Control Plan	4/12/2010
PG 20	Erosion Control Plan	4/12/2010
PG 21	Erosion Control Plan	4/12/2010
PG 22	Erosion Control Plan	4/12/2010
PG 23	Conditions of Approval	4/12/2010
PG 24	Conditions of Approval	4/12/2010

ENCROACHMENT PERMIT PLAN ROUGH GRADING

EPP 1	Encroachment Permit Plan — Title Sheet	4/9/2010
EPP 2	Encroachment Permit Plan — Rough Grading Sheet	4/9/2010
EPP 3	Encroachment Permit Plan — Rough Grading Sheet	4/9/2010
EPP 4	Encroachment Permit Plan — Rough Grading Sheet	4/9/2010
EPP 5	Encroachment Permit Plan — Rough Grading Sheet	4/9/2010

ROUGH GRADING — REDLANDS SEWER

RGP 1	Rough grading Plan — Redlands Sewer — Title Sheet	4/9/2010
RGP 2	Rough grading Plan — Redlands Sewer — Drainage	4/9/2010
RGP 3	Rough grading Plan — Redlands Sewer — Drainage	4/9/2010
RGP 4	Rough grading Plan — Redlands Sewer — Drainage	4/9/2010
RGP 5	Rough grading Plan — Redlands Sewer — Erosion Control	4/9/2010
RGP 6	Rough grading Plan — Redlands Sewer — Conditions of Aproval	4/9/2010
RGP 7	Rough grading Plan — Redlands Sewer — Conditions of Aproval	4/9/2010
RGP 8	Rough grading Plan — Redlands Sewer — Conditions of Aproval	4/9/2010
RGP 9	Rough grading Plan — Redlands Sewer — Conditions of Aproval	4/9/2010
RGP 10	Rough grading Plan — Redlands Sewer — Conditions of Aproval	4/9/2010
RGP 11	Rough grading Plan — Redlands Sewer — Conditions of Aproval	4/9/2010
RGP 12	Rough grading Plan — Redlands Sewer — Conditions of Aproval	4/9/2010
RGP 13	Rough grading Plan — Redlands Sewer — Conditions of Aproval	4/9/2010

CALTRANS EROSION CONTROL PLAN

EC 5	EROSION CONTROL WPCD	2/18/2009
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TEMPORARY STORM DRAIN SYSTEM PHASE 1

TDD 1	Phase 1 Temporary Drainage Ditch	2/18/2009
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GRADING CROSS SECTIONS

GCS 1	Grading Cross Sections	2/18/2009
GCS 2	Grading Cross Sections	2/18/2009

SITE FIRE ACCESS PLAN

FPS 1	Site Fire Access Plan (During Construction)	7/29/2008
FPS 2	Site Fire Access Plan (Job Completion)	7/29/2008

PARCEL 1 WALL & FENCE — TILT-UP WALL

LCS-0	HFCP — Parcel 1 — Wall & Fence — Cover Sheet	3/30/2010
LR-01	HFCP — Parcel 1 — Wall & Fence — Reference Plan	3/30/2010
LW-01	HFCP — Parcel 1 — Wall & Fence — Plan	3/30/2010
LW-02	HFCP — Parcel 1 — Wall & Fence — Plan	3/30/2010
LW-03	HFCP — Parcel 1 — Wall & Fence — Plan	3/30/2010
LW-04	HFCP — Parcel 1 — Wall & Fence — Plan	3/30/2010
LW-05	HFCP — Parcel 1 — Wall & Fence — Plan	3/30/2010
LW-06	HFCP — Parcel 1 — Wall & Fence — Plan	3/30/2010
LW-07	HFCP — Parcel 1 — Wall & Fence — Plan	3/30/2010

PARCEL 1 WALL & FENCE — TILT-UP WALL CONTINUED

LW-08	HFCP — Parcel 1 — Wall & Fence — Plan	3/30/2010
LW-09	HFCP — Parcel 1 — Wall & Fence — Plan	3/30/2010
LW-10	HFCP — Parcel 1 — Wall & Fence — Plan	3/30/2010
LW-11	HFCP — Parcel 1 — Wall & Fence — Plan	3/30/2010
LW-12	HFCP — Parcel 1 — Wall & Fence — Plan	3/30/2010
LWD-01	HFCP — Parcel 1 — Wall & Fence — Construction Notes	3/30/2010
LWD-02	HFCP — Parcel 1 — Wall & Fence — Tilt-Up Wall Elevations	3/30/2010
LWD-03	HFCP — Parcel 1 — Wall & Fence — Tilt-Up Wall Elevations	3/30/2010
LWD-04	HFCP — Parcel 1 — Wall & Fence — Tilt-Up Wall Elevations	3/30/2010
LWD-05	HFCP — Parcel 1 — Wall & Fence — Tilt-Up Wall Elevations	3/30/2010
LWD-06	HFCP — Parcel 1 — Wall & Fence — Tilt-Up Wall Elevations	3/30/2010
LWD-07	HFCP — Parcel 1 — Wall & Fence — Tilt-Up Wall Elevations	3/30/2010
LWD-08	HFCP — Parcel 1 — Wall & Fence — Tilt-Up Wall Elevations	3/30/2010
LWD-09	HFCP — Parcel 1 — Wall & Fence — Tilt-Up Wall Elevations	3/30/2010
LWD-10	HFCP — Parcel 1 — Wall & Fence — Tilt-Up Wall Elevations	3/30/2010
LWD-11	HFCP — Parcel 1 — Wall & Fence — Tilt-Up Wall Elevations	3/30/2010
LWD-12	HFCP — Parcel 1 — Wall & Fence — Tilt-Up Wall Elevations	3/30/2010
LWD-13	HFCP — Parcel 1 — Wall & Fence — Construction Details	2/18/2009
LWD-14	HFCP — Parcel 1 — Wall & Fence — Construction Details	3/30/2010
LWD-15	HFCP — Parcel 1 — Wall & Fence — Construction Details	3/30/2010
LWD-16	HFCP — Parcel 1 — Wall & Fence — Construction Details	3/30/2010
LWD-17	HFCP — Parcel 1 — Wall & Fence — Construction Details	3/30/2010
LWD-18	HFCP — Parcel 1 — Wall & Fence — Construction Details	3/30/2010
LWD-19	HFCP — Parcel 1 — Wall & Fence — Construction Details	3/30/2010
LWD-20	HFCP — Parcel 1 — Wall & Fence — Construction Details	3/30/2010
LWN-01	HFCP — Parcel 1 — Wall & Fence — Construction Specifications	3/30/2010

LINE "F" STORM DRAIN SYSTEM

SHT 1	Moreno MDP Line — F — Title Sheet	4/9/2010
SHT 2	Moreno MDP Line — F — Notes & Details	4/9/2010
SHT 3	Moreno MDP Line — F — Station 95+20 to 97+00	4/9/2010
SHT 4	Moreno MDP Line — F — Station 97+00 to 103+00	4/9/2010
SHT 5	Moreno MDP Line — F — Station 103+00 to 110+00	4/9/2010
SHT 6	Moreno MDP Line — F — Station 110+00 to 118+05	4/9/2010
SHT 7	Moreno MDP Line — F — Station 118+05 to 122+56.73	4/9/2010
SHT 8	Moreno MDP Line — F — Station 122+56.73 to 124+42.37	4/9/2010
SHT 9	Moreno MDP Line — F — Lat F-2 10+00 to 11+49.18	4/9/2010
SHT 10	Moreno MDP Line — F — Lat F-2-A 10+00 to 11+41.56	4/9/2010
SHT 11	Moreno MDP Line — F — Lat D-5 10+00 to 11+52.91	4/9/2010
SHT 12	Moreno MDP Line — F — Lat D-6 10+00 to 14+68.98	4/9/2010
SHT 13	Moreno MDP Line — F — Lat F-8 0+25.13 to 8+00	4/9/2010
SHT 14	Moreno MDP Line — F — Lat F-8 8+00 to 16+00	4/9/2010
SHT 15	Moreno MDP Line — F — Lat F-8 16+00 to 24+00	4/9/2010
SHT 16	Moreno MDP Line — F — Lat F-8 24+00 to 31+50	4/9/2010

LINE "F" STORM DRAIN SYSTEM CONTINUED		
SHT 17	Moreno MDP Line — F — Lat F-8 10+00 to 12+00.25	4/9/2010
SHT 18	Moreno MDP Line — F — Lat F-9 11+02.55 to 18+00	4/9/2010
SHT 19	Moreno MDP Line — F — Lat F-9 18+00 to 25+65.60	4/9/2010
SHT 20	Moreno MDP Line — F — Profiles	4/9/2010
SHT 21	Moreno MDP Line — F — Profiles	4/9/2010
SHT 22	Moreno MDP Line — F — Profiles	4/9/2010
SHT 23	Moreno MDP Line — F — Outlet, Access Raod & Basin	4/9/2010
SHT 24	Moreno MDP Line — F — General Notes & typ Details	4/9/2010
SHT 25	Moreno MDP Line — F — Typ Details	4/9/2010
SHT 26	Moreno MDP Line — F — Lateral & Sections	4/9/2010
SHT 27	Moreno MDP Line — F — Lateral	4/9/2010
SHT 28	Moreno MDP Line — F Access Opening Sections & typ Details	4/9/2010
SHT 29	Moreno MDP Line — F — typ Sections & Details	4/9/2010
REDLANDS SANITARY SEWER		
SWP 1	Redlands Blvd Sanitary Sewer Plan — Title Sheet	4/9/2010
SWP 2	Redlands Blvd Sanitary Sewer Plan — Index & Legends	4/9/2010
SWP 3	Redlands Blvd Sanitary Sewer Plan & Profile	4/9/2010
SWP 4	Redlands Blvd Sanitary Sewer Plan & Profile	4/9/2010
SWP 5	Redlands Blvd Sanitary Sewer Plan & Profile	4/9/2010
SWP 6	Redlands Blvd Sanitary Sewer Plan & Profile	4/9/2010
SWP 7	Redlands Blvd Sanitary Sewer Plan & Profile	4/9/2010
SWP 8	Redlands Blvd Sanitary Sewer Plan & Profile	4/9/2010
EUCALYPTUS SANITARY SEWER PLAN		
SSIP 1	Eucalyptus Avenue — Sanitary Sewer Plan — Title Sheet	4/9/2010
SSIP 2	Eucalyptus Avenue — Sanitary Sewer Plan — Index & Legend	4/9/2010
SSIP 3	Eucalyptus Avenue — Sanitary Sewer Plan — Plan Profile	4/9/2010
SSIP 4	Eucalyptus Avenue — Sanitary Sewer Plan — Plan Profile	4/9/2010
SSIP 5	Eucalyptus Avenue — Sanitary Sewer Plan — Plan Profile	4/9/2010
SSIP 6	Eucalyptus Avenue — Sanitary Sewer Plan — Plan Profile	4/9/2010
SSIP 7	Eucalyptus Avenue — Sanitary Sewer Plan — Plan Profile	4/9/2010
LOGISTIC BUILDING SEWER AND WATER		
SSIP 1	Logistics Bldg Sewer & Water Plan — Title Sheet	4/9/2010
SSIP 2	Logistics Bldg Sewer & Water Plan — Notes & Quantities	4/9/2010
SSIP 3	Logistics Bldg Sewer & Water Plan	4/9/2010
SSIP 4	Logistics Bldg Sewer & Water Plan	4/9/2010
SSIP 5	Logistics Bldg Sewer & Water Plan	4/9/2010
SSIP 6	Logistics Bldg Sewer & Water Plan	4/9/2010
SSIP 7	Logistics Bldg Sewer & Water Plan	4/9/2010
SSIP 8	Logistics Bldg Sewer & Water Plan	4/9/2010
EUCALPTUS RECYCLED WATER IMPROVEMENT PLAN		
RWIP 1	Title Sheet	4/9/2010
RWIP 2	Plan	4/9/2010
RWIP 3	Plan & Profile	4/9/2010
RWIP 4	Plan & Profile	4/9/2010
RWIP 5	Plan & Profile	4/9/2010
RWIP 6	Plan & Profile	4/9/2010
RWIP 7	Plan & Profile	4/9/2010

EUCALYPTUS WATER IMPROVEMENT PLAN		
DW 1	Title Sheet	4/9/2010
DW 2	Index Map & Legend	4/9/2010
DW 3	Plan Profile	4/9/2010
DW 4	Plan Profile	4/9/2010
DW 5	Plan Profile	4/9/2010
DW 6	Plan Profile	4/9/2010
DW 7	Plan Profile	4/9/2010
DW 8	Line 'A' thru 'D' profile	4/9/2010
Off-Site (Sinclair) DOMESTIC WATER IMPROVEMENT PLAN		
DWIP 1	Domestic Water Plans — title Sheet	4/9/2010
DWIP 2	Domestic Water Plans — Index Map & Legends	4/9/2010
DWIP 3	Domestic Water Plans & Profile	4/9/2010
DWIP 4	Domestic Water Plans & Profile	4/9/2010
DWIP 5	Domestic Water Plans & Profile	4/9/2010
DWIP 6	Domestic Water Plans & Profile	4/9/2010
DWIP 7	Domestic Water Plans & Profile	4/9/2010
DWIP 8	Domestic Water Plans & Profile	4/9/2010
DWIP 9	Domestic Water Plans & Profile	4/9/2010
DWIP 10	Domestic Water Plans & Profile	4/9/2010
REDLANDS WATER IMPROVEMENT PLAN		
DWIP 1	Title Sheet	4/9/2010
DWIP 2	Index Map	4/9/2010
DWIP 3	Plan & Profile	4/9/2010
DWIP 4	Plan & Profile	4/9/2010
EUCALYPTUS ELECTRICAL DISTRIBUTION PLAN		
SHT 1	Eucalyptus Avenue Utility Design — BUTSKO	3/4/2010
SHT 2	Eucalyptus Avenue Utility Design — BUTSKO	3/4/2010
SHT 3	Eucalyptus Avenue Utility Design — BUTSKO	3/4/2010
SHT 4	Eucalyptus Avenue Utility Design — BUTSKO	3/4/2010
REDLANDS ELECTRICAL DISTRIBUTION PLAN		
SHT 1	Electrical Distribution Plan — BUTSKO	3/4/2010
SHT 2	Electrical Distribution Plan — BUTSKO	3/4/2010
SHT 3	Electrical Distribution Plan — BUTSKO	3/4/2010
SHT 4	Electrical Distribution Plan — BUTSKO	3/4/2010
SHT 5	Electrical Distribution Plan — BUTSKO	3/4/2010
SKECHERS ONSITE ELECTRIC		
SWP 1	TPM 35629 Onsite Utilities — Butsko	3/4/2010
SWP 2	TPM 35629 Onsite Utilities — Butsko	3/4/2010
SWP 3	TPM 35629 Onsite Utilities — Butsko	3/4/2010
SWP 4	TPM 35629 Onsite Utilities — Butsko	3/4/2010
EUCALYPTUS STREET IMPROVEMENT PLAN		
STIP 1	Eucalyptus Avenue Street Improvement Plan — Title Sheet	4/9/2010
STIP 2	Eucalyptus Avenue Street Improvement Plan — Notes & Index Map	4/9/2010
STIP 3	Eucalyptus Avenue Street Improvement Plan — Details & Sections	4/9/2010
STIP 4	Eucalyptus Avenue Street Improvement Plan	4/9/2010
STIP 5	Eucalyptus Avenue Street Improvement Plan	4/9/2010

EUCALYPTUS STREET IMPROVEMENT PLAN CONTINUED

STIP 6	Eucalyptus Avenue Street Improvement Plan	4/9/2010
STIP 7	Eucalyptus Avenue Street Improvement Plan	4/9/2010
STIP 8	Eucalyptus Avenue Street Improvement Plan	4/9/2010
STIP 9	Eucalyptus Avenue Street Improvement Plan	4/9/2010
STIP 10	Eucalyptus Avenue Street Improvement Plan	4/9/2010
STIP 11	Eucalyptus Avenue — Signing & Striping Title Sheet	4/9/2010
STIP 12	Eucalyptus Avenue — Signing & Striping Title Sheet	4/9/2010
STIP 13	Eucalyptus Avenue — Conditions of Approval	4/9/2010
STIP 14	Eucalyptus Avenue — Conditions of Approval	4/9/2010

SCE EXHIBIT - JACK & BORE SCE CONDUIT

SCE-J&B	Jack & Bore Exhibit — SE Conduit Under SR60	8/25/2009
SCE-Pole	Cross Section B-B (SCE Pole No. 4001945E)	8/25/2009
SCE-Pole	Cross Section A-A (SCE Pole No. 214347/T2964)	8/25/2009

MEDIAN EXHIBIT

E-1	Exhibit — Sections Eucalyptus Street Median	7/22/2009
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TOLERANCE EXHIBIT

TE	Tolerance Exhibit	2/18/2009
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THEODORE STREET IMPROVEMENT PLAN (THEODORE RAMP IMPROVEMENT PLANS)

STIP 1	Theodore Street — Title Sheet	4/9/2010
STIP 2	Theodore Street — Notes & Index Map Typical Sections	4/9/2010
STIP 3	Theodore Street — Improvement Plans	4/9/2010
STIP 4	Theodore Street — Construction Details	4/9/2010
STIP 5	Theodore Street — Construction Details	4/9/2010
STIP 6	Theodore Street — Grading-Drainage-Utility Plan	4/9/2010
STIP 7	Theodore Street — W.P.C.P	4/9/2010
STIP 8	Theodore Street — Signing and Striping Plan	4/9/2010
STIP 9	Theodore Street — Traffic Handling Details	4/9/2010
STIP 10	Theodore Street — Traffic Handling	4/9/2010
STIP 11	Theodore Street — Traffic Handling	4/9/2010
STIP 12	Theodore Street — Traffic Handling	4/9/2010
STIP 13	Theodore Street — Detour Plan	4/9/2010

TRAFFIC SIGNAL INTERCONNECT

421	Traffic Signal Interconnect Detail	1/1/2008
EVTSI	Emergency Vehicle & Traffic Signal Interconnect	10/22/2009

THEODORE STREET IMPROVEMENT PLAN

STIP 1	Theodore Street Phase 1 — Title Sheet	4/9/2010
STIP 2	Theodore Street Phase 1 — Construction Notes	4/9/2010
STIP 3	Theodore Street Phase 1 Typical Street Sections	4/9/2010
STIP 4	Theodore Street Phase 1 — Plan & Profile	4/9/2010
STIP 5	Theodore Street Phase 1 Plan & Profile	4/9/2010
STIP 6	Theodore Street Phase 1 Signing and Striping	4/9/2010
STIP 7	Theodore Street Phase 1 Conditions of Approval	4/9/2010
STIP 8	Theodore Street Phase 1 — Conditions of Approval	4/9/2010
STIP 9	Theodore Street Phase 1 — Conditions of Approval	4/9/2010

EUCALYPTUS STREET LANDSCAPE & IRRIGATION

SHT 1	Eucalyptus Street — Cover Sheet	2/18/2009
SHT 2	Eucalyptus Street — Construction Plan	2/18/2009

EUCALYPTUS STREET LANDSCAPE & IRRIGATION CONTINUED

SHT 3	Eucalyptus Street — Construction Plan	2/18/2009
SHT 4	Eucalyptus Street — Construction Plan	2/18/2009
SHT 5	Eucalyptus Street — Construction Plan	2/18/2009
SHT 6	Eucalyptus Street — Construction Plan	2/18/2009
SHT 7	Eucalyptus Street — Construction Plan	2/18/2009
SHT 8	Eucalyptus Street — Construction Details	2/18/2009
SHT 9	Eucalyptus Street — Construction Details	2/18/2009
SHT 10	Eucalyptus Street — Construction Details	2/18/2009
SHT 11	Eucalyptus Street — Construction Specifications	2/18/2009
SHT 12	Eucalyptus Street — Irrigation Plan	2/18/2009
SHT 13	Eucalyptus Street — Irrigation Plan	2/18/2009
SHT 14	Eucalyptus Street — Irrigation Plan	2/18/2009
SHT 15	Eucalyptus Street — Irrigation Plan	2/18/2009
SHT 16	Eucalyptus Street — Irrigation Plan	2/18/2009
SHT 17	Eucalyptus Street — Irrigation Plan	2/18/2009
SHT 18	Eucalyptus Street — Irrigation Details	2/18/2009
SHT 19	Eucalyptus Street — Irrigation Details	2/18/2009
SHT 20	Eucalyptus Street — Irrigation Notes	2/18/2009
SHT 21	Eucalyptus Street — Irrigation Specifications	2/18/2009
SHT 22	Eucalyptus Street — Irrigation Specifications	2/18/2009
SHT 23	Eucalyptus Street — Planting Plan	2/18/2009
SHT 24	Eucalyptus Street — Planting Plan	2/18/2009
SHT 25	Eucalyptus Street — Planting Plan	2/18/2009
SHT 26	Eucalyptus Street — Planting Plan	2/18/2009
SHT 27	Eucalyptus Street — Planting Plan	2/18/2009
SHT 28	Eucalyptus Street — Planting Plan	2/18/2009
SHT 29	Eucalyptus Street — Planting Details	2/18/2009
SHT 30	Eucalyptus Street — Planting Details	2/18/2009
SHT 31	Eucalyptus Street — Planting Specifications	2/18/2009
SHT 32	Eucalyptus Street — Planting Specifications	2/18/2009

HFCP ASSOCIATION LANDSCAPE & IRRIGATION

LCS-0	HFCP Association — Cover Sheet	3/22/2010
LI-01	HFCP Association — Irrigation Plan	3/22/2010
LI-02	HFCP Association — Irrigation Plan	3/22/2010
LI-03	HFCP Association — Irrigation Plan	3/22/2010
LI-04	HFCP Association — Irrigation Plan	3/22/2010
LI-05	HFCP Association — Irrigation Plan	3/22/2010
LI-06	HFCP Association — Irrigation Plan	3/22/2010
LI-07	HFCP Association — Irrigation Plan	3/22/2010
LI-08	HFCP Association — Irrigation Plan	3/22/2010
LI-09	HFCP Association — Irrigation Plan	3/22/2010
LI-10	HFCP Association — Irrigation Plan	3/22/2010
LI-11	HFCP Association — Irrigation Plan	3/22/2010
LI-12	HFCP Association — Irrigation Plan	3/22/2010

HFCP ASSOCIATION LANDSCAPE & IRRIGATION CONTINUED

LI-13	HFCP Association — Irrigation Plan	3/22/2010
LI-14	HFCP Association — Irrigation Plan	3/22/2010
LI-15	HFCP Association — Irrigation Plan	3/22/2010
LI-16	HFCP Association — Irrigation Plan	3/22/2010
LI-17	HFCP Association — Irrigation Plan	3/22/2010
LID-1	HFCP Association — Irrigation Details	3/22/2010
LID-2	HFCP Association — Irrigation Details	3/22/2010
LIN-1	HFCP Association — Irrigation Notes	3/22/2010
LIN-2	HFCP Association — Irrigation Specifications	3/22/2010
LIN-3	HFCP Association — Irrigation Specifications	3/22/2010
LP-01	HFCP Association — Construction and Planting Plan	3/22/2010
LP-02	HFCP Association — Construction and Planting Plan	3/22/2010
LP-03	HFCP Association — Construction and Planting Plan	3/22/2010
LP-04	HFCP Association — Construction and Planting Plan	3/22/2010
LP-05	HFCP Association — Construction and Planting Plan	3/22/2010
LP-06	HFCP Association - Construction and Planting Plan	3/22/2010
LP-07	HFCP Association — Construction and Planting Plan	3/22/2010
LP-08	HFCP Association — Construction and Planting Plan	3/22/2010
LP-09	HFCP Association — Construction and Planting Plan	3/22/2010
LP-10	HFCP Association — Construction and Planting Plan	3/22/2010
LP-11	HFCP Association — Construction and Planting Plan	3/22/2010
LP-12	HFCP Association — Construction and Planting Plan	3/22/2010
LP-13	HFCP Association — Construction and Planting Plan	3/22/2010
LP-14	HFCP Association — Construction and Planting Plan	3/22/2010
LP-15	HFCP Association — Construction and Planting Plan	3/22/2010
LP-16	HFCP Association — Construction and Planting Plan	3/22/2010
LP-17	HFCP Association — Construction and Planting Plan	3/22/2010
LPD-01	HFCP Association — Planting Details	3/22/2010
LPD-02	HFCP Association — Planting Details	3/22/2010
LCD-01	HFCP Association — Construction Specification	3/22/2010
LCD-02	HFCP Association — Construction Details	3/22/2010

PARCEL 1 LANDSCAPE & IRRIGATION

LCS-0	HFCP — Parcel 1 — Cover Sheet	2/18/2009
LC-O1	HFCP — Parcel 1 — Construction Plan	2/18/2009
LC-O2	HFCP — Parcel 1 — Construction Plan	2/18/2009
LC-O3	HFCP — Parcel 1 — Construction Plan	2/18/2009
LC-O4	HFCP — Parcel 1 — Construction Plan	2/18/2009
LC-O5	HFCP — Parcel 1 — Construction Plan	2/18/2009
LC-O6	HFCP — Parcel 1 — Construction Plan	2/18/2009
LC-O7	HFCP — Parcel 1 — Construction Plan	2/18/2009
LC-O8	HFCP — Parcel 1 — Construction Plan	2/18/2009
LC-O9	HFCP — Parcel 1 — Construction Plan	2/18/2009
LC-O10	HFCP — Parcel 1 — Construction Plan	2/18/2009
LC-O11	HFCP — Parcel 1 — Construction Plan Enlargements	2/18/2009

PARCEL 1 LANDSCAPE & IRRIGATION CONTINUATION

LCD-01	HFCP — Parcel 1 — Construction Notes	2/18/2009	
LCD-02	HFCP — Parcel 1 — Construction Details	2/18/2009	
LCD-03	HFCP — Parcel 1 — Construction Details	2/18/2009	
LCD-04	HFCP — Parcel 1 — Construction Details	2/18/2009	
LCD-05	HFCP — Parcel 1 — Construction Details	2/18/2009	
LCD-06	HFCP — Parcel 1 — Construction Details	2/18/2009	
LCN-01	HFCP — Parcel 1 — Construction Specifications	2/18/2009	
LI-01	HFCP — Parcel 1 — Irrigation Plan	2/18/2009	
LI-02	HFCP — Parcel 1 — Irrigation Plan	2/18/2009	
LI-03	HFCP — Parcel 1 — Irrigation Plan	2/18/2009	
LI-04	HFCP — Parcel 1 — Irrigation Plan	2/18/2009	
LI-05	HFCP — Parcel 1 — Irrigation Plan	2/18/2009	
LI-06	HFCP — Parcel 1 — Irrigation Plan	2/18/2009	
LI-07	HFCP — Parcel 1 — Irrigation Plan	2/18/2009	
LI-08	HFCP — Parcel 1 — Irrigation Plan	2/18/2009	
LI-09	HFCP — Parcel 1 — Irrigation Plan	2/18/2009	
LI-10	HFCP — Parcel 1 — Irrigation Plan	2/18/2009	
LID-1	HFCP — Parcel 1 — Irrigation Details	2/18/2009	
LID-2	HFCP — Parcel 1 — Irrigation Details	2/18/2009	
LIN-01	HFCP — Parcel 1 — Irrigation Notes	2/18/2009	
LIN-02	HFCP — Parcel 1 — Irrigation Notes	2/18/2009	
LIN-03	HFCP — Parcel 1 — Irrigation Notes	2/18/2009	
LP-01	HFCP — Parcel 1 — Planting Plan	2/18/2009	
LP-02	HFCP — Parcel 1 — Planting Plan	2/18/2009	
LP-03	HFCP — Parcel 1 — Planting Plan	2/18/2009	
LP-04	HFCP — Parcel 1 — Planting Plan	2/18/2009	
LP-05	HFCP — Parcel 1 — Planting Plan	2/18/2009	
LP-06	HFCP — Parcel 1 — Planting Plan	2/18/2009	
LP-07	HFCP — Parcel 1 — Planting Plan	2/18/2009	
LP-08	HFCP — Parcel 1 — Planting Plan	2/18/2009	
LP-09	HFCP — Parcel 1 — Planting Plan	2/18/2009	
LP-10	HFCP — Parcel 1 — Planting Plan	2/18/2009	
LPD-01	HFCP — Parcel 1 — Planting Details	2/18/2009	
LPD-02	HFCP — Parcel 1 — Planting Details	2/18/2009	
LPN-01	HFCP — Parcel 1 — Planting Notes	2/18/2009	
WEI WEST WAREHOUSE EQUIPMENT, INC.			
SA00	Structure Layout VAS Platform Overall Plan View	12/10/2008	Rev. 05
SA01	Structure Layout VAS Platform Enlarged Foundation Plan	12/10/2008	Rev. 05
SA02	Structure Layout	12/10/2008	Rev. 05
SA03	Structure Layout VAS Platform Enlarged Foundation Plan	12/10/2008	Rev. 05
SA04	Structure Layout VAS Platform Enlarged Foundation Plan	12/10/2008	Rev. 05
SA05	Structure Layout VAS Platform Enlarged Foundation Plan	12/10/2008	Rev. 05
SA06	Structure Layout VAS Platform Enlarged Foundation Plan	12/10/2008	Rev. 05
SA07	Structure Layout VAS Platform Enlarged Foundation Plan	12/10/2008	Rev. 05

WEI WEST WAREHOUSE EQUIPMENT, INC. CONTINUED

SA08	Structure Layout VAS Platform Enlarged Foundation Plan	12/10/2008	Rev. 05
SA09	Structure Layout VAS Platform Footing Details	12/10/2008	Rev. 05
SB00	Structure Layout Shipping Platform Overall Plan View	12/10/2008	Rev. 05
SB01	Structure Layout Shipping Platform Overall Enlarged Foundation Plan	12/10/2008	Rev. 05
SB02	Structure Layout Shipping Platform Overall Enlarged Foundation Plan	12/10/2008	Rev. 05
SB03	Structure Layout Shipping Platform Footing Detail	12/10/2008	Rev. 05
SG01	Structure Layout Extendable Conveyor Foundation Plans	12/10/2008	Rev. 05
SG02	Structure Layout Extendable Conveyor Foundation Plans	12/10/2008	Rev. 05
SG03	Structure Layout Extendable Footings Foundation Plans	12/10/2008	Rev. 05
SG04	Structure Layout Extendable Footings Foundation Plans	12/10/2008	Rev. 05
SG05	Structure Layout Extendable Footings Foundation Plans	12/10/2008	Rev. 05
SG06	Structure Layout Extendable Tracks Footing Cross Sections	12/10/2008	Rev. 05

HIGHLAND FAIRVIEW CORPORATE PARK PROJECT MANUAL

Div 00	Procurement and Contracting requirements	7/24/2008	
Div 01	General requirements	7/24/2008	
Div 02	Sitework	7/24/2008	
Div 03	Concrete	7/24/2008	
Div 04	Masonry	7/24/2008	
Div 05	Metals	7/24/2008	
Div 06	Wood and Plastics	7/24/2008	
Div 07	Thermal and Moisture Control	7/24/2008	
Div 08	Doors and Windows	7/24/2008	
Div 09	Finishes	7/24/2008	
Div 10	Specialties	7/24/2008	
Div 11	Equipment	7/24/2008	
Div 12	Furnishings	7/24/2008	
Div 13	Special Construction	7/24/2008	
Div 14	Conveyor Systems	7/24/2008	
Div 15	Mechanical	7/24/2008	
Div 16	Electrical	7/24/2008	

PRELIMINARY GEOTECHNICAL REPORT LEIGHTON & ASSOC.

1.0	Introduction	6/15/2007	
2.0	Geotechnical Investigation & Lab	6/15/2007	
3.0	Summary	6/15/2007	
4.0	Faulting & Seismicity	6/15/2007	
5.0	Conclusions	6/15/2007	
6.0	Preliminary Recommendations	6/15/2007	
7.0	Geotechnical Review	6/15/2007	
8.0	Limitations	6/15/2007	
map	Geotechnical Map / Boring Log	6/15/2007	

UPDATED PRELIMINARY GEOTECHNICAL REPORT LEIGHTON & ASSOC.

1.0	Introduction	4/30/2008	
2.0	Geotechnical Investigation & Lab	4/30/2008	
3.0	Summary	4/30/2008	
4.0	Faulting & Seismicity	4/30/2008	

UPDATED PRELIMINARY GEOTECHNICAL REPORT LEIGHTON & ASSOC. CONTINUED		
5.0	Conclusions	4/30/2008
6.0	Preliminary Recommendations	4/30/2008
7.0	Geotechnical Review	4/30/2008
8.0	Limitations	4/30/2008
map	Geotechnical Map / Boring Log	4/30/2008
OTHER SOILS REPORTS		
	Update Seismic Design Parameters	11/30/2007
	Preliminary Geotechnical Evaluation, SR-60 Widening	7/30/2008
	Clarifications to Soils, Highland Fairview Corporate Park	8/15/2008
	response to City of M.V. Review Comments & Map	11/5/2008
	geotechnical Recommendations for Temporary Fire Access Road	1/5/2009
	Clarifications #2 to Soils Report, Highland Fairview Corporate Park	1/14/2009
	Response to City of M.V. Review Comments, Public Works Depart.	1/16/2009
	Geotechnical Review of Improvements & rough Grade for Sanitary Sewer	1/21/2009
	Clarifications #3 to Soils report, Highland Fairview Corporate Park	1/29/2009
	Rough Grading Anticipated Keyway Locations	1/29/2009
	recommended Sup drain Locations	2/6/2009
	Infiltration Characteristics of onsite soils	6/23/2008
	Supplemental Remedial Grading Rec. Skechers VAS Platform	2/6/2009
STRUCTURAL CALCULATIONS		
	Structural Calculations by David Kramer	2/2/2009
TITLE 24 REPORT		
	title 24 Report by Alan Poydock — Thermalair, Inc.	1/30/2009
CIVIL MISC EXHIBITS & REPORTS		
	Drainage Bypass for Redlands Sewer Work Area	2/18/2009
	Grading Balance Area	2/18/2009
	Highland SWPPP	2/18/2009
	Set Back for Restricted Hours of Work	2/18/2009
	Existing Stockpile Locations	2/18/2009
	Mitigation Monitoring Program by Michael Brandman Assoc.	12/23/2008
	Septic Exhibit	1/7/2009

EXHIBIT "E"
 DRAWING LOG -EUCALYPTUS STREET
SKECHERS DISTRIBUTION CENTER
 29800 Eucalyptus Avenue, Rancho Belago, California 92555

ARCHITECTURAL			
A0.1	Highland Fairview Corporate Park Title Sheet — ASI #2	11/11/2008	Delta 2
A0.2	Highland Fairview Corporate Park General Sheet	5/21/2008	
A0.3.1	Disability Access Notes	5/21/2008	
A0.3.2	Disability Access Notes	5/21/2008	
A0.3.3	Disability Access Notes	5/21/2008	
A1.1	Overall Site Plan	5/21/2008	
AD.1	Details	5/21/2008	
AD.1A	Site Details for ADA Access	12/4/2009	Delta 4
AD.2	Details	5/21/2008	
AD.3	Details — ASI #1	9/15/2008	Delta 1
AD.3A	Details — ASI #3	12/30/2008	(Delta 5)
AD.4	Details	5/21/2008	
AD.5	Details	5/21/2008	
AD.6	Details	5/21/2008	
AD.7	Details	5/21/2008	
AD.8	Details	5/21/2008	
AD.9	Details	5/21/2008	
AD.10	Details — ASI #2	11/11/2008	Delta 2
AD.11	Details — ASI #2	11/11/2008	Delta 2
FIRE PROTECTION PARCEL 1 / SKECHERS			
HFCP	Cover Page		
FP 1	Underground Fire Master Plan	7/29/2008	
FP 2	Enlarged Underground Fire Piping Part I	7/29/2008	
FP 3	Enlarged Underground Fire Piping Part II	7/29/2008	
FP 4	Underground Fire Notes / Details	7/29/2008	
CONSTRUCTION STAGING PLAN			
SC 1	Stage Construction	1/9/2009	
SC 2	Traffic Handling / Construction area Sign Plan	1/9/2009	
SC 3	Traffic Handling / Construction area Sign Plan	1/9/2009	
SC 4	Traffic Handling / Construction area Sign Plan	1/9/2009	
TRAFFIC CONTROL PLAN			
TCP 1	Traffic Control Plan — Title Sheet	2/18/2009	
TCP 2	Traffic Control Plan — Phase I & II	2/18/2009	
TCP 3	Traffic Control Plan — Phase I	2/18/2009	
TCP 4	Traffic Control Plan — Phase II	2/18/2009	
TCP 5	Traffic Control Plan — Phase I	2/18/2009	
TCP 6	Traffic Control Plan — Phase II	2/18/2009	

PRECISE GRADING

PG 1	Precise Grading — Title Sheet	2/18/2009
PG 2	Precise Grading — Detail Sheet	2/18/2009
PG 3	Precise Grading Plan	2/18/2009
PG 4	Precise Grading Plan	2/18/2009
PG 5	Precise Grading Plan	2/18/2009
PG 6	Precise Grading Plan	2/18/2009
PG 7	Precise Grading Plan	2/18/2009
PG 8	Precise Grading Plan	2/18/2009
PG 9	Precise Grading Plan	2/18/2009
PG 10	Precise Grading Plan	2/18/2009
PG 11	Precise Grading Plan	2/18/2009
PG 12	Precise Grading Plan	2/18/2009
PG 13	Precise Grading Plan	2/18/2009
PG 14	Precise Grading Plan	2/18/2009
PG 15	Precise Grading Plan	2/18/2009

LINE "F" STORM DRAIN SYSTEM

SHT 1	Moreno MDP Line — F — Title Sheet	1/9/2009
SHT 2	Moreno MDP Line — F — Notes & Details	1/9/2009
SHT 3	Moreno MDP Line — F — Station	1/9/2009
SHT 4	Moreno MDP Line — F — Station	1/9/2009
SHT 5	Moreno MDP Line — F — Station	1/9/2009
SHT 6	Moreno MDP Line — F — Station	1/9/2009
SHT 7	Moreno MDP Line — F — Station	1/9/2009
SHT 8	Moreno MDP Line — F — Station	1/9/2009
SHT 9	Moreno MDP Line — F — Lat F-2	1/9/2009
SHT 10	Moreno MDP Line — F — Lat F-2-A	1/9/2009
SHT 11	Moreno MDP Line — F — Lat D-5	1/9/2009
SHT 12	Moreno MDP Line — F — Lat D-6	1/9/2009
SHT 13	Moreno MDP Line — F — Lat F-8	1/9/2009
SHT 14	Moreno MDP Line — F — Lat F-8	1/9/2009
SHT 15	Moreno MDP Line — F — Lat F-8	1/9/2009
SHT 16	Moreno MDP Line — F — Lat F-8	1/9/2009
SHT 17	Moreno MDP Line — F — Lat F-8	1/9/2009
SHT 18	Moreno MDP Line — F — Lat F-9	1/9/2009
SHT 19	Moreno MDP Line — F — Lat F-9	1/9/2009
SHT 20	Moreno MDP Line — F — Profiles	1/9/2009
SHT 21	Moreno MDP Line — F — Profiles	1/9/2009
SHT 22	Moreno MDP Line — F — Profiles	1/9/2009
SHT 23	Moreno MDP Line — F — Gen Notes & Details	1/9/2009
SHT 24	Moreno MDP Line — F — Details	1/9/2009
SHT 25	Moreno MDP Line — F — Lateral Plan Sections	1/9/2009
SHT 26	Moreno MDP Line — F — Lateral	1/9/2009
SHT 27	Moreno MDP Line — F — Sections	1/9/2009
SHT 28	Moreno MDP Line — F — Access Openings & Details	1/9/2009

new spec and area of 6,00 psi concrete

EUCALYPTUS SANITARY SEWER PLAN		
SSIP 1	Eucalyptus Avenue — Sanitary Sewer Plan — Title Sheet	1/9/2009
SSIP 2	Eucalyptus Avenue — Sanitary Sewer Plan — Index & Legend	1/9/2009
SSIP 3	Eucalyptus Avenue — Sanitary Sewer Plan — Plan Profile	1/9/2009
SSIP 4	Eucalyptus Avenue — Sanitary Sewer Plan — Plan Profile	1/9/2009
SSIP 5	Eucalyptus Avenue — Sanitary Sewer Plan — Plan Profile	1/9/2009
SSIP 6	Eucalyptus Avenue — Sanitary Sewer Plan — Plan Profile	1/9/2009
SSIP 7	Eucalyptus Avenue — Sanitary Sewer Plan — Plan Profile	1/9/2009
RECYCLED WATER IMPROVEMENT PLAN		
RWIP 1	EUCALYPTUS	2/20/2009
RWIP 2	EUCALYPTUS	2/20/2009
RWIP 3	EUCALYPTUS	2/20/2009
RWIP 4	EUCALYPTUS	2/20/2009
RWIP 5	EUCALYPTUS	2/20/2009
RWIP 6	EUCALYPTUS	2/20/2009
WATER IMPROVEMENT PLAN		
RWIP 7	EUCALYPTUS	2/20/2009
WIP 1	EUCALYPTUS	2/20/2009
WIP 2	EUCALYPTUS	2/20/2009
WIP 3	EUCALYPTUS	2/20/2009
WIP 4	EUCALYPTUS	2/20/2009
WIP 5	EUCALYPTUS	2/20/2009
WIP 6	EUCALYPTUS	2/20/2009
WIP 7	EUCALYPTUS	2/20/2009
EUCALYPTUS SITE UTILITIES		
SHT 1	Eucalyptus Avenue Utility Design — BUTSKO	1/9/2009
SHT 2	Eucalyptus Avenue Utility Design — BUTSKO	1/9/2009
SHT 3	Eucalyptus Avenue Utility Design — BUTSKO	1/9/2009
SHT 4	Eucalyptus Avenue Utility Design — BUTSKO	1/9/2009
SHT 5	Eucalyptus Avenue Utility Design — BUTSKO	1/9/2009
SHT 1	Eucalyptus Avenue Temporary Transformer — BUTSKO	1/9/2009
ELECTRICAL DISTRIBUTION PLAN		
SHT 1	Electrical Distribution Plan	2/18/2009
SHT 2	Electrical Distribution Plan	2/18/2009
SHT 3	Electrical Distribution Plan	2/18/2009
SHT 4	Electrical Distribution Plan	2/18/2009
FIRE PROTECTION SITE		
FP 1 UG	Underground Fire Master Plan	11/12/2008
FP 2 UG	Enlarged Underground Fire Piping Part I	3/3/2009
FP 3 UG	Enlarged Underground Fire Piping Part II	3/3/2009
FP 1	Site Fire Access Plan (During Construction)	3/3/2009
FP 2	Site Fire Access Plan (Job Completion)	3/3/2009
EUCALYPTUS STREET IMPROVEMENT PLAN		
STIP 1	Eucalyptus Avenue Street Improvement Plan — Title Sheet	1/9/2009
STIP 2	Eucalyptus Avenue Street Improvement Plan — Notes & Index Map	1/9/2009
STIP 3	Eucalyptus Avenue Street Improvement Plan — Details & Sections	1/9/2009

EUCALYPTUS STREET IMPROVEMENT PLAN CONTINUATION		
STIP 4	Eucalyptus Avenue Street Improvement Plan — Phase 1	1/9/2009
STIP 5	Eucalyptus Avenue Street Improvement Plan — Phase 2	1/9/2009
STIP 6	Eucalyptus Avenue Street Improvement Plan — Phase 3	1/9/2009
STIP 7	Eucalyptus Avenue Street Improvement Plan — Phase 4	1/9/2009
STIP 8	Eucalyptus Avenue Street Improvement Plan — Phase 5	1/9/2009
STIP 9	Eucalyptus Avenue Street Improvement Plan — Phase 6	1/9/2009
STIP 10	Eucalyptus Avenue Street Improvement Plan — Phase 7	1/9/2009
STIP 11	Eucalyptus Avenue — Signing & Striping Title Sheet	1/9/2009
STIP 12	Eucalyptus Avenue — Signing & Striping	1/9/2009
STIP 13	Eucalyptus Avenue — Signing & Striping	1/9/2009
PAVING SECTION		
PS	PAVING SECTION EXHIBIT	2/18/2009
MEDIAN EXHIBIT		
E-1	Exhibit — Sections Eucalyptus Street Median	7/22/2009
110	Emergency Vehicle Median Access	1/1/2005
TOLERANCE EXHIBIT		
TE	Tolerance Exhibit	2/18/2009
THEODORE STREET IMPROVEMENT PLAN		
TSE	Theodore Street Exhibit	2/18/2009
TRAFFIC SIGNAL INTERCONNECT		
421	Traffic Signal Interconnect Detail	1/1/2008
EVTSI	Emergency Vehicle & Traffic Signal Interconnect	10/22/2009
THEODORE STREET IMPROVEMENT PLAN		
Theodore Street / HWY 60 Ramp Widening Exhibit		
EUCALYPTUS STREET LANDSCAPE & IRRIGATION		
SHT 1	Eucalyptus Street — Cover Sheet	2/18/2009
SHT 2	Eucalyptus Street — Construction Plan	2/18/2009
SHT 3	Eucalyptus Street — Construction Plan	2/18/2009
SHT 4	Eucalyptus Street — Construction Plan	2/18/2009
SHT 5	Eucalyptus Street — Construction Plan	2/18/2009
SHT 6	Eucalyptus Street — Construction Plan	2/18/2009
SHT 7	Eucalyptus Street — Construction Plan	2/18/2009
SHT 8	Eucalyptus Street — Construction Details	2/18/2009
SHT 9	Eucalyptus Street — Construction Details	2/18/2009
SHT 10	Eucalyptus Street — Construction Details	2/18/2009
SHT 11	Eucalyptus Street — Construction Specifications	2/18/2009
SHT 12	Eucalyptus Street — Irrigation Plan	2/18/2009
SHT 13	Eucalyptus Street — Irrigation Plan	2/18/2009
SHT 14	Eucalyptus Street — Irrigation Plan	2/18/2009
SHT 15	Eucalyptus Street — Irrigation Plan	2/18/2009
SHT 16	Eucalyptus Street — Irrigation Plan	2/18/2009
SHT 17	Eucalyptus Street — Irrigation Plan	2/18/2009
SHT 18	Eucalyptus Street — Irrigation Details	2/18/2009
SHT 19	Eucalyptus Street — Irrigation Details	2/18/2009
SHT 20	Eucalyptus Street — Irrigation Notes	2/18/2009
SHT 21	Eucalyptus Street — Irrigation Specifications	2/18/2009

EUCALYPTUS STREET LANDSCAPE & IRRIGATION CONTINUATION

SHT 22	Eucalyptus Street — Irrigation Specifications	2/18/2009
SHT 23	Eucalyptus Street — Planting Plan	2/18/2009
SHT 24	Eucalyptus Street — Planting Plan	2/18/2009
SHT 25	Eucalyptus Street — Planting Plan	2/18/2009
SHT 26	Eucalyptus Street — Planting Plan	2/18/2009
SHT 27	Eucalyptus Street — Planting Plan	2/18/2009
SHT 28	Eucalyptus Street — Planting Plan	2/18/2009
SHT 29	Eucalyptus Street — Planting Details	2/18/2009
SHT 30	Eucalyptus Street — Planting Details	2/18/2009
SHT 31	Eucalyptus Street — Planting Specifications	2/18/2009
SHT 32	Eucalyptus Street — Planting Specifications	2/18/2009

HIGHLAND FAIRVIEW CORPORATE PARK — PROJECT MANUAL

Div 00	Procurement and Contracting requirements	7/24/2008
Div 01	General requirements	7/24/2008
Div 02	Sitework	7/24/2008
Div 03	Concrete	7/24/2008
Div 04	Masonry	7/24/2008
Div 05	Metals	7/24/2008
Div 06	Wood and Plastics	7/24/2008
Div 07	Thermal and Moisture Control	7/24/2008
Div 08	Doors and Windows	7/24/2008
Div 09	Finishes	7/24/2008
Div 10	Specialties	7/24/2008
Div 11	Equipment	7/24/2008
Div 12	Furnishings	7/24/2008
Div 13	Special Construction	7/24/2008
Div 14	Conveyor Systems	7/24/2008
Div 15	Mechanical	7/24/2008
Div 16	Electrical	7/24/2008

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4.0	Faulting & Seismicity	6/15/2007
5.0	Conclusions	6/15/2007
6.0	Preliminary Recommendations	6/15/2007
7.0	Geotechnical Review	6/15/2007
8.0	Limitations	6/15/2007
map	Geotechnical Map / Boring Log	6/15/2007
1.0	Introduction	4/30/2008
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3.0	Summary	4/30/2008
4.0	Faulting & Seismicity	4/30/2008
5.0	Conclusions	4/30/2008
6.0	Preliminary Recommendations	4/30/2008

PRELIMINARY GEOTECHNICAL REPORT LEIGHTON & ASSOC. CONTINUATION

7.0	Geotechnical Review	4/30/2008
8.0	Limitations	4/30/2008
map	Geotechnical Map / Boring Log	4/30/2008
	Update Seismic Design Parameters	11/30/2007
	Update Geotechnical Report	4/30/2008
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	response to City of M.V. Review Comments & Map	11/5/2008
	geotechnical Recommendations for Temporary Fire Access Road	1/5/2009
	Clarifications #2 to Soils Report, Highland Fairview Corporate Park	1/14/2009
	Response to City of M.V. Review Comments, Public Works Depart.	1/16/2009
	Geotechnical Review of Improvements & rough Grade for Sanitary Sewer	1/21/2009
	Clarifications #3 to Soils report, Highland Fairview Corporate Park	1/29/2009
	Rough Grading Anticipated Keyway Locations	1/29/2009
	recommended Sub drain Locations	2/6/2009
CIVIL MISC EXHIBITS & REPORTS		
	Drainage Bypass for Redlands Sewer Work Area	2/18/2009
	Grading Balance Area	2/18/2009
	Highland SWPPP	2/18/2009
	Offsite Rubble Disposal	2/18/2009
	Set Back for Restricted Hours of Work	2/18/2009
	Supplemental SWPPP	2/18/2009
	Water Pick-Up	2/18/2009
	Mitigation Monitoring Program by Michael Brandman Assoc.	12/23/2008

EXHIBIT "E"
PROJECT MANUALS & REPORT
SKECHERS DISTRIBUTION WAREHOUSE
29800 Eucalyptus Avenue, Moreno Valley, California 92555

GEOTECHNICAL

6/15/2007	Preliminary Geotechnical Report Leighton and Associates, Inc.	Section 1.0 — Introduction Section 2.0 — Geotechnical Investigation & Lab Section 3.0 — Summary Section 4.0 — Faulting & Seismicity Section 5.0 — Conclusions Section 6.0 — Preliminary Recommendations Section 7.0 — Geotechnical review Section 8.0 — Limitations Geotechnical Map / Boring Log
4/30/2008	Update Geotechnical report Leighton and Associates, Inc.	Section 1.0 — Introduction Section 2.0 — Geotechnical Investigation & Lab Section 3.0 — Summary Section 4.0 — Faulting & Seismicity Section 5.0 — Conclusions Section 6.0 — Preliminary Recommendations Section 7.0 — Geotechnical review Section 8.0 — Limitations Geotechnical Map / Boring Log
11/30/2007	Update Seismic Design Parameters	
4/30/2008	Update Geotechnical Report	
7/30/2008	Preliminary Geotechnical Evaluation, SR-60 Widening between Theodore & Redlands Blvd.	
8/15/2008	Clarifications to Soils Report, Highland Fairview Corporate Park	
11/5/2008	Response to City of Moreno Valley Review Comments & Map	
1/5/2009	Geotechnical recommendations for Temporary "All-Weather" Fire Access	
1/14/2009	Clarifications #2 to Soils Report, Highland Fairview Corporate Park	
1/16/2009	Response to City of Moreno Valley Review Comments, Public Works Department	
1/21/2009	Geotechnical review of Improvement & rough Grading Plans for Sanitary Sewer — Redlands Blvd.	
1/29/2009	Clarifications #3 to Soils Report, Highland Fairview Corporate Park	
1/29/2009	Rough Grading Anticipated Keyway Locations	
2/6/2009	Recommended Subdrain Locations	

PROJECT MANUAL

7/24/2008	Highland Corporate Park HPA, Inc. Architects	Project Requirements & Specifications Division 00 — Procurement & Contracting Division 01 — General Requirements Division 02 — Sitework Division 03 — Concrete Division 04 — Masonry Division 05 — Metals Division 06 — Wood & Plastics Division 07 — Thermal & Moisture Control Division 08 — Doors & Windows Division 09 — Finishes Division 10 — Specialties Division 11 — Equipment Division 12 — Furnishings Division 13 — Special Construction Division 14 — Conveying Systems Division 15 — Design build Division 16 — Design Build
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STRUCTURAL CALCULATIONS

2/2/2009	Structural Calculations by David Robert Kramer
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TITLE 24 REPORT

1/30/2009	title 24 Report by Alan Poydock — termalair, Inc.
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CIVIL MISC. EXHIBITS & REPORTS

2/18/2009	Drainage Bypass for Redlands Sewer Work Area Grading Balance Area Highland SWPPP
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Office Rubble Disposal Hours of Work

Existing Stockpile Locations

Supplemental SWPPP

Water Pick-Up

12/23/2008

Mitigation Monitoring Program by Michael Brandman Associates

1/7/2009

Septic Exhibit

Final Fire Access Plan

Temporary Fire Access Plan

EXHIBIT "F"

ADVANCES

1. **Draw Request.** A "**Draw Request**" means a properly completed and executed written application by Borrower to Administrative Agent in the form of **Exhibit "F-1"** (or in another form satisfactory to Administrative Agent) setting forth the amount of Up-Front Equity Cash and/or Loan Proceeds desired, together with the related AIA Document G-702 and G-703 and such schedules, affidavits, releases, waivers, statements, invoices, bills, and other documents, certificates and information satisfactory to Administrative Agent. At least ten (10) Business Days before the requested date of each advance made under the Budget from the Up-Front Equity Cash or the Loan, Borrower shall deliver a Draw Request to Administrative Agent. Borrower shall be entitled to an advance only in an amount approved by Administrative Agent in accordance with the terms of this Agreement and the Loan Documents. Except as expressly set forth below in this **Section 1**, Lenders shall not be required to make advances more frequently than once each calendar month. Lenders shall, only upon the satisfaction, as determined by Administrative Agent in its sole discretion, of all applicable conditions of this Agreement and the Loan Documents, be required to make the requested advance to Borrower on a Funding Date which is a Business Day within ten (10) Business Days after such satisfaction. Each Draw Request, and Borrower's acceptance of any advance, shall be deemed to ratify and confirm, as of the date of the Draw Request and the advance, respectively, that, except as specified in the Draw Request, (a) all representations and warranties in the Loan Documents remain true and correct, and all covenants and agreements in the Loan Documents remain satisfied, (b) there is no uncured Default or Event of Default existing under the Loan Documents, (c) all conditions to the advance, whether or not evidence thereof is required by Administrative Agent, are satisfied, (d) the AIA Document G-702 and G-703 forms executed by each contractor and approved by Borrower's architect, together with all schedules, affidavits, releases, waivers, statements, invoices, bills, and other documents, certificates and information submitted for the Draw Request are complete and correct, and in all respects what they purport and appear to be for the amount and period applicable to the Draw Request, (e) all advances previously made to Borrower were disbursed, and the proceeds of the advance requested in the Draw Request will immediately be disbursed, for payments of the costs and expenses specified in the Budget for which the advances were made, and for no other purpose, (f) after the advance, all obligations for work and other costs heretofore incurred by Borrower in connection with the Project and which are due and payable will be fully paid and satisfied and (g) any unadvanced portion of the Loan to which Borrower is entitled, plus the portions of the Aggregate Cost that are to be paid by Borrower from other funds that, to Administrative Agent's satisfaction, are available, set aside and committed, is or will be sufficient to pay the actual unpaid Aggregate Cost. Notwithstanding anything to the contrary contained in the foregoing: (1) in the event that during any calendar month in which Borrower has already requested and received an advance, Borrower submits to Administrative Agent a Draw Request for an additional advance (each an "**Additional Monthly Advance**") and such Additional Monthly Advance is solely for the payment of costs and expenses associated with the construction of the roof of the Improvements, Lenders shall make such Additional Monthly Advance provided that (i) Administrative Agent, in its sole and absolute discretion, has approved of such Additional Monthly Advance; and (ii) Borrower has satisfied all conditions in this Agreement for the making of an advance with respect to such Additional Monthly Advance; and (2) Lenders shall be required to make one Additional Monthly Advance within thirty (30) days of the making of the Initial Advance (it being acknowledged that the making of the Initial Advance shall occur on the date hereof) provided that Borrower has satisfied all conditions in this Agreement for the making of such Additional Monthly Advance.

2. **Advances.** Borrower shall disburse all advances made to Borrower, for payments of the costs and expenses specified in the Budget for which the advances were made, and for no other purpose. Following receipt and approval of a Draw Request, all supporting documentation and information required by Administrative Agent, and receipt and approval of a written report from Construction Consultant satisfactory to Administrative Agent, Administrative Agent will determine the amount of the advance Lenders shall make in accordance with this Agreement, the Loan Documents, the Budget, and if and to the extent required by the Administrative Agent, to Administrative Agent's satisfaction, the following standards:

- a. An initial advance in the amount of the Initial Advance in accordance with the Budget.
- b. For construction work other than tenant improvement work, advances on the basis of ninety percent (90%) of the costs shown on the application for payment from the contractor reviewed and approved by Administrative Agent of the work or material in place on the Improvements that comply with the terms of the Loan Documents, minus

all previous advances and all amounts required to be paid by Borrower, as described in the Budget. Following the completion of fifty percent (50%) of the Improvements as determined by the Construction Consultant, the ninety percent (90%) limitation set forth above shall be increased to ninety five percent (95%). Notwithstanding the foregoing, at the sole and absolute discretion of Administrative Agent, advances relating to certain line items in the Budget may be made without any retainage withheld or early release of retainage.

c. For tenant improvement work, advances on the basis of one hundred percent (100%) of the costs shown for each lease in the application for payment from the contractor reviewed and approved by Administrative Agent for the work or material in place that complies with the terms of the Loan Documents, *provided* that if required by Administrative Agent (i) an application for payment may be submitted only after all applicable tenant improvements have been completed, (ii) the amount of the requested advance does not exceed the per square foot allowance provided in the Budget, (iii) all provisions of the Loan Documents, including, without limitation, Sections 3, 4, and 5 of this Exhibit "F", have been satisfied, (iv) the term of the applicable lease has commenced, (v) Administrative Agent has received from the applicable tenant a tenant estoppel certificate, and a subordination and attornment agreement in the respective forms attached as exhibits to the Closing Checklist, or otherwise in form and content satisfactory to Administrative Agent, (vi) Administrative Agent has received two (2) sets of as-built plans for the applicable tenant improvements, and (vii) Administrative Agent has received evidence of satisfaction of all applicable legal requirements, including but not limited to applicable certificates of occupancy and evidence that the plans comply with all legal requirements regarding access and facilities for handicapped or disabled persons.

d. No advances for building materials or furnishings that are not yet incorporated into the Improvements ("stored materials") unless (i) Borrower has good title to the stored materials and the stored materials are components in a form ready for incorporation into the Improvements and will be so incorporated within a period of one hundred twenty (120) days, (ii) the stored materials are in Borrower's possession and satisfactorily stored on the Land or such materials are satisfactorily stored at such other site as Administrative Agent may approve, (iii) the stored materials are protected and insured against theft and damage in a manner and amount satisfactory to Administrative Agent, (iv) the stored materials have been paid for in full or will be paid for with the funds to be advanced and all lien rights and claims of the supplier have been released or will be released upon payment with the advanced funds, and (v) Administrative Agent for the benefit of Lenders has or will have upon payment with the advanced funds a perfected, first priority security interest in the stored materials. Notwithstanding the foregoing, the aggregate amount of advances for stored materials that have not yet been incorporated into the Improvements shall not exceed the Stored Materials Advance Limit. Any Draw Request which includes an advance for the cost of stored materials shall be accompanied by copies of invoices for such stored materials in form and content satisfactory to Administrative Agent. All advances for the cost of stored materials shall be on the basis of ninety percent (90%) of the invoiced amount.

e. Intentionally Omitted.

f. Borrower has advised Administrative Agent and Lenders that the City has been awarded grant money in the amount of ONE MILLION DOLLARS (\$1,000,000.00) (the "Grant Money") from the State of California under the State of California's Proposition 1B State Local Partnership Competitive Grant Program which Grant is for the "Eucalyptus Street Improvements Project". Borrower has advised Administrative Agent and Lenders that the construction of Phase 1 of Eucalyptus Street, which shall replace the right of way of Fir Avenue currently abutting the Property to the south, (the "Street Project") is a requirement imposed by the City in connection with the construction of the Improvements and that the Grant shall ultimately be available to the Borrower (via disbursement from the City to the Borrower) for reimbursement of costs incurred by the Borrower in constructing Phase 1 of Eucalyptus Street. Advances for the construction of the future Eucalyptus Street (each such advance a "Street Project Advance") shall be made in accordance with the following procedures:

- (1) In the event Borrower submits a Draw Request to Administrative Agent containing a Street Project Advance at any time from the date hereof until that date which is six (6) months from the date hereof (such period being referred to herein as the "Initial Six Months"), Borrower shall, within five (5) business days of receiving such Street Project Advance, (A) pay such Street Project Advance to Borrower's contractor; (B) submit a request to the City for a portion of the Grant Money in an amount equal to the amount of the Street Project Advance contained in its Draw Request and paid to Borrower's contractor; and (C) provide Administrative Agent

with written evidence acceptable to Administrative Agent of its satisfaction of the requirements set forth in (A) and (B) above;

- (2) Following Borrower's receipt from the City of a portion of the Grant Money in response to its request for same (a "Grant Advance"), Borrower shall provide written notice of its receipt of such Grant Advance to Administrative Agent and confirm, with evidence acceptable to Administrative Agent, the amount of such Grant Advance;
- (3) In its first Draw Request following the receipt of a Grant Advance, Borrower shall include a line item for the amount of such Grant Advance which amount shall be subtracted from (i) the total amount of such Draw Request; and (ii) the line item in the Budget used for Street Project Advances. For illustration purposes only, if Borrower submits a Draw Request for \$1,000,000 of Loan Proceeds which contains a Street Project Advance of \$250,000, Borrower shall simultaneously submit a request for Grant Money in the amount of \$250,000 to the City and provide Administrative Agent with copies of such request for Grant Money together with its Draw Request for \$1,000,000 of Loan Proceeds. Should Borrower receive Grant Money from the City in response to its request for same, Borrower shall provide Administrative Agent with written notice of same together with evidence thereof and in its next following Draw Request, Borrower will include the amount of such Grant Advance as an amount to be subtracted from the total amount of Loan Proceeds requested in such following Draw Request and from the line item in the Budget used for Street Project Advances.
- (4) In the event that Borrower does not receive the entire amount of Grant Money during the Initial Six Months, within two (2) business days of the expiration of the Initial Six Months, Borrower shall deposit into the Upfront Equity Account an amount equal to ONE MILLION DOLLARS (\$1,000,000.00) less the total sum of all Grant Advances which have been received by Borrower and deducted from subsequent Draw Requests pursuant to the procedure set forth in subsection (3) above.
- (5) Notwithstanding anything to the contrary contained in this Agreement, One Million Dollars (\$1,000,000.00) of Loan Proceeds will be held back and remain undisbursed within the line item in the Budget used for Street Project Advances until the earlier to occur of (i) the disbursement to Borrower of all of the Grant Money and confirmation by Administrative Agent that an amount equal to all of the Grant Money (i.e., \$1,000,000) has been deducted from Draw Requests in the manner described above in this Section f; and (ii) the expiration of the Initial Six Months but only provided that Borrower has complied with the requirements of subsection (4) above.
- (6) During the Initial Six Months, Borrower shall not request an advance of Grant Money from the City (or any other governmental authority) without first having submitted to Administrative Agent a Draw Request containing a Street Project Advance in the same amount as the amount of Grant Money requested as set forth in subsection (1) above. At any time following the expiration of the Initial Six Months, and provided that Borrower has complied with the requirements of subsection (4) above, Borrower may submit requests to the City (or any other governmental authority) for Grant Money and if received apply such funds in whatever manner Borrower elects.

g. Advances of "Hard Cost Contingency" (or any other similarly described item in the Budget) shall be made available to Borrower as construction progresses but only (i) for hard costs; (ii) in proportion to the percentage of completion of the Improvements at the time of advance as determined by the Construction Consultant; and (iii) if shown as expended with all supporting documentation and information and as shown in the report of the Construction Consultant submitted in connection with such advance.

h. Administrative Agent shall make periodic advances of soft costs, each in the amount requested in the applicable Draw Request, without retainage provided that such request shall be supported by a payables listing in

form and content satisfactory to Administrative Agent and for any soft cost greater than or equal to Twenty Five Thousand and No/100 Dollars (\$25,000.00), such request shall also be supported by an invoice and other back up materials in form and content satisfactory the Administrative Agent.

i. Advances of "Development Management Fee" (as set forth in the Budget) shall be made available to Borrower as construction progresses provided however that in no event shall the ratio of funded Development Management Fee to the total budgeted Development Management Fee expressed as a percentage exceed by more than ten (10) percentage points the ratio of funded hard costs to the total budgeted hard costs expressed as a percentage. By way of example only, if a Draw Request that includes a request for a portion of the Development Management Fee is made and at such time fifty percent (50%) of total hard costs have been funded, Borrower shall only be entitled to an Advance for Development Management Fee in an amount that, when added to the Advances of Development Management Fee already funded, does not exceed sixty percent (60%) of the total budgeted Development Management Fee.

j. Borrower has advised Administrative Agent and the Lenders that in connection with site grading to be performed on the Property, the City has required that Borrower place with the City cash security in the amount of ONE MILLION FIVE HUNDRED THIRTY FIVE THOUSAND SEVENTY SIX AND NO/100 DOLLARS (\$1,535,076.00) to secure Borrower's obligation to complete such site grading. Accordingly, the Budget contains a line item entitled "Site Grading and Other Cash Sureties" in that amount. In the event that the City returns to the Borrower the Site Grading and Other Cash Sureties or any portion thereof (such amount returned the "Returned Amount"), Borrower shall, within two (2) business days of receipt thereof, deposit the Returned Amount into the Up-Front Equity Account Once such funds are received into the Up-Front Equity Account, the Budget shall be amended by reallocating the line items for each of "Site Grading and Other Cash Sureties" (decrease) and "Development Management Fee" (increase) by an amount equal to the Returned Amount.

3. Conditions to the Initial Advance. As conditions precedent to the Initial Advance hereunder, if and to the extent required by Administrative Agent, to Administrative Agent's satisfaction, Borrower must have satisfied the conditions required under this Agreement, including all of those conditions set forth in Exhibit "C" and Section 4 below.

4. Conditions to All Advances. As conditions precedent to each advance made pursuant to a Draw Request, in addition to all other requirements contained in this Agreement, if and to the extent required by Administrative Agent:

a. the Advance Termination Date shall not have passed; and

b. Administrative Agent shall have received and approved the following:

i. Evidence satisfactory to Administrative Agent of the continued satisfaction of all conditions to the Initial Advance (except to the extent that any of such conditions were waived in writing by Administrative Agent).

ii. A Draw Request.

iii. Evidence satisfactory to Administrative Agent that no Default or any event which, with the giving of notice or the lapse of time, or both, could become a Default, exists.

iv. Evidence satisfactory to Administrative Agent that the representations and warranties made in the Loan Documents must be true and correct on and as of the date of each advance and no event shall have occurred or condition or circumstance shall exist which, if known to Borrower, would render any such representation or warranty incorrect or misleading.

v. Each subcontract or other contract for labor, materials, services and/or other work included in a Draw Request duly executed and delivered by all parties thereto and effective, and to the extent required under this Agreement, a true and complete copy of a fully executed copy of each such subcontract or other

contract as Administrative Agent may have requested, together with performance and payment bonds securing such contracts and subcontracts, to the extent required by Administrative Agent, in form and substance satisfactory to Administrative Agent.

- vi. Evidence satisfactory to Administrative Agent that no mechanic's or materialmen's lien or other encumbrance has been filed and remains in effect against the Property, including releases or waivers of mechanics' liens and receipted bills showing payment of all amounts due to all parties who have furnished materials or services or performed labor of any kind in connection with the Property.
- vii. Evidence satisfactory to Administrative Agent that the Title Insurance has been endorsed and brought to date in a manner satisfactory to Administrative Agent to increase the coverage by the amount of each advance through the date of each such advance with no additional title change or exception not approved by Administrative Agent.
- viii. Certification by Construction Consultant, and if required by Administrative Agent by Borrower's architect, that to the best of such party's knowledge, information, and belief, construction is in accordance with the Plans, the quality of the work for which the advance is requested is in accordance with the applicable contract, the amount of the advance requested represents work in place based on on-site observations and the data comprising the Draw Request, the work has progressed in accordance with the construction contract and schedule, and the applicable contractor is entitled to payment of the amount certified.
- ix. (1) a foundation survey made immediately after, but in no event later than ten (10) days after, the laying of the foundation of each building or structure of the Improvements satisfactory to Administrative Agent and to the extent required by Administrative Agent complying with Exhibit "G", (2) a certificate of Borrower's architect stating that based on personal inspection the foundations have been completed in accordance with the Plans and are satisfactory in all respects, and (3) a bearing capacity test report with respect to the excavated footings and foundations, reviewed and approved by the Construction Consultant and Borrower's architect.
- x. Within ten (10) days after the pouring of concrete for any Improvements, a report satisfactory to Construction Consultant of the results of concrete tests made at the time the concrete is poured.
- xi. Within ten (10) days after the compaction of any soil for construction, a report satisfactory to Construction Consultant of the results of soil tests.
- xii. Evidence satisfactory to Administrative Agent that as of the date of making such advance, no event shall have occurred, nor shall any condition exist, that could have a Material Adverse Effect on the enforceability of the Loan Documents, a Material Adverse Effect to the financial condition of Borrower or any Guarantor, impair the ability of Borrower or any Guarantor to fulfill its material obligations under the Loan Documents, or otherwise have a Material Adverse Effect whatsoever on the Property.
- xiii. Intentionally Omitted.
- xiv. Evidence satisfactory to Administrative Agent that the Improvements shall not have been damaged in any material respect and not repaired (or in the process of being repaired) and shall not be the subject of any pending or threatened condemnation or adverse zoning proceeding.
- xv. Evidence satisfactory to Administrative Agent that Borrower has paid all amounts then required to be paid by Borrower under the Budget.
- xvi. The Borrower's Deposit if required by Section 1.5 of this Agreement.
- xvii. With respect to any advance to pay a contractor, original applications for payments in form approved by Administrative Agent, containing a breakdown by trade and/or other categories acceptable to

Administrative Agent, executed and certified by each contractor and Borrower's architect, accompanied by invoices, and approved by Construction Consultant.

xviii. Copies of California statutory form lien waivers and advances executed by each contractor and each appropriate subcontractor, supplier and materialman, including, without limitation, from all parties sending statutory notices to contractors, notices to owners, or notices of nonpayment. Each Draw Request shall be accompanied by (a) California statutory form conditional lien waivers and releases for all contractors, subcontractors, suppliers and materialman rendering services or providing materials which are the subject of such Draw Request, and (b) California statutory form of final and unconditional lien waivers and releases from all contractors, subcontractors, suppliers and materialmen who were paid from the immediately preceding Draw Request with respect to the services or materials covered thereby.

xix. Such other information, documents and supplemental legal opinions as may be required by Administrative Agent.

5. Final Advance for Improvements. If and to the extent required by the Administrative Agent, to Administrative Agent's satisfaction, the final advance for the Improvements (including retainage) shall not be made until thirty (30) days after the later of (i) the date on which the Improvements have been "completed," as evidenced by the issuance of a final and unconditional certificate of occupancy (or the local equivalent thereof), and (ii) if required by Administrative Agent, the date on which a notice of completion has been recorded. In the case of each such Draw Request, if and to the extent required by Administrative Agent, Administrative Agent shall have received the following as additional conditions precedent to the requested advance:

a. Certificates from Borrower's architect, engineer, contractor and, if required by Administrative Agent, from the Construction Consultant, certifying that the Improvements (including any off-site improvements) have been completed in accordance with, and as completed comply with, the Plans and all Laws and governmental requirements; and Administrative Agent shall have received two (2) sets of detailed "as built" Plans approved in writing by Borrower, Borrower's architect, and each contractor.

b. Final affidavits (in a form approved by Administrative Agent) from Borrower's architect, engineer, and each contractor certifying that each of them and their subcontractors, laborers, and materialmen has been paid in full for all labor and materials for construction of the Improvements; and California statutory form unconditional final lien releases or waivers by Borrower's architect, engineer, contractor, and all subcontractors, materialmen, and other parties who have supplied labor, materials, or services for the construction of the Improvements, or who otherwise might be entitled to claim a contractual, statutory or constitutional lien against the Property.

c. The Title Insurance shall be endorsed to remove any exception for mechanics' or materialmen's liens or pending disbursements, with no additional title change or exception objectionable to Administrative Agent, and with such other endorsements required by Administrative Agent.

d. Evidence satisfactory to Administrative Agent that all Laws and governmental requirements have been satisfied, including receipt by Borrower of all necessary governmental licenses, certificates and permits (including certificates of occupancy) with respect to the completion, use, occupancy and operation of the Improvements, together with evidence satisfactory to Administrative Agent that all such licenses, certificates, and permits are in full force and effect and have not been revoked, canceled or modified.

e. Three (3) copies of a final as-built survey satisfactory to Administrative Agent and to the extent required by Administrative Agent complying with Exhibit "G".

f. Intentionally Omitted.

g. If applicable, an estoppel certificate and a subordination agreement, in the form approved by Administrative Agent, from Skechers, and written confirmation by Skechers that Skechers has approved the completed Improvements.

6. Direct Advances. Borrower hereby irrevocably authorizes Administrative Agent on behalf of Lenders (but Administrative Agent shall have no obligation unless otherwise noted) to (i) advance Loan funds directly to Lenders to pay interest due on the Loan, and (ii) advance and directly apply the proceeds of any advance to the satisfaction of any of Borrower's obligations under any of the Loan Documents, even though Borrower did not include that amount in a Draw Request and/or no Default exists. Each such direct advance (except for application of a Borrower's Deposit) shall be added to the outstanding principal balance of the Loan and shall be secured by the Loan Documents. Notwithstanding the foregoing, unless Borrower pays such interest from other resources, and provided further that no Default exists nor has any event occurred which with the passing of time or giving of notice would become a Default, Administrative Agent may advance Loan funds pursuant to this Section for interest payments as and when due to the extent of any interest reserve created for such purposes. Nothing contained in this Agreement shall be construed to permit Borrower to defer payment of interest on the Loan beyond the date(s) due. The allocation of Loan funds in the Budget for interest shall not affect Borrower's absolute obligation to pay the same in accordance with the Loan Documents. Administrative Agent may hold, use, disburse and apply the Loan and the Borrower's Deposit for payment of any obligation of Borrower under the Loan Documents. Borrower hereby assigns and pledges the Loan Proceeds and any Borrower's Deposit to Administrative Agent for itself and for the benefit of Lenders for such purposes. Administrative Agent on behalf of Lenders may advance and incur such expenses as Administrative Agent deems necessary for the completion of the Improvements and to preserve the Property, and any other security for the Loan, and such expenses, even though in excess of the amount of the Loan, shall be secured by the Loan Documents and shall be payable to Administrative Agent on behalf of Lenders on demand. Administrative Agent on behalf of Lenders may disburse any portion of any advance at any time, and from time to time, to persons other than Borrower for the purposes specified in this Section and the amount of advances to which Borrower shall thereafter be entitled shall be correspondingly reduced.

7. Conditions and Waivers. All conditions precedent to the obligation of Lenders to make any advance are imposed hereby solely for the benefit of Administrative Agent and Lenders, and no other party may require satisfaction of any such condition precedent or be entitled to assume that Lenders will refuse to make any advance in the absence of strict compliance with such conditions precedent. Administrative Agent shall have the right to approve and verify the periodic progress of, costs incurred by Borrower for, and the estimated costs remaining to be incurred for the construction of the Improvements, after consultation with the Construction Consultant. No advance shall constitute an approval or acceptance by Administrative Agent of any construction work, or a waiver of any condition precedent to any further advance, or preclude Administrative Agent from thereafter declaring the failure of Borrower to satisfy such condition precedent to be a Default. No waiver by Administrative Agent of any condition precedent or obligation shall preclude Administrative Agent from requiring such condition or obligation to be met prior to making any other advance or from thereafter declaring the failure to satisfy such condition or obligation to be a Default.

8. Funding. Borrower shall establish and maintain a special account with Administrative Agent into which advances funded directly to Borrower (but no other funds except as provided herein), and excluding direct disbursements made to or by Administrative Agent on behalf of Lenders pursuant to this Agreement, shall be deposited by Borrower, and against which checks shall be drawn only for the payment of costs specified in the Budget, but which special account shall not be used for any other purpose. Borrower hereby irrevocably authorizes Administrative Agent to deposit each advance requested by Borrower to the credit of Borrower in that account, by wire transfer or other deposit. Advances may also be made, in addition to other methods contemplated herein, at Administrative Agent's option, by direct or joint check payment to any or all persons entitled to payment for work or services performed or material furnished in connection with the Project or the Loan (but such direct payments or joint check payment shall only be used with borrower's consent unless a Default has occurred), or by having the proceeds thereof made available to the Title Company (or its agent) for disbursement. Neither Administrative Agent nor any Lender shall not be required to, and has no responsibility to, supervise the proper application or distribution of funds to third parties. Provided no Default exists, Administrative Agent shall also cause interest earned on the Certificate of Deposit (as such term is defined in Section 2.16 of this Agreement) to be credited from time to time to the special account established by Borrower pursuant to this Section 8.

9. Up-Front Equity Account. Borrower, Administrative Agent and Lenders acknowledge that (i) Borrower has established the Up-Front Equity Account with, and under the control of, Administrative Agent; (ii) has deposited the Initial Up-Front Equity Cash into same for the purposes of funding the Total Costs; and (iii) shall, prior to the Initial Advance of Loan Proceeds, deposit the Deferred Up-Front Equity Cash into same for the purposes of funding the Total Costs. No advances of Loan Proceeds, including the Initial Advance of Loan Proceeds, shall be made unless

and until the Up-Front Equity Cash has been advanced from the Up-Front Equity Account towards Total Costs and at any time funds exist in the Up-Front Equity Account, such funds shall be utilized for advances prior to the advancing of any Loan Proceeds. All advances of Up-Front Equity Cash from the Up-Front Equity Account shall be made pursuant to Draw Requests submitted by Borrower pursuant to this Agreement and this Exhibit "F" and shall be subject to all of the terms and conditions of this Agreement and this Exhibit "F". Pursuant to a Collateral Assignment and Pledge of Account of even date herewith, Borrower has pledged and granted a security interest in the Up-Front Equity Account to Administrative Agent and Lenders to secure Borrower's obligations to Administrative Agent and Lenders under the Loan Documents.

10. Reallocation of Hard Cost Contingency. Upon written notice to Administrative Agent, Borrower shall be entitled to reallocate the sum of FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$500,000.00) from the "Hard Cost Contingency" line item in the Budget to the "Development Management Fee" line item in the Budget one time during the term of the Loan provided that Borrower has satisfied of all of the following conditions: (a) no Default exists at the time of Borrower's request for such reallocation, nor has any event occurred which upon the giving of notice or passage of time would become a Default; (b) the Project is at least ninety percent (90%) complete as certified in writing by the Construction Consultant; (c) at the time of Borrower's request for such reallocation, the Borrower is in strict compliance with Section 1.5 of this Agreement; (d) all Letters of Credit issued hereunder have either been cancelled and returned to Administrative Agent or Cash Collateralized as required under this Agreement; and (e) all Grant Money has either been paid to Borrower or Borrower has made the deposit of funds into the Up-Front Equity Account as required in Section 2.f of this Exhibit "F".

EXHIBIT F, PAGE 8

EXHIBIT "F-1"

DRAW REQUEST

[BORROWER'S LETTERHEAD]

DRAW REQUEST NO. _____

TO: BANK OF AMERICA, N.A. ("Administrative Agent")

LOAN NO. _____ DATE _____

PROJECT _____

LOCATION _____

BORROWER _____

FOR PERIOD ENDING _____

In accordance with the Construction Loan Agreement in the amount of \$_____ dated _____, among Borrower, Administrative Agent and the Lenders as defined therein, Borrower requests that \$_____ be advanced from Loan Proceeds [, \$_____ **be advanced from Borrower's Deposit and \$_____ be advanced from Up-Front Equity Cash**]. The proceeds should be credited to the account of _____ Account No. _____, at _____.

1. CURRENT DRAW REQUEST FOR HARD COSTS	\$ _____
2. CURRENT DRAW REQUEST FOR SOFT COSTS	\$ _____
3. TOTAL DRAW REQUEST	\$ _____

AUTHORIZED SIGNER:

Dated: _____

EXHIBIT "G"

SURVEY REQUIREMENTS

1. **Requirements.** The Survey shall be made in accordance with, and meet the requirements of, the certification below by a registered professional engineer or registered professional land surveyor. The description shall be a single metes and bounds perimeter description of the entire Land, and a separate metes and bounds description of the perimeter of each constituent tract or parcel out of the Land. The total acreage and square footage of the Land and each constituent tract or parcel of the Land shall be certified. If the Land has been recorded on a map or plat as part of an abstract or subdivision, all survey lines must be shown, and all lot and block lines (with distances and bearings) and numbers, must be shown. The date of any revisions subsequent to the initial survey prepared pursuant to these requirements must also be shown.

2. **Certification.** The certification for the property description and the map or plat shall be addressed to Administrative Agent for the Lenders, Borrower and the Title Company, signed by the surveyor (a registered professional land surveyor or registered professional engineer), bearing current date, registration number, and seal, and shall be in the following form or its substantial equivalent:

This is to certify to Bank of America, N.A., as Administrative Agent for certain Lenders, HF Logistics-SKX T1, LLC, as Borrower and _____, as the Title Company that this map or plat and the survey on which it is based were made in accordance with the "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys" jointly established and adopted by ALTA and NSPS in 2005, and include optional items 1, 2, 4 (in square feet or acres), 6, 8, 10, 11(b), 16, 17, 18, and if buildings are located on the land, optional items 7(a), 7(b)(1), 7(b)(2) and 9 of Table A thereof. Pursuant to the Accuracy Standards as adopted by ALTA and NSPS and in effect on the date of this certification, the undersigned further certifies that in my professional opinion, as a land surveyor registered in the State of California, the maximum Relative Positional Accuracy resulting from the measurements made on the survey does not exceed the Allowable Relative Positional Accuracy for Measurements Controlling Land Boundaries on ALTA/ACSM Land Title Surveys (0.07 feet or 20 mm + 50 ppm). The undersigned additionally certifies that (a) this survey was made on the ground under my supervision; (b) I have received and examined a copy of the Title Insurance Commitment No. _____ issued by the Title Company as well as a copy of each instrument listed therein, and the subject land and each tract or parcel thereof described in this survey is the same land as described in the Title Commitment; (c) if the subject land consists of two or more tracts or parcels having common boundaries, those tracts and parcels are contiguous along the common boundaries; (d) the subject land and each tract or parcel thereof has a tax map designation separate and distinct from that of any other land and the subject land and each tract or parcel thereof is a separate, legally subdivided parcel; (e) this survey correctly shows all matters of record, (and to the extent they can be located, their location and dimensions) of which I have been advised affecting the subject land according to the legal description in such matters (with instrument, book, and page number indicated); (f) except as shown on this survey, no part of the subject land is located in a 100-year Flood Plain or in an identified "flood prone area," as defined pursuant to the Flood Disaster Protection Act of 1973, as amended, as reflected by Flood Insurance Rate Map Panel # dated _____, which such map panel covers the area in which the Property is situated and this survey correctly indicates the zone designation of any area as being in the 100-year Flood Plain or "flood prone area"; (g) to the best of my knowledge, this survey shows the relation of and distance of all substantial, visible buildings, sidewalks and other improvements to easements and setback lines; and (h) to the best of my knowledge, except as shown on this survey, neither the subject land nor any tract or parcel thereof serves any adjoining land for drainage, utilities, or ingress or egress.

EXHIBIT "H"
INTENTIONALLY OMITTED

EXHIBIT H, PAGE 1

EXHIBIT "I"

LEASING AND TENANT MATTERS

Borrower and Lenders agree as follows:

1. **Approved Leases.** Borrower shall not enter into any tenant lease of space in the Improvements unless satisfactory to or deemed satisfactory to Administrative Agent prior to execution. Borrower's standard form of tenant lease, and any revisions thereto, must have the prior written approval of Administrative Agent. Any tenant lease shall be "deemed" satisfactory to Administrative Agent that (a) is on the standard form lease approved by Administrative Agent, with no deviations except as satisfactory to Administrative Agent; (b) is entered into in the ordinary course of business with a bona fide unrelated third party tenant, and Borrower, acting in good faith and exercising due diligence, has determined that the tenant is financially capable of performing its obligations under the lease; (c) is received by Administrative Agent (together with each guarantee thereof (if any) and financial information regarding the tenant and each guarantor (if any) received by Borrower) within fifteen (15) days after execution; (d) reflects an arms-length transaction at then current market rate for comparable space; (e) contains no right to purchase the Property, or any present or future interest therein; (f) does not require Borrower to provide funds for tenant improvements in excess of the per square foot allowance provided in the Budget; (g) does not cover in excess of twenty-five percent (25%) of the aggregate net rentable area of the Improvements; and (h) is expressly subordinate to the Mortgage. Borrower shall provide to Administrative Agent a correct and complete copy of each tenant lease, including any exhibits, and each guarantee thereof (if any), prior to execution unless the lease in question is satisfactory to Administrative Agent under the foregoing requirements. Borrower shall, throughout the term of this Agreement, pay all reasonable costs incurred by Administrative Agent in connection with Administrative Agent's review and approval of tenant leases and each guarantee thereof (if any), including reasonable attorneys' fees and costs.

2. **Effect of Lease Approval.** No approval of any lease by Administrative Agent shall be for any purpose other than to protect Lenders' security, and to preserve Lenders' rights under the Loan Documents. No approval by Administrative Agent shall result in a waiver of any default of Borrower. In no event shall any approval by Administrative Agent of a lease be a representation of any kind, with regard to the lease or its adequacy or enforceability, or the financial capacity of any tenant or guarantor.

3. **Representations Concerning Leases.** Borrower represents and warrants to Administrative Agent and Lenders that Borrower has delivered to Administrative Agent a true and correct copy of all tenant leases and each guarantee thereof (if any), affecting any part of the Improvements, together with an accurate and complete rent roll for the Project, and no such lease or guarantee contains any option to purchase all or any portion of the Property or any interest therein or contains any right of first refusal relating to any sale of the Property or any portion thereof or interest therein.

4. **Delivery of Leasing Information and Documents.** Borrower shall promptly (a) deliver to Administrative Agent such monthly rent rolls, leasing schedules and reports, operating statements, financial statements for tenants other than residential tenants with a lease term for less than one year and other information regarding tenants and prospective tenants or other leasing information as Administrative Agent from time to time may request, and (b) obtain and deliver to Administrative Agent such estoppel certificates and subordination and attornment agreements executed by such tenants (and guarantors, if any) in the respective forms attached as exhibits to the Closing Checklist, or otherwise in such forms as Administrative Agent from time to time may require.

5. **Income from the Property.** Borrower shall first apply all income from leases, and all other income derived from the Property, to pay costs and expenses associated with the ownership, maintenance, development, operating, and marketing of the Land and Improvements, including all amounts then required to be paid under the Loan Documents, before using or applying such income for any other purpose.

6. **Compliance and Default.** As additional conditions to Lenders' obligations under this Agreement, all tenants having the right to do so must approve all Plans and all changes thereto, the construction of the Improvements, and all other aspects of the Project requiring tenants' approval. A default by Borrower under or any failure by Borrower to satisfy any of the conditions of a lease shall constitute a Default under this Agreement. Borrower shall promptly notify Administrative Agent in writing of any failure by any party to perform any material obligation under

any lease, any event or condition which would permit a tenant to terminate or cancel a lease, or any notice given by a tenant with respect to the foregoing, specifying in each case the action Borrower has taken or will take with respect thereto.

7. Skechers Lease. Notwithstanding anything to the contrary contained herein, Administrative Agent and Borrower hereby acknowledge that the Lease with Skechers previously delivered to Administrative Agent by Borrower is acceptable to Administrative Agent and Borrower shall comply with the requirements of this Exhibit "I" with respect to the Lease. Further, Borrower shall not modify any terms or provisions of the Lease without prior written consent of Administrative Agent, which consent shall be in Administrative Agent's sole discretion.

EXHIBIT I, PAGE 2

EXHIBIT "J"

LIST OF REQUIRED BONDS

- (a) Performance Bond for the general contractor in amount, form and content satisfactory to Administrative Agent; and
- (b) Payment Bond for the general contractor, in form and content satisfactory to Administrative Agent.

Each bond shall be issued by a corporate surety acceptable to Administrative Agent and authorized and admitted to do business and to execute bonds in the state where the Project is located and contain a dual obligee rider with power of attorney in favor of Administrative Agent in form and content satisfactory to Administrative Agent.

EXHIBIT "K"

LETTERS OF CREDIT

1. The Letter of Credit Commitment.

(i) Subject to the terms and conditions set forth herein, (A) the L/C Issuer agrees, in reliance upon the agreements of the other Lenders set forth in this Exhibit "K", (1) from time to time on any Business Day during the period from the date of this Agreement until the Letter of Credit Expiration Date, to issue Letters of Credit for the account of the Borrower, and to amend or renew Letters of Credit previously issued by it, in accordance with Section 2 below, and (2) to honor drafts under the Letters of Credit; and (B) the Lenders severally agree to participate in Letters of Credit issued for the account of the Borrower; *provided* that the L/C Issuer shall not be obligated to make any L/C Credit Extension with respect to any Letter of Credit, and no Lender shall be obligated to participate in, any Letter of Credit if as of the date of such L/C Credit Extension, (x) the outstanding amount of all L/C Obligations and all Loan advances would exceed the combined Commitments, or (y) the outstanding amount of the L/C Obligations would exceed the Letter of Credit Sublimit. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrower's ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed.

(ii) The L/C Issuer shall be under no obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Tribunal or arbitrator shall by its terms purport to enjoin or restrain the L/C Issuer from issuing such Letter of Credit, or any Law applicable to the L/C Issuer or any request or directive (whether or not having the force of Law) from any Tribunal with jurisdiction over the L/C Issuer shall prohibit, or request that the L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the L/C Issuer is not otherwise compensated hereunder) not in effect on the date of this Agreement, or shall impose upon the L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the date of this Agreement and which the L/C Issuer in good faith deems material to it;

(B) the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last renewal, unless the Required Lenders have approved such expiry date;

(C) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Lenders have approved such expiry date;

(D) the issuance of such Letter of Credit would violate one or more policies of the L/C Issuer; or

(E) such Letter of Credit is in an initial amount less than \$25,000, or is to be used for a purpose other than the development of the Improvements or denominated in a currency other than Dollars.

(iii) The L/C Issuer shall be under no obligation to amend any Letter of Credit if (A) the L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

2. Procedures for Issuance and Amendment of Letters of Credit

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to the L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by Borrower. Such Letter of Credit Application must be received by the L/C Issuer and the Administrative Agent not later than 11:00 a.m., Administrative Agent's Time, at least two Business Days (or such later date and time as the L/C Issuer may agree in a particular instance in its sole discretion)

prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as the L/C Issuer may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the L/C Issuer may require.

(ii) Promptly after receipt of any Letter of Credit Application, the L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Borrower and, if not, the L/C Issuer will provide the Administrative Agent with a copy thereof. Upon receipt by the L/C Issuer of confirmation from the Administrative Agent that the requested issuance or amendment is permitted in accordance with the terms hereof, then, subject to the terms and conditions hereof, the L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with the L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the L/C Issuer a participation in such Letter of Credit in an amount equal to the product of such Lender's Pro Rata Share times the amount of such Letter of Credit.

(iv) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the L/C Issuer will also deliver to the Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

3. Drawings and Reimbursements; Funding of Participations.

(i) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the L/C Issuer shall notify the Borrower and the Administrative Agent thereof. Not later than 11:00 a.m., Administrative Agent's Time, on the date of any payment by the L/C Issuer under a Letter of Credit (each such date, an "Honor Date"), the Borrower shall reimburse the L/C Issuer through the Administrative Agent in an amount equal to the amount of such drawing. If the Borrower fails to so reimburse the L/C Issuer by such time, the Administrative Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (the "Unreimbursed Amount"), and the amount of such Lender's Pro Rata Share thereof. In such event, the Borrower shall be deemed to have requested an advance of Base Rate Principal to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, subject to the amount of the unutilized portion of the combined Commitments and the conditions set forth in Exhibit "F" (other than the delivery of a Draw Request). Any notice given by the L/C Issuer or the Administrative Agent pursuant to this subsection may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Lender (including the Lender acting as L/C Issuer) shall upon any notice pursuant to the subsection above make funds available to the Administrative Agent for the account of the L/C Issuer at the Administrative Agent's Office in an amount equal to its Pro Rata Share of the Unreimbursed Amount not later than 1:00 p.m., Administrative Agent's Time, on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of the subsection below, each Lender that so makes funds available shall be deemed to have made an advance of Base Rate Principal to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the L/C Issuer.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by an advance of Base Rate Principal because the conditions set forth in Exhibit "F" cannot be satisfied or for any other reason, the Borrower shall be deemed to have incurred from the L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Past Due Rate. In such event, each Lender's payment to the Administrative Agent for the

account of the L/C Issuer pursuant to the subsection above shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute a participation in such L/C Borrowing from such Lender in satisfaction of its participation obligation under this Section.

(iv) Until each Lender funds its Loan advance or participation in an L/C Borrowing pursuant to this Section to reimburse the L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Lender's Pro Rata Share of such amount shall be solely for the account of the L/C Issuer.

(v) Each Lender's obligation to make a Loan advance or participation in such L/C Borrowing to reimburse the L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section, shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the L/C Issuer, the Borrower or any other person for any reason whatsoever; (B) the occurrence or continuance of a Default or event of Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; *provided, however*, that each Lender's obligation to make a Loan advance pursuant to this Section is subject to the conditions set forth in Section 4 of Exhibit "F" being satisfactory to Administrative Agent. No such reimbursement shall relieve or otherwise impair the obligation of the Borrower to reimburse the L/C Issuer for the amount of any payment made by the L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Lender fails to make available to the Administrative Agent for the account of the L/C Issuer any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section by the time specified in subsection (ii), the L/C Issuer shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the L/C Issuer at a rate per annum equal to the Federal Funds Rate from time to time in effect. A certificate of the L/C Issuer submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (vi) shall be conclusive absent manifest error.

4. Repayment of Participations.

(i) At any time after the L/C Issuer has made a payment under any Letter of Credit and has received from any Lender such Lender's participation in a L/C Borrowing in respect of such payment in accordance with Exhibit "K", Section 3, if the Administrative Agent receives for the account of the L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Pro Rata Share (appropriately adjusted, in the case of interest payments, to reflect the period of time Lender's participation payment was outstanding) thereof in the same funds as those received by the Administrative Agent.

(ii) If any payment received by the Administrative Agent for the account of the L/C Issuer pursuant to Exhibit "K", Section 3(i) is required to be returned, under any of the circumstances described in Section 6.4 (including pursuant to any settlement entered into by the L/C Issuer in its discretion) each Lender shall pay to the Administrative Agent for the account of the L/C Issuer its Pro Rata Share thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect.

5. Obligations Absolute. The obligation of the Borrower to reimburse the L/C Issuer for each drawing under each Letter of Credit and to repay each L/C Borrowing, shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

- (i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;
- (ii) the existence of any claim, counterclaim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of such Letter of Credit (or any person for whom any such

beneficiary or any such transferee may be acting), the L/C Issuer or any other person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the L/C Issuer under such Letter of Credit to any person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower.

The Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's instructions or other irregularity, the Borrower will immediately notify the L/C Issuer. The Borrower shall be conclusively deemed to have waived any such claim against the L/C Issuer and its correspondents unless such notice is given as aforesaid.

6. Role of L/C Issuer. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the L/C Issuer shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the person executing or delivering any such document. None of the L/C Issuer, any Agent-Related Person nor any of the respective correspondents, participants or assignees of the L/C Issuer shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Letter of Credit Application. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at Law or under any other agreement. None of the L/C Issuer, any Agent-Related Person, nor any of the respective correspondents, participants or assignees of the L/C Issuer, shall be liable or responsible for any of the matters described in clauses (i) through (v) of the above Section; provided, however, that anything in such clauses to the contrary notwithstanding, the Borrower may have a claim against the L/C Issuer, and the L/C Issuer may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by the L/C Issuer's willful misconduct or gross negligence or the L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the L/C Issuer shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

7. Cash Collateral. Upon the request of the Administrative Agent, (i) if the L/C Issuer has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted in an L/C Borrowing, or (ii) if, as of the Letter of Credit Expiration Date, any Letter of Credit may for any reason remain outstanding and partially or wholly undrawn, the Borrower shall immediately Cash Collateralize the then outstanding amount of all L/C Obligations (in an amount equal to such outstanding amount determined as of the date of such L/C Borrowing

or the Letter of Credit Expiration Date, as the case may be). For the purposes hereof “Cash Collateralize” means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the L/C Issuer and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Administrative Agent and the L/C Issuer (which documents are hereby consented to by the Lenders). Derivatives of such term shall have corresponding meaning. The Borrower hereby grants the Administrative Agent, for the benefit of the L/C Issuer and the Lenders, a security interest in all such cash and deposit account balances and all proceeds of the foregoing. Cash collateral shall be maintained in blocked, non-interest bearing deposit accounts at Bank of America.

8. Applicability of ISP98 and UCP. Unless otherwise expressly agreed by the L/C Issuer and the Borrower when a Letter of Credit is issued, (i) the rules of the “International Standby Practices 1998” published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce (the “ICC”) at the time of issuance (including the ICC decision published by the Commission on Banking Technique and Practice on April 6, 1998 regarding the European single currency (euro)) shall apply to each commercial Letter of Credit.

9. Letter of Credit Fees. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Pro Rata Share a Letter of Credit fee for each Letter of Credit equal to: (a) one percent (1%) per annum of the stated amount of the Letter of Credit and times the daily maximum amount available to be drawn under such Letter of Credit (whether or not such maximum amount is then in effect under such Letter of Credit) for any Letter of Credit in an amount greater than TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000); and (b) two percent (2%) per annum per annum of the stated amount of the Letter of Credit and times the daily maximum amount available to be drawn under such Letter of Credit (whether or not such maximum amount is then in effect under such Letter of Credit) for any Letter of Credit in an amount of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000) or less. Such fee for each Letter of Credit shall be due and payable on the date the Letter of Credit Application is delivered to the L/C Issuer and on the same date of each successive year thereafter until the Letter of Credit Expiration Date.

10. Other Fees. The Borrower shall also pay directly to the L/C Issuer for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the L/C Issuer relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

11. Conflict with Letter of Credit Application. In the event of any conflict between the terms hereof and the terms of any Letter of Credit Application, the terms hereof shall control.

12. Limitation on Aggregate Obligation. At no time may the outstanding stated amount of the Letters of Credit and advanced Loan Proceeds (the “Aggregate Obligation”) exceed \$55,000,000; provided, however, that Borrower may request an advance of Loan Proceeds that causes the Aggregate Obligation to exceed \$55,000,000 if no later than sixty (60) days prior to such request, the Borrower Cash Collateralizes, as provided in Paragraph 7 above, in an amount equal to the amount the Aggregate Obligation exceeds \$55,000,000.

EXHIBIT "L"

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (this "Assignment") is dated as of the Effective Date set forth below and is entered into by and between _____ (the "Assignor") and _____ (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Construction Loan Agreement identified below (the "Loan Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Loan Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below, (i) all of the Assignor's rights and obligations as a Lender under the Loan Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including, without limitation Guarantees), and (ii) to the extent permitted to be assigned under applicable Law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any person, whether known or unknown, arising under or in connection with the Loan Agreement, any other documents or instruments delivered pursuant thereto or in any way based on or related to any of the foregoing, including, but not limited to contract claims, tort claims, malpractice claims, statutory claims and all other claims at Law or in equity, related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment, without representation or warranty by the Assignor.

- 1. Assignor: _____
- 2. Assignee: _____ [an Affiliate/Approved Fund of _____]
- 3. Borrower(s): _____
- 4. Administrative Agent: _____, as the administrative agent under the Loan Agreement
- 5. Loan Agreement: The Construction Loan Agreement, dated as of _____, among _____, the Lenders parties thereto, [and] Bank of America, N.A., as Administrative Agent, [and the other agents parties thereto]
- 6. Assigned Interest:

Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned	Percentage Assigned of Commitment/Loans
\$ _____	\$ _____	_____ %

Effective Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment are hereby agreed to:

ASSIGNOR:

By: _____

Name: _____

Title: _____

ASSIGNEE:

By: _____

Name: _____

Title: _____



[Consented to and] Accepted:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: _____

Name: _____

Title: _____

[Consented to:]

By: _____

Name: _____

Title: _____

EXHIBIT L, PAGE 3

ANNEX 1 TO ASSIGNMENT AND ASSUMPTION

**STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION**

1. Representations and Warranties.

1.1. **Assignor.** The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Loan Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents, or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other person of any of their respective obligations under any Loan Document.

1.2. **Assignee.** The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby and to become a Lender under the Loan Agreement, (ii) it meets all requirements of an Eligible Assignee under the Loan Agreement (subject to receipt of such consents as may be required under the Loan Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Loan Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Loan Agreement, together with copies of the most recent financial statements delivered pursuant to Section thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision independently and without reliance on the Administrative Agent or any other Lender to enter into this Assignment and to purchase the Assigned Interest on the basis of which it has made such analysis and decision, and (v) if it is a Foreign Lender, attached hereto is any documentation required to be delivered by it pursuant to the terms of the Loan Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

1.3 **Assignee's Address for Notices, etc.** Attached hereto as Schedule 1 is all contact information, address, account and other administrative information relating to the Assignee.

2. **Payments.** From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to or on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this Assignment directly between themselves.

3. **General Provisions.** This Assignment shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment. This Assignment shall be governed by, and construed in accordance with, the Law of the State of Florida.

SCHEDULE 1 TO ASSIGNMENT AND ASSUMPTION

ADMINISTRATIVE DETAILS

(Assignee to list names of credit contacts, addresses, phone and facsimile numbers, electronic mail addresses and account and payment information)

(a) LIBOR Lending Office:

Assignee name: _____
Address: _____

Attention: _____
Telephone: () _____
Facsimile: () _____
Electronic Mail: _____

(b) Domestic Lending Office:

Assignee name: _____
Address: _____

Attention: _____
Telephone: () _____
Facsimile: () _____
Electronic Mail: _____

(c) Notice Address:

Assignee name: _____
Address: _____

Attention: _____
Telephone: () _____
Facsimile: () _____
Electronic Mail: _____

(d) Payment Instructions:

Account No. _____
Attention: _____
Reference: _____

EXHIBIT "M"
FORM OF NOTE
PROMISSORY NOTE

\$ _____

April __, 2010

FOR VALUE RECEIVED, HF LOGISTICS-SKX T1, LLC, a Delaware limited liability company ("Borrower") hereby promises to pay to the order of _____, without offset, in immediately available funds in lawful money of the United States of America, at the Lender's office as defined in the Loan Agreement (as such term is defined herein), the principal sum of _____ DOLLARS

(\$ _____) (or the unpaid balance of all principal advanced against this Note, if that amount is less), together with interest on the unpaid principal balance of this Note from day to day outstanding as hereinafter provided.

1. Note; Interest; Payment Schedule and Maturity Date. This Note is one of the Notes referred to in that certain Construction Loan Agreement of even date herewith (the "Loan Agreement") among the Borrower, Bank of America, N.A., as Administrative Agent for itself as a lender and for the others lenders that are from time to time a party to the Loan Agreement (collectively, the "Lenders"), and the Lenders, and it is entitled to the benefits thereof and subject to prepayment in whole or part as provided therein. The entire principal balance of this Note then unpaid shall be due and payable at the times as set forth in the Loan Agreement. Accrued unpaid interest shall be due and payable at the times and at the interest rate as set forth in the Loan Agreement until all principal and accrued interest owing on this Note shall have been fully paid and satisfied. Any amount not paid when due and payable hereunder shall, to the extent permitted by applicable Law, bear interest and if applicable a late charge as set forth in the Loan Agreement.

2. Security; Loan Documents. The security for this Note includes a Construction Deed of Trust, Assignments of Rents and Leases, Security Agreement and Fixture Filing of even date herewith from Borrower to PRLAP, Inc., as Trustee for the benefit of Bank of America, N.A., a national banking association, as beneficiary in its capacity as administrative agent for the Lenders (which, as it may have been or may be amended, restated, modified or supplemented from time to time, is herein called the "Mortgage"), covering certain property in Moreno Valley, County of Riverside, California described therein (the "Property"). This Note, the Mortgage, the Loan Agreement and all other documents now or hereafter securing, guaranteeing or executed in connection with the loan evidenced by this Note (the "Loan"), are, as the same have been or may be amended, restated, modified or supplemented from time to time, herein sometimes called individually a "Loan Document" and together the "Loan Documents."

3. Defaults.

(a) It shall be an event of default ("Event of Default") under this Note and each of the other Loan Documents if (i) any principal, interest or other amount of money due under this Note is not paid in full when due, regardless of how such amount may have become due; or (ii) there shall occur a Default under the Loan Agreement (as such term "Default" is defined in the Loan Agreement) subject to any applicable notice and cure period contained therein. Upon the occurrence of an Event of Default, Lender shall have the rights to declare the unpaid principal balance and accrued but unpaid interest on this Note, and all other amounts due hereunder and under the other Loan Documents, at once due and payable (and upon such declaration, the same shall be at once due and payable), to foreclose any liens and security interests securing payment hereof and to exercise any of its other rights, powers and remedies under this Note, under any other Loan Document, or at law or in equity.

(b) All of the rights, remedies, powers and privileges (together, "Rights") of Lender and Administrative Agent provided for in this Note and in any other Loan Document are cumulative of each other and of any and all other Rights at law or in equity. The resort to any Right shall not prevent the concurrent or subsequent employment of any other appropriate Right. No single or partial exercise of any Right shall exhaust it, or preclude any other or further exercise thereof, and every Right may be exercised at any time and from time to time. No failure by

Lender to exercise, nor delay in exercising any Right, including but not limited to the right to accelerate the maturity of this Note, shall be construed as a waiver of any Event of Default or as a waiver of any Right. Without limiting the generality of the foregoing provisions, the acceptance by Lender from time to time of any payment under this Note which is past due or which is less than the payment in full of all amounts due and payable at the time of such payment, shall not (i) constitute a waiver of or impair or extinguish the right of Lender to accelerate the maturity of this Note or to exercise any other Right at the time or at any subsequent time, or nullify any prior exercise of any such Right, or (ii) constitute a waiver of the requirement of punctual payment and performance or a novation in any respect.

(c) If any holder of this Note retains an attorney in connection with any Event of Default or at maturity or to collect, enforce or defend this Note or any other Loan Document in any lawsuit or in any probate, reorganization, bankruptcy, arbitration or other proceeding, or if Borrower sues any holder in connection with this Note or any other Loan Document and does not prevail, then Borrower agrees to pay to each such holder, in addition to principal, interest and any other sums owing to Lender hereunder and under the other Loan Documents, all costs and expenses incurred by such holder in trying to collect this Note or in any such suit or proceeding, including, without limitation, reasonable attorneys' fees and expenses, investigation costs and all court costs, whether or not suit is filed hereon, whether before or after the Maturity Date, or whether in connection with bankruptcy, insolvency or appeal, or whether collection is made against Borrower or any guarantor or endorser or any other person primarily or secondarily liable hereunder. Any judgment on this Note shall bear interest at the highest rate allowed by applicable law.

4. Commercial Purpose. Borrower warrants that the Loan is being made solely to finance a portion of the cost to acquire or carry on a business or commercial enterprise, and/or Borrower is a business or commercial organization. Borrower further warrants that all of the proceeds of this Note shall be used for commercial purposes and stipulates that the Loan shall be construed for all purposes as a commercial loan, and is made for other than personal, family, household or agricultural purposes.

5. Service of Process. Borrower hereby consents to process being served in any suit, action, or proceeding instituted in connection with this Note by (a) the mailing of a copy thereof by certified mail, postage prepaid, return receipt requested, to Borrower and (b) serving a copy thereof upon the registered agent designated and appointed by Borrower as Borrower's agent for service of process. Borrower irrevocably agrees that such service shall be deemed to be service of process upon Borrower in any such suit, action, or proceeding. Nothing in this Note shall affect the right of Lender to serve process in any manner otherwise permitted by law and nothing in this Note will limit the right of Lender otherwise to bring proceedings against Borrower in the courts of any jurisdiction or jurisdictions

6. Heirs, Successors and Assigns. The terms of this Note and of the other Loan Documents shall bind and inure to the benefit of the heirs, devisees, representatives, successors and assigns of the parties. The foregoing sentence shall not be construed to permit Borrower to assign the Loan except as otherwise permitted under the Loan Documents. As further provided in the Loan Agreement, Lender may, at any time, sell, transfer, or assign this Note, the Mortgage and the other Loan Documents, and any or all servicing rights with respect thereto, or grant participations therein or issue mortgage pass-through certificates or other securities evidencing a beneficial interest in a rated or unrated public offering or private placement.

7. General Provisions. Time is of the essence with respect to Borrower's obligations under this Note. If more than one person or entity executes this Note as Borrower, all of said parties shall be jointly and severally liable for payment of the indebtedness evidenced hereby. Borrower and all sureties, endorsers, guarantors and any other party now or hereafter liable for the payment of this Note in whole or in part, hereby severally (a) waive demand, presentment for payment, notice of dishonor and of nonpayment, protest, notice of protest, notice of intent to accelerate, notice of acceleration and all other notices (except any notices which are specifically required by this Note or any other Loan Document), filing of suit and diligence in collecting this Note or enforcing any of the security herefor; (b) agree to any substitution, subordination, exchange or release of any such security or the release of any party primarily or secondarily liable hereon; (c) agree that Lender shall not be required first to institute suit or exhaust its remedies hereon against Borrower or others liable or to become liable hereon or to perfect or enforce its rights against them or any security herefor; (d) consent to any extensions or postponements of time of payment of this Note for any period or periods of time and to any partial payments, before or after maturity, and to any other indulgences with respect hereto, without notice thereof to any of them; and (e) submit (and waive all rights to object) to non-exclusive personal jurisdiction of any state or federal court sitting in the State of Florida, and venue in the city or county in which payment is to be made as specified in the first paragraph on Page 1 of this Note, for the enforcement of any and all

obligations under this Note and the Loan Documents; (f) waive the benefit of all homestead and similar exemptions as to this Note; (g) agree that their liability under this Note shall not be affected or impaired by any determination that any security interest or lien taken by Lender to secure this Note is invalid or unperfected; and (h) hereby subordinate any and all rights against Borrower and any of the security for the payment of this Note, whether by subrogation, agreement or otherwise, until this Note is paid in full. A determination that any provision of this Note is unenforceable or invalid shall not affect the enforceability or validity of any other provision and the determination that the application of any provision of this Note to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances. This Note may not be amended except in a writing specifically intended for such purpose and executed by the party against whom enforcement of the amendment is sought. Lender is hereby authorized to disseminate any information it now has or hereafter obtains pertaining to the Loan, including, without limitation, any security for this Note and credit or other information on Borrower, any of its principals and any guarantor of this Note, to any actual or prospective assignee or participant with respect to the Loan, to any of Lender's affiliates, including, without limitation, Banc of America Securities LLC, to any regulatory body having jurisdiction over Lender, and to any other parties as necessary or appropriate in Lender's reasonable judgment, as further provided in the Loan Agreement. The term "Business Day" shall mean a day on which Lender is open for the conduct of substantially all of its banking business at its office in the city in which this Note is payable (excluding Saturdays and Sundays). Captions and headings in this Note are for convenience only and shall be disregarded in construing it. THIS NOTE, AND ITS VALIDITY, ENFORCEMENT AND INTERPRETATION, SHALL BE GOVERNED BY FLORIDA LAW (WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES) AND APPLICABLE UNITED STATES FEDERAL LAW.

8. No Usury. It is expressly stipulated and agreed to be the intent of Borrower and Lender at all times to comply with applicable state law or applicable United States federal law (to the extent that it permits Lender to contract for, charge, take, reserve, or receive a greater amount of interest than under state law) and that this Section shall control every other covenant and agreement in this Note and the other Loan Documents. If applicable state or federal law should at any time be judicially interpreted so as to render usurious any amount called for under this Note or under any of the other Loan Documents, or contracted for, charged, taken, reserved, or received with respect to the Loan, or if Lender's exercise of the option to accelerate the Maturity Date, or if any prepayment by Borrower results in Borrower having paid any interest in excess of that permitted by applicable law, then it is Lender's express intent that all excess amounts theretofore collected by Lender shall be credited on the principal balance of this Note and all other indebtedness and the provisions of this Note and the other Loan Documents shall immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new documents, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder or thereunder. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the Loan shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Loan until payment in full so that the rate or amount of interest on account of the Loan does not exceed the maximum lawful rate from time to time in effect and applicable to the Loan (the "Maximum Rate") for so long as the Loan is outstanding. The Lender may, in determining the Maximum Rate, take advantage of: (i) the rate of interest permitted by Florida Statutes, Chapter 658, by reason of both Section 687.12 Florida Statutes ("Interest rates; parity among licensed lenders or creditors") and 12 United States Code, Sections 85 and 86, and (ii) any other law, rule, or regulation in effect from time to time, available to Lender which exempts Lender from any limit upon the rate of interest it may charge or grants to Lender the right to charge a higher rate of interest than that allowed by Florida Statutes, Chapter 687.

9. Notices. Any notice, request, or demand to or upon Borrower or Lender shall be deemed to have been properly given or made when delivered in accordance with the Loan Agreement.

10. Dispute Resolution.

(a) Arbitration. Except to the extent expressly provided below, any Dispute (as defined below) shall, upon the request of either party, be determined by binding arbitration in accordance with the Federal Arbitration Act, Title 9, United States Code (or if not applicable, the applicable state law), the then-current rules for arbitration of financial services disputes of the American Arbitration Association, or any successor thereof ("AAA") and the "Special Rules" set forth below. "Dispute" means any controversy, claim or dispute between or among the parties to this Note, including any controversy, claim or dispute arising out of or relating to (a) this Note, (b) any other Loan Documents, (c) any related agreements or instruments, or (d) the transaction contemplated herein or

therein (including any claim based on or arising from an alleged personal injury or business tort). In the event of any inconsistency, the Special Rules shall control. The filing of a court action is not intended to constitute a waiver of the right of Borrower or Lender, including the suing party, thereafter to require submittal of the Dispute to arbitration. Any party to this Note may bring an action, including a summary or expedited proceeding, to compel arbitration of any Dispute in any court having jurisdiction over such action. For the purposes of this Dispute Resolution Section only, the terms "party" and "parties" shall include any parent corporation, subsidiary or affiliate of Lender involved in the servicing, management or administration of any obligation described in or evidenced by this Note, together with the officers, employees, successors and assigns of each of the foregoing.

(b) Special Rules.

(i) The arbitration shall be conducted in any U.S. state where real or tangible personal property collateral is located, or if there is no such collateral, in the City and County where Lender is located pursuant to its address for notice purposes in this Note.

(ii) The arbitration shall be administered by AAA, who will appoint an arbitrator. If AAA is unwilling or unable to administer or legally precluded from administering the arbitration, or if AAA is unwilling or unable to enforce or legally precluded from enforcing any and all provisions of this Dispute Resolution Section, then any party to this Note may substitute another arbitration organization that has similar procedures to AAA and that will observe and enforce any and all provisions of this Dispute Resolution Section. All Disputes shall be determined by one arbitrator; however, if the amount in controversy in a Dispute exceeds Five Million Dollars (\$5,000,000), upon the request of any party, the Dispute shall be decided by three arbitrators (for purposes of this Note, referred to collectively as the "arbitrator").

(iii) All arbitration hearings will be commenced within ninety (90) days of the demand for arbitration and completed within ninety (90) days from the date of commencement; provided, however, that upon a showing of good cause, the arbitrator shall be permitted to extend the commencement of such hearing for up to an additional sixty (60) days.

(iv) The judgment and the award, if any, of the arbitrator shall be issued within thirty (30) days of the close of the hearing. The arbitrator shall provide a concise written statement setting forth the reasons for the judgment and for the award, if any. The arbitration award, if any, may be submitted to any court having jurisdiction to be confirmed and enforced, and such confirmation and enforcement shall not be subject to arbitration.

(v) The arbitrator will give effect to statutes of limitations and any waivers thereof in determining the disposition of any Dispute and may dismiss one or more claims in the arbitration on the basis that such claim or claims is or are barred. For purposes of the application of the statute of limitations, the service on AAA under applicable AAA rules of a notice of Dispute is the equivalent of the filing of a lawsuit.

(vi) Any dispute concerning this arbitration provision, including any such dispute as to the validity or enforceability of this provision, or whether a Dispute is arbitrable, shall be determined by the arbitrator; provided, however, that the arbitrator shall not be permitted to vary the express provisions of these Special Rules or the Reservations of Rights in subsection (c) below.

(vii) The arbitrator shall have the power to award legal fees and costs pursuant to the terms of this Note.

(viii) The arbitration will take place on an individual basis without reference to, resort to, or consideration of any form of class or class action.

(c) Reservations of Rights. Nothing in this Note shall be deemed to (i) limit the applicability of any otherwise applicable statutes of limitation and any waivers contained in this Note, or (ii) apply to or limit the right of Lender (A) to exercise self help remedies such as (but not limited to) setoff, or (B) to foreclose judicially or nonjudicially against any real or personal property collateral, or to exercise judicial or nonjudicial power of sale

rights, (C) to obtain from a court provisional or ancillary remedies such as (but not limited to) injunctive relief, writ of possession, prejudgment attachment, or the appointment of a receiver, or (D) to pursue rights against a party to this Note in a third-party proceeding in any action brought against Lender in a state, federal or international court, tribunal or hearing body (including actions in specialty courts, such as bankruptcy and patent courts). Lender may exercise the rights set forth in clauses (A) through (D), inclusive, before, during or after the pendency of any arbitration proceeding brought pursuant to this Note. Neither the exercise of self help remedies nor the institution or maintenance of an action for foreclosure or provisional or ancillary remedies shall constitute a waiver of the right of any party, including the claimant in any such action, to arbitrate the merits of the Dispute occasioning resort to such remedies. No provision in the Loan Documents regarding submission to jurisdiction and/or venue in any court is intended or shall be construed to be in derogation of the provisions in any Loan Document for arbitration of any Dispute.

(d) Conflicting Provisions for Dispute Resolution. If there is any conflict between the terms, conditions and provisions of this Section and those of any other provision or agreement for arbitration or dispute resolution, the terms, conditions and provisions of this Section shall prevail as to any Dispute arising out of or relating to (i) this Note, (ii) any other Loan Document, (iii) any related agreements or instruments, or (iv) the transaction contemplated herein or therein (including any claim based on or arising from an alleged personal injury or business tort). In any other situation, if the resolution of a given Dispute is specifically governed by another provision or agreement for arbitration or dispute resolution, the other provision or agreement shall prevail with respect to said Dispute.

(e) Jury Trial Waiver in Arbitration. By agreeing to this Section, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Dispute.

11. WAIVER OF JURY TRIAL. WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO ARBITRATE ANY "DISPUTE" (FOR PURPOSES OF THIS SECTION, AS DEFINED ABOVE) AS SET FORTH IN THIS NOTE, TO THE EXTENT ANY "DISPUTE" IS NOT SUBMITTED TO ARBITRATION OR IS DEEMED BY THE ARBITRATOR OR BY ANY COURT WITH JURISDICTION TO BE NOT ARBITRABLE OR NOT REQUIRED TO BE ARBITRATED, BORROWER AND LENDER WAIVE TRIAL BY JURY IN RESPECT OF ANY SUCH "DISPUTE" AND ANY ACTION ON SUCH "DISPUTE." THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY BORROWER AND LENDER, AND BORROWER AND LENDER HEREBY REPRESENT THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY PERSON OR ENTITY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THE LOAN DOCUMENTS. BORROWER AND LENDER ARE EACH HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER OF JURY TRIAL. BORROWER FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS NOTE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

THE LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO ORAL AGREEMENTS BETWEEN THE PARTIES.

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IN WITNESS WHEREOF, Borrower has duly made and executed this Note under seal as of the date first above written.

BORROWER:

HF LOGISTICS-SKX T1, LLC,
a Delaware limited liability company

By: HF Logistics-SKX, LLC, a Delaware limited liability company, its sole member

By: HF Logistics I, LLC, a Delaware limited liability company, its managing member

[FORM OF NOTE]

By: _____
Iddo Benzeevi, President and
Chief Executive Officer

EXHIBIT M, PAGE 6

EXHIBIT "N"

SCHEDULE OF LENDERS AND OTHER PARTIES

BANK OF AMERICA, N.A., as Administrative Agent:

Notices:

Bank of America, N.A.
One Alhambra Plaza, Penthouse
Coral Gables, Florida 33134
Attn: Commercial Loan Administration
Telephone: (305) 468-4347
Facsimile: (305) 468-4364
Electronic Mail: althea.v.lyn-sue@baml.com

Payment Instructions:

Bank of America, N.A.
Atlanta, Georgia
ABA No.: 0260-0959-3
Account No.: GL 1366211723000
Attention: Nicole Rice
Reference: HF Logistics-SKX T1

BANK OF AMERICA, N.A., as Lender:

Domestic and LIBOR Lending Office:

Commitment Amount: **\$27,500,000.00**

Pro Rata Share: **50%**

Bank of America, N.A.
One Alhambra Plaza, Penthouse
Coral Gables, Florida 33134
Attn: Commercial Loan Administration
Telephone: (305) 468-4347
Facsimile: (305) 468-4364
Electronic Mail: althea.v.lyn-sue@baml.com

Notices:

Bank of America, N.A.
One Alhambra Plaza, Penthouse
Coral Gables, Florida 33134
Attn: Commercial Loan Administration
Telephone: (305) 468-4347
Facsimile: (305) 468-4364
Electronic Mail: althea.v.lyn-sue@baml.com

Payment Instructions:

Bank of America, N.A.
Atlanta, Georgia
ABA No.: 0260-0959-3
Account No.: GL 1366211723000
Attention: Nicole Rice
Reference: HF Logistics-SKX T1

RAYMOND JAMES BANK, FSB

Domestic and LIBOR Lending Office:

Commitment Amount: **\$27,500,000.00**

Pro Rata Share: **50%**

Raymond James Bank, FSB
Loan Ops/CML
710 Carillon Parkway
St. Petersburg, Florida 33176
Attn: _____

Telephone: _____
Facsimile: (866) 597-4002
Electronic Mail: mary.farrell@raymondjames.com

Notices:

Raymond James Bank, FSB
Loan Ops/CML
710 Carillon Parkway
St. Petersburg, Florida 33176
Attn: _____

Telephone: _____
Facsimile: (866) 597-4002
Electronic Mail: mary.farrell@raymondjames.com

Payment Instructions:

Federal Home Loan Bank of Atlanta
ABA No.: 0610-0876-6
Account No.: 3574100 Raymond James Bank
Attention: Loan Ops/CML
Reference: HF Logistics-SKX T1, LLC

(Confidential Portions Omitted)

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT
OF
HF LOGISTICS-SKX, LLC

THE LIMITED LIABILITY COMPANY INTERESTS IN HF LOGISTICS-SKX, LLC (THE "**INTERESTS**") ARE SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER TERMS AND CONDITIONS SET FORTH IN ARTICLE 11 AND MAY NOT BE OFFERED FOR SALE, PLEDGED, HYPOTHECATED, SOLD, ASSIGNED OR TRANSFERRED AT ANY TIME EXCEPT IN COMPLIANCE WITH THE TERMS AND CONDITIONS THEREOF. THEREFORE, PURCHASERS OF THE INTERESTS WILL BE REQUIRED TO BEAR THE RISK OF THEIR INVESTMENTS FOR AN INDEFINITE PERIOD OF TIME. THE INTERESTS HAVE NOT BEEN REGISTERED (i) UNDER ANY SECURITIES LAWS OF THE SEVERAL STATES (THE "**STATE ACTS**"), OR (ii) UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**FEDERAL ACT**"), IN RELIANCE UPON EXEMPTIONS PROVIDED THEREIN, AND NEITHER THE INTERESTS NOR ANY PART THEREOF MAY BE OFFERED FOR SALE, PLEDGED, HYPOTHECATED, SOLD, ASSIGNED, OR TRANSFERRED AT ANY TIME EXCEPT IN COMPLIANCE WITH THE TERMS AND CONDITIONS OF ARTICLE 11 AND (1) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER ANY APPLICABLE STATE ACTS OR IN A TRANSACTION WHICH IS EXEMPT FROM REGISTRATION UNDER SUCH STATE ACTS OR WHICH IS OTHERWISE IN COMPLIANCE WITH SUCH STATE ACTS, AND (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE FEDERAL ACT OR IN A TRANSACTION WHICH IS EXEMPT FROM REGISTRATION UNDER THE FEDERAL ACT OR WHICH IS OTHERWISE IN COMPLIANCE WITH THE FEDERAL ACT. IN ADDITION, ANY INTERESTS ACQUIRED BY NON-U.S. PERSONS MAY NOT, DIRECTLY OR INDIRECTLY, BE OFFERED FOR SALE, PLEDGED, HYPOTHECATED, SOLD, ASSIGNED, OR TRANSFERRED IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OF A U.S. PERSON EXCEPT IN COMPLIANCE WITH THIS AGREEMENT AND THE FEDERAL ACT AND ALL APPLICABLE STATE ACTS. AS USED HEREIN, "**UNITED STATES**" MEANS THE UNITED STATES OF AMERICA, ITS TERRITORIES AND POSSESSIONS, AND ALL AREAS SUBJECT TO ITS JURISDICTION, AND A "**U.S. PERSON**" MEANS A CITIZEN OR RESIDENT OF THE UNITED STATES (INCLUDING THE ESTATE OF ANY SUCH PERSON), A CORPORATION, COMPANY, OR OTHER PERSON CREATED OR ORGANIZED UNDER THE LAWS OF THE UNITED STATES OR ANY POLITICAL SUBDIVISION THEREOF OR THEREIN, AND AN ESTATE OR TRUST THE INCOME OF WHICH IS SUBJECT TO UNITED STATES FEDERAL INCOME TAXATION REGARDLESS OF ITS SOURCE.

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**AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT
OF
HF LOGISTICS -SKX, LLC**

THIS AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF **HF LOGISTICS-SKX, LLC** (the "**Company**"), is entered into and effective as of the 12th day of April, 2010 but is effective as of January 30, 2010 (the "**Effective Date**") by and between **HF LOGISTICS I, LLC, a Delaware limited liability company ("HF")**, and **SKECHERS R.B., LLC, a Delaware limited liability company ("Skechers")**, and together with HF, the "**Members**"). This Agreement amends and restates, and supersedes in its entirety, the Limited Liability Company Agreement of HF Logistics-SKX, LLC dated January 30, 2010.

RECITALS

WHEREAS, the Members, being all of the Members of the Company, desire to form the Company as a limited liability company under the Act for the purposes set forth herein.

NOW, THEREFORE, in consideration of the premises, the mutual promises and agreements herein made, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Members, intending to be legally bound, have agreed and do hereby agree as follows:

**ARTICLE 1
DEFINED TERMS**

Section 1.1 Certain Defined Terms. Unless otherwise clearly indicated to the contrary, the following terms shall have the following meanings:

1.1.1 "Act" means Sections 18-101 *et seq.* of the Delaware Corporation Laws Ann., commonly known as the Delaware Limited Liability Company Act, as it may be amended from time to time, and any successor to such statute.

1.1.2 "Additional Capital Contributions" means the total of all Capital Contributions made to the Company by the Members in accordance with Section 4.1.2.

1.1.3 "Additional Funding Obligation" has the meaning set forth in Section 6.9(a).

1.1.4 Intentionally deleted.

1.1.5 "Affiliate" means with respect to any Person, (a) any Person directly or indirectly controlling, controlled by or under common control with such Person, or (b) any Person owning or controlling fifty-one percent (51%) or more of the outstanding voting interests of such Person, or (c) any Person of which such Person owns or controls fifty-one percent (51%) or more of the voting interests.

1.1.6 "Agreement" means this Amended and Restated Limited Liability Company Agreement of HF Logistics-SKX, LLC, as it may be amended, supplemented or restated from time to time.

1.1.7 "Assignee" means a Person to whom any Company Interest has been transferred in a manner permitted under this Agreement, but who has not been admitted to the Company as a Member.

1.1.8 “Available Cash” means, with respect to any period for which such calculation is being made:

(a) all cash revenues and funds received by the Company from whatever source, including Capital Transaction Proceeds (except with respect to Liquidating Transactions), plus the amount of any reduction in existing Reserves of the Company;

(b) less the sum of the following:

(i) all required interest or principal payments, escrow account payments and any other payments made during such period by the Company on account of the Debt of the Company, if any;

(ii) all cash expenditures (including capital expenditures) made by the Company during such period;

(iii) all payments made by the Company during such period to any Reserve account (including the amount of any increase in any existing Reserves of the Company).

1.1.9 “Bankruptcy Action” means (a) the filing of any voluntary or involuntary bankruptcy (and in the case of an involuntary bankruptcy, such proceeding shall not have been dismissed within ninety (90) days), insolvency or reorganization case or proceeding, instituting any proceeding under any applicable insolvency law or otherwise seeking any relief under any laws relating to the relief from debts or the protection of debtors generally by or against any Person, (b) the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official for any Person or a substantial portion of its properties, (c) making any assignment for the benefit of creditors by any Person, (d) any Person being adjudged a bankrupt or insolvent, or having entered against it an order of relief in any bankruptcy or insolvency proceeding, (e) any Person filing a petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, (f) any Person filing an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding of the foregoing nature, (g) the filing of any proceeding with respect to any Person seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, which has not been dismissed within one hundred twenty (120) days after the commencement thereof, or (h) the appointment of a trustee, receiver, assignee, sequestrator, custodian or liquidator with respect to any Person which has not been vacated or stayed within ninety (90) days after the appointment or such appointment is not vacated within ninety (90) days after the expiration of any such stay.

1.1.10 “Breaching Member” shall mean any Member who has committed an Event of Default.

1.1.11 “Business Day” means any day except a Saturday, Sunday or other day on which commercial banks in Riverside, California, are authorized or required by law to close.

1.1.12 “Buy-Sell Deposit” has the meaning set forth in Section 8.6.

1.1.13 “Buy-Sell Notice” has the meaning set forth in Section 8.1.

1.1.14 “Capital Account” means the Capital Account maintained for a Member pursuant to Exhibit “A” attached hereto.

1.1.15 “Capital Contribution” means, with respect to any Member, any cash, cash equivalents or the Agreed Value (as defined in Exhibit “A”) of property which such Member contributes or is deemed to contribute to the Company pursuant to Article 4. Such amounts shall be treated as contributions to the Company pursuant to Section 721(a) of the Code.

1.1.16 “Capital Transaction” means a voluntary or involuntary sale, exchange or other disposition (other than a Liquidating Transaction) or a financing or refinancing by the Company of the Project or any portion thereof.

1.1.17 “Capital Transaction Proceeds” means the net cash proceeds of a Capital Transaction, after deducting all expenses incurred in connection therewith and after application of any proceeds toward the payment of any Debt of the Company secured by, or otherwise reasonably allocable to, the Project.

1.1.18 “Certificate” means the Certificate of Formation of the Company filed in the office of the Secretary of State of the State of Delaware, as amended from time to time.

1.1.19 “Closing Date” means the date after HF and the Construction Lender have executed the commitment which is attached hereto as Exhibit “F” (the “Commitment”), upon which the Construction Lender gives notice to HF that it has procured a participant for the Construction Loan, as described in the Commitment (which participant may be HF or an Affiliate of HF). HF shall execute and deliver the Commitment to the Construction Lender on the first (1st) Business Day after the Effective Date and shall use diligent efforts to obtain the execution of the Commitment by the Construction Lender as soon thereafter as possible.

1.1.20 “Code” means the Internal Revenue Code of 1986, as amended. Any reference herein to a specific Section or Sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

1.1.21 “Company” has the meaning set forth in the preamble.

1.1.22 “Company Assets” means (a) the membership interests in the Subsidiaries (which includes the indirect ownership of the Property and the Project), and (b) all other assets of the Company.

1.1.23 “Company Interest” means the ownership interest in the Company held by a Member, which includes any and all benefits to which the holder of such a Company Interest may be entitled as provided in this Agreement (including any voting rights and rights to receive distributions of Available Cash), together with all obligations of such Member to comply with the terms and provisions of this Agreement.

1.1.24 “Company Record Date” means the record dates established by the Managing Members for the distribution of Available Cash, or if they fail to agree as to any record date, such term means the last day of the current month.

1.1.25 “Company Year” means the fiscal year of the Company.

1.1.26 “Completion of the Project” has the meaning set forth in the Development Management Agreement.

1.1.27 “Construction Lender” means Bank of America in its capacity as a lender and also as administrative agent for other lenders who are participants in the Construction Loan, or any other lender under the Construction Loan.

1.1.28 “Construction Loan” means the construction loan from the Construction Lender to be taken out by the T1 Subsidiary in the amount of approximately Fifty Five Million Dollars (\$55,000,000) to finance the development of the Development Parcel in accordance with the Lease.

1.1.29 “Construction Loan Documents” means any and all documents which evidence the Construction Loan, including a construction loan agreement, promissory notes, deeds of trust, assignments of leases and rents, security agreements, financing statements, pledge agreements and environmental indemnity agreements.

1.1.30 “Contribution Percentages” means the ratio at which the Members are required to make certain Additional Capital Contributions, which is fifty percent (50%) for HF and fifty percent (50%) for Skechers.

1.1.31 “Debt” means, as to any Person as of any date of determination, (a) all indebtedness of such Person for money borrowed or for the deferred purchase price of property or services; (b) all amounts owed by such Person to banks or other Persons in respect of reimbursement obligations under letters of credit, surety bonds and other similar instruments guaranteeing payment or other performance of obligations by such Person; (c) all indebtedness for money borrowed or for the deferred purchase price of property or services secured by any lien on any property owned by such Person, to the extent attributable to such Person’s interest in such property, even though such Person has not assumed or become liable for the payment thereof; and (d) lease obligations of such Person which, in accordance with generally accepted accounting principles, should be capitalized.

1.1.32 “Default” has the meaning set forth in Section 4.1.5(c). For clarification, the use of the word “default” (uncapitalized) in this Agreement shall mean any default other than a Default which is defined in Section 4.1.5(c).

1.1.33 “Default Amount” has the meaning set forth in Section 4.1.5(c).

1.1.34 “Default Date” has the meaning set forth in Section 4.1.5(c).

1.1.35 “Default Member” has the meaning set forth in Section 4.1.5(c).

1.1.36 “Default Notice” has the meaning set forth in Section 4.1.5(b).

1.1.37 “Deposit Date” has the meaning set forth in Section 8.6.

1.1.38 “Determination” has the meaning set forth in Section 15.2.

1.1.39 “Development Budget” has the meaning set forth in the Development Management Agreement.

1.1.40 “Development Management Agreement” means that certain Development Management Agreement effective as of January 30, 2010 between the Company and HFC Holdings, LLC, a Delaware limited liability company (which is an Affiliate of HF), as amended by an Amendment to Development Management Agreement effective as of the same date, a copy of which is attached hereto as **Exhibit “B”** (the interest of the Company therein has been or will be assigned to the T1 Subsidiary).

1.1.41 “Development Manager” has the meaning set forth in the Development Management Agreement.

1.1.42 “Development Parcel” means that certain real property which will, after recordation of the final Parcel Map, be identified as Parcel 1 of Parcel Map No. 35629, and consisting of approximately 82.59 acres of land, which real property comprises a portion of the Property and is the “Premises” under the Lease. Notwithstanding the foregoing, it is understood and agreed that prior to the date that the final parcel map records, the Development Parcel shall be established by lot line adjustments and therefore may not contain exactly the amount of acreage or be in exactly the same configuration as it will be in after the final parcel map records.

1.1.43 “Distribution Percentages” means the ratio at which the Members are entitled to receive distributions of Available Cash, which is fifty percent (50%) for HF and fifty percent (50%) for Skechers, subject to adjustment as set forth in Section 4.1.5.

1.1.44 “Effective Date” has the meaning set forth in the preamble.

1.1.45 “Embargoed Person” has the meaning set forth in Section 2.5.10.

1.1.46 “Event of Default” shall mean a default by a Member (which includes a default by a Member in its capacity as Managing Member) in the performance of its obligations under this Agreement which is not cured within any applicable cure period set forth herein, but excluding a default under Article 4 or Article 6 with respect to required Additional Capital Contributions or required loans.

1.1.47 “Event of Dissolution” has the meaning set forth in Section 13.1.

1.1.48 “Expansion Parcel” means that certain real property which will, after recordation of the final, Parcel Map, be identified as Parcel 2 of Parcel Map 35629, and consisting of approximately 22.37 acres, which real property comprises a portion of the Property and is the “Expansion Area” under the Lease. Notwithstanding the foregoing, it is understood and agreed that prior to the date that the final parcel map records, the Expansion Parcel shall be established by lot line adjustments and therefore may not contain exactly the amount of acreage or be in exactly the same configuration as it will be in after the final parcel map records.

1.1.49 “HF” has the meaning set forth in the preamble.

1.1.50 “HF Loan” has the meaning set forth in Section 6.4.

1.1.51 “HF Managing Member” means HF acting in its capacity as a Managing Member of the Company.

1.1.52 “Incapacity” or “Incapacitated” means (a) as to any individual Member, death, total physical disability or entry by a court of competent jurisdiction adjudicating him incompetent to manage his Person or his estate; (b) as to any corporation which is a Member, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter; (c) as to any partnership or limited liability company (or partnership) which is a Member, the dissolution and commencement of winding up of the partnership or the limited liability company (or partnership); (d) as to any estate which is a Member, the distribution by the fiduciary of the estate’s entire interest in the Company; or (e) as to any trustee of a trust which is a Member, the termination of the trust (but not the substitution of a new trustee).

1.1.53 “Indemnitee” means (a) any Person made a party to a proceeding brought by an unaffiliated third party by reason of such Person’s status as (i) a Member, or (ii) a director, officer, member, manager, partner, trustee, or shareholder of the Company, or a Member or an Affiliate of a Member, or (b) such other Persons acting in good faith on behalf of the Company as determined by the Managing Members in their reasonable judgment.

1.1.54 “Initial Capital Contributions” means the total of all Capital Contributions made to the Company by the Members in accordance with Section 4.1.1.

1.1.55 “Invoking Member” has the meaning set forth in Section 8.1.

1.1.56 “IRS” means the United States Internal Revenue Service.

1.1.57 “Lease” means that certain lease dated September 25, 2007 between HF, as landlord, and Skechers Parent, as tenant, as amended by the Lease Amendment and the Second Lease Amendment, and any subsequent amendments.

1.1.58 “Lease Amendment” means that certain Amendment to Lease dated December 18, 2009, between HF, as landlord, and Skechers Parent, as tenant.

1.1.59 “Lender” means the Construction Lender or the Permanent Lender, as the case may be, or their respective successors-in-interest.

1.1.60 “Liquidating Transaction” means any transaction or series of related transactions which results in the sale or other disposition of all or substantially all of the Company Assets.

1.1.61 “Liquidator” has the meaning set forth in Section 13.2.1.

1.1.62 “Loan” means either the Construction Loan or the Permanent Loan, as the case may be.

1.1.63 “Loss Item” has the meaning set forth in Section 7.6.1.

1.1.64 “Managing Member” means either HF or Skechers, as the case may be, acting in the capacity as a Managing Member of the Company.

1.1.65 “Managing Members” means both HF and Skechers, each acting in the capacity as a Managing Member of the Company.

1.1.66 “Master Lease” That certain Amended and Restated Master Lease Agreement dated effective as of September 25, 2007 between HF, as tenant, and Highland Partners I (formerly known as Westcoast Properties Partners, a California general partnership), Highland Fairview Partners IV (formerly known as Sinclair Property Partners, a California general partnership), Highland Fairview Partners III (formerly known as HF Educational Partners, a Delaware general partnership) and Highland Fairview Partners II (formerly known as Sand Properties Partners, a California general partnership) (collectively, “Master Landlord”) as landlord (the interest therein of HF has been or will be assigned by HF in part to the T1 Subsidiary and in part to the T2 Subsidiary, unless the Master Lease has been terminated by the parties thereto).

1.1.67 “Members” has the meaning set forth in the preamble.

1.1.68 “Offeree Member” has the meaning set forth in Section 8.1.

1.1.69 “Operating Budget” means a reasonably detailed budget of the estimated revenues and expenditures (including capital expenditures) of the Company, and a reasonably detailed business plan, which shall be prepared by the Skechers Managing Member and approved by the HF Managing Member in accordance with Section 7.9, as amended from time to time (with the approval of both Managing Members). The initial Operating Budget, which has been approved by the Managing Members, is attached as Exhibit “D”.

1.1.70 “Permanent Lender” means the lender under the Permanent Loan.

1.1.71 “Permanent Loan” means a loan or loans taken out by the T1 Subsidiary to pay off the Construction Loan, or any replacements or refinancings thereof.

1.1.72 “Person” means an individual, corporation, partnership, limited liability company (or partnership), trust, unincorporated organization, association or other entity.

1.1.73 “Plans and Specifications” means the Approved Plans (as defined in the Development Management Agreement), which have been transmitted by HF to Skechers (by “You Send It”) on January 29, 2010.

1.1.74 “Prescribed Laws” has the meaning set forth in Section 2.5.10.

1.1.75 “Prime Rate” means the highest prime rate reported in the Money Rates column or section of The Wall Street Journal from time to time, as having been the rate in effect for corporate loans at large United States of America money center commercial banks (whether or not such rate has actually been charged by any such bank). If The Wall Street Journal ceases publication of the Prime Rate, the “Prime Rate” shall mean the prime rate (or base rate) announced by Wells Fargo Bank, National Association, from its Los Angeles, California office (whether or not such rate has actually been charged by such bank). If such bank discontinues the practice of announcing the Prime Rate, the “Prime Rate” shall mean the highest rate charged by such bank on short-term, unsecured loans to its most creditworthy large corporate borrowers.

1.1.76 “Project” means the development of approximately 1,820,457 square feet of buildings and other improvements in accordance with the Lease and the Plans and Specifications on the Development Parcel. Pursuant to the Lease, the Project may be expanded to include the development of another approximately 500,000 square feet of buildings on the Expansion Parcel (if certain expansion rights are exercised by Skechers Parent as tenant under the Lease).

1.1.77 “Project Schedule” has the meaning set forth in the Development Management Agreement.

1.1.78 “Property” means the Development Parcel and the Expansion Parcel, which together constitute approximately 104.96 acres located in the City of Moreno Valley (Rancho Belago) California at the northwest corner of Theodore Street and Eucalyptus Avenue.

1.1.79 “Purchasing Member” has the meaning set forth in Section 8.6.

1.1.80 “Regulations” has the meaning set forth in Exhibit “A”.

1.1.81 “Reserves” means cash set aside into a segregated account (or maintained in a non-segregated Company account but specifically “earmarked” as a reserve) as reserves for the Company’s operations or obligations under the Lease (such as, but not limited to, roof replacement and repair and replacement of structural aspects of the building under the Lease, but excluding amounts anticipated to be required as capital for the potential expansion of the Project, as described in the Lease), as reasonably determined by the Managing Members, or as set forth in an Operating Budget. Reserves shall include any amounts required to be set aside as reserves under the Loans or under any other agreements executed by the Company or a Subsidiary which call for reserves of this nature.

1.1.82 “Second Lease Amendment” means that certain Second Amendment to Lease in the form of Exhibit “I” attached hereto, to be executed by HF, as landlord, and Skechers Parent, as tenant.

1.1.83 “Securities Act” means the Securities Act of 1933, as amended.

1.1.84 “Selling Member” has the meaning set forth in Section 8.6.

1.1.85 “Skechers” has the meaning set forth in the preamble.

1.1.86 “Skechers Loan” has the meaning set forth in Section 6.5.

1.1.87 “Skechers Parent” means Skechers U.S.A., Inc., a Delaware corporation.

1.1.88 “Skechers Managing Member” means Skechers, acting in its capacity as a Managing Member of the Company.

1.1.89 “Stated Amount” has the meaning set forth in Section 8.2.

1.1.90 “Subsidiary’s Assets” means, as applicable, (a) the Development Parcel, (b) the Expansion Parcel, (c) the Subsidiary’s rights under the Master Lease, (d) the Subsidiary’s rights under the Lease, and (e) all other assets of the Subsidiary.

1.1.91 “Subsidiaries” means the T1 Subsidiary and the T2 Subsidiary.

1.1.92 “T1 Subsidiary” means HF Logistics SKX-T1, LLC, a Delaware limited liability company, which shall be wholly owned by the Company.

1.1.93 “T2 Subsidiary” means HF Logistics SKX-T2, LLC, a Delaware limited liability company, which shall be wholly owned by the Company.

1.1.94 “Tax Matters Partner” has the meaning set forth in Section 10.2.1.

1.1.95 “Tenant” means the Skechers Parent, or its permitted assignee as the tenant under the Lease.

1.1.96 “Unrecovered Contribution” with respect to each Member means the aggregate Capital Contributions made by such Member to the Company, reduced by all amounts of cash distributed to such Member pursuant to Section 5.2(a) (or made under Section 5.2(a) pursuant to Section 13.2.1(c)).

Section 1.2 Other Terms. All capitalized terms used in this Agreement which are not defined in this Article 1 shall have the meanings set forth elsewhere in this Agreement.

ARTICLE 2
ORGANIZATIONAL MATTERS

Section 2.1 Formation; Application of Act.

2.1.1 Formation of Company. The Company has been formed by the filing of the Certificate with the Delaware Secretary of State. The Members hereby agree to become Members and to operate the Company as a limited liability company under and pursuant to the provisions of the Act, and in accordance with the provisions of this Agreement.

2.1.2 Application of Act. The Company is a limited liability company pursuant to the provisions of the Act and upon the terms and conditions set forth in this Agreement. Except as expressly provided herein to the contrary, the rights and obligations of the Members and the administration and operation of the Company shall be governed by the Act.

Section 2.2 Name. The name of the Company is HF Logistics-SKX, LLC. The Company's business may be conducted under the foregoing name, or under any other name or names deemed advisable by the Managing Members. The words "Limited Liability Company," "L.L.C.," "LLC" or similar words or letters shall be included in the Company's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires.

Section 2.3 Registered Office and Agent; Principal Office. The address of the registered office of the Company in the State of Delaware shall be established by the Managing Members. The registered agent for service of process on the Company in the State of Delaware at such registered office is Corporation Service Company. The principal office of the Company is c/o Highland Fairview Properties, 14225 Corporate Way, Moreno Valley, California 92553, or such other place as the Managing Members may from time to time determine.

Section 2.4 Term. The term of the Company commenced on the date that the Certificate was filed with the Delaware Secretary of State, and shall continue for a period of fifty (50) years thereafter, unless it is dissolved sooner pursuant to the provisions of Article 13, or as otherwise provided under the Act.

Section 2.5 Representations of Members. Each Member represents as follows:

2.5.1 Such Member will acquire its Company Interest for its own account and not with a view to or for sale in connection with any public distribution thereof within the meaning of the Securities Act.

2.5.2 Such Member has sufficient knowledge and experience in financial and business matters to enable it to evaluate the merits and risks of investment in its Company Interest. Such Member has the ability to bear the economic risk of acquiring its Company Interest.

2.5.3 Such Member has been supplied with, or had access to, information to which a reasonable investor would attach significance in making investment decisions, including, without limitation, any Company information with respect to the Company's financial condition, business and prospects, and any other information such Member has requested, to answer all of its inquiries about the Company, and to enable it to make its decision to acquire its Company Interest.

2.5.4 Such Member is aware that the Company Interests are not registered under the Securities Act or any state securities laws and cannot be resold or transferred without registration thereunder or exemption therefrom.

2.5.5 Such Member is an “accredited investor” as such term is defined in Regulation D promulgated under the Securities Act.

2.5.6 There are no consents or approvals of governmental authorities or other Persons that are required for the execution and delivery of this Agreement by such Member; the execution of this Agreement by such Member shall not constitute a default under any material contract or agreement to which such Member is bound; and no agreement or obligation exists that affects such Member that has the effect of restricting the ability of such Member to perform its obligations under this Agreement.

2.5.7 Except for the Sierra Club Litigation (as defined in Section 17.19) there is no litigation, action or proceeding pending or, to the best knowledge of such Member threatened, to which such Member is party that, if adversely determined, could have a material adverse effect on, or enjoin, restrict or otherwise prevent, the consummation of any of the transactions contemplated by this Agreement or the ability of such Member to perform its obligations under this Agreement.

2.5.8 This Agreement has been duly authorized by all requisite action (corporate, partnership, limited liability company, or otherwise), and has been duly executed and delivered by such Member.

2.5.9 Such Member has the power and authority to enter into this Agreement and consummate the transactions herein provided.

2.5.10 None of the funds or other assets of such Member shall constitute property of, or shall be beneficially owned, directly or indirectly, by any Person subject to trade restrictions under the Prescribed Laws (each such Person, an “**Embargoed Person**”) with the result that the transactions contemplated by the terms of this Agreement would be in violation of the Prescribed Laws. For purposes of this Section 2.5.10 and Section 2.5.11 and Section 2.5.12, the term “**Prescribed Laws**” shall mean, collectively, (a) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107 56) (The USA PATRIOT Act), (b) Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, (c) the International Emergency Economic Power Act, 50 U.S.C. § 1701 *et. seq.* and (d) all other legal requirements relating to money laundering or terrorism.

2.5.11 No Embargoed Person shall have any interest of any nature whatsoever in such Member, with the result that the transactions contemplated by the terms of this Agreement is or would be in violation of the Prescribed Laws.

2.5.12 None of the funds of such Member shall be derived from any unlawful activity with the result that the transactions contemplated by the terms of this Agreement is or would be in violation of the Prescribed Laws.

2.5.13 As long as Skechers Parent is a publicly traded company, the restrictions in Sections 2.5.10 and 2.5.11 shall not apply to any Persons who are shareholders of Skechers Parent who purchase such shares in the public marketplace or from other shareholders.

ARTICLE 3
PURPOSE

Section 3.1 Purpose. The purpose and nature of the business to be conducted by the Company is (a) to own all the membership interests in the Subsidiaries, (b) to acquire the Development Parcel through the T1 Subsidiary, to cause the T1 Subsidiary to develop the Project on the Development Parcel, and to operate manage, lease, mortgage, encumber, sell and otherwise deal with the Development Parcel, the Project and other T1 Subsidiary assets for the production of income and profit, (c) to acquire the Expansion Parcel through the T2 Subsidiary and, as applicable, cause the T2 Subsidiary to develop the portion of the Project to be developed on the Expansion Parcel, and to operate manage, lease, mortgage, encumber, sell and otherwise deal with the Expansion Parcel, the Project and other T2 Subsidiary assets for the production of income and profit, and (d) to conduct any activities that may be lawfully conducted by a limited liability company organized pursuant to the Act in furtherance of the foregoing. The purpose of the Company shall not be changed unless both Members consent (any dispute in this regard shall not be subject to the expedited arbitration provisions in Article 15).

Section 3.2 Powers. The Company is empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes described herein and for the protection and benefit of the Company.

ARTICLE 4
CAPITAL CONTRIBUTIONS; MEMBER LOANS; CAPITAL ACCOUNTS

Section 4.1 Capital Contributions of the Members.

4.1.1 Initial Capital Contributions. The Members shall make Initial Capital Contributions to the Company as follows:

(a) On the Closing Date, Skechers shall make an Initial Capital Contribution to the Company in the amount of Thirty Million Dollars (\$30,000,000), which shall be contributed in cash. The obligation to fund such Initial Capital Contribution shall be guaranteed by Skechers Parent. Such Initial Capital Contribution shall be made to an escrow account established by and under the control of the Construction Lender pursuant to an escrow agreement in the form attached hereto as **Exhibit "K"**. Skechers may, if it so desires, but at its own expense, engage an independent compliance auditor to monitor the distribution of funds from such account, and HF shall provide information to Skechers' compliance auditor (prior to any disbursement from such account in form and content reasonably requested by such compliance auditor) which reflects the amount of any draws to be made from such account, the purposes of such draws and shall provide copies of any draw requests and backup documentation provided by all contractors who are being paid from such draw. If HF fails to provide such information to Skechers' compliance auditor within a reasonable time after demand is made, then Skechers may request such information directly from the Construction Lender (and Skechers may deliver a copy of this provision to the Construction Lender to evidence its right to obtain such information). HF shall not improperly authorize any draws from the account which holds such funds. If Skechers' compliance auditor establishes that HF improperly authorized any draws from the account which holds such funds, then the reasonable expense of the compliance auditor shall be reimbursed by HF to Skechers. If there is a dispute regarding draws from such account, the matter shall be submitted to expedited arbitration in accordance with Article 15. In the event Skechers is not entitled to a return of its Thirty Million Dollars (\$30,000,000) Initial Capital Contribution and such Initial Capital Contribution is made available to the T1 Subsidiary pursuant to the escrow agreement (**Exhibit "K"**), such contribution shall be deemed to have been contributed to the Company and then subsequently contributed by the Company to the T1 Subsidiary.

(b) On the Closing Date, HF shall convey, as its Initial Capital Contribution (but having an Agreed Value of zero (0)), all of HF's interest in the Property (being its interest as tenant under the Master Lease and its interest as landlord under the Lease) to the T1 Subsidiary or the T2 Subsidiary, as appropriate, free and clear of all monetary liens and encumbrances (other than a lien of current property taxes and current POA assessments, if any), but subject to all other matters then of record, including CC&Rs. At or prior to the date of funding the Construction Loan, HF will cause the Master Landlord to execute grant deeds that transfer title to the Development Parcel to the T1 Subsidiary and the Expansion Parcel to the T2 Subsidiary, free and clear of all monetary liens and encumbrances (other than a lien of current property taxes and current POA assessments, if any), but subject to all other matters then of record, including CC&Rs. Concurrently therewith, the Master Lease shall be terminated. Such conveyance will also constitute the Initial Capital Contribution of HF, and upon conveyance of fee title to the Property, HF will receive a Capital Account credit in the amount of Thirty Million Dollars (\$30,000,000). HF shall be deemed to have made representations to the Company, the Subsidiaries and Skechers as set forth on attached as **Exhibit "G"** attached hereto. Any documentary transfer tax payable with respect to the conveyance of HF's and Master Landlord's interest in the Property to the Subsidiaries shall be paid by HF (but the amount thereof, up to Thirty-Three Thousand Dollars (\$33,000), shall become part of the HF Loan) and concurrently with the closing of the Construction Loan, owner's title insurance policies (ALTA 2006 form with customary endorsements) shall be purchased, at HF's expense (up to policy amounts aggregating \$30,000,000 with the additional expense being borne by the appropriate Subsidiary, and only to the extent of any cost incurred which is in addition to the cost of any lender's title policy which is issued currently with the closing of the Construction Loan) insuring the T1 Subsidiary's fee title ownership of the Development Parcel and the T2 Subsidiary's fee title ownership of the Expansion Parcel (the policy limits of such policies to be reasonably determined by the Members, not to be collectively less than Thirty Million Dollars (\$30,000,000)). After Completion of the Project, the Managing Members may elect to increase the amount of such insurance up to the then insurable fair market value of the Property and all improvements thereon. HF will cause the Master Landlord to convey fee title to the Property to the Subsidiaries at the time specified above.

(c) Skechers and HF shall each fund fifty percent (50%) of any commitment fees or expenses required to be funded upon execution of the Commitment. Any repayment or reimbursement of such fees or expenses shall be refunded fifty percent (50%) to Skechers and fifty percent (50%) to HF. Such payments shall be considered Capital Contributions of such Members, but not applicable towards the Initial Capital Contributions.

4.1.2 **Additional Capital Contributions.** If either Managing Member determines in the exercise of its reasonable business judgment that Additional Capital Contributions are necessary for the operation of the business of the Company or a Subsidiary, or to enable the Company or a Subsidiary to perform its obligations under the Lease (other than the Company's or Subsidiary's obligations under the Lease to pay or reimburse Skechers for the costs of storage of Skechers' property), which cannot be funded from Available Cash or obtained through financing (or which are impractical to be obtained through financing), such Managing Member may (but shall not be required to) give notice to the other Managing Member, including the amount required and the purposes therefor. Such Additional Capital Contributions shall be contributed by the Members according to their respective Contribution Percentages within ten (10) days after receipt of such notice calling for such Additional Capital Contributions (which amounts shall then be immediately contributed by the Company to the appropriate Subsidiary). Failure by a Member to make its required Additional Capital Contribution shall give the other Member the rights and remedies specified in Section 4.1.5. If a Member who receives a call for an Additional Capital Contribution disputes the reasonableness of such Additional Capital Contribution, it shall give notice to the Member who made such call within such ten (10) day period, and if the Members cannot resolve the dispute within ten (10) Business Days thereafter, the dispute shall be submitted to expedited arbitration as set forth in Article 15. During the pendency of such arbitration, even though the Member who failed to

make the Additional Capital Contribution shall not be deemed to be a Default Member under Section 4.1.5(c), the other Member may elect to loan to the Company the amount which the other Member failed to contribute in accordance with the provisions of Section 4.1.5(d)(i) (which amounts shall then be immediately contributed by the Company to the appropriate Subsidiary). Provided, however, that if it is determined through arbitration that such Additional Capital Contribution (or part thereof) was not reasonable, then the loan (to the extent of any amount which was not determined to be reasonable) shall not bear interest.

4.1.3 Return of Capital Contributions. Except as otherwise expressly provided herein, the Capital Contributions of the Members will be returned to the Members only in the manner and to the extent provided in Article 5 and Article 13, and neither Member may withdraw from the Company or otherwise have any right to demand or receive the return of its Capital Contributions to the Company. Under circumstances requiring a return of any Capital Contributions, neither Member shall have the right to receive property other than cash, unless expressly otherwise provided in this Agreement. Except as otherwise provided in this Agreement, no Member shall be entitled to interest on any Capital Contribution or Capital Account notwithstanding any disproportion therein as between the Members. Neither the Members nor the Company nor any Subsidiary shall be personally liable for the return of any portion of the Capital Contributions of the Members, and the return of such Capital Contributions shall be made solely from the Company Assets to the extent, and in the priority, set forth in this Agreement.

4.1.4 Liability of Members. Except for the obligation to make Capital Contributions (including the Initial Capital Contributions under Section 4.1.1 and any required any Additional Capital Contributions under Section 4.1.2), the obligation of the Members to make certain loans under Section 6.8, and any amounts which a Member may be obligated to repay to the Company under applicable law, no Member shall be required to make any Capital Contributions to the Company or to make any loans to the Company. Except for the foregoing, no Member shall have any personal liability to contribute money to, or in respect of, the liabilities or the obligations of the Company or any Subsidiary to third parties, nor shall any Member be personally liable for any obligations of the Company or any Subsidiary to third parties (unless otherwise provided in any Loan documents or other documents executed by the Members, such as personal guarantees).

4.1.5 Default in Making Required Additional Capital Contributions.

(a) If either Member fails to make its Initial Capital Contributions to the Company, in addition to all other rights and remedies of the other Member, the other Member who made its Initial Capital Contribution may by notice to the Member who fails to make its Initial Capital Contribution elect to declare this Agreement null and void, and in such event any Initial Capital Contributions or other transfers or assignments of property made to the Company by the Member who sent such notice shall be immediately returned, and the Company and each Subsidiary shall be wound up and dissolved.

(b) If either Member fails to make a required Additional Capital Contribution, the other Member may send a notice (the “**Default Notice**”) to such Member who failed to make the required Additional Capital Contribution, notifying such Member of its failure to make such Additional Capital Contribution, the amount of such Additional Capital Contribution, and demanding that such Additional Capital Contribution be made immediately.

(c) If a Member who receives a Default Notice fails to make a required Additional Capital Contribution within five (5) Business Days after receiving the Default Notice (the failure to make such Additional Capital Contribution is referred to as a “**Default**” and the date that is five (5) Business Days after the receipt of the Default Notice is referred to as the “**Default Date**”), then such

Member shall be in default (a “**Default Member**” and the amount that the Default Member has failed to contribute is referred to as the “**Default Amount**”). The Member other than the Default Member is referred to herein as the “**Non-Defaulting Member**.” Neither Member shall be deemed to be a Default Member during the pendency of any expedited arbitration under Article 15 to determine whether a request for an Additional Capital Contribution is reasonable under Section 4.1.2. If as a result of such arbitration, it is determined that the request for an Additional Capital Contribution was reasonable, then the Member who failed to make such Additional Capital Contribution shall, within five (5) Business Days thereafter, make any such Additional Capital Contribution which was not made (and which was determined to be reasonable), and failing to do so, such Member shall be a Default Member.

(d) If a Default Member fails to make such Additional Capital Contribution on or before the Default Date, the Non-Defaulting Member may, in its sole and absolute discretion, as its sole remedy, take either of the following courses of action:

(i) The Non-Defaulting Member can withdraw any Additional Capital Contribution made by it in connection with the capital call which resulted in the Default (and to that end, the Company shall immediately withdraw such amount from the appropriate Subsidiary to the extent that it had already been contributed to such Subsidiary); in such event, the Non-Defaulting Member shall have the right to make a loan to the Company in the amount of the Additional Capital Contribution required of such Non-Defaulting Member and the Default Member under Section 4.1.2 (which loan will then be immediately contributed by the Company to the appropriate Subsidiary), which loan shall bear interest (except as provided in Section 4.1.2) at the lesser of the Prime Rate plus ten percent (10%) per annum, or the maximum amount allowable by law, which loan shall be repayable upon demand. Such loan will have priority over any distributions to be made to the Members pursuant to Section 5.2 or Section 13.2 and over the repayment of any loan payable to the Default Member (or its Affiliate); or

(ii) The Non-Defaulting Member may make an Additional Capital Contribution to the Company in the amount of the Default Amount (which shall then be immediately contributed by the Company to the appropriate Subsidiary), and then, effective as of the date on which Non-Defaulting Member makes such Additional Capital Contribution to the Company, and the Distribution Percentages of the Members shall automatically be adjusted to reflect the new ratio of the Capital Contributions of the respective Members to the total of all Capital Contributions of both Members.

4.1.6 EACH MEMBER ACKNOWLEDGES AND AGREES THAT IT FULLY UNDERSTANDS THAT ITS INTEREST IN DISTRIBUTIONS AND CAPITAL MAY BE SUBSTANTIALLY DILUTED FOR FAILING TO MAKE REQUIRED ADDITIONAL CAPITAL CONTRIBUTIONS UNDER THIS ARTICLE 4. EACH MEMBER FURTHER ACKNOWLEDGES AND AGREES THAT EXCEPT AS SET FORTH IN SECTION 4.1.5(a) THIS SECTION 4.1.6, AND IN SECTION 5.2(C), THE REMEDIES ABOVE ARE THE SOLE AND EXCLUSIVE REMEDIES AVAILABLE TO THE NON-DEFAULTING MEMBER AS A RESULT OF SUCH DEFAULT. NOTWITHSTANDING THE FOREGOING, IF A DEFAULT BY SKECHERS UNDER ARTICLE 4 RESULTS IN THE INABILITY OF THE COMPANY TO PERFORM ITS OBLIGATIONS UNDER THE LEASE THEN THE TENANT UNDER THE LEASE SHALL NOT BE ENTITLED TO DECLARE THE COMPANY OR A SUBSIDIARY TO BE IN DEFAULT UNDER THE LEASE AS A RESULT THEREOF. ADDITIONALLY, IF A DEFAULT BY EITHER MEMBER UNDER ARTICLE 4 RESULTS IN THE INABILITY OF THE COMPANY OR SUBSIDIARY TO PERFORM ITS OBLIGATIONS UNDER THE LEASE THEN, IN ADDITION TO ANY RIGHTS AND REMEDIES THAT THE NON-DEFAULTING MEMBER MAY HAVE AGAINST THE DEFAULT MEMBER HEREUNDER, THE DEFAULT MEMBER SHALL BE SOLELY RESPONSIBLE FOR ALL CLAIMS OF TENANT UNDER THE LEASE AS A RESULT THEREOF.

ARTICLE 5
DISTRIBUTIONS AND ALLOCATIONS

Section 5.1 Distributions: General Principles. Except as provided in Section 13.2, Available Cash shall be distributed to the Members monthly in accordance with the provisions of Section 5.2.

Section 5.2 Distributions. Except as provided in Section 5.2(c) below, distributions of Available Cash shall be made to the Members in the following order of priority:

- (a) First, to the Members pari passu in proportion to their respective Unrecovered Contributions, and
- (b) Thereafter, to the Members pari passu in proportion to their respective Distribution Percentages.
- (c) Notwithstanding the foregoing priorities, the following special distribution rules shall apply:

(i) If a Member fails to make an Additional Capital Contribution under Section 4.1.2, and the Non-Defaulting Member elects to make an Additional Capital Contribution under Section 4.1.5(d)(i), then the amount of such Additional Capital Contribution shall accrue a preferred return at the rate of the interest rate then being paid on the HF Loan and the Skechers Loan plus five percent (5%) per annum, and the total amount of such Additional Capital Contribution plus such preferred return shall become a priority distribution to be made before any other distributions to the Members under Section 5.2(a) or (b) or pursuant to Section 13.2.1(c), and before any repayment of any loan payable to the Defaulting Member under Article 6.

Section 5.3 Allocations. Profits and losses of the Company (and all related items of income, gain, loss, deduction and credit) (which shall include such items of the Subsidiaries, as the Subsidiaries shall be disregarded entities for tax purposes) shall be allocated between the Members in the manner provided in Exhibit "A".

ARTICLE 6
LOANS

Section 6.1 Construction Loan. The Company shall cause the T1 Subsidiary to take out a Construction Loan or Construction Loans to finance the development of the Project on the Development Parcel. The Construction Loan shall not close unless and until fee title to the Property has been conveyed by the Master Landlord to the Subsidiaries in accordance with Section 4.1.1(b). The Lender of the Construction Loan(s) shall be selected by the HF Managing Member. Any guarantees (completion, payment or otherwise) required by the Lender of the Construction Loan(s) shall be provided by HF (or an Affiliate of HF). HF shall cause an HF Affiliate acceptable to the Construction Lender to provide such guarantees. If a Construction Loan (or Construction Loans) sufficient to fund the entire cost of developing the Project on the Development Parcel (considering the Initial Capital Contribution to be made by Skechers) cannot be obtained, HF may, at its option, loan its own funds (or funds of its Affiliates) to the T1 Subsidiary in lieu of the Construction Loan, and in the latter case such loan will be part of the HF Loan (provided, however, the interest rate on the portion of the HF Loan comprising the in-lieu construction loan shall be the rate which is then being charged by institutional construction lenders in the marketplace for construction loans of this amount and nature). HF shall take the lead in procuring the Construction Loan, and Skechers shall cooperate with HF in connection therewith. Skechers shall have the right to review and comment on the terms and conditions of the Construction Loan(s), and the

Construction Loan documentation, but the decisions of HF in this regard shall control and will be final and conclusive (provided that HF shall act in good faith and consistent with its fiduciary duties hereunder) and the HF Managing Member, acting alone, is authorized and empowered to execute and deliver on behalf of the Company, as the sole member of the T1 Subsidiary, all Construction Loan Documents, and the Construction Lender may rely on the signature of the HF Managing Member as binding the Company and the T1 Subsidiary regardless of any possible claims by Skechers that HF did not act in good faith or consistent with its fiduciary obligations hereunder. Notwithstanding the foregoing, Skechers Parent shall not be required to materially amend or modify the Lease in connection with obtaining the Construction Loan (except for any reasonable and customary modifications which may be required under a subordination, non-disturbance and attornment agreement). Skechers shall be given reasonable advance notice of any regularly scheduled meetings with the prospective Construction Lender at which material issues regarding the Construction Loan are expected to be discussed and shall have the right to attend all such meetings (whether conducted in person or by telephone or electronic meeting). Skechers shall also have the right to communicate directly with the Construction Lender to discuss the status of the Construction Loan, but will not negotiate any of its terms or conditions without the express prior approval of the HF Managing Member.

Section 6.2 Permanent Loan. The Company shall cause the T1 Subsidiary to take out a Permanent Loan as soon as practical after the Completion of the Project being developed on the Development Parcel, although nothing herein shall prohibit HF from seeking such Permanent Loan at an earlier time. HF (or its Affiliate) will be required to execute any "bad boy" nonrecourse carve-out guarantees reasonably required by the Lender of the Permanent Loan, but shall not otherwise be required to guarantee the Permanent Loan. HF shall cause an HF Affiliate acceptable to the Permanent Lender to provide such guarantees. HF shall take the lead in procuring the Permanent Loan, and Skechers shall cooperate with HF in connection therewith (including using commercially reasonable efforts, at Company expense, to obtain a credit rating from a recognized credit rating agency as may be required by the Permanent Lender. Skechers shall have the right to review and comment on the terms and conditions of the Permanent Loan (including a possible participating equity interest in the Company or any Subsidiary afforded to the Permanent Lender), and the Permanent Loan documentation, but the decisions of HF in this regard shall control and will be final and conclusive (provided that HF shall act in good faith and consistent with its fiduciary duties hereunder). Notwithstanding the foregoing, Skechers Parent shall not be required to materially amend or modify the Lease in connection with obtaining the Permanent Loan (except for any reasonable and customary modifications which may be required under a subordination, non-disturbance and attornment agreement) or otherwise. Skechers shall be given reasonable advance notice of any regularly scheduled meetings with the prospective Permanent Lender at which material issues regarding the Permanent Loan are expected to be discussed and shall have the right to attend all such meetings (whether conducted in person or by telephone or electronic meeting). Skechers shall also have the right to communicate directly with the Permanent Lender to discuss the status of the Permanent Loan, but will not negotiate any of its terms or conditions without the express prior approval of the HF Managing Member. If HF gives notice to Skechers that it has identified a proposed Permanent Lender who has agreed to make a Permanent Loan which HF desires to accept (which notice shall set forth the basic terms and conditions thereof), Skechers shall have the right to become the Permanent Lender on the same terms and conditions. Skechers must give notice of its intention to become the Permanent Lender within five (5) Business Days after receipt of such notice from HF. If Skechers does not so elect, then HF may proceed with the proposed Permanent Lender, but if the terms and conditions of the Permanent Loan change (to the detriment of the Company or any Subsidiary) in any material respect, Skechers shall be entitled to a new notice and right to elect to become the Permanent Lender on the changed terms and conditions. If any non-refundable deposit (for costs or otherwise) was made to a potential Permanent Lender by the Company or a Subsidiary, if Skechers elects to become the Permanent Lender, its fees shall be reduced by the amount of such deposit which is not refunded. If Skechers elects to become the Permanent Lender and for any reason breaches its commitment to fund such Permanent Loan, it shall be

responsible for all resulting damages to the Company or a Subsidiary and to any HF Affiliate which guaranteed the Construction Loan.

Section 6.3 Indemnification. The Company and the Subsidiaries shall indemnify HF (or its Affiliates) from any liability which may be incurred in connection with its guarantee of the Construction Loan or in connection with a “bad boy” nonrecourse carve-out guarantee of the Permanent Loan, but excluding liability resulting from a default by the Development Manager under the Development Management Agreement, the occurrence of an Event of Default by HF under this Agreement, or the gross negligence or willful misconduct HF or its Affiliates. However, to the extent that liability under the “bad boy” nonrecourse carve-out guarantee results from the acts or omissions of Skechers or the occurrence of an Event of Default by Skechers under this Agreement, or a default by Skechers Parent under the Lease, then such indemnification shall be afforded primarily by Skechers and only secondarily by the Company.

Section 6.4 HF Loan. Concurrently with the contribution of the Initial Capital Contributions as described above, HF will (and will cause its Affiliates to) transfer and assign to the Company all of its right, title and interest in all personal property and contracts relating to the development of the Project, and all plans, specifications, architectural drawings and renderings, surveys and other collateral material relating to the ownership and development of the Property, which shall then be immediately contributed by the Company to the T1 Subsidiary. In consideration of such transfer and assignment, HF will be deemed to have extended a loan to the Company in the amount of Fourteen Million Dollars (\$14,000,000) (the “**HF Loan**”). The HF Loan will bear interest at the rate of six percent (6%) per annum, with interest and principal payable monthly from the first Available Cash (prior to any distributions of Available Cash to the Members), with any unpaid balance of interest and principle payable upon the earlier to occur of the refinancing or sale of the Project, or the liquidation of the Company (again, before any distributions of Available Cash to the Members except as provided in Section 5.2(c)). The HF Loan is to be treated as a partial sale of the Property as provided in Section 3.3(c) of Exhibit “A”.

Section 6.5 Skechers Loan. Concurrently with the contribution of the Initial Capital Contributions as described above, Skechers will be deemed to have made a loan to the Company in the amount of One Million Dollars (\$1,000,000) (the “**Skechers Loan**”) in consideration of Skechers funding certain costs and expenses of alternate site rental pending completion of the Project which the landlord under the Lease had previously agreed to fund. The foregoing relief from the landlord’s obligation under the Lease is deemed to be a Company Asset, which shall then be immediately contributed by the Company to the T1 Subsidiary. The Skechers Loan shall be payable at the same times and manner, and shall bear the same rate of interest as the HF Loan.

Section 6.6 Pro Rata. As long as there are amounts outstanding under both the HF Loan and the Skechers Loan, payments on such loans will be made on a pro rata basis (according to the total unpaid principal balances of each of such loans, except as provided in Section 5.2(c)).

Section 6.7 Loan Documentation. To evidence the HF Loan and the Skechers Loan, the Company shall execute unsecured promissory notes (“**Notes**”) in the forms attached as Exhibits “C-1” and “C-2”, respectively. The Notes will be amended if the HF Loan or the Skechers Loan is increased as provided herein.

Section 6.8 Additional Loans.

(a) If the HF Managing Member determines in the exercise of its reasonable business judgment that additional capital is needed as a result of construction cost overruns relative to the construction of the Project on the Development Parcel (which specifically excludes increased construction costs due to change orders requested by Skechers and approved by the landlord under the Lease, or

resulting from the acts or omissions of Skechers under the Lease), which cannot be funded from Available Cash or obtained through financing (or which are impractical to be obtained through financing), such capital shall be loaned to the Company by HF (or its Affiliate), and such amounts shall be considered an increase in the HF Loan (which amounts shall then be immediately contributed by the Company to the T1 Subsidiary); provided, however, that cost overruns resulting from an Event of Default by HF under this Agreement or a default by the Development Manager under the Development Management Agreement, or which involves the gross negligence, fraud or willful misconduct of HF (or its Affiliate) shall not be considered an increase in the HF Loan. If additional capital is needed to perform the Company's or Subsidiary's obligation under the Lease to pay or reimburse Skechers for the costs of storage of Skechers' property, such capital shall be funded by HF (or its Affiliate), at its own expense, and such amount shall not be considered income of the Company or any Subsidiary, or a loan or a Capital Contribution to the Company or any Subsidiary, or an increase in the HF Loan or an increase in HF's Capital Account.

(b) If the HF Managing Member determines in the exercise of its reasonable business judgment that additional capital is needed as a result of increased construction costs due to change orders requested by Skechers and approved by the landlord under the Lease, or resulting from the acts or omissions of Skechers under the Lease, then such capital shall be loaned to the Company by Skechers (or its Affiliate) (which amounts shall then be immediately contributed by the Company to the T1 Subsidiary); and shall be considered an increase in the Skechers Loan, but such increase shall not exceed One Million Dollars (\$1,000,000), and any excess shall be paid by Skechers as its own expense, and such amount shall not be considered income of the Company or any Subsidiary, or a loan or a Capital Contribution to the Company or any Subsidiary, or part of the Skechers Loan, or an Additional Capital Contribution by Skechers. Provided, however, that any increased construction costs resulting from acts or omissions of Skechers (or its Affiliate) which constitute an Event of Default by Skechers under this Agreement or a default by Skechers Parent under the Lease, or which involves gross negligence, fraud or willful misconduct of Skechers or Skechers Parent (or their Affiliates) shall not be considered an increase in the Skechers Loan; and provided, further that to the extent that the Skechers Loan is increased as a result of the foregoing, the Base Rent under the Lease shall be increased proportionately by the ratio that the increase in the Skechers Loan bears to the total Project Costs (as such term is defined in the Development Management Agreement). The HF Managing Member shall not unreasonably withhold its consent to any change order requested by Skechers Parent if Skechers funds the entire cost of such change order (including any resulting increases in the Project Costs). If there is a dispute as to whether the refusal of the HF Managing Member to give its consent to any change order proposed by Skechers is reasonable, the matter shall be submitted to expedited arbitration in accordance with Article 15.

(c) If there is any dispute regarding the reasonableness of the determination by the HF Managing Member that additional capital is required under Section 6.8(a) or (b), such dispute shall be submitted to expedited arbitration as set forth in Article 15. During the pendency of such arbitration, even though the Member who has failed to make any additional loan to the Company shall not be deemed to be in default under this Agreement, the other Member may elect to loan to the Company the amount which the other Member failed to loan, and if it is determined through arbitration that the required additional loan was not reasonable, then the amount loaned by the other Member (to the extent of any amount which was not determined to be reasonable) shall not bear interest.

Section 6.9 Default in Making Required Loans.

(a) If either Member fails to make any required loan pursuant to Section 6.8 (an "**Additional Funding Obligation**"), the other Member may send a notice to such Member who failed to make the required Additional Funding Obligation, notifying such Member of its failure to make such

Additional Funding Obligation, the amount to be funded and demanding that such Additional Funding Obligation be made immediately.

(b) If the Member who receives such notice fails to make the required Additional Funding Obligation within five (5) Business Days after the receipt of such notice, then the other Member shall have the following rights:

(i) Such Member may loan the required funds to the Company (which funds shall then be immediately contributed by Company to the T1 Subsidiary), which amount so loaned shall bear interest and be payable in the same manner as the loan described in Section 4.1.5(d)(i); or

(ii) Such Member may make an Additional Capital Contribution to the Company in the amount of the required Additional Funding Obligation (which amounts shall then be immediately contributed by the Company to the T1 Subsidiary), in which event the Distribution Percentages shall be adjusted in the manner set forth in Section 4.1.5(d)(ii).

Section 6.10 EACH MEMBER ACKNOWLEDGES AND AGREES THAT IT FULLY UNDERSTANDS THAT ITS INTEREST IN DISTRIBUTIONS AND CAPITAL MAY BE SUBSTANTIALLY DILUTED FOR FAILING TO MAKE A REQUIRED ADDITIONAL FUNDING OBLIGATION UNDER THIS ARTICLE 6. EACH MEMBER FURTHER ACKNOWLEDGES AND AGREES THAT EXCEPT AS SET FORTH IN THIS SECTION 6.10 AND IN SECTION 5.2(C), THE REMEDIES ABOVE ARE THE SOLE AND EXCLUSIVE REMEDIES AVAILABLE TO THE NON-DEFAULTING MEMBER AS A RESULT OF SUCH DEFAULT. NOTWITHSTANDING THE FOREGOING, IF A DEFAULT BY SKECHERS UNDER ARTICLE 6 RESULTS IN THE INABILITY OF THE COMPANY TO PERFORM ITS OBLIGATIONS UNDER THE LEASE THEN THE TENANT UNDER THE LEASE SHALL NOT BE ENTITLED TO DECLARE THE COMPANY TO BE IN DEFAULT UNDER THE LEASE AS A RESULT THEREOF. ADDITIONALLY, IF A DEFAULT BY EITHER MEMBER UNDER ARTICLE 6 RESULTS IN THE INABILITY OF THE COMPANY TO PERFORM ITS OBLIGATIONS UNDER THE LEASE THEN, IN ADDITION TO ANY RIGHTS AND REMEDIES THAT THE NON-DEFAULTING MEMBER MAY HAVE AGAINST THE DEFAULTING MEMBER HEREUNDER, THE DEFAULTING MEMBER SHALL BE SOLELY RESPONSIBLE FOR ALL CLAIMS OF TENANT UNDER THE LEASE AS A RESULT THEREOF.

ARTICLE 7 MANAGEMENT AND OPERATION OF BUSINESS

Section 7.1 Management.

7.1.1 Powers of the Managing Members.

(a) Subject to the limitations set forth herein, all management powers over the business and affairs of the Company are exclusively vested in the Managing Members, and no Member other than the Managing Members shall have any right to participate in or exercise control or management power over the business and affairs of the Company.

(b) Unless and until it is removed as a Managing Member pursuant to Section 7.1.4, the Skechers Managing Member shall have exclusive management, responsibility and control over the operations of the Building after completion of construction and Skechers taking possession of the premises described in the Lease (subject to the obligations of the tenant under the

Lease). In addition to the foregoing, the Skechers Managing Member shall have exclusive management responsibility and control over the Company's or a Subsidiary's rights to pursue remedies for any default by the Development Manager under the Development Management Agreement, for any default by any HF Affiliate under any agreement between the Company or a Subsidiary and such HF Affiliate, any default by HF under this Agreement, any negotiations with the POA which involve any wrongdoing or alleged wrongdoing by HF or any HF Affiliate, and to enforce the Company's or a Subsidiary's rights as tenant under the Master Lease.

(c) Unless and until it is removed as Managing Member pursuant to Section 7.1.4 the HF Managing Member shall have the exclusive management, responsibility and control over, (i) any consents, approvals or decisions to be made by the landlord under the Lease, including decisions regarding the development of the Expansion Parcel if the Tenant fails to exercise its option to expand under the Lease (provided the foregoing shall be subject to Section 17.21 and Skechers shall be afforded the first option to participate with HF in any other development of the Expansion Parcel, on terms prepared by the HF Managing Member), (ii) financing of the Project, including procuring and negotiating the Loans and determining the terms and conditions thereof (to the extent not inconsistent with the other provisions of this Agreement), (iii) pledges or encumbrances of Company Assets or assets of any Subsidiary, (iv) all matters pertaining to the entitlements affecting the Property (including, but not limited to, zoning issues, CFD formation, mapping and subdivision), including interactions and negotiations with governmental entities, (v) except as set forth in Section 7.1.1(b), all matters pertaining to the Property Owners Association ("POA") for the Corporate Park in which the Project is located (provided, however, HF Managing Member may not take any action in connection with the POA without Skechers Managing Member's approval that will materially reduce or eliminate any of Skechers Parent's rights as tenant under the Lease, or that will materially increase Tenant's costs and expenses thereunder, other than the obligation to pay reasonable POA assessments), and (vi) subject to Section 7.1.1(e), all matters relating to the development (but not the sale) of the Project and the development of the Expansion Parcel if Skechers Parent exercises its expansion rights under the Lease, including, but not limited to, engagement of attorneys, architects, engineers, contractors, a development manager (which shall be an Affiliate of HF and which shall enter into a development management agreement with respect to the Expansion Parcel on substantially the same terms and conditions as are set forth in the Development Management Agreement) and other professionals, preparation of construction drawings, and all aspects of construction (subject to the rights of Skechers Parent as tenant under the Lease and the provisions of the Development Management Agreement). Notwithstanding the exclusive rights granted to HF Managing Member hereunder, the Skechers Managing Member shall have the right to approve any insurance company recovery, award or settlement, any condemnation award and any settlement of any lawsuit or threatened lawsuit with respect to the Property or the Project, which consent will not be unreasonably withheld. Further, subject to any provisions in the Lease, the Construction Loan documents and the Permanent Loan Documents, any insurance proceeds received by the Company or a Subsidiary as a result of damage or destruction to any improvements within the Project shall be used to reconstruct such improvements, to the extent legally permissible, and provided that the Lease continues in force and effect. HF Managing Member shall keep Skechers reasonably informed about negotiations involving the construction contract (including the selection of the general contractor) and shall promptly upon request provide Skechers with copies of drafts of the proposed construction contract during the course of its negotiation. HF Managing Member will consider any comments offered by Skechers with respect to the foregoing, but ultimately the decisions of HF Managing Member regarding the selection of the general contractor and the terms and conditions of the construction contract shall control, subject to any express provisions in this Agreement or the Development Management Agreement. Notwithstanding item (i) of this Section 7.1.1(c), nothing herein shall be interpreted as a waiver of, or prohibition on, the right of Skechers Parent, as tenant under the Lease, to contest the withholding of any requested landlord consent or approval under the Lease.

(d) To the extent that the management and control of the Company is within the scope of the exclusive authority of either the HF Managing Member or the Skechers Managing Member, such Managing Member may act on behalf of the Company or a Subsidiary (and may bind the Company or such Subsidiary) alone and without the consent, approval, ratification or signature of the other Managing Member. To that end, it is expressly agreed that the signature of the HF Managing Member alone on the Construction Loan Documents shall bind the Company, as the sole member of the T1 Subsidiary.

(e) Any issues relating to the management and control of the Company which are not within the scope of the exclusive authority of either the HF Managing Member or the Skechers Managing Member shall be matters which require the joint consent, approval or ratification (and joint signature, as applicable) of both Managing Members, which consent shall not be withheld unreasonably or delayed; provided, however, that the Members acknowledge that the Skechers Managing Member may cause the Company and each Subsidiary to adopt such internal controls as are reasonably necessary, upon advice of Skechers Parent's counsel, to comply with the Skechers Parent's obligations under SEC Rule 404. The Members acknowledge, without limitation, that (i) a sale of the Project or the Property, (ii) an amendment of the Development Management Agreement, and (iii) modifications of either the Development Budget or the Project Schedule requiring Company's or a Subsidiary's consent under the Development Management Agreement shall require the mutual consent of the Managing Members. Additionally, the engagement of attorneys and accountants by the Company or either Subsidiary, other than with respect to the development of the Project, shall be mutually agreed to by the Managing Members. In connection with the foregoing, HF Managing Member acknowledges that Skechers Parent is a publicly traded company and Skechers may need to require that particular accountants be used by the Company or either Subsidiary. As such, HF Managing Member agrees to use KPMG or such other accountants as Skechers Parent may use as the Company's or a Subsidiary's accountants in accordance with Article 9. If there is a dispute regarding the reasonableness of the withholding of consent, approval or ratification of any matter which requires the joint consent, approval or ratification of both Managing Members, unless otherwise provided herein, the matter shall be submitted to expedited arbitration in accordance with Article 15. Except as set forth in Section 15.3, the Determination of the arbitrator shall be limited to whether or not the Managing Member acted reasonably, and the other Managing Member shall not be entitled to seek or obtain any monetary damages as a result of the unreasonable withholding of consent, approval or ratification.

(f) In addition to the powers now or hereafter granted to a manager of a limited liability company under the Act or under any other provision of this Agreement, the Managing Members, to the extent of either their exclusive scope of authority or joint authority as the case may be, shall have full power and authority to do all things deemed necessary or desirable by them to conduct the business of the Company and the Subsidiaries, to exercise all powers set forth in Section 3.2 and to effect the purposes set forth in Section 3.1, including, without limitation:

(i) the making of any expenditures, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by mortgage, deed of trust or other lien or encumbrance on the Company Assets) and the incurring of any obligations of the Company;

(ii) the making of regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business of the Company and/or the Company Assets;

(iii) the acquisition, disposition and leasing of the Project and other Company Assets;

(iv) the negotiation, execution, performance and administration of (including the exercise of any rights or remedies under) any contracts (including contracts with Affiliates of the Members);

(v) the opening and closing of Company bank accounts (which bank accounts shall be in the name of the Company but on which representatives of both Managing Members shall be signatories, subject to the limitations set forth in the Development Management Agreement with respect to bank accounts into which Construction Loan draws will be funded prior to Completion of the Project), the investment of Company funds in securities, certificates of deposit and other instruments, and the distribution of Available Cash;

(vi) the engagement and dismissal of agents, outside attorneys, accountants, engineers, appraisers, consultants, contractors and other professionals for the Company and the determination of their compensation and other terms of any such engagement or dismissal;

(vii) the control of any matters affecting the legal rights and obligations of the Company, including the conduct of litigation and the incurring of legal expenses and the settlement of claims and litigation;

(viii) obtaining and maintaining casualty, liability and other insurance on the Company Assets, including the Project and the Members;

(ix) the execution, acknowledgment and delivery of any and all documents and instruments to effect any or all of the foregoing, and

(x) taking any of the foregoing actions with respect to either Subsidiary or either Subsidiary's Assets.

7.1.2 No Approval Required for Above Powers. The applicable Managing Member (or the Managing Members, jointly, as the case may be) is authorized to execute, deliver and perform the above-mentioned documents and transactions on behalf of the Company or either Subsidiary without any further act, approval or vote of the Members. Notwithstanding the foregoing, if a Managing Member is authorized to act alone to the extent practical, it shall give at least five (5) Business Days prior notice (which shall be reduced to two (2) Business Days prior notice until Completion of the Project) to the other Managing Member of any actions it intends to take on behalf of the Company or either Subsidiary which might have a material impact on the business, Company Assets, a Subsidiary's Assets, or obligations of the Company or either Subsidiary. In any event, the Members will cooperate in all reasonable respects with the Managing Members to facilitate the exercise of the powers of management and control by the Managing Members.

7.1.3 No Obligation to Consider Tax Consequences to the Members. In exercising authority under this Agreement, the Managing Members may, but shall be under no obligation to, take into account the tax consequences to the Members of any action taken by the Managing Members, and neither the Company or either Subsidiary nor any Managing Member acting in good faith shall have any liability to either Member under any circumstances as a result of an income tax liability incurred by such Member as a result of an action (or inaction) by the Managing Members pursuant to their authority under this Agreement.

7.1.4 Removal of Managing Members. A Managing Member may be removed by the other Managing Member (or by the other Member, if there is only one Managing Member), as follows:

(a) If such Managing Member materially defaults under this Agreement (except for a default under Article 4 or Article 6, which are governed by provisions in those Articles), subject to notice from the other Managing Member and ten (10) Business Days to cure such default; provided, however, that in the case of any default which can be cured but not within such ten (10) Business Day period, such Managing Member fails to begin reasonable steps to cure such breach within such ten (10) Business Day Period, or does not thereafter diligently prosecute such cure to completion or in any event if such default is not cured within sixty (60) days following the date of notice thereof from the other Managing Member; or

(b) If such Managing Member (or any of its controlling Persons) is convicted of any criminal act involving the Company Assets, a Subsidiary's Assets, or business of the Company or either Subsidiary, or is found by a court of competent jurisdiction to have breached its fiduciary duty under this Agreement, or to have committed fraud involving the Company Assets, a Subsidiary's Assets, or business of the Company or either Subsidiary, or to have been grossly negligent in performing its duties under this Agreement; or

(c) If such Managing Member becomes Incapacitated or commits or suffers a Bankruptcy Action; or

(d) In the case of the Skechers Managing Member, if the Skechers Parent commits a material default under the Lease and such default is not cured within any applicable time period set forth therein; or

(e) In the case of the HF Managing Member, if the Development Manager commits a material default under the Development Management Agreement and such default is not cured within any applicable time period set forth therein; or

(f) In the case of either Managing Member, if the Company or a Subsidiary defaults under the Lease by reason of any act or omission of such Managing Member and such default is not cured within any applicable time period set forth therein; or

If a Managing Member is so removed, the other Managing Member shall serve as the sole Managing Member (and shall thereafter have the management authority and attendant management obligations of replaced Managing Member in addition to the management authority and attendant management obligations which it previously had). For clarification, if the HF Managing Member is removed, the Skechers Managing Member shall have the right to enforce the Company's and Subsidiaries' rights under the Development Management Agreement, and if the Development Management Agreement is terminated, the Skechers Managing Member may enter into a new development management agreement on behalf of the Company or a Subsidiary and may engage a new Development Manager, subject to the provisions of Section 7.5. The removed Managing Member shall retain all of the rights and obligations hereunder as a Member, other than those which pertain to its management authority as a Managing Member, but such Managing Member shall remain liable to the Company or a Subsidiary and the other Member for any damages resulting from the acts (or omissions) which resulted in its removal.

Notwithstanding the foregoing, if the Managing Member whose removal is being sought gives notice of its objection to such removal within five (5) Business Days after receiving notice of any attempted removal, then the matter shall be submitted to expedited arbitration in accordance with Article 15. If a Determination is made in the arbitration proceeding that the grounds for removal have been satisfied, then prior to the actual removal of such Managing Member, such Managing Member shall have an additional ten (10) Business Days to effectuate a cure of the default (if the default is of a nature that it can be cured).

Notwithstanding anything herein to the contrary, if the Lender declares a default under the Construction Loan Documents, other than due to the acts or omissions of Skechers or Skechers Parent, and refuses to continue to fund the Construction Loan, unless the HF Managing Member provides alternative funding at no additional cost or expense to Skechers or the Company within thirty (30) days of the expiration of the applicable notice and cure period set forth in the Construction Loan Documents, the Skechers Managing Member (and not the HF Managing Member) shall have exclusive management rights with respect to the development of the Project (but not the Expansion Parcel), to the same extent that the HF Managing Member previously had such exclusive management rights pursuant to Section 7.1.1(c)(vi). In addition, if the Lender declares a default under the Construction Loan Documents as a result of any act or omission other than one caused by Skechers or Skechers Parent, and the Skechers Managing Member is reasonably dissatisfied with the progress of any attempt to cure such default by the HF Managing Member, then the Skechers Managing Member, in its sole discretion, may seek to effectuate the cure itself, without waiving any rights or remedies which it might have against HF or the HF Managing Member as a result of such default. Any Lender may rely on the foregoing as the Members' authorization to accept a cure by Skechers Managing Member on behalf of the Company.

Section 7.2 Certificate of Formation. The Managing Members shall file any required amendments to and restatements of the Certificate, and shall do all the things to maintain the Company and each Subsidiary as a limited liability company under the laws of the State of Delaware, the State of California and each other jurisdiction in which the Company or either Subsidiary may elect to do business or own property. The Managing Members shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited liability company in the State of Delaware, the State of California, and any other jurisdiction in which the Company or either Subsidiary may elect to do business or own property.

Section 7.3 Compensation of Managing Members.

7.3.1 No Compensation. The Managing Members shall not be compensated for rendering services as Managing Members of the Company. The foregoing is not intended to prohibit the payment to the Members, or their Affiliates, of fees under any agreement entered into by the Company or a Subsidiary and any such Member or its Affiliate pursuant to this Agreement (including the Development Management Agreement).

7.3.2 Reimbursement for Expenses. The Company shall be responsible for and shall pay all expenses relating to the Company's ownership of the Company Asset or the ownership of each of the Subsidiary's Assets, and the operation of, or for the benefit of, the Company, and the Managing Members shall be reimbursed on a monthly basis, for all reasonable and customary out-of-pocket expenses actually incurred by the Managing Members on behalf of the Company or any Subsidiary directly relating to the ownership of the Company Assets or the ownership of each of the Subsidiary's Assets and the operation of, or for the benefit of, the Company or any Subsidiary; provided, however, that the Company shall not reimburse the legal fees and costs of a Member in any arbitration or court proceeding that is solely between the Company or any Subsidiary, on one hand, and either Member or its Affiliates, on the other hand, or between Members and their Affiliates, until the conclusion of such arbitration or court proceeding (at which time, legal fees and costs shall be awarded to the prevailing party). Further, it is understood that neither Member or its Affiliates shall be entitled to any property management fees for management of the Project (but the foregoing does not prohibit the payment of a fee to the Development Manger under the Development Management Agreement).

Section 7.4 Devotion of Time and Outside Activities of the Members.

(a) Nothing herein contained shall prevent or prohibit the Members or any Affiliates of the Members from entering into, engaging in or conducting any other activity or performing for a fee any service, including engaging in any business dealing with real property of any type or location; owning, managing, leasing or disposing of any real property of any type or location; acting as a director, officer or employee of any corporation, as a trustee of any trust, as a general partner of any partnership, or as an administrative official of any other business entity; or receiving compensation for services to, or participating in profits derived from, the investments of any such business, property, corporation, trust, partnership or other entity, regardless of whether such activities are competitive with the Company or any Subsidiary (collectively, the “**Outside Activities**”), and nothing herein shall require any Member or any Affiliates thereof to offer any interest in such Outside Activities to the Company or any Subsidiary or to any other Member.

Section 7.5 Contracts with Affiliates. Neither Managing Member nor any of its Affiliates shall (a) sell, transfer or convey any property to, or purchase any property from, the Company or any Subsidiary, directly or indirectly, or (b) enter into any agreement (or amendment thereto) for the provision of services to the Company or any Subsidiary, or pursuant to other transactions or agreements unless the terms thereof are fair and reasonable, such terms and are no less favorable to the Company or such Subsidiary than those that would be obtained from an unaffiliated third party, and such Managing Member provides the other Member with at least ten (10) Business Days prior written notice of its intent to enter into such arrangement, together with the material terms thereof, and such Managing Member does not receive a written notice of objection from the other Member regarding the reasonableness of such arrangement. Notwithstanding the foregoing, the Members acknowledge that Company has entered into the Development Management Agreement with an Affiliate of HF, which Development Management Agreement will be assigned by Company to the T1 Subsidiary. If the Expansion Parcel is developed for the tenant under the Lease, then the Company shall cause the T2 Subsidiary to enter into the development management agreement described in Section 7.1.1(c) with respect to developing the Expansion Parcel. Further, except as set forth in Section 6.1, no Affiliate of a Member may become either the Construction Lender or the Permanent Lender unless both Managing Members agree (and if there is a dispute in this regard, the matter shall not be subject to the expedited arbitration provisions in Article 15).

Section 7.6 Indemnification.

7.6.1 General. The Company shall indemnify, to the full extent allowed by the Act, each Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including reasonable legal fees and expenses), judgments, fines, settlements, and other amounts (collectively, “**Loss Items**”) arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative brought by an unaffiliated third party, that relate to the operations of the Company or any Subsidiary as set forth in this Agreement in which such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise (but excluding indemnification for any Loan guarantees, which are separately addressed in Section 6.3), except to the extent it is established in a final court proceeding that the Loss Item is proximately caused by: (a) the act or omission of such Indemnitee that was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty, fraud, willful misconduct or gross negligence or such Indemnitee’s uncured breach of this Agreement, the Development Management Agreement, or the Lease; (b) such Indemnitee actually receiving an improper personal benefit in money, property or services; or (c) in the case of any criminal proceeding, such Indemnitee having reasonable cause to believe that the act or omission was unlawful. The termination of any proceeding by judgment, order or settlement does not create a presumption that such Indemnitee did not meet the requisite standard of

conduct set forth in this Section 7.6.1. The termination of any proceeding by conviction or upon a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that such Indemnitee acted in a manner contrary to that specified in this Section 7.6.1. Any indemnification pursuant to this Section 7.6 shall be made only out of the Company Assets. Notwithstanding anything in this Agreement to the contrary, no Indemnitee who is an individual shall be denied indemnification or shall have any personal liability to the Company or its Members or any Subsidiary with respect to any Loss Item, except to the extent such Loss Item is proximately caused by such Indemnitee's actual active and deliberate dishonesty, or fraud.

7.6.2 In Advance of Final Disposition. Except as provided in Section 7.3.2, reasonable expenses incurred by an Indemnitee who is a party to a proceeding may be paid or reimbursed by the Company in advance of the final disposition of the proceeding upon receipt by the Company of (a) a written affirmation by the Indemnitee of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Company as authorized in this Section 7.6 has been met and (b) a written undertaking by or on behalf of the Indemnitee to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

7.6.3 Other Than by This Section. The indemnification provided by this Section 7.6 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement with the Company or any Subsidiary, or under any other provision of this Agreement.

7.6.4 Liability of the Managing Members. Notwithstanding anything to the contrary set forth in this Agreement, the Managing Members shall not be liable to the Company or any Subsidiary or any Members for losses sustained or liabilities incurred as a result of errors in judgment, or as a result of any act or omission by such Managing Member, except for losses sustained or liabilities incurred in whole or in part by such Managing Member's bad faith, fraud, willful misconduct, gross negligence, acting beyond the scope of such Managing Members' authority or commission of any Event of Default under this Agreement (subject to limitations on remedies set forth elsewhere in this Agreement). Neither Managing Member shall be liable to the Company or any Subsidiary or to any Member for any losses sustained or liabilities incurred as a result of the acts or omissions of the other Managing Member.

Section 7.7 Other Matters Concerning the Managing Members.

7.7.1 Reliance on Documents. The Managing Members may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document reasonably believed by them to be genuine and to have been signed or presented by the proper party or parties.

7.7.2 Reliance on Consultants and Advisers. The Managing Members may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by them, and any act taken or omitted to be taken in reliance upon and in accordance with the opinion of such Persons as to matters which the Managing Members reasonably believe to be within such Person's professional or expert competence shall be *prima facie* evidence that such act was done or omitted in good faith.

7.7.3 Action Through Officers and Attorneys In Fact. The Managing Members shall have the right, in respect of any of their powers or obligations hereunder, to act through any of their duly authorized officers (or partners or managers, as applicable) and their duly appointed attorneys-in-fact. Each such Person, to the extent provided by the Managing Members in the power of attorney or other authorizing instrument, shall have full power and authority to do and perform all and every act and duty which is permitted or required to be done by the Managing Members hereunder.

Section 7.8 Reliance by Third Parties. Any Person dealing with the Company shall be entitled to assume that the Managing Members have full power and authority to encumber, sell or otherwise use in any manner any and all Company Assets and to enter into any contracts on behalf of the Company, and such Person shall be entitled to deal with the Managing Members, or either of them, as if they were the Company's sole party in interest, both legally and beneficially. In no event shall any Person dealing with the Managing Members or their representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the Managing Members or their representatives. Each and every certificate, document or other instrument executed on behalf of the Company by the Managing Members or their representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Company and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Company. Nothing herein is intended to afford either Managing Member greater power or authority than is otherwise granted under this Agreement, or to exculpate either Managing Member from any liability for acting beyond the scope of such Managing Member's authority as set forth herein.

Section 7.9 Operating Budgets. The initial Operating Budget for 2010 is attached as **Exhibit "D"** which has been approved by both Managing Members. No later than the first (1st) day of the last quarter of each Company Year, the Skechers Managing Member shall submit a proposed Operating Budget (which shall include capital expenditures which are the landlord's obligation under the Lease, and a business plan) for the next ensuing Company Year for approval by the HF Managing Member. Proposed amendments to any Approved Operating Budget may be submitted by the Skechers Managing Member to the HF Managing Member at any time. Such proposed Operating Budget (or any proposed amendment thereto) shall not be deemed to be effective until such time as it has been approved by the HF Managing Member. The HF Managing Member shall respond in writing to each such proposed Operating Budget (or any proposed amendment thereto) within thirty (30) days after receipt thereof. In such response, the HF Managing Member shall specify in detail its disapproval of any item or items therein or its disapproval of the whole, and any proposed modifications requested by the HF Managing Member or recommended changes therein. Within fifteen (15) days after receipt by the Skechers Member of the HF Managing Member's disapproval of any proposed Operating Budget (or any proposed amendment thereto), the Skechers Managing Member may re-submit to the HF Managing Member a revised Operating Budget (or amendment) for its approval. The HF Managing Member shall not unreasonably withhold or delay approval of any Operating Budget or amendment (with the issue of reasonableness being determined by expedited arbitration under Article 15). In the event that any Company Year shall commence without an Operating Budget approved by both the Skechers Managing Member and the HF Managing Member pursuant to the terms of this Section, the Managing Members shall be entitled to make expenditures for items specified in the Operating Budget for the most recent Company Year which has been approved by both Managing Members, and for the actual amount of the utility cost, property taxes, insurance premiums or special assessments incurred by the Company or a Subsidiary in the current Company Year and any other non-discretionary items (including Debt service and stated increases in Company obligations or Subsidiary obligations under contracts for the year), and for any expenditures on the Project which, in the Managing Members' reasonable good faith judgment, is necessary to prevent imminent damage to the Project and/or injury to Persons. The Operating Budget shall not include the budget for development of the Project (although the Members acknowledge that a development budget has been approved and a copy is attached as an exhibit to the Development Management Agreement).

ARTICLE 8
BUY-SELL PROVISIONS

Section 8.1 At any time commencing on a date which is one (1) year after the “Substantial Completion” of the Project (as defined in the Lease), or the date that a Notice of Completion is recorded, whichever occurs earlier, either Member (such Member hereinafter referred to as “**Invoking Member**”) may deliver to the other Member (such other Member hereinafter referred to as the “**Offeree Member**”), written notice that the Invoking Member is invoking the provisions of this Section 8.1 (the “**Buy-Sell Notice**”).

Section 8.2 The Buy-Sell Notice shall set forth the gross price (the “**Stated Amount**”) at which the Invoking Member would be willing to purchase all of the Company Assets from the Company.

Section 8.3 The Buy-Sell Notice shall constitute an offer by the Invoking Member to purchase the entire Company Interest of the Offeree Member for a price equal to the amount of cash which would be distributable to such Offeree Member pursuant to Section 13.2.1 if the Project and all other Company Assets were sold to a third party pursuant to a bona-fide, arm’s length transaction at the Stated Amount and had the Company then (a) paid in full all of its Debt, including the repayment of the Loans and any loans payable to the Members (and made all apportionments customarily made in the closing of real estate transactions in the jurisdictions in which the Project is located, and all other customary closing costs, including, but not limited to title insurance premiums, survey costs, a reasonable and customary real estate commission and transfer taxes normally payable by a seller of real estate), (b) not established any Reserves and (c) distributed the net proceeds of the sale, and all other cash of the Company to the Members in accordance with the provisions of Section 13.2.1. Such calculations shall be made as of the date of closing set forth in Section 8.8. Provided, however, that the Stated Amount may not be less than an amount which would result in the distribution to the Selling Member of at least the Selling Member’s Unrecovered Contribution and the repayment of any loans owed by the Company to the Selling Member as of the date of closing. The Buy-Sell Notice shall also constitute an offer by the Invoking Member to sell its entire Company Interest to the Offeree Member for a price equal to the amount of cash which would be distributable to the Invoking Member in the manner described above if it were the Selling Member.

Section 8.4 Upon receipt of the Buy-Sell Notice, the Offeree Member may, at its option, either elect to purchase the entire Company Interest of the Invoking Member at the price described above, or to sell its entire Company Interest to the Invoking Member at the price described above.

Section 8.5 The Offeree Member shall give notice of its election under Section 8.4 to the Invoking Member within sixty (60) days after such Offeree Member’s receipt of the Buy-Sell Notice; provided, however, that in the event the Offeree Member shall fail to give the Invoking Member notice of its election within such sixty (60) day period, such Offeree Member shall be conclusively deemed to have elected to sell its entire Company Interest to the Invoking Member.

Section 8.6 The Member, which under this Article 8 is to purchase the Company Interest of the other Member (the “**Purchasing Member**”) shall, within ten (10) days after the determination is made as to who the Purchasing Member will be (the “**Deposit Date**”), deliver to an escrow holder which is a national title insurance company selected by the Purchasing Member cash in the amount of five percent (5%) of the purchase price (the “**Buy-Sell Deposit**”) which Buy-Sell Deposit will be applied against the purchase price for the Company Interest of the Selling Member whose Company Interest is being purchased (the “**Selling Member**”).

Section 8.7 Notwithstanding anything to the contrary contained in this Agreement, in no event may a Default Member, or a Member that is Incapacitated, or a Member that is subject to a Bankruptcy Event, or a Member that is a Breaching Member, be an Invoking Member under or otherwise initiate the procedures of this Article 8, and if a Member suffers any of the foregoing after it has initiated the procedures under this Article 8 as the Invoking Member, then at the option of the Offeree Member, the buy-sell process may be immediately terminated (provided that the closing of the purchase and sale of the Company Interest has not consummated).

Section 8.8 The closing of a sale and purchase pursuant to this Article 8 shall be consummated through escrow on a date which is six (6) months after the Deposit Date (or sooner at the election of the Purchasing Member), or such other date and manner as the Members shall agree upon. At such closing, the Purchasing Member shall pay the entire purchase price for the Company Interest of the Selling Member, in cash in immediately available funds, and the Selling Member shall execute all documents that may be necessary or desirable, in the reasonable opinion of counsel for the Purchasing Member (including customary representations and warranties regarding the Company Interest of the Selling Member, but not regarding the Project, the other Company Assets or the Company), to effect the sale of the Company Interest of the Selling Member to the Purchasing Member free and clear of all liens and encumbrances. In the event the Selling Member or the Purchasing Member shall fail or refuse to execute any instruments required to consummate the closing, the other Member is hereby granted an irrevocable power of attorney, which shall be binding on the Member refusing to execute such documents as to all third Persons, to execute and deliver on behalf of the Member refusing to execute such documents all such required documents. The aforesaid power, being coupled with an interest, is irrevocable by death, dissolution or otherwise.

Section 8.9 In the event the Selling Member then has any outstanding Debt to the Company or any Subsidiary, all proceeds of the purchase price due the Selling Member shall be paid to the Company until all such Debt shall have been paid and discharged in full. In the event that such proceeds are not sufficient to discharge such Debt, the Selling Member shall repay all such unpaid Debt at the closing. In the event that any loans are then outstanding from the Company or any Subsidiary to the Selling Member, then all of such loans shall concurrently be repaid by the Company at the closing. In the event the Selling Member or any Affiliate of the Selling Member shall have guaranteed any Loan, then either (a) the Loan which is the subject of such guaranty shall be paid in full by the Company at the time of closing or (b) the Selling Member and any such Affiliate of the Selling Member shall be unconditionally released by the obligee for any liability on account thereof. If the Selling Member is a Breaching Member, the Company shall reserve any rights to pursue the Selling Member for damages after the closing, to the extent otherwise allowable under this Agreement.

Section 8.10 The Selling Member and the Purchasing Member shall each pay their own expenses in connection with such purchase and sale of a Company Interest.

Section 8.11 From and after the giving of a Buy-Sell Notice, and until either the consummation of the sale of the Company Interest in accordance with this Article 8, or termination of the buy-sell process as provided herein, neither Member shall exercise any transfer rights under Article 11.

Section 8.12 In the event the Purchasing Member defaults in its obligation to purchase the Company Interest of the Selling Member, then Selling Member as its sole and exclusive remedy shall be entitled to retain the Buy-Sell Deposit as full liquidated damages for such default of the Purchasing Member, in which event the buy-sell transaction shall be terminated and the Purchasing Member shall have no further rights to initiate the buy-sell provisions (as an Invoking Member) under this Article 8. The Selling Member, at its election and in lieu of the remedy set forth above, may elect within sixty (60) days of such default to dissolve and liquidate the Company and the Subsidiaries. The Members hereby

acknowledge and agree that it is impossible to more precisely estimate the damages to be suffered by the Selling Member upon the Purchasing Member's default, and the Members expressly acknowledge and agree that the Buy-Sell Deposit which may be retained by the Selling Member is a reasonable and fair estimate of such damages and is intended not as a penalty, but as full liquidated damages for such default of the Purchasing Member.

Section 8.13 In the event that the Selling Member defaults in its obligation to sell its Company Interest to the Purchasing Member, the Purchasing Member shall be entitled to pursue any and all remedies available at law or in equity, including specific performance.

ARTICLE 9 BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 Records and Accounting. The HF Managing Member shall keep appropriate books and records with respect to the Company's business, all of which shall be and remain the property of the Company. Any records maintained by or on behalf of the Company or a Subsidiary in the regular course of its business may be kept on, or be in the form of, magnetic tape, photographs, micrographics or any other information storage device; provided, that the records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Company and each Subsidiary shall be maintained for financial purposes on an accrual basis in accordance with generally accepted accounting principles (except that Capital Accounts shall be maintained in accordance with **Exhibit "A"**) and for tax reporting purposes on the accrual basis. The Members may, upon reasonable notice to the HF Managing Member and during normal business hours and at its own expense, examine the books and records of the Company and each Subsidiary, which will be maintained at the principal office of the HF Managing Member.

Section 9.2 Fiscal Year. The fiscal year of the Company and each Subsidiary shall be the calendar year, unless the Managing Members decide otherwise.

Section 9.3 Reports.

9.3.1 Annual Reports. Within ten (10) days after the end of each Company Year, the HF Managing Member shall prepare or cause to be prepared and delivered to the Members an annual report, as of the close of the Company Year, containing financial statements of the Company and each Subsidiary for such Company Year, presented in accordance with generally accepted accounting principles.

9.3.2 Quarterly Reports. As soon as practicable, but not later than ten (10) days after the end of each calendar quarter, the HF Managing Member shall prepare or cause to be prepared and delivered to the Members a report as of the last day of the calendar quarter (except the last calendar quarter of each year), containing unaudited financial statements of the Company and each Subsidiary, and such other information as may be required by applicable law or regulation, or as the HF Managing Member reasonably determines to be appropriate.

9.3.3 Other Reports. Each Managing Member shall promptly give notice to the other Managing Member of the occurrence of any of the following: receipt by such Managing Member of actual knowledge of any material (that is, seeking damages in excess of \$250,000 or seeking injunctive relief of any nature) threatened or pending litigation against the Company, any Subsidiary, the Property or the Project; the occurrence of any felony indictment or conviction of any Person in senior management at such Managing Member; receipt by such Managing Member of any offer to purchase all or any part of the

Property or the project; and receipt of written notice from any governmental authority which alleges any material adverse claim against the Company, any Subsidiary, the Property or the Project.

Section 9.4 Special Provisions Re Books and Records, Accounting and Reports. Notwithstanding the provisions of this Article 9, for so long as Skechers Parent is a publicly traded company and the operations of the Company are required to be consolidated with the operations of Skechers parent for reporting purposes, the following provisions shall apply:

(b) The Company and each Subsidiary will use KMPG (or another certified public accounting company designated by Skechers) as its auditor and preparer of its tax returns, as long as its fees for such work are competitive in the marketplace (if they exceed competitive fees, any excess shall be paid by Skechers);

(c) KMPG will undertake annual audits of the Company and each Subsidiary, at Company expense;

(d) All of the quarterly and annual reports and all Company tax returns must be in forms reasonably acceptable to the Skechers Managing Member as a result of consultation with KPMG and its legal counsel (it is expected that both GAAP and cash basis records will be required for the determination of distributions to Members), with appropriate and reasonable certifications by the HF Managing Member;

(e) Reasonable internal controls may be required to satisfy the obligations of Skechers Parent under the Federal Act and specifically SEC Rule 404; provided that if the cost of implementing such internal controls is more than nominal, it shall be borne by Skechers;

(f) The Skechers Managing Member shall have unrestricted right to speak with (and to give directions, to the extent that it is the sole Managing Member or otherwise in connection with any matter where Skechers Managing Member has the authority to take such action without the consent of the HF Managing Member) to the Company's accountants, attorneys and other professional advisors, and those of the Subsidiaries and shall have the right to receive copies of documents in their possession which relate to the Company, any Subsidiary or its operations (and HF shall not be entitled to invoke attorney-client privilege as a basis to deny Skechers Managing Member access to any such Persons or documents); and

(g) Skechers Managing Member shall upon the advice of its legal counsel, have the right to disclose in Skechers Parent's public reports and to Skechers Parent board of directors any information regarding the Company, any Subsidiary, the Property, the Project, the Lease, the Development Management Agreement, the Development Manager or the HF Managing Member notwithstanding the confidentiality provisions of this Agreement.

ARTICLE 10 TAX MATTERS

Section 10.1 Preparation of Tax Returns. The Tax Matters Partner shall arrange for the preparation and timely filing of all returns of Company and Subsidiary income, gains, deductions, losses and other items required of the Company for federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety (90) days after the close of each taxable year, the tax information reasonably required by the Members for federal and state income tax reporting purposes. If the Tax Matters Partner fails to file the Company's tax returns on or before any applicable deadlines

(including extensions), the other Managing Member may prepare and file the Company's tax returns as it determines.

Section 10.2 Tax Matters Partner.

10.2.1 General. The HF Managing Member shall be the "Tax Matters Partner" of the Company for federal income tax purposes, and shall be referred to herein as the "Tax Matters Partner," but such designation shall not be construed or used as evidence to support any claim that the Company is a partnership, rather than a limited liability company. Upon the HF Managing Member becoming a Breaching Member or becoming Incapacitated or suffering a Bankruptcy Action, the Skechers Managing Member shall automatically become the Tax Matters Partner. Pursuant to Section 6223(c) of the Code, upon receipt of notice from the IRS of the beginning of an administrative proceeding with respect to the Company, or any Subsidiary, the Tax Matters Partner shall furnish the IRS with the name, address and capital and profits interest of each of the Members. The Tax Matters Partner shall keep the Members reasonably informed of any action that it takes in such capacity which has a material impact on the other Members, the Company or any Subsidiary.

10.2.2 Powers. The Tax Matters Partner is authorized, but not required:

(a) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Company or Subsidiary items required to be taken into account by a Member for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the Tax Matters Partner may expressly state that such agreement shall bind all Members, except that such settlement agreement shall not bind any Member (i) who (within the time prescribed pursuant to the Code and Regulations) files a statement with the IRS providing that the Tax Matters Partner shall not have the authority to enter into a settlement agreement on behalf of such Member or (ii) who is a "notice partner" (as defined in Section 6231 of the Code) or a member of a "notice partner" (as defined in Section 6231 of the Code), and, to the extent provided by law, the Tax Matters Partner shall cause any Member to be designated a notice partner;

(b) in the event that a notice of a final administrative adjustment at the Company or Subsidiary level of any item required to be taken into account by a Member for tax purposes (a "final adjustment") is mailed or otherwise given to the Tax Matters Partner, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court, or the filing of a complaint for refund with the District Court of the United States for the district in which the Company's principal place of business is located or the United States Court of Federal Claims;

(c) to intervene in any action brought by any other Member for judicial review of a final adjustment;

(d) to file a request for an administrative adjustment with the IRS at any time and, if any part of such request is not allowed by the IRS, to file an appropriate pleading (petition, complaint or other document) for judicial review with respect to such request;

(e) to enter into an agreement with the IRS to extend the period for assessing any tax which is attributable to any item required to be taken into account by a Member for tax purposes, or an item affected by such item;

(f) to take any other action on behalf of the Members, a Subsidiary or the Company in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations; and

(g) Subject to any restrictions contained elsewhere in this Agreement, to engage attorneys, accountants and other professionals to advise it and to file any required income tax returns and other documents associated with its rights and authority as the Tax Matters Partner.

(h) Notwithstanding the foregoing, the Tax Matters Partner shall not take any action under Section 10.2.2(b), (d), (e) or (f) unless it has given the other Member at least ten (10) Business Days prior notice of its intent to take such action and the other Member has not given notice of its objection within five (5) Business Days after receipt of such notice. If notice of objection is timely given and the parties cannot otherwise resolve the dispute, either Member may submit the matter to expedited arbitration under Article 15.

The taking of any action and the incurring of any expense by the Tax Matters Partner in connection with any such proceeding, except to the extent required by law, is a matter in the reasonable discretion of the Tax Matters Partner, and the provisions relating to indemnification of the HF Managing Member set forth in Section 7.6 of this Agreement shall be fully applicable to the Tax Matters Partner in its capacity as such.

10.2.3 Reimbursement. The Tax Matters Partner shall receive no compensation for its services. All reasonable third-party costs and expenses incurred by the Tax Matters Partner in performing its duties as such (including reasonable legal and accounting fees) shall be borne by the Company. The costs of any professionals engaged by the Tax Matters Partner pursuant to Section 10.2.2(g) shall be paid or reimbursed by the Company.

Section 10.3 Organizational Expenses. The Company shall elect to deduct expenses, if any, incurred by it in organizing the Company, or its Subsidiaries either immediately or ratably over a one hundred eighty (180) month period (or such other period) as permitted by and provided for in Section 709 of the Code.

Section 10.4 Withholding. The Members hereby authorize the Company to withhold from or pay on behalf of or with respect to the Members any amount of federal, state, local, or foreign taxes that the Tax Matters Partner reasonably determines that the Company is required to withhold or pay with respect to any amount distributable or allocable to the Members pursuant to this Agreement, including any taxes required to be withheld or paid by the Company pursuant to Section 1441, 1442, 1445, or 1446 of the Code. The Tax Matters Partner shall give prompt notice to the Members with respect to which withholding is effected in accordance with this Section 10.4 and shall provide each such Member with a written explanation of the basis for their determination so to withhold or pay. Any amount paid on behalf of or with respect to a Member shall constitute a loan by the Company to such Member which loan shall be repaid by such Member within fifteen (15) days after notice from the Tax Matters Partner that such payment must be made unless (a) the Company withholds such payment from a distribution which would otherwise be made to such Member in accordance with Section 5.2 or Section 13.2 or (b) the Tax Matters Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the Available Cash of the Company which would, but for such payment, be distributed to such Member. Any amounts withheld pursuant to the foregoing clauses (a) or (b) shall be treated as having been distributed to such Member and shall be promptly paid, solely out of funds of the Company, by the Tax Matters Partner to the appropriate taxing authority. Each Member hereby unconditionally and irrevocably grants to the Company a security interest in such Member's Company Interest to secure the Member's obligation to pay to the Company any amounts required to be paid pursuant to this Section 10.4. In the event that a

Member fails to pay any amounts owed to the Company pursuant to this Section 10.4 when due, the Tax Matters Partner may, in its sole and absolute discretion, elect to make the payment to the Company on behalf of such defaulting Member, and in such event shall be deemed to have loaned such amount to such defaulting Member and shall succeed to all rights and remedies of the Company as against such defaulting Member (including, without limitation, the right to receive distributions which would otherwise be made to the Member until such loan, with interest, has been paid in full). Any amounts payable by a Member hereunder shall bear interest at a per annum rate of interest equal to the Prime Rate, plus five percent (5%) (but not higher than the maximum lawful rate) from the date such amount is due (*i.e.*, fifteen (15) days after demand) until such amount is paid in full. The Members shall take such actions as the Company or the Tax Matters Partner shall request in order to perfect or enforce the security interest created hereunder.

Section 10.5 Tax Elections. Except as otherwise provided herein, the Tax Matters Partner shall, in its reasonable discretion, determine whether to make any available election pursuant to the Code; provided, however, that the Tax Matters Partner shall make the election under Section 754 of the Code in accordance with applicable Regulations thereunder and shall do so at the request of either Member who transfers its Company Interest. The Tax Matters Partner shall have the right, after the first taxable Company Year, to seek to revoke any election (other than the election under Section 754 of the Code, which revocation requires the consent of both Members) upon the HF Tax Matters Partner's determination in its reasonable discretion that such revocation is in the best interests of the Company.

ARTICLE 11 TRANSFERS AND WITHDRAWALS

Section 11.1 Transfer.

11.1.1 Definition. The term "transfer" (including the term "transferred"), when used in this Article 11 with respect to a Company Interest, shall be deemed to refer to a transaction by which a Member transfers its Company Interest, or any part thereof, to another Person and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise of the Company Interest, any part thereof.

11.1.2 Requirements. No Company Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11. Any transfer or purported transfer of a Company Interest not made in accordance with this Article 11 shall be null and void.

11.1.3 Transfer of Member's Company Interest. The HF Managing Member may not transfer any portion of its Company Interest without Skechers' consent until the Completion of the Project pursuant to the Plans and Specifications. Neither Member may transfer its Company Interest (other than any transfer to an Affiliate, which shall require the consent of the other Member, which consent may not be unreasonably withheld or delayed), in whole or in part, to any Person, without first offering such Company Interest (or part thereof) to the other Member on the same terms and conditions. If a Member desires to transfer its Company Interest, or any part thereof (whether or not it has received an offer to purchase same), it shall send notice to the other Member stating the extent of the Company Interest which it intends to transfer, the terms and conditions of the proposed transfer, including the purchase price therefor, and the identity of the proposed transferee. Upon request of the receiving Member, additional information regarding the proposed transfer and financial and other information concerning the transferee will be promptly provided. Within twenty (20) days after receipt of the notice of intended transfer, the receiving Member may, by notice to the Member proposing to transfer, elect to purchase the entire Company Interest proposed to be transferred at the same purchase price and on the same terms and conditions as set forth in the notice, but the closing shall not occur sooner than six (6) months after the date of such notice to the Member proposing to transfer. If the Member receiving the notice of proposed

transfer fails to elect to purchase the Company Interest as set forth above within such twenty (20) day time period, the Member proposing the transfer may proceed to transfer the Company Interest, but only on the terms and conditions and to the proposed transferee set forth in the notice, and provided that such proposed transfer is consummated within sixty (60) days thereafter (if there is any change in the foregoing or the transfer is not consummated within such sixty (60) day period, then a new notice of intent to transfer is required). If the transfer is consummated, the transferring Member shall promptly give notice to the other Member. The transferee shall be an Assignee and shall not become a Member of the Company until the provisions of Article 12 have been complied with. Any transfer or purported transfer of a Member's Company Interest not made in accordance with this Article 11 shall be null and void.

Section 11.2 Prohibited Transfers. Notwithstanding anything herein to the contrary, a Member may deny any proposed transfer of the other Member's Company Interest to any Person which is owned and controlled directly or indirectly, by any Person described below (and the Member who denies such transfer need not elect to purchase the Company Interest of such other Member pursuant to Section 11.1.3 to prevent such transfer):

- (a) A business competitor of the non-transferring Member or any Affiliate thereof; or
- (b) A Person which does not have the financial strength to fulfill its obligations under this Agreement; or
- (c) A Person who is an Embargoed Person or who has been convicted of a felony or any violations of State Acts, the Federal Act, or any other securities laws;
- (d) A Person who has been engaged in any pending or previous litigation or arbitration in opposition to the non-transferring Member or any Affiliate thereof; or
- (e) A Person who has a reputation in the real estate community as being "litigious" as a result of the filing of multiple "strike suits". The Member seeking to prohibit a transfer on the grounds set forth in this clause (e) shall have the burden of proof, and if there is a dispute regarding this matter, it shall be submitted to expedited arbitration under Article 15.

11.2.1 Timing of Transfers. Transfers pursuant to this Article 11 may only be made on the first day of a calendar month, unless the Managing Members otherwise agree.

11.2.2 Allocations and Distributions When Transfer Occurs. If any Company Interest is transferred during any quarterly segment of the Company's fiscal year, income and loss of the Company and all other items attributable to such interest for such fiscal year shall be divided and allocated between the transferor Member and the transferee Member by taking into account their varying interests during the fiscal year in accordance with Section 706(d) of the Code, using the interim closing of the books method. Solely for purposes of making such allocations, each of such items for the calendar month in which the transfer or redemption occurs shall be allocated to the Person who is a Member as of midnight on the last day of said month. All distributions of Available Cash with respect to which the Company Record Date is before the date of such transfer or redemption shall be made to the transferor Member, and all distributions of Available Cash thereafter shall be made to the transferee Member.

11.2.3 Certain Prohibited Transfers. Notwithstanding anything herein to the contrary, no transfer by a Member of its Company Interest may be made to any Person if legal counsel for the Company or the other Member renders written advice to the effect that it believes that there is a significant risk that (a), such transfer would be effected or would be deemed to be effected through an

“established securities market” or a “secondary market” (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code and the Regulations thereunder, or (b) such transfer would violate any Securities Laws.

11.2.4 Default. Notwithstanding anything herein to the contrary, no transfer of any Company Interest shall be permitted if such transfer would create a default under any Loan, or any material agreement to which the Company or any Subsidiary is a party.

11.2.5 Withdrawal. Except in connection with a permitted Transfer, no Member may withdraw from the Company without the consent of both Managing Members (and any dispute in this regard shall not be subject to the expedited arbitration provisions in Article 15).

11.2.6 Management. If a Member transfers its Company Interest, the transferee will (upon admission to the Company as a Member) be entitled to appoint a Managing Member to the same extent as the transferring Member.

ARTICLE 12 ADMISSION OF MEMBERS

Section 12.1 Admission of Successor Members. A successor to a Member’s Company Interest that is transferred pursuant to Section 11.1.3 shall be entitled to admission to the Company as a Member on the terms and conditions set forth herein. The business of the Company and each Subsidiary shall be carried on after such transfer without dissolution. In each case, the admission to the Company is conditioned upon the successor Member executing and delivering to the Company an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required by the remaining Managing Member(s) to effect the admission. Upon admission of the successor Member to the entire Company Interest of the transferring Member, the transferring Member shall be released from all further liability under this Agreement.

Section 12.2 Amendment of Agreement and Certificate. Upon the admission to the Company of any successor Member, the Managing Members shall take all steps necessary and appropriate under the Act to amend the records of the Company and, if necessary, to prepare as soon as practical an amendment of this Agreement and, if required by law, shall prepare and file an amendment to the Certificate.

ARTICLE 13 DISSOLUTION AND LIQUIDATION

Section 13.1 Dissolution. The Company shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following (each an “**Event of Dissolution**”):

13.1.1 Expiration of Term. The expiration of its term as provided in Section 2.4;

13.1.2 Judicial Dissolution Decree. Entry of a decree of judicial dissolution of the Company pursuant to the provisions of Section 18-802 of the Act;

13.1.3 Sale of Company’s Assets. The sale, exchange or other disposition of all or substantially all of the Company Assets, unless such sale or other disposition involves the deferred payment of the consideration for such sale or disposition, in which latter event the Company shall dissolve on the last day of the calendar month during which the balance of such deferred payment is received by the Company;

13.1.4 Mutual Agreement. The agreement of both Managing Members (and any dispute in this regard shall not be subject to the expedited arbitration provisions in Article 15); or

13.1.5 Other Event. Any other event permitting the dissolution or liquidation of the Company under this Agreement.

Section 13.2 Winding Up.

13.2.1 General. Upon the occurrence of an Event of Dissolution, the Company shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and the Members. No Member shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Company's business and affairs. A Person appointed by the Managing Members (excluding any Managing Member which is a Breaching Member) which may be one (1) or both Managing Members who is not a Breaching Member (the "Liquidator"), shall be responsible for overseeing the winding up and dissolution of the Company and shall take full account of the Company's liabilities and property and the Company Assets shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom shall be applied and distributed in the following order:

(a) First, to the payment and discharge of all of the Company's Debt to creditors other than the Members;

(b) Second, to the payment and discharge of all of the Company's Debt to the Members, first with respect to any such Debt which has priority under any other provision of this Agreement, and thereafter pro rata in accordance with amounts owed to each such Member; and

(c) Finally the balance, if any, shall be distributed to the Members in the order and priority set forth in Section 5.2.

No Member shall receive any additional compensation for any services performed as Liquidator pursuant to this Article 13, but any Liquidator which is not otherwise a Member or an Affiliate of a Member shall be entitled to receive reasonable compensation for rendering such services.

13.2.2 When Immediate Sale of Company Assets Impractical. Notwithstanding the provisions of Section 13.2.1 which require liquidation of the Company Assets, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Company the Liquidator determines that an immediate sale of part or all of the Company Assets would be impractical or would cause undue loss to the Members, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time (consistent with the provisions of Section 13.2.3 below) the liquidation of any Company Assets except those necessary to satisfy current liabilities of the Company (including to those Members who are also creditors) or, with the consent of both Members, distribute to the Members, in lieu of cash, as tenants in common, either directly or in trust, and in accordance with the provisions of Section 13.2.1, undivided interests in the Company Assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Members, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. Any property distributed in kind shall be valued at fair market value by the Liquidator using such reasonable method of valuation as it may adopt (for purposes of adjusting Capital Accounts) and treated as though the property were sold for such value and the cash proceeds were distributed.

13.2.3 Compliance With Timing Requirements of the Regulations; Allowance for Contingent or Unforeseen Liabilities or Obligations. Notwithstanding anything to the contrary in this Agreement, in the event the Company is “liquidated” within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g) and with respect to such liquidation there is an Event of Dissolution, distributions under Section 13.2.1(c) to the Members who have positive Capital Account balances shall be made in compliance with the requirements in Regulations Section 1.704-1(b)(2)(ii)(b)(2) but all distributions shall still be made in the order of priority set forth in Section 5.2. In the discretion of the Liquidator, a pro rata portion of the distributions that would otherwise be made to the Members pursuant to this Article 13 may be: (a) distributed to a liquidating trust established for the benefit of the Members for the purposes of liquidating the Company Assets, collecting amounts owed to the Company, and paying any contingent or unforeseen liabilities or obligations of the Company or of the Liquidator arising out of or in connection with the Company (the assets of any such trust shall be distributed to the Members from time to time, in the reasonable discretion of the Liquidator, in the same proportions as the amount distributed to such trust by the Company would otherwise have been distributed to the Members pursuant to this Agreement); or (b) withheld to provide a reasonable Reserve for Company liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Company; provided, that such withheld amounts shall be distributed to the Members as soon as practicable.

13.2.4 Deemed Distribution and Recontribution. Notwithstanding any other provision of this Article 13, in the event the Company is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g) but no Event of Dissolution has occurred, the Company’s property shall not be liquidated, the Company’s liabilities shall not be paid or discharged, and the Company’s affairs shall not be wound up. Instead, the Company shall be deemed to have transferred all of the Company Assets and liabilities to a successor entity (having the same federal income tax characteristics as the Company) in exchange for an interest in the successor entity and, immediately thereafter, the Company will be treated as distributing its interest in the successor entity to the Members in liquidation of the Company.

13.2.5 Rights of Members. Except as specifically provided in this Agreement, each Member shall look solely to the Company Assets for the return of its Capital Contribution and repayment of any loans owned to it by the Company or a Subsidiary to the extent provided in this Agreement and shall have no right or power to demand or receive property other than cash from the Company or a Subsidiary to the extent provided in this Agreement. Except as specifically provided in this Agreement, no Member shall have priority over any other Member as to the return of its Capital Contributions, distributions or allocations. No Member has any ownership interest in any Company Assets and the Company Interest of the Members shall be personal property for all purposes.

13.2.6 Notice of Dissolution. In the event an Event of Dissolution occurs, the Liquidator shall, within ten (10) days thereafter, provide written notice thereof to each of the Members and to all other Persons with whom the Company or any Subsidiary regularly conducts business and shall publish notice thereof in a newspaper of general circulation in each place in which the Company or any Subsidiary regularly conducts business.

13.2.7 Cancellation of Certificate of Formation. When all liabilities and obligations of the Company and each Subsidiary have been paid or discharged, or adequate provision has been made therefor, and all of the remaining Company Assets have been distributed to the Members according to their respective rights and interests as provided in Section 13.2.1, the Company shall be terminated and a Certificate of Cancellation shall be executed on behalf of the Company by the Members (or such other Person or Persons as the Act may require or permit) and shall be filed with the Office of the Secretary of State of the States of Delaware and California, and the Liquidator or such other Person or Persons shall take such other actions, and shall execute, acknowledge and file any and all other instruments, as may be necessary or appropriate to reflect the dissolution and termination of the Company and each Subsidiary.

13.2.8 Reasonable Time for Winding-Up. Subject to Section 13.2.3, a reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Company and each Subsidiary and the liquidation of its assets pursuant to this Section 13.2, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between the Members during the period of liquidation.

Section 13.3 Termination If Lease Amendment Terminates. If the Lease Amendment terminates as a result of the provision therein, then this Agreement shall be deemed automatically terminated, and any Capital Contributions shall be promptly returned to the Members who made same (and if necessary to accomplish this, Capital Contributions made by the Company to the Subsidiary shall be repaid), the HF Note and the Skechers Note shall be automatically cancelled as a result of the return of the Capital Contributions, and neither Member shall have any further rights or obligations hereunder, provided, however, that in such event nothing shall prevent any party to the Lease from bringing legal action on account of any breach of the Lease.

ARTICLE 14 AMENDMENT OF AGREEMENT

Section 14.1 Amendments.

14.1.1 General. Amendments to this Agreement may be proposed by either Member. Except as provided in Section 14.1.2 or Section 14.1.3, a proposed amendment shall be adopted and be effective as an amendment hereto only if it is approved by both Members. Any dispute between the Members regarding any proposed amendment shall not be subject to the expedited arbitration provisions in Article 15.

14.1.2 Managing Member's Power to Amend, Notwithstanding Section 14.1.1, either Managing Member shall have the power to amend this Agreement as may be required to facilitate or implement any of the following purposes:

- (a) to reflect the admission, substitution, termination, or withdrawal of Members in accordance with this Agreement; or
- (b) to satisfy any order, directive, opinion, ruling or regulation of a federal or state agency or contained in federal or state law applicable to the Company or any Subsidiary and required to be complied with; or
- (c) to conform to any "single-purpose entity" requirements of a Lender; or
- (d) to correct any non-substantive, typographical errors in this Agreement.

The Member proposing the amendment will provide at least ten (10) days' prior written notice to the other Member when any action under this Section 14.1.2 is taken.

14.1.3 Consent of Adversely Affected Member Required. Notwithstanding Section 14.1.2 hereof, this Agreement shall not be amended without the consent of any Member adversely affected if such amendment would (a) modify the limited liability of such Member, (b) alter rights of such Member to receive distributions pursuant to Article 5 or Article 13, the allocations specified in Exhibit "A", or the Capital Contribution obligations set forth in Article 4, (c) cause the termination of the Company prior to the time set forth in Section 2.4 or Section 13.1, (d) amend Article 18, or (d) amend this

Section 14.1.3. Further, no amendment may alter the restrictions on the Managing Members' authority set forth herein without the consent of both Members.

ARTICLE 15 DISPUTE RESOLUTION

Section 15.1 Mediation. In the event of any dispute between the Members under this Agreement, prior to (and as a condition which must be satisfied before) either Member institutes litigation (but not arbitration), the Members agree to submit the dispute to nonbinding mediation with JAMS or another mutually acceptable mediator. Such Mediation shall be completed no later than ninety (90) days after it is requested by either Member by notice to the other. Notwithstanding the foregoing, if appropriate, either Member may seek a provisional remedy (such as, but not limited to, injunctive relief) prior to commencing or completing such mediation.

Section 15.2 Arbitration. Should a dispute arise between the Members for which "expedited arbitration" is expressly called for under this Agreement, the parties shall submit such dispute to final and binding arbitration to be administered in accordance with the Streamlined Arbitration Rules and Procedures of JAMS (Judicial Arbitration and Mediation Service). No other dispute shall be submitted to arbitration unless the Members mutually agree otherwise. Unless the parties mutually agree otherwise, the arbitration shall take place at a JAMS Resolution Center in Los Angeles County, California, the arbitration shall be conducted by one arbitrator (who must be disinterested and independent of the Members), and the arbitrator shall award attorneys' fees and the costs of arbitration (JAMS fees and the fees of the arbitrator) to the prevailing party. The decision of the arbitrator (the "**Determination**") shall be binding and conclusive on the parties, except to the extent that appeals are permitted under California Code of Civil Procedure §1286.2. After the Determination, subject to any cure rights set forth in this Agreement, the prevailing party under the Determination may enforce its rights under this Agreement notwithstanding the filing or pendency of any appeal, but such party shall be responsible for any damages caused as a result of the taking of such action if the Determination is eventually set aside on appeal and either the court renders a decision on the merits in favor of the appealing party, or the appealing party is eventually the prevailing party in any subsequent arbitration proceeding. The arbitration award may be enforced in accordance with California Code of Civil Procedure §1285, et seq. or the Federal Arbitration Act (9 U.S.C. §1, et seq.). To the extent that matters of law are to be considered by the arbitrator, Delaware law shall apply (but the procedural aspects of the arbitration, as described above, shall be in accordance with California law). The parties need not submit any matter for which expedited arbitration is called for to Mediation under Section 15.1. Nothing herein shall prohibit a party from seeking a provisional remedy from a court of competent jurisdiction (e.g., a temporary restraining order or preliminary injunctive relief) pending the results of any mediation or arbitration.

Section 15.3 Increased Costs. If, as a result of the institution of any arbitration between the Members, there is any increase in the cost to complete the construction of the Project, then any such increased cost shall be funded by the Member who is not the prevailing party in such arbitration (with no increase in such Member's Capital Account, Capital Contributions, or in either the HF Loan or the Skechers Loan, as the case may be). The amount of any such increase in cost shall be determined by the arbitrator, and either Member may raise such issue in the arbitration regardless of who initiated the arbitration or the nature of the dispute which caused the arbitration.

ARTICLE 16 DEFAULTS / REMEDIES

Section 16.1 Defaults. Except as otherwise expressly provided in this Agreement, if either Member defaults in the performance of its obligations under this Agreement, the other Member shall

provide notice of such default and the allegedly defaulting Member shall have a period of fifteen (15) days to cure the default (but if the nature of the default is such that it cannot reasonably be cured within such fifteen (15) day period, then the allegedly defaulting Member shall have an additional reasonable amount of time, not to exceed another sixty (60) days, to cure the default if it commences the cure within the fifteen (15) day period and diligently pursues same to completion. Provided, however, that if the default cannot be cured, then no cure period shall be required. Provided, further, that this provision shall not apply to a default in making required Capital Contributions or loans under Article 4 or Article 6, as the provisions of Article 4 or Article 6 control under those circumstances. Any material breach by a Member of any of its material representations or warranties under this Agreement shall be a default (but subject to notice and cure as provided herein, to the extent applicable). With respect to any representation, warranty or covenant of HF or any HF Affiliate to convey HF's interest in the Property (as tenant under the Master Lease) to the Company free and clear of monetary liens and encumbrances, if such representation, warranty or covenant is untrue on the Effective Date, HF shall nevertheless have the right to cure such default up until the date that HF is obligated to convey fee title to the Property to the Company. In addition to other possible defaults under this Agreement, the following shall constitute defaults hereunder:

(a) If the HF Affiliate who has executed the assignment of contracts to the Company pursuant to Section 6.4 fails to honor its indemnification obligations thereunder, it shall be a default by HF hereunder; or

(b) If HF fails to transfer prepaid rent and operating expenses which it received from Skechers Parent under the Lease to the Company by the time provided in the Assignment of Lease (**Exhibit "M"**), it shall be a default by HF hereunder; or

(c) If Skechers Parent fails to pay the base rent differential to the Company by the time required under the Second Lease Amendment (**Exhibit "I"**), it shall be a default by Skechers hereunder.

Section 16.2 Remedies. Except as provided in this Agreement to the contrary, upon a default by any Member which is not cured as provided herein (or which cannot be cured) the non-defaulting Member shall have all rights and remedies at law and equity, as well as all rights and remedies afforded under this Agreement. If there is a dispute regarding whether or not a Member is in default, the matter shall be submitted to expedited arbitration in accordance with Article 15.

Section 16.3 Offset Rights. If any final judgment of a court of competent jurisdiction (or arbitration award, if arbitration is called for under this Agreement) is rendered against a Member, the other Member shall have the right to offset the amount thereof against any amounts thereafter due to be distributed to or otherwise payable to such Member, including distributions of Available Cash, the Member loans described in Article 4 or Article 6, or any proceeds due to such Member under the Buy-Sell provisions in Article 8.

ARTICLE 17 GENERAL PROVISIONS

Section 17.1 Addresses and Notice. All notices to be given under this Agreement shall be in writing, and may be either delivered personally, by certified mail return receipt requested, or by a nationally recognized overnight courier providing proof of delivery (*e.g.*, United Parcel Service or Federal Express) directed to the parties at their respective addresses set forth below. Notices to the Company shall be delivered at its principal place of business.

HF:

HF Logistics I, LLC
c/o Highland Fairview Properties
14225 Corporate Way
Moreno Valley, California 92553
Attention: Iddo Benzeevi

With Copy To:

Baker & Hostetler LLP
12100 Wilshire Boulevard, 15th Floor
Los Angeles, California 90025-7120
Attention: Bruce R. Greene, Esq.

With Additional Copy To:

Danette Fenstermacher
3070 Bristol Street, Ste 320
Costa Mesa, California 92626

– and –

James Lieb, Esq.
Executive Vice President
TG Services, Inc.
4 Stage Coach Run
East Brunswick, New Jersey 08816

SKECHERS:

Skechers U.S.A., Inc.
228 Manhattan Beach Boulevard
Manhattan Beach, California 90266
Attention: David Weinberg, COO

With Copy To:

Greenberg Traurig, LLP
2450 Colorado Avenue
Suite 400 East
Santa Monica, California 90404
Attention: Eric Rowen, Esq. and Sanford Present, Esq.

With Additional Copy to:

Philip Paccione, Esq.
Skechers U.S.A., Inc.
228 Manhattan Beach Boulevard
Manhattan Beach, California 90266

Notices given personally shall be deemed received upon delivery. Notices sent by overnight courier shall be deemed given upon delivery to the courier service. Mailed notices shall be deemed given on the date of mailing by certified mail. The time to respond to any notice shall begin to run on the date of delivery at the proper address (or refusal of delivery during normal business hours). Any Member hereto may designate a different address to which notices shall thereafter be directed by notice to the other Member given in the manner hereinabove set forth.

Section 17.2 Titles and Captions. All article or section titles or captions in this Agreement are for convenience only and shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to “Articles” and “Section” are to Articles and Sections of this Agreement. All schedules and exhibits annexed or attached hereto are expressly incorporated into and made a part of this Agreement.

Section 17.3 Interpretation. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa. The terms “include” and “including” shall be construed as if followed by the phrase “without limitation”.

Section 17.4 Further Action. The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 17.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and assigns, subject to the restrictions on transfer set forth herein. No Member may assign its rights under this Agreement or delegate its obligations under this Agreement, except as expressly permitted hereunder.

Section 17.6 Waiver of Partition. The Members hereby agree that the real property of the Company and each Subsidiary is not and will not be suitable for partition. Accordingly, each of the Members hereby irrevocably waives any and all rights (if any) that it may have to maintain any action for partition of any of the Company Assets or any of the Subsidiary’s Assets or to maintain an action to compel a judicial dissolution except to compel a liquidation or dissolution of the Company or a Subsidiary as expressly provided in this Agreement.

Section 17.7 Entire Agreement. This Agreement and the other agreements referenced herein constitute the entire agreement among the parties with respect to the matters contained herein; they supersede any prior letters of intent, agreements or understandings among them with respect to the matters contained herein and the Agreement may not be modified or amended in any manner other than pursuant to Article 14.

Section 17.8 Securities Law Provisions. The Company Interests have not been registered under the federal or state securities laws of any state and, therefore, may not be resold unless appropriate federal and state securities laws, as well as the provisions of Article 11, have been complied with.

Section 17.9 Creditors. None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any third party creditor of the Company, any Subsidiary, or any Person who is not a Member.

Section 17.10 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent

upon a breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

Section 17.11 Execution Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.

Section 17.12 Applicable Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law. The parties both agree to submit to the jurisdiction of any state or federal court in the State of California, and further agree that venue in any legal action shall be in the County of Los Angeles.

Section 17.13 Invalidity of Provisions. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 17.14 Limitation of Member Liability. Any obligation or liability whatsoever of the Members which may arise at any time under this Agreement shall be satisfied, if at all, out of the Members' assets only, except as expressly provided in this Agreement. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, the property of any of the Members' shareholders, partners, members, trustees, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise, except as expressly provided in this Agreement. NEITHER THE COMPANY NOR ANY SUBSIDIARY NOR ANY MEMBER SHALL BE RESPONSIBLE OR LIABLE TO ANY MEMBER, OR ANY OF THEIR RESPECTIVE AFFILIATES, FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF THE BREACH OF THIS AGREEMENT.

Section 17.15 WAIVER OF JURY TRIAL. BECAUSE DISPUTES IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE MEMBERS WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE MEMBERS DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS; THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION (WITHOUT SUBMITTING TO ARBITRATION), TO THE FULLEST EXTENT ALLOWABLE BY LAW, THE MEMBERS WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING BROUGHT TO ENFORCE OR DEFEND ANY RIGHTS OR REMEDIES UNDER THIS AGREEMENT.

Section 17.16 Construction. This Agreement shall be deemed to have been drafted jointly by both Members and the provisions of this Agreement shall not be construed against either Member as a result of any claim that such Member (or its legal counsel) drafted same.

Section 17.17 Attorneys' Fees. Should any Member be required to bring legal action or arbitration to enforce its rights under this Agreement, the prevailing party in such legal action or arbitration shall be entitled to recover from the losing party its reasonable attorneys' fees and costs in addition to any other relief to which it is entitled. Such recovery of attorneys' fees shall include any attorneys' fees incurred in connection with any bankruptcy or reorganization proceeding (including stay litigation) and any attorneys' fees incurred on appeal. The parties further agree that any attorneys' fees incurred in enforcing any judgment are recoverable as a separate item, and that this provision is intended

to be severable from the other provisions of this Agreement, shall survive the judgment, and is not to be deemed merged into the judgment.

Section 17.18 Confidentiality. Subject to the provisions in Section 9.1, the terms and conditions of this Agreement, including its existence, shall be confidential information and shall not be disclosed by either Member to any Person without the prior consent of the other Member, except that a Member may disclose the terms and conditions of this Agreement to such party's Affiliates, attorneys and other advisers, and any Lender, provided that such Persons are advised of the confidentiality restrictions contained herein, and except that any other disclosure may be made if required by law (including any required SEC filings or disclosures). If either Member determines that it is required by law to disclose information regarding this Agreement, such Member shall, within a reasonable time before making any such disclosure, consult with the other Member regarding such disclosure and seek confidential treatment for such portions of the disclosure as may be reasonably requested by the other Member.

Section 17.19 Sierra Club Litigation. HF Managing Member has negotiated a settlement of certain pending litigation with the Sierra Club entitled Sierra Club, a California not-for-profit corporation v. City of Moreno Valley, Riverside County, California Superior Court Case No. RIC519566 (the "Sierra Club Litigation"). A copy of the settlement agreement is attached hereto as Exhibit "H". Skechers agrees that it will cause Skechers Parent, as the tenant under the Lease, to abide by the terms and conditions of such settlement agreement.

Section 17.20 Adjacent Development. HF represents to Skechers that HF or its Affiliates own certain property which is situated adjacent to and in the proximity of the Project, which is under development or which will be developed during the term of this Agreement and the Lease. Skechers acknowledges that it has no interest in any such property or the developments thereon, and that there will be a certain amount of noise, construction dust and debris and inconvenience associated with such development.

Section 17.21 Expansion Parcel.

(a) If the tenant under the Lease does not exercise its expansion rights and does not participate in the development of the Expansion Parcel with HF, then HF shall have the right to either purchase the Expansion Parcel from the T2 Subsidiary (if the Expansion Parcel has not been previously subdivided, all costs required to subdivide the Expansion Parcel to satisfy the California Subdivision Map Act or any other conveyance requirements shall be the sole cost of HF, and Skechers shall have the right to approve all such subdivision documents, such approval not to be unreasonably withheld or delayed) at its then fair market value, or to enter into a ground lease of the Expansion Parcel at its then fair market rent (which ground lease shall be for a term of not less than twenty (20) years and upon commercially reasonable market terms and conditions). If the parties cannot agree on fair market value or fair market rent, as the case may be, then such amounts will be determined by an appraisal process as follows: Within fifteen (15) days after one party notifies the other that there is no mutual agreement with respect to the determination of fair market value or fair market rent, as the case may be, each party shall appoint an independent appraiser which has at least ten (10) years experience in appraisals of industrial real estate in the Riverside County, California area and who is a member of the Master Appraisers Institute. Each such appraiser shall submit his or her opinion as to the fair market value or fair market rent, as the case may be, within thirty (30) days after appointment. If only one party appoints an appraiser, then his or her opinion as to fair market value or fair market rent, as the case may be, shall be conclusive and binding on both parties. If the opinions of the two appraisers are within ten percent (10%) of each other, then the average of the two appraisals will be conclusive and binding on the parties as to fair market value and fair market rent, as the case may be. If the opinions differ by more than ten percent (10%), then the two appraisers shall appoint a third, independent appraiser (with the same

qualifications as above) who shall submit his or her opinion as to the fair market value or fair market rent, as the case may be, within thirty (30) days thereafter, and such opinion shall be conclusive and binding on the parties. If the two (2) appraisers cannot mutually agree upon a third appraiser, then the third appraiser will be selected by an arbitrator (from a list of three proposed appraisers to be submitted by each of the two appraisers) under the expedited arbitration provisions of Article 15. Each party shall pay for the appraiser appointed by such party, and if a third appraiser is appointed, the cost shall be borne equally by the parties.

(b) If the tenant under the Lease does exercise its expansion rights, then upon the amendment to the Lease as set forth therein, provided that there is no impediment to obtaining new financing and provided further that the Company receives approval of the Construction Lender (or, if applicable, the Permanent Lender), fee title to the Expansion Parcel shall be conveyed by the T2 Subsidiary to the T1 Subsidiary (and all other Subsidiary's Assets of the T2 Subsidiary shall be transferred to the T1 Subsidiary, which shall assume all liabilities of the T2 Subsidiary, and thereafter the Expansion Parcel shall be owned, operated and managed pursuant to the terms and conditions of the limited liability company agreement of the T1 Subsidiary). Upon consummation of such transfers, the T2 Subsidiary shall be dissolved and liquidated, and its certificate of formation shall be canceled.

Section 17.22 Condition of Effectiveness of Agreement. The effectiveness of this Agreement is conditioned upon the execution of the Second Lease Amendment concurrently with the execution of this Agreement.

ARTICLE 18 OVERRIDING PROVISIONS RE SUBSIDIARIES

It is understood and agreed that title to the Property will be held by the Subsidiaries. Specifically, the T1 Subsidiary will hold title to the Development Parcel and related entitlements (including the portion of the Project to be constructed thereon pursuant to the Lease), and the T2 Subsidiary will hold title to the Expansion Parcel, and any related entitlements (including any improvements which may be constructed thereon pursuant to the Lease). Accordingly, notwithstanding anything to the contrary in this Agreement, for the purposes of interpreting and implementing the provisions of this Agreement, the following shall apply:

(a) The contribution to the Company of HF's interest in the Master Lease and Lease and certain other property, and the subsequent contribution of the Property to the Subsidiaries, shall be effectuated by a direct assignment of the Master Lease and Lease to the T1 Subsidiary in the form of **Exhibits "L"** and **"M"**, respectively, and a subsequent conveyance by grant deed of (x) the Development Parcel directly to the T1 Subsidiary and (y) the Expansion Parcel to the T2 Subsidiary.

(b) To the extent permitted by law and any contractual obligations of the Subsidiaries, the Company shall cause each Subsidiary to distribute to the Company all of such Subsidiary's cash, except as otherwise agreed by the Members and any available Cash of the Company shall include such distributions of cash from the Subsidiaries to the Company.

(c) The Managing Members shall not cause the Company to permit a Subsidiary to take any action that would not be permitted to be taken by the Company under this Agreement without first obtaining the required approvals of the other Managing Member or Members under this Agreement that would be required if such action were to be being taken directly by the Company.

(d) The Company shall not permit any Subsidiary to have any members other than the Company.

(e) If either Member or Managing Member takes any actions (or omits to take any actions) which results in a material default by the Company, as the sole member of either or both of the Subsidiaries, under any of such Subsidiaries' material obligations to third parties (including, but not limited to, the obligations of the T1 Subsidiary as ground lessee under the Master Lease or landlord under the Lease), then such Member or Managing Member shall likewise be deemed to be in default under this Agreement.

(f) If the Company is dissolved pursuant to Article 13, then the Subsidiaries shall also be dissolved concurrently (unless all of the non-defaulting Members agree not to dissolve one or the other of the Subsidiaries).

(g) Unless otherwise expressly provided to the contrary in the limited liability company agreements of the Subsidiaries, all other provisions of this Agreement (including, but not limited to, the dispute resolution provisions) shall be deemed to be applicable to the limited liability company agreements of the Subsidiaries (and hence shall apply to the Company as the sole Member of the Subsidiaries), to the fullest extent possible without materially changing the fundamental economics of the business arrangement between the Members.

(h) To the extent that the Members are required to or elect to make Capital Contributions or loans to the Company, which are then to be contributed to the appropriate Subsidiary, for convenience such Capital Contributions or loans may be made directly to the appropriate Subsidiary. Such amounts shall for all purposes be deemed to have been paid or contributed to the Company and then paid or contributed to the appropriate Subsidiary by the Company.

(signature page follows)

IN WITNESS WHEREOF, the Members have executed this Agreement as of the date first written above.

“HF”

HF LOGISTICS I, LLC, a Delaware limited liability company

By: /s/ Iddo Benzeevi
Iddo Benzeevi, President and Chief Executive Officer

“SKECHERS”

SKECHERS R.B., LLC, a Delaware limited liability company

By: **Skechers U.S.A., Inc., a Delaware corporation, its sole member**

By: /s/ David Weinberg
David Weinberg, Chief Operating Officer

By its signature hereon, Skechers Parent guarantees to HF, the Company and the Subsidiaries its obligation to fund the Thirty Million Dollar (\$30,000,000) Initial Capital Contribution of Skechers as set forth in Section 4.1.1, subject to any conditions to such funding set forth in the Agreement for the benefit of Skechers.

“SKECHERS PARENT”

SKECHERS U.S.A., INC., a Delaware corporation

By: /s/ David Weinberg
David Weinberg, Chief Operating Officer

EXHIBIT “A”
CAPITAL ACCOUNTS,
ALLOCATIONS OF PROFIT AND LOSS,
AND OTHER TAX MATTERS

ARTICLE 1
DEFINITIONS

Section 1.1 Definitions.

All capitalized terms used herein shall have the meanings assigned to them in the Agreement. Notwithstanding the foregoing, the following definitions shall be applicable to the following terms as used in this Exhibit “A” and such definitions shall prevail in the event of a conflict with the definitions in the Agreement. Referring to Sections “hereof” shall mean Sections of this Exhibit “A”.

(a) Agreed Value.

“Agreed Value” of any property contributed to the capital of the Company shall mean the fair market value of such property at the time of contribution (as agreed to in writing by the Members without regard to Section 7701(g) of the Code (*i.e.*, determined without regard to the amount of Nonrecourse Liabilities to which such property is subject)).

(b) Book Basis.

The initial “Book Basis” of any Company property shall be equal to the Company’s initial adjusted tax basis in such property; *provided, however*, that the initial “Book Basis” of any Company property contributed to the capital of the Company shall be equal to the Agreed Value of such property. Effective immediately after giving effect to the allocations of profit and loss, as computed for book purposes, for each fiscal year under Section 3.1 hereof, the Book Basis of each Company property shall be adjusted downward by the amount of Book Depreciation allowable to the Company for such fiscal year with respect to such property. In addition, but subject in all events to the provisions of Section 3.5 hereof, effective immediately prior to any Revaluation Event, the Book Basis of each Company property shall be further adjusted upward or downward, as necessary, so that it will be equal to the fair market value of such property at the time of such Revaluation Event (as agreed to in writing by the Members taking Section 7701(g) of the Code into account (*i.e.*, such value shall not be agreed to be less than the amount of Nonrecourse Liabilities to which such property is subject)).

(c) Book Depreciation.

The amount of “Book Depreciation” allowable to the Company for any fiscal year with respect to any Company property shall be equal to the product of (i) the amount of Tax Depreciation allowable to the Company for such year with respect to such property, multiplied by (ii) a fraction, the numerator of which is the property’s Book Basis as of the beginning of such year (or the date of acquisition if the property is acquired during such year) and the denominator of which is the property’s adjusted tax basis as of the beginning of such year (or the date of acquisition if the property is acquired during such year). If the denominator of the fraction described in clause (ii) above is equal to zero, the amount of “Book Depreciation” allowable to the Company for any fiscal year with respect to the

Exhibit “A”

Company property in question shall be determined under any reasonable method selected by the Tax Matters Partner.

(d) Book Gain or Loss.

“Book Gain or Loss” realized by the Company in connection with the disposition of any Company property shall mean the excess (or deficit) of (i) the amount realized by the Company in connection with such disposition (as determined under Section 1001 of the Code) over (ii) the Book Basis of such property at the time of the disposition.

(e) Book/Tax Disparity Property.

“Book/Tax Disparity Property” shall mean any Company property that has a Book Basis which is different from its adjusted tax basis to the Company. Thus, any property that is contributed to the capital of the Company by a Member shall be a Book/Tax Disparity Property if its Agreed Value is not equal to the Company’s initial tax basis in the property. In addition, once the Book Basis of a Company property is adjusted in connection with a Revaluation Event to an amount other than its adjusted tax basis to the Company, the property shall thereafter be a “Book/Tax Disparity Property”.

(f) Capital Accounts.

“Capital Account” shall have the meaning assigned to such term in Section 2.1 hereof.

(g) Capital Transaction.

“Capital Transaction” means any of the following: (i) a sale, exchange, transfer, assignment or other disposition of all or a portion of any Company Asset (but not including sales in the ordinary course of business of inventory, operating equipment or furniture, fixtures, and equipment); (ii) any financing or refinancing of, or with respect to, any Company Asset except for equipment leases or purchase money financing for movables; (iii) any condemnation or transfer in lieu of condemnation of all or a portion of any Company Asset; (iv) any collection in respect of property, hazard, or casualty insurance (but not business interruption insurance) or any damage award; or (v) any other transaction the proceeds of which, in accordance with generally accepted accounting principles, are considered to be capital in nature.

(h) Company Minimum Gain.

“Company Minimum Gain” shall mean the amount of “partnership minimum gain” that is computed in accordance with the principles of Section 1.704-2(d)(1) of the Regulations. A Member’s share of such Company Minimum Gain shall be calculated in accordance with the provisions of Section 1.704-2(g) of the Regulations.

(i) Deductible Expenses.

“Deductible Expenses” for any fiscal year (or portion thereof) shall mean all items, as calculated for book purposes, which are allowable as deductions to the Company for such period under federal income tax accounting principles (including Book Depreciation but excluding any expense or deduction attributable to a Capital Transaction).

Exhibit “A”

(j) Economic Risk of Loss.

“Economic Risk of Loss” borne by any Member for any Company liability shall mean the aggregate amount of economic risk of loss that such Member and all Related Persons to such Member are treated as bearing with respect to such liability pursuant to Section 1.752-2 of the Regulations.

(k) Gross Asset Value.

“Gross Asset Value” means, with respect to any asset, the asset’s adjusted basis for U.S. federal income tax purposes except as follows:

(i) the initial Gross Asset Value of any asset contributed by a Member to the Company will be the gross Fair Market Value of the asset;

(ii) the Gross Asset Value of all Company Assets will be adjusted to equal their respective gross fair market values as of the following times: (a) the occurrence of a Revaluation Event; (b) the liquidation of the Company within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Regulations; and (c) upon any other event on which it is necessary or appropriate in order to comply with the Regulations under Code Section 704(b);

(iii) the Gross Asset Value of any Company Asset distributed to any Member will be adjusted to equal the gross fair market value of the asset on the date of distribution; and

(iv) the Gross Asset Value of Company Assets will be increased (or decreased) to reflect any adjustments to the adjusted basis of these assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining the Capital Accounts pursuant to Section 1.704-1(b)(2)(iv)(m) of the Regulations.

(l) Gross Income.

“Gross Income” for any fiscal year (or portion thereof) shall mean the gross income derived by the Company from all sources (other than from capital contributions and loans to the Company and other than from Capital Transactions) during such period, as calculated for book purposes in accordance with federal income tax accounting principles.

(m) Liquidation.

“Liquidation” of a Member’s Company Interest shall mean and be deemed to occur upon the earlier of (i) the date upon which the Company is terminated under Section 708(b)(1) of the Code, (ii) the date upon which the Company ceases to be a going concern (even though it may continue in existence for the limited purpose of winding up its affairs, paying its debts and distributing any remaining Company properties to the Members) or (iii) the date upon which there is a liquidation of the Member’s Company Interest (but the Company is not terminated) under Section 1.761-1(d) of the Regulations. “Liquidation” of the Company shall mean and be deemed to occur upon the earlier of (x) the date upon which the Company is terminated under Section 708(b)(1) of the Code or (y) the date upon which the Company ceases to be a going concern (even though it may continue in existence for the limited purpose of winding up its affairs, paying its debts and distributing any remaining Company properties to the Members).

Exhibit “A”

(n) Member Minimum Gain.

“Member Minimum Gain” shall mean “partner nonrecourse debt minimum gain,” as defined in Section 1.704-2(i)(2) of the Regulations and determined in accordance with Sections 1.704-2(i)(3) and 1.704-2(k) of the Regulations.

(o) Member Nonrecourse Deductions.

“Member Nonrecourse Deductions” shall mean “partner nonrecourse deductions,” as defined in Section 1.704-2(i) of the Regulations.

(p) Member Nonrecourse Debt.

“Member Nonrecourse Debt” shall mean “partner nonrecourse debt,” as defined in Section 1.704-2(b)(4) of the Regulations.

(q) Nonrecourse Deductions.

“Nonrecourse Deductions” shall mean any and all items of Book Depreciation and other Deductible Expenses that are treated as “nonrecourse deductions” under Section 1.704-2(c) of the Regulations.

(r) Nonrecourse Liability.

“Nonrecourse Liability” shall mean any Company liability (or portion thereof) treated as a nonrecourse liability under Section 1.704-2(b)(3) of the Regulations. Subject to the foregoing sentence, Nonrecourse Liability shall mean any Company liability (or portion thereof) for which no Member bears the Economic Risk of Loss.

(s) Operations.

“Operations” shall mean all revenue producing activities of the Company other than activities constituting or relating to Capital Transactions.

(t) Profits and Loss.

“Profits” and “Loss” mean, for each Tax Period, an amount equal to the Company’s taxable income or loss for such Tax Period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments (without duplication):

(i) Any income of the Company that is exempt from United States federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition of “Profits” and “Losses” shall be added to such taxable income or loss;

(ii) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses pursuant to this definition of “Profits” and “Losses,” shall be subtracted from such taxable income or loss; and

Exhibit “A”

(iii) Any items of income, loss or deduction specially allocated under Article 3 of this Exhibit "A" shall not be taken into account in computing "Profits" or "Loss."

(u) Recourse Debt.

"Recourse Debt" shall mean any Company liability (or portion thereof) that is not a Nonrecourse Liability.

(v) Regulations.

"Regulations" shall mean the regulations promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Code. All references herein to sections of the Regulations shall include any corresponding provision or provisions of succeeding, similar, substitute proposed or final Regulations.

(w) Related Person.

"Related Person" shall mean, as to any Member, any person who is related to such Member (within the meaning of Section 1.752-4(b) of the Regulations).

(x) Revaluation Event.

"Revaluation Event" shall mean any of the following occurrences: (i) the contribution of money or other property (other than *a de minimis* amount) by a new or existing Member to the capital of the Company as consideration for the issuance of an additional interest in the Company; (ii) the distribution of money or other property (other than *a de minimis* amount) by the Company to a retiring or continuing Member as consideration for an interest in the Company or (iii) any other event permitting a revaluation of Capital Accounts under the Regulations. Notwithstanding the foregoing, an event described in the preceding sentence shall not constitute a Revaluation Event if both Members reasonably determine that it is not necessary to adjust the Book Basis of the Company's Property or the Members' Capital Accounts in connection with the occurrence of any such event.

(y) Tax Depreciation.

"Tax Depreciation" for any fiscal year shall mean the amount of depreciation, cost recovery or other amortization deductions allowable to the Company for federal income tax purposes for such year.

(z) Tax Items.

"Tax Items" shall mean, with respect to any property, all items of profit and loss (including Tax Depreciation) recognized by or allowable to the Company with respect to such property, as computed for federal income tax purposes.

(aa) Unrealized Book Gain or Loss.

"Unrealized Book Gain Or Loss" with respect to any Company property shall mean the excess (or deficit) of (i) the fair market value of such property (as agreed to in writing by the Members taking Section 7701(g) of the Code into account (*i.e.*, such value shall not be agreed to be less than the

amount of Nonrecourse Liabilities to which such property is subject)), over (ii) the Book Basis of such property.

ARTICLE 2 CAPITAL ACCOUNTS

Section 2.1 Capital Accounts.

A separate "Capital Account" (herein so called) shall be maintained for each Member for the full term of the Agreement in accordance with the capital accounting rules of Section 1.704-1(b)(2)(iv) of the Regulations. Pursuant to the basic rules of Section 1.704-1(b)(2)(iv) of the Regulations, the balance of each Member's Capital Account shall be:

(a) Increased by the amount of money contributed by such Member (or such Member's predecessor in interest) to the capital of the Company pursuant to ARTICLE 4 of the Agreement and this Exhibit "A" and decreased by the amount of money distributed to such Member (or such Member's predecessor in interest) pursuant to ARTICLE 5 or ARTICLE 13 of the Agreement;

(b) Increased by the fair market value of the Property (determined without regard to Section 7701(g) of the Code) (*i.e.*, determined without regard to the amount of Nonrecourse Liabilities to which such property is subject)) contributed by such Member (or such Member's predecessor in interest) to the capital of the Company pursuant to ARTICLE 4 or ARTICLE 13 of the Agreement and this Exhibit "A" (net of all liabilities secured by such property that the Company is considered to assume or take subject to under Section 752 of the Code) and decreased by the fair market value of the Property (determined without regard to Section 7701(g) of the Code (*i.e.*, determined without regard to the amount of Nonrecourse Liabilities to which such property is subject)) distributed to such Member (or such Member's predecessor in interest) by the Company pursuant to ARTICLE 5 of the Agreement (net of all liabilities secured by such property that such Member is considered to assume or take subject to under Section 752 of the Code);

(c) Increased by the amount of each item of Company Profit (and other items of income or gain) allocated to such Member (or such Member's predecessor in interest) pursuant to Section 3.1 hereof;

(d) Decreased by the amount of each item of Company Loss (and other items of loss or deduction) allocated to such Member (or such Member's predecessor in interest) pursuant to Section 3.1 hereof; and

(e) Otherwise adjusted in accordance with the other capital account maintenance rules of Section 1.704-1(b)(2)(iv) of the Regulations including, without limitation, the capital account maintenance rules for the treatment of liabilities as set forth in Section 1.704-1(b)(2)(iv)(c) of the Regulations (provided that there shall be no double counting of items taken into account in the definition of "Profit" or "Loss.")

Section 2.2 Additional Provisions Regarding Capital Accounts.

(a) If a Member pays any Company indebtedness, such payment shall be treated as a contribution by that Member to the capital of the Company, and the Capital Account of such Member shall be increased by the amount so paid by such Member.

Exhibit "A"

(b) Except as otherwise provided herein, no Member may contribute capital to, or withdraw capital from, the Company. To the extent any monies which any Member is entitled to receive pursuant to the Agreement would constitute a return of capital, each of the Members consents to the withdrawal of such capital.

(c) A loan by a Member to the Company shall not be considered a contribution of money to the capital of the Company, and the balance of such Member's Capital Account shall not be increased by the amount so loaned. No repayment of principal or interest on any such loan, reimbursement made to a Member with respect to advances or other payments made by such Member on behalf of the Company or payments of fees to a Member or Related Person to such Member which are made by the Company shall be considered a return of capital, or any other form of distribution, or in any manner affect the balance of such Member's Capital Account. No Member or Related Person to such Member shall make a loan to the Company unless such loan is authorized pursuant to the provisions of the Agreement.

(d) No Member with a deficit balance in its Capital Account shall have any obligation to the Company, any other Member or any other Person to restore said deficit balance. In addition, no venturer or partner in any Member shall have any liability to the Company or any other Member for any deficit balance in such venturer's or partner's capital account in the Member in which it is a partner or venturer. Furthermore, a deficit Capital Account balance of a Member (or a capital account of a partner or venturer in a Member) shall not be deemed to be a liability of such Member (or of such venturer or partner in such Member) or a Company Asset or property. The provisions of this Section 2.2(d) shall not affect any Member's obligation to make capital contributions to the Company that are required to be made by such Member pursuant to the Agreement.

(e) Except as otherwise provided herein or in the Agreement, no interest will be paid on any capital contributed to the Company or the balance in any Member's Capital Account.

ARTICLE 3 ALLOCATIONS OF PROFIT AND LOSS

Section 3.1 Allocations of Profit and Loss. Subject to the provisions of Section 3.1, Section 3.2, Section 3.3, Section 3.4, and Section 3.5, hereof, all items of Profit and Loss realized by the Company during each fiscal year shall be allocated among the Members (after giving effect to all adjustments attributable to all contributions and distributions of money and property effected during such year) in the manner prescribed in this Section 3.1.

(a) Minimum Gain Chargeback. Pursuant to Section 1.704-2(f) of the Regulations (relating to minimum gain chargebacks) and notwithstanding any other provision of the Agreement, if there is a net decrease in Company Minimum Gain for such year (or if there was a net decrease in Company Minimum Gain for a prior fiscal year and the Company did not have sufficient amounts of Gross Income and Book Gain during prior years to allocate among the Members under this Section 3.1(a)), then items of Company Gross Income and Book Gain shall be allocated, before any other allocation is made pursuant to the succeeding provisions of this Section 3.1 for such year, to each Member in an amount equal to such Member's share of the net decrease in such Company Minimum Gain (as determined under Section 1.704-2(g)(2) of the Regulations), subject to any exceptions to such requirement contained in the Regulations. Such items shall consist of (i) Book Gain from the disposition of property subject to a Nonrecourse Liability, and (ii) if necessary, a pro rata portion of other items of Gross Income and Book Gain. This Section 3.1(a) is intended to comply with the minimum gain

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chargeback requirement in Section 1.704-2(f) of the Regulations and shall be interpreted consistently therewith.

(b) Member Minimum Gain Chargeback. Pursuant to Section 1.704-2(i)(4) of the Regulations (relating to chargebacks of partner nonrecourse debt minimum gain) and notwithstanding any other provisions of this Agreement, if there is a net decrease in Member Minimum Gain for such year (or if there was a net decrease in Member Minimum Gain for a prior fiscal year and the Company did not have sufficient amounts of Gross Income and Book Gain during prior years to allocate among the Partners under this Section 3.1(b)), then items of Company Gross Income and Book Gain shall be allocated, before any other allocation is made pursuant to the succeeding provisions of this Section 3.1 for such year, to each Member in an amount equal to such Member's share of the net decrease in such Member Minimum Gain (as determined pursuant to Section 1.704-2(i)(4) of the Regulations), subject to any exceptions to such requirement contained in the Regulations. Such items shall consist of (i) Book Gain from the disposition of property subject to a Member Nonrecourse Debt, and (ii) if necessary, a pro rata portion of other items of Gross Income and Book Gain not allocated pursuant to Section 3.1(a) above. This Section 3.1(b) is intended to comply with the partner nonrecourse debt minimum gain chargeback requirement in Section 1.704-2(i)(4) of the Regulations and shall be interpreted consistently therewith.

(c) Qualified Income Offset. Any Member who unexpectedly receives an adjustment, allocation or distribution described in Regulation Sections 1.704-1 (b)(2)(ii)(d)(4), (5) or (6) of the Regulations that causes a deficit balance in its Capital Account (in excess of any amounts which such Member is obligated to restore to the Company, if any, or any deemed deficit restoration obligation pursuant to Regulation Sections 1.704-2(g)(1) and (i)(5) of the Regulations), shall be allocated items of Gross Income and Book Gain before any other allocation is made pursuant to the succeeding provisions of this Section 3.1 for such year in an amount and a manner sufficient to eliminate, to the extent required by the Treasury Regulations, such deficit balance as quickly as possible. This Section 3.1(c) is intended to comply with the alternate test for economic effect set forth in Section 1.704-1(b)(2)(ii)(d) of the Regulations and shall be interpreted and applied in a manner consistent therewith.

(d) Nonrecourse Deductions. All Nonrecourse Deductions shall be allocated among the Members, pro rata in accordance with their respective Contribution Percentages and in a manner consistent with Section 1.704-2(e) of the Regulations.

(e) Member Nonrecourse Deductions. All Member Nonrecourse Deductions attributable to Member Nonrecourse Debt shall be allocated among the Members bearing the Economic Risk of Loss for such debt consistent with Section 1.704-2(i)(1) of the Regulations.

(f) Nonrecourse Liabilities. For purposes of Section 752 of the Code, all Nonrecourse Liabilities of the Company shall be shared among the Members in the ratio of their Contribution Percentages.

(g) Code Section 754 Adjustment. To the extent an adjustment to the adjusted tax basis of any Company property, pursuant to Code Sections 734(b) or 743(b) is required, pursuant to Section 1.704-1(b)(2)(iv)(m)(2) or 1.704-1(b)(2)(iv)(m)(4) of the Regulations, to be taken into account in determining Capital Accounts as a result of a distribution to a Member in complete liquidation of its interest in the Company, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specifically allocated to the Members in accordance with their interests in the Company (in the event Section 1.704-1(b)(2)(iv)(m)(2) of the Regulations applies) or to the Members to

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whom such distribution was made (in the event Section 1.704-1(b)(2)(iv)(m)(4) of the Regulations applies).

(h) Special Allocation of Amounts Required. In the event and to the extent that any amount paid by the Company to a Member or to a person related to a Member is treated as having been received in a partner capacity for federal income tax purposes, there shall be specially allocated to such Member, before any allocation is made pursuant to Section 3.1(i) hereof, an amount of Gross Income equal to such amount that is so treated.

(i) General Allocations. After giving effect to the special allocations in Sections 3.1(a) through (h) above, all items of Profit and Loss realized by the Company shall be allocated among the Members in such a manner that would cause their respective Capital Account balances (determined prior to taking into account distributions actually made within the fiscal year), to the greatest extent possible, to be equal to (i) the amount that would be distributed to each Member, if (a) the Company were to sell all of its assets for their Gross Asset Values, (b) all Company liabilities were satisfied (limited with respect to each nonrecourse liability to the Gross Asset Values of the assets securing such liability), and (c) the Company were to distribute the sale proceeds and other assets of the Company pursuant to Section 5.2 of the Agreement, plus (ii) the amount of cash and other property that was distributed to the Member within such fiscal year, minus (iii) such Member's share of Company Minimum Gain or Member Nonrecourse Debt Minimum Gain, computed immediately prior to the hypothetical sale of assets.

(j) Character of Income and Loss. For purposes of determining the nature (as ordinary or capital) of any Company profit allocated among the Members for federal income tax purposes pursuant to this Section 3.1, the portion of such profit required to be recognized as ordinary income pursuant to Sections 1245 and/or 1250 of the Code shall be deemed to be allocated among the Members in the same proportion that they were allocated and claimed the Book Depreciation deductions, or basis reductions, directly or indirectly giving rise to such treatment under Sections 1245 and/or 1250 of the Code or in any other manner required by temporary or final Regulations.

(k) Limitations On Allocations. Notwithstanding the provisions of Section 3.1(h) above:

(i) No Loss or items of loss or deduction shall be allocated to any Member that has a deficit Capital Account balance exceeding its actual or deemed obligation to restore the same or would have a deficit Capital Account balance exceeding its actual or deemed obligation to restore the same as a result of any such allocation while any other Member has a positive Capital Account balance, it being the intention of the Members that such loss shall be allocated in those circumstances solely to the Member(s) with positive Capital Account balances;

(ii) In the event no Member has a positive Capital Account balance, Loss shall be allocated between the Members pro rata based on their respective Contribution Percentages; and

(iii) Any Loss from a Liquidating Transaction, as well as any Profit or Loss for the fiscal year in which the Liquidating Transaction takes place, shall be allocated among the Members in such a manner as to cause their respective positive Capital Account balances, immediately following such allocations, to be equal, to the maximum extent possible, to the distributions each would receive under ARTICLE 5 of the Agreement upon the distribution of the available liquidation proceeds.

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Section 3.2 Allocations of Income and Loss in Respect of Interests Transferred.

If any Company Interest is transferred, or is increased or decreased by reason of the admission of a new Member or otherwise, during any fiscal year, each item of Profit and Loss for such year shall be divided and allocated among the Members in question by taking account of their varying interests in the Company during such year (on a daily, monthly or other basis, an interim closing of the books method or any other permissible method under Section 706 of the Code and the Regulations thereunder) as determined by the Managing Members.

Section 3.3 Allocation of Tax Items.

(a) Except as otherwise provided in the succeeding provisions of this Section 3.3, each Tax Item shall be allocated among the Members in the same manner as each correlative item of Profit or Loss, is allocated pursuant to the provisions of Section 3.1 hereof.

(b) The Members hereby acknowledge that all Tax Items in respect of Book/Tax Disparity Property are required to be allocated among the Members in the same manner as under Section 704(c) of the Code (as specified in Sections 1.704-1(b)(2)(iv)(f) and 1.704-1(b)(2)(iv)(g) of the Regulations) and that the principles of Section 704(c) of the Code require that such Tax Items must be shared among the Members so as to take account of the variation between the adjusted tax basis and Book Basis of each such Book/Tax Disparity Property. Thus, notwithstanding anything in Section 3.1 or 3.3(a) hereof to the contrary, the Members' distributive shares of Tax Items in respect of each Book/Tax Disparity Property shall be separately determined and allocated among the Members in accordance with the principles of Section 704(c) of the Code. The method for making all Section 704(c) allocations of the Company with respect to the Initial Capital Contribution shall be mutually agreed upon by the Managing Members, and if the Managing Members cannot mutually agree, then the "traditional method" shall be used. HF agrees to provide Skechers with its adjusted tax basis in the Property (as of the Closing Date) within sixty (60) days after the Closing Date.

(c) The Members agree that the contribution by HF of all property relating to the Project (including fee title to the Property and all of right, title and interest in all personal property and all plans, specifications, architectural drawings and renderings, surveys and other collateral material relating to the ownership and development of the Property) to the Company pursuant to Section 4.1.1(b) of the Agreement and the HF Loan made pursuant to Section 6.4 of the Agreement will be treated by the Company and HF on their respective tax returns as follows under the Regulations under Code Section 707:

(i) Pursuant to Section 1.707-4(d) of the Regulations, the first payments of principal made under the HF Note are to be treated for all purposes as payments made to HF to reimburse HF for capital expenditures incurred by HF with respect to all property relating to the Project during the two (2) year period preceding the transfer by HF to the Company of such property, subject to the limitation contained in such Regulation that such pre-formation expenditures shall not exceed twenty percent (20%) of the fair market value of such property at the time of contribution (the "20% Limitation") unless the fair market value of such property does not exceed one hundred twenty percent (120%) of the adjusted basis of such property at the time of contribution (in which case such 20% Limitation shall not apply);

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(ii) The remainder of the principal payments made under the HF Note shall be treated as payments made with respect to a sale to the Company by HF of a proportionate amount of all property relating to the Project on the date of the contribution of such property to the Company (with the portion of such property that is deemed to have been sold by HF to the Company being determined under the Regulations under Section 707 of the Code); and

(iii) As required by Regulations Sections 1.707-3(c)(2) and 1.707-8, the Company shall disclose to the IRS the Company's treatment of the HF Note payments as pre-formation expenses to the extent described in Section 3.3(c)(i) above.

Section 3.4 The allocations set forth in Sections 3.1(a) through 3.1(h) hereof (the "**Regulatory Allocations**") are intended to comply with the requirements of Sections 1.704-1(b) and 1.704-2 of the Regulations and, in all events, shall be interpreted and applied consistently therewith.

Section 3.5 Revaluation Events and Capital Adjustments for Book Items.

Pursuant to the capital account maintenance rules of Section 1.704-1(b)(2)(iv) of the Regulations, effective immediately prior to any Revaluation Event, the Capital Account balance of each Member shall be adjusted to reflect the manner in which items of Profit or Loss, equal to the Unrealized Book Gain or Loss then existing with respect to each asset owned (to the extent not previously reflected in the Members' Capital Accounts) by the Company would be allocated among the Members pursuant to Section 3.1 hereof if there were a taxable disposition of such property immediately prior to such Revaluation Event for its fair market value (as determined by the Managing Member taking Section 7701(g) of the Code into account). In all events with respect to all items of Company Profit and Loss, the balances of the Members' Capital Accounts shall be adjusted solely for allocations of such items, as computed for book purposes, under Section 3.1 hereof and shall not be adjusted for allocations of correlative Tax Items under Section 3.3 hereof.

Section 3.6 Intent of Liquidating Distributions.

The parties intend that the allocation provisions of this Exhibit "A" shall produce final Section 704 Capital Account balances of the Member being equal to the distributions required pursuant to Section 5.2 of the Agreement. To the extent that the allocations required in this Exhibit "A" would fail to produce such Capital Account balances (determined at the close of each taxable year as provided in Section 3.1(i)), (a) such allocations provisions shall be amended by the Managing Members if and to the extent necessary to produce such result and (b) items of Company income, gain, loss, or deduction for prior open taxable years shall be reallocated among the Members to the extent it is not possible to achieve such result with allocations of Company income, gain, loss or deduction for the current taxable year and future taxable years. This Section 3.6 shall control notwithstanding any reallocation or adjustment of taxable income, taxable loss, or items thereof by the Internal Revenue Service or any other taxing authority.

Section 3.7 Curative Allocations.

The Regulatory Allocations are intended to comply with certain requirements of the Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss or deduction pursuant to this Section 3.7. Therefore, notwithstanding any other provision of this Agreement (other than the Regulatory Allocations), the Managers shall make such offsetting allocations

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of Company income, gain, loss or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of this Agreement.

ARTICLE 4
OTHER TAX MATTERS

Section 4.1 Consistent Treatment.

The Members shall take positions with respect to Tax Items that are consistent with the positions taken by the Company with respect to the same Tax Items in all U.S. federal, state, local, or foreign tax returns, all notices to government bodies, and in any audit or other proceedings with respect to taxes.

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EXHIBIT "B"
DEVELOPMENT MANAGEMENT AGREEMENT

Exhibit "B"

DEVELOPMENT MANAGEMENT AGREEMENT

THIS DEVELOPMENT MANAGEMENT AGREEMENT (this "*Agreement*") is made and entered into effective as of the 30th day of January, 2010 (the "*Effective Date*"), by and between HF LOGISTICS-SKX, LLC (hereinafter, "*Owner*"); and HFC HOLDINGS, LLC, a Delaware limited liability company ("*Development Manager*").

RECITALS:

- A. Owner is a Delaware limited liability company formed pursuant to that certain Limited Liability Company Agreement (as amended from time to time, the "*LLC Agreement*") dated of even date herewith between HF Logistics I, LLC, a Delaware limited liability company ("*HF Member*"), and Skechers RB, LLC, a Delaware limited liability company ("*Skechers Member*").
- B. Section 7.5 of the LLC Agreement provides that the Owner shall enter into this Agreement.
- C. The Owner has caused the Project Architect to prepare the Approved Plans for the Improvements (the construction of the Improvements on the Land in accordance with the Approved Plans is herein called the "*Project*").
- D. The Owner has approved the Development Budget for the Project.
- E. Owner and Development Manager intend that the Development Manager perform or cause to be performed the Development Services and receive the Development Manager Fee, in accordance with this Agreement.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing (all of which is incorporated in this Agreement by this reference) and other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, Owner and Development Manager hereby agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.1 Certain Definitions. As used in this Agreement, the following terms have the following meanings:

"*Added Costs*" has the meaning given to that term in Section 4.1.

"*Agreement*" has the meaning given to that term in the introductory paragraph.

“Applicable Laws” means all applicable statutes, ordinances, rules, regulations, codes and interpretations by all federal, state and local governmental authorities having jurisdiction over the Project.

“Approval by (or of) Owner” means to be approved in writing by Owner.

“Approved Plans” has the meaning given to that term in Section 2.4.

“Bid Documents” has the meaning given to that term in Section 2.7(e)(i).

“Building” means the building which constitutes part of the Improvements.

“Close-Out” has the meaning given to that term in Section 2.11(a).

“Completion Notice” means a notice from Development Manager (or the General Contractor) to the Owner that Substantial Completion has occurred for the Improvements, as described in Section 2.10(a).

“Completion of the Project” has the meaning given to that term in Section 2.11(c).

“Construction Loan” means the loan to be made to Owner by Lender, the proceeds of which shall be used to construct the Project.

“Contract Documents” means the Approved Plans, the Project Construction Contract, and other documents governing the performance obligations of the General Contractor.

“Development Approvals” has the meaning given to that term in Section 2.7(g).

“Development Budget” has the meaning given to that term in Section 2.3.

“Development Budget Amendment” has the meaning given to that term in Section 2.8(f).

“Development Manager” has the meaning given that term in the introductory paragraph.

“Development Manager Fee” has the meaning given to that term in Section 5.1.

“Development Services” has the meaning given to that term in Section 2.1.

“Due Care” means to act in good faith, within the scope of one’s authority, with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent real estate professional experienced in such matters would use in the conduct of the development of an industrial/warehouse building of the type and quality envisioned in the Approved Plans.

“Effective Date” has the meaning given to that term in the introductory paragraph.

“Entitlement Requirements” has the meaning given to that term in Section 2.7(a)(i).

“Force Majeure” has the meaning given to that term in Section 4.2.

“General Contractor” means the general contractor selected by the Development Manager and engaged by Owner to construct the Project.

“Hard Costs” means those Project Costs so designated in the Development Budget.

“Hazardous Materials” means any hazardous, toxic or dangerous waste, substance or material, pollutant or contaminant, as defined for purposes of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 9601 et seq.), as amended, or the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.), as amended, or any other federal, state or local law, ordinance, rule or regulation applicable to the Land or the Project, or any substance which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous, or any substance which contains gasoline, diesel fuel or other petroleum hydrocarbons, polychlorinated biphenyls (PCBs), or radon gas, urea formaldehyde, asbestos or lead.

“Improvements” means an approximately 1,820,000 rentable square foot Building and other improvements to be constructed by Owner on the Land in accordance with the Lease and the Approved Plans.

“Indemnified Parties” has the meaning given to that term in Section 4.3.

“Land” means the tract of land which is the subject of the Lease and upon which the Project will be constructed.

“Lease” means that certain Lease dated September 25, 2007 between HF Member, as landlord, and Skechers Parent, as tenant, as amended.

“Lender” means the lender which extends the Construction Loan to Owner, or any future holder of the note and other documents which evidence the Construction Loan.

“LLC Agreement” has the meaning given that term in the Recitals.

“Owner” has the meaning given to that term in the introductory paragraph.

“Party” means either Owner or Development Manager.

“Project” has the meaning given that term in the Recitals.

“Project Architect” means HPA Architects.

“Project Construction Contract” has the meaning given to that term in Section 2.7(e)(v).

“Project Costs” means all costs of construction of the Project (Hard Costs and Soft Costs) as reflected in the Development Budget.

“Project Engineers” means the mechanical, structural and electrical engineers’ engaged in connection with the Project.

“Project Manager” has the meaning given to that term in Section 3.2.

“Project Schedule” has the meaning given to that term in Section 2.3.

“Project Team” has the meaning given to that term in Section 2.2.

“Punchlist” has the meaning given to that term in Section 2.10(c).

“Punchlist Items” means any items necessary to complete the Improvements in compliance with Applicable Laws, the Approved Plans and the other requirements of this Agreement after receipt of the Completion Notice (it being understood that the nature of the Punchlist Items is such that they will, not materially interfere with the use, occupancy or enjoyment of the Building by Skechers Parent as tenant under the Lease).

“Skechers Parent” means Skechers USA, Inc., a Delaware corporation.

“Soft Costs” means those Project Costs so designated in the Development Budget.

“Standard of Quality” has the meaning given to that term in Section 2.5.

“Statement of Project Costs” has the meaning given to that term in Section 2.11(b).

“Substantial Completion” has the meaning set forth in the Lease.

Section 1.2 Other Definitions. Other terms defined in this Agreement have the meanings so given them. Capitalized terms used but not defined herein shall have the same meaning herein as in the LLC Agreement.

Section 1.3 Terminology. Unless the context of this Agreement clearly requires otherwise, (a) pronouns, wherever used herein, and of whatever gender, shall include natural persons and corporations, partnerships, limited liability companies and entities of every kind and character, (b) the singular shall include the plural wherever and as often as may be appropriate, (c) the word “includes” or “including” shall mean “including without limitation”, and (d) the words “hereof”, “herein”, “hereunder”, and similar terms in this Agreement shall refer to this Agreement as a whole and not any particular section or article in which such words appear. The section, article, and other headings in this Agreement are for reference purposes and shall not control or affect the construction of this Agreement or the interpretation hereof in any respect. Article, section, subsection, and exhibit references are to this Agreement unless otherwise specified. All exhibits attached to this Agreement constitute a part of this Agreement and are incorporated herein.

ARTICLE 2

SCOPE OF SERVICES

Section 2.1 General. Development Manager shall perform, using Due Care, the services described in this ARTICLE 2 (the **“Development Services”**) required for the development of the Project. Development Manager will coordinate with the Owner with respect to the matters for which the Owner is involved in accordance with this Agreement and Development Manager will coordinate with the Skechers Member with respect to matters for

which the Skechers Member is involved in accordance with this Agreement. It is understood that any decisions, approvals, consents or other rights or obligations of the Owner under this Agreement shall be subject to the provisions of the LLC Agreement which allocate the authority to make such decisions, approvals, consents or to exercise such rights or obligations between the Skechers Member and the HF Member, and nothing in this Agreement is intended to modify or amend such provisions of the LLC Agreement.

Section 2.2 Project Team. Development Manager shall coordinate and provide leadership for the development, design and construction team (the “*Project Team*”) for the Project. The Project Team shall consist of Development Manager, Owner, the Project Architect, the Project Engineers and the General Contractor, and others engaged by Owner to work on the development, design or construction of the Project.

Section 2.3 Development Budget and Project Schedule. Attached hereto marked **Exhibit “A”** is a development budget (as amended, the “*Development Budget*” and which includes any Added Costs) and a project schedule (as amended, the “*Project Schedule*”) for the Project. Development Manager shall revise the Development Budget and the Project Schedule from time to time, but except as set forth in Section 4.1, no amendment or modification of the Development Budget or the Project Schedule shall be effective until Approved by Owner and approved by Skechers Member. Notwithstanding anything herein to the contrary, the Development Manager shall not be responsible if Completion of the Project does not occur by the date set forth in the Project Schedule, except as a result of the gross negligence or the willful misconduct of Development Manager.

Section 2.4 Plans. Development Manager has coordinated the preparation of the plans and specifications for the Project which have been approved by both the tenant under the Lease, and Owner (the “*Approved Plans*”). The Approved Plans may not be amended or modified in any material respect without the approval of Owner and the approval of the tenant under the Lease.

Section 2.5 Standard of Quality. Development Manager has prepared and Owner has approved detailed general and specific standards for the overall development of the Project, as set forth in the Approved Plans and covering site use, selection of materials, building systems, landscaping, parking and other features related to development of the Project (the “*Standard of Quality*”).

Section 2.6 Compliance With Applicable Laws. Development Manager shall have the Project Architect (or other appropriate professional) confirm that the Approved Plans for the Project satisfy the Standard of Quality, and are in substantial compliance in all material respects with the requirements of the Construction Loan and all Applicable Laws.

Section 2.7 Predevelopment Phase. Subject to the general provisions of Section 2.1 through Section 2.6 above, Development Manager shall perform the following predevelopment phase services, to the extent that it has not already done so:

- (a) Initial Planning. Development Manager shall:

(i) Ascertain the significant subdivision, zoning, building code and other governmental compliance issues for the Project (collectively, the ***“Entitlement Requirements”***);

(ii) Provide to Owner soils reports, environmental reports and other reports and studies in Development Manager’s possession in connection with the Project;

(iii) Obtain preliminary site plans, surveys, topographical surveys and schematic designs and elevations for the Project; and

(iv) Coordinate preparation and submission of materials, plans and information as necessary under the Entitlement Requirements, and coordinate the Project development requirements of governmental agencies.

(b) **Schematic Design**. Development Manager shall coordinate the Project Architect’s preparation of schematic design drawings for the Project and assist in evaluating design alternatives in light of Owner’s construction, timing, function and marketing goals and objectives.

(c) **Design Development**. Development Manager shall review all plans and specifications prepared by the Project Architect and evaluate such plans and specifications in light of the approved design concept for the Project, Owner’s cost and time constraints and Owner’s objectives.

(d) **Working Drawings**. Development Manager shall:

(i) Coordinate the preparation by the Project Architect of the construction drawings; and

(ii) Make recommendations regarding alternative design and construction solutions whenever design details appear to adversely affect construction feasibility, the Development Budget or the Project Schedule or to deviate from the Approved Plans.

(e) **Contractor Bidding and Selection**. Development Manager shall:

(i) Coordinate the preparation of the ***“Bid Documents,”*** which shall consist of, among other things, the Approved Plans, construction drawings (to the extent completed), proposed form of Project Construction Contract and instructions to bidders.

(ii) Make recommendations for prequalification criteria for bidders, including any need for performance bonding of any bidder if selected as a contractor, and develop a bid list for prospective contractors and subcontractors.

(iii) Develop competitive bidding procedures and requirements.

(iv) If appropriate, conduct prebid conferences to familiarize bidders with the Bid Documents and any special or unique systems, materials, methods or requirements.

(v) Prior to commencement of construction of any Improvements, including any site work, the General Contractor and the Owner will enter into a guaranteed maximum cost construction contract for the Project (the "**Project Construction Contract**"). Development Manager shall assist Owner in negotiating the Project Construction Contract and advise Owner as to holdbacks or retentions on contractor payments and other contract provisions to be incorporated in the Project Construction Contract so that Development Manager can properly manage the General Contractor's performance.

(vi) Provide recommendations regarding the General Contractor's proposed temporary Project facilities, equipment, materials and services during construction and the assignment of responsibilities relating to same.

(vii) Conduct pre-award conferences with the successful bidders, prepare and negotiate the Project Construction Contract on terms and conditions acceptable to Owner (for approval and execution by Owner) and advise Owner regarding subcontractors and major suppliers for the Project.

(f) Payment of Project Architect and Project Engineers. Development Manager shall review and advise Owner with regard to all requests for payment from the Project Architect, the Project Engineers and any other consultants having contracts with Owner or Development Manager for the Project.

(g) Development Approvals. Development Manager shall assist Owner, the General Contractor, the Project Architect and the Project Engineers with any governmental authorities having jurisdiction over the Project and shall process and obtain all governmental and third party approvals required in connection with the Project, including all approvals, permits, and authorizations necessary for development, construction, use or occupancy of the Project, the subdivision of the land, construction, use and occupancy of the Project, establishment of communities facilities districts, establishment of a property owner's association and related documentation, and all necessary public improvement agreements, easements, dedications or other similar agreements required in connection with the Project (collectively, the "**Development Approvals**").

(h) Meetings. Development Manager shall meet with a representative of Owner on a regular basis, to update Owner on the status of the Project and apprise Owner of major events and issues anticipated by Development Manager with respect to the Project.

(i) Contracts with Project Architect and the Project Engineers. Development Manager shall negotiate on Owner's behalf (for approval and execution by Owner) and advise Owner with respect to service contracts, including, but not limited to, contracts with the Project Team and other consultants, if any, as are necessary or appropriate in order to construct the Project.

(j) Development Easements. Upon Development Manager's request, Owner shall enter into and grant such development easements, rights of way and other similar encumbrances affecting title to the Project to the extent reasonably required for or in connection with the orderly development of the Project.

Section 2.8 Construction Phase. The “Construction Phase” shall commence at the time designated in the Project Schedule. Subject to the general provisions of Section 2.1 through Section 2.6 above, and in addition to services described under Section 2.7, which (to the extent applicable) continue throughout the term of this Agreement, Development Manager shall perform the following construction phase services, to the extent that it has not already done so:

(a) Critical Path Schedule. Development Manager shall direct the General Contractor (and others, where appropriate) to prepare and update a critical path schedule for completion of the Project. In the event of delays impacting the critical path schedule, Development Manager shall make recommendations for corrective action by the General Contractor.

(b) Site Preparation. Development Manager shall monitor site work for the Project, as well as any environmental remediation to be performed upon the Land.

(c) Applications for Payment Requirements. Development Manager shall (i) prepare procedures for the review and, subject to the provisions in subparagraph (o), processing of applications for payment received from the General Contractor, (ii) assure that permitted holdbacks or retentions are maintained upon payments to the General Contractor, (iii) confirm that applications for payment are complete and correct and accompanied by all required documents, (iv) obtain the Project Architect’s certification of each application for payment and (v) make recommendations to Owner concerning payment of applications for payment and other Project Costs. Development Manager shall prepare and coordinate orderly procedures, consistent with the requirements of the Construction Loan, for payment of all Project Costs.

(d) Certificate. Whenever certificates of the Project Architect or the Project Engineers are required in accordance with the Construction Loan Agreement, Development Manager shall coordinate delivery of such certificates to assure that necessary certificates are received.

(e) Construction Administration. Development Manager will provide overall coordination of development of the Project, including the following:

(i) Meetings. Schedule and conduct (not less than once per month) job-site meetings to discuss construction procedures, progress and scheduling with General Contractor and the Project Architect. Development Manager shall prepare or direct the General Contractor or Project Architect to prepare minutes of construction meetings and distribute such meeting minutes to the Project Team.

(ii) Contract Performance. Monitor the performance, assure maintenance of applicable holdbacks and assist in the enforcement (short of instituting any legal proceeding) of the obligations of the General Contractor under the terms of the Project Construction Contract.

(iii) Bonds. If required under the terms of the Construction Loan, prior to the General Contractor performing Work (as defined in the Project Construction Contract), Development Manager shall obtain from the General Contractor both a General Contractor’s payment bond and a performance bond in the full value of the Project Construction Contract

issued by a corporate surety or sureties reasonably satisfactory to Owner or the Lender, as applicable, naming Owner or the Lender, as applicable, as a beneficiary.

(iv) General Contractor Identification. Make timely recommendations to Owner for the employment or dismissal of the General Contractor and all attorneys, architects, engineers, consultants and other professionals and personnel as are necessary or appropriate to construct and complete the Project.

(v) Lien Claims. Obtain from the General Contractor the negotiation of settlements with all material mechanics, materialmen and subcontractors, and if any mechanic's, materialman's or similar lien and/or stop notices are filed with respect to the Project, take such action (short of instituting legal proceedings) which is within the power of Development Manager, or cause the General Contractor to take such lawful action, as is appropriate to contest or settle and discharge such lien or liens and/or stop notices and to remove the same by bonding or otherwise within thirty (30) days after receiving notice of the filing thereof.

(vi) Warranty Corrections. Cause to be enforced (short of instituting any legal proceeding) all warranties and guaranties of the General Contractor or materialmen with a view to correcting any known or identified defects in the construction of the Project or in the installation or operation of any equipment or fixtures therein, at the expense of the General Contractor or materialmen and cause inspections of the completed Project to be made by the Project Architect with a view to discovering any such defects.

(vii) Monitor Work. Monitor the performance of work by the Project Team concerning matters relating to the Project. If the Development Manager determines that any members of the Project Team are not in compliance with the terms and conditions of their respective agreements or contracts with Owner, Development Manager shall notify Owner of such noncompliance and the nature thereof and of Development Manager's recommendations with respect thereto. Any legal action to be taken with respect to such noncompliance shall be entirely at the discretion of and under the direction of Owner. In connection with monitoring the work, Development Manager shall not cause or knowingly permit any Hazardous Materials to be brought upon, kept or used in or about the Land or Project except to the extent such Hazardous Materials: (A) are necessary for the construction of the Project, (B) are required by the Approved Plans, and (C) are used, stored and disposed of in compliance with all Applicable Laws.

(viii) Accidents. Notify Owner of any material accidents or damage or injury claims arising from work on the Project promptly after Development Manager has actual knowledge of such events.

(ix) Shop Drawings and Other Submittals. Coordinate the Project Architect's review and approval of shop drawings, product data and other submittals by the General Contractor. Coordinate the delivery by the General Contractor to Owner of the guaranties, warranties, releases, affidavits, bonds, manuals, insurance certificates and other items required by the Project Construction Contract.

(x) Utilities. Coordinate the obtaining and installation of all utilities and similar services required for the Project.

(f) Change Orders. Development Manager shall coordinate the negotiation and processing of all change orders to the Project Construction Contract for Approval by Owner. Copies of all change orders will be promptly provided to Skechers Member. The Development Budget and/or Project Schedule, as applicable, will be revised to reflect Added Costs, if any, resulting from change orders which are Approved by Owner. Development Manager shall process and administer change orders. Owner and agrees to reasonably and timely consider and act upon change orders and resulting changes in the Development Budget (each, a “***Development Budget Amendment***”) and the Project Schedule (each, a “***Project Schedule Amendment***”). Notwithstanding the foregoing, Owner need not give approval of any change order unless (i) the change is permitted under the Construction Loan, and conforms to the Standard of Quality, and (ii) the aggregate estimated total costs of the Project following such change order, Development Budget Amendment do not exceed (and, prior to Completion of the Project, are not reasonably estimated to exceed) the amount available to pay such costs under the Development Budget immediately prior to such Development Budget Amendment therefor (as a result of available funds in the contingency line item or realized cost savings in another line item in the Development Budget), or alternatively either the HF Member or the Skechers Member agrees to fund such excess costs (as required under the LLC Agreement). Subject to approval of the Lender, Development Manager may allocate any contingency line item (Hard Cost or Soft Cost) in the Development Budget and realized cost savings to other line items within the Development Budget.

(g) Construction Phase Reporting. Development Manager shall furnish to Owner and Skechers Member reports, not less frequently than monthly, containing (i) a status of construction; (ii) a comparison of the Development Budget (which shall be presented in such a fashion that it shows the original Development Budget and all changes thereto, including Added Costs, if any) on a major line item basis to construction costs by trade incurred through the date of the report and a comparison of the Project Schedule to the work actually completed through the date of the report; (iii) a summary of change orders made during the month covered by the report; (iv) any revision to the Project Schedule and/or Development Budget made during the month covered by the report; (v) an estimate of the costs to be incurred in completing the Project and (or) any other information reasonably requested by Owner or Skechers Member. Reports will be provided on a timely basis consistent with any Construction Loan requirements.

(h) Technical Inspections. In instances where technical inspection and testing unless are being provided by the Project Architect or other third party (which shall be a Project Cost paid by Owner), Development Manager shall assist the Project Architect or other third parties and the General Contractor in coordinating such technical inspection and testing. All technical inspection reports will be in a format approved by and will be reviewed by Development Manager.

(i) Contract Enforcement. When appropriate, Development Manager shall advise and make recommendations with respect to the exercise of Project Construction Contract prerogatives such as accelerating the work when scheduled goals are in jeopardy or requiring that work found to be defective be repaired or replaced.

(j) Construction Loan. Development Manager shall (i) act as Owner's agent in administering Owner's responsibilities and assuring compliance by Owner with the terms and provisions of the Construction Loan documents, and (ii) subject to Owner's cooperation with Development Manager, coordinate the timely delivery of all necessary documents and information to obtain monthly advances of proceeds of the Construction Loan to pay Project Costs in accordance with the Construction Loan documents, including the General Contractor's approved monthly applications for payment, interest on the Construction Loan, fees and other Project Costs reflected in the Development Budget.

(k) Insurance of Project Architects and Engineers. Development Manager shall confirm that the Project Architect, the General Contractor and all Project Engineers obtain all insurance policies required under their respective contracts, and shall obtain appropriate certificates of insurance from each as required.

(l) Claims. Development Manager shall keep track of delays in progress of the work and perform a preliminary evaluation of the contents of all claims (including claims for increases in the guaranteed maximum cost under the Project Construction Contract or extensions of time), obtain the factual information concerning the claim, review the time/cost impact of the alleged claim and make recommendations as to Owner's position to the General Contractor or applicable subcontractor. Development Manager shall also coordinate the submission of all insurance claims (whether by the General Contractor, Development Manager, Owner or others) and shall process all paperwork relating to such claims.

(m) Preparation of Punchlist. Development Manager shall assist the General Contractor, the Project Architect and the Project Engineers in scheduling inspections (which shall include Skechers Parent, as tenant under the Lease) to determine the date of Substantial Completion (or Substantial Completion of phases, if the Improvements are completed in phases), and the preparation of the Punchlist. Development Manager shall assist the Project Architect in reviewing the Punchlist Items and interface with the Project Architect, the General Contractor, and Skechers Parent, as tenant under the Lease, in coordinating completion of all Punchlist Items. Development Manager shall monitor the General Contractor's completion of all Punchlist Items.

(n) Shop Drawings. Development Manager shall monitor the Project Architect's review of shop drawings, product data, sample and submittals, and will use reasonable efforts to cause the Project Architect to respond in a timely fashion so as not to cause delay in construction of the Project.

(o) Bank Accounts/Withdrawals.

(i) Owner shall establish a bank account into which shall be deposited sufficient funds to timely pay Project Costs as they are incurred (including deposits of proceeds of the Construction Loan advanced by the Lender). Designated representatives of the Development Manager shall be the signatories on such bank account, and withdrawals from such bank account (which includes checks, wire transfers or other withdrawals) may be made upon the signature of any one of such designated representatives. Designated representatives of Skechers Member shall also be signatories on such bank account, but shall not exercise any right

to withdraw funds from such bank account unless and until the HF Member has been removed as a Managing Member under the LLC Agreement. Notwithstanding the foregoing, Development Manager covenants that it shall diligently and prudently coordinate and administer expenditures from the bank account in accordance with the Development Budget and that all expenditures from the bank account shall be made in strict conformance with the Development Budget in all respects (including the nature, amount and timing of each such expenditure).

(ii) From time to time, but not more frequently than once each month (except under unusual circumstances) Developer Manager shall submit to Skechers Member a detailed schedule of all withdrawals which Development Manager has approved for the payment of Project Costs, together with reasonable back-up documentation such as invoices or statements for labor and/or material for which payment will be made.

Section 2.9 Affiliate Contracts. Without the express prior written consent of Owner, Development Manager shall not enter into any contract with an affiliate of Development Manager or HF Member in connection with the Project, except to the extent permitted under the LLC Agreement.

Section 2.10 Occupancy; Punchlist.

(a) Upon Substantial Completion of the Project, the Development Manager shall certify to the Owner (or cause the General Contractor to certify to the Owner) in AIA form G-704 or substantial equivalent: (i) that, to its knowledge, the Substantial Completion of the Project has been achieved, in conformity with the requirements of the Project Construction Contract, and in compliance in all material respects with Applicable Laws, all Development Approvals, the Standard of Quality and the Construction Loan documents, free of liens or outstanding claims for payment for labor (excepting only liens or claims of liens relating to matters that may be the subject of legitimate disputes between the Developer and the General Contractor or subcontractors performing work on the Project, provided the same have been bonded off or insured over to the reasonable satisfaction of the Owner and the Lender by Development Manager), services, materials or supplies, subject only to completion of the Punchlist Items; and (ii) that, to its knowledge, the total cost to complete any remaining Punchlist Items on the Punchlist is reflected on the Statement of Project Costs.

(b) Upon Substantial Completion of the Project, Development Manager shall apply for, or have the General Contractor apply for, and obtain all required occupancy permit(s) for the Improvements which are required to be obtained by Owner pursuant to the Lease.

(c) Within five (5) business days following the Owner's receipt of the Completion Notice with respect to the Improvements (or portions thereof, if completed in phases), Development Manager and the Owner (and, if requested by Owner, the Project Architect and such other consultants as Owner shall desire), together with representatives of Skechers Parent, as tenant under the Lease, will conduct a walk-through inspection of the Improvements confirming that such Improvements have achieved Substantial Completion in accordance with the requirements of this Agreement, the Lease and the Contract Documents, and to jointly prepare a list (the "**Punchlist**") of the Punchlist Items needing correction or completion. Development Manager shall cause to be completed the Punchlist Items for the

Improvements within forty-five (45) days following delivery of the Completion Notice for the Improvements, subject to delay for items which due to season or the nature of the item are not practical to complete and which do not interfere in any material respect with the use or enjoyment of the Building by the tenant under the Lease.

Section 2.11 Close-Out.

(a) Upon Substantial Completion of the Project, Development Manager shall give notice to Owner and Skechers Member. Within thirty (30) days following delivery of such notice (or, with respect to items that cannot reasonably be expected to be completed within such thirty (30) day period, as soon thereafter as Development Manager can, with the exercise of due diligence, complete such items), Development Manager shall complete the following (herein sometimes referred to as "**Close-Out**" of the Project), (i) deliver to Owner and Skechers Member a Statement of Project Costs prepared by Development Manager and certified as true and correct to its knowledge by Development Manager; (ii) prepare or cause to be prepared and delivered to the Owner all certificates and documents that Owner and/or Development Manager are required to deliver to the Lender in accordance with the Construction Loan documents; (iii) prepare or cause to be prepared and delivered to Owner such other documents and information as Development Manager may be obligated to deliver to Owner in connection with the Substantial Completion of the Project; (iv) monitor the compliance of the Project Architect, the Project Engineers, and the General Contractor, as appropriate, with the provisions of their respective contracts with the Owner relating to the Close-Out of the Project; and (v) without limiting the foregoing, ensure that each of the following shall have been completed and delivered to Owner:

- (i) As built drawings and specifications.
- (ii) Change orders.
- (iii) Reports including, but not limited to, soils reports, concrete reports, equipment testing and balancing reports, termite reports, etc.
- (iv) Operation maintenance manuals for all equipment.
- (v) Certifications and test results required in accordance with Applicable Laws.
- (vi) Warranties or guaranties, including but not limited to the roof warranties, HVAC warranties, plumbing warranties, etc.
- (vii) Keys for all locks.
- (viii) Progress photos taken at least monthly throughout the Project.
- (ix) Completion Notices as described in Section 2.10(a) above.
- (x) All necessary governmental and municipal permits or approvals (including certificates of occupancy) for the Improvements.

(xi) Final lien waivers from the General Contractor and all material subcontractors and suppliers supplying services or material in connection with the construction and equipping of the Project (excepting only liens or claims relating to matters that may be the subject of legitimate disputes between the Development Manager or Owner, on the one hand, and the General Contractor or subcontractors performing work on the Project or any portion thereof, on the other hand, provided the same have been bonded off or insured over to the reasonable satisfaction of the Owner and the Lender).

(xii) An "ALTA-ACSM As Built" survey of the Project completed by a licensed surveyor, certified as to accuracy.

(xiii) The Punchlist, including for each item shown thereon, the estimated time and cost of completing such item.

(b) For purposes hereof, the "**Statement of Project Costs**" shall mean a statement of the total of all Project Costs incurred in connection with the completion of the Project, and also including all items on the Punchlist. Development Manager shall prepare and deliver to Owner a reconciliation of the Statement of Project Costs with the Development Budget, both in the aggregate and for each major line item in the Development Budget.

(c) Development Manager acknowledges that the Project shall not be deemed complete until Development Manager has completed the Closeout of the Project, including satisfaction of all of the conditions set forth in this Section 2.11, completion of all items on the Punchlist, and satisfaction of all other conditions to completion set forth in the Construction Loan Agreement (herein referred to as "**Completion of the Project**"). Upon Completion of the Project (or if this Agreement is otherwise terminated), to the extent not previously done, Development Manager shall do, and execute and/or deliver to Owner (and Skechers Member with respect to item (i)) the following with respect to the Project, all of which shall be done, executed and/or delivered as promptly as is reasonably practicable:

(i) Prepare a final accounting of all funds possessed by or under the coordination or control of Development Manager, reflecting receipts and disbursements in connection with the Project through the date of Completion of the Project or termination, as applicable.

(ii) Return the balance of monies of Owner held by Development Manager.

(iii) Execute and/or deliver all documents and instruments necessary to transfer to Owner or its nominee, to the extent transferable, all permits held by Development Manager necessary to construct the Project.

(iv) Take such other actions as Owner may reasonably require to assure an orderly transition of management of the completion of the Project.

ARTICLE 3

TERM OF AGREEMENT AND PERSONNEL

Section 3.1 Term. The term of this Agreement shall commence upon the date of this Agreement and shall continue, unless sooner terminated in accordance herewith, until Completion of the Project.

Section 3.2 Personnel. Development Manager shall designate an individual to serve as the project manager (the "*Project Manager*"). Development Manager shall ensure that the Project Manager shall be competent to perform the services required as such.

(a) Project Manager shall devote such portion of his or her time, efforts and management skills to the Project using Due Care as is reasonably necessary and appropriate to complete the Project, subject to Force Majeure, in accordance with the Project Schedule and Development Budget.

(b) Any communication given to the Project Manager by Owner shall be deemed to have been given to Development Manager.

(c) Development Manager will also provide such personnel and assistants, including professional and secretarial/clerical support staff, as may be necessary to perform its Development Services in a diligent and timely manner. Development Manager shall be responsible out of its own funds for all salaries, overhead, costs and expenses related to the employment of the Project Manager and any other personnel by Development Manager, which salaries, overhead, costs and expenses shall expressly not be a reimbursable item. All persons, other than independent contractors, employed by Development Manager in the performance of its responsibilities hereunder shall be exclusively controlled by and shall be the employees of Development Manager and not of Owner, and Owner shall have no liability, responsibility or authority with respect thereto.

ARTICLE 4

DEVELOPMENT BUDGET AND LIABILITY OF DEVELOPMENT MANAGER

Section 4.1 Increases in Development Budget. Subject to any restrictions set forth herein or in the LLC Agreement regarding increases in the Development Budget, the Development Budget will automatically be increased from time to time to include therein all of the following (collectively, the "*Added Costs*"):

(a) Increases in the Project Costs resulting from change orders which are Approved by Owner;

(b) Increases in the Project Costs incurred in connection with changes in the scope of the Project caused by changes in Applicable Laws that are required by such Applicable Laws to be complied with;

(c) Increases in Project Costs due to expressly permitted increases in the guaranteed maximum cost under the Project Construction Contract;

(d) Increases in Project Costs due to (i) Force Majeure (as defined herein); or

(e) Increases in Project Costs pursuant to Section 4.6 below.

Increases in Project Costs include (without duplication) those increases which result from time delays due to the occurrence of any of the foregoing events ((a)-(d)).

Section 4.2 For purposes hereof, the term “*Force Majeure*” means the following events or circumstances, to the extent that they cause the delay of performance of any obligation hereunder by Development Manager and (except as otherwise provided below) that could not, through the use of Due Care by Development Manager, be anticipated and mitigated: (a) strikes, lockouts or picketing; (b) riot, civil commotion, insurrection and war; (c) fire or other casualty, accidents, acts of God or public enemy; (d) unusually adverse weather conditions not reasonably expected for the location of the Project and the time of year in question, or (e) any other similar event which delays the Completion of the Project and which is beyond the reasonable control of the Development Manager. However, in no event shall any of the following be deemed to constitute Force Majeure: (i) failure to obtain financing for or, failure to refinance, the purchase, construction or ownership of the Project; (ii) inability to pay when due monetary sums; or (iii) the acts or omissions of the Development Manager or any other Person acting by, through or under the Development Manager (including without limitation, the acts or omissions of such Person that cause the event of Force Majeure). If the Development Manager shall be delayed, hindered or prevented from performance of its obligation to achieve Completion of the Project in accordance with this Agreement by reason of Force Majeure, the time for such performance shall be extended on a day-for-day basis for each day of actual delay, provided that the following requirements are complied with by the Development Manager: (y) the Development Manager shall give prompt written notice of such occurrence to Owner and Skechers Member, describing the Force Majeure event with specificity, and (z) the Development Manager shall diligently attempt to remove, resolve or otherwise eliminate such Force Majeure event and minimize the cost and time delay associated with such event, keep the Owner and Skechers Member advised with respect thereto, and commence performance of its obligations under this Agreement promptly upon such removal, resolution or elimination.

Section 4.3 Development Manager’s Indemnity. Development Manager shall indemnify Owner and its partners, members, managers, shareholders, directors, officers and employees and the heirs, successors and assigns of each of the foregoing (collectively, the “*Indemnified Parties*”), defend the Indemnified Parties and hold the Indemnified Parties harmless from and against any and all suits, actions or claims and from resulting damages, losses, costs or expenses (including reasonable attorneys’ fees and court costs, but excluding consequential damages and punitive damages) incurred by the Indemnified Parties or any one or more of them due to or arising from, directly or indirectly, (a) the grossly negligent acts, or omissions, willful misconduct or material breach of this Agreement by Development Manager, (b) the misapplication or misappropriation by Development Manager of any funds of Owner, (c) the actions of Development Manager outside the scope of authority granted to Development

Manager under this Agreement, or (d) the material breach by the Development Manager of any of its material obligations under this Agreement.

Section 4.4 Owner's Indemnity. Owner shall indemnify the Development Manager and its members, managers, shareholders, directors, officers and employees and the heirs, successors and assigns of each of the foregoing (collectively, the "**Manager Indemnified Parties**"), defend the Manager Indemnified Parties and hold the Manager Indemnified Parties harmless from and against any and all suits, actions or claims and from resulting damages, losses, costs or expenses (including reasonable attorneys' fees and court costs, but excluding consequential damages and punitive damages) incurred by the Manager Indemnified Parties or any one or more of them due to or arising from, directly or indirectly, the willful misconduct or breach of this Agreement by Owner or any other loss not subject to the indemnification obligations set forth in Section 4.3 arising from the performance of Development Manager's obligations under this Agreement (except to the extent resulting from the acts or omissions of HF Member in violation of any provisions in the LLC Agreement).

Section 4.5 Records. Records of all time charged to the Project, and records of Development Services performed shall be maintained on a customary and consistent basis and shall be available to Owner at mutually convenient times and upon reasonable prior written notice for review and audit. Development Manager shall maintain all accounting records and receipts for at least three (3) years from Completion of the Project. Records regarding any dispute involving this Agreement shall be maintained until such dispute is resolved.

Section 4.6 Time Delays/Arbitration. Under the LLC Agreement, certain matters may be submitted to binding arbitration. If, as a result of the institution of any arbitration between HF Member and Skechers Member, the arbitrator determines that there is a resulting change in the Project Schedule, then the Project Schedule shall be modified accordingly.

ARTICLE 5 COMPENSATION

Section 5.1 Development Manager Fee. In consideration of Development Manager's Services hereunder, Owner shall pay to Development Manager a fee (the "**Development Manager Fee**"), equal to three and one-half percent (3.5%) of the total Project Costs (including both Hard Costs and Soft Costs, but exclusive of the cost of the Land, as reflected in the Development Budget) minus the original principal balance of the HF Loan (as defined in the LLC Agreement). Subject to availability of draws under the Construction Loan, such fee shall be paid in equal monthly installments over the pro-forma construction period (as set forth in the Project Schedule). Development Manager shall not be entitled to reimbursement of any expenses incurred in performing the Development Services that represent compensation of any of Development Manager's employees or otherwise represent Development Manager's overhead, but Development Manager shall be entitled to reimbursement of reasonable out-of-pocket expenses incurred in performing the Development Services.

Section 5.2 Third Party Consultants. It is contemplated that Owner will engage all contractors, architects, engineers, attorneys and other consultants and professionals to be employed in connection with the Project. Development Manager is not obligated to pay the compensation of any such third party consultants or professionals (other than on behalf of Owner).

ARTICLE 6 INSURANCE

Section 6.1 Development Manager Insurance. Development Manager shall procure and maintain (or cause the General Contractor to procure and maintain), throughout the term of this Agreement all insurance required pursuant to this Section 6.1.

(a) The form and substance of all insurance policies obtained by Development Manager in meeting the requirements under this Section 6.1 shall be subject to reasonable approval by Owner. All such policies shall be issued by insurance companies qualified to transact insurance in the state or commonwealth in which the Project is located and with a minimum financial rating of A- Class IX by A.M. Best, or otherwise acceptable to Owner. Development Manager shall furnish a certificate from its insurance carrier(s) ten (10) days before commencement of the work, and annually thereafter, demonstrating that it has complied with the above requirements and stating that the insurer will provide not less than thirty (30) days prior notice of the cancellation, non-renewal, or material change in any of the coverages so required.

(b) Insurance provided under Section 6.1(c):

(i) Shall be primary and not in excess of or contributing to any insurance or self-insurance maintained by Owner, any other party whom Owner identifies, or its respective consultants and agents;

(ii) For insurance specified by Section 6.1(c) shall be endorsed to state that Owner, and any other party whom Owner identifies and their respective partners, members, managers, directors, officers, and employees are named as Additional Insureds as per ISO Form CG2037 1001, if reasonably available, or its substantial equivalent.

(c) (i) Commercial General Liability Insurance, with a combined single limit of \$1,000,000 for bodily injury and property damage per occurrence and annual project aggregate of \$2,000,000, and \$1,000,000 for completed operations.

(ii) Business Automobile Liability Insurance, with a combined single limit for bodily injury and property damage per accident of \$1,000,000 covering any and all owned, non-owned and hired autos and including Broadened Pollution Coverage per CA9948 or its equivalent.

(iii) Worker's Compensation and Employer's Liability Insurance that provides the statutory benefits required by law (but not less than \$1,000,000 for Employer's Liability Insurance) .

(iv) Excess liability insurance, following the form, supplementing the general liability, auto liability, and employers liability referenced above with minimum limits of \$5,000,000.

(d) Any insurance that contains a deductible or self-insured retention in excess of \$25,000 shall require Approval by Owner.

(e) Development Manager shall require the General Contractor to procure and maintain insurance as specified in Section 6.1(c).

(f) If Development Manager desires to have limits in excess of those required or desires to carry additional coverages for its own protection, the arrangements therefor and the cost thereof shall be the sole responsibility of Development Manager. Otherwise, such insurance shall be paid for by Owner, to the extent not paid by the General Contractor.

(g) Within ten (10) days of Owner's request, Development Manager shall provide such requesting party copies of all insurance policies required under Section 6.1(c).

(h) In the event Development Manager does not comply with the insurance requirements as set forth under Section 6.1, Owner may, at its option (and without waiving any other rights or remedies), to the extent possible, obtain and maintain such insurance, and the cost of such insurance shall be paid by Development Manager and may be deducted from Development Manager's compensation.

Section 6.2 Owner Insurance. Owner shall procure and maintain all insurance pursuant to this Section 6.2 covering Development Manager, the General Contractor and all other contractors and professionals and Owner.

(a) All such policies shall be issued by insurance companies qualified to transact insurance in the state or commonwealth in which the Project is located and with a minimum financial rating of A- Class IX by A.M. Best.

(b) Insurance provided under Section 6.2(c):

(i) Shall be endorsed to state that the right of cancellation or material change in coverage by the insurance carrier is waived, unless thirty (30) days' written notice is furnished by registered mail to Development Manager.

(c) Within thirty (30) days following the Effective Date and for so long as the Improvements are under construction pursuant to the Project Construction Contract, Owner shall obtain and maintain "Builders Risk" Property Insurance on an "all risk" peril form (including all usual and customary coverage for a Project of this nature) for an amount equal to the completed replacement value of the Improvements. Such insurance shall include the interests of Owner, Development Manager, the General Contractor and subcontractors in the work, as their interests may appear. A certificate of insurance evidencing the foregoing shall be provided to Development Manager upon request.

Section 6.3 Waiver of Subrogation. To the fullest extent permitted without invalidating any insurance policies required hereunder, Owner and Development Manager waive all rights against (a) each other and any of their subcontractors, agents and employees, each of the other, and (b) the General Contractor, the Project Architect, and any of their subcontractors, agents and employees, for damages caused by fire or other perils to the extent covered by property insurance obtained to this Section 6.3 or other property insurance applicable to the construction of the Project, except such rights as they have to proceeds of such insurance held by the Owner as fiduciary. The Owner or Development Manager, as appropriate, shall require of the General Contractor, the Project Architect, and the subcontractors, agents and employees of each of them, by appropriate agreements, written where legally required for validity, similar waivers each in favor of other parties enumerated herein. The policies shall provide such waivers of subrogation by endorsement or otherwise. A waiver of subrogation shall be effective as to a person or entity even though that person or entity would otherwise have a duty of indemnification, contractual or otherwise, did not pay the insurance premium directly or indirectly, and whether or not the person or entity had an insurable interest in the property damaged.

ARTICLE 7

LIMITATION AS TO SERVICES AND AUTHORITY

Section 7.1 Limitation. Without otherwise relieving Development Manager of its obligation to perform the Development Services:

(a) Nothing in this Agreement shall be construed to relieve the Project Architect, the Project Engineers, or any other contractors, subcontractors, consultants, suppliers, attorneys or other professionals rendering services in connection with the Project of their responsibilities to perform their duties in accordance with the terms of their respective contracts, or to preclude Owner or Development Manager from pursuing their respective rights vis-à-vis such consultants or professionals. Furthermore, the furnishing of services by the Owner or other consultants of Owner shall not be construed to relieve Development Manager of its responsibility to perform its duties in accordance with this Agreement.

(b) Development Manager shall have no right or obligation to execute any contract or agreement for or on behalf of Owner except as expressly authorized in writing from time to time by Owner.

Section 7.2 Owner and Skechers Member Approvals. Except to the extent expressly permitted under the Development Budget or this Agreement, and without limitation on the other restrictions contained in this Agreement, Development Manager shall not take any action, expend any sum, make any decision, give any consent, approval or authorization, enter into any agreement or incur any obligation with respect to any of the following matters unless and until the same have been Approved by Owner and approved by Skechers Member: (a) any change in the Approved Plans; or (b) any material expenditure or incurring of any material obligation by or on behalf of Owner except for expenditures made and obligations incurred pursuant to and specifically set forth in the Development Budget.

ARTICLE 8

OWNER AND INDEPENDENT CONSULTANTS

Section 8.1 Owner's Inspection Rights.

(a) Development Manager acknowledges that Owner has the right to inspect the Project and to review all of General Contractor's applications for payment and all of Development Manager's applications for disbursement of Construction Loan proceeds during normal business hours and upon reasonable prior written notice to Development Manager. Development Manager agrees (i) to reasonably cooperate with Owner in connection with the performance by Development Manager of its Development Services hereunder, (ii) to provide Owner and Skechers Member copies of all correspondence, notices, schedules and other information that Development Manager provides, or is required hereunder to provide to Lender, such delivery to be simultaneous with delivery of such information to Lender, (iii) except as expressly permitted under this Agreement and/or the LLC Agreement, not to amend this Agreement, the Approved Plans, the Development Budget or the Project Schedule without the Approval by Owner and approval by Skechers Member.

(b) Skechers Member may retain (at its expense) independent third-party consultants to advise and assist with the Project. Development Manager agrees to reasonably cooperate with such consultants, and to allow such consultants access, with no time, place or prior notice requirement or other restrictions, requirements or limitations (except as provided in this Agreement and reasonable safety regulations of the General Contractor that apply also to Development Manager) to inspect the Project, the work in progress, all work sites involved in connection with construction of the Project (whether located on the Land or otherwise) and Development Manager's and the General Contractor's books and records in connection therewith. Without limiting the generality of the foregoing, representatives of Skechers Member shall have the right to attend all monthly construction meetings of the General Contractor and the Project Architect or the Project Engineers, and all construction meetings of the General Contractor and representatives of the Lender. Development Manager shall keep Skechers Member reasonably informed of any such meetings so that representatives of Skechers Member may attend.

ARTICLE 9

TERMINATION

Section 9.1 Termination by Owner. If (a) Development Manager defaults in the performance of any of its obligations hereunder in any material respect and fails to cure such failure within thirty (30) days following written notice thereof or, in the case of any such failure which can be cured but not within such thirty (30) day period, if Development Manager fails to begin reasonable steps to cure such failure within thirty (30) days following written notice thereof or does not thereafter diligently prosecute such cure to completion within ninety (90) days in the aggregate following written notice thereof, or (b) Development Manager commits any act in its capacity as Development Manager involving fraud, bad faith, willful misconduct or gross negligence, or (c) the HF Member defaults under the LLC Agreement (after any applicable

notice and cure period) then Owner may, without prejudice to Owner's other rights or remedies under the LLC Agreement, at law or in equity, terminate this Agreement and take possession of all work performed hereunder by Development Manager and perform the Development Services by whatever method Owner may deem expedient including continuing to use any contractors, subcontractors or other professional consultants engaged on the Project. In the event this Agreement is terminated pursuant to this Section 9.1, Development Manager shall not be entitled to any portion of the Development Manager Fee not theretofore paid to Development Manager, and if termination is pursuant to clauses (a) or (b) above, in addition to any other measure of damages available under the LLC Agreement, at law or in equity, Owner shall be entitled to recover from Development Manager all actual damages (expressly excluding consequential or punitive damages) incurred by Owner in connection with the Project resulting from Development Manager's default hereunder, including all costs and expenses incurred by Owner in pursuing remedies hereunder or in contracting with another development manager to complete the Project.

Section 9.2 Suspension and Termination by Development Manager. If Owner fails to pay Development Manager any portion of the Development Manager Fee due to Development Manager hereunder, then (except in the case of a good faith dispute as to amounts due or in the case of a failure to pay resulting from the acts or omissions of the HF Member), Development Manager may, without prejudice to Development Manager's other rights or remedies, after giving Owner ten (10) days' written notice, suspend performance unless Owner makes the required payment within such ten (10) day period. If Development Manager suspends performance, it will be without prejudice to Development Manager's right to terminate this Agreement at any time after the date that is thirty (30) days following the date of such default by Owner unless Owner timely cures the default in question within the aforesaid 30-day period. Any suspension by Development Manager of its performance hereunder pursuant to this Section 9.2 shall in no event cause Development Manager to be in default hereunder and (a) any additional costs incurred for the Completion of the Project as a result of or in connection with such suspension of performance shall be deemed to be included within the meaning of "**Added Costs**" as used in this Agreement; and (b) any delays in the Completion of the Project as a result thereof or in connection therewith shall be deemed to extend all affected dates set forth in the Project Schedule. In addition, whether Development Manager suspends performance or terminates this Agreement pursuant to this Section 9.2, Development Manager shall be entitled to any and all rights and remedies available at law or in equity (expressly excluding consequential or punitive damages).

ARTICLE 10

MISCELLANEOUS

Section 10.1 Protection of Persons or Property. If Development Manager becomes aware of any emergency on the Project affecting the safety of persons or property, Development Manager shall take all commercially reasonable prudent actions to prevent threatened damage, injury or loss, and Development Manager shall notify Owner as soon as practicable thereafter of such emergency. Unless such emergency was caused by the gross negligence or willful misconduct of Development Manager, Owner shall reimburse Development Manager for all reasonable costs incurred by it in connection with such actions.

Section 10.2 Applicable Law. This Agreement shall be construed in accordance with the laws of the State of California.

Section 10.3 Jurisdiction. Jurisdiction for all legal actions, including cross claims brought by Owner or Development Manager against the other, which may arise as a result of any question, matter or dispute concerning the Project or this Agreement shall lie exclusively with the appropriate California court in the County of Los Angeles.

Section 10.4 Notices. All notices required under this Agreement shall be deemed to have been received by the addressee if delivered to a duly authorized representative of the Person for whom they are intended or if sent by certified mail, return receipt requested, by hand or by overnight courier, addressed as follows:

If to Owner: Highland Fairview-SKX, LLC
c/o Highland Fairview Properties
14225 Corporate Way
Moreno Valley, California 92553
Attention: Iddo Benzeevi

With a copy to: Skechers RB, LLC
c/o Skechers USA, Inc.
228 Manhattan Beach Boulevard
Manhattan Beach, California 90266
Attention: David Weinberg
Chief Operating Officer

If to Development Manager: HFC Holdings, LLC
c/o Highland Fairview Properties
14225 Corporate Way
Moreno Valley, California 92553
Attention: Iddo Benzeevi

With Additional Copy to: James Lieb, Esq.
Executive Vice President
TG Services, Inc.
4 Stage Coach Run
East Brunswick, New Jersey 08816

- and -

Danette Fenstermacher
3070 Bristol Street, Ste 320
Costa Mesa, California 92626

Either party may change its address for the giving of notices by notice given in accordance with this Section.

Section 10.5 Extent of Agreement. This Agreement represents the entire and integrated agreement between the parties hereto with respect to Development Services and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may only be amended by written instrument executed by Development Manager, Owner, and Skechers Member.

Section 10.6 Severability. In the event that any of the provisions, or portions or applications thereof, of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction, such invalid or unenforceable provision shall in no way affect the validity and enforceability of the remaining provisions, or portions or applications thereof.

Section 10.7 Successors and Assigns. Owner and Development Manager, respectively, bind themselves, their successors, assigns and legal representatives to the other party to this Agreement and to the successors, assigns and legal representatives of such other party with respect to all covenants of this Agreement. Neither party may assign this Agreement or any of its obligations to perform under this Agreement without the express written consent of the other. However, Owner has the right to assign its rights hereunder to the Lender.

Section 10.8 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original agreement and all of which together shall constitute one agreement.

Section 10.9 Third Party Beneficiaries. This Agreement is intended for the benefit of, and shall be enforceable by, only Development Manager, Owner, Skechers Member and their respective permitted successors and assigns, and not by any third parties, including creditors of Owner or Development Manager, except to the extent that Owner's rights under this Agreement have been assigned to the Lender.

Section 10.10 Effect of Waiver or Consent. A waiver or consent, express or implied, to or of any breach or default by any party in the performance of that party of its obligations under this Agreement is not a consent or waiver to or of any other breach or fault in the performance by that party of the same or any other obligation with that party with respect to this Agreement. Failure on the part of that party to complain of any act of any party or to declare any party in default with respect to this Agreement, irrespective of how long that failure continues, does not constitute a waiver by that party of its rights with respect to that default until the applicable statute of limitations has run.

Section 10.11 Further Assurances. In connection with this Agreement and the transactions contemplated hereby, each party shall execute and deliver any additional documents and instruments in performing additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions.

Section 10.12 Attorneys' Fees. If any litigation is instituted by any party against another party relating to this Agreement or the subject matter thereof, the party prevailing in such litigation shall be entitled to recover, in addition to all damages allowed by law and other relief, all court costs and reasonable attorneys' fees incurred in connection therewith.

Section 10.13 Independent Contractor; Licenses. In performing its services hereunder, Development Manager shall be an independent contractor. Development Manager shall, at its own expense, qualify to do business in California (if not already qualified) and obtain and maintain such licenses, if any, as may be required to be issued and held in its name for the performance by Development Manager of the Development Services under this Agreement.

Section 10.14 Agreement Negotiation. This Agreement is the result of detailed negotiations between the parties and the terms herein have been agreed upon after prolonged discussions. All parties agree and acknowledge that they were represented by competent counsel in such negotiations and that in construing this Agreement neither party shall be considered to have drafted this Agreement.

Section 10.15 Skechers Member Approvals. Any approvals or consents to be given by Skechers Member hereunder shall not be unreasonably withheld or delayed.

(signature pages follow)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

“OWNER”

HF LOGISTICS -SKX, LLC, a Delaware limited liability company

By: HF Logistics I, LLC, a Delaware limited liability company, it’s Managing Member

**By: _____
Iddo Benzeevi, President and Chief Executive Officer**

By: Skechers RB, LLC, a Delaware limited liability company, it’s Managing Member

By: Skechers USA, Inc., a Delaware Corporation, It’s sole member

**By: _____
David Weinberg, Chief Operating Officer**

**By: _____
Robert Greenberg, Chief Executive Officer**

“DEVELOPMENT MANAGER”

HFC HOLDINGS, LLC, a Delaware limited liability company

**By _____
Iddo Benzeevi, its Chief Executive Officer**

JOINDER

Skechers RB, LLC, a Delaware limited liability company and Skechers USA, Inc., a Delaware corporation, each hereby joins in the execution of this Agreement as a third party beneficiary of this Agreement and for the purposes of confirming their agreement to comply with and perform those obligations applicable to Skechers Member or Skechers Parent set forth herein.

“SKECHERS PARENT”

SKECHERS USA, INC., a Delaware corporation

**By: _____
David Weinberg, Chief Operating Officer**

**By: _____
Robert Greenberg, Chief Executive Officer**

“SKECHERS MEMBER”

SKECHERS RB, LLC, a Delaware limited liability company

By: Skechers USA, Inc, a Delaware corporation, its sole member

**By: _____
David Weinberg, Chief Operating Officer**

**By: _____
Robert Greenberg, Chief Executive Officer**

EXHIBIT "A"
DEVELOPMENT BUDGET AND
PROJECT SCHEDULE

EXHIBIT "A"

Exhibit A

Land		\$30,000,000
Construction Costs		[*]
Fees, Bonds and Permits		
Governmental Fees	[*]	
Construction Bonds	[*]	
Impact Fees		
MSHCP	[*]	
Kangaroo Rat	[*]	
Area Drainage Fee	[*]	
DIF	[*]	
TUMF	[*]	
Schools	[*]	
EMWD	[*]	
Total Fees, Bonds and Permits		[*]
Technical Consultants		
Entitlements	[*]	
Engineering, Traffic and Other	[*]	
Building Architectural & Structural	[*]	
Landscaping	[*]	
Total Technical Consultants		[*]
Other Costs		
Leasing Commissions	[*]	
Skechers Alternative Site Rental Cost	[*]	
Development Management Fee [1]	[*]	
Project and Construction Management	[*]	
Insurance and Taxes	[*]	
Solar Facility	[*]	
Financing	[*]	
Contingency	[*]	
Total Other Costs		[*]
Total Project Cost		\$ [*]
Potential Reimbursements		
Area Drainage Fee Credit	[*]	
DIF Credit	[*]	
Solar Grants and Incentives	[*]	
State Grants	[*]	
Total Potential Reimbursements		[*]
Net Project Cost		\$ [*]

Note: Recent requested changes to the electrical distribution system are not reflected in this budget

[1] [*]% on Total Project Cost, net of land, costs to date and management fee

* Confidential Portions Omitted and Filed Separately with the Commission.

Exhibit A-1

Skechers T.I. Requests

Date: 1/29/2010



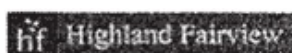
CSI	Tenant Improvements - Current Plans & Requests thru 2009	Total
General Conditions		
00-7213	General Conditions	\$ [*]
01-3100	Project Management	\$ [*]
01-5126	Temporary Lighting	\$ [*]
01-7423	Final cleaning	\$ [*]
General Conditions — Subtotal:		\$ [*]
Site		
32-1313	Concrete Curb & gutter — Retail	\$ [*]
32-1313	Concrete Paving Drive Aisle — Retail	\$ [*]
32-1313	Paved Parking Area — Retail	\$ [*]
32-1313	4" Side Walk — Retail	\$ [*]
32-1723	Striping — Retail	\$ [*]
32-1723	ADA Signage — Retail	\$ [*]
32-1313	Guard Shack Foundation	\$ [*]
32-1313	7" PCC in lieu of AC Paving	\$ [*]
32-3213	Concrete Screen wall — Retail	\$ [*]
32-3113	8" Tube Steel Fence	\$ [*]
	Sliding Gates & Motor Control	\$ [*]
	Pedestrian Tube Steel gate	\$ [*]
33-1116	1" Copper Water Service Guard Shack	\$ [*]
33-3113	6" Sanitary Sewer Service Guard Shack	\$ [*]
	6" Sewer Clean-Out	\$ [*]
33-7139	Electrical Service Guard Shack	\$ [*]
	Site Underground Electrical — North	\$ [*]
	Transformer Electrical Service — North	\$ [*]
33-8113	Low Voltage to Guard Shack	\$ [*]
	Gate Conduit to Building	\$ [*]
09-9113	Paint	\$ [*]
26-3213	Site Electrical Generator	\$ [*]
12-9213	Bike Racks, Benches, Pots, Urns, Trash	\$ [*]
10-7516	Flag Poles	\$ [*]
32-3119	Structural Steel (Trash Gates & Lids)	\$ [*]
	Additional Land Cost — Retail	\$ [*]
Site — Subtotal:		\$ [*]

See Additional Sheet for Continuation

* Confidential Portions Omitted and Filed Separately with the Commission.

Exhibit A-1
Skechers T.I. Requests

Date: 1/29/2010



CSI	Tenant Improvements - Current Plans & Requests thru 2009	Total
Building		
03-2100	Reinforcement Steel	\$ [*]
03-3100	Lightweight Concrete	\$ [*]
	WEI Racking Foundations	\$ [*]
05-1223	Structural Steel	\$ [*]
05-3113	Metal Decking	\$ [*]
05-7313	Glazed Decorative Hand Railing	\$ [*]
06-1113	Rough Carpentry	\$ [*]
06-2033	Finish Carpentry (Millwork)	\$ [*]
	Solid Surface Fabrication	\$ [*]
06-8200	Fiber Glass Reinforced Plastic (Marlite)	\$ [*]
07-1113	Bituminous Dampproofing	\$ [*]
	Water Proofing Showers	\$ [*]
07-2116	Insulation	\$ [*]
07-4213	Metal Wall / Soffit Panels	\$ [*]
07-6200	Sheet Metal Flashing & trim	\$ [*]
07-7236	Skylights	\$ [*]
08-1213	Doors / Frames / Hardware	\$ [*]
08-8000	Glass & Glazing	\$ [*]
09-2116	Gypsum Board Assemblies	\$ [*]
09-3100	Thin-Set Tile	\$ [*]
09-5113	Acoustical Panel Ceilings	\$ [*]
09-6223	Bamboo Flooring & Base	\$ [*]
09-6536	Static Control Resilient Flooring	\$ [*]
09-6816	Carpeting	\$ [*]
09-6953	Access Flooring Accessories (Mats)	\$ [*]
09-9100	Paint & Wall Covering	\$ [*]
10-1400	Plastic Signage Restrooms	\$ [*]
10-2813	Metal Toilet Compartment & Accessories	\$ [*]
10-4416	Fire Extinguishers & Cabinets	\$ [*]
10-5113	Lockers & Benches	\$ [*]
12-2413	Roller Shades	\$ [*]
14-2423	Hydraulic Passenger Elevator	\$ [*]
21-1313	Wet-Pipe Sprinkler Systems	\$ [*]
	Fm-200 Suppression System	\$ [*]
	Pre-Action Interlock	\$ [*]
22-4213	Commercial Water Closet, Urinals, Fixtures	\$ [*]
23-0000	Heating, Ventilating & Air Conditioning	\$ [*]
26-0100	Electrical	\$ [*]
26-5113	Lighting	\$ [*]
28-3100	Fire Alarm	\$ [*]
	Building — Subtotal:	\$ [*]
General Conditions / Site / Building — Subtotal:		\$ [*]
	<i>Liability Insurance ([*]%)</i>	<u>\$ [*]</u>
Subtotal:		\$ [*]
	<i>Profit and Overhead ([*]%)</i>	\$ [*]
Total:		\$ [*]

* Confidential Portions Omitted and Filed Separately with the Commission.

AMENDMENT TO DEVELOPMENT MANAGEMENT AGREEMENT

THIS AMENDMENT TO DEVELOPMENT MANAGEMENT AGREEMENT (this "*Amendment*") is made and entered into effective as of the 30th day of January, 2010 (the "*Effective Date*"), by and between **HF LOGISTICS-SKX, LLC** ("*Owner*"); and **HFC HOLDINGS, LLC**, a Delaware limited liability company ("*Development Manager*").

RECITALS:

A. Owner and Development Manager entered into a certain Development Management Agreement (the "*Agreement*") effective as of the Effective Date.

B. The Agreement provides that a Project Schedule was to be attached as **Exhibit "A"** thereto, but inadvertently no Project Schedule was attached to the Agreement.

C. The parties desire to amend the Agreement to include the Project Schedule.

NOW, THEREFORE, the parties agree as follows:

1. The Project Schedule, which is attached to this Amendment as **Exhibit "A"**, shall be the Project Schedule, as defined in the Agreement.

2. In all other respects, the Agreement shall remain in full force and effect as originally written.

3. Capitalized terms used in this Amendment shall have the same meanings as set forth in the Agreement.

(signature page follows)

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the Effective Date.

“OWNER”

HF LOGISTICS -SKX, LLC, a Delaware limited liability company

By: HF Logistics I, LLC, a Delaware limited liability company, it’s Managing Member

**By: _____
Iddo Benzeevi, President and Chief Executive Officer**

By: Skechers R.B., LLC, a Delaware limited liability company, it’s Managing Member

By: Skechers U.S.A., Inc., a Delaware Corporation, It’s sole member

**By: _____
David Weinberg, Chief Operating Officer**

“DEVELOPMENT MANAGER”

HFC HOLDINGS, LLC, a Delaware limited liability company

**By _____
Iddo Benzeevi, its Chief Executive Officer**

JOINER

Skechers R.B., LLC, a Delaware limited liability company and Skechers U.S.A., Inc., a Delaware corporation, each hereby joins in the execution of this Amendment as a third party beneficiary of the Agreement and for the purposes of confirming their agreement to comply with and perform those obligations applicable to Skechers Member or Skechers Parent set forth herein and therein.

“SKECHERS PARENT”

SKECHERS U.S.A., INC., a Delaware corporation

**By: _____
David Weinberg, Chief Operating Officer**

“SKECHERS MEMBER”

SKECHERS R.B., LLC, a Delaware limited liability company

By: Skechers U.S.A., Inc., a Delaware corporation, its sole member

**By: _____
David Weinberg, Chief Operating Officer**

EXHIBIT "A" PROJECT SCHEDULE

Exhibit 'A'

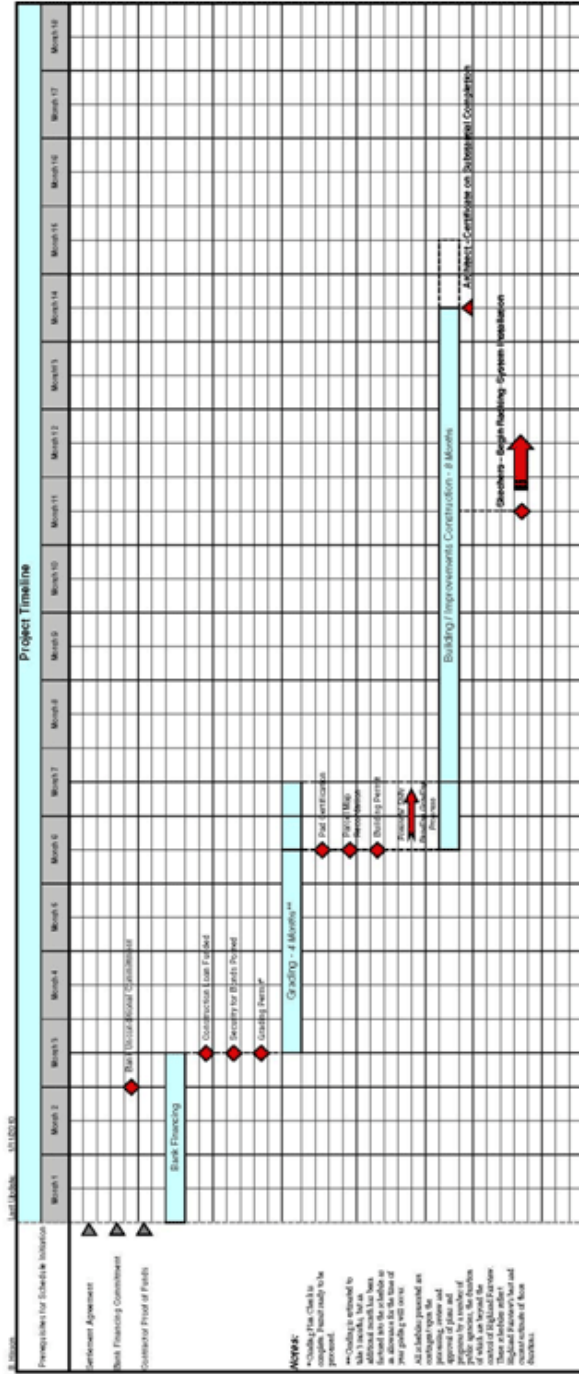


EXHIBIT "C-1"

HF NOTE

Exhibit "C-1"

UNSECURED PROMISSORY NOTE

\$14,000,000

January 30, 2010

FOR VALUE RECEIVED, **HF LOGISTICS-SKX, LLC, a Delaware limited liability company** (“Maker”), does hereby promise to pay to the order of **HF LOGISTICS I, LLC, a Delaware limited liability company** (“Payee”), at its office at 14225 Corporate Way, Moreno Valley, CA 92553, or at such other place as the Payee may from time to time designate in writing, the principal sum of FOURTEEN MILLION DOLLARS (\$14,000,000), with interest thereon as provided in this Note.

1. **Certain Definitions.** For the purposes hereof, the terms set forth below shall have the following meanings: (a) “Applicable Law” shall mean (i) the laws of the United States of America applicable to contracts made or performed in the State of Delaware, now or at any time hereafter prescribing or eliminating maximum rates of interest on loans and extensions of credit, (ii) the laws of the State of Delaware now or at any time hereafter prescribing or eliminating maximum rates of interest on loans and extensions of credit, and (iii) any other laws at any time applicable to contracts made or performed in the State of Delaware which permit a higher interest rate ceiling hereunder.

(b) “Business Day” shall mean any day other than a Saturday, Sunday or any other day on which commercial banks are authorized or permitted to be closed for business in the State of Delaware.

(c) “Facility” shall mean the building, together with parking areas, landscaped areas and other improvements, containing approximately 1,820,457 square feet to be constructed by Maker in accordance with the Lease (as defined below).

(d) “Highest Lawful Rate” shall mean at the particular time in question the maximum rate of interest which, under Applicable Law, Payee is then permitted to charge Maker in regard to the loan evidenced by this Note. If the maximum rate of interest which, under Applicable Law, Payee is permitted to charge Maker in regard to the loan evidenced by this Note shall change after the date hereof, the Highest Lawful Rate shall be automatically increased or decreased, as the case may be, from time to time as of the effective date of each change in the Highest Lawful Rate without notice to Maker. For purposes of determining the Highest Lawful Rate under the Applicable Law, all fees and other charges contracted for, charged or received by Payee in connection with the loan evidenced by this Note which are either deemed interest under Applicable Law or required under Applicable Law to be deducted from the principal balance hereof to determine the rate of interest charged on this Note shall be taken into account.

(e) “Interest Rate” shall mean six percent (6%) per annum.

(f) "Lease" shall mean that certain Lease Agreement dated September 25, 2007, by and between HF Logistics I, LLC, a Delaware limited liability company ("HF"), as landlord, and Skechers USA, Inc., a Delaware corporation, as tenant, as the same may be amended.

(g) "Maturity Date" shall mean the earlier to occur of (i) ten (10) years after the date of this Note, or (ii) the sale or other disposition by Maker of the entire Property, or (iii) the refinancing of the Property which provides sufficient net proceeds to pay the entire Unpaid Principal Balance plus all accrued but unpaid interest, or (iv) the dissolution of Maker, or (v) the consummation of a buy-out of the membership interest of a member of Maker pursuant to the buy-sell process as described in the Limited Liability Company Agreement of Maker dated of even date herewith (the "LLC Agreement"), subject to acceleration upon the occurrence of an Event of Default as provided herein.

(h) "Property" means the real property, together with all improvements now or hereafter located thereon, situated in Moreno Valley, California, which is the subject of the Lease.

(i) "Substantial Completion" shall have the meaning set forth in the Lease. (j) "Unpaid Principal Balance" shall mean, at any time, the amount of principal of this Note, less any amounts of principal repaid.

2. Payment of Principal and Interest.

(a) Interest on the Unpaid Principal Balance shall be computed at a rate equal to the lesser of (i) the Interest Rate or (ii) the Highest Lawful Rate and shall commence as of the date of this Note.

(b) Interest accruing under this Note shall be computed on the basis of the actual number of days elapsed based upon a three hundred sixty (360) day year.

(c) If the date for any payment hereunder falls on a day which is not a Business Day, then such payment shall be due on the next following Business Day, and such additional time shall be included in the calculation of interest then due.

(d) Principal and interest under this Note shall be paid as follows:

(i) Payments of accrued interest and principal shall be paid on the first day of each month, commencing on the first day of the month after the date of this Note, but only to the extent that there is Available Cash (as such term is defined in the LLC Agreement, and subject to any changes in priority of distributions of Available Cash set forth therein) prior to any distributions of Available Cash to the members of Maker. Provided however, that as long as there is any unpaid balance of principal or accrued interest due to Skechers RB, LLC, a Delaware limited liability company ("Skechers") under that certain unsecured promissory note of even date herewith from Maker to Skechers (the "Skechers Note"), then payments under this Note and under the Skechers Note shall be made pro rata according to the ratio of the unpaid principal balance of both this Note and the

Skechers Note. If there is insufficient Available Cash to pay any monthly installment of interest due hereunder, the interest shortfall will accrue, but the accrued amount will not bear additional interest.

(ii) The entire remaining Unpaid Principal Balance and all accrued but unpaid interest shall be due and payable, together with accrued interest, on the Maturity Date.

(e) All payments on this Note shall be applied first to accrued and unpaid interest on the Unpaid Principal Balance, and then to the payment of the Unpaid Principal Balance.

3. **Prepayment.** The Unpaid Principal Balance may be prepaid in whole or in part, at any time, without penalty or prepayment premium.

4. **Waivers.** Maker and all sureties, endorsers, accommodation parties, guarantors and other parties now or hereafter liable for the payment of this Note, in whole or in part, hereby severally (a) waive demand, notice of demand, presentment for payment, notice of nonpayment, notice of default, protest, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor and all other notices, and further waive diligence in collecting this Note, in taking action to collect this Note, in bringing suit to collect this Note, or in enforcing this Note or any of the security for this Note; (b) agree to any substitution, subordination, exchange or release of any security for this Note or the release of any person primarily or secondarily liable for the payment of this Note; (c) agree that Payee shall not be required to first institute suit or exhaust its remedies hereon against Maker or others liable or to become liable for the payment of this Note or to enforce its rights against any security for the payment of this Note; and (d) consent to any extension of time for the payment of this Note, made by agreement by Payee with any person now or hereafter liable for the payment of this Note, even if Maker is not a party to such agreement. This Note is payable in lawful money of the United States, without prior notice or demand, and without offset or deduction of any nature.

5. **Events of Default.**

(a) Upon the happening of any of the following events (each an "Event of Default"), Payee may, at its option, by notice to Maker, declare immediately due and payable the entire Unpaid Principal Balance together with all accrued interest. Events of Default are the following:

(i) If Maker fails to pay any principal and/or interest under this Note as and when same becomes due and payable, and such failure to pay is not cured within five (5) Business Days following the date written notice of such failure to pay is given by Payee to Maker; or

(ii) Maker shall fail to observe or perform any other covenant contained in this Note (other than that specified in Section 5(a)(i)) and such failure shall continue for ten (10) days after notice to Maker of such failure.

(iii) Maker shall (A) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (B) make a general assignment for the benefit of its creditors, (C) be dissolved or liquidated, (D) become insolvent, (E) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it or (F) take any action for the purpose of effecting any of the foregoing.

(iv) Proceedings for the appointment of a receiver, trustee, liquidator or custodian of Maker of all or a substantial part of the property of Maker, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to Maker or the debts of Maker under any bankruptcy, insolvency or other similar law now or hereafter in effect shall be commenced and an order for relief entered or such proceeding shall not be dismissed or discharged within thirty (30) days of commencement.

(b) The failure of Payee to exercise the foregoing option of acceleration upon the occurrence of an Event of Default shall not constitute a waiver of the right to exercise the same or any other option of acceleration at any subsequent time, and no such failure shall nullify any prior exercise of any such option without the express written consent of Payee.

6. Intentionally Omitted.

7. Compliance with Law. All agreements between Maker and Payee, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no contingency, whether by reason of demand or acceleration of the Maturity Date or otherwise, shall the interest contracted for, charged, received, paid or agreed to be paid to Payee in regard to the loan evidenced by this Note exceed the maximum amount permissible under Applicable Law. If, from any circumstance whatsoever, interest would otherwise be payable to Payee in excess of the maximum amount permissible under Applicable Law, the interest payable to Payee shall be reduced to the maximum amount permissible under Applicable Law; and if from any circumstance Payee shall ever receive anything of value deemed interest by Applicable Law in excess of the maximum amount permissible under Applicable Law, an amount equal to the excessive interest shall be applied to the reduction of the principal hereof and not to the payment of interest, or if such excessive amount of interest exceeds the Unpaid Principal Balance hereof, such excess shall be refunded to Maker. All interest paid or agreed to be paid to Payee shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated, and spread throughout the full period (including any renewal or extension) until payment in full of the principal so that the interest hereon for such full period shall not exceed the maximum amount permissible under Applicable Law. Payee expressly disavows any intent to contract for, charge or receive interest in an amount which exceeds the maximum amount permissible under Applicable Law. This section shall control all agreements between Maker and Payee.

8. Attorneys' Fees and Costs. In the event that following an Event of Default this Note is placed in the hands of an attorney for collection, or in the event thereafter this Note is collected in whole or in part through legal proceedings of any nature, then and in any such case Maker promises to pay on demand by Payee, and, to the extent unpaid upon such demand, there

shall be added to the Unpaid Principal Balance, all reasonable costs of collection, including, but not limited to, reasonable attorneys' fees incurred by Payee on account of such collection, whether or not suit is filed (including attorneys fees incurred in connection with any Bankruptcy proceeding (including stay litigation) and on appeal).

9. **Cumulative Rights.** No delay on the Payee in the exercise of any power or right under this Note shall operate as a waiver thereof, nor shall a single or partial exercise of any power or right preclude other or further exercise thereof or the exercise of any other power or right.

10. **Headings.** The section headings used in this Note are for convenience of reference only, and shall not affect the meaning or interpretation of this Note.

11. **Governing Law.** THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE AND THE LAWS OF THE UNITED STATES APPLICABLE TO TRANSACTIONS IN THE STATE OF DELAWARE.

12. **Successors and Assigns.** The term "Payee" shall include any of Payee's permitted successors and assigns, to whom the benefits of this Note shall inure. This Note shall bind Maker and its successors and assigns (but no assignment or delegation of this Note by Maker shall release Maker from liability hereunder).

EXECUTED by Maker as of the date set forth above.

"OWNER"

HF LOGISTICS -SKX, LLC, a Delaware limited liability company

By: HF Logistics I, LLC, a Delaware limited liability company, It's Managing Member

**By: _____
Iddo Benzeevi, President and Chief Executive Officer**

By: Skechers RB, LLC, a Delaware limited liability company, it's Managing Member

By: Skechers USA, Inc., a Delaware Corporation, It's sole member

**By: _____
David Weinberg, Chief Operating Officer**

**By: _____
Robert Greenberg, Chief Executive Officer**

EXHIBIT "C-2"
SKECHERS NOTE

Exhibit "C-2"

UNSECURED PROMISSORY NOTE

\$1,000,000

January 30, 2010

FOR VALUE RECEIVED, **HF LOGISTICS-SKX, LLC, a Delaware limited liability company** (“Maker”), does hereby promise to pay to the order of **SKECHERS RB, LLC, a Delaware limited liability company** (“Payee”), at its office at 228 Manhattan Beach Blvd, Manhattan Beach, CA 90266, or at such other place as the Payee may from time to time designate in writing, the principal sum of ONE MILLION DOLLARS (\$1,000,000), with interest thereon as provided in this Note.

1. **Certain Definitions.** For the purposes hereof, the terms set forth below shall have the following meanings:

(a) “Applicable Law” shall mean (i) the laws of the United States of America applicable to contracts made or performed in the State of Delaware, now or at any time hereafter prescribing or eliminating maximum rates of interest on loans and extensions of credit, (ii) the laws of the State of Delaware now or at any time hereafter prescribing or eliminating maximum rates of interest on loans and extensions of credit, and (iii) any other laws at any time applicable to contracts made or performed in the State of Delaware which permit a higher interest rate ceiling hereunder.

(b) “Business Day” shall mean any day other than a Saturday, Sunday or any other day on which commercial banks are authorized or permitted to be closed for business in the State of Delaware.

(c) “Facility” shall mean the building, together with parking areas, landscaped areas and other improvements, containing approximately 1,820,457 square feet to be constructed by Maker in accordance with the Lease (as defined below).

(d) “Highest Lawful Rate” shall mean at the particular time in question the maximum rate of interest which, under Applicable Law, Payee is then permitted to charge Maker in regard to the loan evidenced by this Note. If the maximum rate of interest which, under Applicable Law, Payee is permitted to charge Maker in regard to the loan evidenced by this Note shall change after the date hereof, the Highest Lawful Rate shall be automatically increased or decreased, as the case may be, from time to time as of the effective date of each change in the Highest Lawful Rate without notice to Maker. For purposes of determining the Highest Lawful Rate under the Applicable Law, all fees and other charges contracted for, charged or received by Payee in connection with the loan evidenced by this Note which are either deemed interest under Applicable Law or required under Applicable Law to be deducted from the principal balance hereof to determine the rate of interest charged on this Note shall be taken into account.

(e) “Interest Rate” shall mean six percent (6%) per annum.

(f) "Lease" shall mean that certain Lease Agreement dated September 25, 2007, by and between HF Logistics I, LLC, a Delaware limited liability company ("HF"), as landlord, and Skechers USA, Inc., a Delaware corporation, as tenant, as the same may be amended.

(g) "Maturity Date" shall mean the earlier to occur of (i) ten (10) years after the date of this Note, or (ii) the sale or other disposition by Maker of the entire Property, or (iii) the refinancing of the Property which provides sufficient net proceeds to pay the entire Unpaid Principal Balance plus all accrued but unpaid interest, or (iv) the dissolution of Maker, or (v) the consummation of a buy-out of the membership interest of a member of Maker pursuant to the buy-sell process as described in the Limited Liability Company Agreement of Maker dated of even date herewith (the "LLC Agreement"), subject to acceleration upon the occurrence of an Event of Default as provided herein.

(h) "Property" means the real property, together with all improvements now or hereafter located thereon, situated in Moreno Valley, California, which is the subject of the Lease.

(i) "Substantial Completion" shall have the meaning set forth in the Lease.

(j) "Unpaid Principal Balance" shall mean, at any time, the amount of principal of this Note, less any amounts of principal repaid.

2. Payment of Principal and Interest

(a) Interest on the Unpaid Principal Balance shall be computed at a rate equal to the lesser of (i) the Interest Rate or (ii) the Highest Lawful Rate and shall commence as of the date of this Note.

(b) Interest accruing under this Note shall be computed on the basis of the actual number of days elapsed based upon a three hundred sixty (360) day year.

(c) If the date for any payment hereunder falls on a day which is not a Business Day, then such payment shall be due on the next following Business Day, and such additional time shall be included in the calculation of interest then due.

(d) Principal and interest under this Note shall be paid as follows:

(i) Payments of accrued interest and principal shall be paid on the first day of each month, commencing on the first day of the month after the date of this Note, but only to the extent that there is Available Cash (as such term is defined in the LLC Agreement, and subject to any changes in priority of distributions of Available Cash set forth therein) prior to any distributions of Available Cash to the members of Maker. Provided however, that as long as there is any unpaid balance of principal or accrued interest due to HF under that certain unsecured promissory note of even date herewith from Maker to HF (the "HF Note"), then payments under this Note and under the HF Note shall be made pro rata according to the ratio of the unpaid principal balance of both this Note and the HF Note. If there is insufficient Available Cash to pay any monthly installment of interest due

hereunder, the interest shortfall will accrue, but the accrued amount will not bear additional interest.

(ii) The entire remaining Unpaid Principal Balance and all accrued but unpaid interest shall be due and payable, together with accrued interest, on the Maturity Date.

(e) All payments on this Note shall be applied first to accrued and unpaid interest on the Unpaid Principal Balance, and then to the payment of the Unpaid Principal Balance.

3. **Prepayment.** The Unpaid Principal Balance may be prepaid in whole or in part, at any time, without penalty or prepayment premium.

4. **Waivers.** Maker and all sureties, endorsers, accommodation parties, guarantors and other parties now or hereafter liable for the payment of this Note, in whole or in part, hereby severally (a) waive demand, notice of demand, presentment for payment, notice of nonpayment, notice of default, protest, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor and all other notices, and further waive diligence in collecting this Note, in taking action to collect this Note, in bringing suit to collect this Note, or in enforcing this Note or any of the security for this Note; (b) agree to any substitution, subordination, exchange or release of any security for this Note or the release of any person primarily or secondarily liable for the payment of this Note; (c) agree that Payee shall not be required to first institute suit or exhaust its remedies hereon against Maker or others liable or to become liable for the payment of this Note or to enforce its rights against any security for the payment of this Note; and (d) consent to any extension of time for the payment of this Note, made by agreement by Payee with any person now or hereafter liable for the payment of this Note, even if Maker is not a party to such agreement. This Note is payable in lawful money of the United States, without prior notice or demand, and without offset or deduction of any nature.

5. **Events of Default.**

(a) Upon the happening of any of the following events (each an "Event of Default"), Payee may, at its option, by notice to Maker, declare immediately due and payable the entire Unpaid Principal Balance together with all accrued interest. Events of Default are the following:

(i) If Maker fails to pay any principal and/or interest under this Note as and when same becomes due and payable, and such failure to pay is not cured within five (5) Business Days following the date written notice of such failure to pay is given by Payee to Maker; or

(ii) Maker shall fail to observe or perform any other covenant contained in this Note (other than that specified in Section 5(a)(i)) and such failure shall continue for ten (10) days after notice to Maker of such failure.

(iii) Maker shall (A) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (B) make a general assignment for the benefit of its creditors, (C) be dissolved or liquidated,

(D) become insolvent, (E) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it or (F) take any action for the purpose of effecting any of the foregoing.

(iv) Proceedings for the appointment of a receiver, trustee, liquidator or custodian of Maker of all or a substantial part of the property of Maker, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to Maker or the debts of Maker under any bankruptcy, insolvency or other similar law now or hereafter in effect shall be commenced and an order for relief entered or such proceeding shall not be dismissed or discharged within thirty (30) days of commencement.

(b) The failure of Payee to exercise the foregoing option of acceleration upon the occurrence of an Event of Default shall not constitute a waiver of the right to exercise the same or any other option of acceleration at any subsequent time, and no such failure shall nullify any prior exercise of any such option without the express written consent of Payee.

6. Intentionally Omitted.

7. Compliance with Law. All agreements between Maker and Payee, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no contingency, whether by reason of demand or acceleration of the Maturity Date or otherwise, shall the interest contracted for, charged, received, paid or agreed to be paid to Payee in regard to the loan evidenced by this Note exceed the maximum amount permissible under Applicable Law. If, from any circumstance whatsoever, interest would otherwise be payable to Payee in excess of the maximum amount permissible under Applicable Law, the interest payable to Payee shall be reduced to the maximum amount permissible under Applicable Law; and if from any circumstance Payee shall ever receive anything of value deemed interest by Applicable Law in excess of the maximum amount permissible under Applicable Law, an amount equal to the excessive interest shall be applied to the reduction of the principal hereof and not to the payment of interest, or if such excessive amount of interest exceeds the Unpaid Principal Balance hereof, such excess shall be refunded to Maker. All interest paid or agreed to be paid to Payee shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated, and spread throughout the full period (including any renewal or extension) until payment in full of the principal so that the interest hereon for such full period shall not exceed the maximum amount permissible under Applicable Law. Payee expressly disavows any intent to contract for, charge or receive interest in an amount which exceeds the maximum amount permissible under Applicable Law. This section shall control all agreements between Maker and Payee.

8. Attorneys' Fees and Costs. In the event that following an Event of Default this Note is placed in the hands of an attorney for collection, or in the event thereafter this Note is collected in whole or in part through legal proceedings of any nature, then and in any such case Maker promises to pay on demand by Payee, and, to the extent unpaid upon such demand, there shall be added to the Unpaid Principal Balance, all reasonable costs of collection, including, but not limited to, reasonable attorneys' fees incurred by Payee on account of such collection,

whether or not suit is filed (including attorneys fees incurred in connection with any Bankruptcy proceeding (including stay litigation) and on appeal).

9. **Cumulative Rights.** No delay on the Payee in the exercise of any power or right under this Note shall operate as a waiver thereof, nor shall a single or partial exercise of any power or right preclude other or further exercise thereof or the exercise of any other power or right.

10. **Headings.** The section headings used in this Note are for convenience of reference only, and shall not affect the meaning or interpretation of this Note.

11. **Governing Law.** THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE AND THE LAWS OF THE UNITED STATES APPLICABLE TO TRANSACTIONS IN THE STATE OF DELAWARE.

12. **Successors and Assigns.** The term "Payee" shall include any of Payee's permitted successors and assigns, to whom the benefits of this Note shall inure. This Note shall bind Maker and its successors and assigns (but no assignment or delegation of this Note by Maker shall release Maker from liability hereunder).

EXECUTED by Maker as of the date set forth above.

"OWNER"

HF LOGISTICS -SKX, LLC, a Delaware limited liability company

By: HF Logistics I, LLC, a Delaware limited liability company, it's Managing Member

By: _____
Iddo Benzeevi, President and Chief Executive Officer

By: Skechers RB, LLC, a Delaware limited liability company, it's Managing Member

By: Skechers USA, Inc., a Delaware Corporation, It's sole member

By: _____
David Weinberg, Chief Operating Officer

By: _____
Robert Greenberg, Chief Executive Officer

EXHIBIT "D"
INITIAL APPROVED OPERATING BUDGET

Exhibit "D"

Exhibit D

HF Logistics-SKX LLC Operating Budget
Building and Expansion Sites



Date: 1/29/2010

Operating Budget Estimate

	Year Duration in Months	2011 6	2012 12
Physical Occupancy		50%	100%
Rent Building		\$ 0.513	\$ 0.513
Sq Ft Building		1,820,457	
REVENUES (D-1)		6,739,057	9,275,589
EXPENSES			
Building (D-1)		[*]	[*]
Parcel 2:			
Maintenance (D-3)		[*]	[*]
POA (D-4)		[*]	[*]
Property Taxes (1)		(10,000)	(20,000)
TOTAL OPERATING EXPENSES		[*]	[*]
NET OPERATING INCOME		[*]	[*]
DEBT SERVICE (D-1)		(3,090,616)	(6,181,233)
CAPITAL RESERVES (D-1)		(45,511)	(91,023)
NET		\$ [*]	\$ [*]

(1) Based upon actual for 2009/2010

* Confidential Portions Omitted and Filed Separately with the Commission.

Exhibit D-1

2 of 5

HF Logistics-SKX LLC Building Site — Operating Budget
Skechers Building Site Only



Date: 1/29/2010

Operating Budget Estimate

	Year Duration in Months	2011 6	2012 12
Physical Occupancy		50%	100%
Rent Building Site		\$ 0.513	\$ 0.513
Sq Ft Building		1,820,457	
REVENUES	2011 \$/SF/MO		
Scheduled Base Rent	\$ 0.513	\$ 5,603,367	\$11,206,733
Base Rent Abatement			(4,202,525)
Total Scheduled Base Rent		5,603,367	7,004,208
Expense Reimbursements	0.098	1,071,416	2,142,832
Solar Revenue (1)		64,274	128,549
EFFECTIVE GROSS REVENUE	0.425	6,739,057	9,275,589
OPERATING EXPENSES			
Repairs	[*]	[*]	[*]
Maintenance (D-2)	[*]	[*]	[*]
POA (D-4)	[*]	[*]	[*]
Insurance	[*]	[*]	[*]
Real Estate Taxes	(0.056)	(609,811)	(1,219,622)
CFD Assessment	(0.015)	(163,841)	(327,682)
TOTAL OPERATING EXPENSES	[*]	[*]	[*]
NET OPERATING INCOME	[*]	[*]	[*]
DEBT SERVICE ON LOANS (2)	(0.283)	(3,090,616)	(6,181,233)
CAPITAL RESERVES	(0.004)	(45,511)	(91,023)
NET CASH FLOW	[*]	\$ [*]	\$ [*]

(1) 602kW(AC) system running 1,810 hours per year at an 11.8-cent average charge per kilowatt-hour

(2) Debt service on \$55 million bank loan and \$15 million of partner loans

* Confidential Portions Omitted and Filed Separately with the Commission.

Exhibit D-2



Building Site - Maintenance

No.	Description	Unit	Quantity	Unit Price	Total
1	Detention / Water Quality Basins	SF	200,375	\$ [*]	\$ [*]
2	Landscape - Slope	SF	248,300	\$ [*]	\$ [*]
3	Landscape - Flat	SF	104,500	\$ [*]	\$ [*]
4	Utilities - Common Sewer/Cleanouts	LS	1	\$ [*]	\$ [*]
5	Sign Maintenance	LS	1	\$ [*]	\$ [*]
6	Annual Water Cost	AF	37.5	\$ [*]	\$ [*]
7	Palm Tree Maintenance	LS	1	\$ [*]	\$ [*]
8	Screen Wall Maintenance - Eucalyptus S	LS	1	\$ [*]	\$ [*]

Subtotal: \$ [*]

Contingency ([*]%) \$ [*]

Total: \$ [*]

Building SF: 1,820,000

Cost/SF: \$ [*]

Maintenance Costs Include-

- Yearly Inspection, Flushing, Camera of Sewer/Cleanouts
- Graffiti Repair, Bulbs/Fixtures
- Based upon Recycled Water Use Exhibit and EMWD water rates
- Assume 54 palm trees trim 2 times per year at \$[*]/tree/trimming
- Graffiti Repair, Periodic Painting

* Confidential Portions Omitted and Filed Separately with the Commission.

Exhibit D-3



Expansion Site - Maintenance

No.	Description	Unit	Quantity	Unit Price	Total
1	Detention / Water Quality B	SF	89,275	\$ [*]	\$ [*]
2	Landscape - Slope	SF	46,500	\$ [*]	\$ [*]
3	Landscape - Flat	SF	834,750	\$ [*]	\$ [*]
4	Landscape - Parkway	SF		\$ [*]	\$ [*]
5	Annual Water Cost	AF		\$ [*]	\$ [*]

Subtotal: \$ [*]

Contingency ([*]%) \$ [*]

Total: \$ [*]

Maintenance Costs Include-

Assumes undeveloped condition. Unit Price assumes mowing/weed wacking 2 times per year No irrigation in undeveloped condition

* Confidential Portions Omitted and Filed Separately with the Commission.

Exhibit D-4



Property Owners Association (POA) - Maintenance

No.	Description	Unit	Quantity	Unit Price	Total
1	Landscape - Parkway	SF	87,000	\$ [*]	\$ [*]
2	Drainage - Spreading Facility	SF	400,750	\$ [*]	\$ [*]
3	Common Driveway - Maintenance	LS	1	\$ [*]	\$ [*]
4	Insurance	annual		\$ [*]	\$ [*]

Subtotal: \$ [*]

Contingency ([*]%) \$ [*]

Total: \$ [*]

	Acres
Allocated to Building Site	[*] 82.6
Allocated to Expansion Site	[*] 27.4
	[*] 110
Other Parcels	[*] 20
Total	[*] 130

Maintenance Costs Include

- Hydroseed Slopes, Trash, Graffiti, Growth Control
- Yearly Re-Stripe, Monthly Sweeping, Red Curb Paint
- General Liability, Personal Property & Professional Liability Insurance

* Confidential Portions Omitted and Filed Separately with the Commission.

EXHIBIT "E"
INTENTIONALLY OMITTED
Exhibit "E"

EXHIBIT "F"
CONSTRUCTION LOAN COMMITMENT
Exhibit "F"



Commercial Real Estate Banking
FL7-528-15-08
1 Alhambra Plaza Penthouse
Coral Gables, FL 33134

February 1, 2009

HF Logistics-SKX, LLC,
a Delaware limited liability company
4000 Island Boulevard, Penthouse 2
Williams Island, FL 33160

Re: \$55,000,000 Construction Loan (the "Loan") to finance a portion of the cost to construct an approximately 1,820,000 square foot industrial warehouse (the "Building") located Moreno Valley, California to be leased to Skechers USA, Inc. ("Skechers")

Gentlemen:

Bank of America, N.A., as administrative agent and as a leader ("Bank of America" or the "Agent") offers to make a portion of the Loan to HF Logistics — SKX, LLC, a Delaware limited liability company (the "Borrower"), upon the following terms and conditions:

1. **Loan Amount:** The lesser of \$55,000,000 or (i) 58% of the Lender approved appraised value of the Project (as hereinafter defined); (ii) 55% of the cost to construct; (iii) 1.40 times the coverage ratio using stress tests of 8% rate, 30-year amortization and first year NOI as per the approved appraisal. The \$55,000,000 loan amount is predicated upon Agent loaning \$35,000,000 and the balance of \$20,000,000 being arranged by Banc of America Securities, LLC ("BAS" or "Arranger").

2. **Interest Rate:**

(a) **"BBA LIBOR Daily Floating Rate"** means a daily fluctuating rate of interest per annum equal to (i) the applicable London Interbank Offered Rate

"London Interbank Offered Rate" means the rate per annum equal to the British Bankers' Association LIBOR Rate ("**BBA LIBOR**"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as selected by Administrative Agent from time to time) as determined each Business Day at approximately 11:00 a.m. London time two (2) London Banking Days before the commencement of the Interest Period, for deposits in U.S. Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period as adjusted from time to time in Lender's sole discretion for reserve requirements deposit insurance assessment rates and other regulatory costs. If such rate is not available at

such time for any reason, then the rate for that Interest Period will be determined by such alternate method as reasonably selected by Administrative Agent;

(b) Interest on the Loan shall be charged at a per annum rate equal to the sum of (i) BBA LIBOR Daily Floating Rate (which Rate will be not less than 150 basis points) and (ii) 450 basis points until default.

(c) After default, interest on the Loan shall be charged at a per annum rate equal to non-default rate plus 400 basis points.

3. Interest Payments: Interest on the outstanding principal balance of the Loan shall be payable monthly commencing on the 15th day of the first calendar month following the date of closing of the Loan and continuing on the 15th day of each and every calendar month thereafter until the Loan has been repaid in full. Interest reserve must be acceptable to Agent.

4. Late Charge: Four percent (4%) of any payment more than fifteen (15) days late.

5. Principal Payments: Commencing with the first day of the first month following the first payment of rent by Skechers pursuant to the Lease, the Borrower shall make principal payments in an amount derived assuming a thirty (30) year amortization and interest at the rate of the greater of eight percent (8%) per annum or the rate then paid on ten (10) year Treasury Notes plus 250 basis points. The entire principal balance of the Loan shall be paid in full on the Maturity Date.

6. Maturity Date: Twenty-four (24) months from the "Closing Date" (as herein defined), subject to extension as hereinafter provided.

7. Maturity Date Extensions: Borrower shall have one (1) option to extend the Maturity Date of the Loan, for an additional six (6) month period, upon satisfaction of all of the following conditions: (i) no event of default shall have occurred and is continuing during the term of the Loan, and no act or event shall be then occurring which would be an event of default but for the giving of notice or the passage of time, or both; (ii) the Borrower shall have paid to Lender, a fee in the amount of \$25,000 the ("Extension Fee") for such extension; (iii) the Borrower shall have received an unconditional certificate of occupancy for the use of the Building; (iv) Skechers shall have taken occupancy and commenced to pay rent pursuant to the Lease; (v) revenue from the building shall equal or exceed a 1.40 times to debt coverage ratio using stress tests of the greater of an 8% rate or the 10-year Treasury plus 250 basis points and a 30-year amortization and (vi) the loan to value ratio does not exceed 58% based upon an updated appraisal which may be required by the Lender.

8. Prepayment: Borrower may prepay all or any portion of the Loan at any time without fee premium or penalty.

9. Borrower's Entity: Borrower shall be single purpose entity whose sole business shall be the development and operation of the Project.

10. Guarantor: The full repayment of the Loan and the payment and performance of all of the obligations of the Borrower under the Loan Documents shall be unconditionally and irrevocably guaranteed by TG Development Corp., a Delaware corporation. Upon Skechers taking occupancy of the Bidding and commencing rent payments, the principal repayment portion of Guarantors obligations hereunder shall be reduced to fifty percent (50%) of the Loan Amount. Until the Loan has been repaid, Guarantor must (i) maintain a minimum book net worth of \$150,000,000.00 during the term of the Loan (The covenant will be tested quarterly based on unaudited financial statements); (ii) not incur contingent liability in an aggregate amount exceeding \$25,000,000.00 other than the Loan without the prior written consent of Lender which consent Lender may withhold in its sole and absolute discretion; provided further that there shall be no restriction on contingent liability incurred by Guarantor in connection with any loan made for the acquisition or development of income producing commercial real estate; and (iii) not transfer any assets except: (x) in the ordinary course of business for fair value (w) to an entity that is wholly owned by the Guarantor, (y) to any unrelated third party for fair and reasonably equivalent value or (z) with the Lender's prior written approval of other assets. The Borrower shall promptly notify the Lender of any transfer of material assets whether or not the Lender's approval is required.

11. Borrower's Equity: Prior to the Closing Date, the Borrower shall have provided evidence to the Agent's sole satisfaction of its having contributed total equity in the Project of \$60,120,000.

12. Collateral: To secure the repayment of the Loan the Borrower shall grant the Lender a first Construction Deed of Trust lien and security interest in and to the following property (the "Mortgaged Property"):

(a) Land. An approximately 83-acre parcel of real property located in Moreno Valley, Riverside County, California being more particularly described in Exhibit "A" attached; hereto.

(b) Improvements. A build to suit industrial warehouse containing approximately 1,820,000 square feet to be leased to Skechers. General Contractor must be acceptable to Agent and provide a bonded Guaranteed Maximum Price Contract also acceptable to Agent. Funding of hard cost contingency not to exceed pace of construction and amount must be acceptable to Bank and Bank's consultant.

(c) Personal Property. All tangible and intangible personal property now or hereafter located on or used in the construction of or in connection with or arising from the operation of the Project.

(d) Certificate of Deposit. A \$5,500,000 Certificate of Deposit issued by Agent in the name of Borrower, which shall be assigned unto Agent until such time as the Loan has been fully repaid. At Borrower's option, Borrower may satisfy the aforementioned condition by having Guarantor maintain minimum liquidity of \$7,000,000.00 during the term of the Loan (The covenant will be tested quarterly based on unaudited financial statements).

13. Purpose of the Loan Advance: The purpose of the Loan is to finance the construction of the Building expected to be LEED certified and necessary on and off site improvement as required by the Lease (collectively, the "Improvement").

14. Commencement and Completion of Improvements: The Borrower shall commence construction of the Improvements within thirty (30) days following the closing of the Loan (the "Commencement Date"), and shall diligently and continuously proceed with the completion of all of the site work and the construction of all Improvements, all of which shall be completed no later than the sooner of the date that the Improvements must be delivered to Skechers pursuant to the lease or twenty (20) months from the Closing Date.

15. Budget and Advance of the Loan.

(a) The cost of the development of the Project shall not exceed a budget which has been approved by the Agent; the line item for the Land in such budget shall not exceed the As-Is Land Value per the Agent-approved appraisal.

(b) Advances of the Loan shall be made pursuant to the Agent's customary terms and conditions.

16. Fees: Borrower shall pay fees pursuant to a fee letter of even date herewith.

17. Payment and Performance Bond: A dual obligee payment and performance bond issued by a surety acceptable to Agent naming Agent as co-insured with Borrower is required with respect to the construction of the Project.

18. Prelease Requirements. At or before closing of the Loan, the Borrower shall have entered into a Lease with Skechers for the lease of 100% of the Improvements which Lease shall be acceptable to the Agent in sole and absolute discretion and shall provide for a term of not less than twenty (20) years. In addition, the Borrower, Tenant and Agent shall have entered into a Subordination and Non-Disturbance Agreement satisfactory to Agent in its sole and absolute discretion.

19. Agent's Counsel: Our attorney ("Agent's Counsel") in this matter is Chava Genet, of Stearns Weaver Miller Weissler Alhadeff & Sitterson, P.A., 2200 Museum Tower, 150 West Flagler Street, Miami, Florida 33130 (305) 789-3200.

20. Agent's Costs: Whether or not the Loan is closed (for any reason whatsoever), the Borrower shall be responsible for the payment of, and shall promptly pay, all fees, expenses, taxes (except income taxes payable by Agent), other charges and any out-of-pocket expenses that may be charged to the Agent or incurred by the Agent in connection with this Commitment or any events, transactions, or documents required or contemplated by this Commitment, including, without limitation legal fees and disbursements charged by counsel for the Agent plus all costs and expenses incurred in connection therewith; premiums for title insurance; recording fees; abstracting charges; brokerage fees or commissions (whether earned or claimed); documentary stamp taxes; intangible taxes; appraisal fees; construction advisors' fees; and survey costs.

21. Indemnification. The Borrower shall indemnify and hold the Agent harmless from any loss or damage, including reasonable attorneys fees and costs, incurred or arising by reason of this Commitment or the making of the Loan (except for liability, loss, expense or damage arising

from the gross negligence or willful misconduct of the Agent or its directors, officers, agents, employees, and attorney).

22. Inspections: Borrower shall pay all costs and expenses incidental to engineering and architectural review and construction inspections performed by an inspector appointed by Agent, and for an environmental assessment of property which shall be reviewed and accepted by Agent prior to closing of Loan. Borrower shall advance all sums required for such review and inspection. A third party construction consultant engaged by Bank shall review the plans, specifications, permits, budget, construction schedule, and other construction related matters, as well as each progress payment. A Plan & Cost Review will be required prior to closing.

23. Syndication: The Facility is required to be pre-syndicated before closing. Syndication will not commence until the Borrower has delivered executed Fee and Mandate Letters and paid the required fees.

24. Assignment and Participations: Usual and customary for facilities of this type, including customary provisions allowing the Lenders to assign or grant participations with the consent of the Agent and Borrower, which consent shall not be unreasonably withheld or delayed.

25. Waivers/Amendments & Required Lenders: Usual and customary for facilities of this type, including amendments and waivers of the provisions of the loan agreement and other definitive credit documentation will require the approval of Lenders holding loans and commitments representing more than 66 2/3% of the aggregate amount of loans and commitments under the loan documents ("Required Lenders"), except that the consent of all of the Lenders affected thereby shall be required with respect to (a) increases in commitment amounts, (b) reductions of principal, interest, or fees, (c) extensions of scheduled maturities or times for payment, (d) modification to the guaranty from the Guarantors, (e) release of a material obligor, and (f) such other items as may be negotiated in the final loan documents.

26. Voting Rights: Amendments, consents, or waivers to the Facility will require consent of the Required Lenders, except for any amendment, consent, or waiver that would: (i) extend the maturity of the Facility; (ii) reduce the amount of any interest, fees, principal, or other amount payable to the Lenders; (iii) reduce or increase the commitment of any Lender; and (iv) change the percentage specified for Required Lenders; all of which will require unanimous consent of the Lenders.

27. Termination: The Loan shall be closed and the first advance of the Loan shall be made on or before April 15, 2010 (the "Closing Date"), in accordance with all provisions hereof. If such closing and advance have not been consummated by the Closing Date, Agent's obligation to make the Loan shall terminate and the Agent shall have no further obligation hereunder.

28. Material Adverse Effect: Bank of America's obligations hereunder shall terminate if, prior to closing, Bank of America determines, in its sole judgment, that there shall exist any conditions regarding the Project, or the operations, business, assets, liabilities or condition (financial or otherwise, including credit rating) of Borrower, Guarantor, or Skechers or there shall have occurred a material adverse change in, or there shall exist any material adverse conditions in, the market for syndicated bank credit facilities or the financial, banking, credit or debt capital markets generally, that could be expected to cause the Facility to become delinquent or prevent any

Guarantor from performing its obligations under any guaranty or to materially and adversely affect the value or marketability of the Facility or the Project or Bank of America's ability to syndicate the Facility.

29. Clear Market: From the date of acceptance of these terms and conditions and continuing until Closing, there shall be no competing offering, placement or arrangement of any debt securities or bank financing by or on behalf of the Borrower or Sponsor. The Borrower or Guarantor would immediately notify the Arranger if any such transaction were contemplated.

30. USA Patriot Act Notice: The Agent hereby notifies the Borrower, Guarantor and Sponsor that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 10756 (signed into law October 26, 2001)) (the "Act"), the Agent are required to obtain, verify and record information that identifies Borrower, Guarantor and Sponsor, which information includes that name and address of Borrower, Guarantor and Sponsor and other information that will allow the Agent to identify Borrower, Guarantor and Sponsor in accordance with the Act.

31. Confidentiality: All provisions of this Commitment Letter are to be kept strictly confidential and the Borrower agrees not to disclose the contents or existence of this Commitment Letter to any third party(s) without prior written consent of the Agent.

32. Dispute Resolution. Any dispute between the parties shall be resolved pursuant to procedures described in Exhibit B hereto.

If within five (5) days after the date hereof this offer has not been accepted by the execution of a copy hereof and the delivery of the same to the Agent's office, together with payment of the required portion of the Upfront Fee, it shall be withdrawn and cancelled unless such acceptance date is extended in writing by the Agent.

Very truly yours,

BANK OF AMERICA, N.A.

By: /s/ Kim Abreu

Kim Abreu, Senior Vice President

BANC OF AMERICA SECURITIES LLC

By: _____
Name: _____
Title: _____

Agreed and Accepted this 1st day of February, 2010:

BORROWER:

HF LOGISTICS — SKX, LLC.,
a Delaware limited liability company

By: HF Logistics I, LLC, managing member

By: /s/ Donald Elbert _____
Donald Elbert, Senior Vice President

GUARANTOR:

TG DEVELOPMENT Corp.,
a Delaware Corporation

By: /s/ Donald Elbert _____
Donald Elbert, Senior Vice President

EXHIBIT A
LEGAL DESCRIPTION OF PROPERTY

EXHIBIT B
DISPUTE RESOLUTION

Dispute Resolution.

(a) Arbitration. Except to the extent expressly provided below, any Dispute shall, upon the request of any party, be determined by binding arbitration in accordance with the Federal Arbitration Act, Title 9, United States Code (or if not applicable, the applicable state law), the then-current rules for arbitration of financial services disputes of AAA and the “Special Rules” set forth below. In the event of any inconsistency, the Special Rules shall control. The filing of a court action is not intended to constitute a waiver of the right of Borrower, Administrative Agent or any Lender, including the suing party, thereafter to require submittal of the Dispute to arbitration. Any party to this Agreement may bring an action, including a summary or expedited proceeding, to compel arbitration of any Dispute in any court having jurisdiction over such action. For the purposes of this Dispute Resolution Section only, the terms “party” and “parties” shall include any parent corporation, subsidiary or affiliate of Administrative Agent involved in the servicing, management or administration of any obligation described in or evidenced by this Agreement, together with the officers, employees, successors and assigns of each of the foregoing.

(b) Special Rules.

(i) The arbitration shall be conducted in any U.S. state where real or tangible personal property collateral is located, or if there is no such collateral, in the city and county where Administrative Agent is located pursuant to its address for notice purposes in this Agreement.

(ii) The arbitration shall be administered by AAA, who will appoint an arbitrator. If AAA is unwilling or unable to administer or legally precluded from administering the arbitration, or if AAA is unwilling or unable to enforce or legally precluded from enforcing any and all provisions of this Dispute Resolution Section, then any party to this Agreement may substitute, without the necessity of the agreement or consent of the other party or parties, another arbitration organization that has similar procedures to AAA but that will observe and enforce any and all provisions of this Dispute Resolution Section. All Disputes shall be determined by one arbitrator; however, if the amount in controversy in a Dispute exceeds Five Million Dollars (\$5,000,000), upon the request of any party, the Dispute shall be decided by three arbitrators (for purposes of this Agreement, referred to collectively as the “arbitrator”).

(iii) All arbitration hearings will be commenced within ninety (90) days of the demand for arbitration and completed within ninety (90) days from the date of commencement; *provided, however*, that upon a showing of good cause, the arbitrator shall be permitted to extend the commencement of such hearing for up to an additional sixty (60) days.

(iv) The judgment and the award, if any, of the arbitrator shall be issued within thirty (30) days of the close of the hearing. The arbitrator shall provide a concise written statement setting forth the reasons for the judgment and for the award, if any. The arbitration award, if any, may be submitted to any court having jurisdiction to be confirmed and enforced, and such confirmation and enforcement shall not be subject to arbitration.

(v) The arbitrator will give effect to statutes of limitations and any waivers thereof in determining the disposition of any Dispute and may dismiss one or more claims in the arbitration on the basis that such claim or claims is or are barred. For purposes of the application of the statute of limitations, the service on AAA under applicable AAA rules of a notice of Dispute is the equivalent of the filing of a lawsuit.

(vi) Any dispute concerning this Dispute Resolution Section, including any such dispute as to the validity or enforceability hereof or whether a Dispute is arbitrable, shall be determined by the arbitrator; *provided, however,* that the arbitrator shall not be permitted to vary the express provisions of these Special Rules or the Reservations of Rights in subsection (c) below.

(vii) The arbitrator shall have the power to award legal fees and costs pursuant to the terms of this Agreement

(viii) The arbitration will take place on an individual basis without reference to, resort to, or consideration of any form of class or class action.

(c) Reservations of Rights. Nothing in this Agreement shall be deemed to (i) limit the applicability of any otherwise applicable statutes of limitation and any waivers contained in this Agreement, or (ii) apply to or limit the right of Administrative Agent or any Lender (A) to exercise self help remedies such as (but not limited to) setoff, or (B) to foreclose judicially or nonjudicially against any real or personal property collateral, or to exercise judicial or nonjudicial power of sale rights, (C) to obtain from a court provisional or ancillary remedies such as (but not limited to) injunctive relief, writ of possession, prejudgment attachment, or the appointment of a receiver, or (D) to pursue rights against a party to this Agreement in a third-party proceeding in any action brought against Administrative Agent or any Lender in a state, federal or international court, tribunal or hearing body (including actions in specialty courts, such as bankruptcy and patent courts). Subject to the terms of this Agreement, Administrative Agent and any Lender may exercise the rights set forth in clauses (A) through (D), inclusive, before, during or after the pendency of any arbitration proceeding brought pursuant to this Agreement. Neither the exercise of self help remedies nor the institution or maintenance of an action for foreclosure or provisional or ancillary remedies shall constitute a waiver of the right of any party, including the claimant in any such action, to arbitrate the merits of the Dispute occasioning resort to such remedies. No provision in the Loan Documents regarding submission to jurisdiction and/or venue in any court is intended or shall be construed to be in derogation of the provisions in any Loan Document for arbitration of any Dispute.

(d) Conflicting Provisions for Dispute Resolution. If there is any conflict between the terms, conditions and provisions of this Section and those of any other provision or agreement for

arbitration or dispute resolution, the terms, conditions and provisions of this Section shall prevail as to any Dispute arising out of or relating to (i) this Agreement, (ii) any other Loan Document, (iii) any related agreements or instruments, or (iv) the transaction contemplated herein or therein (including any claim based on or arising from an alleged personal injury or business tort). In any other situation, if the resolution of a given Dispute is specifically governed by another provision or agreement for arbitration or dispute resolution, the other provision or agreement shall prevail with respect to said Dispute.

(e) Waiver of Trial By Jury: BORROWER, GUARANTORS AND AGENT HEREBY KNOWINGLY, IRREVOCABLY VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATIONBASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS COMMITMENT AND ANY DOCUMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF BORROWER, THE GUARANTORS OR AGENT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR AGENT ENTERING INTO THIS COMMITMENT.

THE WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO ORAL AGREEMENTS BETWEEN THE PARTIES.

EXHIBIT "G"

HF REPRESENTATIONS AND WARRANTIES

The following constitute representations and warranties of HF to Skechers and the Company, which are made as of the Effective Date, and also as of the date that fee title to the Property is contributed to the Company and which may be enforced by either Skechers or the Company:

a. HF has all legal power, right and authority to convey, or cause to be conveyed, HF's interest in the Property (and, when applicable, the fee interest in the Property) to the Company pursuant to this Agreement and to execute and deliver, or cause the execution and delivery, of all documents required to consummate the transactions contemplated hereby.

b. All requisite action has been taken in connection with the conveyance of HF's interest in the Property to the Company pursuant to this Agreement and the execution of all documents required to consummate the transactions contemplated hereby.

c. The execution and delivery of the conveyance documents contemplated hereby do not require the consent or approval of any third party nor shall such execution and delivery result in a breach or violation of any applicable law or conflict with, breach, result in a default under or violate any contract or agreement to which HF is a party, or by which HF or the Property is bound.

d. Neither HF nor any HF Affiliate has received written notice or has actual knowledge of any pending or threatened actions, suits, arbitrations, claims or proceedings, at law or in equity, affecting the Property, or in which HF or the Master Landlord is, or will be, a party by reason of Master Landlord's ownership or HF's interest in the Property (except for the Sierra Club Litigation (as defined herein)).

e. Neither HF nor any HF Affiliate has received written notice of or has actual knowledge of any attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings pending against HF.

f. Neither HF nor any HF Affiliate has entered into any contracts for the sale, exchange or other disposition of the Property, or any portion thereof, which are still in force and effect, nor do there exist any rights of first refusal, options or other rights of any other Person to purchase all or any portion of the Property.

g. HF's sole interest in the Property is a leasehold interest in the Property pursuant to the Master Lease, and Master Landlord holds fee simple title to the Property. Pursuant to the Master Lease, HF will acquire fee title to the Property prior to the time that it is obligated to convey the Property to the Company, or the Master Landlord will convey fee title to the Property directly to the Company.

h. Neither HF nor any HF Affiliate has received written notice of or has actual knowledge of the commencement or intended commencement of any proceeding in eminent domain, or similar proceeding by any governmental authority which would affect the Property.

i. In accordance with California Health and Safety Code §25359.7, HF hereby gives Skechers and the Company notice and informs them that HF has no knowledge of the release of any hazardous materials located on or beneath the Property, except to the extent (if any) reflected in environmental reports delivered to Skechers.

j. The Lease is in full force and effect. Neither HF nor to HF's knowledge, Skechers Parent, are in default thereunder, nor to HF's knowledge do any facts or circumstances exist that, with the passage of time or the giving of notice, or both, will or could constitute a default by Skechers Parent thereunder.

k. Neither HF nor any of its Affiliates has received any written notice or has other actual knowledge of any change contemplated in any laws, ordinances or restrictions affecting the Property, or any judicial or administrative action, or any action by adjacent landowners with respect to the Property, and neither HF nor any of its Affiliates has received any written notice or has other actual knowledge or any other fact, circumstance or condition, financial or otherwise, which would materially present, limit, impede or render materially more costly the construction of the Project or the use or operation of the Property as contemplated by this Agreement.

l. To HF's and its Affiliates' actual knowledge, except as disclosed in the environmental reports delivered by HF to Skechers, there are no acts, omissions, events, circumstances or conditions on, at, under or in connection with the Property that constitute a material violation of, or require remediation under, any applicable environmental law, including any pollution, contamination, degradation, damage or injury caused by, related to, arising from or in connection with the generation, use, handling, treatment, storage, disposal, discharge, emission or release of a hazardous material at the Property (an "**Environmental Condition**"). HF or its Affiliate has satisfied all material applicable governmental reporting requirements in connection with any known Environmental Condition existing on the Property. To HF's actual knowledge, there is no basis for a claim by any third party against HF in connection with an Environmental Condition at the Property.

m. Neither HF nor its Affiliates has entered into or is subject to any leases, occupancy agreements, licenses or similar agreements affecting the occupancy or possession of the Property, other than the Lease (and the Master Lease).

n. Except for required construction permits, HF or its Affiliates have obtained (or will obtain prior to the closing of the Construction Loan) all material necessary entitlements to construct the Project as contemplated by this Agreement and the Project will not constitute a violation of the Property's zoning classification or other similar governmental requirements (including, without limitation, parking requirements).

o. The Master Lease is in full force and effect and neither party is in default thereunder, nor do any facts or circumstances exist which would, with the passage of time and/or the giving of notice, constitute a default by either party thereunder.

p. The Property is not subject to any monetary liens or encumbrances (other than the lien of current real property taxes), or to any nonmonetary encumbrances which would have a material adverse effect on the ability of the Company to perform its obligations under this Agreement or Skechers Parent's ability to perform its obligations under the Lease, or which could result in the termination or extinguishment of the Lease.

q. Neither HF nor any HF Affiliate has caused any changes in the zoning or other entitlements affecting the Property since the date of execution of the Lease which would have a material adverse effect on Skechers Parent's rights under the Lease or to operate its intended business (as described in the Lease) on the Property.

EXHIBIT "H"
SIERRA CLUB LITIGATION SETTLEMENT AGREEMENT

Exhibit "H"

SETTLEMENT AGREEMENT

This settlement agreement (this "Agreement") is made at Moreno Valley, California as of January 7, 2010, between the SIERRA CLUB, a California not-for-profit corporation, on the one hand, and THE CITY OF MORENO VALLEY (the "City"), HIGHLAND FAIRVIEW PARTNERS, I, a California general partnership, HIGHLAND FAIRVIEW PARTNERS, II, a California general partnership, HIGHLAND FAIRVIEW PARTNERS, III, a Delaware general partnership, and HIGHLAND FAIRVIEW PARTNERS, IV, a Delaware partnership, and HF LOGISTICS I, LLC, a California limited liability company, (collectively, "Highland Fairview"), on the other hand, with the respect to the following facts:

A. Highland Fairview is the owner of a site located in the City. The site, which contains approximately 158 acres, is bounded on the north by State Route 60, on the east by Theodore Street, on the south by future Eucalyptus Avenue and on the west by Redlands Boulevard (the "Project Site").

B. Highland Fairview intends to develop the Project Site in three phases with a total of 2,620,000 square feet of logistic uses, associated office space, and commercial uses (the "Project"). The Project is known as the Highland Fairview Corporate Park.

C. The first phase of the Project will include a building containing 1,820,000 square feet which has been leased to Skechers USA, Inc. ("Skechers"). The building will be used primarily for logistic uses and some associated office and commercial facilities (the "Skechers Building").

D. Highland Fairview also owns approximately 1,800 acres of land located south and east of the Project Site which is subject to the Moreno Highlands Specific Plan (the "Specific Plan Area") which has vested development rights under a development agreement. Highland Fairview is considering developing the Specific Plan Area in the near future and may, as part of that development, seek to include industrial uses in areas not currently so designated in the Moreno Highlands Specific Plan.

E. On February 10, 2009, the City Council certified that environmental impact report P07-157 (the "EIR") analyzing the environmental impacts of the Project had been prepared in compliance with the California Environmental Quality Act ("CEQA") and then granted a number of approvals including general plan amendment PA07-0089, change of zone PA07-0088, tentative parcel map 35629, PA07-0090 and plot plan PA07-0091 for the Project (the "Project Approvals").

F. The development of the Specific Plan Area is unrelated to the that of the Project and no development of the Specific Plan Area has been authorized by the Project Approvals.

G. On February 20, 2009, the Sierra Club filed a lawsuit entitled *Sierra Club v. City of Moreno Valley*, Riverside Superior Court Case No. RIC 519566, which sought to set aside the Project Approvals, primarily on the basis that the EIR failed to comply with CEQA (the "Lawsuit").

H. The Sierra Club, the City and Highland Fairview wish to resolve the dispute between them concerning the Lawsuit, the Project and the development of the Project Site on the terms set forth in this Agreement. Further, they seek to work together to pursue areas of common interest.

I. The Sierra Club wants the City to adopt a climate action plan and a solar energy incentive program and to require additional Code enforcement for commercial properties in order to decrease the emission of greenhouse gases, conserve energy and protect the health of the City's inhabitants. Highland Fairview concurs that the plans, programs and actions sought by the Sierra Club could be beneficial, endorses them and will use its best efforts to encourage the City to consider them. The City believes that the actions desired by the Sierra Club are worthy of consideration, but cannot and does not commit to their adoption. The City Council, in response to the Sierra Club's concerns, has directed staff to prepare both a climate action plan, projected to be available for consideration by the Council within 18 months, and to review possible participation in the Western Riverside County Council of Governments' proposed program to facilitate the production of solar energy, including the use of the financing mechanism available under AB 811. However, because all of the plans, programs and actions are solely within the City Council's legislative authority which cannot be contracted away neither the City nor Highland Fairview can guarantee that either of them will be adopted.

J. The Sierra Club is concerned that truck traffic serving the Project could unduly impact Redlands Boulevard and wants that truck traffic to use Theodore Street to the greatest extent practical. Neither the City nor Highland Fairview has any objection to reducing the amount of truck traffic using Redlands Boulevard.

K. The Sierra Club has been concerned about truck traffic on a portion of Ironwood Avenue. The City Council, in response to the Sierra Club's concerns, has eliminated the truck route designation for Ironwood Avenue between Moreno Beach Drive and Theodore Street.

L. The Sierra Club further wants Skechers to take several steps to minimize the emission of greenhouse gases. These steps are solely within the control of Skechers and require Skechers' agreement in order to allow Highland Fairview to take the actions specified in this Agreement. Highland Fairview concurs that the actions sought by the Sierra Club could be beneficial and wants to assist the Sierra Club in seeing that they are seriously considered. However, because Highland Fairview does not control Skechers' actions, it cannot guarantee that any of them will occur.

M. This Agreement is acknowledged by the parties to be a compromise settlement and does not constitute an admission of the validity of any claims which have been, or might have been, made in the Lawsuit. However, Highland Fairview desires that the settlement be comprehensive with respect to the Project and that there shall be no further opposition to the Project on the terms set out in this Agreement.

N. Civil Code § 1542 states:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release which if known by him or her must have materially affected his or her settlement with the debtor.”

IN LIGHT OF THE FOREGOING FACTS, IT IS MUTUALLY AGREED THAT:

1. Immediately upon the execution of this Agreement, the Sierra Club shall dismiss the Lawsuit in its entirety and as to all parties, with prejudice, and shall then provide conformed copies of the dismissal to Robert L. Hansen, the City’s Interim City Attorney, and to Kenneth B. Bley, Highland Fairview’s counsel.

2. Highland Fairview shall include a requirement in the contract with the general contractor for the Project that all off-road equipment with a horsepower rating of 25 hp or greater used on the Project Site during the construction of the Project will meet a minimum Tier II rating and at least 80% of such equipment will meet a minimum Tier III rating and that the general contractor certify that this requirement has been satisfied. Highland Fairview shall provide a copy of the certification to the Sierra Club upon receipt of the certification from the general contractor

3. Highland Fairview shall include a requirement in the contract with the general contractor for the Project that diesel-powered portable generators not be used during the construction of the Project.

4. Highland Fairview shall:

a. Provide the amount of electrical power generated through solar cells mounted on the roof of the Skechers Building to the extent needed to provide for the estimated energy demand of the 50,000 sq ft office portion of the Skechers Building. The construction of the solar cells will be initiated within six months of Skechers’ occupancy of the Building and completed within 18 months of Skechers’ occupancy of the Building. Highland Fairview anticipates that AB 811 sources of funds will be used to finance the construction of the solar cells as well as incentive programs from the City electrical utility which are comparable to the programs offered by Southern California Edison, *i.e.*, which will yield the same economic result, but such programs are not yet adopted by the City and may not be; and

b. Provide the City and the Sierra Club with the appropriate design documents demonstrating that the electrical energy demand of the 50,000 sq ft office portion of the Skechers Building will be met by the solar cells to be mounted on the roof of the Skechers Building; and

c. Design and construct the roof of the Skechers Building to accommodate the maximum number of solar cells; and

d. Increase the amount of electrical power generated through solar cells mounted on the roof of the Skechers Building within ten years to provide 100% of the

energy needed for the Project to the extent that it is reasonably and economically feasible for Highland Fairview to do so. This will largely depend upon the policies adopted by the City's electrical utility with respect to the subsidization of solar-generated electrical energy, which requires a rate of not less than \$0.22 per kilowatt-hour, the rate currently paid by Southern California Edison under its performance-based incentive program, and provisions on a par with Southern California Edison's solar subsidy programs. Further, Highland Fairview will expand the solar energy generating capacity of the Skechers Building based upon the benefits afforded through AB 811 financing and grants, incentives provided by the City's electrical utility, federal and state tax programs and commercially reasonable financing such that the maximum investment does not exceed \$7,500,000 and the projected after-tax return generated is at least 5.5% over the rate for 20 year United States Treasury bonds but not less than 10% in any event. Should Highland Fairview develop solar capacity beyond the energy usage required by the Project, the excess energy will be sold to a utility provider at a mutually agreeable negotiated rate. Highland Fairview can not guarantee that any increase in the amount of electrical power generated through solar cells will occur because neither the necessary policies nor the rate to be paid have been adopted by the City and may not be.

5. Highland Fairview shall provide solar water heaters, which may include supplemental conventional heating sources, throughout the Project for all personal uses, such as bathrooms and showers, but not for industrial uses.

6. Highland Fairview shall provide the signs required by Mitigation Measure AQ-11 at locations, and of a size, to be easily readable from future Eucalyptus Avenue.

7. Highland Fairview shall physically configure the access areas to future Eucalyptus Avenue so that large trucks (over 10,000 pounds) will be required to make a left turn, towards Theodore Street, when exiting the Project Site unless prohibited by the City from doing so.

8. Highland Fairview shall provide on-site signs directing large trucks (over 10,000 pounds) leaving the Project Site to use Theodore Avenue unless prohibited by the City from doing so.

9. Highland Fairview shall provide the landscaped median in Eucalyptus Avenue between Redlands Boulevard and Theodore Street in substantially the form currently planned, as shown on Exhibit A, subject to final approval by the City.

10. Highland Fairview shall provide a disclosure document in substantially the following form to each buyer/lessee of any residential unit developed on property owned by Highland Fairview which is located southerly of State Route 60 and within 300 feet of the Project Site. The document shall be signed by the buyer/lessee and recorded against the unit:

“Buyer/Lessee acknowledges that the property which Buyer/Lessee is purchasing/leasing is located in the vicinity of the Highland Fairview Corporate Park project. Buyer/Lessee acknowledges that, in addition to commercial and office uses, there are, or may be, distribution warehouses for national and regional

Companies located within the Corporate Park project. As a result of these uses, there will be automobile and truck traffic, which may operate on a 24/7 basis for pick up and delivery of products from various buildings from within the Corporate Park project. There may also be increased diesel fumes, which contain toxic air contaminants which are known to cause cancer, noise and light as a result of the operations of these facilities. A copy of the Highland Fairview Corporate Park Environmental Impact Report, which includes a detailed evaluation of the potential impacts of the Corporate Park project, has been made available for the Buyer's/Lessee's review."

11. Highland Fairview shall within 30 days of the receipt of a written request from the Sierra Club, contribute \$100,000 to the Riverside Land Conservancy. The contribution may only be used for the preservation of agriculture through the purchase of agricultural land or of agricultural conservation easements on agricultural land located in Riverside County.

12. If Highland Fairview includes industrial uses in areas not currently designated for industrial uses in the Moreno Highlands Specific Plan, it shall provide buffers of commercial uses within the Specific Plan Area between industrial uses and residential uses. The extent of the buffers shall be determined by appropriate technical studies conducted by a qualified third party air quality expert, selected and paid for by Highland Fairview, subject to the City's approval.

13. The Skechers building has been designed with the goal of achieving LEED silver certification. Highland Fairview shall seek to obtain the highest commercially reasonable level of LEED certification of the Skechers Building and shall, in any event, take all of the actions set forth on Exhibit B. As used in this Agreement, "commercially reasonable" shall mean that the actions involved are capable of being accomplished in a successful manner within a reasonable period of time taking into account economic and other circumstances that would be considered by a prudent commercial entity.

14. Highland Fairview shall submit a formal request to the California Department of Transportation ("CalTrans") for the installation of signs to be installed, at Highland Fairview's expense, along State Route 60, east bound and west bound, directing Project traffic to the Theodore Street exit.

15. To the extent consistent with the Project Approvals and adopted City regulations and policies:

a. The design and installation of improvements and signs shall direct all large trucks (over 10,000 pounds) to use Theodore Street, rather than Redlands Boulevard, when entering or leaving the Project Site unless the site-specific traffic analysis required prior to the approval of a plot plan for Phase III (condition TE3 of the Project Approvals. City Council Resolution 2009-10) provides compelling evidence that: and

(i) Keeping large trucks (over 10,000 pounds) off of Redlands Boulevard will cause Eucalyptus Avenue. Theodore Street or its on – or off-ramps to State Route 60 to fall below the City's Level of Service standard; and

(ii) Mitigation within the limits of the currently planned right of way of Theodore Street is unavailable to improve the Level of Service to acceptable levels; and

(iii) Allowing large trucks (over 10,000 pounds) to use Redlands Boulevard will not cause Redlands Boulevard to fall below the applicable City's Level of Service Standards after mitigation.

b. To the extent that any part of subparagraph a above is found not to be consistent with existing Project Approvals or City regulations or policies, Highland Fairview shall apply for and the City will consider, under its existing procedures and preserving the Council's legislative and discretionary policy authority, modifications of conditions, and/or amendments to existing Project Approvals, regulations and policies.

16. The City Council has, in Study Session of October 20, 2009 or previously, directed City staff to analyze, as quickly as feasible, and then to report back to the Council, for its consideration without commitment to adoption, each of the following:

- a. The adoption/enforcement of a City-wide commercial truck idling ordinance; and
- b. The acquisition, generation and distribution of "green" energy by the City's electric utility; and
- c. An amendment of the City's Municipal Code current lighting standards to incorporate the guidelines of the International Dark Sky Association and the exterior lighting standards set forth in the Palm Desert Municipal Code; and
- d. The submission of a request to CalTrans and/or the Riverside County Transportation Commission that a regional traffic mitigation fee be adopted for the Improvement of State Route 60; and
- e. The use of LED lamps in City-owned streetlights.

17. Highland Fairview shall require any user of the Skechers facility, other than Skechers, and will use reasonable efforts to seek to have Skechers:

- a. Have its trucking fleet (all trucks owned and operated by Skechers) and all trucking carriers that distribute Skechers' products to its retail stores be classified as SmartWay 1.0 or higher at the time that it takes possession of the Skechers building, increase the SmartWay classification to 1.25 for Skechers' trucking fleet and such other trucking carriers within five years and provide an annual report to Highland Fairview, which Highland Fairview shall then provide to the Sierra Club; and
- b. Continue to provide incentives to its employees to encourage carpooling; and

c. Conduct an annual review for five years following the occupancy of the Skechers Building to determine the level of use of alternatively fueled vehicles and the demand for designated spaces for such vehicles, beyond the 37 spaces already designated. Spaces located closest to building entries will be converted by Highland Fairview from general parking to alternatively fueled vehicle parking to meet the demand; and

d. Conduct an annual review for five years following the occupancy of the Skechers Building to determine the level of use of plug-in electrical vehicles and the demand for plug-in-stations. Additional plug-in-stations will be provided by Highland Fairview to meet the demand; and

e. Not use diesel-powered “yard goats” in its operations.

18. Highland Fairview shall provide the Sierra Club with notice of the submission of any application for a discretionary permit for the development of the Project within five business days of the submission.

19. The Sierra Club shall not sue to invalidate the development, use or modification of the Project, including, but not limited to, any approvals needed for the development of any phase of the Project, as long as the development or use is consistent with the terms of this Agreement and the Project, as analyzed in the EIR, and any modification will not result in a significant adverse impact on the environment, as defined in CEQA Guidelines § 15382, as determined by the City. For the purpose of this Agreement, changes in the manner in which the Project is financed, in whole or in part, and removal of vegetation within State Route 60 right-of- way shall not be considered to be significant adverse impacts on the environment by the Sierra Club. Nothing in this paragraph 19 shall apply to a modification of the terms of this Agreement.

20. Highland Fairview shall pay Johnson & Sedlack, the Sierra Club’s attorneys, \$183,000 within 10 days of the dismissal of the Lawsuit. Except for this payment, each party shall bear its own attorneys’ fees and costs incurred in connection with the Lawsuit and the preparation of this Agreement.

21. Any party alleging a breach of this Agreement shall provide written notice of the alleged breach to the party alleged to be in breach. That party shall then have 30 days from receipt of the notice in which to cure the breach or to begin curing the breach if it is one which cannot be cured within 30 days. If the breach has not been cured within the 30 day period or, if no effort has been begun within the 30 day period for a breach which cannot be cured within the 30 day period, then the party alleging the breach shall be entitled to avail itself of its legal remedies.

22. All notices and communications shall be provided in writing, which may be delivered by e-mail, to the following addresses:

Sierra Club Environmental Law Program:

85 Second Street
San Francisco, CA 94105
Aaron.Isherwood@sierraclub.org

Sierra Club, San Gorgonio Chapter:

Chapter Chair/Conservation Chair
4079 Mission Inn Avenue
Riverside, CA 92501-3204
san.gorgonio.chapter@sierraclub.org

Sierra Club, Moreno Valley Group:

Ann Turner-McKibben and George Hague
P.O. Box 1325
Moreno Valley, CA 92556-1325
morenovalleygroup@yahoo.com

with a copy to Raymond W. Johnson, Esq.:

Johnson & Sedlack
26785 Camino Seco
Temecula, CA 92590
esqaicp@wildblue.net

The City attention of the City Manager,
w/ copy attention of the City Attorney:

14177 Frederick Street
P.O. Box 88005
Moreno Valley, CA 92552
CMOffice@moval.org
CityAttorney@moval.org

Highland Fairview:

14225 Corporate Way
Moreno Valley, CA 92553
ibenzeevi@highlandfairview.com

with a copy to Kenneth B. Bley, Esq.:

Cox, Castle & Nicholson LLP
2049 Century Park East, 28th Floor,
Los Angeles CA 90067
kbley@coxcastle.com

Any address may be changed by providing written notice to all of the other parties.

23. Except as set forth in this Agreement, the Sierra Club releases the City and Highland Fairview and their owners, affiliates, members, officers, employees, agents and attorneys from any and all claims, demands, liabilities, obligations, costs, expenses, fees, actions, and/or causes of action arising out of, or connected to, the Lawsuit or the Project, whether known, unknown or suspected and the Sierra Club hereby waives the provisions of Civil Code § 1542 set forth in Recital N. The release in this paragraph 23 is a separate consideration for the release contained in paragraph 24 and the Sierra Club would not have executed this Agreement nor agreed to this paragraph 23 but for the release contained in paragraph 24.

24. Except as set forth in this Agreement, the City and Highland Fairview release the Sierra Club and its members, officers, employees, agents and attorneys from any and all claims, demands, liabilities, obligations, costs, expenses, fees, actions, and/or causes of action arising out of, or connected to, the Lawsuit or the Project, whether known, unknown or suspected and the

City and Highland Fairview hereby waive the provisions of Civil Code § 1542 set forth in Recital N. The release in this paragraph 24 is a separate consideration for the release contained in paragraph 23 and neither the City nor Highland Fairview would have executed this Agreement nor agreed to this paragraph 24 but for the release contained in paragraph 23.

25. The rights and obligations of the Sierra Club under this Agreement are personal to it and may not be transferred or assigned to any other person or entity. This Agreement is entered into solely for the benefit of the parties hereto and, with the exception of the Sierra Club, their successors, transferees and assigns. Other than the parties hereto and, with the exception of the Sierra Club, their successors, transferees and assigns, no third party shall be entitled, directly or indirectly, to base any claim, or to have any right arising from, or related to, this Agreement.

26. The parties to this Agreement shall act in good faith and shall take all further actions reasonably necessary to effectuate the letter and the spirit of this Agreement.

27. This Agreement and all rights and obligations arising out of it shall be construed in accordance with the laws of the State of California.

28. Any litigation arising out of this Agreement shall be conducted only in the Riverside Superior Court. Only equitable remedies shall be available to the prevailing party in any such litigation, damages for breach of this Agreement being expressly waived. Each party to any such litigation shall bear its own attorneys' fees and costs, the right to recover them under any statute, including, but not limited to Code of Civil Procedure § 1021.5, any Rule of Court or any rule of law being expressly waived.

29. This Agreement contains the entire agreement and understanding concerning the Lawsuit and the Project and supersedes and replaces all prior negotiations or proposed agreements, written or oral. Each of the parties hereto acknowledges that no other party, nor the agents nor the attorneys for any party, has made any promise, representation or warranty whatsoever, express or implied, not contained herein, to induce the execution of this Agreement and acknowledges that this Agreement has not been executed in reliance upon any promise, representation or warranty not contained herein.

30. This Agreement may not be amended except in a writing signed by all the parties hereto.

31. The parties to this Agreement hereby acknowledge that they have undertaken an independent investigation of the facts concerning the Lawsuit and the Project. The parties expressly assume the risk that the true facts concerning the foregoing may differ from those currently understood by them.

32. Each individual signing this Agreement represents and warrants that he or she has been authorized to do so by proper action of the party on whose behalf he or she has signed.

33. This Agreement may be signed in one or more counterparts and, when all parties have signed the original or a counterpart, such counterparts, whether originals, facsimiles or email attachments, together shall constitute one original document.

January 7, 2010

SIERRA CLUB

By: [ILLEGIBLE]
Its: CHAPTER CHAIR, SAN GORGONIO
CHAPTER

January 11, 2010

THE CITY OF MORENO VALLEY

By: [ILLEGIBLE]
Its: MAYOR

January 7, 2010

HIGHLAND FAIRVIEW PARTNERS I

By: HFP Realty Investment, LP, its Managing Partner
By: HFP Realty Holdings, LLC, its General Partner

By: /s/ Iddo Benzeevi
Its: President

January 7, 2010

HIGHLAND FAIRVIEW PARTNERS II

By: New Sands Holdings, LP, its Managing Partner
By: Sand Holdings, LLC, its General Partner

By: /s/ Iddo Benzeevi
Its: President

January 7, 2010

HIGHLAND FAIRVIEW PARTNERS III

By: HFP Realty Investment, LP, its Managing Partner
By: HFP Realty Holdings, LLC, its General Partner

By: /s/ Iddo Benzeevi
Its: President

January 7, 2010

HIGHLAND FAIRVIEW PARTNERS IV

By: Sinclair Holdings, LP, its Managing Partner
By: Sinclair Realty Holdings, LLC, its General
Partner

By: Iddo Benzeevi

Its: President

January 7, 2010

HF LOGISTICS I, LLC

By: Iddo Benzeevi

Its: President

APPROVED AS TO FORM:

January 11, 2010

JOHNSON & SEDLACK

By: /s/ Raymond W. Johnson

Raymond W. Johnson
Attorneys for the SIERRA CLUB

January 11, 2010

CITY ATTORNEY
OF THE CITY OF MORENO VALLEY

By: [ILLEGIBLE]

Its: INTERIM CITY ATTORNEY

January 7, 2010

COX CASTLE & NICHOLSON LLP

By: /s/ Kenneth B. Bley

Kenneth B. Bley

Attorneys for HIGHLAND FAIRVIEW PARTNERS
I; HIGHLAND FAIRVIEW PARTNERS, II,
HIGHLAND FAIRVIEW PARTNERS, III,
HIGHLAND FAIRVIEW PARTNERS, IV and HF
LOGISTICS I, LLC

EXHIBIT A

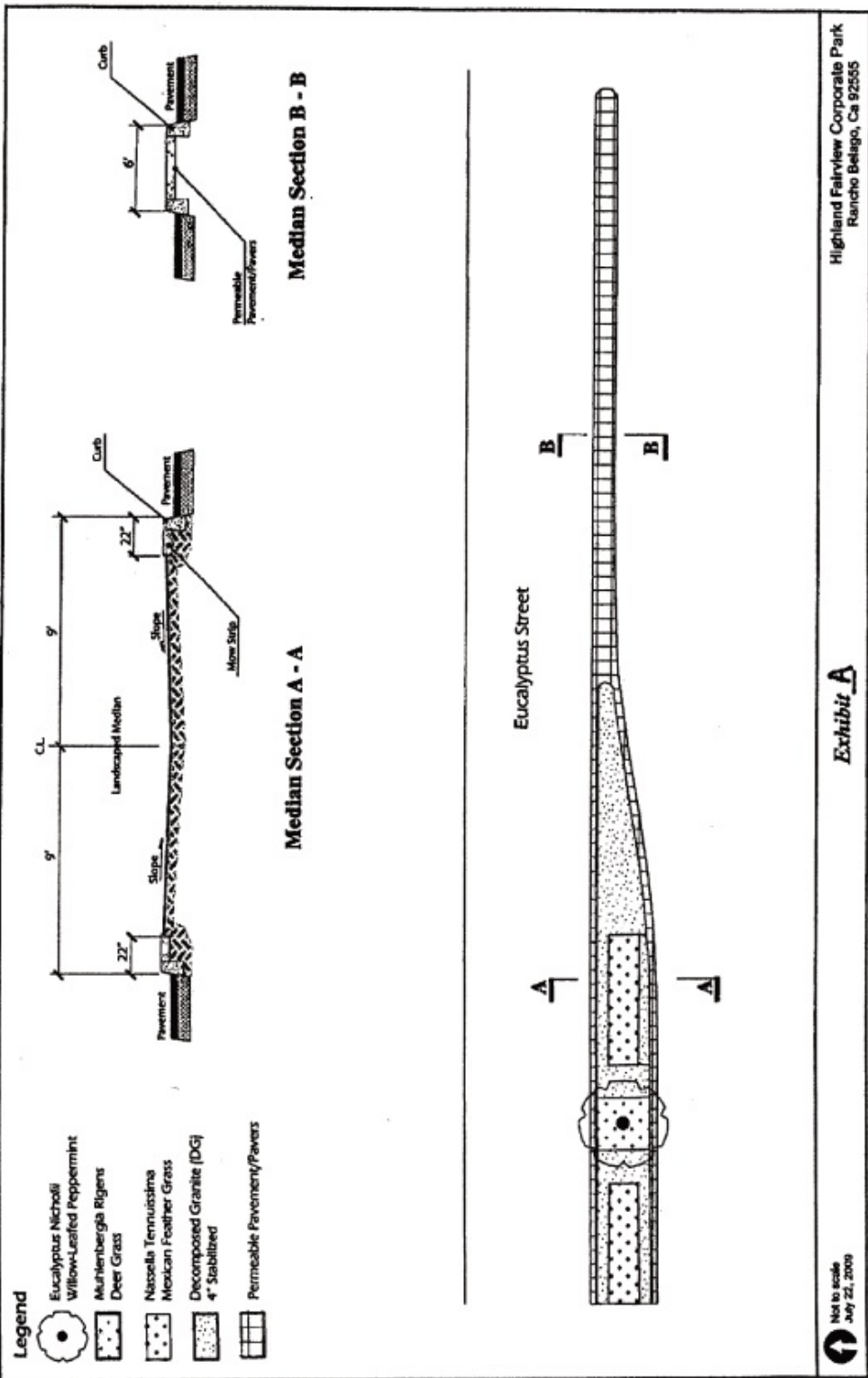


Exhibit B

**Highland Fairview Corporate Park — TPM 35629 Parcel 1 (Skechers)
LEED Projected Certification Items
(Based upon LEED current standards)**

- **Alternative Transportation:**

Bicycle Storage & Changing Rooms

The project will provide secure bicycle racks within 200 yards of the building entrances for 5% or more of all building users and will provide shower and changing facilities in the building for 0.5% of full-time equivalent occupants.

Low Emission and Fuel Efficient Vehicles

The project will provide preferred parking for low-emission and fuel efficient vehicles for 5% of the total vehicle parking capacity of the site.

Parking Capacity

The project will meet, but not exceed the number of parking stalls required by the local zoning requirements and will provide preferred parking for carpools and vanpools for 5% of the total parking spaces.

Site Development:

Maximum Open Space

As approved by the City of Moreno Valley, the project will provide vegetated open space within the project boundary in accordance with the local zoning's open space requirement.

- **Storm Water Design:**

Quality Control

Highland Fairview will implement the City approved Storm Water Pollution Prevention Program (SWPPP).

- **Heat Island Effect:**

Roof

The project will use roofing materials having a Solar Reflectance Index (SRI) equal to or greater than 78 for a minimum of 75% of the roof surface.

- **Water Efficient Landscaping:**

The project will reduce potable water consumption for irrigation by 50% from a calculated mid-summer baseline case.

The above are based upon existing design criteria and availability of material and labor. Should some of these conditions adversely change, the above items may need to be modified.

Exhibit B

**Highland Fairview Corporate Park — TPM 35629 Parcel 1 (Skechers)
LEED Projected Certification Items
(Based upon LEED current standards)**

- **Water Use Reduction:**

 - Reduce Water Usage by 30%**

 - The project will employ strategies that in aggregate use 30% less water than the water use baseline calculated for the building (not including irrigation).

- **Optimize Energy Performance:**

 - The project will demonstrate a percentage improvement in the proposed building performance rating compared to the baseline building performance rating.

- **On-Site Renewable Energy:**

 - The project will use on-site renewable energy systems (solar) to offset a portion of building energy cost.

- **Enhanced Commissioning:**

 - The project began the commissioning process during the design process and will execute additional activities after systems performance verification is completed.

- **Construction Waste Management:**

 - The project will recycle and/or salvage a minimum of 50% (by weight) of non-hazardous construction and demolition debris.

- **Recycled Content:**

 - The project will use materials with recycled content such that the sum of post-consumer recycled content plus one-half of the pre-consumer content constitutes at least 10% (cost-based) on the total value of the materials in the project.

- **Regional Materials:**

 - The project will use building materials or products that have been extracted, harvested or recovered, as well as manufactured, within 500 miles of the project site for a minimum of 10% (cost-based) of the total materials value.

The above are based upon existing design criteria and availability of material and labor. Should some of these conditions adversely change, the above items may need to be modified.

Exhibit B

Highland Fairview Corporate Park — TPM 35629 Parcel 1 (Skechers) LEED Projected Certification Items (Based upon LEED current standards)

- **Increased Ventilation:**

The project will increase breathing zone outdoor air ventilation rates to all occupied spaces by at least 30% above the minimum rates required by ASHRAE Std. 62.1-2004.

- **Construction IAQ Management Plan:**

The project will develop and implement an Indoor Air Quality (IAQ) Management Plan for the construction and pre-occupancy phases of the building.

- **Low Emitting Materials:**

The project will utilize only those paints and coatings that comply with Credit 4.2, 4.3 and 4.4 of the LEED standards.

- **Indoor Chemical & Pollutant Source Control:**

The project will provide entryway systems to reduce the infiltration of dirt and particulates into the indoor environment. Separate ventilation systems will be provided for storage areas for hazardous chemicals in order to minimize and control pollutants in the building.

- **Daylight and Views:**

The project, will achieve day-lighting via skylights for building occupants in 75% of all regularly occupied areas.

- **Innovation In Design:**

The project will utilize locally-sourced concrete and interior fixtures providing a 40% water use savings.

- **LEED Accredited Professional:**

At least one principal participant of the project team is a LEED Accredited Professional (AP).

The above are based upon existing design criteria and availability of material and labor. Should some of these conditions adversely change, the above items may need to be modified.

Exhibit B

Highland Fairview Corporate Park — TPM 35629 Parcel 1 (Skechers) LEED Projected Certification Items (Based upon LEED current standards)

The Following are Energy-Saving and Other Design Features:

- **Use of More Shade Trees vs. Palm Trees to Reduce Temperature**

As shown in the City-approved Plot Plan package, palm trees used on the site will be located at the building's primary entry as part of the decorative entry treatment, and along the freeway, near gates and building corners as accent elements. All other trees on the site, in the parking areas, adjacent to the building, in the landscape areas, and along the freeway will be varieties of shade trees.

- **Waterless Urinals**

Use of these products was investigated but ultimately rejected based upon marginal performance and excessive maintenance costs. Very low flow urinals will be used in the facility which will provide a 30% reduction in water use over typical low-flow urinals.

- **Automatic turn on and off for lavatory faucets—only allow 1/2 gal per minute**

These products will be installed throughout the building.

- **Monitoring system that keeps track of all systems so that response can be quick if one of the systems does not function properly**

The Skechers building will include a building systems monitoring program which will immediately notify maintenance personnel of any system malfunction.

- **Photo Sensors for Lighting**

Motion sensors will be installed in the office areas of the building to turn off all lighting (except security lighting) when these areas of the building are not occupied. A network of thousands of roof-mounted skylights will provide substantial natural light in the warehouse areas. Sensors will be installed in the warehouse areas to automatically turn off artificial area lighting when ambient light is adequate.

- **Reduce carpet and flooring glue toxics by environmentally friendly carpet and non toxic glue.**

Low VOC carpeting, paint and adhesives will be used throughout the building. Polished concrete flooring will replace vinyl flooring originally

The above are based upon existing design criteria and availability of material and labor. Should some of these conditions adversely change, the above items may need to be modified.

Exhibit B

**Highland Fairview Corporate Park — TPM 35629 Parcel 1 (Skechers)
LEED Projected Certification Items
(Based upon LEED current standards)**

planned for the warehouse restrooms, break rooms and shipping/receiving areas.

- **Recycle of All Used Materials**

Recycling bins will be provided at the site for recycling during the operation of the building. Recycling of construction waste will be required to the greatest degree practicable. Skechers currently bundles and recycles all cardboard waste and will provide recycling bins for employee use throughout the facility. Skechers is exploring opportunities for recycling (mulching) of damaged wood pallets.

- **75% of Construction Waste Salvaged or Recycled**

The project will salvage or recycle as much construction waste as is feasible, but in no case less than 50% by weight of such waste. The project will utilize recycled (crushed) concrete during construction for temporary access roads and for paving base where acceptable. The project is directing green waste from clearing operations during construction, to a location for mulching and will be re-used.

- **Independent Venting for Toxic Places**

The storage of toxic materials, as identified by the State of California, will be in accordance with all applicable building code requirements including the independent venting of such storage areas.

- **Thermal Controls in Various Work Spaces**

The warehouse area is not heated or cooled, utilizing a controlled air exchange system to moderate interior temperatures. The office and commercial areas will be served by a number of HVAC zones each with its own controls. The units are equipped with an automatic time switch with an accessible manual override that allows operation of the system during off-hours.

- **The building occupant/owner must share whole-project energy and water usage data for at least five years with the US Green Building Council or Green Building Certification Institute.**

Highland Fairview will provide all documentation used to secure LEED certification, including any tenant operational documentation. Such documentation requirements will be addressed in the lease documents.

The above are based upon existing design criteria and availability of material and labor. Should some of these conditions adversely change, the above items may need to be modified.

EXHIBIT "I"
SECOND LEASE AMENDMENT

Exhibit "I"

SECOND AMENDMENT TO LEASE AGREEMENT

THIS SECOND AMENDMENT TO LEASE AGREEMENT ("**Second Amendment**") is made and entered into this 12th day of April, 2010 by and between **HF LOGISTICS-SKX T1, LLC, a Delaware limited liability company** ("**Landlord**") and **SKECHERS U.S.A., INC., a Delaware corporation** ("**Tenant**").

RECITALS

A. HF LOGISTICS I, LLC, a Delaware limited liability company and Tenant entered into that certain Lease Agreement dated September 25, 2007 (the "**Original Lease**"), as amended by that certain Amendment to Lease Agreement dated December 18, 2009 (the "**First Amendment**", and collectively, the "**Lease**") pursuant to which HF LOGISTICS I, LLC leased to Tenant certain premises situated at the northwest corner of Theodore Street and Eucalyptus Avenue in Moreno Valley, California, as more fully described therein.

B. HF Logistics I, LLC has assigned all of its right, title and interest as landlord under the Lease to Landlord, and Landlord has assumed the obligations of HF Logistics I, LLC, as landlord under the Lease.

C. The parties desire to further amend the Lease.

NOW, THEREFORE, for a good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The definition "Premises" as defined on page 1 of the Original Lease and modified in Section 4 of the First Amendment shall mean:

"The Building, together with the parking areas, landscaped areas and other areas consisting of approximately 82.59 acres of land situated at the NWC of Theodore Street and Eucalyptus Avenue in Moreno Valley (Rancho Belago), California, as shown on the draft of Parcel Map No. 35629 attached to this Second Amendment as "**Exhibit "A" (Revised)**"."

For clarification, the approximately 22.37 acres shown on **Exhibit "A" (Revised)** attached hereto (which area is identified as Parcel 2), which area comprises the "Expansion Area", is not included within the definition of "Premises".

Notwithstanding the foregoing, it is agreed that until the recordation of a final parcel map, the Premises and the Expansion Area have been established by lot line adjustments, and that accordingly the acreage and dimensions thereof may not be exactly the same as set forth on Exhibit A (Revised). However, Landlord represents and warrants to Tenant that the acreage and dimensions thereof will be substantially the same, and that any discrepancies will not materially impact the rights or obligations of Tenant or Landlord under the Lease.

2. The Final Plans (as originally defined in Addendum 2 Paragraph 1 of the Lease) shall be the Plans and Specifications transmitted by HF Logistics I, LLC to Tenant (by "You Send It") on January 29, 2010.

3. Tenant acknowledges that title to the Expansion Area is or will be held by HF Logistics-SKX T2, LLC, a Delaware limited liability company ("**T2**"), which is an affiliate of Landlord. In the event that Tenant timely exercises its right to the Expansion Area pursuant to the Lease, T2 agrees to immediately convey its interest in the Expansion Area to Landlord; provided, however, if (x) the Premises are encumbered by a deed of trust at the time Tenant exercises its expansion option and the beneficiary thereunder will not either finance the construction of the Expansion Building or consent to the Expansion Area being encumbered by a new construction loan (or if the ownership of the Expansion Area by T1 will otherwise impede obtaining construction financing for the construction of the Expansion Building), or (y) the Premises have been taken by foreclosure or a transaction in lieu thereof, then T2 shall retain the Expansion Area, Tenant and T2 shall enter into a new lease on the same terms and conditions as would have applied to the Expansion Area pursuant to the Lease, and the Expansion Area shall be deemed removed from the Lease.

4. Tenant acknowledges that the Base Rent under the Lease is Nine Hundred Thirty-Three Thousand Eight Hundred Ninety-Four and 44/100 Dollars (\$933,894.44) per month, but that it has prepaid only the amount of Six Hundred Seventy-Nine Thousand Five Hundred Forty Dollars (\$679,540). The differential (being Two Hundred Fifty-Four Thousand Three Hundred Fifty-Four Dollars (\$254,354)) shall be paid by Tenant to Landlord no later than the Commencement Date (as defined in the Lease).

5. Capitalized terms used in this Second Amendment shall have the same meanings as set forth in the Lease, unless a different definition is set forth herein.

6. Except as amended herein, all terms and conditions of the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Second Amendment as of the date first above written.

"LANDLORD"

"TENANT"

**HF LOGISTICS I, LLC, a Delaware
limited liability company**

**SKECHERS U.S.A., INC., a Delaware
corporation**

By _____
**Iddo Benzeevi, President and
Chief Executive Officer**

By _____
David Weinberg, Chief Operating Officer

HF Logistics-SKX T2, LLC, a Delaware limited liability company, hereby joins in the execution of this Second Amendment to confirm its obligation to be bound by the provisions of the Lease insofar as they relate to the Expansion Area and Tenant's expansion option regarding the same.

**HF LOGISTICS-SKX T2, LLC, a Delaware
limited liability company**

**By: HF LOGISTICS SKX, LLC, a Delaware
limited liability company, its sole
member**

**By: HF LOGISTICS I, LLC, a
Delaware limited liability
company, its managing member**

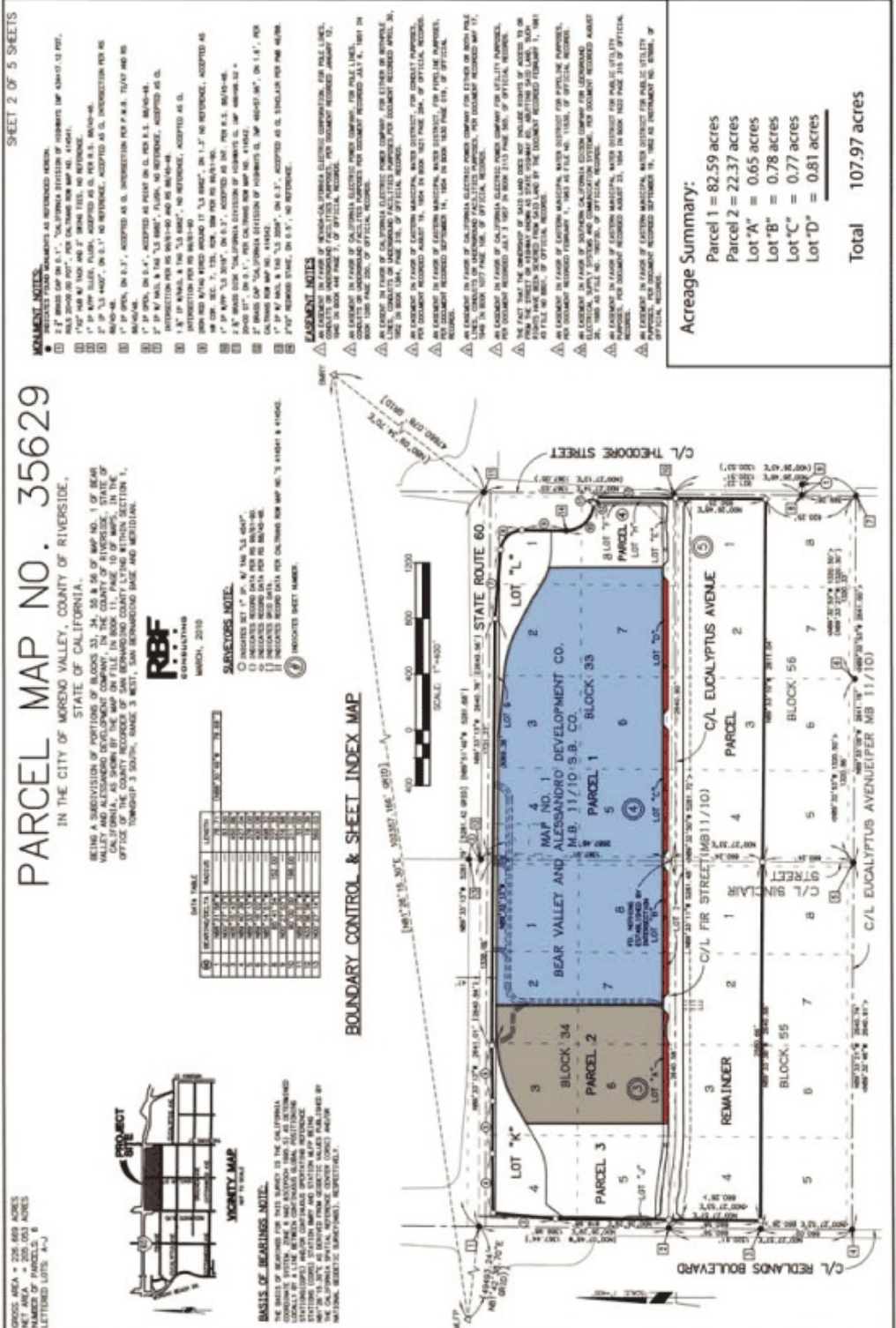
By _____
**Iddo Benzeevi, President and
Chief Executive Officer**

**By: SKECHERS R.B., LLC, a
Delaware limited liability
company, its managing member**

**By: SKECHERS U.S.A., Inc., a
Delaware limited liability
company, its sole member**

By _____
**David Weinberg, Chief
Operating Officer**

EXHIBIT "A"
(REVISED)
SITE PLAN



REMARKS NOTES:
 1. 2" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
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 3. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
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 3. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 4. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 5. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 6. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 7. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 8. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 9. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 10. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 11. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 12. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 13. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 14. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 15. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 16. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 17. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 18. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 19. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.
 20. 1" IRON PIN ON 6.1", "CALIFORNIA DIVISION OF HIGHWAYS (DP 43415) IS SET.

ACREAGE SUMMARY:
 Parcel 1 = 82.59 acres
 Parcel 2 = 22.37 acres
 Lot "A" = 0.65 acres
 Lot "B" = 0.78 acres
 Lot "C" = 0.77 acres
 Lot "D" = 0.81 acres
Total 107.97 acres

P:/Highland Fairview Corporate Park/Design/HF Work/HFOP-Parcel Map-Pc1 1-2-A thru D

EXHIBIT “J”
INTENTIONALLY OMITTED

Exhibit “J”

EXHIBIT "K"
ESCROW AGREEMENT

Exhibit "K"

ESCROW AGREEMENT

This Escrow Agreement ("Agreement") is made and entered into this _____ day of March, 2010, by and between **SKECHERS R.B., LLC, a Delaware limited liability company** ("Skechers"), **HF LOGISTICS-SKX, LLC, a Delaware limited liability company** ("HF Logistics"), **HF LOGISTICS-SKX T1, LLC, a Delaware limited liability company** ("LLC") and **BANK OF AMERICA, N.A.** ("Escrow Agent").

WITNESSETH:

Escrow Agent does hereby acknowledge receipt from Skechers, the sum of Thirty Million Dollars (\$30,000,000), by wire transfer into Escrow Agent's Account No. 1499708217 entitled in the name of "Bank of America, N.A. for the benefit of HF Logistics-SKX T1, LLC" (the "Account"), which funds constitute Skechers' initial capital contribution to HF Logistics, upon the Closing Date (as defined below), and the subsequent capital contribution by HF Logistics to the LLC immediately thereafter.

Escrow Agent shall hold all funds in the Account (including accrued interest) in escrow, and shall disburse same only in accordance with the provisions of this Agreement. The Account shall bear interest at Escrow Agent's usual interest rate for demand deposit accounts which the parties hereto acknowledge and agree may be subject to fluctuations in accordance with Escrow Agent's normal business practices.

The terms and conditions of the escrow are as follows:

The parties hereto for themselves, their successors and assigns, do hereby agree as follows:

1. Subject to the provisions of Paragraph 11 below, Escrow Agent shall hold all funds (including accrued interest) in the Account, to be disbursed on the date of closing ("Closing Date") of the construction loan to be extended by Bank of America, N.A. (as administrative agent and as a lender, "Lender") to the LLC in accordance with the commitment dated February 1, 2010 (the "Construction Loan"), as follows:

(a) all accrued interest in the Account (at Lender's demand deposit rate) through the Closing Date shall be promptly disbursed to Skechers on the Closing Date pursuant to written wire transfer or other disbursement instructions to be provided by Skechers provided that Escrow Agent shall have no obligation to disburse such accrued interest unless and until Skechers provides Escrow Agent with such disbursement instructions, and

(b) the balance of funds in the Account (including interest at Lender's demand deposit rate accruing after the Closing Date) shall be disbursed in accordance with the terms and conditions of the loan documents which evidence and govern the Construction Loan (collectively, the "Loan Documents").

(c) Notwithstanding the foregoing, in the event the Closing Date does not occur on or before June 1, 2010 (unless on or before June 1, 2010, Skechers has given Escrow Agent written notice to hold the funds in the Account beyond that date), all funds in the Account (including accrued interest) shall be immediately disbursed to Skechers according to wire transfer or other disbursement instructions to be provided to Escrow Agent in writing by Skechers, provided that Escrow Agent shall have no obligation to disburse such funds unless and until Skechers provides Escrow Agent with written wire instructions or other disbursement instructions. Once the funds have been so disbursed, this Agreement shall automatically terminate and Escrow Agent shall have no further obligations hereunder.

(d) Upon the occurrence of the Closing Date and the disbursement of the accrued interest pursuant to Paragraph 1(b) above, (1) this Agreement shall automatically terminate and Escrow Agent shall have no further obligations hereunder; and (2) Bank of America, N.A.'s sole obligations with respect to the Account shall be governed by the terms and conditions of the Loan Documents and shall arise only in Bank of America, N.A.'s capacity as Administrative Agent and a Lender under the Loan Documents.

2. This Agreement is a personal one between the parties hereto and the Escrow Agent, and no amendment of this Agreement by the parties (which shall be in writing) shall be binding on the Escrow Agent unless and until the Escrow Agent, in its reasonable discretion, shall give its written consent thereto.

3. No person, firm, corporation or other entity will be recognized by the Escrow Agent as a successor or assign of any party hereto until there shall be presented by the Escrow Agent evidence satisfactory to it of such succession or assignment.

4. The Escrow Agent shall have no duties or responsibilities except as expressly provided in this Agreement (and no duties or obligations of the Escrow Agent shall be implied by virtue of this Agreement). The Escrow Agent shall not be obligated to recognize nor have any liability or responsibility arising under any other agreement to which the Escrow Agent is not a party, even though reference thereto may be made herein or a copy thereof attached hereto.

5. The Escrow Agent shall not be responsible for the identity, authority or rights of any person, firm, corporation or other entity, executing or delivering or purporting to execute or deliver this Agreement or any document or security deposited hereunder or any endorsement thereof or assignment thereof.

6. The Escrow Agent shall not be responsible for the sufficiency, genuineness or validity of or title to any document or funds deposited or to be deposited with it pursuant to any provisions of this Agreement.

7. The Escrow Agent may rely upon any instrument in writing reasonably believed by it to be genuine and sufficient and properly presented by the parties hereto, and shall not be liable or responsible for any action taken or omitted in accordance with the provisions

thereof. The Escrow Agent may assume the validity and accuracy of any statements or assertions contained in such writing or instrument; and may assume that any person purporting to give any writing, notice, advice or instruction in connection with the provisions hereof has been duly authorized to do so. The Escrow Agent shall not be liable in any manner for the sufficiency or correctness as to form, manner of execution or validity of any written instructions delivered to it; nor as to the identity, authority or rights of any person executing the same.

8. The Escrow Agent shall not be liable or responsible for any act it may do or omit to do in the exercise of reasonable care.

9. The Escrow Agent may consult with counsel of its own choice and shall have full and complete authorization and protection for any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. The Escrow Agent shall not be liable for any mistakes of fact or error of judgment, or for any acts or omissions of any kind unless caused by its willful misconduct or gross negligence or uncured breach of this Agreement.

10. In case any property held by the Escrow Agent hereunder shall be attached, garnished or levied upon under any order of court, or the delivery thereof shall be stayed or enjoined by any order of court, or any other order, judgment or decree shall be made or entered by any court affecting such property, or any part thereof, the Escrow Agent is hereby expressly authorized, in its reasonable discretion, to obey and comply with all writs, orders, judgments or decrees so entered or issued, and in case the Escrow Agent obeys and complies with any such writ, order, judgment or decree, except for Escrow Agent's gross negligence, willful misconduct or breach of this Agreement, it shall not be liable to any of the parties hereto, their successors or assigns, or to any other person, firm or corporation, by reason of such compliance notwithstanding that such writ, order, judgment or decree be subsequently reversed, modified, annulled, set aside or vacated.

11. In the event of doubt by the Escrow Agent as to its duties or liabilities under the provisions of this Agreement, the Escrow Agent may, in its sole discretion, continue to hold the monies and other property which are the subject of this escrow until the parties mutually agree to the disbursement thereof and evidence such agreement by a written instrument delivered to the Escrow Agent, or until a judgment is entered by a court of competent jurisdiction. Alternatively, Escrow Agent may deposit all the monies and other property then held pursuant to this Agreement with the Clerk of the Superior Court in Los Angeles County, California, and upon notifying all parties concerned of such action, all liability on the part of the Escrow Agent shall fully terminate, except to the extent of accounting for any monies or property theretofore delivered out of escrow. In the event of any suit among the parties hereto, the prevailing party(ies) shall be entitled to recover from the other party(ies) reasonable attorneys' fees and costs incurred, said fees and costs to be charged and assessed as court costs in favor of the prevailing party(ies). In the event of any suit wherein Escrow Agent interpleads the subject matter of this escrow, Escrow Agent shall be entitled to recover from the other parties its reasonable attorneys' fees and costs incurred. All parties agree that the Escrow Agent shall not be liable to any party to this Agreement or any other person, firm, corporation or other entity for

monies and other property subject to this escrow, except for misdelivery thereof due to breach of this Agreement or gross negligence on the part of the Escrow Agent.

12. The Escrow Agent shall not be entitled to compensation for its services. However, Escrow Agent shall be entitled to reimbursement of reasonable attorneys' fees and costs to the extent provided in Paragraph 11 above. The Escrow Agent, at its own cost and expense (except as provided in Paragraph 11), may employ agents and attorneys for the reasonable protection of the escrow property held hereunder and of itself. The parties hereto jointly and severally agree to pay Escrow Agent for any and all costs, expenses and attorneys' fees to which it is entitled hereunder upon demand.

13. This Agreement is entered into in the State of Florida and the rights and obligations of the parties hereto shall be governed by, construed and enforced in accordance with the laws of such State.

14. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT. ANY OF THE PARTIES HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF SUCH PARTY'S RIGHT TO TRIAL BY JURY.

15. This Agreement may be executed and delivered (including by facsimile or other electronic transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

(signature pages follow)

IN WITNESS WHEREOF, the parties have executed this Escrow Agreement as of the date first above written.

“SKECHERS”

SKECHERS R.B., LLC, a Delaware limited liability company

By: Skechers U.S.A., Inc, a Delaware corporation, its sole member

By: _____
David Weinberg, Chief Operating Officer

“LLC”

HF LOGISTICS-SKX T1, LLC, a Delaware limited liability company

By: HF LOGISTICS -SKX, LLC, a Delaware limited liability company, its sole member

By: HF Logistics I, LLC, a Delaware limited liability company, its Managing Member

By: _____
Iddo Benzeevi, President and Chief Executive Officer

By: Skechers R.B., LLC, a Delaware limited liability company, its Managing Member

By: Skechers U.S.A., Inc., a Delaware Corporation, its sole member

By: _____
David Weinberg, Chief Operating Officer

“HF LOGISTICS”

**HF LOGISTICS-SKX, LLC, a Delaware
limited liability company, its sole member**

By: HF Logistics I, LLC, a Delaware limited
liability company, its Managing Member

By: _____
Iddo Benzeevi, President and Chief
Executive Officer

By: Skechers R.B., LLC, a Delaware limited
liability company, its Managing Member

By: Skechers U.S.A., Inc., a Delaware
Corporation, its sole member

By: _____
David Weinberg, Chief Operating Officer

By executing this Agreement below, Escrow Agent acknowledges its duties as Escrow Agent hereunder and agrees to perform its obligations hereunder.

“ESCROW AGENT”

BANK OF AMERICA, N.A.

By: _____
Its: _____

EXHIBIT "L"
ASSIGNMENT OF MASTER LEASE AGREEMENT

Exhibit "L"

**ASSIGNMENT OF LEASE
(MASTER LEASE)**

THIS ASSIGNMENT OF LEASE ("**Assignment**") is made and entered into this 12th day of April, 2010 (the "**Effective Date**") by and among **HF LOGISTICS I, LLC, a Delaware limited liability company** ("**Assignor**"), **HF LOGISTICS-SKX T1, LLC, a Delaware limited liability company** ("**T1**"), and **HF LOGISTICS-SKX T2, LLC, a Delaware limited liability company** ("**T2**"), and together with T1, collectively, "**Assignees**").

WITNESSETH:

For valuable consideration, receipt of which is acknowledged, Assignor and Assignees agree as follows:

1. **Assignment and Assumption.**

(a) Assignor hereby assigns and transfers to T1 all right, title and interest of Assignor in, to and under the lease (the "**Lease**") described as follows with respect to the Development Parcel (as such term is defined in the Limited Liability Company Agreement of T1): Amended and Restated Master Lease Agreement dated as of September 25, 2007 between **HIGHLAND FAIRVIEW PARTNERS I (formerly known as Westcoast Properties Partners, a California general partnership), HIGHLAND FAIRVIEW PARTNERS IV, (formerly known as Sinclair Property Partners, a Delaware general partnership), HIGHLAND FAIRVIEW PARTNERS III (formerly known as HF Educational Partners, a Delaware general partnership), and HIGHLAND FAIRVIEW PARTNERS II (formerly known as Sand Properties Partners, a California general partnership)**, as landlord (collectively "**Landlord**"), and Assignor, as tenant.

(b) Assignor hereby assigns and transfers to T2 all right, title and interest of Assignor in, to and under the Lease with respect to the Expansion Parcel (as such term is defined in the Limited Liability Company Agreement of T2):

(c) Assignees hereby accept the foregoing assignment, and assume and agree to perform all of the covenants and agreements in the Lease to be performed by the landlord with respect to its respective property that arise from and after the Effective Date.

2. **Assignor Representations.** Assignor represents to Assignees as follows:

(a) It is the sole, lawful owner of the tenant's interest in the Lease and Assignor has not sold, assigned, encumbered or transferred any interest in the Lease, or any part thereof, to any other person or entity.

(b) To the best of Assignor's knowledge, the Lease is in full force and effect and neither Landlord nor Assignor, as tenant, is in default thereunder.

3. **Indemnification.** Assignor agrees to indemnify, defend and hold harmless Assignees from and against any and all claims, liabilities, obligations, losses, causes of action, judgments, settlements, demands, threats, costs, fines, penalties (including reasonable fees, expenses, disbursements and investigative costs of attorneys and consultants) arising out of the performance or nonperformance by Assignor of all duties and obligations of tenant under the Lease (to the extent that they relate to the Development Parcel) arising or accruing prior to the Effective Date. The foregoing indemnification shall terminate upon the closing of the "Construction Loan" (as defined in that certain Amended and Restated Limited Liability Company Agreement of HF LOGISTICS-SKX, LLC entered into as of April 12, 2010, but effective as of January 30, 2010).

4. **Governing Law.** This Assignment shall be governed by and construed in accordance with the laws of the State of California.

5. **Successors and Assigns.** This Assignment shall be binding upon and shall inure to the benefit of Assignor and Assignees and their respective successors and assigns.

6. **Capitalized Terms.** Capitalized terms used in this Assignment shall have the same meanings as set forth in the Lease, unless a different definition is set forth herein.

(signature pages follow)

IN WITNESS WHEREOF, Assignor and Assignees have executed this Assignment as of the Effective Date.

“ASSIGNOR”

**HF LOGISTICS I, LLC, a Delaware
limited liability company**

By _____
**Iddo Benzeevi, President and
Chief Executive Officer**

“T1”

**HF LOGISTICS-SKX T1, LLC, a
Delaware limited liability company**

By: **HF LOGISTICS-SKX, LLC, a
Delaware limited liability company,
its sole member**

By: **HF Logistics I, LLC, a
Delaware limited liability
company, its managing
member**

By: _____
**Iddo Benzeevi, President
and Chief Executive
Officer**

By: **SKECHERS R.B., LLC, a
Delaware limited liability
company, its managing
member**

By: **Skechers U.S.A., Inc., a
Delaware corporation, its
sole member**

By: _____
**David Weinberg, Chief
Operating Officer**

“T2”

**HF LOGISTICS-SKX T2, LLC, a
Delaware limited liability company**

**By: HF LOGISTICS-SKX, LLC, a
Delaware limited liability company,
its sole member**

**By: HF Logistics I, LLC, a
Delaware limited liability
company, its managing
member**

**By: _____
Iddo Benzeevi, President
and Chief Executive
Officer**

**By: SKECHERS R.B., LLC, a
Delaware limited liability
company, its managing
member**

**By: Skechers U.S.A., Inc., a
Delaware corporation, its
sole member**

**By: _____
David Weinberg, Chief
Operating Officer**

EXHIBIT "M"
ASSIGNMENT OF LEASE

Exhibit "M"

**ASSIGNMENT OF LEASE
(SKECHERS LEASE)**

THIS ASSIGNMENT OF LEASE ("**Assignment**") is made and entered into this 12th day of April, 2010 (the "**Effective Date**") by and between HF LOGISTICS I, LLC, a Delaware limited liability company ("**Assignor**") and HF LOGISTICS-SKX T1, LLC, a Delaware limited liability company ("**Assignee**").

WITNESSETH:

For valuable consideration, receipt of which is acknowledged, Assignor and Assignee agree as follows:

1. Assignment and Assumption

(a) Assignor hereby assigns and transfers to Assignee all right, title and interest of Assignor in, to and under the lease (the "**Lease**") described as follows: Lease Agreement dated September 25, 2007 between Assignor, as landlord, and Skechers U.S.A., Inc., a Delaware corporation ("**Tenant**"), as tenant, as amended by that certain Amendment to Lease Agreement dated December 18, 2009, by and between Assignor and Tenant. The foregoing assignment includes the transfer by Assignor to Assignee of all rights to prepaid rents (including, without limitation, operating expenses) under the Lease. It is understood and agreed that the actual transfer of the prepaid rent and operating expenses (Eight Hundred Ninety-Eight Thousand Two Hundred Eighty-One Dollars (\$898,281)) shall be made by Assignor to Assignee no later than the Commencement Date (as defined in the Lease).

(b) Assignee hereby accepts the foregoing assignment, and assumes and agrees to perform all of the covenants and agreements in the Lease to be performed by the landlord thereunder that arise from and after the Effective Date.

2. Assignor Representations. Assignor represents to Assignee as follows:

(a) It is the sole, lawful owner of the landlord's interest in the Lease and Assignor has not sold, assigned, encumbered or transferred any interest in the Lease, or any part thereof, to any other person or entity.

(b) To the best of Assignor's knowledge, the Lease is in full force and effect and neither Tenant nor Assignor, as landlord, is in default thereunder.

3. Indemnification. Assignor agrees to indemnify, defend and hold harmless Assignee from and against any and all claims, liabilities, obligations, losses, causes of action, judgments, settlements, demands, threats, costs, fines, penalties (including reasonable fees, expenses, disbursements and investigative costs of attorneys and consultants) arising out of the performance or nonperformance by Assignor of all duties and obligations of landlord under the Lease arising or accruing prior to the Effective Date. The foregoing indemnification shall terminate upon the closing of the "Construction Loan" (as defined in that certain Amended and Restated

Limited Liability Company Agreement of HF LOGISTICS-SKX, LLC entered into as of April 12, 2010, but effective as of January 30, 2010).

4. **Governing Law**. This Assignment shall be governed by and construed in accordance with the laws of the State of California.

5. **Successors and Assigns**. This Assignment shall be binding upon and shall inure to the benefit of Assignor and Assignee and their respective successors and assigns.

(signature page follows)

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the Effective Date.

“ASSIGNOR”

HF LOGISTICS I, LLC, a Delaware limited liability company

**By: _____
Iddo Benzeevi, President and Chief Executive Officer**

“ASSIGNEE”

HF LOGISTICS-SKX T1, LLC, a Delaware limited liability company

By: HF LOGISTICS-SKX, LLC, a Delaware limited liability company, its sole member

By: HF Logistics I, LLC, a Delaware limited liability company, its managing member

**By: _____
Iddo Benzeevi, President and Chief Executive Officer**

By: SKECHERS R.B., LLC, a Delaware limited liability company, its managing member

By: Skechers U.S.A., Inc, a Delaware corporation, its sole member

**By: _____
David Weinberg, Chief Operating Officer**

SECOND AMENDMENT TO LEASE AGREEMENT

THIS SECOND AMENDMENT TO LEASE AGREEMENT ("**Second Amendment**") is made and entered into this 12th day of April, 2010 by and between **HF LOGISTICS-SKX T1, LLC, a Delaware limited liability company** ("**Landlord**") and **SKECHERS U.S.A., INC., a Delaware corporation** ("**Tenant**").

RECITALS

A. HF LOGISTICS I, LLC, a Delaware limited liability company and Tenant entered into that certain Lease Agreement dated September 25, 2007 (the "**Original Lease**"), as amended by that certain Amendment to Lease Agreement dated December 18, 2009 (the "**First Amendment**", and collectively, the "**Lease**") pursuant to which HF LOGISTICS I, LLC leased to Tenant certain premises situated at the northwest corner of Theodore Street and Eucalyptus Avenue in Moreno Valley, California, as more fully described therein.

B. HF Logistics I, LLC has assigned all of its right, title and interest as landlord under the Lease to Landlord, and Landlord has assumed the obligations of HF Logistics I, LLC, as landlord under the Lease.

C. The parties desire to further amend the Lease.

NOW, THEREFORE, for a good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The definition "Premises" as defined on page 1 of the Original Lease and modified in Section 4 of the First Amendment shall mean:

"The Building, together with the parking areas, landscaped areas and other areas consisting of approximately 82.59 acres of land situated at the NWC of Theodore Street and Eucalyptus Avenue in Moreno Valley (Rancho Belago), California, as shown on the draft of Parcel Map No. 35629 attached to this Second Amendment as "**Exhibit "A" (Revised)**"."

For clarification, the approximately 22.37 acres shown on **Exhibit "A" (Revised)** attached hereto (which area is identified as Parcel 2), which area comprises the "Expansion Area", is not included within the definition of "Premises".

Notwithstanding the foregoing, it is agreed that until the recordation of a final parcel map, the Premises and the Expansion Area have been established by lot line adjustments, and that accordingly the acreage and dimensions thereof may not be exactly the same as set forth on Exhibit A (Revised). However, Landlord represents and warrants to Tenant that the acreage and dimensions thereof will be substantially the same, and that any discrepancies will not materially impact the rights or obligations of Tenant or Landlord under the Lease.

2. The Final Plans (as originally defined in Addendum 2 Paragraph 1 of the Lease) shall be the Plans and Specifications transmitted by HF Logistics I, LLC to Tenant (by "You Send It") on January 29, 2010.

3. Tenant acknowledges that title to the Expansion Area is or will be held by HF Logistics-SKX T2, LLC, a Delaware limited liability company ("**T2**"), which is an affiliate of Landlord. In the event that Tenant timely exercises its right to the Expansion Area pursuant to the Lease, T2 agrees to immediately convey its interest in the Expansion Area to Landlord; provided, however, if (x) the Premises are encumbered by a deed of trust at the time Tenant exercises its expansion option and the beneficiary thereunder will not either finance the construction of the Expansion Building or consent to the Expansion Area being encumbered by a new construction loan (or if the ownership of the Expansion Area by T1 will otherwise impede obtaining construction financing for the construction of the Expansion Building), or (y) the Premises have been taken by foreclosure or a transaction in lieu thereof, then T2 shall retain the Expansion Area, Tenant and T2 shall enter into a new lease on the same terms and conditions as would have applied to the Expansion Area pursuant to the Lease, and the Expansion Area shall be deemed removed from the Lease.

4. Tenant acknowledges that the Base Rent under the Lease is Nine Hundred Thirty-Three Thousand Eight Hundred Ninety-Four and 44/100 Dollars (\$933,894.44) per month, but that it has prepaid only the amount of Six Hundred Seventy-Nine Thousand Five Hundred Forty Dollars (\$679,540). The differential (being Two Hundred Fifty-Four Thousand Three Hundred Fifty-Four Dollars (\$254,354)) shall be paid by Tenant to Landlord no later than the Commencement Date (as defined in the Lease).

5. Capitalized terms used in this Second Amendment shall have the same meanings as set forth in the Lease, unless a different definition is set forth herein.

6. Except as amended herein, all terms and conditions of the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Second Amendment as of the date first above written.

"LANDLORD"

"TENANT"

**HF LOGISTICS I, LLC, a Delaware
limited liability company**

**SKECHERS U.S.A., INC., a Delaware
corporation**

By /s/ Iddo Benzeevi
**Iddo Benzeevi, President and
Chief Executive Officer**

By /s/ David Weinberg
David Weinberg, Chief Operating Officer

HF Logistics-SKX T2, LLC, a Delaware limited liability company, hereby joins in the execution of this Second Amendment to confirm its obligation to be bound by the provisions of the Lease insofar as they relate to the Expansion Area and Tenant's expansion option regarding the same.

**HF LOGISTICS-SKX T2, LLC, a Delaware
limited liability company**

**By: HF LOGISTICS SKX, LLC, a Delaware
limited liability company, its sole
member**

**By: HF LOGISTICS I, LLC, a
Delaware limited liability
company, its managing member**

By /s/ Iddo Beenzevi

**Iddo Beenzevi, President and
Chief Executive Officer**

**By: SKECHERS R.B., LLC, a
Delaware limited liability
company, its managing member**

**By: SKECHERS U.S.A., Inc., a
Delaware limited liability
company, its sole member**

By /s/ David Weinberg

**David Weinberg, Chief
Operating Officer**

**ASSIGNMENT OF LEASE
(SKECHERS LEASE)**

THIS ASSIGNMENT OF LEASE ("**Assignment**") is made and entered into this 12th day of April, 2010 (the "**Effective Date**") by and between HF LOGISTICS I, LLC, a Delaware limited liability company ("**Assignor**") and HF LOGISTICS-SKX T1, LLC, a Delaware limited liability company ("**Assignee**").

WITNESSETH:

For valuable consideration, receipt of which is acknowledged, Assignor and Assignee agree as follows:

1. Assignment and Assumption.

(a) Assignor hereby assigns and transfers to Assignee all right, title and interest of Assignor in, to and under the lease (the "**Lease**") described as follows: Lease Agreement dated September 25, 2007 between Assignor, as landlord, and Skechers U.S.A., Inc., a Delaware corporation ("**Tenant**"), as tenant, as amended by that certain Amendment to Lease Agreement dated December 18, 2009, by and between Assignor and Tenant. The foregoing assignment includes the transfer by Assignor to Assignee of all rights to prepaid rents (including, without limitation, operating expenses) under the Lease. It is understood and agreed that the actual transfer of the prepaid rent and operating expenses (Eight Hundred Ninety-Eight Thousand Two Hundred Eighty-One Dollars (\$898,281)) shall be made by Assignor to Assignee no later than the Commencement Date (as defined in the Lease).

(b) Assignee hereby accepts the foregoing assignment, and assumes and agrees to perform all of the covenants and agreements in the Lease to be performed by the landlord thereunder that arise from and after the Effective Date.

2. Assignor Representations. Assignor represents to Assignee as follows:

(a) It is the sole, lawful owner of the landlord's interest in the Lease and Assignor has not sold, assigned, encumbered or transferred any interest in the Lease, or any part thereof, to any other person or entity.

(b) To the best of Assignor's knowledge, the Lease is in full force and effect and neither Tenant nor Assignor, as landlord, is in default thereunder.

3. Indemnification. Assignor agrees to indemnify, defend and hold harmless Assignee from and against any and all claims, liabilities, obligations, losses, causes of action, judgments, settlements, demands, threats, costs, fines, penalties (including reasonable fees, expenses, disbursements and investigative costs of attorneys and consultants) arising out of the performance or nonperformance by Assignor of all duties and obligations of landlord under the Lease arising or accruing prior to the Effective Date. The foregoing indemnification shall terminate upon the closing of the "Construction Loan" (as defined in that certain Amended and Restated

Limited Liability Company Agreement of HF LOGISTICS-SKX, LLC entered into as of April 12, 2010, but effective as of January 30, 2010).

4. **Governing Law**. This Assignment shall be governed by and construed in accordance with the laws of the State of California.

5. **Successors and Assigns**. This Assignment shall be binding upon and shall inure to the benefit of Assignor and Assignee and their respective successors and assigns.

(signature page follows)

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the Effective Date.

“ASSIGNOR”

HF LOGISTICS I, LLC, a Delaware limited liability company

**By: /s/ Iddo Benzeevi
Iddo Benzeevi, President and Chief Executive Officer**

“ASSIGNEE”

HF LOGISTICS-SKX T1, LLC, a Delaware limited liability company

By: HF LOGISTICS-SKX, LLC, a Delaware limited liability company, its sole member

By: HF Logistics I, LLC, a Delaware limited liability company, its managing member

**By: /s/ Iddo Benzeevi
Iddo Benzeevi, President and Chief Executive Officer**

By: SKECHERS R.B., LLC, a Delaware limited liability company, its managing member

By: Skechers U.S.A., Inc, a Delaware corporation, its sole member

**By: /s/ David Weinberg
David Weinberg, Chief Operating Officer**

THIRD AMENDMENT TO LEASE AGREEMENT

THIS THIRD AMENDMENT TO LEASE AGREEMENT ("**Third Amendment**") is made and entered into this 18 day of August, 2010 by and between **HF LOGISTICS-SKX T1, LLC, a Delaware limited liability company** ("**Landlord**") and **SKECHERS U.S.A., INC., a Delaware corporation** ("**Tenant**").

RECITALS

A. HF LOGISTICS I, LLC, a Delaware limited liability company and Tenant entered into that certain Lease Agreement dated September 25, 2007 (the "**Original Lease**"), as amended by that certain Amendment to Lease Agreement dated December 18, 2009 (the "**First Amendment**"), and as further amended by that certain Second Amendment to Lease Agreement dated April 12, 2010 (the "**Second Amendment**"). The Original Lease, as amended by the First Amendment and the Second Amendment, are collectively referred to herein as the "**Lease**". Pursuant to the Lease, HF LOGISTICS I, LLC leased to Tenant certain premises situated at the northwest corner of Theodore Street and Eucalyptus Avenue in Moreno Valley, California, as more fully described therein.

B. HF Logistics I, LLC has assigned all of its right, title and interest as landlord under the Lease to Landlord, and Landlord has assumed the obligations of HF Logistics I, LLC, as landlord under the Lease.

C. The parties desire to further amend the Lease to reflect an increase in the Base Rent resulting from an additional loan being made by Tenant to Landlord to fund certain costs of tenant improvements to the Premises, in accordance with the provisions in Section 6.8(b) of the Amended and Restated Limited Liability Company Agreement of HF Logistics-SKX, LLC dated April 12, 2010 but effective as of January 30, 2010.

NOW, THEREFORE, for a good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The Base Rent under the Lease is Nine Hundred Forty Thousand Six Hundred Ninety-Four and 80 /100 Dollars (\$940,694.80) per month.
 2. Tenant has prepaid the amount of Six Hundred Seventy-Nine Thousand Five Hundred Forty Dollars (\$679,540), and has agreed to fund an additional Two Hundred Fifty-Four Thousand Three Hundred Fifty-Four Dollars (\$254,354) to Landlord no later than the Commencement Date. Tenant further agrees to fund the additional sum of Six Thousand Eight Hundred and 80/1000 Dollars (\$6,800.80), representing the additional Base Rent due pursuant to this Third Amendment, no later than the Commencement Date.
 3. Capitalized terms used in this Third Amendment shall have the same meanings as set forth in the Lease, unless a different definition is set forth herein.
-

4. Except as amended herein, all terms and conditions of the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Third Amendment as of the date first above written.

“LANDLORD”

**HF LOGISTICS I, LLC, a Delaware
limited liability company**

By /s/ Iddo Benzevi

**Iddo Benzevi, President and
Chief Executive Officer**

“TENANT”

**SKECHERS U.S.A., INC., a Delaware
corporation**

By /s/ Philip G. Paccione

**Philip G. Paccione, Corporate
Secretary and Executive Vice
President, Business Affairs**

CERTIFICATION

I, Robert Greenberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended September 30, 2010 of Skechers U.S.A., Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2010

/s/ ROBERT GREENBERG

Robert Greenberg
Chief Executive Officer

CERTIFICATION

I, David Weinberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended September 30, 2010 of Skechers U.S.A., Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2010

/s/ DAVID WEINBERG

David Weinberg
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Skechers U.S.A, Inc. (the "Company") on Form 10-Q for the three months ended September 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT GREENBERG

Robert Greenberg
Chief Executive Officer
(Principal Executive Officer)
November 9, 2010

/s/ DAVID WEINBERG

David Weinberg
Chief Financial Officer
(Principal Financial and Accounting Officer)
November 9, 2010

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN
PROVIDED TO THE COMPANY AND WILL BE RETAINED BY THE COMPANY AND FURNISHED TO
THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.