

— Via USPS and Email —

October 1, 2019

Taylor Woods
Urban Commons Queensway, LLC
10250 Constellation Blvd., Suite 1750
Los Angeles, CA 90067

Re: Amended and Restated Lease and Operations Agreement of Queen Mary, Adjacent Lands and Improvements, Dome and Queen's Marketplace (Lease No. 22697)

Dear Mr. Woods,

The purpose of this letter is to inform you that Urban Commons, LLC, has failed to meet its obligations under the terms and provisions of Agreement No. 34432: Amended and Restated Lease and Operations Agreement of Queen Mary, Adjacent Lands and Improvements, Dome and Queen's Marketplace (Lease No. 22697) ("Lease"). Specifically, Urban Commons has not met its obligation related to Section 7.2 of the Lease to maintain the Premises, including improvements, in first class condition and repair.

The following deficiencies have been documented in Queen Mary Inspection Reports and discussed with City staff and should be immediately addressed to be considered in compliance with the Lease:

Exterior Paint on the Hull, Funnels, and Top of House Areas: As documented in Queen Mary Inspection Reports 384 through 389, among others, areas of the exterior hull port and starboard, the aft funnel, and top of house, including vents and scuppers, require painting.

Expansion Joints: As documented in Queen Mary Inspection Reports 388 and 389, among others, at least one of the expansion joints requires plate installation, fasteners, water testing, and repair of caulking.

Bilge Repair and Rust Remediation: Standing water and intrusion of rust, despite the application of a rust remediator, has been documented in Reports 384, 387, and 388, among others previous, and must be repaired.

Side shell and Lifeboats: Identified by the City's Landlord Representative as the most critical priority for the long-term viability of the ship, removal of deteriorating lifeboats and repair of the ship side shell must be prioritized. As referenced in Reports 383, 385, 387, and 388, the continued corrosion represents a serious threat to the ship's structural integrity and the safety of guests and employees.

General Maintenance: As documented in Queen Mary Inspection Reports during 2018 and 2019 provide evidence of insufficient resources being dedicated to ongoing upkeep of the ship, including maintenance of improvements completed or partially funded through the HPCIP Fund. As specifically documented in Queen Mary Inspection Reports 379, 384, and 388, the number of staff hours dedicated to the Base Maintenance Plan appear to be insufficient to maintain the Premises in first class condition and repair. Please provide a current Base Maintenance Plan as a reference for staffing requirements.

In addition, the following items are currently outstanding under the terms and provisions of the Lease:

Annual Audited Financials for 2018 — Section 4.3, Schedule 1
Evidence of Base Maintenance and Replacement Plan (BMRP) Fund account deposits and balance — Section 7.3.1

Although I understand that Urban Commons staff have been responsive in taking steps to obtain the above-referenced financials, you are hereby notified that these two outstanding items are due no later than October 30, 2019.

Please respond to this letter within 30 days and provide a plan to address the deficiencies described above. If you fail to respond within 30 days, Urban Commons may be found in default per Section 14.1.b of the Lease, with the right to cure pursuant to Section 14.2.

Thank you for your cooperation in this matter. Please do not hesitate to call me if you have any questions or need additional information or clarification.

Sincerely,

JOHN KEISLER
DIRECTOR OF ECONOMIC DEVELOPMENT
CITY OF LONG BEACH

JK:JMV:LCC

cc: Howard Wu, Urban Commons Queensway, LLC
Thomas B. Modica, Acting City Manager
Richard F. Anthony, Deputy City Attorney
Johnny M. Vallejo, Business Operations Manager