

SACHI A. HAMAI Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration 500 West Temple Street, Room 713, Los Angeles, California 90012 (213) 974-1101 http://ceo.lacounty.gov

To Enrich Lives Through Effective And Caring Service

Board of Supervisors HILDA L. SOLIS First District

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May 01, 2018

Dear Supervisors:

The Honorable Board of Supervisors County of Los Angeles 383 Kenneth Hahn Hall of Administration 500 West Temple Street Los Angeles, California 90012 BOARD OF SUPERVISORS COUNTY OF LOS ANGELES

ADOPTED

17 May 1, 2018

CELIA ZAVALA ACTING EXECUTIVE OFFICER

NEW LEASE - DEPARTMENT OF HEALTH SERVICES 1000 SOUTH FREMONT AVENUE, ALHAMBRA (FIFTH DISTRICT) (3 VOTES)

SUBJECT

Approval of a proposed new eight-year lease for 68,148 square feet of office space, and 273 on-site parking spaces at 1000 South Fremont Avenue, Alhambra, for the Department of Health Services.

IT IS RECOMMENDED THAT THE BOARD:

1. Consider the Negative Declaration, together with the fact that no comments were received during the public review process, find on the basis of the whole record that the project will not have a significant effect on the environment and no adverse effect on wildlife resources, find that the Negative Declaration reflects the independent judgment of the Board of Supervisors to approve the Negative Declaration, adopt the Negative Declaration, find on the basis of the whole record that the project will have no effect on fish and wildlife, and instruct the Chief Executive Officer, or her designee, to complete and file the appropriate determination forms as to the project.

2. Authorize and direct the Chief Executive Officer, or her designee, to sign the proposed lease, with Elite-TRC Alhambra Community, LLC, for approximately 68,148 square feet of office space and 273 on-site parking spaces, at 1000 South Fremont Avenue, Alhambra, for the Department of Health Services at an annual first year cost not to exceed \$2,808,238, which is comprised of the \$1,905,418 initial annual base rent, the \$212,940 annual parking rent, and the \$689,880 maximum annual amortized Additional Tenant Improvement Allowance reimbursement should the entire amount be expended. The rental and related costs will be funded with existing DHS resources.

3. Authorize the Chief Executive Officer, or her designee, to contract with Internal Services Department or Elite-TRC Alhambra Community, LLC, or Landlord's County-approved vendor, at the direction of the Chief Executive Officer, or her designee, for the acquisition and installation of telephone, data and low-voltage systems for the Department of Health Services at a cost not to exceed \$2,550,000. The low-voltage costs will be paid via lump-sum payment by the Department of Health Services or the low-voltage equipment and materials will be financed through the Internal Services Department's TESMA program over a five-year term while the low-voltage labor costs will be paid via a lump-sum payment. The low-voltage amount is above and beyond rental costs payable to the Landlord.

4. Authorize the Chief Executive Officer, or her designee, to reimburse the Landlord up to \$3,748,140 for tenant improvements. The reimbursement will be one or more lump-sum payments or monthly payments fully amortized over seven years, including interest, at 7.5 percent per annum.

5. Authorize and direct the Chief Executive Officer, or her designee, to execute any other ancillary documentation necessary to effectuate the proposed lease, and authorize and direct the Chief Executive Officer, and the Directors of Health Services, and Internal Services, or their designees, to take actions necessary and appropriate to implement the project. The proposed lease will be effective upon approval by the Board of Supervisors, but the term and rent will commence upon completion of the improvements by the Landlord or Landlord's County-approved vendor, and acceptance by the County.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The proposed lease with Elite-TRC Alhambra Community, LLC (Landlord), will provide the Department of Health Services (DHS) with approximately 68,148 square feet of office space, and 273 parking spaces at 1000 South Fremont Avenue, Alhambra (The Alhambra).

The proposed lease will allow DHS to consolidate all its finance divisions and relocate their Finance Office (Finance). DHS' finance divisions staff are currently housed at various hospitals and at DHS' Headquarters building located at 313 North Figueroa Street, Los Angeles (Figueroa). Upon relocation of staff from LAC+USC Medical Center, Harbor UCLA, Rancho Los Amigos National Rehabilitation Center and Olive View Medical Center (Hospitals), the vacated space at the Hospitals will be backfilled with support staff helping ease overcrowding at those locations. The Figueroa office space will be backfilled with programs that are crucial to DHS' central office, including Office of Diversion, Housing for Health, Whole Person Care and Correctional Health. The proposed office will be occupied by approximately 340 DHS employees.

The proposed relocation of Finance is prompted by reorganization of the department's financial structure and changes in business practices resulting in a need to restructure its staffing model. Consolidation of DHS' finance divisions into one location will improve oversight of its core financial and accounting functions, allowing them to maximize productivity, and eliminate redundancy.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan Goal "Make Investments That Transform Lives" (Goal 1) directs that we will aggressively address society's most complicated social, health, and public safety challenges. We want to be a highly responsive organization capable of responding to complex societal challenges – one person at a time. The Countywide Strategic Plan Goal "Foster Vibrant and Resilient Communities" (Goal 2) directs that our investments in the lives of County residents are

The Honorable Board of Supervisors 5/1/2018 Page 3

sustainable only when grounded in strong communities. We want to be the hub of a network of public-private partnering agencies supporting vibrant communities. The Countywide Strategic Plan Goal "Realize Tomorrow's Government Today" (Goal 3) directs that our increasingly dynamic, and complex environment, challenges our collective abilities to respond to public needs and expectations. We want to be an innovative, flexible, effective, and transparent partner focused on advancing the common good. The County is supporting these goals by providing services that improve productivity, enhance collaboration and customer service. The proposed lease complies with the Asset Management Principles, as outlined in Attachment A.

FISCAL IMPACT/FINANCING

The proposed lease will provide DHS approximately 68,148 square feet of office space, and 273 onsite parking spaces at a maximum first year rental cost of \$2,808,238 which is comprised of the \$1,905,418 initial annual base rent, \$212,940 annual parking rent, and \$689,880 maximum annual reimbursements of the Tenant Improvement (TI) allowance, should the entire amounts be expended.

The aggregate lease expense over the eight-year term would be approximately \$27,955,012, which includes annual rent increase projections capped at 5 percent per annum based on changes in the Consumer Price Index (CPI). Attachment B provides an overview of the proposed lease and total lease costs.

Sufficient funding for the proposed lease low voltage and TI reimbursement costs over the initial year of the lease term are included in the Fiscal Year 2017-18 Rent Expense budget and will be billed back to DHS. The rental and related costs will be funded with existing DHS resources. Funding is included in DHS' Final Budget and will be requested in future fiscal years, as needed.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed lease includes the following provisions:

- An eight-year lease term, which commences upon completion of the TIs by the Landlord and acceptance by the County.
- A full-service gross lease, whereby the Landlord is responsible for all operating expenses associated with County's occupancy, including janitorial expense.
- A cancellation provision providing the County a one-time right to cancel the lease at the 85th month of the lease term, with 360 days prior written notice.
- Two 5-year options to extend the lease with 12 months prior written notice.
- A non-reimbursable Base TI allowance of \$3,066,660 or \$45 per square foot is included in the lease.

• A reimbursable Additional TI allowance of \$3,748,140 or \$55 per square foot is included in the lease. The maximum reimbursable tenant improvement funds payable to the Landlord amount to \$3,748,140, which may be amortized over seven years at an interest rate of 7.5 percent per annum or paid via lump-sum payments.

• Annual rental rate adjustments based upon CPI, with a minimum of 2 percent and maximum of 5 percent per annum.

• The 273 parking spaces at \$65 per space per month increases to \$70 per space per month at the 37th month.

DHS requested to be located with their other programs housed at the proposed office campus. The Chief Executive Office (CEO), Real Estate Division staff conducted a Costar market search of available office space for lease, and was unable to identify any sites in the surveyed area that could accommodate this requirement more economically at this time. Based upon a review of available industry data, staff has established that the annual rental range for similar space including parking costs is between \$31 and \$51 per square foot on a full-service gross basis. Thus, the base annual rental rate of \$31 full-service gross including parking, for the proposed lease represents a rate within the market range for the area. Attachment C shows all County-owned and leased facilities within the surveyed areas, and there are no County-owned or leased facilities available for the program.

The Department of Public Works has inspected this facility, and found it suitable for the County's occupancy. Notification letters have been sent pursuant to Government Code Sections 25351 and 65402.

The proposed lease will continue to provide an appropriate location for the DMH program, which is consistent with the County's Facility Location Policy, adopted by the Board of Supervisors on July 24, 2012, as outlined in Attachment D.

ENVIRONMENTAL DOCUMENTATION

The CEO has made an initial study of environmental factors and concluded that the project will have no significant impact on the environment and no adverse effect on wildlife resources. A Negative Declaration has been prepared and a notice posted at the 208 East 6th Street facility as required by the California Environmental Quality Act and California Administrative Code, Section 15072. Copies of the completed study, the resulting Negative Declaration, and the Notice of Preparation of Negative Declaration as posted are attached. No comments to the Negative Declaration were received.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed lease will provide the necessary office space for this County requirement. DHS concurs with the proposed lease.

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CONCLUSION

It is requested that the Executive Office, Board of Supervisors return two certified copies of the Minute Order and the adopted stamped Board letter to the Chief Executive Office, Real Estate Division, 222 South Hill Street, 4th Floor, Los Angeles, CA 90012.

Respectfully submitted,

Jun Jones for

SACHI A. HAMAI Chief Executive Officer

SAH:DPH DL:JLC:KW:MAC:rp

Enclosures

c: Executive Office, Board of Supervisors County Counsel Health Agency Health Services Internal Services

DEPARTMENT OF HEALTH SERVICES **1000 S. FREMONT AVENUE, ALHAMBRA** Asset Management Principles Compliance Form¹

1.	<u>Occ</u>	upancy	Yes	No	N/A	
	А	Does lease consolidate administrative functions? ²	Х			
	В	Does lease co-locate with other functions to better serve clients? ²	Х			
	С	Does this lease centralize business support functions? ²	Х			
	D	Does this lease meet the guideline of 200 sq. ft. of space per person? ²	Х			
	Е	Does lease meet the 4/1000 sq. ft. parking ratio guideline? ²	х			
	F	Does public parking and mass-transit exist to facilitate employee, client and visitor access to the proposed lease location? ²	Х			
2.	<u>Car</u>	<u>bital</u>				
	А	Is it a substantial net County cost (NCC) program? Yes.	Х			
	В	Is this a long term County program?	Х			
	С	If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy?		х		
	D	If no, are there any suitable County-owned facilities available?		х		
	Е	If yes, why is lease being recommended over occupancy in County-owned space?			х	
	F	Is Building Description Report attached as Attachment C?	Х			
	G	Was build-to-suit or capital project considered?		х		
3.	<u>Por</u>	tfolio Management				
	А	Did department utilize CEO Space Request Evaluation (SRE)?	Х			
	В	Was the space need justified?	Х			
	С	If a renewal lease, was co-location with other County departments considered?			х	
	D	Why was this program not co-located?			х	
		1 The program clientele requires a "stand alone" facility.				
		2 No suitable County occupied properties in project area.				
		3. X No County-owned facilities available for the project.				
		4 Could not get City clearance or approval.				
		5. X The Program is being co-located.	Х			
	Е	Is lease a full service lease? ²	х			
	F	Has growth projection been considered in space request?	Х			
	G	Has the Dept. of Public Works completed seismic review/approval?	Х			
		¹ As approved by the Board of Supervisors 11/17/98				
		² If not, why not?				

OVERVIEW OF THE PROPOSED LEASE COSTS

Area (square feet)	68,148			
Term (years)	Eight-years, commencing upon Board approval and County's acceptance of the TI			
Annual Base Rent ⁽¹⁾	\$1,905,418	(\$ 27.96 per sq. ft. annually)		
Annual Parking Rent ⁽³⁾	\$212,940	(\$65.00 per parking space per month)		
Annual TI Reimbursement ⁽²⁾	\$689,880	(\$10.12 per sq. ft. annually)		
Total Annual Lease Costs	\$2,808,238	(\$41.21 per sq. ft. annually)		
Rental Adjustment	Annual CPI adjustments of at least 2 percent capped at 5 percent of Base Year Rent			

Summary	Base Rent	Tenant Improvements Payments	Parking Costs	Total Landlord Lease Costs	Low Voltage Costs	Total amount for space
First Year Rental Costs:	\$1,905,418 ⁽¹⁾	\$689,880 ⁽²⁾	\$212,940 ⁽³⁾	\$2,808,238	\$605,917 ⁽⁴⁾	\$3,414,155 ⁽⁴⁾
Eight-Year Rental Costs:	\$18,310,847 ⁽⁵⁾	\$4,829,161 ⁽²⁾	\$1,785,4250 ⁽³⁾	\$24,925,428 ⁽⁵⁾	\$3,029,584 ⁽⁴⁾	\$27,955,012 ⁽⁵⁾

⁽¹⁾ Total annual rent due based upon completion of TI's.

⁽²⁾ Based upon the full reimbursable amount of \$3,748,140 amortized over 7 years at 7.5% interest.

(3) Parking spaces at \$780 per space per annum increasing to \$840 per parking space annually at the beginning of the 37th month.

(4) Includes TESMA financed Low Voltage costs based on the total budget of \$2,550,000 amortized over 5-years at 7% interest.

(5) Includes projection of CPI indexed annual increases in rent at maximum of five percent per annum and the parking rent increase to \$840 annually per parking space at the beginning of the 37th month.

1000 SOUTH FREMONT AVENUE, ALHAMBRA SPACE SEARCH – SURVEYED AREA

Laco	Facility Name	Address	Ownership	Gross	Net	Vacant
				SQFT	SQFT	SQFT
A471	THE ALHAMBRA COMPLEX - EAST TOWER	1000 S FREMONT AVE, ALHAMBRA 91803	LEASED	194,141	165,995	NONE
0122	THOMAS A TIDEMANSON BLDG-ANNEX BLDG	900 S FREMONT AVE, ALHAMBRA 91803	FINANCED	43,500	36,975	NONE
X900	THOMAS A TIDEMANSON PUBLIC WORKS BLDG	900 S FREMONT AVE, ALHAMBRA 91803	FINANCED	536,168	363,876	NONE
X901	COMMUNITY DEVELOPMENT COMMISSION & HOUSING AUTHORITY HEADQUARTERS (NEW)	700 W MAIN ST, ALHAMBRA 91801	COMMUNITY DEVELOPMENT COMMISSION	118,265	105,101	NONE
5883	ALHAMBRA COURTHOUSE	150 W COMMONWEALTH AVE, ALHAMBRA 91801	FINANCED	111,727	65,494	NONE
X167	SHERMAN BLOCK SHERIFF'S HEADQUARTERS BUILDING	4700 W RAMONA BLVD, MONTEREY PARK 91754	FINANCED	125,000	106,250	NONE
X201	EDMUND D EDELMAN CHILDREN'S COURT	201 CENTRE PLAZA DR, MONTEREY PARK 91754	FINANCED	275,530	205,280	NONE
A015	DCFS/LASD/FIRE/OPS/ISD CORPORATE PLACE	2525 CORPORATE PL, MONTEREY PARK 91754	LEASED	40,483	35,248	NONE
3241	EAST LOS ANGELES COURTHOUSE	4848 E CIVIC CENTER WAY, EAST LOS ANGELES 90022	FINANCED	126,973	68,003	NONE
3100	NORTHEAST JUVENILE JUSTICE CTR BLDG-1	1601 EASTLAKE AVE, LOS ANGELES 90033	OWNED	47,579	34,727	NONE
5863	ISD-ADMINISTRATIVE HEADQUARTERS	1100 N EASTERN AVE, LOS ANGELES 90063	OWNED	80,309	58,826	NONE
3102	JUVENILE HALL-ADMINISTRATION BUILDING-4	1605 EASTLAKE AVE, LOS ANGELES 90033	OWNED	75,907	33,945	NONE
4946	MED CTR-INTERNS & RESIDENTS BUILDING	2020 ZONAL AVE, LOS ANGELES 90033	OWNED	142,448	79,494	NONE
5397	PASADENA COURTHOUSE	300 E WALNUT ST, PASADENA 91101	OWNED	228,638	126,899	NONE
A426	DCFS-PASADENA (SPA 3)	532 E COLORADO BLVD, PASADENA 91101	LEASED	75,235	70,721	NONE
A554	SAN GABRIEL VALLEY FAMILY SERVICE CTR II	3400 AEROJET AVE, EL MONTE 91731	LEASED	131,806	120,000	NONE
A493	SAN GABRIEL VALLEY FAMILY SERVICE CTR I	3350 AEROJET AVE, EL MONTE 91731	LEASED	120,000	108,000	NONE
A497	DPSS-SAN GABRIEL VALLEY GAIN PROG REG III	3216 ROSEMEAD BLVD, EL MONTE 91731	LEASED	41,836	39,744	NONE
A522	PH/DPSS/DCFS-TELSTAR EL MONTE CTY CTR	9320 TELSTAR AVE, EL MONTE 91731	LEASED	163,000	146,700	NONE

FACILITY LOCATION POLICY ANALYSIS

Proposed Lease: Eight-year lease for 1000 South Fremont Avenue, Alhambra 5th District

- **A. Establish Service Function Category –** Regional and local public service function.
- **B.** Determination of the Service Area The proposed lease will provide use of approximately 68,148 square feet of office space for the Department of Health Services.
- C. Apply Location Selection Criteria to Service Area Data
 - Need for proximity to service area and population
 - Need for proximity to existing County facilities
 - Need for proximity to Los Angeles Civic Center: N/A
 - Economic Development Potential: N/A
 - Proximity to public transportation:

The Facility is conveniently located near public transportation routes that include Metro bus lines to Union Station and the Cal State LA Metrolink Station providing transfers from origins throughout the County. In addition, the City of Alhambra has a low-cost transportation service, Alhambra Community Transit (ACT), throughout the city including service to the Cal State LA campus, the Metrolink Station, and downtown Alhambra with stops in front of the Facility's main entrance at Fremont Avenue and Mission Road.

- Availability of affordable housing for County employees: Alhambra is a bedroom community affording employees a wide range of housing options and costs.
- Use of historic buildings: N/A
- Availability and compatibility of existing buildings: There are no existing County buildings available to meet the Department's service needs.
- Compatibility with local land use plans: The site is currently zoned commercial and the current use as office space is consistent with the building's use, zoning and not in conflict with the goals and policies of the City of Alhambra.

- Notification letters have been sent pursuant to Government Code Sections 25351 and 65402.
- Estimated acquisition/construction and ongoing operational costs: The initial \$2,808,238 maximum annual rental cost is comprised of the following: \$1,905,418 initial annual base rent, the \$212,940 annual parking rent, and the \$689,880 maximum annual amortized additional TI allowance reimbursement, should the entire amount be expended.

D. Analyze results and identify location alternatives

Based on the space and service needs of DHS, CEO staff surveyed the immediate area in close proximity to the proposed office campus and was unable to identify any sites in the surveyed area that could accommodate this same requirement at that time.

Based upon a review of available industry data, CEO staff has established that the annual rental range for similar space including parking costs is between \$31 and \$51 per square foot on a full-service gross basis. Thus, the base annual rental rate of \$31, full-service gross, including parking, for the proposed lease represents a rate within the market range for the area. Attachment C shows all County-owned and leased facilities within the surrounding Alhambra area and there are no County-owned or leased facilities available for the programs.

E. Determine benefits and drawbacks of each alternative based upon functional needs, service area, cost, and other Location Selection Criteria

The facility provides proper accommodations for the DHS program within their service area. The proposed lease is in conformance with the Asset Management Principles, as outlined in Attachment A. The consolidation of services within one facility at the proposed office will provide a central and appropriate location, which is consistent with the County's facility location policy, adopted by the Board of Supervisors on July 24, 2012.

COUNTY OF LOS ANGELES CHIEF EXECUTIVE OFFICE LEASE AGREEMENT

DEPARTMENT: HEALTH SERVICES, as Tenant

LANDLORD: ELITE-TRC ALHAMBRA COMMUNITY LLC, a Delaware limited liability company

1000 South Fremont Avenue, Alhambra, California 91803

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COUNTY OF LOS ANGELES CHIEF EXECUTIVE OFFICE

LEASE AGREEMENT

THIS LEASE ("Lease") is entered into as of the _____ day of _____, 2017, between ELITE-TRC ALHAMBRA COMMUNITY LLC, a Delaware limited liability company ("Landlord"), and COUNTY OF LOS ANGELES, a body politic and corporate ("Tenant" or "County").

Landlord and Tenant agree:

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1. **BASIC LEASE INFORMATION.**

Terms: The following terms as used herein shall have the meanings provided in 1.1 this Section 1, unless otherwise specifically modified by provisions of this Lease.

a. Landlord's Address for Notice: ELITE-TRC ALHAMBRA COMMUNITY LLC c/o The Ratkovich Company 1000 South Fremont Avenue, Unit 1 Alhambra, California 91803 Attention: Senior Development Manager Telephone: (626) 300-5000 Telecopier: (626) 300-5025

and

DLA Piper LLP (US) 550 South Hope Street, Suite 2300 Los Angeles, California 90071 Attention: Jackie Park, Esq. Telephone: (213) 330-7743 Telecopier: (213) 330-7543

With a copy to:

c/o ELITE INTERNATIONAL INVESTMENT FUND 355 S. Grand Avenue, Suite 2450 Los Angeles, California 90071 Attention: Bill Zhou

Board of Supervisors Kenneth Hahn Hall of Administration, Room 383 500 West Temple Street Los Angeles, California 90012 Sec.

With a copy to:

Chief Executive Office Real Estate Division 222 South Hill Street, 3rd Floor Los Angeles, California 90012 Attention: Director of Real Estate Fax Number: (213) 830-0926

Approximately 68,148 leasable square feet comprised of the following (collectively, the "**Premises**"):

Building A11: 2^{nd} floor containing approximately 39,284 leasable square feet, as shown on <u>Exhibit A</u> attached hereto and made a part hereof;

Building A11: 1^{st} floor containing approximately 16,044 leasable square feet, as shown on <u>Exhibit A</u> attached hereto and made a part hereof; and

Building A11: Ground floor containing approximately 12,820 leasable square feet, as shown on Exhibit A attached hereto and made a part hereof.

An office building project located at 1000 South Fremont Avenue, Alhambra, California, as shown on the site plan attached as <u>Exhibit A-1</u> and made a part hereof. The Complex is currently assessed by the County Assessor as APN 5342-001-021, 5342-001-024 and 5342-001-025.

Building A11 as depicted on <u>Exhibit A-1</u> attached hereto. The Building is part of the Complex located at 1000 South Fremont Avenue depicted on the site plan attached hereto as <u>Exhibit A-1</u>.

c. <u>Premises</u>:

b. Tenant's Address for Notice:

d. <u>Complex</u>:

e. <u>Building</u>:

f. <u>Term</u>:

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Eight commencing the years upon Commencement Date (as defined in Section 1.1(g) and terminating at midnight on the day before the Eighth anniversary of the "Termination (the Commencement Date Date"), subject to earlier termination by Tenant as provided herein. The phrase "Term of this Lease" or "the Term hereof" as used in this Lease, or words of similar import, shall refer to the initial Term of this Lease together with any additional Option Term for which an option has been validly exercised (pursuant to Section 4(d)).

- g. <u>Commencement Date</u>:
- h. <u>Irrevocable Offer Expiration</u> <u>Date:</u>
- i. <u>Monthly Rent</u>:

See Section 4(a).

January 31, 2018

\$176,529.84 per month, which is comprised of the following:

Base Rent: \$158,784.84 per month (which is based upon a rental rate of \$2.33 per leasable square foot adjustable only as provided in <u>Section 5</u> hereof); and

Parking Rent: \$17,745.00 per month (which is based upon a rental rate of \$65.00 per unreserved parking space per month for the 273 unreserved parking spaces). These rates shall be increased to \$70.00 per unreserved parking space per month at the beginning of the 37th month of the Term.

The number of unreserved parking spaces may be increased as needed by Tenant, subject to availability, on a monthly basis at the then applicable rental rate for unreserved parking spaces as more particularly set forth in Section 20 of the Lease.

j. Early Termination Date:

k. <u>Leasable Square Feet in the</u> <u>Premises</u>: The first day of the 85th month of the Lease Term.

68,148

l. Use: General office use or for any other lawful purposes not incompatible with other uses in the Building. m. Initial Departmental Use: Health Services and administrative offices consistent with the Complex. n. Parking Spaces: 273 unreserved parking spaces as set forth in Section 20 hereof. o. Normal Working Hours: 7:00 a.m. to 6:00 p.m., Monday through Friday, except New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day (on the days such holidays are generally observed) and such other holidays as are generally recognized by the County of Los Angeles, California. (Please see Section 11 re: after-hours services and utilities.) A report dated November, 1999 prepared by p. Asbestos Report: Gail/Jordan Associates, a licensed California Asbestos Contractor. Exhibit A - Floor Plan **Exhibits to Lease:** Exhibit A-1 - Site Plan (Complex and Building) Exhibit B - Cleaning Schedule Exhibit C – Tenant Estoppel Certificate Exhibit D - Subordination, Non-disturbance and Attornment Agreement Exhibit E - Nondisturbance Agreement Exhibit F - Request for Notice Exhibit G - Community Business Enterprises Exhibit H – Commencement Date Memorandum Exhibit I - Landlord's Work Letter (including, Addendum A: Base Building Improvements, Addendum B: Tenant Improvements and Addendum C: Tenant's Space Plans)

2. <u>PREMISES</u>.

1.2

Landlord does hereby lease to Tenant, and Tenant does hereby lease from Landlord, upon the terms and conditions herein set forth, the Premises described in Section 1 and Exhibit A attached hereto, which Premises is located in the Building described and depicted in Section 1 and Exhibit A-1 attached hereto. The Building is part of the Complex located at 1000 South Fremont Avenue depicted on the site plan attached hereto as Exhibit A-1.

3. <u>COMMON AREAS</u>.

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Tenant may use the following areas in common with Landlord and other tenants of the Building ("Building Common Areas") and the Complex ("Complex Common Areas") (Building Common Areas and Complex Common Areas are collectively, "Common Areas"): the entrances, lobbies and other public areas of the Building and the Complex, walkways, landscaped areas, driveways necessary for access to the Premises, parking areas and other common facilities designated by Landlord from time to time for common use of all tenants of the Building and the Complex. The manner in which the Common Areas are maintained and operated shall be at the sole discretion of Landlord.

4. <u>COMMENCEMENT AND EXPIRATION DATES</u>.

(a) <u>Term</u>. The term of this Lease shall commence upon the Commencement Date and terminate on the Termination Date. Within thirty (30) days of determining the Commencement Date, Landlord and Tenant shall acknowledge in writing the Commencement Date by executing the Commencement Date Memorandum and Confirmation of Lease Terms attached as <u>Exhibit H</u>. The term "**Commencement Date**" as used in this Lease shall mean the date upon which the Tenant Improvements are Substantially Complete and Tenant has inspected the Premises (except minor punchlist items which Landlord shall thereafter promptly complete). The term "**Substantial Completion**" as used in this Lease shall mean compliance with all of the following:

(i) The shell and core of the Building are complete and in compliance with all applicable laws and codes (subject to grandfathered rights and variances), and all of the building systems are operational to the extent necessary to service the Premises;

(ii) Landlord has sufficiently completed all the work required to be performed by Landlord in accordance with the Landlord's Work Letter attached as <u>Exhibit I</u>, specifically including the installation of modular furniture systems (pursuant to the Modular Specifications as defined in the Landlord's Work Letter), if so required (except minor punch list items which Landlord shall thereafter promptly complete), such that Tenant can conduct normal business operations from the Premises;

(iii) Landlord has obtained a permit card signed off by all the applicable governmental entities for the Tenant Improvements; and

(iv) Tenant has been provided with the number of parking privileges and spaces to which it is entitled under this Lease.

For purposes of determining the Substantial Completion by Landlord of the installment of the modular furniture systems in the Premises as set forth in subsection (ii) above, reference to "modular furniture systems" shall be limited to those specified pieces of modular furniture which include therein electrical components including low wattage wiring ("Electrical Modular Furniture") and shall specifically exclude therein other pieces of modular furniture that do not include electrical components. Furthermore, and notwithstanding anything to the contrary

contained in this Lease and/or the Landlord's Work Letter, any delay by the Vendor (as defined in the Landlord's Work Letter) in delivering the Electrical Modular Furniture to Landlord beyond the delivery date of the Electrical Modular Furniture set forth in the Furniture Contract (as defined in the Landlord's Work Letter) by and between Landlord and the Vendor ("**Furniture Vendor Delay**") shall not serve to delay the Substantial Completion of the Tenant Improvements (i.e., the Substantial Completion of the Tenant Improvements and the occurrence of the Commencement Date shall be deemed to have occurred notwithstanding Landlord's failure to install the Electrical Modular Furniture due to Furniture Vendor Delay). See. 6

(b) Early Termination. Tenant shall have a one-time right to terminate this Lease in its entirety effective as of the Early Termination Date, as defined in Section 1, by giving Landlord not less than 365 days' prior written notice (i.e., no later than the last day of the 72nd month of the Lease Term) executed by the Chief Executive Officer of Tenant ("Termination Notice"). Within thirty (30) days of delivery by Tenant to Landlord of the Termination Notice, Tenant shall reimburse Landlord for the unamortized Tenant Improvement Allowance and Additional Tenant Improvement Allowance (as such terms are hereinafter defined in Section 23) and brokerage commissions paid by Landlord to the brokers set forth in Section 29(c) of this Lease (collectively, "Termination Fee"), calculated at an interest rate of 9% per annum. Subject to the terms hereof, if Tenant properly exercises such option to terminate this Lease, such termination shall be effective as of the Early Termination Date. If Tenant fails to exercise its rights under this Section 4(b) strictly in accordance with the terms and conditions set forth herein), such right shall be null and void and shall be of no further force or effect.

(c) <u>Early Possession</u>. Tenant shall be entitled to possession of the Premises not less than 30 days prior to the Commencement Date for the purpose of installing Tenant's furniture, fixtures and equipment in the Premises. Such early occupancy shall be subject to all provisions hereof but shall not advance the Termination Date, and Tenant shall not pay Basic Rent for such early occupancy period.

Option to Extend. Provided that no material Tenant Default (as (d) hereinafter defined in Section 13) has occurred and is continuing under the Lease at the time an option is exercised, Tenant shall have two (2) options to renew this Lease for an additional period of five (5) ("Option Term") years each under the same terms and conditions except that the Base Rent shall be adjusted by negotiation not to exceed one hundred percent (100%) of the fair market value which Landlord could derive from the demised Premises if they were made available on the open market ("Fair Rental Rate"). The Fair Rental Rate of the demised Premises shall be determined by using the rental rate prevailing for similarly improved office space within the Complex for transactions consummated within the last twelve (12) months immediately preceding the Commencement Date of the applicable Option Term ("Comparable Transactions"), or if there are not a sufficient number of Comparable Transactions in the Complex, the Fair Rental Rate of the demised Premises shall be determined by using the rental rate prevailing for similarly-improved office space within a three (3) mile radius of the demised Premises for transactions consummated within the last twelve (12) months immediately preceding the Commencement Date of the applicable Option Term. In determining the Fair Rental Rate, equitable adjustments to the surveyed rental values shall be made for the size and credit-worthiness of Tenant, the quality of the project, the nature of the tenant's improvements and any other lease terms having an impact on rental values. The fair rental survey shall be conducted by the Landlord's appraiser and the Tenant's appraiser, each of which shall be certified and licensed by the State of California. Landlord shall bear the cost of Landlord's appraiser and Tenant shall bear the cost of Tenant's appraiser.

If Landlord and Tenant cannot agree on the Fair Rental Rate ninety (90) days prior to the expiration of the Lease Term or the first Option Term, each shall mutually select a third appraiser who shall also conduct a fair rental appraisal. The third appraiser shall be required to have the same certification and licensing as the first two appraisers. The average of the two (2) appraisals nearest in value shall be the Fair Rental Rate. The cost of the third appraiser shall be borne equally by Landlord and Tenant.

Tenant, by Chief Executive Office letter, shall notify Landlord in writing not less than twelve (12) months but not more than sixteen (16) months prior to the expiration of the Lease Term or the first Option Term, of Tenant's intention to exercise its option. The actual exercise of the option shall be only by the Board of Supervisors of the County of Los Angeles.

Notwithstanding the foregoing and if and only if (a) Tenant is leasing the entirety of the Premises on the date Landlord shall receive Tenant's notice of Tenant's intention to exercise an option to renew this Lease and on the date which shall be the first day of the applicable Option Term, and (b) Tenant is otherwise in full compliance with the requirements of this Section 4(c), the Base Rent for the Premises during the applicable Option Term shall be ninety-five percent (95%) of the Fair Rental Rate.

5. <u>RENT</u>.

(a) <u>Base Rent</u>. Tenant shall pay Landlord the Base Rent stated in <u>Section 1</u> during the Term hereof within 15 days after a claim therefor for each such month has been filed by Landlord with the Auditor of the County of Los Angeles (the "**County**") prior to the first day of each month. Base Rent for any partial month shall be prorated in proportion to the number of days in such month ("**Base Rent**").

The Base Rent for the first full month of the Lease Term shall be paid within thirty (30) days of the Commencement Date.

If any rental payment date (including the Commencement Date) falls on a day of the month other than the first day of such month or if any rental payment is for a period which is shorter than one month, then the rental for any such fractional month shall be a proportionate amount of a full calendar month's rental based on the proportion that the number of days in such fractional month bears to the number of days in the calendar month during which such fractional month occurs. All other payments or adjustments required to be made under the terms of this Lease that require proration on a time basis shall be prorated on the same basis.

(b) <u>Rent Adjustment</u>. At the beginning of the 13th month of the Lease Term (the "**Adjustment Date**") and on every anniversary of the Adjustment Date thereafter, Base Rent shall be adjusted by applying the CPI Formula set forth below.

(c) <u>CPI Formula</u>. The "Index" means the Consumer Price Index for all Urban Consumers for the Los Angeles-Riverside-Orange County, CA area, all items published by the United States Department of Labor, Bureau of Labor Statistics (1982-84=100). The "CPI Formula" means Base Rent multiplied by a fraction, the numerator being the Index published for the month immediately preceding the month the adjustment is to be effective, and the denominator being the Index published for the month the Lease commenced (the "Base Index"). If the Index is changed so that the Index differs from that used as of the Commencement Date of the Lease, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics.

If the Index is discontinued or revised during the Term of this Lease, such other governmental Index or computation with which it is replaced shall be used in order to obtain substantially the same results as would be obtained if the Index had not been discontinued or revised.

as follows:

(d) <u>Illustration of Formula</u>. The formula for determining the new rent shall be

<u>New Index</u> Base Index x \$158,784.84 (Base Rent) = New Monthly Base Rent

(e) <u>Limitations on CPI Adjustment</u>. In no event shall the monthly Base Rent adjustment based upon the CPI formula result in an annual increase less than two percent (2%) nor more than five percent (5%) per year of the previous month's Base Rent. In no event shall the monthly rent be adjusted by the CPI Formula to result in a lower monthly Base Rent than was payable during the previous year of the Lease.

6. <u>USES</u>.

The Premises are to be used only for the uses set forth in <u>Section 1</u> and for no other business or purpose; however, Landlord shall not unreasonably withhold its consent to a change of use, as long as such use is consistent with the character of the Complex and allowed by applicable laws. Tenant agrees that it will not use or suffer or permit any person to use the Premises or any part thereof for any purpose in violation of the laws of California or the ordinances, regulations or requirements of the local municipal or county governing body or other lawful authorities having jurisdiction over the Complex. Tenant shall comply with all recorded covenants, conditions and restrictions, and the provisions of all ground or underlying leases now or hereafter affecting the Complex.

7. <u>HOLDOVER</u>.

If Tenant remains in possession of the Premises or any part thereof after the expiration of the Term of this Lease, such occupancy shall be a tenancy which is terminable only upon ninety (90) days' written notice from Landlord or the Chief Executive Officer of Tenant. During the first twelve (12) months of holdover ("1st Holdover Period"), Tenant shall pay an amount equal to (a) the last monthly Base Rent payable under this Lease (as such Base Rent may be adjusted from time to time in accordance with this Lease) adjusted on the first day of holdover

by applying the CPI Formula as set forth in <u>Section 5(c)</u> of this Lease, and (b) all other charges payable under this Lease, and subject to all of the terms, covenants and conditions of this Lease.

If Tenant continues to holdover after expiration of the 1st Holdover Period, Tenant shall pay an amount equal to (a) one hundred twenty-five percent (125%) of the last monthly Base Rent payable under this Lease during the 1st Holdover Period, and (b) all other charges payable under this Lease, and subject to all of the terms, covenants and conditions of this Lease.

Nothing contained in this <u>Section 7</u> shall be construed as consent by Landlord to any holding over by Tenant, and Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this <u>Section 7</u> shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law.

8. <u>COMPLIANCE WITH LAW</u>.

Tenant shall, at Tenant's expense, comply promptly with all applicable statutes, ordinances, rules, regulations, orders and requirements in effect during the Term hereof, regulating the use, occupancy or improvement of the Premises by Tenant. Landlord, not Tenant, shall, at its sole cost, at all times cause the Premises and the Building to comply with all applicable statutes, ordinances, rules, regulations, orders and requirements in effect and binding upon Tenant or Landlord during the term hereof, including without limitation, the Americans with Disabilities Act, except to the extent such compliance is made necessary as a result of Tenant's particular use of or alterations or improvements to the Premises. Landlord's failure to comply with such legal requirements shall constitute a Landlord Default under this Lease (subject to applicable notice and cure periods set forth in <u>Section 14(a)</u>).

9. <u>DAMAGE OR DESTRUCTION</u>.

Damage. In the event any portion of the Premises is damaged by fire or (a) any other casualty rendering the Premises totally or partially inaccessible or unusable and the Premises may be restored to a complete architectural unit of the same value, condition and character that existed immediately prior to such casualty in less than 180 days, then Landlord shall promptly, at Landlord's expense, repair such damage, and this Lease shall continue in full force and effect. If all or any portion of the Premises shall be made untenantable by fire or other casualty, Landlord shall immediately secure the area to prevent injury to persons and/or vandalism to the improvements. Landlord shall promptly, but in any event within thirty (30) days, cause an architect or general contractor selected by Landlord to provide Landlord and Tenant with a written estimate of the amount of time required to substantially complete the repair and restoration of the Premises and make the Premises tenantable again using standard working The failure to do so shall be a Landlord Default hereunder. Base Rent shall methods. proportionally abate to the extent that the Premises are unusable by Tenant and not occupied by Tenant as a result thereof. Tenant waives the provisions of California Civil Code Sections 1932(2) and 1933(4) with respect to any partial or total destruction of the Premises.

(b) <u>Tenant Termination Right</u>. In the event any portion of the Premises is damaged by fire or any other casualty rendering the Premises totally or partially inaccessible or

unusable and the Premises will not be restored to a complete architectural unit of the same value, condition and character that existed immediately prior to such casualty in less than 180 days for any reason, then Tenant may terminate this Lease by giving written notice within ten days after notice from Landlord specifying such time period of repair; and this Lease shall terminate and the Base Rent shall be abated from the date the Premises became untenantable. In the event that Tenant does not elect to terminate this Lease, Landlord shall promptly commence and diligently prosecute to completion the repairs to the Building or Premises.

(c) <u>Damage In Last Year</u>. Notwithstanding the foregoing provisions, if any material destruction to the Premises occurs during the last year of the Term, either Landlord or Tenant may terminate this Lease by giving notice to the other not more than thirty (30) days after such destruction, in which case (a) Landlord shall have no obligation to restore the Premises, (b) Landlord may retain all insurance proceeds relating to such destruction, and (c) this Lease shall terminate as of the date which is thirty (30) days after such written notice of termination.

(d) <u>Default By Landlord</u>. If Landlord is required to repair and restore the Premises as provided for in this Section and Landlord should fail to thereafter pursue said repair and restoration work with reasonable diligence to completion, then upon not less than thirty (30) days' prior written notice to Landlord, Tenant may (a) declare a default hereunder, or (b) perform or cause to be performed the restoration work and deduct the cost thereof plus interest thereon at ten percent (10%) per annum from the Base Rent next due as a charge against the Landlord; provided, however, that if the nature of such repair or restoration is such that more than thirty (30) days is reasonably required, based on Tenant's review of the restoration bids, for completion of the same, then such thirty (30)-day period shall be extended as may be reasonably required provided that Landlord shall have undertaken such repair or restoration within said thirty (30)-day period and shall diligently prosecute the same to completion.

10. <u>REPAIRS AND MAINTENANCE</u>.

(a) <u>Landlord Representations</u>. Landlord represents to Tenant that (i) the Premises, the Building and all Common Areas, (including electrical, heating, ventilating and air conditioning ("**HVAC**"), mechanical, plumbing, gas and fire/life safety systems in the Building and similar building service systems) comply with all current laws, codes, and ordinances, including use the Americans With Disabilities Act; and are in reasonable good working order and condition; (ii) the Building and Premises comply with all covenants, conditions, restrictions and underwriter's requirements; (iii) the Premises, Building and Common Areas are free of the presence of any Hazardous Materials in violation of Environmental Laws (as hereinafter defined); and (iv) Landlord has not received any notice from any governmental agency that the Building or the Premises are in violation of any law or regulation. Landlord represents, based upon a professional inspection of the Premises and the Building and the Asbestos Report that the Premises and the Building contain no asbestos containing materials (other than as may be reflected in the Asbestos Report).

(b) <u>Landlord Obligations</u>. Landlord shall keep and maintain in good repair and working order and promptly make repairs to and perform maintenance upon and replace as needed: (i) the structural elements of the Building and the Premises, including without limitation, all permanent exterior and interior walls, floors and ceilings, roof, concealed plumbing, stairways, concealed electrical systems and telephone intrabuilding network cable, (ii) mechanical (including HVAC), electrical, plumbing and fire/life safety systems serving the Building, (iii) the Common Areas; (iv) exterior windows of the Building; and (v) elevators serving the Building. Landlord, at its sole cost and expense, shall also perform all maintenance and repairs to the Premises, and shall keep the Premises in good condition and repair, reasonable wear and tear excepted. Landlord's repair obligations include, without limitation, repairs to: (1) the floor covering (if such floor covering is carpeting, it shall be replaced as needed but not less often than after five years of use); (2) interior partitions; (3) doors; (4) the interior side of demising walls (which shall be repainted as needed but not less often than every five years); and (5) signage.

(c) <u>Tenant Obligations</u>. Without limiting Landlord's obligations, Tenant shall, at Tenant's sole expense, keep the Premises (including all improvements, fixtures and furnishings therein) in good order, repair and condition at all times during the Lease Term, wear and tear excepted, and be responsible for the cost of repairing any area damaged by Tenant or Tenant's agents, employees, invitees and visitors and the repair of low voltage electronic, phone and data cabling and related equipment that is installed by or for the exclusive benefit of Tenant. All repairs and replacements shall: (a) be made and performed by contractors or mechanics approved by Landlord, which consent shall not be unreasonably withheld or delayed; (b) be at least equal in quality, value and utility to the original work or installation; and (c) be in accordance with all laws.

(d) Tenant's Right to Repair. If Tenant provides written notice (or oral notice in the event of an emergency such as damage or destruction to or of any portion of the Building structure and/or the Building systems and/or anything that could cause material disruption to Tenant's business) to Landlord of an event or circumstance which requires the action of Landlord with respect to repair and/or maintenance, and Landlord fails to provide such action within a reasonable period of time, given the circumstances, after the receipt by Landlord of such notice, but in any event not later than ten (10) business days after the receipt by Landlord of such notice, then Tenant may proceed to take the required action (provided, however, that no such notice shall be required in the event of an emergency which threatens life or where there is imminent danger to property or a possibility that a failure to take immediate action could cause a material disruption in Tenant's normal and customary business activities). All repairs and replacements shall: (a) be made and performed by contractors or mechanics approved by Landlord, which consent shall not be unreasonably withheld or delayed; (b) be at least equal in quality, value and utility to the original work or installation; and (c) be in accordance with all laws. Tenant shall have access to the Building to the extent necessary to perform the work contemplated by this provision. If such action is required under the terms of this Lease to be taken by Landlord and is not taken by Landlord within such period (unless such notice is not required as provided above), and Tenant takes such required action, then Tenant shall be entitled to prompt reimbursement by Landlord of Tenant's reasonable costs and expenses in taking such action plus interest thereon at ten percent (10%) per annum. If not reimbursed by Landlord within ten days from receipt by Landlord of invoices and back-up documentation, Tenant shall be entitled to deduct from Base Rent payable by Tenant under this Lease the amount set forth in its invoice for such work. The remedies provided in this Section are in addition to the remedies provided in Section 14.

Tenant at its sole option, acting through the CEO, may request that Landlord perform, supply and administer certain repairs, replacement tenant improvements or services that are the responsibility of Tenant under this Lease ("**Tenant Obligations**"). In the event Landlord elects not to accept such request, the Tenant Obligations shall remain the obligations of Tenant. In the event Landlord elects to accept such request, then Landlord shall undertake the Tenant Obligations requested by Tenant, in which event (a) Tenant shall reimburse Landlord for the costs incurred by Landlord with respect to the Tenant Obligations, plus an administration fee charged by Landlord not to exceed three and one-half percent (3.5%), (b) Landlord shall have no liability to Tenant for undertaking such Tenant Obligations, except as shall be due to the negligence or willful misconduct of Landlord, and (c) after undertaking the Tenant Obligations, Landlord shall have the subsequent right to shift the Tenant Obligations back to Tenant, in which event Landlord shall no longer have any obligations with respect to the Tenant Obligations. ai a

11. <u>SERVICES AND UTILITIES</u>.

Landlord shall furnish the following services and utilities to the Premises:

(a) <u>Heating</u>, <u>Ventilation and Air Conditioning</u>. Landlord shall furnish heating, ventilation and air conditioning ("**HVAC**"), during Normal Working Hours in amounts required for the use and occupancy of the Premises for normal office purposes to a standard comparable to other first-class buildings.

In the event Tenant requires HVAC on Saturdays or beyond Normal Working Hours, Tenant shall give Landlord prior notice thereof (pursuant to procedures as shall have been established by Landlord from time to time), and Landlord shall supply such HVAC at such hourly cost to Tenant as Landlord shall from time to time establish to reimburse Landlord for its costs incurred to provide such HVAC, which cost is \$83 - \$114 per hour as of the date hereof.

Electricity. Landlord shall furnish to the Premises the amount of electric (b) current provided for in the Working Drawings (if applicable) but in any event not less than seven (7) watts of electric current (connected load) per square foot of Rentable Square Feet in the Premises ("Building Electricity"), for power and lighting and electric current for HVAC, and Landlord shall provide the existing or new transformers or subpanels on each floor of the Premises necessary for Tenant to utilize such capacity in the Premises. Without limiting the foregoing, Tenant may at its sole cost and expense (subject to the right of Tenant to use the Tenant Improvement Allowance) elect to install electrical gear and equipment to achieve an electric current connected load exceeding the Building Electricity. Tenant hereby acknowledges and agrees that any electrical gear and equipment installed by Tenant shall not exceed the capacity of the feeders, risers or electrical installations of the Building. Tenant shall not install in the Premises office equipment, lighting fixtures or similar items which will generate above average heat, noise or vibration at the Premises or which will adversely affect the temperature maintained by the HVAC system. If in any calendar month, Tenant is using electricity in excess of seven watts per rentable square feet in the Premises multiplied by the number of Normal Working Hours in any month ("Maximum Monthly Electrical Consumption"), Tenant shall pay to Landlord within sixty (60) days of receipt of an invoice from Landlord for the actual cost of its electrical usage in excess of the Maximum Monthly Electrical Consumption (MMEC). The calculation of Tenant's electrical usage and the MMEC shall not include electrical consumption associated with the Base Building HVAC system. By way of example, if total electrical consumption for the Premises is 10 watts and Base Building HVAC account for 2 watts then Tenant is responsible for 8 watts and would make a payment for the overage of 1 watt (8 watts -7 watts).

Tenant shall have the right to audit these costs (which audit shall include review of only the following: Landlord's method of submetering electricity, Landlord's calculation of electricity used by Tenant in excess of the MMEC, and electricity bills) for a period of twelve (12) months from the receipt by Tenant of each invoice therefor from Landlord. An audit conducted by Tenant herein shall be done at Tenant's sole cost and expense by Tenant's internal electrical engineer or a third party electrical engineer selected by Tenant and approved by Landlord (which approval shall not be unreasonably withheld). In the event an audit conducted by Tenant shows that Tenant has been overcharged for its electrical usage in excess of the MMEC, Tenant shall provide Landlord with a copy of such audit and Landlord shall, within sixty (60) days of receipt of the copy of such audit, credit Tenant the amount of any such overpayment made by Tenant. In the event that Landlord disagrees with the result of Tenant's audit, Landlord shall have the right to hire a third party electrical engineer (which third party electrical engineer shall be approved by Tenant, which approval not to be unreasonably withheld and shall be granted or withheld for reasonable reasons within five (5) days of receipt by Tenant of the name of such electrical engineer) and the decision of such third party electrical engineer shall be binding on Landlord and Tenant. There shall be a reconciliation of the cost of electricity based on the finding of such third party electrical engineer, and the cost of such electrical engineer shall be shared equally by Landlord and Tenant.

(c) <u>Elevators</u>. Landlord shall furnish passenger elevator services to the Premises during Normal Working Hours. During all other hours, Landlord shall furnish passenger elevator cab service in the elevator bank serving the Premises on an as needed basis.

(d) <u>Water</u>. Landlord shall make available water for normal lavatory and potable water meeting all applicable governmental standards for drinking purposes in the Premises.

(e) <u>Janitorial</u>. Landlord shall provide janitorial service on five nights per week generally consistent with that furnished in comparable office buildings in the County of Los Angeles, but not less than the services set forth in the specifications set forth in <u>Exhibit B</u> attached hereto.

(f) <u>Access</u>. Landlord shall furnish to Tenant's employees and agents access to the Building, Premises and Common Areas on a seven day per week, 24 hour per day basis, subject to compliance with such reasonable security measures as shall from time to time be in effect for the Building.

(g) <u>Utility Charges</u>. Landlord agrees to pay when due all charges for the use of the sewer, effluent treatment (when and if imposed by any Governmental authority), water, sprinkler standby charges, electricity, gas, power and other utility charges accruing or payable in

connection with the demised Premises during the term of this Lease or any renewal, extension, or holdover thereof, whether the same are prorated or measured by separate meters.

Interruption of Use. Tenant agrees that Landlord shall not be liable for (h) damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service (including telephone and telecommunication services), or for any diminution in the quality or quantity thereof, when such failure or delay or diminution does not exceed five (5) business days or is occasioned, in whole or in part, by repairs, replacements, or improvements, by any strike, lockout or other labor trouble, by inability to secure electricity, gas, water, or other fuel at the Building after reasonable effort to do so, by any change in the electric service provider, by any accident or casualty whatsoever, by act or default of Tenant or other parties, or by any other cause beyond Landlord's reasonable control; and such failures or delays or diminution shall never be deemed to constitute an eviction or disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease. Furthermore, Landlord shall not be liable under any circumstances for a loss of, or injury to, property or for injury to, or interference with, Tenant's business, including, without limitation, loss of profits, however occurring, through or in connection with or incidental to a failure to furnish any of the services or utilities as set forth in this Section 11.

In the event that Tenant is prevented from using, and does not use, the Premises or any portion thereof, for five (5) consecutive business days (the "Eligibility Period") as a result of (a) any repair, maintenance or alteration performed by Landlord after the Commencement Date and required or permitted by the Lease, which substantially interferes with Tenant's use of the Premises, or (b) any failure by Landlord to provide Tenant with services or access to the Premises, then Tenant's Rent shall be abated or reduced, as the case may be, after expiration of the Eligibility Period for such time that Tenant continues to be so prevented from using, and does not use, the Premises or a portion thereof, in the proportion that the rentable area of the portion of the Premises. In the event Tenant does not use the Premises or a portion thereof for longer than five (5) business days as set forth herein, then Landlord shall be in default under this Lease, in which event Tenant shall have all the remedies and rights set forth in Section $\frac{14(a)}{a}$ of the Lease following the applicable notices to Landlord and expiration of the applicable cure periods.

12. LANDLORD ACCESS.

Landlord reserves the right at all reasonable times and upon reasonable advance notice, of 24 hours, to the Tenant to enter the Premises to (i) inspect them; (ii) show the Premises to prospective purchasers, mortgagees or tenants, or to the ground or underlying lessors; (iii) post notices of nonresponsibility; or (iv) alter, improve or repair the Premises or the Building if necessary to comply with current building codes or other applicable laws, or for structural alterations, repairs or improvements to the Building. Notwithstanding anything to the contrary contained in this <u>Section 12</u>, Landlord may enter the Premises at any time to (A) perform services required of Landlord; (B) take possession due to any breach of this Lease in the manner provided herein; and (C) perform any covenants of Tenant which Tenant fails to perform. Any such entries shall be without the abatement of Rent and shall include the right to take such reasonable steps as required to accomplish the stated purposes. Tenant hereby waives any claims for damages or for any injuries or inconvenience to or interference with Tenant's business, lost profits, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the above purposes, Landlord shall at all times have a key with which to unlock all the doors in the Premises, excluding Tenant's vaults, safes and special security areas designated in advance by Tenant. In a safety emergency that creates an immediate and imminent danger to the Premises or persons therein, Landlord shall have the right to use any means that Landlord may deem proper to open the doors in and to the Premises. Any entry into the Premises in the manner hereinbefore described shall not be deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an actual or constructive eviction of Tenant from any portion of the Premises.

13. <u>TENANT DEFAULT</u>.

(a) <u>Default</u>. The occurrence of any one or more of the following events (a "**Tenant Default**") shall constitute a material default and breach of this Lease by Tenant:

(i) The failure by Tenant to make any payment of Base Rent or any other payment required to be made by Tenant hereunder (except to the extent an offset is expressly permitted hereunder), as and when due and if the failure continues for a period of five (5) days after written notice to Tenant;

(ii) The failure by Tenant to observe or perform any of the other covenants, conditions or provisions of this Lease, where such failure shall continue for a period of thirty (30) days after written notice from Landlord specifying in detail the nature of the Tenant default; provided, however, if more than thirty (30) days are reasonably required for its cure then Tenant shall not be deemed to be in default if Tenant commences such cure within said 30-day period and thereafter diligently prosecutes such cure to completion.

(b) <u>Termination</u>. Tenant agrees that if a Tenant Default should occur and should not be cured within the time periods set forth above, it shall be lawful for Landlord to terminate this Lease upon the giving of written notice to Tenant. In addition thereto, Landlord shall have such other rights or remedies as may be provided by law.

(c) <u>No Effect on Indemnity</u>. Nothing in this Article shall be deemed to affect either Landlord or Tenant's right to indemnification under any indemnification clause or clauses set forth in this Lease.

14. LANDLORD DEFAULT.

(a) <u>Remedies</u>. In addition to the provisions for Landlord's default provided by <u>Sections 8</u>, 9(d), <u>10</u>, <u>19</u> and <u>20(b)</u>, Landlord shall be in default ("Landlord Default") in the performance of any obligation required to be performed by Landlord under this Lease if Landlord has failed to perform such obligation within twenty (20) days after the giving of written notice with respect thereto by Tenant (which notice shall be, if appropriate, the same notice given under <u>Section 10(d)</u>); provided, however, that if the nature of the Landlord Default is such that the same cannot reasonably be cured within such twenty (20)-day period, Landlord shall not be deemed to be in Landlord Default if Landlord shall within such period commence such cure and thereafter diligently prosecute the same to completion. If the Landlord Default is of such a nature that it materially and substantially interferes with Tenant's occupancy and use of the Premises and if such Landlord Default is not cured within the foregoing cure period, then Tenant shall have the right, at its option, with or without further notice or demand of any kind to Landlord or any other person, to any one or more of the following described remedies in addition to all other rights and remedies as may be provided by law or in equity or elsewhere herein: (i) to remedy such default or breach and deduct the costs thereof (including but not limited to attorneys' fees) plus interest at the rate of ten percent (10%) per annum from the installments of Base Rent next falling due; (ii) to pursue the remedy of specific performance; (iii) to seek money damages or loss arising from Landlord's failure to discharge its obligations under this Lease.

(b) <u>Waiver</u>. Nothing herein contained shall relieve Landlord from its duty to effect the repair, replacement, correction or maintenance required to restore any affected services, or to perform any other obligations to the standard prescribed in this Lease, nor shall this Section be construed to obligate Tenant to undertake any such work.

(c) Emergency. Notwithstanding the foregoing cure period, Tenant may cure any default without notice where the failure promptly to cure such default would, in the reasonable determination of Tenant, create or allow to persist an emergency condition, or materially and adversely affect the operation of Tenant's business in the Premises. For purposes of this <u>Section 14(c)</u>, an emergency condition or a condition that would materially or adversely affect the operation of Tenant's business in the Premises shall be limited to events and/or conditions that could cause personal injury or material property damage.

15. <u>ASSIGNMENT AND SUBLETTING</u>.

Tenant shall not, without the prior written consent of Landlord (which consent shall not be unreasonably withheld), assign, mortgage, pledge, hypothecate, encumber or permit any lien to attach to, or otherwise transfer, this Lease or any interest hereunder, permit any assignment or other such foregoing transfer of this Lease or any interest hereunder by operation of law, sublet the Premises or any part thereof, or permit the use of the Premises by any person other than Tenant (all of the foregoing, a "**Transfer**"). Any Transfer made without Landlord's prior written consent shall constitute a default by Tenant under this Lease. Whether or not Landlord grant such consent, Tenant shall pay review and processing fees that are actually incurred by Landlord, (up to \$2,000 for each Transfer), within thirty (30) days after written request by Landlord.

If Landlord consents to a Transfer, (i) the terms and conditions of this Lease shall in no way be deemed to have been waived or modified, (ii) such consent shall not be deemed consent to any further Transfer, (iii) Tenant shall deliver to Landlord, promptly after execution, an original executed copy of all documentation pertaining to the Transfer, and (iv) no Transfer, whether or without Landlord's consent, shall relieve Tenant from liability under this Lease.

16. <u>ALTERATIONS AND ADDITIONS</u>.

(a) <u>Landlord Consent</u>. Tenant shall not make any structural alterations, improvements, additions, or utility installations in or about the Premises (collectively,

"Alterations") without first obtaining the written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. However, Landlord's consent shall not be required for any Alteration that satisfies all of the following criteria: (1) complies with all Laws; (2) is not visible from the exterior of the Premises or Building; (3) will not materially affect the systems or structure of the Building; and (4) does not unreasonably interfere with the normal and customary business office operations of other tenants in the Building. If Landlord fails to respond in writing within thirty (30) days of such request, Landlord shall be deemed to approve the Alterations.

(b) Landlord may impose, as a condition of its consent to all Alterations or repairs of the Premises or about the Premises, such requirements as Landlord in its sole discretion may deem desirable, including, but not limited to, the requirement that Tenant utilize for such purposes only contractors, materials, mechanics and materialmen approved by Landlord. In any event, a contractor approved by Landlord shall perform all mechanical, electrical, plumbing, structural, and heating, ventilation and air conditioning work, and such work shall be performed at Tenant's cost. Tenant shall not be required to obtain Landlord's approval of the contractor when the work will be performed by Los Angeles County Internal Services Department staff. Tenant shall construct such Alterations and perform such repairs in conformance with any and all applicable rules and regulations of any federal, state, county or municipal code or ordinance and pursuant to a valid building permit, issued by the city in which the Building is located, in conformance with Landlord's construction rules and regulations. Landlord's approval of the plans, specifications and working drawings for Tenant's Alterations shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities Upon completion of any major Alterations involving a cost of at least \$50,000 or more, excluding telecommunication installations or alterations, Tenant agrees to cause a Notice of Completion to be recorded in the office of the Recorder of the county in which the Building is located in accordance with Section 3093 of the Civil Code of the State of California or any successor statute, and Tenant shall deliver to Landlord a reproducible copy of the "as built" drawings of the Alterations.

In connection with any Tenant Alterations, Tenant shall pay to Landlord a percentage of the cost of such work (such percentage to be established on a uniform basis for the Complex) sufficient to compensate Landlord for all overhead, general conditions, fees and other costs and expenses arising from Landlord's involvement with such Alterations.

(c) <u>End of Term</u>. Landlord may, by written notice to Tenant prior to the end of the Lease Term, or given upon any earlier termination of this Lease, require Tenant at Tenant's expense to remove any Alterations from the Premises and to repair any damage to the Premises and Building caused by such removal. If Tenant fails to complete such removal and/or to repair any damage caused by the removal of any Alterations, Landlord may do so and may charge the cost thereof to Tenant.

17. <u>CONDEMNATION</u>.

(a) <u>Controlling Terms</u>. If during the Term, or during the period of time between the execution of this Lease and the Commencement Date, there is any taking of all or

any part of the Premises or any interest in this Lease by Condemnation (as defined below), this Section shall determine the rights and obligations of Tenant and Landlord. "**Condemnation**" shall mean the exercise of any governmental power to take title to any portion of the Premises, whether by legal proceedings or otherwise, by a Condemnor (as defined below) or a voluntary sale or transfer by Landlord to any Condemnor, either under threat of a Condemnor's exercise of such power or while legal proceedings are pending for the exercise of such power. "**Condemnor**" shall mean any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

(b) <u>Total Taking</u>. If the Premises are totally taken by Condemnation, this Lease shall terminate on the date the Condemnor has a right to possession of the Premises (the "**Date of Taking**").

(c) <u>Partial Taking</u>. If any portion, but not all, of the Premises is taken by Condemnation, this Lease shall remain in effect, except that Tenant may elect to terminate this Lease if, in Tenant's reasonable judgment, the remaining portion of the Premises (including the space available for parking) is rendered unsuitable for Tenant's continued use of the Premises. If Tenant elects to so terminate this Lease, Tenant must exercise its right to terminate by giving notice to Landlord within thirty (30) days after the date that the nature and the extent of the Condemnation have been determined (the "**Determination Date**"), which notice shall set forth the date of termination. Such termination date shall not be earlier than thirty (30) days nor later than ninety (90) days after Tenant has notified Landlord of its election to terminate; except that this Lease shall terminate on the Date of Taking if the Date of Taking falls on a date before the date of termination as designated by Tenant. If Tenant does not so notify Landlord within thirty (30) days after the Determination Date, all obligations of Tenant under this Lease shall remain in effect, except that Base Rent shall be equitably abated.

(d) <u>Restoration</u>. Notwithstanding the preceding paragraph, if, within thirty (30) days after the Determination Date, Landlord notifies Tenant that Landlord at its cost will add to the remaining Premises so that the area of the Premises and the space available for parking, will be substantially the same after the Date of Taking as they were before the Date of Taking, and Landlord commences the restoration promptly and, subject to reasonable allowance for delays that are not caused by Landlord, completes it within ninety (90) days after Landlord so notifies Tenant, this Lease shall continue in effect. All obligations of Tenant under this Lease shall remain in effect, except that Base Rent shall be equitably abated or reduced during the period from the Date of Taking until the completion of such restoration.

(e) <u>Award</u>. The Award (as defined below) shall be divided between Landlord and Tenant as their respective interests may appear. "**Award**" shall mean all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation of the Premises.

(f) <u>Waiver of Statute</u>. Landlord and Tenant hereby waive the provision of California Code of Civil Procedure Section 1265.130 allowing Landlord or Tenant to petition the superior court to terminate this Lease in the event of a partial taking of the Premises.

18. **INDEMNIFICATION**.

(a) <u>Tenant's Indemnity</u>. Tenant shall indemnify, defend and hold Landlord harmless from and against all loss, cost and expense, including reasonable attorneys' fees, arising from any injury or damage to any person or property, occurring in or about the Complex, the Building or the Premises as a result of any negligent act, omission or willful misconduct of Tenant or its agents, contractors or employees ("**Tenant Parties**"), or arising from any default of this Lease by Tenant. The foregoing provisions shall not be construed to make Tenant responsible for loss, damage, liability or expense resulting from injuries to third parties caused by the negligence or willful misconduct of Landlord, or its officers, contractors, licensees, agents, employees or invitees. Nothing in this Lease shall be construed to waive, limit or supersede any of Tenant's rights or immunities under California workers' compensation laws and regulations.

(b) <u>Landlord's Indemnity</u>. Landlord shall indemnify, defend and hold Tenant harmless from and against all loss, cost and expense, including attorneys' fees, arising from any injury or damage to any person or property, occurring in or about the Complex, the Building or the Premises as a result of any negligent act, omission or willful misconduct of Landlord, or its officers, contractors, licensees, agents, employees, guests, or visitors ("Landlord Parties"), or arising from breach or default under this Lease by Landlord or Landlord Parties. The foregoing provisions shall not be construed to make Landlord responsible for loss, damage, liability or expense resulting from injuries to third parties caused by the negligence or willful misconduct of Tenant, or its officers, contractors, licensees, agents, employees or invitees.

The provisions of this <u>Section 18</u> shall survive the expiration or earlier termination of this Lease with respect to any claims occurring prior to such expiration or termination.

19. <u>INSURANCE</u>.

(a) <u>Landlord's Insurance</u>. During the term of this Lease, Landlord shall maintain the following insurance:

(i) Commercial property insurance which shall (1) cover damage to Landlord's property, including improvements and betterments, from perils covered by the causes-of-loss special form (ISO form CP 10 30), and include ordinance or law coverage (and coverage against acts of terrorism to the extent such coverage is reasonably available and priced at commercially reasonable rates); and (2) be written for full replacement cost of the property, with a deductible of no greater than 5% of the property value. Landlord shall carry insurance on any furniture and furnishings which will become the property of Tenant at the expiration of the Term and on all modular furniture installed in the Premises. Insurance proceeds shall be payable to Landlord and Tenant as their interests may appear and be utilized for repair and restoration of the Premises.

(ii) General liability insurance (written on ISO policy form CG 00 01 or its equivalent) with limits of not less than the following: (1) per occurrence and general

aggregate amount of \$5,000,000; (2) products/completed operations aggregate of \$2,000,000; and (3) personal and advertising injury of \$1,000,000.

(iii) Failure by Landlord to maintain the insurance required by this Section and deliver evidence thereof as required by this Lease or to use any insurance proceeds to timely repair and restore the Premises shall constitute a material breach of this Lease.

(b) <u>Insurance Requirements</u>. All insurance policies required to be maintained by Landlord under this Lease shall be issued by insurance companies which have a Best's Rating of "AVII" or better and which are qualified to do business in the State of California. All liability and property damage and other casualty policies of Landlord shall be written as primary policies, not contributing with, and not in excess of coverage which Tenant may carry.

(c) <u>Certificates</u>. Landlord shall deliver to Tenant on the Commencement Date of this Lease and thereafter at least 15 days prior to expiration of any insurance required to be carried hereunder, certificates of insurance evidencing this coverage with limits not less than those specified above. Certificates shall include the address of the leased premises and must document that each party has named the other as an additional insured (or its equivalent) on its general liability and property insurance policy, and that Tenant has been named a loss payee on Landlord's commercial property insurance policy, as required. Further, all certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given to Tenant in the event of material change to, expiration or cancellation of the coverages or policies evidenced by the certificates.

(d) <u>Waiver of Subrogation</u>. Landlord and Tenant each hereby waive their rights of subrogation against one another to the extent it is covered by the property insurance policies required to be carried hereunder. Landlord shall cause its insurance carriers to consent to the foregoing waiver of rights of subrogation against Tenant.

20. <u>PARKING</u>.

(a) <u>Tenant's Rights</u>. Tenant shall rent the number of exclusive unreserved parking stalls set forth in <u>Section 1</u> and shall rent parking passes at the charges set forth in <u>Section 1</u> of this Lease. In addition, Tenant may rent from Landlord, subject to availability, additional unreserved parking passes ("Additional Parking Passes") on a month-to-month basis at the prevailing rate charged by Landlord for parking passes at the Complex, which Additional Parking Passes shall be subject to the right of Landlord upon thirty (30) days prior notice to no longer provide Tenant with any or all of such Additional Parking Passes. No unattended tandem parking shall be permitted and Tenant shall be entitled to full in/out privileges. Tenant's parking rights shall be subject to reasonable parking rules and regulations adopted by Landlord from time to time, provided that such procedures shall be uniformly applied to all tenants. Tenant acknowledges that all other parking spaces are not for the exclusive use of Tenant, rather, all such parking spaces are to be used on a non-exclusive, first-come, first-served basis by Tenant and other tenants, occupants, licensees, invitees and permittees of the Building.

Landlord specifically reserves the right to change the size, configuration, design, layout, location and all other aspects of the parking facilities and Tenant acknowledges

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and agrees that Landlord may, without incurring any liability to Tenant and without any abatement of Rent under this Lease (except as provided in Section 11(i)), from time to time, close-off or restrict access to the parking facilities, or relocate Tenant's parking passes to other parking structures and/or surface parking areas within the Complex, for purposes of permitting or facilitating any such construction, alteration or improvements with respect to the parking facilities or to accommodate or facilitate renovation, alteration, construction or other modification of other improvements or structures located on the Complex. Landlord may delegate its responsibilities hereunder to a parking operator in which case such parking operator shall have all the rights of control attributed hereby to the Landlord and such owner. Notwithstanding the foregoing, Landlord shall provide alternative parking arrangements within 600 feet of the premises or within the office campus complex in the event Tenant parking rights are interrupted. Tenant shall be responsible for any parking tax or other charges imposed by governmental authorities in connection with the use of such parking, which taxes and/or charges shall be paid directly by Tenant or the parking users, or, if directly imposed against Landlord, Tenant shall reimburse Landlord for all such taxes and/or charges concurrent with its payment of the parking rates described herein.

Tenant may purchase parking validations from Landlord at the prevailing rate charged by Landlord for parking validations at the Complex as needed and paid by Tenant to Landlord as additional rent.

(b) <u>Remedies</u>. Landlord acknowledges that it is a material term of this Lease that Tenant receives all of the Parking Spaces to which it is entitled under this Lease for the entire Term of this Lease and that it would be impracticable and extremely difficult to fix the actual damages for a breach of such provisions. It is therefore agreed that if, for any reason whatsoever, a material number of the Parking Spaces required above are not available to Tenant, (in addition to the rights given to Tenant under <u>Section 14</u> and <u>Sections 9</u> and <u>17</u> in the event of casualty or condemnation) Tenant may (a) terminate this Lease by giving written notice of such termination to Landlord, which notice shall be effective thirty (30) days thereafter or (b) deduct from the Base Rent thereafter accruing hereunder an amount each month equal to \$65 per parking stall per month for the parking spaces not provided

21. <u>ENVIRONMENTAL MATTERS</u>.

(a) <u>Hazardous Materials</u>. Tenant shall not cause nor permit, nor allow any of Tenant's employees, agents, customers, visitors, invitees, licensees, contractors, assignees or subtenants to cause or permit, any Hazardous Materials to be brought upon, stored, manufactured, generated, blended, handled, recycled, treated, disposed or used on, under or about the Premises, the Building or the Common Areas, except for routine office and janitorial supplies in usual and customary quantities stored, used and disposed of in accordance with all applicable Environmental Laws. As used herein, "**Hazardous Materials**" means any chemical, substance, material, controlled substance, object, condition, waste, living organism or combination thereof, whether solid, semi solid, liquid or gaseous, which is or may be hazardous to human health or safety or to the environment due to its radioactivity, ignitability, corrosivity, reactivity, explosivity, toxicity, carcinogenicity, mutagenicity, phytotoxicity, infectiousness or other harmful or potentially harmful properties or effects, including, without limitation, molds, toxic levels of bacteria, tobacco smoke within the Premises, petroleum and petroleum products, asbestos, radon, polychlorinated biphenyls (PCBs), refrigerants (including those substances defined in the Environmental Protection Agency's "Refrigerant Recycling Rule," as amended from time to time) and all of those chemicals, substances, materials, controlled substances, objects, conditions, wastes, living organisms or combinations thereof which are now or become in the future listed, defined or regulated in any manner by any Environmental Law based upon, directly or indirectly, such properties or effects. As used herein, "Environmental Laws" means any and all federal, state or local environmental, health and/or safety-related laws, regulations, standards, decisions of courts, ordinances, rules, codes, orders, decrees, directives, guidelines, permits or permit conditions, currently existing and as amended, enacted, issued or adopted in the future which are or become applicable to Tenant, the Premises, the Building or the Common Areas.

(b) Landlord shall indemnify, protect, defend (by Landlord Indemnity. counsel acceptable to Tenant) and hold harmless Tenant from and against any and all claims, judgments, causes of action, damage, penalties, fine, taxes, costs, liabilities, losses and expenses arising at any time during or after the Term as a result (directly or indirectly) of or in connection with the presence of Hazardous Materials on, under or about the Premises, Building or Common Areas or other violation of laws relating to Hazardous Materials other than caused by Tenant. This indemnity shall include, without limitation, the cost of any required or necessary repair, cleanup or detoxification, and the preparation and implementation of any closure, monitoring or other required plans, as such action is required by local or state laws or any governmental agency. Landlord shall promptly deliver to Tenant a copy of any notice received from any governmental agency during the Term of this Lease concerning the presence of Hazardous Materials in the Building or the Premises. Landlord's obligations pursuant to the foregoing indemnity shall survive the expiration or termination of this Lease. A default by Landlord under this Section shall constitute a material default under this Lease.

Notwithstanding the foregoing, in no event shall Landlord be liable for consequential damages and/or punitive damages in connection with this <u>Section 21(b)</u>.

22. <u>ESTOPPEL CERTIFICATES</u>.

Tenant shall, within thirty (30) days after written request of Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement in the form of <u>Exhibit C</u> attached hereto and incorporated herein by this reference but shall have no other obligation to deliver any other form of estoppel certificate. It is intended that any such statement delivered pursuant to this Section may be relied upon by a prospective purchaser of Landlord's interest or holder of any mortgage upon Landlord's interest in the Premises.

23. <u>TENANT IMPROVEMENTS</u>.

Landlord shall provide Tenant with (a) a tenant improvement allowance in an amount not to exceed Three Million Sixty-Six Thousand Six Hundred Sixty Dollars (\$3,066,660.00) (calculated at \$45.00 per leasable square feet of the Premises) ("Tenant Improvement Allowance"), for the cost of the design and construction of the Tenant Improvements per the terms and conditions of the Landlord's Work Letter executed concurrently with this Lease and made a part hereof by this reference, and (b) an additional tenant

improvement allowance not to exceed Three Million Seven Hundred Forty-Eight Thousand One Hundred Forty Dollars (\$3,748,140.00) (calculated at \$55.00 per leasable square feet of the Premises) ("Additional Tenant Improvement Allowance") for the cost of the design and construction of the Tenant Improvements in accordance with the terms and conditions of the Landlord's Work Letter.

The Additional Tenant Improvement Allowance used to pay for all or a portion of the cost of the Tenant Improvements per the terms and conditions of the Landlord's Work Letter shall, at Tenant's election pursuant to written notice by Tenant to Landlord on or prior to the Commencement Date, be paid to Landlord (i) in a lump sum when Tenant Improvements are Substantially Complete, or (ii) as additional rent calculated in the manner so as to amortize such amount over the first seven (7) years of the Lease Term at the rate of seven and one-half percent (7.5%) per annum to be paid as equal amortized monthly payments over the initial eighty-four (84) month Term of the Lease. Tenant may at any time during the Term pre-pay Landlord in a lump sum for all or any portion of the then remaining unpaid Additional Tenant Improvement Allowance.

24. <u>LIENS</u>.

Tenant shall keep its interest in this Lease and the Premises free from any liens arising out of any work performed or materials ordered or obligations incurred by Tenant. Landlord shall keep its interest in this Lease and the Complex, the Building and the Premises free from any liens which would impair the interest of Tenant hereunder.

25. SUBORDINATION AND MORTGAGES.

(a) <u>Subordination and Non-Disturbance</u>. Tenant accepts this Lease subject and subordinate to the lien of any mortgages or deeds of trust now or hereafter in force against the Complex and/or Building. In consideration of, and as a condition precedent to, Tenant's agreement to permit its interest pursuant to this Lease to be subordinated to any particular future lien of any mortgages or deeds of trust hereafter enforced against the Complex and/or Building, Landlord shall deliver to Tenant a written agreement in the form of a Subordination, Nondisturbance and Attornment Agreement, attached hereto as <u>Exhibit D</u> and incorporated herein by this reference; provided, however, that no such subordination shall affect any option to extend the Term of this Lease or right of first offer to lease additional premises which may be included herein. Tenant covenants and agrees in the event of any proceedings are brought for the foreclosure of any such mortgage or deed of trust, at the request of the purchaser upon any such foreclosure sale, to attorn to such purchaser, and to recognize such purchaser as the Landlord under this Lease.

(b) <u>Existing Deeds of Trust</u>. The beneficiary under any existing deed of trust affecting the Complex and/or Building shall provide a written agreement to Tenant in the form of <u>Exhibit E</u> attached hereto and incorporated herein by this reference delivered to Landlord concurrently herewith within thirty (30) days after the execution of this Lease.

(c) <u>Request for Notice</u>. Landlord acknowledges that Tenant intends to record a Request for Notice with respect to any mortgages or deeds of trust affecting the Property in the

form of <u>Exhibit F</u> attached hereto and incorporated herein by this reference delivered to Landlord concurrently herewith.

(d) <u>Notice of Default</u>. If any mortgagee or beneficiary under a deed of trust affecting the Property gives written notice of its name and address to Tenant by registered mail requesting any such notice with reference to this Section, Tenant agrees to use its best efforts (but without liability for failure to do so) to give such mortgagee a copy of any notice of default served upon Landlord hereunder which could permit Tenant to terminate this Lease and an additional thirty (30) days within which to cure such default.

26. <u>SURRENDER OF POSSESSION</u>.

Subject to casualty, at the expiration of the Term of this Lease, whether by lapse of time or otherwise, Tenant shall promptly and peacefully surrender the Premises to Landlord in a "broom-clean" condition. Tenant shall remove, at its own expense, all fixtures, equipment and all other personal property placed or installed in or upon the Premises by Tenant, or under its authority (including any modular furniture).

27. <u>SIGNAGE</u>.

Tenant shall be permitted to install at the Premises reasonably appropriate signs that (a) conform with any and all applicable laws and ordinances, (b) are subject to Landlord's prior approval, and (c) conform with Landlord's signage program for the Complex.

28. <u>QUIET ENJOYMENT</u>.

So long as Tenant is not in default hereunder, Tenant shall have the right to the quiet and peaceful enjoyment and possession of the Premises and the Common Areas during the Term of this Lease, subject to the terms and conditions of this Lease.

29. <u>GENERAL</u>.

(a) <u>Headings</u>. Titles to Sections of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

(b) <u>Successors and Assigns</u>. All of the covenants, agreements, terms and conditions contained in this Lease shall inure to and be binding upon the Landlord and Tenant and their respective successors and assigns.

(c) <u>Brokers</u>. Except for CB Richard Ellis, Inc. ("Landlord's Broker"), Landlord and Tenant each represent and warrant to each other that it has not engaged any other broker, finder or other person who would be entitled to any commission or fees in respect of the negotiation, execution or delivery of this Lease other than as disclosed to the other in writing and shall indemnify and hold harmless each other against any loss, cost, liability or expense incurred by the other party as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made in variance with this representation. Pursuant to a separate agreement, Tenant shall receive from Landlord's Broker an amount equal to fifty percent (50%) of the commissions due to Landlord's Broker as a result of the execution of this Lease by the parties hereto.

(d) <u>Entire Agreement</u>. This Lease is the final and complete expression of Landlord and Tenant relating in any manner to the leasing, use and occupancy of the Premises, to Tenant's use of the Building and other matters set forth in this Lease. No prior agreements or understanding pertaining to the same shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or added to except in writing signed by both Landlord and Tenant.

(e) <u>Severability</u>. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof and the remaining provisions hereof shall nevertheless remain in full force and effect.

(f) <u>Notices</u>. All notices and communications to any party hereunder shall be in writing and shall be deemed properly given if delivered personally, sent by registered or certified mail, postage prepaid, or by a recognized overnight commercial messenger providing proof of delivery, facsimile (electronically confirmed) to Landlord's Address for Notice and Tenant's Address for Notice as set forth in <u>Section 1</u>, or to such other address as Tenant or Landlord may from time to time designate in a notice to the other party. Any notice so given shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be. Any such notice not so given shall be deemed given upon receipt of the same by the party to whom the same is to be given.

(g) <u>Governing Law and Forum</u>. This Lease shall be governed by and construed in accordance with the internal laws of the State of California. Any litigation with respect to this Lease shall be conducted in the County of Los Angeles, State of California.

(h) <u>Waivers</u>. No waiver by Landlord or Tenant of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Landlord or Tenant of the same or any other provision. Landlord's or Tenant's consent to or approval of any act shall not be deemed to render unnecessary the obtaining of Landlord's or Tenant's consent to or approval of any subsequent act by Landlord or Tenant.

(i) <u>Time of Essence</u>. Time is of the essence for the performance of all of the obligations specified hereunder.

(j) <u>Consent</u>. Whenever any consent is required by Landlord or Tenant hereunder, such consent shall not be unreasonably withheld, conditioned or delayed and, unless otherwise specifically provided herein, shall be deemed granted if not refused within ten (10) days after written request is made therefor, together with all necessary information.

(k) <u>Community Business Enterprises</u>. Landlord shall complete and deliver to Tenant concurrently with the execution hereof a Community Business Enterprises form set forth as <u>Exhibit G</u> attached hereto and incorporated herein by this reference delivered to Landlord concurrently herewith.

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(l) <u>Binding Effect</u>. Each of the provisions of this Lease shall extend to and shall, as the case may require, bind or inure to the benefit not only of Landlord and of Tenant, but also of their respective successors or assigns.

(m) <u>Force Majeure</u>. Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform, except with respect to Rent and other charges to be paid by Tenant pursuant to this Lease (collectively, the "Force Majeure"), notwithstanding anything to the contrary contained in this Lease, shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure.

(n) <u>Waiver of Jury Trial</u>. If either party commences litigation against the other for the specific performance of this Lease, for damages for the breach hereof or otherwise for enforcement of any remedy hereunder, the parties hereto agree to and hereby do waive any right to a trial by jury. In the event of any dispute regarding the terms, conditions, rights or obligations of the parties hereto, such dispute may, at the request of either party, be submitted to arbitration in accordance with the provisions of California Code of Civil Procedure Section 1280, et. seq., as they now exist or may later be amended. The Chief Executive Officer or County Counsel shall determine the designee who shall act on behalf of Tenant in the Arbitration Proceedings. The cost of the Arbitration Proceedings shall be shared equally between Landlord and Tenant.

(o) <u>Disclosure</u>. Tenant hereby waives any and all rights under and benefits of California Civil Code Section 1938 and acknowledges that neither the Complex nor the Premises has undergone inspection by a Certified Access Specialist (CASp) (defined in California Civil Code Section 55.52). Pursuant to California Civil Code Section 1938, Tenant is hereby notified that a CASp can inspect the Premises and determine whether the Premises complies with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the Premises, Landlord may not prohibit Tenant from obtaining a CASp inspection of the Premises for the occupancy of the Tenant, if requested by Tenant. Landlord and Tenant shall mutually agree on the arrangements for the time and manner of any CASp inspection, the payment of the fee for the CASp inspection and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the Premises.

30. <u>AUTHORITY</u>.

Only the Board of Supervisors has the authority, by formally approving and/or executing this Lease, to bind the County to the terms included herein. Each individual executing this Lease on behalf of Tenant represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of Tenant, and that this Lease is binding upon Tenant in accordance with its terms. Landlord understands that no material terms of this Lease may be altered or deleted, nor may any new material terms be added to this Lease, without the express

written approval of the Board of Supervisors, either through an amendment to the Lease or by other formal board action. No County officer, employee, agent or independent contractor has any authority to alter, add or delete the material terms of this Lease and Landlord may not rely upon any representations to the contrary. This limitation of authority applies to all material terms of the Lease including, without limitation, any monetary ceiling established for Tenant Improvements or other project costs of Landlord which are subject to reimbursement by County. County shall not reimburse Landlord for any expenses which exceed this ceiling. Notwithstanding the foregoing, the Chief Executive Officer of the County or its delegee (the "Chief Executive Officer") may take any administrative act on behalf of Tenant hereunder which does not have the effect of increasing Base Rent or other financial obligations of Tenant under this Lease, including without limitation, granting any approvals, terminating this Lease in the manner provided herein by an Early Termination Notice or otherwise, signing estoppel certificates, signing the Commencement Date Memorandum and Confirmation of Lease Terms or subordinating this Lease. Each individual executing this Lease on behalf of Landlord represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of Landlord, and that this Lease is binding upon Landlord in accordance with its terms.

31. ACKNOWLEDGMENT BY LANDLORD.

Landlord acknowledges that it is aware of the following provisions:

(a) <u>Consideration of GAIN Program Participants</u>. Should Landlord require additional or replacement personnel after the effective date of this Lease, Landlord shall give consideration for any such employment, openings to participants in the County Department of Public Social Services' Greater Avenues for Independence ("GAIN") Program who meet Landlord's minimum qualifications for the open position. The County will refer GAIN participants by job category to Landlord.

(b) <u>Solicitation of Consideration</u>. It is improper for any County officer, employee or agent to solicit consideration in any form from a landlord with the implication, suggestion or statement that the landlord's provision of the consideration may secure more favorable treatment for the landlord in the award of the Lease or that landlord's failure to provide such consideration may negatively affect the County's consideration of the landlord's offer to lease. A landlord shall not offer or give, either directly or through an intermediary, consideration in any form to a County officer, employee or agent for the purpose of securing favorable treatment with respect to the award of the Lease.

Landlord shall immediately report any attempt by a County officer, employee or agent to solicit such improper consideration. The report shall be made either to the County manager charged with the supervision of the employee or to the County Auditor-Controller's Employee Fraud Hotline

(c) Landlord Assignment.

(i) Landlord may assign, transfer, mortgage, hypothecate or encumber Landlord's right, title and interest in and to this Lease or any portion thereof (including the right to receive rental payments but excluding its duties and obligations hereunder), and Landlord may execute any and all instruments providing for the payment of Base Rent directly to an assignee or transferee, but only if the conditions set forth in this Section are met.

(ii) Any document or agreement purporting to assign, transfer, mortgage, hypothecate or encumber Landlord's right, title and interest in and to this Lease or any portion thereof, is hereinafter referred to as a "Security Agreement." Any Security Agreement which is executed without full compliance with the requirements of this Section shall be void.

(iii) Each assignee or transferee under the Security Agreement shall certify and agree in writing that such assignee or transferee has read and is familiar with the requirements of Sections 5950-5955 of the California Government Code, which prohibits the offer or sale of any security constituting a fractional interest in this Lease or any portion thereof, without the prior written consent of the County. Notwithstanding the foregoing, the County hereby acknowledges and agrees that Landlord shall have the right to encumber the Property with CMBS (collateralized mortgage backed securities) financing or other traditional real estate financing without the prior written consent of the County. However, Landlord may not encumber the Property through any type of bond financing vehicle, including but not limited to certificate of participation financing.

(iv) Violation by Landlord of the provisions of Section 5951 of the California Government Code will constitute a material breach of this Lease, upon which the County may impose damages in an amount equal to the greater of (a) \$500,000 or (b) 10% of the aggregate principal portion of all rental payments payable by the County during the entire Term of this Lease, it being expressly agreed that the aforesaid amount shall be imposed as liquidated damages, and not as a forfeiture or penalty. It is further specifically agreed that the aforesaid amount is presumed to be the amount of damages sustained by reason of any such violation, because from the circumstances and nature of the violation it would be impracticable and extremely difficult to fix actual damages. In addition, the County may exercise or pursue any other right or remedy it may have under this Lease or applicable law.

(v) Landlord shall give the County notice and a copy of each Security Agreement and any other instrument relating thereto (including, but not limited to, instruments providing for the payment of Base Rent directly to an assignee or transferee) at least two weeks prior to the effective date thereof.

(vi) Landlord shall not furnish any information concerning County or the subject matter of this Lease (including, but not limited to, offering memoranda, financial statements, economic and demographic information, and legal opinions rendered by the office of counsel for the County) to any person or entity, except with County's prior written consent, except that Landlord shall have the right, without County's prior written consent, to make disclosures of the terms of this Lease with its mortgagees, prospective mortgagees, purchaser and partners, and attorney, accountants, and other advisors of such party (collectively, "**Representatives**"), provided that, in each case, all Representatives agree to treat this Lease and all related information as confidential. Landlord shall indemnify, defend and hold County and its officers, agents and employees harmless from and against all claims and liability alleged to arise from the inaccuracy or incompleteness of any information furnished by Landlord in violation of this Section. (vii) The provisions of this Section shall be binding upon and applicable to the parties hereto and their respective successors and assigns. Whenever in this Section Landlord is referred to, such reference shall be deemed to include Landlord's successors or assigns, and all covenants and agreements by or on behalf of Landlord herein shall bind and apply to Landlord's successors and assigns whether so expressed or not.

32. IRREVOCABLE OFFER.

In consideration for the time and expense that Tenant will invest, including, but not limited to, preliminary space planning and legal review in reliance on Landlord's agreement to lease the Premises to Tenant under the terms of this Lease, Landlord irrevocably offers to enter into this Lease and not to revoke this offer until the Irrevocable Offer Expiration Date, as defined in <u>Section 1</u>.

[Signatures on Next Page]

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IN WITNESS WHEREOF this Lease has been executed the day and year first above set forth.

"LANDLORD"

ELITE-TRC ALHAMBRA COMMUNITY LLC,

a Delaware limited liability company

By: Name: Title:

"TENANT"

COUNTY OF LOS ANGELES, a body politic and corporate

SACHI A. HAMAI Chief Executive Officer

By:

David P. Howard Assistant Chief Executive Officer

ATTEST:

DEAN C. LOGAN Registrar-Recorder/County Clerk

By:

Deputy

APPROVED AS TO FORM:

Mary C. Wickham County Counsel By: Deputy

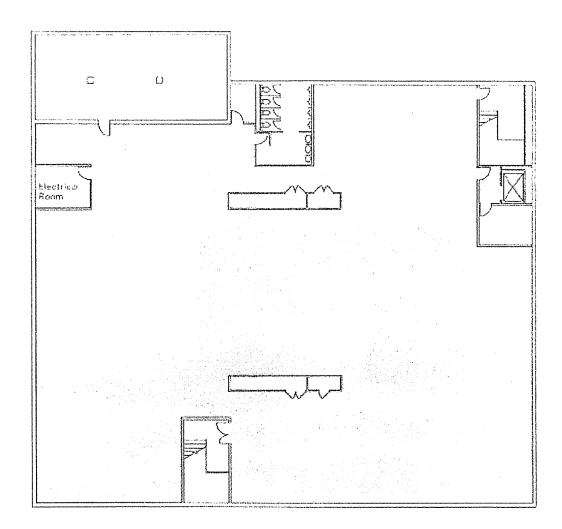


EXHIBIT A

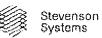
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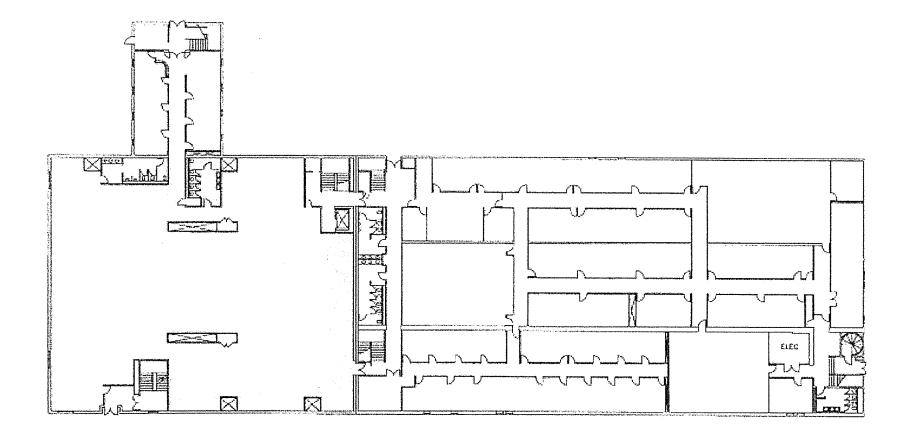
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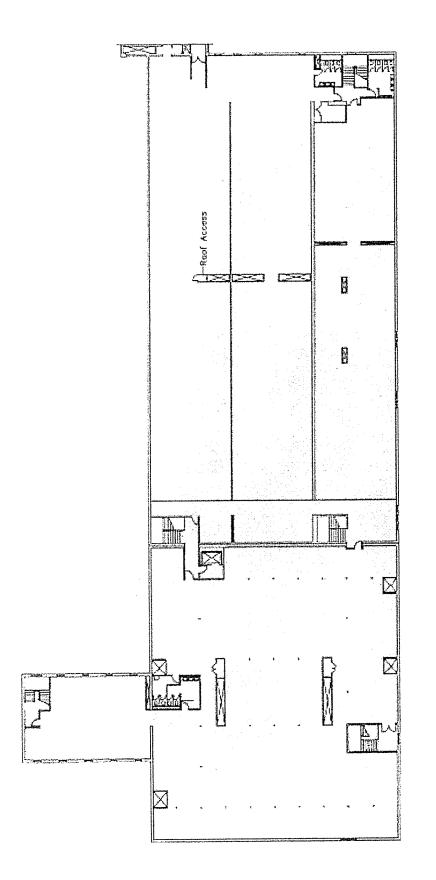
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1	Altrambia, JA, 91803

County of L.A. - Health Services Suite 100-A - Pretminary Tenant



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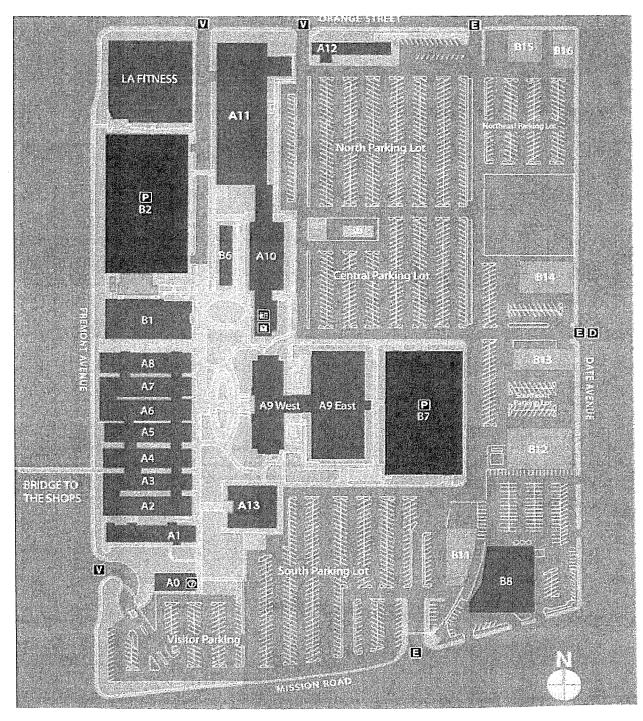
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EXHIBIT A-1

SITE PLAN

(COMPLEX AND BUILDINGS)



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EXHIBIT B

CLEANING AND MAINTENANCE SCHEDULE

1. DAILY (MONDAY THROUGH FRIDAY)

- A. Carpets vacuumed.
- B. Composition floors dust-mopped.
- C. Desks, desk accessories and office furniture dusted. Papers and folders left on desk not to be moved.
- D. Waste baskets, other trash receptacles emptied.
- E. Chairs and waste baskets returned to proper position.
- F. Fingerprints removed from glass doors and partitions.
- G. Drinking fountains cleaned, sanitized and polished.
- H. Lavatories, toilets and toilet rooms cleaned and mopped. Subject to the mutual agreement by Landlord and Tenant, toilet supplies replenished, with either hand dryers installed as an energy efficiency alternative to hand towels or rolled hand towels.
- I. Bulb and tube replacements, as required.
- J. Graffiti in common areas expunged as needed within two (2) working days after notice.
- K. Kitchen/Lunchroom supplies replenished including paper supplies and soap.
- L. Floors washed as needed.
- M. Day porter services as needed.
- 2. <u>WEEKLY</u>

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- A. Low-reach areas, chair rungs, baseboards and insides of door jambs dusted.
- B. Window sills, ledges and wood paneling and molding dusted.
- 3. <u>MONTHLY</u>
 - A. Floors washed and waxed in uncarpeted office area.
 - B. High-reach areas, door frames and tops of partitions dusted.
 - C. Upholstered furniture vacuumed, plastic and leather furniture wiped.
 - D. Picture moldings and frames dusted.
 - E. Wall vents and ceiling vents vacuumed.
 - F. Carpet professionally spot cleaned as required to remove stains.
- 4. <u>QUARTERLY</u>
 - A. Light fixtures cleaned and dusted, but not less frequently than Quarterly.
 - B. HVAC units serviced for preventative maintenance purposes, all filters changed.

5. <u>SEMI-ANNUALLY</u>

- A. All painted wall and door surfaces washed and stains removed.
- B. All walls treated with vinyl covering washed and stains removed.

6. <u>ANNUALLY</u>

- A. Bathroom and any other ceramic tile surfaces professionally cleaned using a hand scrub process. All grout and porous surfaces resealed with a professional grade sealant.
- B. Touch-up paint all interior painted surfaces in a color and finish to match existing.
- C. HVAC chiller water checked for bacteria, water conditioned as necessary.
- D. Draperies or mini-blinds cleaned as required.
- E. Windows washed as required inside and outside.

7. <u>AS NEEDED</u>

- A. Premises and the sidewalks, driveways, parking areas and all means of access and egress for the Premises should be maintained in good repair, and in clean and safe condition at all times.
- B. All lawns, shrubbery and foliage on the grounds of the Premises should be maintained in good condition and neat in appearance, as determined in Landlord's sole discretion. Grass and shrubbery must be replanted as needed to maintain the grounds in good appearance and condition, as determined in Landlord's sole discretion.
- C. Carpets to be cleaned using a non-detergent, low moisture, soil encapsulation system as recommended by the carpet manufacturer. The following schedule will be maintained for carpet cleaning: (i) elevator lobby with a frequency of quarterly [four (4) times per year]; and (ii) within the Premises once per year. Landlord agrees that bonnet cleaning is not an acceptable method of cleaning carpets.

8. <u>GENERAL</u>

Landlord shall, upon request of Tenant, produce written service contracts as evidence of compliance with the terms of this Cleaning and Maintenance Schedule.

EXHIBIT C

TENANT ESTOPPEL CERTIFICATE

••••••••••••••••••••••••••••••••••••••		
Re:	Date of Certificate:	
ice.	Lease Dated:	
	Current Landlord:	
	Located at:	
	Premises:	
	Commencement Dat	e of Term:
	Expiration Date:	
	Current Rent:	

County of Los Angeles ("Tenant") hereby certifies that as of the date hereof:

1. Tenant is the present owner and holder of the tenant's interest under the lease described above, as it may be amended to date (the "Lease"). The Lease covers the premises described above (the "**Premises**") in the building (the "**Building**") at the address set forth above.

2. (a) A true, correct and complete copy of the Lease (including all modifications, amendments, supplements, side letters, addenda and riders of and to it) is attached to this Certificate as Exhibit A.

(b) The current Rent is set forth above.

(c) The term of the Lease commenced on the Commencement Date set forth above and will expire on the Expiration Date set forth above, including any presently exercised option or renewal term. Except as specified in the Lease, Tenant has no option or right to renew, extend or cancel the Lease.

(d) Except as specified in the Lease, Tenant has no option or right to lease additional space in the Premises or Building or to use any parking.

(e) Except as specified in the Lease, Tenant has no option or preferential right to purchase all or any part of the Premises (or the land of which the Premises are a part).

(f) Tenant has made no agreement with Landlord or any agent, representative or employee of Landlord concerning free rent, partial rent, rebate of rental payments or any other similar rent concession, except as expressly set forth in the Lease.

3. (a) The Lease constitutes the entire agreement between Tenant and Landlord with respect to the Premises, has not been modified, changed, altered or amended and is in full force

and effect. There are no other agreements, written or oral, which affect Tenant's occupancy of the Premises.

(b) To the knowledge of Tenant, Tenant has not given Landlord written notice of a material default under the Lease which has not been cured.

(c) The interest of Tenant in the Lease has not been assigned or encumbered. Tenant is not entitled to any credit against any rent or other charge or rent concession under the Lease except as set forth in the Lease. No rental payments have been made more than one month in advance.

4. All contributions required to be paid by Landlord to date for improvements to the Premises have been paid in full and all of Landlord's obligations with respect to Tenant Improvements have been fully performed.

IN WITNESS WHEREOF, the Tenant has executed this Tenant Estoppel Certificate as of the day set forth above.

COUNTY OF LOS ANGELES

By: _____

Name: _____

Title: _____

APPROVED AS TO FORM:

County Counsel

By:__

Deputy

EXHIBIT D

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

AND WHEN RECORDED MAIL TO:	
County of Los Angeles	
CHIEF EXECUTIVE OFFICE)
Real Estate Division	
222 South Hill Street, 3 rd Floor	
Los Angeles, California 90012	

Space above for Recorder's Use

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

NOTICE: THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT RESULTS IN YOUR LEASEHOLD ESTATE BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

This Subordination, Non-Disturbance and Attornment Agreement ("Agreement") is entered into as of the _____ day of _____, 20__ by and among COUNTY OF LOS ANGELES, a body politic and corporate ("Tenant"), _____ ("Borrower") and _____, ("Lender").

Factual Background

A. Borrower owns certain real property more particularly described in the attached <u>Exhibit A</u>. The term "**Property**" herein means that real property together with all improvements (the "**Improvements**") located on it.

B. Lender has made or agreed to make a loan to Borrower. The Loan is or will be secured by a deed of trust or mortgage encumbering the Property (the "**Deed of Trust**").

C. Tenant and Borrower (as "Landlord") entered into a lease dated _____

(the "Lease") under which Borrower leased to Tenant a portion of the Improvements located within the Property and more particularly described in the Lease (the "Premises").

D. Tenant is willing to agree to subordinate certain of Tenant's rights under the Lease to the lien of the Deed of Trust and to attorn to Lender on the terms and conditions of this Agreement. Tenant is willing to agree to such subordination and attornment and other conditions, provided that Lender agrees to a Non-Disturbance provision, all as set forth more fully below.

Agreement

Therefore, the parties agree as follows:

1. <u>Subordination</u>. The Lease shall be subject and subordinate to the lien of the Deed of Trust and to any renewals, modifications, consolidations, replacements and extensions of the Deed of Trust to the full extent of the principal sum secured by the Deed of Trust including any interest except that if Tenant is granted any option to extend the term of the Lease, right of first offer to lease additional premises, option to purchase the Property, or right of first option to purchase the Property in the Lease such provisions shall not be affected or diminished by this subordination which is conditioned upon the agreement of Borrower and Lender in Section 3 hereof.

2. <u>Definitions of "Transfer of the Property" and "Purchaser"</u>. As used herein, the term "**Transfer of the Property**" means any transfer of Borrower's interest in the Property by foreclosure, trustee's sale or other action or proceeding for the enforcement of the Deed of Trust or by deed in lieu thereof. The term "**Purchaser**", as used herein, means any transferee, including Lender, of the interest of Borrower as a result of any such Transfer of the Property and also includes any and all successors and assigns, including Lender, of such transferee.

3. <u>Non-Disturbance</u>. The Transfer of the Property or any enforcement of the Deed of Trust shall not terminate the Lease or disturb Tenant in the possession and use of the leasehold estate created thereby, or deprive Tenant of any other property rights granted in the Lease.

4. <u>Attornment</u>. Subject to <u>Section 3</u> above, if any Transfer of the Property should occur, Tenant shall and hereby does attorn to Purchaser, including Lender if it should be the Purchaser, as the landlord under the Lease, and Tenant shall be bound to Purchaser under all of the terms, covenants and conditions of the Lease for the balance of the Lease term and any extensions or renewals of it which may then or later be in effect under any validly exercised extension or renewal option contained in the Lease, all with the same force and effect as if Purchaser had been the original landlord under the Lease. This attornment shall be effective and self-operative without the execution of any further instruments upon Purchaser's succeeding to the interest of the landlord under the Lease.

5. <u>Lender Not Obligated</u>. Lender, if it becomes the Purchaser or if it takes possession under the Deed of Trust, and any other Purchaser shall not (a) be liable for any damages or other relief attributable to any act or omission of any prior Landlord under the Lease including Borrower; or (b) be subject to any offset or defense not specifically provided for in the Lease which Tenant may have against any prior landlord under the Lease; or (c) be bound by any prepayment by Tenant of more than one month's installment of rent; or (d) be obligated for any security deposit not actually delivered to Purchaser; or (e) be bound by any modification or amendment of or to the Lease unless the amendment or modification shall have been approved in writing by the Lender.

6. <u>Notices</u>. All notices given under this Agreement shall be in writing and shall be given by personal delivery, overnight receipted courier or by registered or certified United States mail, postage prepaid, sent to the party at its address appearing below. Notices shall be effective

upon receipt (or on the date when proper delivery is refused). Addresses for notices may be changed by any party by notice to all other parties in accordance with this Section.

To Lender:

To Borrower:

To Tenant: County of Los Angeles Chief Executive Office Real Estate Division 222 South Hill Street, 3rd Floor Los Angeles, California 90012 Attention: Director of Real Estate

7. <u>Miscellaneous Provisions</u>. This Agreement shall inure to the benefit of and be binding upon the parties and their respective successors and assigns. This Agreement is governed by the laws of the State of California without regard to the choice of law rules of that State.

8. <u>Counterparts</u>. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute but one and the same instrument.

APPROVED AS TO FORM:

TENANT: COUNTY OF LOS ANGELES, a body politic and corporate

County Counsel

By:____

Deputy

By:

Director of Real Estate

BORROWER:

By: _____ Name: _____ Title: _____

LENDER: [Insert name of Lender], By: _____

EXHIBIT E

NONDISTURBANCE AND ATTORNMENT AGREEMENT

AND WHEN RECORDED MAIL TO:)
)
County of Los Angeles)
CHIEF EXECUTIVE OFFICE)
Real Estate Division)
222 South Hill Street, 3 rd Floor)
Los Angeles, California 90012)

Space above for Recorder's Use

NONDISTURBANCE AND ATTORNMENT AGREEMENT

This Nondisturbance and Attornment Agreement ("**Agreement**") is entered into as of the day of ______, 20____ by and among COUNTY OF LOS ANGELES, a body politic and corporate ("**Tenant**"), and [*Insert name of Lender*], ("**Lender**").

Factual Background

A. [*Insert name of Landlord*], ("**Borrower**") owns certain real property more particularly described in the attached <u>Exhibit A</u>. The term "**Property**" herein means that real property together with all improvements (the "**Improvements**") located on it.

B. Lender has made a loan to Borrower. The Loan is secured by a deed of trust or mortgage encumbering the Property (the "**Deed of Trust**").

C. Tenant and Borrower (as "Landlord") intend to or have entered into a lease (the "Lease") under which Borrower leases to Tenant a portion of the Improvements located within the Property and more particularly described in the Lease (the "Premises").

D. Tenant's rights under the Lease are subordinate to the lien of the Deed of Trust. Tenant is willing to make the substantial investment in the Premises required under the Lease, provided that Lender agrees to a nondisturbance provision, all as set forth more fully below.

Agreement

Therefore, the parties agree as follows:

1. <u>Definitions of "Transfer of the Property" and "Purchaser"</u>. As used herein, the term "**Transfer of the Property**" means any transfer of Borrower's interest in the Property by foreclosure, trustee's sale or other action or proceeding for the enforcement of the Deed of Trust or by deed in lieu thereof. The term "**Purchaser**," as used herein, means any transferee,

including Lender, of the interest of Borrower as a result of any such Transfer of the Property and also includes any and all successors and assigns, including Lender, of such transferee.

2. <u>Nondisturbance</u>. The Transfer of the Property or enforcement of the Deed of Trust shall not terminate the Lease or disturb Tenant in the possession and use of the leasehold estate created thereby, or deprive Tenant of any other property rights granted pursuant to the Lease.

3. <u>Attornment</u>. Provided that Lender complies with <u>Section 2</u> above, if any Transfer of the Property should occur, Tenant shall and hereby does attorn to Purchaser, including Lender if it should be the Purchaser, as the landlord under the Lease, and Tenant shall be bound to Purchaser under all of the terms, covenants and conditions of the Lease for the balance of the Lease term and any extensions or renewals of it which may then or later be in effect under any validly exercised extension or renewal option contained in the Lease, all with the same force and effect as if Purchaser had been the original landlord under the Lease. This attornment shall be effective and self-operative without the execution of any further instruments upon Purchaser's succeeding to the interest of the landlord under the Lease.

4. <u>Lender Not Obligated</u>. Provided that Lender complies with <u>Section 2</u> above, Lender, if it becomes the Purchaser or if it takes possession under the Deed of Trust, and any other Purchaser shall not (a) be liable for any damages or other relief attributable to any act or omission of any prior Landlord under the Lease including Borrower; or (b) be subject to any offset or defense not specifically provided for in the Lease which Tenant may have against any prior landlord under the Lease; or (c) be bound by any prepayment by Tenant of more than one month's installment of rent; or (d) be obligated for any security deposit not actually delivered to Purchaser; or (e) be bound by any modification or amendment of or to the Lease unless the amendment or modification shall have been approved in writing by the Lender.

5. <u>Notices.</u> All notices given under this Agreement shall be in writing and shall be given by personal delivery, overnight receipted courier or by registered or certified United States mail, postage prepaid, sent to the party at its address appearing below. Notices shall be effective upon receipt (or on the date when proper delivery is refused). Addresses for notices may be changed by any party by notice to all other parties in accordance with this Section.

To Lender: _____

To Borrower:

To Tenant: County of Los Angeles Chief Executive Office Real Estate Division 222 South Hill Street, 3rd Floor Los Angeles, California 90012 Attention: Director of Real Estate 6. <u>Miscellaneous Provisions</u>. This Agreement shall inure to the benefit of and be binding upon the parties and their respective successors and assigns. This Agreement is governed by the laws of the State of California without regard to the choice of law rules of that State. This Agreement is the entire agreement between the Lender and Tenant and may only be modified by a written amendment executed by Lender and Tenant.

APPROVED AS TO FORM:

TENANT: COUNTY OF LOS ANGELES, a body politic and corporate

By:_

Deputy

By:

Director of Real Estate

BORROWER: [Insert name of Landlord]

By:	
Name:	
Title:	

LENDER: [Insert name of Landlord]

By:	
Name:	
Title:	

EXHIBIT F

REQUEST FOR NOTICE

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO:

County of Los Angeles CHIEF EXECUTIVE OFFICE Real Estate Division 222 South Hill Street, 3rd Floor Los Angeles, California 90012 Attention: Director of Real Estate

REQUEST FOR NOTICE

(UNDER SECTION 2924 CIVIL CODE)

In accordance with Section 2924, Civil Code, request is hereby made that a copy of any Notice of Default and a copy of any Notice of Sale under the Deed of Trust described below:

Date of Recording of Deed of Trust

Instrument Number of Deed of Trust

Trustor

Trustee

Beneficiary

be mailed to County of Los Angeles, Chief Executive Office, Real Estate Division, 222 South Hill Street, 3rd Floor, Los Angeles, California 90012, Attention: Director of Real Estate.

LENDER:

a _____

By: _____

SIGNEE'S NAME_____

Its: SIGNEE'S TITLE

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

COUNTY OF ______ ss.

On this _____ day of ______, 20___, before me, ______ a Notary Public in and for the State of California, personally appeared ______

personally known to me (or proved on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal

Signature ______ My commission expires ______

EXHIBIT G

COMMUNITY BUSINESS ENTERPRISE FORM

<u>INSTRUCTIONS</u>: All Landlords shall submit this form on an annual basis on or before December 30th of each year of the term of this agreement as evidence of CBE participation. The information requested below is for statistical purposes only. On final analysis and consideration, leases will be selected without regard to gender, race, creed, or color. Categories listed below are based on those described in 49 CFR Section 23.5.

Firm Name

Address

Contact Name

Telephone No.

Total # of Employees

Business Structure*

*Corporation, Partnership, etc.

MINORITY/WOMEN PARTICIPATION IN FIRM

OWNERS	ASSOCIATE
	PARTNERS

Black/African American

Hispanic/Latin

Asian American

Portuguese American

A. Indian/Alaskan

All Others

TOTAL

Women*

*Should be included in counts above <u>and</u> reported separately)

PERCENTAGE OF MINORITY/WOMEN OWNERSHIP IN FIRM

TOTAL # OF OWNERS

% OF OWNERSHIP

Black/African American

Hispanic/Latin American

Asian American

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Portuguese American

American Indian/Alaskan Native

All Others

TOTAL

Women*

*Should be included in counts above and reported separately

CURRENT CERTIFICATION AS MINORITY/WOMEN-OWNED FIRM

Is your firm currently certified as a minority owned business firm by the:

yes

State of California?

City of Los Angeles?

Federal Government?

WE DO NOT WISH TO PROVIDE THE INFORMATION REQUIRED IN THIS FORM

No

Initial

Initial here if applicable	
SIGNED:	
TITLE:	
DATE:	

EXHIBIT H

COMMENCEMENT DATE MEMORANDUM AND CONFIRMATION OF LEASE TERMS

Reference is made to that certain lease ("Lease") dated 20__, between County of Los Angeles, a body politic and corporate ("Tenant"), and premises in the building located at ("**Premises**"), Landlord and Tenant hereby acknowledge as follows: 1) Landlord delivered possession of the Premises to Tenant in a Substantially Complete condition on ("Possession Date"). 2) Tenant has accepted possession of the Premises and now occupies the same; The Lease commenced on ("Commencement Date"). 3) The Premises contain ______ rentable/gross square feet of space; and 4) For clarification and the purpose of calculating future rental rate adjustments: 1) Base Rent per month is ______. 2) The Base Index Month is . The Base Index is ______. 3) The New Index Month is ______. 4) IN WITNESS WHEREOF, this memorandum is executed this _____ day of _____, 20 . **Tenant:** Landlord: **COUNTY OF LOS ANGELES** ELITE-TRC ALHAMBRA COMMUNITY LLC, a Delaware limited liability company a body politic and corporate By: _____ By:_____ Name: Name: Its: _____ Title: _____

EXHIBIT I

LANDLORD'S WORK LETTER

For

COUNTY OF LOS ANGELES

CHIEF EXECUTIVE OFFICE

LEASE AND AGREEMENT

DEPARTMENT: HEALTH SERVICES, as Tenant

LANDLORD: ELITE-TRC ALHAMBRA COMMUNITY LLC, a Delaware limited liability company

Address: 1000 South Fremont Avenue, Alhambra, California 91803

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LANDLORD'S WORK LETTER

This Work Letter supplements the Lease (the "Lease") dated ______, 2017, executed concurrently herewith, by and between ELITE-TRC ALHAMBRA COMMUNITY LLC, a Delaware limited liability company, as Landlord, and COUNTY OF LOS ANGELES, as Tenant, covering certain Premises described in the Lease. Terms capitalized but not otherwise defined herein shall have the meanings ascribed to them in the Lease.

The parties hereby agree as follows:

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1. <u>Basic Work Letter Information</u>. The following terms as used herein shall have the meanings provided in this Section unless otherwise specifically modified by provisions of this Work Letter.

(a)	Base Tenant Improvement Allowance:	\$3,066,660.00 (i.e., \$45.00 per rentable square foot of the Premises)
(b)	Additional Tenant Improvement Allowance:	\$3,748,140.00 (i.e., \$55.00 per rentable square foot of the Premises)
(c)	Maximum Change Order Allowance:	N/A
(d)	Additional Tenant Improvement Allowance and Change Order Amortization Rate:	7.5% per annum.
(e)	Basic Rent Reduction per \$1,000:	N/A
(f)	Tenant's Work Letter Representative:	Miguel Covarrubias or an assigned staff person of the Chief Executive Office-Real Estate Division
(g)	Landlord's Work Letter Representative:	Kevin Houser.
(h)	Landlord's Address for Work Letter Notice:	ELITE-TRC ALHAMBRA COMMUNITY LLC c/o The Ratkovich Company 1000 South Fremont Avenue, Unit 1 Alhambra, California 91803 Attention: Senior Development Manager Telephone: (626) 300-5000 Telecopier: (626) 300-5025

	With a copy to:
	DLA Piper LLP (US) 550 South Hope Street, Suite 2300 Los Angeles, California 90071 Attention: Jackie Park, Esq. Telephone: (213) 330-7743 Telecopier: (213) 330-7543
	With a copy to:
	c/o ELITE INTERNATIONAL INVESTMENT FUND 355 S. Grand Avenue, Suite 2450 Los Angeles, California 90071 Attention: Bill Zhou
(i) Tenant's Address for Work Letter Notice:	Board of Supervisors Kenneth Hahn Hall of Administration Room 383 500 West Temple Street Los Angeles, California 90012
	With a copy to:
	Chief Executive Office Real Estate Division 222 South Hill Street, 3rd Floor Los Angeles, California 90012 Attention: Director of Real Estate
(j) Addenda:	Addendum A: Base Building Improvement Addendum B: Tenant Improvements Addendum C: Tenant's Space Plans

2. <u>Construction of the Building</u>.

2.1. <u>Base Building Improvements</u>. Landlord has constructed and shall construct the base Building improvements as a part of the Building as described on <u>Addendum A</u> hereto (the "**Base Building Improvements**"). To the extent that the Base Building Improvements must be changed or added to in order to accommodate the special needs of Tenant in the Premises, such changes or additions shall be considered Tenant Improvements (as defined below) only to the extent such changes or additions are specifically described in <u>Addendum B</u> and <u>Addendum C</u> hereto. All soft costs, architecture and engineering costs associated with the Base Building Improvements shall be itemized and separated from all soft costs, architecture and engineering costs associated with the Tenant Improvements.

2.2. Additional Costs Not Tenant Improvement Costs.

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(a) In the event that the Premises as initially constructed does not comply with current life-fire safety codes, disabled access codes (including, without limitation, the ADA), and/or earthquake safety codes, and Landlord incurs increased design or construction costs that it would not have incurred had the Premises been in compliance with such codes, such costs shall not be included in the calculation of Tenant Improvement Costs as defined below and Tenant shall have no financial responsibility for such costs.

Any work that Landlord must undertake to cause the Premises to comply (b) with the access requirements of the ADA or make existing building systems, including, but not limited to, electrical service and HVAC equipment, operational shall be at Landlord's sole cost and expense. Costs of upgrades from the Base Building Improvements to the operational HVAC and electrical systems identified in Addendum B and Addendum C shall be funded via the Tenant Improvement Allowances. Tenant Improvement Costs shall not include any costs associated with (i) asbestos abatement or compliance with the Hazardous Materials provision of the Lease, including all expenses associated with curing any "Sick Building Syndromes", (ii) fire sprinkler system installation or upgrade (provided any fire sprinkler system or upgrade beyond the Base Building Improvements shall be a Tenant Improvement Cost), (iii) conversion of air conditioning systems to eliminate use of CFC refrigerants that are harmful to the atmosphere, (iv) utility costs incurred during construction, (v) costs incurred in order to cause the Premises to comply with any mechanical or electrical requirements set forth in the Lease except for those set forth in Addendum B and Addendum C.

2.3. <u>Base Building Plans</u>. Landlord has delivered to Tenant and Tenant hereby acknowledges receipt of "as built" plans and specifications for the Building.

3. <u>Selection of Architect and Engineer</u>. Landlord shall promptly solicit at least three (3) proposals from qualified licensed architect(s) ("Architect") and engineer(s) ("Engineer") familiar with all applicable laws and building requirements detailing a scope of work sufficient to complete the Working Drawings for Tenant Improvements as defined below. Within 48 hours of receipt of the proposals from the Architects and the Engineers, Landlord and Tenant shall jointly open and review the proposals. Landlord and Tenant, after adjustments for the inconsistent assumptions to reflect an "apples to apples" comparison, shall select an Architect and an Engineer. Landlord and Tenant shall mutually agree upon the most cost effective, responsive and responsible Architect and Engineer to be awarded the job.

4. <u>Selection of Contractor</u>. The Final Plans for the Tenant Improvements, as defined below in <u>Section 5.4</u>, shall be submitted to contractors(s) selected by Landlord and approved by Tenant (Tenant's approval of the contractor(s) to be provided within 72 hours of Tenant's receipt of their names), sufficient in number so that a minimum of three (3) bids are received. Each approved contractor shall be requested to submit a guaranteed maximum price bid (on such contract form as Landlord shall designate) to construct the Tenant Improvements designated on the Final Plans. Landlord and Tenant shall jointly open and review the bids. Within 48 hours of receipt of the proposals from the contractors, Landlord and Tenant, after adjustments for inconsistent assumptions to reflect an "apples to apples" comparison, shall select the most cost effective, responsive and responsible contractor, and such contractor ("**Contractor**") shall enter

into a construction contract ("**Construction Contract**") with Landlord consistent with the terms of the bid to construct the Tenant Improvements.

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5. <u>Preparation of Plans and Specifications and Construction Schedule</u>.

5.1. <u>Preparation of Space Plan</u>. Concurrently with the execution of this Lease, Tenant shall submit to Landlord a space plan and specifications for the Premises showing all demising walls, corridors, entrances, exits, doors, interior partitions, and the locations of all offices, conference rooms, computer rooms, mini-service kitchens, and the reception area, and file room (the "Space Plan", which is attached as <u>Addendum C</u>).

5.2. <u>Preparation and Approval of Working Drawings</u>. Within sixty (60) days (which period shall be extended on a day for day basis for any Tenant Delay) after this Lease is executed by the County Board of Supervisors (the "Plan Submission Date"), Landlord shall instruct the Architect to commence preparation of Working Drawings for the Tenant Improvements (the "Working Drawings"), which shall be compatible with the design, construction and equipment of the Building, comply with all applicable laws, be capable of physical measurement and construction, contain all such information as may be required for the construction of the Tenant Improvements and the preparation of the Engineering Drawings (as defined below), and contain all partition locations, plumbing locations, air conditioning system and duct work, special air conditioning requirements, reflected ceiling plans, office equipment locations, and special security systems. The Working Drawings may be submitted in one or more stages and at one or more times. Landlord shall provide Tenant the Working Drawings, or such portion as has from time to time been submitted, for review.</u>

Tenant shall approve or disapprove the Working Drawings within ten (10) business days after Tenant receives the Working Drawings and, if disapproved, Tenant shall return the Working Drawings to Landlord specifying the reason for its disapproval, which disapproval shall be limited to the failure of Working Drawing to substantially conform to the Space Plans. Tenant shall approve or disapprove the revised Working Drawings within five (5) business days after Tenant receives the revised Working Drawings. Tenant's failure to either approve or disapprove the Working Drawings or the revised Working Drawings within the time periods set forth herein shall be deemed to constitute Tenant's approval of the Working Drawings or such revisions.

Landlord shall be solely responsible for insuring that the Working Drawings fully comply with all applicable building codes and are free from errors or omissions on the part of the Architect.

5.3. <u>Preparation and Approval of Engineering Drawings</u>. Landlord shall cause the Architect to coordinate all engineering drawings prepared by the Engineer, showing complete mechanical, electrical, plumbing, and HVAC plans ("Engineering Drawings") to be integrated into the Working Drawings. The Engineering Drawings may be submitted in one or more stages and at one or more times for Tenant's review.

Tenant shall approve or disapprove the Engineering Drawings within ten (10) business days after Tenant receives the Engineering Drawings and, if disapproved, Tenant shall

return the Engineering Drawings to Landlord specifying the reason for its disapproval, which disapproval shall be limited to the failure of the Engineering Drawings to substantially conform to the Working Drawings. Tenant shall approve or disapprove the revised Engineering Drawings within five (5) business days after Tenant receives the revised Engineering Drawings. Tenant's failure to either approve or disapprove the Engineering Drawings or revised Engineering Drawings within the time periods set forth herein shall be deemed to constitute Tenant's approval of the Engineering Drawings or such revisions.

5.4. Integration of Working Drawings and Engineering Drawings into Final Plans. After Tenant has approved the Engineering Drawings, Landlord shall cause the Architect to integrate the approved Working Drawings with the approved Engineering Drawings (collectively, "Final Plans") and deliver five (5) sets of the Final Plans to Tenant. The Final Plans shall be suitable for plan check review and permitting by local agencies having jurisdiction, for the layout, improvement and finish of the Premises consistent with the design and construction of the Base Building Improvements, including electrical and mechanical drawings, capacity reports, dimensioned partition plans, floor and wall finish plans, reflected ceiling plans, power, telephone communications and data plans, life safety devices, construction detail sheets including millwork detail plans showing the location of partitions, light fixtures, electrical outlets, telephone outlets, sprinklers, doors, equipment specifications (including weight specifications and cooling requirements) and power requirements (including voltage, amps, phase, and special plugs and connections), wall finishes, floor coverings, millwork and other Tenant Improvements.

Tenant shall approve or disapprove the Final Plans within ten (10) business days after Tenant receives the Final Plans and, if disapproved, Tenant shall return the Final Plans to Landlord, specifying the reason for its disapproval, which disapproval shall be limited to the failure of the Final Flans to substantially conform to the Working Drawings and the Engineering Drawings. Tenant shall approve or disapprove the revised Final Plans within five (5) business day after Tenant receives the revised Final Plans. Tenant's failure to either approve or disapprove the Final Plans or the revised Final Plans within the time periods set forth herein shall be deemed to constitute Tenant's approval of the Final Plans.

5.5. <u>Intentionally Omitted</u>.

5.6. <u>Schedule</u>. Within thirty (30) days after the Plan Submission Date, Landlord shall submit to Tenant a detailed construction schedule, subject to approval by Tenant which approval shall not be unreasonably withheld (and shall be granted within five (5) business days of receipt thereof by Tenant), setting forth the dates for specific completion of certain project benchmarks including, but not limited to, completion of Working Drawings, completion of Engineering Drawings, submission of plans to local jurisdiction for review, issuance of building permit, submission of plans to contractors for bidding, award of construction contract, construction commencement, construction completion, Commencement Date and other similar dates. As the construction continues, Landlord shall amend the schedule from time to time to reflect any changes to the projected dates.

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6. <u>Final Construction Budget and Payment of Tenant Construction Costs.</u>

6.1. Construction Budget. Within twenty (20) business days after the date Contractor has been selected by the parties, Landlord shall submit to Tenant a preliminary budget which shall include the Contractor's contingency (the "Preliminary Budget"). Tenant shall have five (5) business days from the date of receipt of the Preliminary Construction Budget to approve or disapprove the Preliminary Construction Budget. In the event Tenant shall approve the Preliminary Budget, then that shall be defined as the "Final Construction Budget". In the event Tenant shall disapprove the Preliminary Budget, then Tenant shall provide proposed "value engineering" to the Preliminary Budget within such ten (10) business day period, in which event Landlord shall provide Tenant with a revised Preliminary Budget. Tenant shall have 48 hours to approve the revised Preliminary Budget. Once approved, the Preliminary Budget shall be referred to as the "Final Construction Budget", it being understood and agreed by the parties hereto that the time period incurred due to Tenant "value engineering" the Preliminary Budget shall be deemed to be a Tenant Delay (as hereinafter defined). Construction of the Tenant Improvements shall not begin until such time as Tenant indicates its approval or disapproval of the Final Construction Budget or the five (5) business day period expires without any response from Tenant.

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Landlord shall construct the Tenant Improvements according to Tenant's plans and specifications outlined in <u>Addendum B</u> and <u>Addendum C</u> at Landlord's sole cost and expense, subject to the Base Tenant Improvement Allowance and reimbursement as set forth in <u>Section 6.3</u> hereof. When considering the costs of the Tenant Improvements, the following shall be included in the determination of said costs: an amount equal to Landlord's actual costs for architects' fees, contractors' fees, engineers' fees, other professionals' fees (if any, and only as approved in advance by Tenant).

6.2. Additional Tenant Improvement Allowance. All improvements required by the Final Plans and modular furniture described in the Modular Specifications, as further described in Addendum B and Addendum C hereto, shall be collectively referred to herein as "Tenant Improvements" and the cost thereof shall be first borne by Landlord (subject to the Base Tenant Improvement Allowance) and later reimbursed by Tenant in the manner provided for in Section 6.3 hereof. Costs of Tenant Improvements may include costs for furniture, telecommunications equipment, soft costs and any other costs designated in writing by Tenant in the aggregate not to exceed the Base Tenant Improvement Allowance and the Additional Tenant Improvement Allowance, as defined in Section 1 hereof ("Tenant Improvement Costs"). Landlord shall be solely responsible for any delay in completing the Tenant Improvements except for delays arising from Tenant Delays as defined below. It is anticipated that the Tenant Improvement Costs will exceed the Base Tenant Improvement Allowance so that Tenant may authorize Landlord to pay the overage in an amount not exceeding the Additional Tenant Improvement Allowance. The amount of the Additional Tenant Improvement Allowance shall be paid to Landlord as provided herein.

6.3. <u>Method of Payment</u>. That portion of the Additional Tenant Improvement Allowance, if any, used to pay for the Tenant Improvement Costs above and beyond the Base Tenant Improvement Allowance shall be, at Tenant's election pursuant to written notice by Tenant to Landlord on or prior to the Commencement Date, be paid to Landlord (a) in a lump

sum when the Tenant Improvements are Substantially Complete, or (b) as additional rent calculated in a manner so as to amortize such amount over the first seven (7) yeas of the Lease Term at the rate of seven and one-half percent (7.5%) per annum to be paid as equal amortized monthly payments over the initial eighty-four (84) months of the Term of the Lease. Tenant may at any time during the Term pre-pay Landlord in a lump sum for all or any portion of the then remaining unpaid Additional Tenant Improvement Allowance. In the event the Tenant Improvement Allowance, Tenant shall be responsible for such excess and shall pay for such excess within thirty (30) days of the date Tenant approves the Final Construction Budget.

7. <u>Construction of Tenant Improvements</u>.

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7.1. <u>Tenant Improvements</u>. Tenant Improvements to be constructed by Landlord are described more particularly on <u>Addendum B</u> and <u>Addendum C</u> hereto.

7.2. <u>Bids</u>. Unless waived by Tenant in writing, any major contractors, subcontractors and materials providers providing labor and/or materials for the Tenant Improvements shall be selected only after three (3) bids have been solicited from responsible and qualified persons. Landlord shall submit three (3) sealed guaranteed maximum price bids for the construction of the Tenant Improvements to Tenant for its review prior to the award of the Construction Contract. The bids shall be jointly opened and reviewed. The three (3) bids shall include the Contractor's contingency and an itemized list of all materials and labor and shall include all additional costs, including architects and engineering fees, permits, reasonable contractor's profit and overhead, and project management fees. Three bids for the purchase and installation of the office furniture system, prepared by the furniture dealer, shall be included in the construction estimates, if applicable.

(a) <u>Permits</u>. Landlord shall secure the approval of governmental authorities, and all permits required by governmental authorities having jurisdiction over such approvals and permits for the Tenant Improvements, promptly after approval of the Final Plans.

(b) <u>Commencement of Construction</u>. Landlord shall commence construction of the Base Building Improvements and Tenant Improvements within fifteen (15) business days after issuance of all such necessary permits. Landlord shall commence and, once commenced, shall thereafter diligently proceed to construct and complete all Base Building Improvements and Tenant Improvements, subject to any cessation that may be caused by Force Majeure Delays and/or Tenant Delays.

7.3. <u>Construction</u>. Construction of the Tenant Improvements will be subject to the following terms and conditions:

(a) <u>Notice of Nonresponsibility</u>. Landlord and the Contractor shall cooperate with Tenant in posting a notice or notices of nonresponsibility by Tenant.

(b) <u>Decorating Decisions</u>. All design and programming, space planning and interior decorating services, such as selection of wall paint colors and/or wall coverings, furniture, fixtures, carpeting and any or all other decorator selection efforts required by Tenant,

shall be provided by Landlord at Landlord's expense in accordance with Tenant's Space Plan. Landlord shall consult with Tenant with respect to all such decorating services and decisions. 8.1

(c) <u>Clean-Up Work</u>. Landlord will be responsible for all clean-up with respect to the Tenant Improvements, whether in the Premises themselves or in other areas utilized by Landlord or its contractors. Landlord further agrees to reimburse Tenant for any and all expenses incurred by Tenant as a result of inadequate clean-up, only after providing Landlord with ten (10) days' written notice specifying in reasonable detail what it considers inadequate clean-up and allowing Landlord ten (10) days to cure such remaining clean-up.

(d) <u>Compliance with Laws</u>. Construction of the Tenant Improvements shall comply with all applicable laws and regulations and shall be subject to the general inspection of Tenant. The Premises shall comply with all applicable city, county, state and federal building codes, regulations and ordinances required for beneficial occupancy, including, but not limited to, all provisions of the Labor Code of the State of California. Under the provisions of the Labor Code, the State Department of Industrial Relations will ascertain the prevailing hourly rate in dollars and details pertinent thereto for each craft, classification or type of workman or mechanic needed for the construction of the improvements. Particulars of the current Prevailing Wage Scale, as approved by the Board of Supervisors which are applicable to the work, are filed with the Clerk of the Board of Supervisors and must be posted at the site.

7.4. <u>Conformed Plans</u>. Within sixty (60) days after Substantial Completion of the Tenant Improvements and receipt from the Contractor of all field changes, Landlord shall submit to Tenant a set of conformed plans ("**as-builts**") incorporating, in accordance with standard industry custom and practice, field changes made and changes and/or revisions that have been made subsequent to the submission of the Final Plans. Such "as-built" or "record documents" shall be submitted on three and one-half inch $(3\frac{1}{2}\text{"})$ 1.4Mb magnetic media diskettes in Auto CAD R 12.dwg (or later version) format or .DXF format, along with one complete set of mylar transparencies of drawings and one complete set of specifications.

8. <u>Change Orders</u>. Tenant and Landlord may make changes, additions, deletions or alterations in the Final Plans ("Change Order") provided both Tenant and Landlord approve such changes in writing.

9. <u>Furniture System</u>.

9.1. Tenant shall deliver to Landlord within ten (10) business days after the Lease is executed by the County Board of Supervisors, modular furniture plans and specifications (the "**Modular Specifications**", <u>Addendum C</u>). Based on the Modular Specifications, Landlord and/or Landlord's architect shall prepare a modular furniture specifications bid package for submission to no less than three (3) furniture vendors. Prior to submission for bids, Landlord shall review the bid package with Tenant and Tenant shall have the right to approve or disapprove the bid package for five (5) business days after Tenant receives same. The bids shall be jointly opened and reviewed. The bids shall include an itemized list of all materials and labor and shall include all additional costs (shipping, storage, and taxes). Landlord and Tenant, after adjustments for inconsistent assumptions, shall select the most qualified bidder offering the lowest price and such vendor ("**Vendor**") shall enter into a contract ("**Furniture Contract**")

with Landlord consistent with the terms of the bid, which Furniture Contract shall include the Vendor's projected delivery date of the Electrical Modular Furniture (as defined in <u>Section 4(a)</u> of the Lease).

Landlord shall provide the modular furniture set forth in the Modular Specifications and shall not be responsible for the cost of such modular furniture in excess of the Additional Tenant Improvement Allowance, since Tenant shall utilize the Additional Tenant Improvement Allowance to pay for the cost of the modular furniture set forth herein. Tenant shall reimburse the Landlord for the cost of the modular furniture as set forth in <u>Section 6.3</u> hereof.

9.2. Tenant may opt to finance the lump-sum payment for the cost of modular furniture through lease-purchase financing with a third-party Landlord ("Creditor"). In the event the Tenant elects to enter into a lease-purchase financing of the furniture (the "Personal Property") through a Creditor, Landlord expressly agrees as follows:

(a) The Personal Property shall not become part of the realty or real property, but shall remain personal property removable by the Creditor and its assigns, provided that any damage occasioned by such removal shall be repaired by Creditor.

(b) Landlord shall be notified by Creditor of any plan by Creditor to remove the Personal Property.

(c) This section shall be binding on the representatives, successors and assigns of all parties hereto and shall inure to the benefit of the successors-in-interest to all parties hereto.

(d) Landlord does hereby waive any right to gain possession of any of Personal Property during the term of this Lease.

10. <u>Tenant Improvement Costs Adjustment and Right to Audit</u>. Within twenty (20) days of the issuance of a Certificate of Occupancy, or a final sign-off by the City of Alhambra, whichever occurs first, Landlord shall notify Tenant of the final Tenant Improvement costs, by executing a summarized breakdown of the total costs of the Tenant Improvements in the form of the attached <u>Addendum C</u> – Memorandum of Tenant Improvement Costs. Tenant shall have the right to audit such costs for a period of twenty-four (24) months from the date of Tenant's acceptance of the Premises. In the event the audit shows that Tenant is entitled to a reduction in payments to the Landlord under this Landlord's Work Letter, Tenant shall provide Landlord with a copy of the audit summary and Landlord shall pay Tenant the amount of any over-payment made by Tenant within thirty (30) days and future payments shall be adjusted as appropriate based upon the audit results. In the event Landlord disagrees with the results of the audit, Landlord shall appoint an independent auditor (subject to Tenant's consent thereto) to review the total Tenant Improvement Costs and the conclusion of the independent auditor shall be binding on the parties.

11. <u>Exclusions</u>. The Tenant Improvement Costs shall not include any costs incurred for asbestos abatement, fire sprinkler system, or conversion of air conditioning systems to eliminate use of CFC refrigerants that are harmful to the atmosphere. All work for required asbestos

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abatement, fire sprinkler system, or air conditioning system conversion shall be performed at the sole cost and expense of Landlord.

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12. <u>Telephone/Computer Room and Equipment</u>. Landlord shall complete the telephone equipment room(s) including permanent power and HVAC, in compliance with the Space Plan and specifications provided by Tenant, at least 30 days prior to the Commencement Date. During this thirty (30) day period, the Landlord shall be responsible for any telephone/data equipment delivered to the site for programming prior to the Commencement Date.

13. Substantial Completion; Delay.

13.1. <u>Tenant Delays and Force Majeure Delays</u>. Except as set forth herein, no delay in the completion of construction of the Tenant Improvements shall be considered in the determination of the Commencement Date of the Lease and, except as set forth herein or in the Lease, under no circumstance shall Tenant be charged with any delay whatsoever as a result of delay in the construction of Tenant Improvements (excluding Tenant Delays, defined below). Subject to the provisions of <u>Section 13.2</u>, the Commencement Date set forth in the Lease shall be extended one (1) business day for each day that: (i) Tenant fails or refuses to give authorizations or approvals within the time periods required herein but only to the extent such delays delay the commencement or completion of construction of the Tenant Improvements and/or any Change Order, if such Change Order actually delays the Substantial Completion of the Tenant Improvements per this Work Letter (referred to herein as "**Tenant Delay(s)**"); or (ii) Substantial Completion of the Tenant Improvements is delayed by lightning, earthquake, fire, storm, tornado, flood, washout, explosion, strike, lockout, labor disturbance, civil disturbance, riot, war, act of a public enemy, sabotage or other similar causes beyond the reasonable control of Landlord (referred to herein as "**Force Majeure Delay(s**)").

13.2. Limitations.

(a) <u>Notice</u>. No Tenant Delay or Force Majeure Delay shall be deemed to have occurred unless Landlord has provided written notice, within forty-eight (48) hours of the event giving rise to such claim, in compliance with the Lease, to Tenant specifying that a delay is claimed to have occurred because of actions, inaction or circumstances specified in the notice in reasonable detail. If such actions, inaction or circumstances qualify as a Tenant Delay or Force Majeure Delay, then a Tenant Delay or Force Majeure Delay, as applicable, shall be deemed to have occurred only commencing as of the date Tenant received such notice from Landlord.

(b) <u>Mitigation</u>. Tenant Delays and Force Majeure Delays shall delay the Commencement Date only in the event that Substantial Completion of the Tenant Improvements is delayed, despite Landlord's reasonable efforts to adapt and compensate for such delays, which efforts Landlord shall be obligated to make.

(c) <u>Concurrent Delays</u>. Tenant Delays and Force Majeure Delays shall be recognized hereunder only to the extent the same are not concurrent with any other Tenant Delay or Force Majeure Delay which is effective hereunder. For example, if there are ten (10) days of Tenant Delays and four (4) days of Force Majeure Delays which occur during the same ten (10) day period of such Tenant Delays, then the Commencement Date would be extended by only ten

(10) days; on the other hand, if such Tenant Delays and Force Majeure Delays did not occur during the same period, the Commencement Date would be extended by fourteen (14) days.

(d) <u>Change Orders</u>. Landlord may not claim that a Change Order requested by Tenant was the cause of a delay in the construction of the Tenant Improvements unless the anticipated delay is specified in writing in the Change Order authorization.

13.3. <u>Substantial Completion</u>. For purposes of this Work Letter and the Lease, the Tenant Improvements shall be "Substantially Complete" per the terms and conditions of <u>Section 4</u> of the Lease.

14. <u>Tenant Remedies</u>. If Landlord fails to obtain the building permit to construct the Base Building Improvements and/or Tenant Improvements (but excluding therefrom any obligation of Landlord to obtain any permit with respect to the modular furniture system per <u>Section 9.1</u> of this Landlord's Work Letter) within a reasonable time, taking all factors into consideration, or if the Base Building Improvements and/or Tenant Improvements have not been completed within one hundred eighty (180) days following the date this Lease is mutually executed by the parties (extended for Tenant Delays and/or Force Majeure Delays), Tenant may, at its option:

14.1. Cancel the Lease upon thirty (30) days' written notice to Landlord; or

14.2. Upon thirty (30) days' written notice to Landlord, assume the responsibility for providing the Tenant Improvements itself. If Tenant elects to provide Tenant Improvements itself, then:

(a) Tenant, its officers, employees, agents, contractors and assignees, shall have free access to the Premises at all reasonable times for the purpose of constructing the Tenant Improvements and for any other purposes reasonably related thereto; and

(b) Tenant shall not have the right to terminate this Lease pursuant to <u>Section</u> <u>14.1</u> hereof. Notwithstanding the foregoing, all other early termination provisions of the Lease and this Work Letter shall remain valid and prevail throughout the Base Building Improvement and Tenant Improvement process and term of the Lease; and

(c) Rent shall be reduced by Tenant's total expense in constructing the Tenant Improvements to the extent not previously funded by Landlord through the Base Tenant Improvement Allowance and the Additional Tenant Improvement Allowance, including any financing charges for capital and a reasonable amount for its administrative costs, and including interest at the rate of seven and one-half percent (7.5%) (collectively, "**Tenant's Total Expense**"). The rent reduction schedule shall be as mutually agreed to between the parties or, if no such agreement is made, Tenant's Total Expense shall be fully amortized in equal monthly amounts over seven (7) years and deducted from the rent payable hereunder and under the Lease.

Any default by Landlord under the terms of this Landlord's Work Letter shall constitute a default under the Lease and shall entitle Tenant to exercise all remedies set forth in the Lease.

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15. <u>Representatives</u>.

15.1. <u>Tenant Representative</u>. Tenant has designated Tenant's Work Letter Representative as its sole representative with respect to the matters set forth in this Landlord's Work Letter who, until further notice to Landlord, shall have the full authority and responsibility to act on behalf of Tenant as required in this Work Letter and whose address, for purposes of any notices to be given regarding matters pertaining to this Landlord's Work Letter only, is Tenant's Address for Work Letter Notice as set forth in <u>Section 1</u>.

15.2. <u>Landlord Representative</u>. Landlord has designated Landlord's Work Letter Representative as its sole representative with respect to the matters set forth in this Work Letter who, until further notice to Tenant, shall have the full authority and responsibility to act on behalf of Landlord as required in this Landlord's Work Letter and whose address, for purposes of any notices to be given regarding matters pertaining to this Landlord's Work Letter only, is Landlord's Address for Work Letter Notice as set forth in <u>Section 1</u>.

16. <u>Elevator Usage During Move-In</u>. In the event that the use of the freight elevators and/or hoists is not sufficient to meet Tenant's requirements, Landlord shall cause to be made operational (a) a temporary construction elevator and hoist, or (b) Tenant shall have priority usage of two (2) passenger elevators in the elevator bank that services the Premises in order to assist Tenant in the installation of Tenant's fixtures, furniture and equipment.

17. <u>Construction Meetings</u>. During the course of construction, meetings shall be held between the Contractor, Landlord and Tenant at least once per week, unless Tenant directs otherwise, at a time and place which is mutually convenient. An initial construction meeting shall be held within five (5) business days of the date the Contractor is selected.

18. <u>**Delivery**</u>. Delivery of all plans and drawings referred to in this Work Letter shall be by commercial messenger service or personal hand delivery, unless otherwise agreed by Landlord and Tenant.

[Signatures on Next Page]

ADDENDUM A To Landlord's Work Letter

BASE BUILDING IMPROVEMENTS

Landlord has constructed and shall construct, at its sole cost and expense Base Building Improvements to include the following:

(a) the Building shell and exterior, including perimeter window frames, mullions and glazing in good condition;

(b) the mechanical, electrical, sprinkler, plumbing, life safety, heating, air conditioning, ventilation and structural systems within the Building;

(c) men's and women's restrooms, including necessary plumbing fixtures, ceramic tile floors, accessories, ceilings and lighting, with running hot and cold water;

(d) concrete floors with trowelled finish, level to specified tolerances and designed to support a minimum live load of fifty (50) pounds per square foot and a partition load of twenty (20) pounds per square foot;

(e) HVAC system and duct for cooling and heating;

(f) fire sprinkler distribution, including secondary piping and sprinkler heads as required by government regulations;

(g) fire-life safety system as required by government regulations;

(h) gypsum board drywall on the service core walls, columns and sills in the Premises;

(i) electrical closet with transformer(s) providing adequate power of not less than seven (7) watts per rentable square foot;

(j) telephone closet with MPOE for phone service;

(k) mechanical equipment room with ducted mechanical exhaust system;

(l) primary fire sprinkler distribution, including secondary piping and sprinkler heads as required by government regulations; and

(m) primary fire-life safety enunciation system "backbone" and panels as required by government regulations.

Addendum A Page 1

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ADDENDUM B To Landlord's Work Letter

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TENANT IMPROVEMENTS

Tenant improvements to be constructed using the Tenant Improvement Allowances shall include:

- (n) Tenant ceilings and lighting;
- (o) Floor finishes in the Premises;
- (p) Interior finishes of any kind within the Premises;

(q) Interior partitions, doors and hardware within the Premises;

(r) Tenant's furniture, fixtures and equipment, including telephones, computers and cabling therefor;

(s) HVAC and electrical upgrades above and beyond the Base Building Improvements set forth in <u>Addendum A</u> hereof;

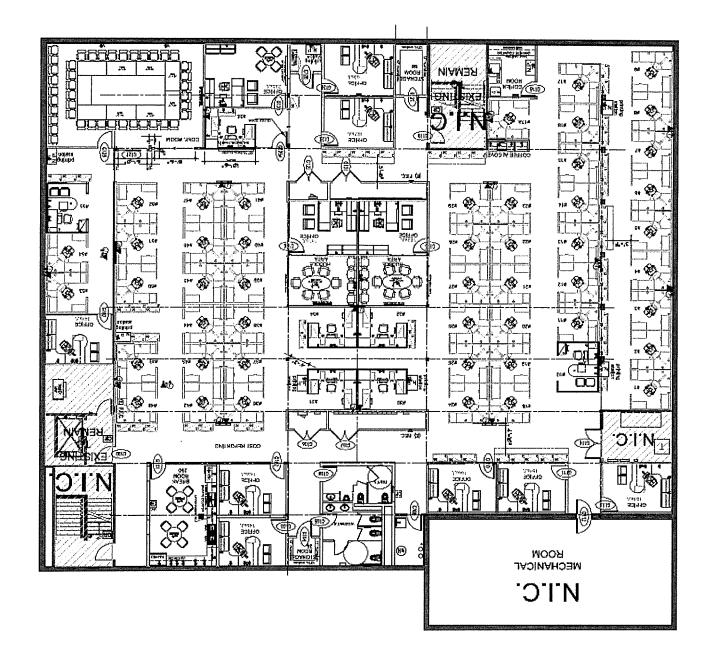
(t) Conduits, electrical/data outlets and other electrical components sufficient for Tenant's electrical and data specifications;

(u) Any and all signs for Tenant and the power therefor; and

(v) After-hours HVAC system, separate from main Base Building HVAC system, for telephone/computer room.

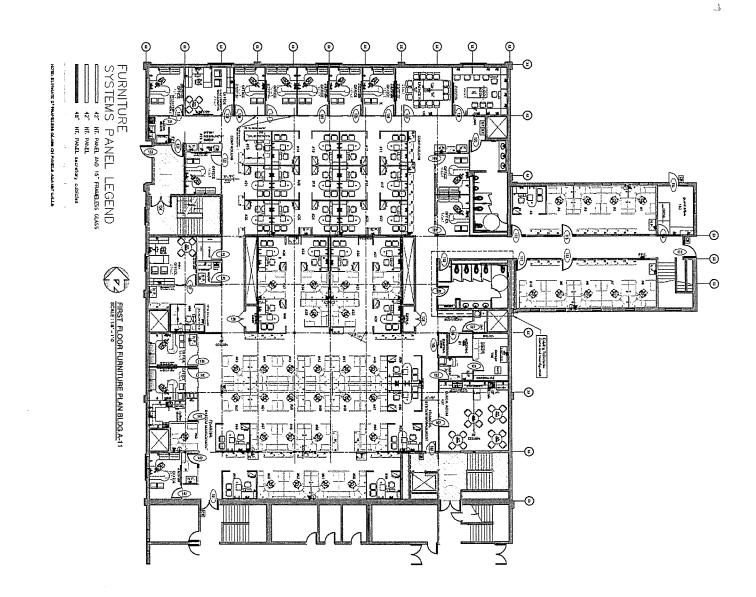
ADDENDUM C To Landlord's Work Letter

TENANT'S SPACE PLANS



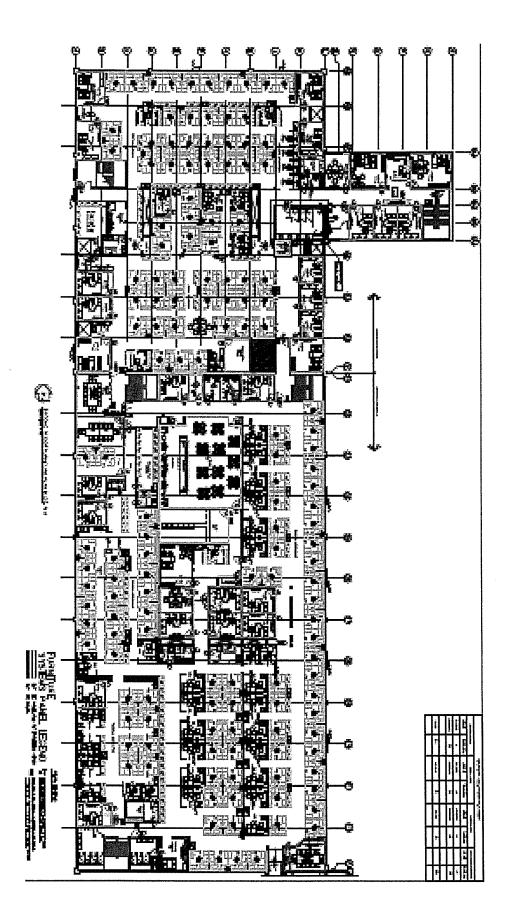
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Addendum C Page 1



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Addendum C Page 2



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