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TORRANCE

PRELIMINARY CONCEPTUAL MASTER PLAN

PREPARED BY:

MCDONNELL DOUGLAS REALTY COMPANY
4060 LAKEWOOD BOULEVARD, 6TH FLOOR
LONG BEACH, CALIFORNIA 90808-1700
(310) 627-3080
(310) 627-3109 FAX

AUGUST 1, 1994

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GENERAL:

On April 11, 1994 Tom Overturf and Phil Cyburt met with Al Gobar (a nationally known economist and author of numerous land use feasibility studies for similar projects in this region) and CB Commercial's experienced, commercial/industrial team of Al Beaudette and Bill Peters, to analyze the current market and update the Kenneth Leventhal Market Analysis of October 17, 1992.

It was agreed that residential uses were probably not feasible due to the long-term potential for litigation from homeowners as currently being experienced in adjacent EPA Superfund Site areas. Following MDC Corporate uses in the 1998-2000 time-frame the experts agree that the most likely demand at that time will be for industrial business uses similar to the high-quality surrounding development by Toyota, Nissan, Honda, Toshiba and The Pacific Gateway Development. Specifically, security will become the premium determinant in location of particularly Asian auto and electronics facilities and port-related receiving and distribution functions.

KEY DETERMINING FACTORS:

1. Security will continue to be a problem in Los Angeles County - particularly the South Bay.

2. The Los Angeles/Long Beach port will continue to expand and is an economic generator, which is independent of local economic conditions.

3. It is interesting to note that there appears to be a shift in the way corporations are handling their distribution, which is known in the trade as the "logistics" business - minimizes warehousing by use of computerized linkage between manufacturer and retailer.

4. Air quality legislation has created a fuel audit problem for trucking companies that can best be handled centrally.

These factors relate to the increasing need for a high security environment by developing a private industrial park with limited access and a

Pulaski Rd
Kedzie Ave
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Kedzie Ave
Pulaski Rd

sophisticated security system for all buildings within the park. Research shows that security is a marketable service which will manifest in higher rental rates and lower vacancies for class "A" industrial distribution buildings. In addition to "security" the industrial park should respond to the container storage and handling needs of port related tenants.

The Ports of Los Angeles and Long Beach are projecting a 50% increase in volume by year 2010, with a 100% increase by year 2020. The Alameda Corridor project will link the Ports to downtown Los Angeles rail and freeway systems.

LOGISTICS:

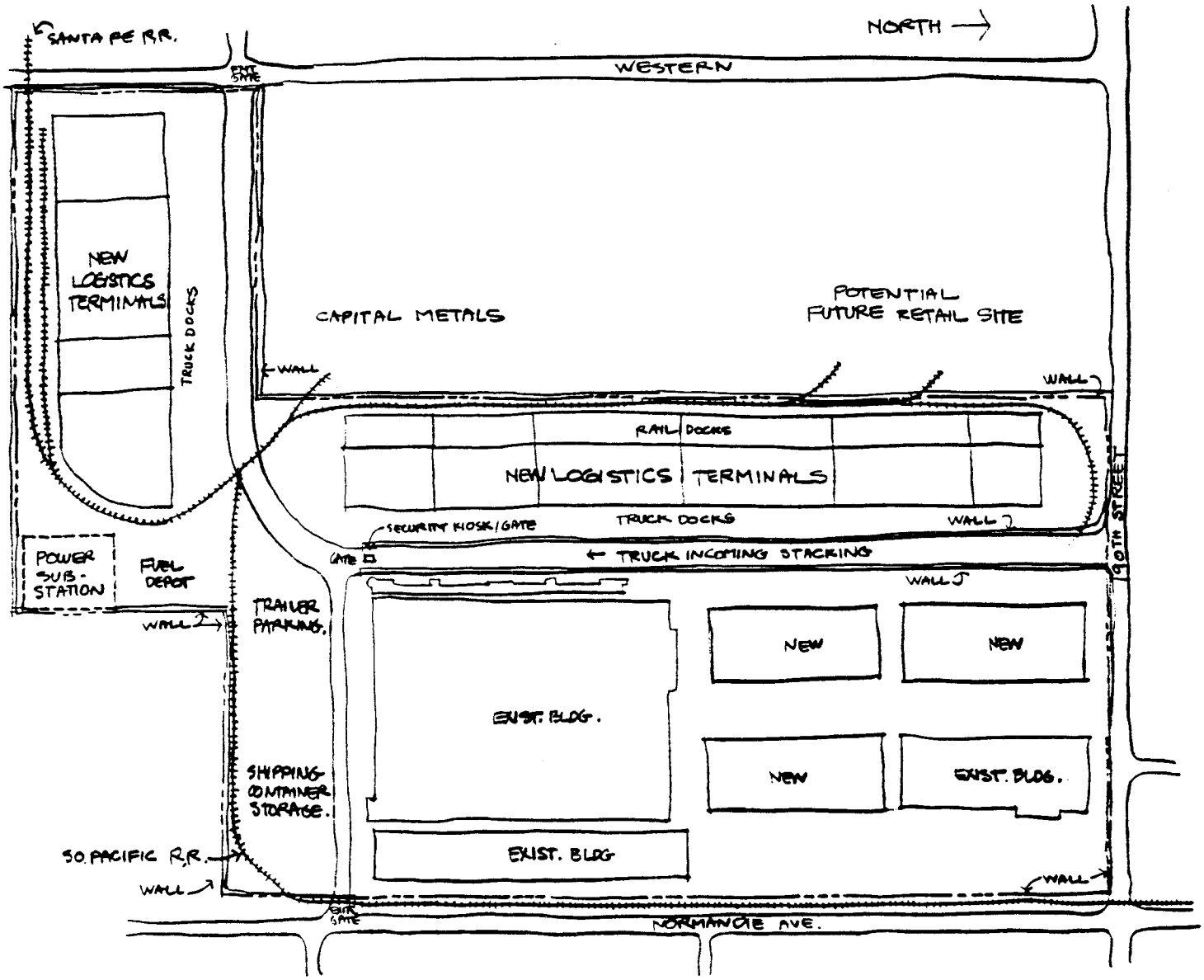
In the last few years, several Japanese importers have left the traditional distribution function and have taken a new approach, loosely called "logistics". There has been two forms to this approach:

A. Form a separate logistics division to handle the warehousing and distribution of all product lines.

B. Turn the warehouse/distribution function over to a third party logistics company. In both cases the use of high storage and sophisticated material handling equipment along with state-of-the-art computer tracking and inventory control has given the logistics company the ability to warehouse, order pick and ship to the end user on a very reliable basis. The utilization of cubic feet of a building rather than the traditional square footage justifies the construction of taller buildings, which translates into a better utilization of industrial land.

In recent years, the Air Quality Control Board has dictated that trucking firms must maintain an accounting of the sulphur content of the fuel burnt in their trucks. Trucking firms are required to balance their fuel purchases to reduce the amount of sulphur in their diesel fuel. Maintaining the auditing of this governmental requirement is difficult for most independent truckers and could be an additional service provided by an on-site fuel facility within the private industrial park.

In simple terms, we envision a fully-walled, single-entrance private industrial park with a sophisticated security system and patrol. It appears that after a master plan is developed, the Torrance Facility could continue to utilize some of the existing buildings for McDonnell Douglas functions, while commencing a phased development project over a period of several years.



MASTER PLAN
PRELIMINARY

7/20/94 TAO.

POTENTIAL RAILROAD USES:

We have met with representatives of both Southern Pacific Railroad and Santa Fe Railroad at the site regarding potential uses of the rail systems on our property. Both companies have same limited interests that can be pursued. Southern Pacific feeds our site from Normandie Avenue on the East and is currently servicing Capital Metals and International Light Metals to the west of our site. Santa Fe provides service from the west and accesses our site from the south side of the tool storage yard, however, Santa Fe has not actually run any cars across our property for several years. The best determination at this time is that MDC owns the rail tracks located on MDC property.

A. SOUTHERN PACIFIC

EDWARD RHODES - Director Industrial Development 213-780-6822

Ed Rhodes expressed limited interest for a team track concept on our property, but indicated the best location would be on the long run on the west side of our property next to Capital Metals and International Light Metals. Actually, there are two parallel tracks which could work well because they prefer a long straight run where they could have several rail cars at one time. Ed was to get back with me on any specific proposal that Southern Pacific might have, and he later contacted me with an interest in the Tool Storage Yard (Bone Yard) that he did not express at the site. He would now like to know what price MDC would be asking for a sale of the Tool Storage Yard of approximately 25 acres. Can we give them a number for a potential sale, or would we prefer to attempt a long term ground lease?

Ed also addressed that an easement from 1964 was executed between the U.S. Government and Harvey Aluminum granting Harvey an easement for railroad access across the Government property, but apparently the easement had never been recorded. That easement established a 60-40 split for maintenance/repair costs on the rail lines. McDonnell Douglas acquired the property from the U.S. Government and theoretically inherited the 40% maintenance costs and Southern Pacific would like to have the easement recorded and probably bill MDC for some previous maintenance costs of approximately $8,000. Is this something that we should pass on to DAC or resolve with the Railroad ourselves?

B. **SANTA FE**
TED KAUFFMAN - Director Industrial Development 213-267-4043

Ted stated that there was not a strong indication for a need of a team track facility in that area. He had been contacted previously by a CB Broker, Mike Mitchell, regarding the same subject for our property. Ted did, however, indicate that there could be a need for a MATERIALS RECOVERY FACILITY (MRF) which is a sorting station for municipal trash haulers. Cities are now required to sort their trash for recycling and the MRF facilities are needed for this task. The total requirement would be approximately 20 to 25 acres and the long straight tracks on the west side of our property probably would be preferable. He also indicated a need for Bulk Commodity Transfer such as lumber, chemicals, plastic raw materials, rock and aggregate, etc. Ted related that Santa Fe usually owns their facilities, but could be interested in a ground lease. If a team track were viable it would require no more than 10 acres.

C. **POTENTIAL VALUE** - 10 acres, as is, but we install fence and charge monthly rent of $2,500 - $3,000 per acre.

Monthly Income	$ 25,000
Annual Income	$300,000

COST OF DEMOLITION OF EXISTING FACILITIES

Cleveland Wrecking Company has updated their costs to $4,250,000, however, Martin Marietta has formed alliances with numerous salvage companies and integrated their efforts which could reduce this cost by up to 50%.

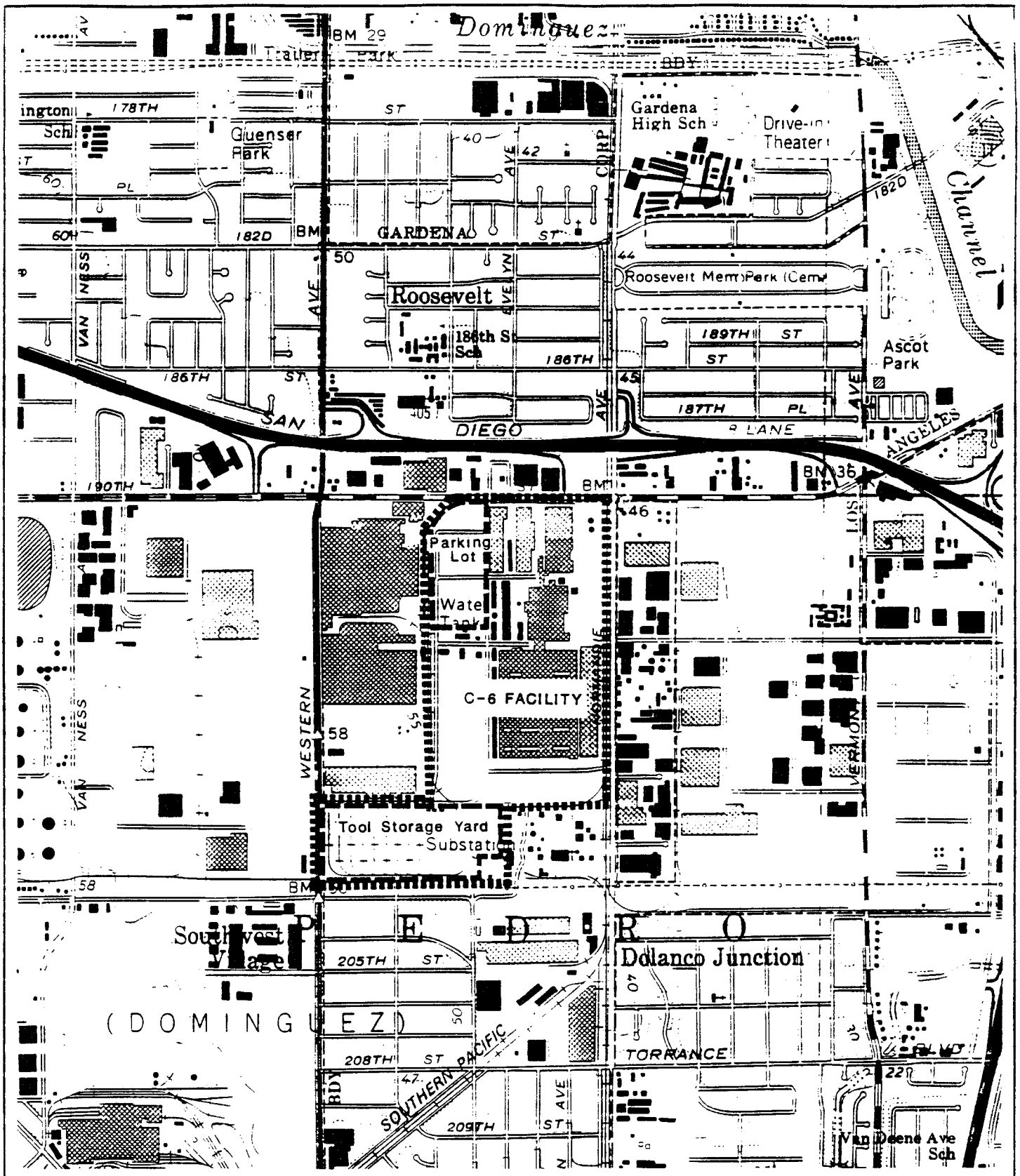
PARCELIZATION OF SITE/STREET AREA AND COST

Assuming a 66' Right of Way industrial street section, parcel size constraints outlined below, and the assumption that all street would be new and costs would include paving, curb and gutter, sewer mainline, water mainline, fire hydrants, street lights, and storm drains.

The results are shown below:

	OPTION 1	OPTION 2
Total Site	171 Acres	171 Acres
Lot Size	3-5 Acres	10-15 Acres
Lot Count	33	14
Street Area (% of Total)	22 Acres (12.8%)	13 Acres (7.6%)
Magnitude Street Cost	$2,700,000	$1,600,000
Net Area	149 Acres	158 Acres
Cost Per S.F. of Net Area	41¢	23¢

Value Engineering would eventually occur to optimize use of existing utilities and paved roadways when possible. Based on current market it would appear that the larger lot size is more marketable, equal or higher land value and therefore the recommended approach.



PROJECT SITE BOUNDARY

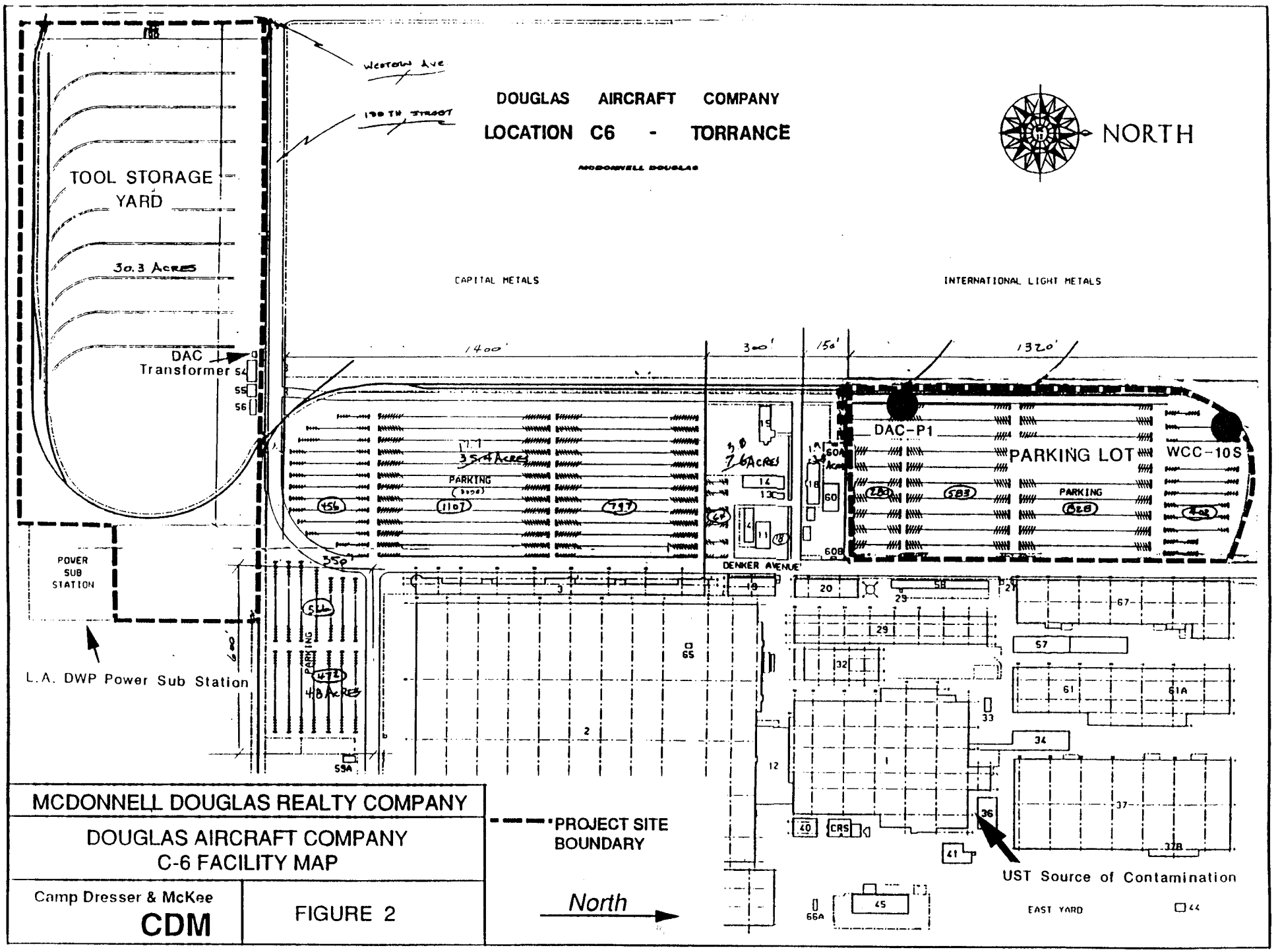
C-6 FACILITY BOUNDARY

1/2 Mile

N

MAP SOURCE: U.S.G.S. TORRANCE QUAD

MCDONNELL DOUGLAS REALTY COMPANY	
TORRANCE PROJECT SITE	
Camp Dresser & McKee **CDM**	FIGURE 1



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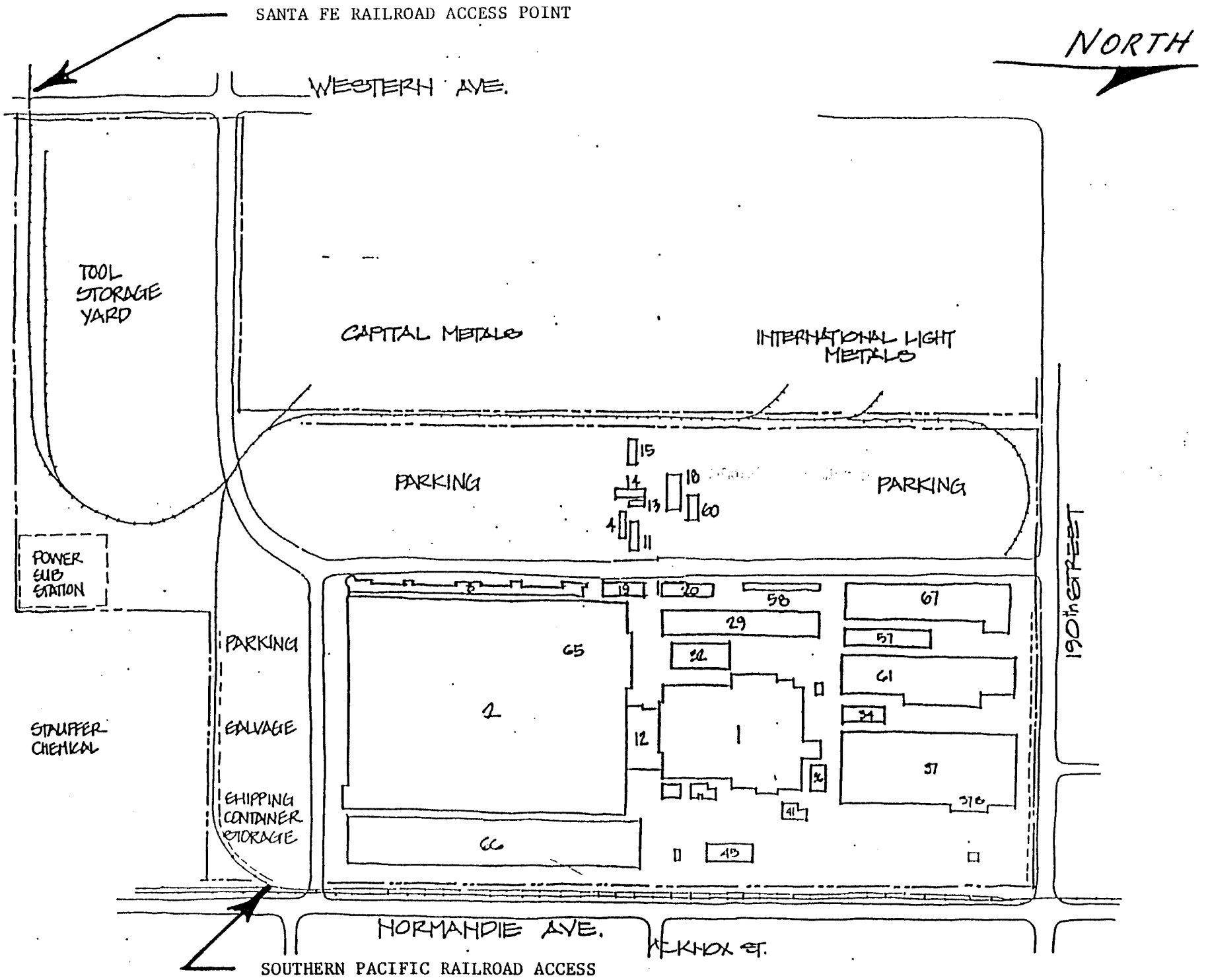

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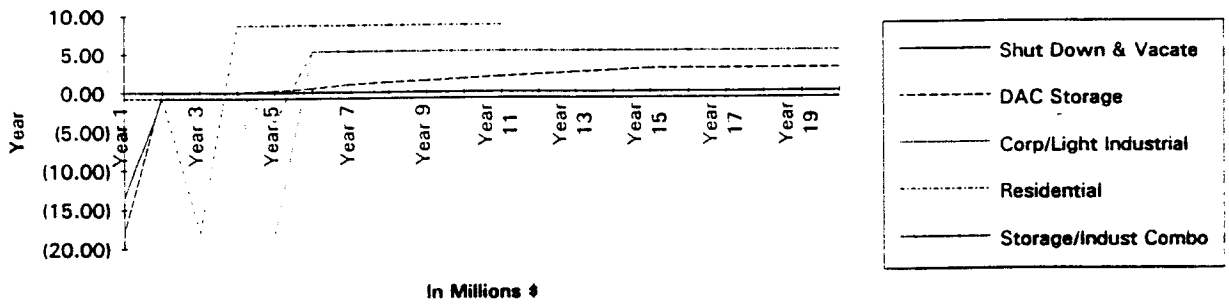
KENNETH LEVENTHAL & COMPANY UPDATE

Corporate Light Industrial Alternative Use yields the Greatest Total Return and depending upon the absorption period, the Net Present Value could increase substantially above the forecast $26.61 million (see attached) based upon current, increasing industrial/business park demand in Huntington Beach and other North Orange County areas. The remediation cost estimate of $6M is also likely to increase substantially, however, in talking with DAC Environmental Staff and Dan Summers of MDC Legal Environmental Staff. DAC's Steve Bissett and Bob Tomko are very concerned that any defined environmental remediation cost will require an accounting entry reserve which could be devastating in current commercial aviation economy, so careful coordination will be required to do any environmental testing and cost analysis.

GRAPH OF TORRANCE ALTERNATIVES			GRAPH.XLS		
	Shut Down & Vacate	DAC Storage	Corp/Light Industrial	Residential	Storage/Indust Combo
Year 1	(13.50)	(18.00)	(0.75)	(0.75)	(18.00)
Year 2	(0.75)	0.00	(0.75)	(0.75)	0.00
Year 3	(0.75)	0.00	(0.75)	(18.00)	0.00
Year 4	(0.75)	0.00	(0.75)	8.75	0.00
Year 5	(0.75)	0.20	(18.00)	8.75	(3.80)
Year 6	(0.75)	0.50	5.33	8.75	5.33
Year 7	(0.75)	1.00	5.33	8.75	5.33
Year 8	(0.75)	1.25	5.33	8.75	5.33
Year 9	(0.75)	1.50	5.33	8.75	5.33
Year 10	(0.75)	1.75	5.33	8.75	5.33
Year 11	(0.75)	2.00	5.33	8.75	5.33
Year 12	(0.75)	2.25	5.33		5.33
Year 13	(0.75)	2.50	5.33		5.33
Year 14	(0.75)	2.75	5.33		5.33
Year 15	(0.75)	3.00	5.33		5.33
Year 16	(0.75)	3.00	5.33		5.33
Year 17	(0.75)	3.00	5.33		5.33
Year 18	(0.75)	3.00	5.33		5.33
Year 19	(0.75)	3.00	5.33		5.33
Year 20	(0.75)	3.00	5.33		5.33
TOTAL	(27.75)	15.70	59.00	50.50	58.20
npv@ 5%	(21.49)	(0.19)	26.61	31.91	23.25

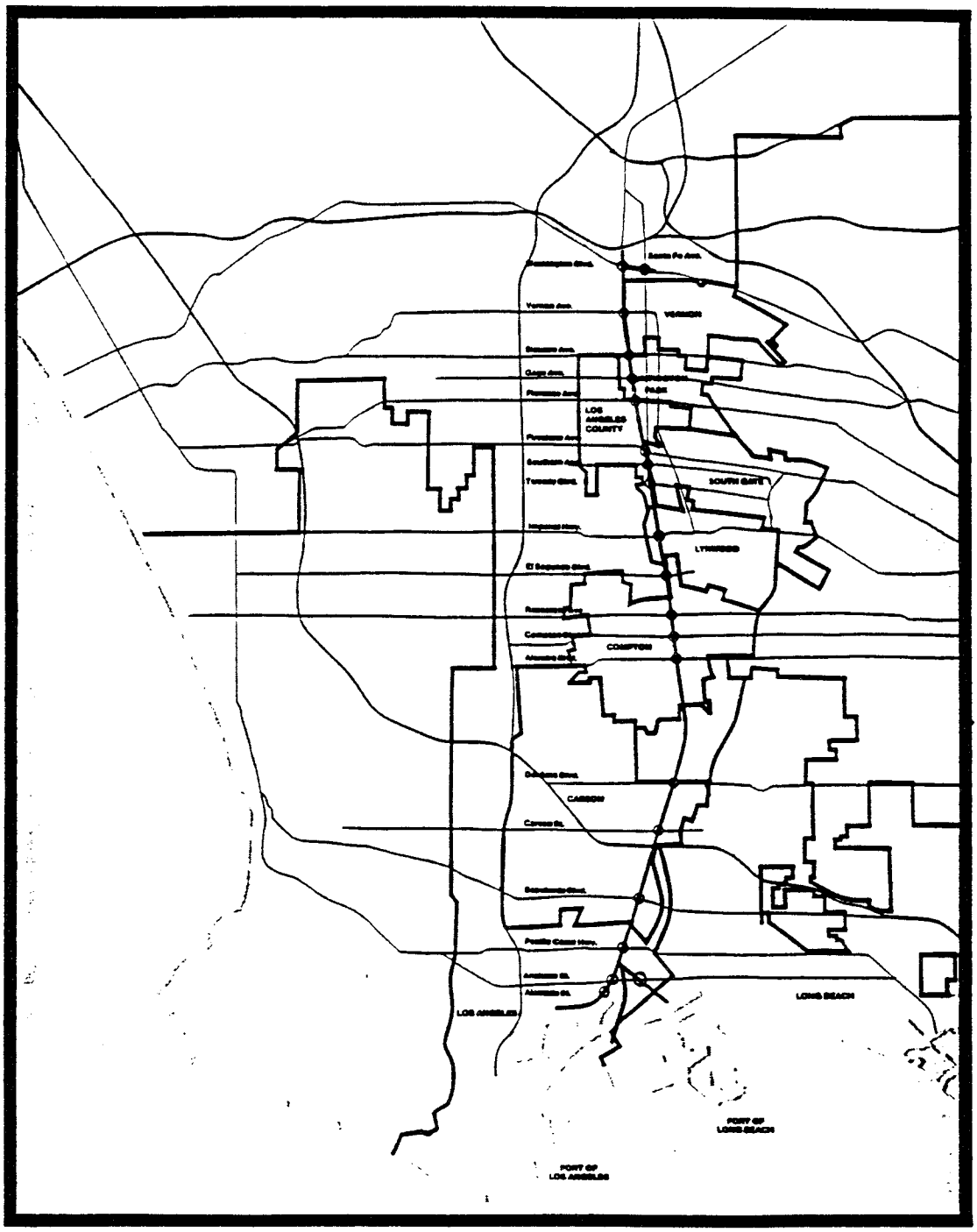
TORRANCE SITE ALTERNATIVES



PORT GROWTH DATA:

THE ALAMEDA CORRIDOR: A NATIONAL PRIORITY

TO SUPPORT NATIONAL AND REGIONAL ECONOMIC EXPANSION AND TO PROTECT THE ENVIRONMENT

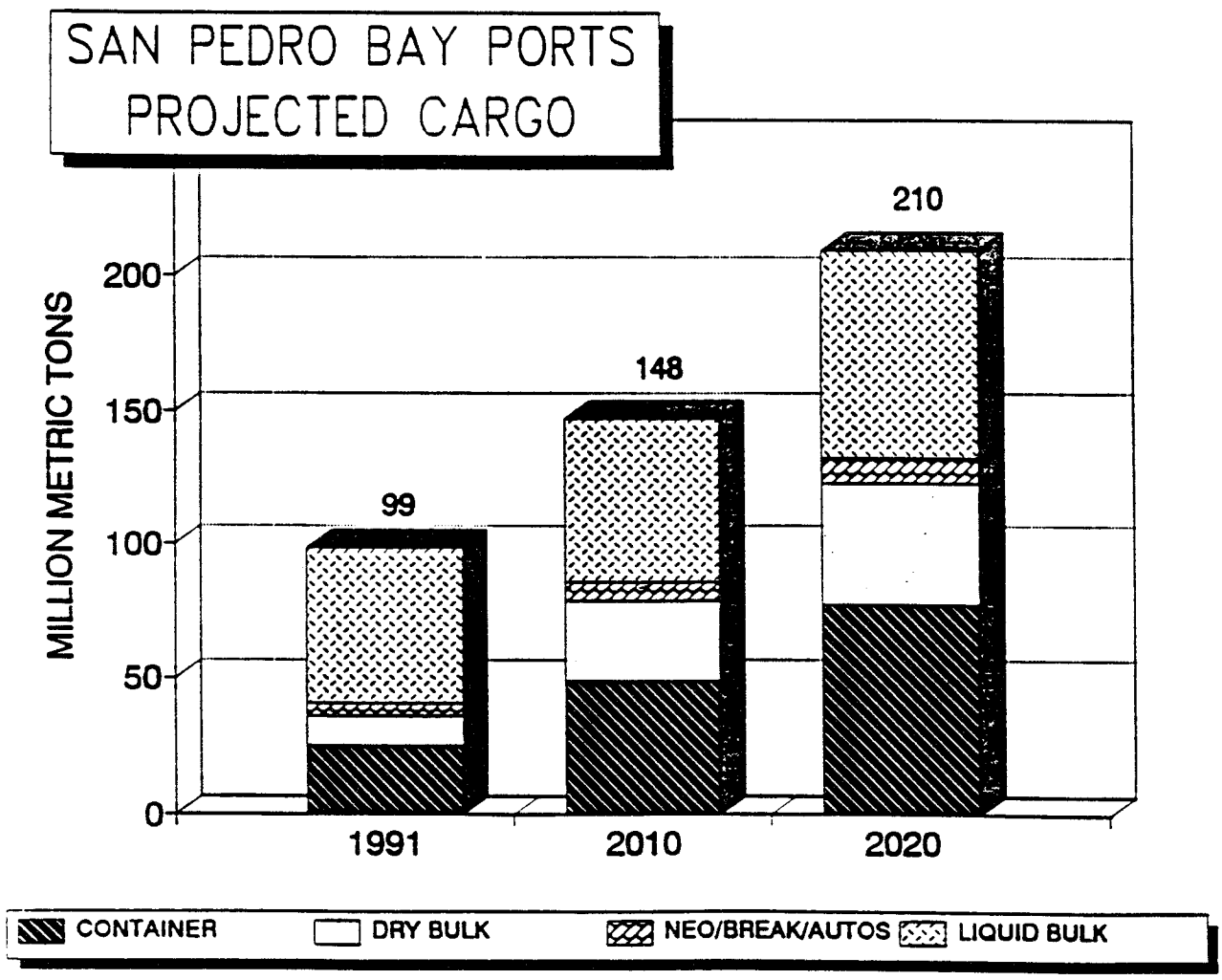


ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Projected Cargo and Traffic Growth

By the year 2020, the ports expect cargo volumes to more than double to 210 mmts, with containerized cargo accounting for 37 percent of total cargo. (See Figure 3.)

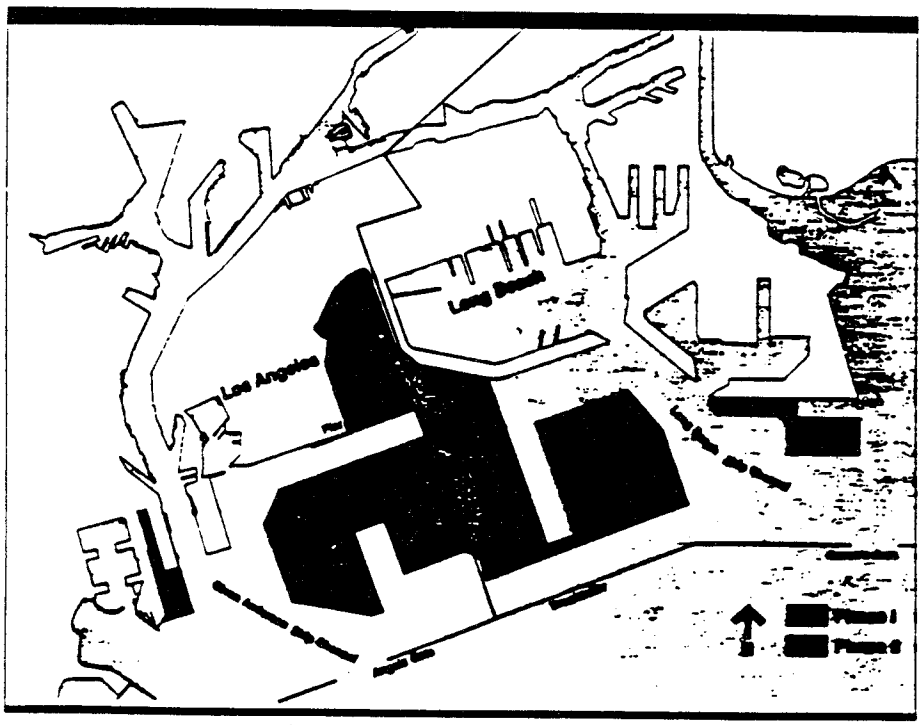
Figure 3



To accommodate this growth, the ports, in cooperation with the U.S. Army Corps of Engineers, have embarked on an ambitious joint development project, the **2020 Program.** Highlights of the $4.8 billion program include the addition of 2,400 acres of landfill, as well as construction of 39 new marine cargo terminals and state-of-the-art intermodal facilities. Proposed landfills will extend from existing port developments to the breakwater that protects Los Angeles/Long Beach harbors. (See Figure 4.)

Figure 4

2020 PORT DEVELOPMENT PROGRAM
PROPOSED LANDFILLS



Economic Benefits Of The 2020 Port Development Program

Nearly 700,000 new jobs in the five-county area and 2.2 million new jobs nationwide will be generated by the 2020 Program construction and the additional cargo that the ports will be accommodating in the 21st century. Construction impacts will peak in the year 2015, in which 15,000 persons will be directly or indirectly employed in 2020 Program efforts. Between now and 2020, a total of 75,000 years of employment will be generated in the Greater Los Angeles area as a result of the 2020 Program.

Operations impacts of the 2020 Program will increase steadily from year to year, beginning in 1995 when the new terminals are first projected to be in use. Other program benefits include the following:

- 110,000 additional port industry jobs will be generated in the five-county area by the year 2020 due to incremental cargo flows projected to move across the new facilities. This employment forecast shows a doubling of the port industry impact in 1987.

- An estimated 513,000 additional jobs among port users and 51,000 additional port tenant jobs will be generated in the five-county area by 2020 as a result of port expansion.

- $69 billion in additional sales revenues and $2.2 billion in additional state and local taxes will be generated in the five-county area by the year 2020.

- Nationwide, 2.2 million new jobs will be generated along with $169 billion in additional sales revenues by the year 2020.

- $5.2 billion in additional U.S. Customs receipts will be received annually by the year 2020.

- Nationwide $26.7 billion in additional federal income and business taxes will be collected annually by 2020.

San Pedro Bay Ports
Cargo Forecast
(Million Metric Tons)

Cargo Type	1991	2010	2020
CONTAINERS	25	49	77
TEUS (MILLIONS)	(3.8)	(8)	(13)
LIQUID BULK	58	62	77
DRY BULK	11	30	46
BREAK/NEO BULK/ AUTOMOBILES	5	7	10
TOTAL	**99**	**148**	**210**
PERCENT INCREASE OVER 1991 BASE		50%	121%

DOUGLAS AIRCRAFT COMPANY - TORRANCE FACILITY
LIST OF GEOTECHNICAL REPORTS

1. Leak Detection and Monitoring Plan for DAC C6 Facility (6/28/85) - Woodward Clyde Consultants (WCC)

2. Interim Management Plan for Tank Testing at DAC C1 and C6 (6/86) - WCC

3. Underground Tank Leak Testing Program at DAC C6 Facility (10/86) - WCC

4. Status Report on Leak Investigation at Tanks 19T and 20T (12/18/86) - WCC

5. Phase I Underground Tank Leak Investigation Report for DAC C6 Facility (6/87) - WCC

6. Plan for Phase II Subsurface Investigation at DAC C6 Facility (8/24/87) - WCC

7. Interim Report on Phase II of the Subsurface Investigation at DAC C6 Facility (11/18/87) - WCC

8. Phase III Drilling Program at DAC Torrance (C6) Facility (12/16/87) - WCC

9. Final Report of 8T Remediation at Torrance (C6) Facility (3/4/88) - WCC

10. Final Report on Phase II of the Subsurface Investigation at Tanks 19T and 20T at C6 (5/10/88) - WCC

11. Chromic Acid Tank Investigation at DAC C6 Facility (5/12/88) - WCC

12. Chromic Acid Soil Remediation at DAC C6 Facility (5/13/88) - WCC

13. Work Plan for Evaluation of Tank and Sump Locations with Organic Compounds in the Soil at DAC C6 Facility (2/7/89) - WCC

14. DAC Torrance C6 Facility Groundwater and Soil Investigation Report (3/90) - WCC

15. Site Assessment Investigation for Underground Tanks Removed at Douglas Aircraft Company C6 Facility (1/18/88) - Crosby and Overton (C&O)

16. Excavation of Hydrocarbon Contaminated Soil, Soil Sampling and Analysis at C-6, Torrance, California (10/26/88) - C&O

17. Report of Technical Documents Review and Groundwater Sampling (6/12/91) - Kennedy Jenks - KJC

18. Quarterly Groundwater Monitoring Reports for C6 (Feb. 1992 - Oct. 1994, total of 12 reports to date) - KJC

19. C6 Site Vicinity Environmental Evaluation Report (7/5/94) - KJC

20. UST Removal Closure Report for Tanks 11T-14T, 19T and 20T at C6 (8/22/94) - Maness

21. Subsurface Soil Investigation at UST Excavations in Building 2, C6 (9/94) - Tetra Tech