

METLOX, LLC

51 West Dayton Street, Suite 100
Pasadena, CA 91105

February 3, 2015 (updated August 8, 2017)

Via UPS

Mark Danaj, City Manager
City of Manhattan Beach
1400 Highland Avenue
Manhattan Beach, CA 90266

Re: Disposition and Development Agreement and Ground Lease ("Ground Lease")
dated May 15, 2002, as amended (Metlox Project)

As you know, we have been interested in making minor adjustments to the permitted uses at Metlox in order to maintain a vibrant tenant mix of successful and appealing businesses. This letter constitutes Tenant's request to modify the uses established for the occupancy of the Buildings pursuant to Section 6.2(b) of the Ground Lease.

Specifically, Tenant's requested modifications are as follows:

1) It is requested that Section 6.2(a)(ii) be modified to permit the space currently occupied by Nick's Restaurant (previously Junior's Deli, Sashi and Chez Soi), Space No. D-126, approximately 4,487 square feet of floor area, to be divided into two (2) separate restaurants as may be necessary in the future. This would permit a large restaurant space that has not been successful to be leased to two smaller restaurants with a higher likelihood for success and also add to the variety of uses on the plaza.

2) It is requested that Section 6.2(a)(ii) be modified to permit the space occupied by Kasai Salon (previously Salon Brit), Space No. B210, approximately 1,724 square feet of floor area, which includes a large trellis covered patio area, to be integrated into the restaurant below, currently Petros' Greek Cuisine, and be used for additional dining area to accommodate large parties, meetings, and special occasions and events.

3) It is requested that Section 6.2(a)(ii) be modified to permit the space occupied by Waterleaf, Space No. 130 and 1210 Morningside, approximately 1,556 square feet of floor area and 1,135 square feet of floor area, respectively, to be used either as a café or small bistro style restaurant where outside seating area would utilize the large level patio areas. This use would generate more pedestrian interest and activity on the public plaza and enhance the European town square nature of the plaza. Additionally, it is requested that Section 6.2(a)(iii) be modified to permit the Morningside portion of this space to be used for service-oriented commercial uses, like a bank branch. This will permit a space with little pedestrian traffic on Morningside, across

from an office building without ground floor uses, to be leased to a business that is a destination not supported by pedestrian traffic.

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4) It is requested that Section 6.2(a)(ii) be modified to permit the space occupied by Beehive, Space No. B100, approximately 2,017 square feet of floor area, to be used either as a café or small restaurant where outside seating area would utilize the large level patio areas. This use would be more appropriate at this location where pedestrian traffic is minimal, making it difficult support a retail use especially as trends lean toward elimination of bricks and mortar retail.

5) It is requested the Amendment or Modification to the Ground Lease, the Master Use Permit and Coastal Development Permit contain a provision that gives the City Manager the ability to approve future modifications requested by Metlox, LLC to the provisions of Sections 6 of the Ground Lease and Sections 25 thru 32 of Resolution 5770, Master Use Permit, provided such requested modifications are consistent with the then applicable property zoning.

These proposed use modifications will allow Metlox to maintain a vibrant tenant mix of successful businesses that will enhance the appeal of this community amenity. Further, they allow Metlox's uses to evolve with the times as tastes and leisure and consumption patterns evolve, thereby continuing the successful financial venture for the City of Manhattan Beach and Metlox, LLC, and hopefully increasing Profit Participation Rent payable to the City.

Reference is made to the agreement referenced above ("Ground Lease"). Capitalized terms used in this letter and not otherwise defined shall have the same definitions as set forth in the Ground Lease.

Please call me if you have any questions regarding the foregoing. We look forward to working with you to 1) amend to the Ground Lease, and 2) to modify the Master Use Permit.

Sincerely,

METLOX LLC,
a California limited liability company

Jonathan Tolkin,
Manager