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"To Enrich Lives Through Effective And Caring Service"

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May 22, 2018

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

The Honorable Board of Commissioners
Community Development Commission
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors/Commissioners:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

18 May 22, 2018

CELIA ZAVALA
ACTING EXECUTIVE OFFICER

**VERMONT CORRIDOR PROJECT APPROVAL AND RELATED ACTIONS:
CERTIFY FINAL ENVIRONMENTAL IMPACT REPORT AND ADOPT THE MITIGATION
MONITORING PROGRAM AND ALL ENVIRONMENTAL FINDINGS AND STATEMENT OF
OVERRIDING CONSIDERATIONS, APPROVE ORDINANCE, GROUND AND FACILITIES LEASE
AGREEMENTS, AND ADOPT RESOLUTION FOR SITE 1, DELEGATE AUTHORITY TO
COMMUNITY DEVELOPMENT COMMISSION TO EXECUTE OPTION TO LEASE AND GROUND
LEASE AGREEMENTS FOR SITES 2 AND 3, ESTABLISH VERMONT CORRIDOR COUNTY
ADMINISTRATION BUILDING CAPITAL PROJECT NO. 69950, APPROVE APPROPRIATION
ADJUSTMENT AND APPROVE RELATED ACTIONS FOR THE IMPLEMENTATION OF THE
PROJECT
(SECOND DISTRICT)
(3 VOTES)**

SUBJECT

This joint letter recommends approval of various documents related to the proposed development of County-owned property in the area known as the Vermont Corridor, located on three sites on and around South Vermont Avenue between Fourth and Sixth Streets in the City of Los Angeles.

Specifically, this letter recommends actions to certify the Final Environmental Impact Report; approve and adopt all related environmental documentation; approve the ordinance authorizing execution of the Ground Lease and Facilities Lease Agreements for the proposed 468,000 gross square foot Vermont Corridor County Administration Building at 510, 526, and 532 South Vermont Avenue, and construction of a new parking structure of up to 768-spaces at 523 Shatto Place on the site of the existing County parking structure, which is to be demolished (Site 1); authorize the Community Development Commission of the County of Los Angeles to execute, upon completion of negotiations, the Option to Lease Agreement and Ground Lease and Facilities Agreements for the proposed future adaptive reuse of the existing 12-story Department of Mental Health building into market rate housing, retail, and parking uses at 550 South Vermont Avenue and 3175 West 6th Street (Site 2); approve Option to Lease Agreement (including attached form of Ground Lease Agreement) for the proposed future development of senior affordable housing at 433 South Vermont Avenue (Site 3) (collectively, Vermont Corridor Project). This letter also approves the Project for Site 1; adopts the Resolution authorizing the issuance of tax-exempt and federally taxable bonds by Los Angeles County Facilities Inc., on behalf of the County for Site 1; establishes the Vermont Corridor County Administration Building, Capital Project No. 69950; approves an appropriation adjustment for project costs to be funded directly by the County, and authorizes the Chief Executive Officer, or her designee, to take all related actions to implement and lease the Vermont Corridor Project.

IT IS RECOMMENDED THAT THE BOARD:

1. Certify that the Final Environmental Impact Report for the Vermont Corridor Project has been completed in compliance with the California Environmental Quality Act and reflects the independent judgment and analysis of the County; find that the Board has reviewed and considered the information in the Final Environmental Impact Report, including comments received during the public review period, in their decision-making process, prior to approving the Project; adopt the Mitigation Monitoring and Reporting Program and finding that it is adequately designed to ensure compliance with the mitigation measures during Project implementation and determine that potential significant adverse effects of the Project have been reduced to an acceptable level to the extent feasible, and are otherwise outweighed by specific overriding considerations of the benefits of the Project as outlined in the California Environmental Quality Act Environmental Findings of Fact and Statement of Overriding Considerations, which findings and statement are adopted and incorporated by reference.
2. Approve the Vermont Corridor Project.
3. Approve the Ground Lease and the Facilities Lease Agreements for Site 1, in substantially the form hereto, pursuant to which the County will lease properties located at 510, 526, and 532 South Vermont Avenue, and 523 Shatto Place to Los Angeles County Facilities Inc., for the financing and construction of an approximately 468,000 square foot office tower to serve as a County administration building, along with associated parking facilities consisting of a new 965-space parking podium onto which the office tower would be constructed and a newly constructed 768-space parking structure in the place of the current location of the parking garage at 523 Shatto Place, ancillary retail and other public serving uses, and delegated authority to the Chief Executive Officer, or her designee, to execute the Ground Lease and Facilities Lease Agreements for Site 1 between the County and Los Angeles County Facilities Inc., and any amendments thereto that may be necessary to implement the terms set forth therein.

4. Establish the Vermont Corridor County Administration Building, Capital Project No. 69950, to fund \$4,142,514 of project costs that are to be directly funded by the County, including an environmental contingency reserve, owner's representative/project management services, legal expenses, and move management services.

5. Approve an amendment to the Vermont Corridor Predevelopment Funding Agreement with the Community Development Commission to fund \$379,378 for Sites 2 and 3 management and legal services, and authorize the use of \$379,378 from the Project and Facility Development Budget to fund the additional services.

6. Approve an appropriation adjustment to transfer \$2,125,000 from Various-Refurbishment Mitigation/Remediation (Capital Project No. 86612) to Vermont Corridor County Administration Building (Capital Project No. 69950) to fund an environmental contingency reserve, and \$2,018,000 from the Project and Facility Development Budget to Capital Project No. 69950 for owner's representative/project management services and legal services during the construction phase of Site 1.

7. Approve an ordinance authorizing the public leaseback transaction contemplated by the Ground Lease and Facilities Lease Agreements for Site 1 pursuant to Government Code Section 54241.

8. Adopt a resolution approving the financing plan for Site 1 and the issuance and sale by Los Angeles County Facilities Inc. of bonds on a tax-exempt and taxable basis in an aggregate principal amount not to exceed \$350,000,000 on behalf of the County to finance the Project at Site 1, and agreeing that the County will accept title to the Project at Site 1 upon payment or defeasance in full of such bonds.

9. Authorize the Community Development Commission of the County of Los Angeles to continue negotiations and upon completion of negotiations, in consultation with County Counsel and subject to concurrence of the Chief Executive Officer, or her designee, to execute on behalf of the County for Site 2, the Option to Lease Agreement, approve the form of Ground Lease between the County and Trammell Crow Los Angeles in a form approved by County Counsel and terms approved by the Chief Executive Officer, or her designee, to lease property located at 550 South Vermont Avenue and 3175 West 6th Street for the adaptive reuse of the existing 12-story Department of Mental Health building into a maximum of 172 residential units and up to 4,100 square feet of ground floor retail space, including the removal of the existing four-story, approximately 52,000 square foot Department of Workforce Development, Aging and Community Services office building and two-story parking structure, and construction of a new five-level parking structure, and an optional construction of up to 3,400 square feet of ground floor retail space, and a mixed-use building which would be built above the five-story parking structure with up to 74 additional residential units.

10. Designate the Community Development Commission of the County of Los Angeles to serve as the agent of the County to manage development of Site 2 of the Vermont Corridor Project, including execution of the Site 2 Ground Lease upon satisfaction of the conditions set forth in the Option to Lease Agreement and in a form approved by County Counsel and terms approved by the Chief Executive Officer, or her designee, and any other documents consistent with, and/or necessary for, the implementation of the foregoing approvals.

11. Authorize the Community Development Commission of the County of Los Angeles to execute on behalf of the County for Site 3, the Option to Lease Agreement, and approve the form of Ground Lease between the County and Western Community Housing, Inc., a California nonprofit public

benefit corporation, or its County approved designee, to lease property located at 433 South Vermont Avenue for the development of 72 senior affordable rental housing units, including parking facilities and a community recreation center, and find that the Site 3 property is not needed for County use during the proposed lease term and that the proposed use of Site 3 for senior affordable housing will serve public purposes.

12. Designate the Community Development Commission of the County of Los Angeles to serve as the agent of the County to manage development of Site 3 of the Vermont Corridor Project, including execution of the Site 3 Ground Lease, upon satisfaction of the conditions set forth in the Option to Lease Agreement, and any other documents consistent with, and/or necessary for, the implementation of the foregoing approvals.

13. Authorize the Chief Executive Officer, or her designee, to execute any additional transactional documents approved as to form by County Counsel, and take any other actions and execute any other documents approved as to form by County Counsel consistent with, and/or necessary for, the implementation of the foregoing approvals.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION:

1. Approve the designation of the Community Development Commission of the County of Los Angeles to serve as the agent of the County to manage development of Sites 2 and 3 of the Vermont Corridor Project.

2. Authorize the Executive Director, or her designee, to negotiate, on behalf of the County, the Option to Lease Agreement for Site 2 and upon completion of negotiations, in consultation with County Counsel and subject to concurrence of the County's Chief Executive Office, to execute on behalf of the County for Site 2, the Option to Lease Agreement between the County and Trammell Crow Los Angeles to lease property located at 550 South Vermont Avenue and 3175 West 6th Street for the adaptive reuse of the existing 12-story Department of Mental Health building into a maximum of 172 residential units and up to 4,100 square feet of ground floor retail space, including the removal of the existing four-story, approximately 52,000 square foot Workforce Development, Aging and Community Services office building and two-story parking structure, construction of a new five-level parking structure, and an optional construction of up to 3,400 square feet of ground floor retail space, and a mixed-use building, which would be built above the five-story parking structure with up to 74 additional residential units.

3. Authorize the Executive Director, or her designee, to execute the Site 2 Ground Lease, upon satisfaction of the conditions set forth in the Option to Lease Agreement, and any other documents consistent with, and/or necessary for, the implementation of the foregoing approvals.

4. Authorize the Executive Director, or her designee, to execute, on behalf of the County for Site 3, the Option to Lease Agreement, and if the required conditions for option exercise are met, as determined by the Executive Director, to execute the Ground Lease between the County and Western Community Housing, Inc., a California nonprofit public benefit corporation, or its County approved designee, to lease the property located at 433 South Vermont Avenue, for the development of 72 senior affordable rental housing units, including parking facilities and a community recreation center.

5. Authorize the Executive Director, or her designee, to execute the Site 3 Ground Lease (upon satisfaction of the conditions set forth in the Option to Lease Agreement) and any other documents consistent with and/or necessary for the implementation of the foregoing approvals.

6. Authorize the Executive Director, or her designee, to execute any additional transactional documents approved as to form by County Counsel and take any other actions and execute any other documents approved as to form by County Counsel consistent with and/or necessary for the implementation of the foregoing approvals for Sites 2 and 3.

7. Instruct the Executive Director, or designee, to accept and amend up to \$379,378 to the Vermont Corridor Predevelopment Funding Agreement for additional predevelopment costs for Site 2 and 3.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Vermont Corridor Project is a three-site development plan which consists of Site 1, located at 510, 526, and 532 South Vermont Avenue and 523 Shatto Place; Site 2, located at 550 South Vermont Avenue and 3175 West 6th Street; and Site 3, located at 433 South Vermont Avenue. The recommended actions will approve the proposed Vermont Corridor Project, certify and adopt required environmental documents, approve and authorize execution of the Ground Lease and Facilities Lease for Site 1 and related financing documents, which facilitate the financing of the construction of the Vermont Corridor County Administration Building, approve and authorize execution of the Option for Lease, upon finalization of negotiations and in consultation with County Counsel, and subject to concurrence of the Chief Executive Office, and form of Ground Lease for Site 2, and approve and authorize execution of the Option to Lease and form of Ground Lease, for Site 3, authorize an amendment to the Vermont Corridor Predevelopment Funding Agreement to supplement funding, establish a capital project and approve an appropriation adjustment to the new capital project account to fund certain Site 1 project expenses.

Background

On February 10, 2015, the Board of Supervisors (Board) authorized the Community Development Commission of the County of Los Angeles (Commission), in consultation with the Chief Executive Officer (CEO), to prepare a Request for Proposals (RFP) for the design and proposed construction of a new Department of Mental Health (DMH) headquarters facility, and the proposed future development of adjacent County-owned properties in the Vermont Corridor.

On August 18, 2015, the Board authorized the release of the RFP. The Board also authorized the Commission's Executive Director, in consultation with the CEO and County Counsel, to enter into exclusive negotiations with the highest ranked proposer, on behalf of the County.

On August 9, 2016, the Commission returned to the Board to receive authorization to proceed with predevelopment activities. The Commission assembled an evaluation panel of five subject matter experts, which included representatives from DMH and CEO, the Commission, and the private development sector, to evaluate all proposals received. The proposals were scored by each member of the evaluation panel based upon the criteria established in the RFP. The scores of individual evaluators were averaged using the "Informed Averaging" method. The Trammell Crow Los Angeles (TCLA) was the highest scoring proposer.

Proposed Project

Site 1 – Vermont Corridor County Administration Building

The proposed development on Site 1 would involve removal of the existing Department of Parks and Recreation office building at 510 South Vermont, a vacant office building, surface parking lots and parking structure, and construction of a new 21-story building consisting of an 8-story parking structure with up to 965 spaces, a terrace level, and 12-story office tower, with approximately 7,500 square feet of ground floor retail space and public serving uses. The steel frame structure features a high-performance energy-efficient aluminum curtain wall glazing system on the office tower.

The steel frame podium parking structure is clad in a metal mesh screen, bordered by precast bands at the first and last level of parking.

A new 10-story concrete parking structure (one below grade, nine above grade) will replace the existing garage at 523 Shatto Place. The approximately 300,000 square foot structure will provide up to 768 parking spaces.

When complete, the new Vermont Corridor County Administration Building would accommodate the relocation of staff from existing DMH and Workforce Development, Aging and Community Services (WDACS) headquarters buildings at 550 S. Vermont and 3175 West 6th Street, as well as consolidation of administrative staff from leased facilities at 600 Commonwealth and 695 South Vermont (DMH) and the WDACS Mid-Wilshire Office. The CEO notified the Board of the potential relocation of WDACS staff to the proposed new administration building on December 6, 2016, and the Commission proceeded with the negotiation of the necessary supplemental design programming work as the design phase proceeded with the rest of the building. On March 6, 2018, the Board approved additional predevelopment funding in the amount of \$599,348 for programming and design tenant improvement to accommodate WDACS administrative operations within the building. The CEO will pursue opportunities to relocate additional administrative staff from other departments, should there be available space in the building once it is completed.

Pursuant to Internal Revenue Service Revenue Ruling 63-20, as amended and updated by Internal Revenue Service Revenue Procedure 82-26 (Revenue Procedure), bonds issued by a nonprofit corporation organized under the laws of the State of California in order to finance facilities in the State of California may qualify as tax-exempt obligations upon compliance with the requirements set forth in the Revenue Procedure. Los Angeles County Facilities Inc. (LACF) is a California nonprofit public benefit corporation and an organization described under the Section (501(c)(3) of the Internal Revenue Code of 1986. LACF has been formed as a nonprofit public benefit corporation for the purposes of designing, developing, permitting, constructing, and equipping a new office building and associated improvements for use by the County.

LACF is a single-purpose 501(c)(3) entity and, on behalf of the County, is issuing the Lease Revenue Bonds, Series 2018A (Tax-Exempt) and the Series 2018B (Federally Taxable Bonds), (issued together as the Bonds). The Bonds will be issued in accordance with the guidelines set forth in the Revenue Ruling 63-20 of the U. S. Treasury, as amended and updated by the Revenue Procedure 82-26. As issuer of the Bonds, LACF will hold the obligation to pay the debt service. Staffing for LACF will be accomplished through Public Facilities Group, which is also a non-profit organization and whose development team was selected for the Vermont Corridor Project which included TCLA.

The relationship between LACF and TCLA is one of owner and Developer. TCLA as the developer is under contract to LACF to manage the project's development, including guaranteeing that it will be built as designed and completed on time and within budget. The contracts between LACF and TCLA detail this relationship. They all have been reviewed by the County and its counsel. The benefit of this project delivery method is that the County will receive a turnkey, state-of-the-art office building under a capital lease arrangement. By having LACF and TCLA assume the responsibility for constructing and delivering the project to the County for occupancy, the County is shielded from cost overruns and other construction related delays, with the exception of any associated with site conditions due to its ownership of the site, as it is not a party to any of the construction agreements.

Since the County owns the land on which the Site 1 project will be constructed, it will enter into a ground lease of the land with LACF.

In order to finance the construction at Site 1, LACF proposes to issue tax-exempt and federally taxable bonds, to be designated as the Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018A and 2018B (Vermont Corridor County Administration Building) Bonds.

The CEO, in consultation with the Treasurer and Tax Collector (Treasurer), performed a comparative analysis of the proposed financing plan to ascertain whether Bonds would be issued by LACF or through a conduit as determined by the County. As a result of the analysis, the CEO and the Treasurer determined that greater efficiencies on project delivery timeframes, lower project and capitalized interest costs can be achieved by the issuance of Bonds through LACF.

LACF proposes to enter into the Facilities Lease Agreement (Facilities Lease) under which LACF will undertake the Site 1 development and lease the premises to the County; and payments by the County of rent under the Facilities Lease will be used to pay debt service on the Bonds. Upon payment or defeasance of the Bonds in full, LACF will transfer unencumbered title of the project to the County for no additional consideration, and the County will accept such title.

The proposal by LACF is the most efficient means for managing the financing, construction and operation of the development of Site 1. Since the proposed transaction constitutes a public leaseback, Government Code Section 54241 requires that the action be approved by an ordinance.

LACF will enter into a development agreement with TCLA, to develop, oversee and manage the design, permitting, construction, and equipping of a turnkey office building. The pricing for Site 1 has been established by using the facility's design documents to create the Guaranteed Maximum Price of \$295,540,629, which includes a 5 percent contingency for both construction and soft costs. The Commission retained a third-party consultant, IEM, to review the Guaranteed Maximum Price. IEM conducted an independent evaluation and reconciliation of the project costs and determined that TCLA's proposed project construction cost appears to be a fair and reasonable price for the proposed work.

Under the Guaranteed Maximum Price, TCLA is at risk for all costs exceeding the amount included in the budget related to unforeseen items, except for site remediation. Due to the County's ownership of the land, the County maintains exposure from site environmental remediation costs should they exceed the budgeted amount in the Guaranteed Maximum Price, which is \$3,169,001.

In order to avoid potential delays on the Site 1 construction, and avoid unnecessary borrowing of contingency reserve funds that are unlikely to be used, we are recommending funding the \$2,125,432 reserve in the Vermont Corridor County Administration Building, Capital Project No. 69950.

In addition to the Guaranteed Maximum Price costs, an additional \$7,977,715 of project costs will be financed under the bond issuance, making a total of \$303,518,344 in total project costs financed. The additional amount includes a \$4,552,628 contingency for steel and aluminum tariff, Owner/CEO contingency of \$425,087 and LACF management fee of \$3,000,000. Total project costs are \$307,660,858 when including the \$4,142,514 in County funded costs (environmental contingency reserve, owner's representative/project management, and move management services).

Initially, the Commission will provide owner's representative/project management services for the County. However, the Commission will be transitioning the services to the Department of Public Works (DPW) over the initial months of the construction phase to ensure a smooth handoff, and DPW will provide such services during the remainder of the construction phase.

Site 2 – Market Rate Housing

Proposed development of Site 2 consists of a 66-year ground lease with TCLA, which would involve the adaptive reuse of the existing 12-story DMH building into a maximum of 172 residential units. Upgrades to existing steel framing, installation of new HVAC and life/safety systems would be included in the reuse of the existing DMH building, as well as new exterior building facades. Development of Site 2 would also involve removal of the existing four-story, approximately 52,000 square foot, WDACS office building and two-story parking structure, construction of a new five-level parking structure, and the optional future construction of a mixed-use building, which would be built above the five-story parking structure with up to 74 additional residential units.

Approximately 4,100 square feet of ground floor retail would be located along Vermont Avenue and 3,400 square feet of ground floor retail would be located along 6th Street. This ground floor retail will be accessible not only to Site 2 residents but also to the general public, including County administrative staff located at Site 1.

Under the ground lease, Site 2 will be developed by TCLA, or its County-approved designee, using private sector investment funds and the County would receive eight percent of gross residential rents plus four percent of commercial rents. The proposed ground lease rent amounts have been reviewed and verified as within the range of fair return to the County based on property valuation by a third-party land use economist commissioned by the County.

Under the Option to Lease Agreement, TCLA would be required to identify all environmental issues associated with Site 2 and quantify the cost to remediate. This would occur within 24 months of the term of the Option to Lease Agreement. To the extent both parties agree the cost of such cleanup is financially feasible the remaining predevelopment activities would commence. Upon approval of the architectural drawings, completion of the permitting process, award of construction and permanent financing, the Ground Lease would be executed between the parties. This would conclude the activities under the Option to Lease, which is estimated to be 48 months in total. The Ground Lease would then be executed and construction would proceed. Under the terms of the Ground Lease the construction would be completed within 36 months.

This action recommends the Board authorize the Commission to complete negotiation with TCLA on behalf of the County under the previously approved Exclusive Negotiation Agreement between the County and TCLA and when completed, execute the Option to Lease Agreement and, subject to the conditions being met, the long-term Ground Lease agreement for Site 2, with all documents in a form approved by County Counsel and terms approved by the Chief Executive Officer, or her designee.

Site 3 – Senior Affordable Housing

Proposed development on Site 3 would consist of a 75-year ground lease and involve removal of the existing Department of Parks and Recreation building and construction of a new six-story 100 percent senior affordable housing project (available to senior tenants earning between 60 percent and 30 percent average median income containing 72 units and an approximately 13,200 square foot community recreation center, over a three-story underground parking structure, with 116 spaces.

The lease payment has been negotiated at an amount of \$1.00 per year. The negotiated rate for this proposed project is consistent with projects similar in nature; 100 percent affordable, tax-exempt financing. From a practical standpoint, if the County were to negotiate a market rate lease for this site, it would require the developer to carry the cost of the property resulting in increased project cost and causing the developer to seek additional public subsidy. In all likelihood, the County would fill this subsidy through other sources, such as under the Affordable Housing Notice of Funding Availability. The State tax credit authority also looks favorably upon the local jurisdiction and its willingness to discount market rate ground lease rents for affordable housing projects. Additional points are awarded for projects that can demonstrate this type of public subsidy.

Upon Board approval in the form attached, the Commission on behalf of the County will execute the Option to Lease Agreement for 433 South Vermont Avenue (Site 3 Option Agreement) to Western Community Housing, Inc., a California nonprofit public benefit corporation, or its County-approved designee, for the development of senior affordable housing. TCLA, as master developer, assigned certain of its rights under the Exclusive Negotiation Agreement to Western Community Housing, Inc., in order to meet the requirements of Section 26227 of the California Government Code. Western Community Housing, Inc., will partner with META Housing Corporation, a for-profit entity, which will provide project management and pursue the low-income housing tax credit financing necessary to complete the project.

The Site 3 Option Agreement includes as an exhibit an approved form of Ground Lease Agreement which will be executed by the parties upon satisfaction of the conditions to option exercise set forth in the Site 3 Option Agreement. The Site 3 Option to Lease Agreement includes language delegating authority to the Commission to sign the form of Ground Lease on behalf of the County. The Commission anticipates that construction on this site will begin by mid 2019.

Predevelopment Activities

On August 9, 2016, the Board approved and authorized the Commission to proceed with predevelopment activities for the Vermont Corridor Project via a \$10,554,105 funding agreement which provided for predevelopment costs. The Commission, acting as agent for the County, executed a Predevelopment Agreement in the amount of \$9,380,000 with LACF for Site 1 and an Exclusive Negotiating Agreement with TCLA for Sites 2 and 3. In turn, LACF executed a Predevelopment Agreement with TCLA to begin predevelopment activities for Site 1 of the Vermont Corridor Project. Site 1, Vermont Corridor County Administration Building, has been the focal point of County and TCLA efforts. Sites 2 and 3 will commence separately and independently from Site 1 and rely upon their own financing sources, independent of the County. The predevelopment activities consisted of design and environmental review of all three project sites, pursuant to California Environmental Quality Act (CEQA) and design of Site 1.

The design process was a logical progression and advancement of design based on approved design documents. TCLA initiated a series of user group meetings with DMH to define their space requirements, departmental needs and growth expectations to optimally design and utilize both building and parking. DMH programming was reviewed and approved June 21, 2017.

TCLA also advanced the project drawings through 100 percent Schematic Design Drawings, 100 percent Design Development Drawings, and 100 percent Plan Check Ready Construction Drawings. At each stage of the design process, the Commission, in consultation with CEO and a third-party consultant, reviewed, confirmed and approved each set of drawings based on the facility parameters established in the RFP and DMH approved programming.

The CEQA review process is described in the Environmental Documentation section below.

Community Outreach

In keeping with the goal of helping meet the needs of the greater Koreatown neighborhood, the Project is proposed to include a community recreation center of up to 13,200 square feet on Site 3. Proposed to be operated by the Metropolitan YMCA, the community recreation center's programming will be aligned to meet the wellness priorities of the neighborhood as identified by many of the leaders of the Koreatown Arts and Recreation Coalition (K-ARC). TCLA has been in dialogue with K-ARC consistently since early 2017 to ensure its involvement in the process. These dialogues included multiple small group presentations and public meetings hosted by TCLA during the Environmental Impact Report (EIR) process. Specifically, TCLA and Meta Housing Corporation met with K-ARC at the Metropolitan YMCA in November 2017, to begin a conversation about aligning YMCA programming with the community's priorities for fitness and educational activities; those conversations will resume no later than six months before the end of Site 3 construction, with a goal of ensuring that community feedback is incorporated into the final YMCA programming plan. The six-month period before opening of a YMCA facility is the typical programming period.

The Project falls within the boundaries of both the Rampart Village and Wilshire Center Koreatown Neighborhood Council districts. In addition to the two community-wide meetings held during the EIR study and public review periods, between June 2017 and April 2018, TCLA made five presentations to the two Neighborhood Councils. Wilshire Center Koreatown's Board voted unanimously to support the Project, citing the high percentage of affordable units (100 percent on Site 3), the investment in social services, and the removal of blight. During the same period TCLA met with the Korean American Chamber of Commerce and other organizations to discuss the Project's benefits. Subsequent to the EIR public review period, neighborhood canvassers walked the neighborhood to educate the community about the Project, which resulted in the collection of dozens of signatures from community members which support the Project. Community outreach with the local community has been a priority since the kickoff of the Project and has been extensive and well received.

Green Building/Sustainable Design Program

The Vermont Corridor Project, which had completed the RFP selection process and proceeded into predevelopment by mid-2016, will comply with the Leadership in Energy and Environmental Design Silver policy. The Site 1 development which the County will occupy is designed to support the Board's policy for Green Building/Sustainable Design Program by incorporating energy and water conservation features.

FISCAL IMPACT/FINANCING

The Vermont Corridor County Administration Building, Capital Project No. 69950 will be financed using tax-exempt and federally taxable bonds issued by LACF, on behalf of the County, to fund all but \$4,142,514 of the project's \$307,660,858 costs, capitalized interest during construction, and

costs of issuance. The Bonds will be issued in a par amount not to exceed \$350 million. The County is obligated under the Facilities Lease Agreement to begin making annual base rental payments in Fiscal Year 2021-22, upon substantial completion of the office tower of the Site 1 project, which will be used to make debt service payments on the Bonds. The initial payment in Fiscal Year 2021-22 will cover only a portion of the year, with an estimated payment of \$7,000,000. The full annual debt service amount will be not to exceed \$22,500,000 decreasing to \$21,000,000 in Fiscal Year 2032-33 following a ten-year amortization of furniture and fixture expenses, with final maturity of the Bonds in Fiscal Year 2051-52. Lease cancellations from consolidation of DMH and WDACS staff are anticipated to offset approximately \$4,000,000 in annual debt service costs. The CEO will continue to work with DMH to maximize Mental Health Services Act funding which can be claimed for debt service. Annual operational costs of the new building estimated at \$6,000,000 which will be paid to LACF in the form of Additional Rent. Tenant departments will fund their prorata portion of operational costs.

LACF will use proceeds of the bond financing to fund all of the Site 1 project costs, capitalized interest and cost of issuance, except for the Environmental Contingency Reserve (\$2,125,432), owner's representative services during construction (\$1,707,082), legal services (\$60,000) and move management services (\$250,000). By cash-funding these items in the capital project account, Capital Project 69950, the County can provide the necessary reserve for environmental site costs while avoiding additional borrowing for costs which are unlikely to materialize. The appropriation adjustment will transfer \$2,125,000 from Various-Refurbishment Mitigation/Remediation, Capital Project No. 86612, to Vermont Corridor County Administration Building, Capital Project No. 69950, to fund the environmental contingency reserve, and \$2,018,000 from the Project and Facility Development Budget to Capital Project No. 69950 for owner's representative/project management services and legal services during the construction phase of Site 1.

Under the financing structure, the County will be a tenant of the building pursuant to the Facilities Lease and receive title to the building following the full repayment of the Bonds in Fiscal Year 2051-52. Upon the date the Bonds are no longer outstanding, LACF will convey the building to the County for no additional consideration, and the Facilities Lease Agreement and Ground Lease shall terminate.

The Bonds will be issued by LACF, on behalf of the County, in accordance with the requirements of Internal Revenue Service Revenue Ruling 63-20 and Revenue Procedure 82-26. The form of the Site 1 Ground Lease Agreement and Facilities Lease must be approved by the Board through adoption of the attached ordinance to allow the financing process to proceed.

Based on current market conditions, the County expects to issue the Bonds with a par amount of approximately \$305 million and generate an additional \$45 million of proceeds through bond premium. The total estimated proceeds of the Bonds will be used to finance the construction of the facility at Site 1, capitalized interest to cover the interest costs on the Bonds during the Site 1 construction phase, and the costs of issuance for the financing.

Estimated Borrowing Costs

The Resolution being presented to your Board requires the Bonds to be issued at a true interest cost not to exceed 5.0 percent. Given the current interest rate environment, it is expected that actual borrowing costs will be significantly lower and should result in a true interest cost of approximately 4.0 percent. The debt service costs during the Site 1 construction phase (comprised of interest only) will be funded with Bond proceeds deposited in a capitalized interest account maintained with U.S. Bank National Association, the third-party Trustee for the Bonds. After substantial completion of the

Site 1 project, the debt service costs will be funded through base rental payments from the County to LACF. All County rent payments will flow to U.S. Bank National Association, as Trustee. The total debt service costs on the Bonds through the final maturity in Fiscal Year 2052 is currently estimated to be \$632.0 million.

Following the issuance of the Bonds in late July 2018, the CEO will inform the Board of final debt service obligations via memorandum.

Site 1 Financing Team

The Treasurer is recommending the Bonds to be sold on a negotiated basis, with Barclays serving as the underwriter. The County, in conjunction with LACF, has selected Orrick, Herrington & Sutcliffe LLP to serve as Bond Counsel, Hawkins Delafield & Wood LLP to serve as Disclosure Counsel and Montague DeRose and Associates, LLC to be the Municipal Advisor for the transaction. Loeb & Loeb will represent the Commission as external counsel for this financing. U.S. Bank National Association will be appointed as the Trustee for the Bonds.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On August 9, 2016, the predevelopment phase began with the execution of the predevelopment agreement with LACF. To date, the Commission and County staff have been working to advance the design of the project and establish a guaranteed maximum price. The guaranteed maximum price ensures the County will receive a high-quality sustainable, Leadership in Energy and Environmental Design (LEED) Silver-rated design at a not-to-exceed cost and protects against change order risk, except as it relates to costs associated with site conditions. TCLA has engaged consultants to complete all project entitlements for the proposed County Administration building on Site 1, as well as environmental review and CEQA documentation for the proposed development of the three Project Sites, which comprise the proposed Vermont Corridor Project.

The proposed Ground Lease Agreement and Facilities Lease for Site 1, Facilities Lease and Option to Lease Agreement and Ground Lease for Sites 2 are authorized by Government Code Section 25549.1 (Sites 1 and 2) and the Option to Lease Agreement and Ground Lease for Site 3 is authorized by Government Code 26227 (Site 3).

The Intergovernmental General Plan Consistency consultation pursuant to Government Code Section 65402 has been completed with the City of Los Angeles, which provided its approval on March 30, 2018.

The Site 1 Facilities Lease includes County policy requirements for compliance with the Local Targeted Worker Hiring Policy, and any other applicable County policies.

ENVIRONMENTAL DOCUMENTATION

A Final EIR for the Project has been prepared in compliance with CEQA and is attached/on file with the Executive Office of the Board.

On May 4, 2017, a Notice of Preparation for the Project was released and was provided in English, Korean and Spanish. The Notice of Preparation provided notice that an EIR was being prepared by the Commission and that the Commission was holding a scoping meeting. The Commission held a public scoping meeting on May 25, 2017, to solicit input from responsible and trustee agencies, as

well as interested parties and members of the public, on issues to be addressed in the Draft EIR.

The County elected to prepare an EIR and forgo the preparation of an Initial Study as allowed for under CEQA Guidelines Section 15060(d). The Draft EIR analyzed both individual component and cumulative effects of the Project, together with related projects on all CEQA Appendix G topics, and identified a variety of Mitigation Measures to mitigate the potential adverse effects of the Vermont Corridor Project.

In accordance with CEQA requirements, the Draft EIR also analyzed potential alternatives to the Vermont Corridor Project, including 1) No Project, 2) Reduced Project, and 3) All Office Project. Potential environmental impacts of each of these alternatives were discussed as required by CEQA and each alternative was compared to the Vermont Corridor Project.

Interested County agencies conducted an independent review and analysis of the Vermont Corridor Project and preliminary Draft EIR and provided written comments on the document, where appropriate, and those comments were incorporated into and made part of the Draft EIR.

The Draft EIR was made available for public comment and input for the period set forth by State law. Specifically, the public review period commenced on November 3, 2017, when a Notice of Completion and Notice of Availability (NOC-NOA) was sent to the State Clearinghouse (State Clearinghouse No. 2017051013), for a 50-day review period (ending on December 22, 2017) that was subsequently extended to January 19, 2018. The NOC-NOA was also posted at the County Recorder's office, and was also sent by mail to required agencies and other interested parties. The NOC-NOA was also posted on the subject parcel and on the Commission's website. The NOC-NOA was provided in English, as well as Korean and Spanish.

The NOC-NOA provided notice of the Project Draft EIR Review Community Meeting which was held on November 28, 2017.

The Draft EIR was made available online at <http://www.lacdc.org> and copies of the Draft EIR were made available in local public libraries pursuant to the California Public Resources Code Section 21092 and posted pursuant to Section 21092.3.

Following the close of the public comment period for the Draft EIR on January 19, 2018, detailed responses to all public agency comments and comments received from members of the general public regarding the Vermont Corridor Project and the analyses of the Draft EIR were prepared by Commission staff with assistance of a private consultant and reviewed and revised as necessary by Commission and other County staff to reflect the County's independent judgment on issues raised. These Responses to Comments are included in the Final EIR. Responses to all comments received from public agencies were sent pursuant to Section 21092.5 of the California Public Resources Code.

In addition, all tribal resources/consultation requirements of CEQA have been met. Specifically, on May 8, 2017, the County mailed written notification of the Project to three California Native American Tribes that are traditionally and culturally affiliated with the geographic area of the Project site. On June 1, 2017, the County received a formal request for consultation from the Gabrieleno Band of Mission Indians—Kizh Nation Tribe (Kizh Nation Tribe). No other notified tribes submitted a request for formal consultation. In compliance with AB 52, the County initiated consultation with the Kizh Nation Tribe on June 14, 2017, by formal letter. Consultation with the Kizh Nation Tribe concluded on October 26, 2017, upon an agreement being reached on the appropriate mitigation measure. The County and Kizh Nation Tribe agreed that recommended mitigation measure TCR-1 Tribal

Cultural Resources, as incorporated into the Mitigation Monitoring and Reporting Program, would reduce the Project's potential impacts to tribal cultural resources to less than significant.

All identified significant environmental effects of the Project can be avoided or reduced to a level of insignificance through the implementation of the mitigation measures identified in the Final EIR except for the following significant and unavoidable impacts: 1) air quality (temporary construction daily emissions and temporary construction emissions for overlapping construction and operation phases); 2) noise (temporary construction noise); and 3) transportation (seven intersections at build out and occupancy and cumulative temporary construction traffic). As stated in the Final EIR and the attached Environmental Findings of Fact and Statement of Overriding Consideration, despite the above listed significant and unavoidable impacts the Project will result in significant contributions to the community that outweigh the significant and unavoidable impacts. Those benefits include the elimination of blight through the redevelopment of underutilized County sites, job creation and retention, provision of affordable housing (deed-restricted senior affordable housing), provision of needed market rate housing, inclusion of a community recreation center, and street activation through street facing retail that not only supports the developments on Sites 1 and 2, but the Vermont Corridor community and those using the Metro station at nearby Wilshire and Vermont. A mitigation monitoring program is attached which is adequately designed to ensure compliance with the mitigation measures during Project implementation.

The location of the documents and other materials constituting the record of the proceedings upon which your Board decision is based in this matter is located at the Community Development Commission of the County of Los Angeles, 700 W. Main Street, Alhambra, CA 91801.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The development phase for Site 1 is anticipated to span 38 months, however, during construction of the new Vermont Corridor County Administration Building, current DMH and WDACS services will not be interrupted, as the departments will remain in their current administrative buildings until completion of the new building. At month 20 of the project, the parking podium is scheduled to be completed and receive a temporary certificate of occupancy, at which point DMH and WDACS employees parking in the structure will begin to use the podium parking to make way for construction on the new parking structure at 523 Shatto Place.

CONCLUSION

Upon Board approval of the Vermont Corridor Project, building permits will be obtained and construction will commence on Site 1.

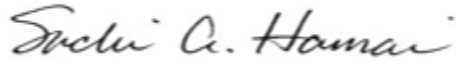
Please return one adopted copy of this Board letter to the CEO, Capital Programs Division, and one adopted copy to the Commission.

The Honorable Board of Supervisors

5/22/2018

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Respectfully submitted,



SACHI A. HAMAI
Chief Executive Officer



MONIQUE KING-VIEHLAND
Executive Director

SAH:MKV:JJ:DPH
BMB:AMA:PB:zu

c: Executive Office, Board of Supervisors
Auditor-Controller
County Counsel
Mental Health
Treasurer and Tax Collector
Workforce Development, Aging and Community
Services
Public Works

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES AUTHORIZING THE EXECUTION AND DELIVERY BY THE COUNTY OF A BOND PURCHASE AGREEMENT AND A CONTINUING DISCLOSURE CERTIFICATE IN CONNECTION WITH THE ISSUANCE AND SALE BY LOS ANGELES COUNTY FACILITIES INC. OF LOS ANGELES COUNTY FACILITIES INC. LEASE REVENUE BONDS, SERIES 2018, APPROVING THE ISSUANCE OF SUCH BONDS IN AN AGGREGATE AMOUNT NOT TO EXCEED \$350,000,000, AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL STATEMENT IN CONNECTION THEREWITH AND AUTHORIZING THE EXECUTION OF NECESSARY SECURITY DOCUMENTS AND OTHER DOCUMENTS AND CERTIFICATES AND RELATED ACTIONS

WHEREAS, pursuant to Internal Revenue Service Revenue Ruling 63-20, as amended and updated by Internal Revenue Service Revenue Procedure 82-26 (the "Revenue Procedure"), bonds issued by a nonprofit corporation organized under the laws of the state of California (the "State") in order to finance facilities in the State may qualify as tax-exempt obligations upon compliance with the requirements set forth in the Revenue Procedure; and

WHEREAS, the County of Los Angeles (the "County") is the owner of certain real property within the County, in the City of Los Angeles, the street addresses of which are 510, 526 and 532 South Vermont Avenue and 523 Shatto Place (collectively, the "Land"); and

WHEREAS, Los Angeles County Facilities Inc. (LACF) is a California nonprofit public benefit corporation formed for the purposes of (i) assisting in the erection and maintenance of public buildings, monuments, facilities, housing, or works, (ii) combatting community deterioration and carrying out neighborhood revitalization and community economic development by receiving and administering funds exclusively for educational and charitable purposes, (iii) promoting social welfare and education through cooperative programs with governmental entities, (iv) undertaking activities which lessen the burdens of government, and (v) carrying on other charitable activities associated with the foregoing purposes as allowed by law; and

WHEREAS, LACF's powers include entering into lease agreements and issuing bonds consistent with such purposes on behalf of the County; and

WHEREAS, in accordance with Article 9 (commencing with Section 54240) of Chapter 5 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Government Code") authorizing public leasebacks, the County desires to lease the Land to LACF pursuant to a Ground Lease Agreement, by and between the County and LACF (the "Ground Lease"), in order for LACF to design, develop, permit, and construct improvements and install furniture, fixtures and equipment on the Land consisting of (i) a new office building with (A) approximately 468,000 gross square feet of Class A office space with ground floor retail space and public serving uses, and (B) approximately 965 structured parking spaces, and (ii) a separate 10-story garage structure containing approximately 768 parking spaces, all to serve as the headquarters and office space for the County's Department of Mental Health, office space for the County's

Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff (collectively, the “Project”); and

WHEREAS, the County will sublease the Land, the Project and such other improvements as may be located on the Land from time to time (collectively, the “Premises”) back from LACF pursuant to a Facilities Lease Agreement, between LACF, as sublandlord, and the County, as subtenant (the “Facilities Lease”); and

WHEREAS, LACF, as sublandlord, will engage TC LA Development, Inc., as developer (the “Developer”) to develop, oversee and manage the design, permitting and construction phases of the Project in accordance with the terms and conditions of a Development Agreement, by and between LACF and the Developer (the “Development Agreement”), for a fixed price as provided in the Facilities Lease, all of which shall be subject to the subtenant’s concurrence as provided in the Facilities Lease; and

WHEREAS, the Project is necessary to meet the County’s requirements to provide for the mental health and social services needs of its citizens; and

WHEREAS, the County does not wish to undertake the governmental burden associated with the development of the Project, and has determined that the proposal by LACF is the most efficient means for achieving the Project and to relieve the County of the governmental burden thereof; and

WHEREAS, in accordance with Government Code Section 54241, the County shall ordain the approval of the Ground Lease and Facilities Lease; and

WHEREAS, in order to provide the funds necessary to finance the Project, LACF desires to provide for the issuance, on a tax-exempt and/or taxable basis, of Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018 (Vermont Corridor County Administration Building) (the “Series 2018 Bonds”), in one or more series or subseries, with such additional or other series or subseries designations as may be approved by LACF, in an aggregate principal amount not to exceed \$350,000,000, pursuant to an Indenture (the “Indenture”), by and between LACF and U.S. Bank National Association, as trustee (the “Trustee”), payable from the base rent to be made by the County pursuant to the Facilities Lease and the other assets pledged therefor under the Indenture; and

WHEREAS, for the purposes of issuing the Series 2018 Bonds pursuant to the Indenture, the County and LACF desire to expressly subordinate the Facilities Lease to the first lien of the Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing (the “Deed of Trust”), to be executed by LACF encumbering the Premises, by executing the Subordination, Non-Disturbance and Attornment Agreement (the “Subordination Agreement”), by and among the County, LACF and the Trustee, it being a condition precedent to the issuance of the Series 2018 Bonds pursuant to the Indenture, that the lien of the Deed of Trust be unconditionally and at all times prior and superior to the leasehold interest and estates created by the Facilities Lease; and

WHEREAS, LACF and the Trustee would not execute the Indenture and LACF would not issue the Series 2018 Bonds or enter into the Ground Lease, the Facilities Lease, or the

Development Agreement, except upon the express condition that the County: (i) confirm the status of the Ground Lease, (ii) confirm any and all approvals to the financing plan contemplated by the execution of the Indenture, the issuance of the Series 2018 Bonds, the execution of the Ground Lease, the Facilities Lease, and the Development Agreement and all documents and instruments executed in connection therewith, including, without limitation, the Deed of Trust, (iii) obtain the agreement of the County to recognize and agree not to disturb the rights of the Trustee under the Deed of Trust, and (iv) confirm certain matters with respect to the Ground Lease and Facilities Lease, all as set forth in the Ground Lessor Consent, Estoppel, Recognition and Non-Disturbance Agreement (“the Ground Lessor Consent”) by and among the County, LACF, and the Trustee; and

WHEREAS, LACF and the County further desire to set forth the terms under which (i) LACF will receive its issuer fee, and (ii) Public Facilities Group, a Washington nonprofit corporation (“PFG”), as the sole member of LACF, may be replaced, all as set forth in the Issuer Fee and Governance Agreement (the “Issuer Fee and Governance Agreement”), by and among the County, LACF and PFG; and

WHEREAS, pursuant to Government Code Section 5808, before selling any of the Series 2018 Bonds, LACF shall advertise the Series 2018 Bonds for sale at public sale and shall invite sealed bids therefor by publication of a notice once at least 10 days before the date of such public sale in a newspaper of general circulation circulated within the boundaries of the County; and

WHEREAS, if one or more satisfactory bids are received pursuant to such notice, the Series 2018 Bonds shall be awarded to the highest responsible bidder; and

WHEREAS, if no bids are received or if LACF determines that the bids received are not satisfactory as to price or responsibility of the bidders, LACF may reject all bids received, if any, and either re-advertise or sell the Series 2018 Bonds at private sale; and

WHEREAS, in the event that no bids are received at the public sale or LACF determines that the bids received are not satisfactory as to price or responsibility of the bidders as provided in Government Code Section 5808, Barclays Capital Inc., as underwriter (the “Underwriter”), has submitted to LACF and the County a proposal to purchase the Series 2018 Bonds at a private sale in the form of a Bond Purchase Agreement (the “Bond Purchase Agreement”); and

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”) requires that, in order to be able to purchase or sell the Series 2018 Bonds, the underwriter thereof must have reasonably determined that the County and LACF have undertaken in a written agreement or contract for the benefit of the holders of the Series 2018 Bonds to provide disclosure of certain financial information and certain enumerated events on an ongoing basis; and

WHEREAS, in order to cause such disclosure requirement to be satisfied, (i) the County desires to execute a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) and (ii) LACF shall undertake certain obligations contained in the Indenture; and

WHEREAS, a form of the Preliminary Official Statement (the “Preliminary Official Statement”) to be distributed in connection with a potential public offering of the Series 2018 Bonds has been prepared; and

WHEREAS, the Board of Supervisors of the County (the “Board of Supervisors”) has been presented with the form of each document referred to herein relating to the actions contemplated hereby, and the Board of Supervisors has examined and approved each document and desires to authorize and direct the execution of such documents and the consummation of such actions; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the actions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the County is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such actions for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES, DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. All of the recitals herein contained are true and correct and the Board of Supervisors so finds.

Section 2. The Project, the purposes and activities of LACF with respect to the Project and the issuance by it of the Series 2018 Bonds, in one or more series and on a tax-exempt and/or taxable basis, to finance the Project under the Revenue Procedure are hereby approved.

Section 3. Pursuant to the Revenue Procedure, the County will accept title to the Premises, including any additions to the Premises as a result of the Project, when the Series 2018 Bonds to be issued by LACF are discharged.

Section 4. In the event that no bids are received at the public sale or LACF determines that the bids received are not satisfactory as to price or responsibility of the bidders as provided in Government Code Section 5808, the form of the Bond Purchase Agreement, submitted to and on file with the Acting Executive Officer-Clerk of the Board of Supervisors, is hereby approved, and the Chair of the Board of Supervisors, and such other member of the Board of Supervisors as the Chair may designate, the Treasurer and Tax Collector of the County, the Chief Executive Officer of the County or any other person or persons designated by the Treasurer and Tax Collector of the County or the Chief Executive Officer of the County (collectively, the “Authorized Officers”), are each hereby authorized and directed, for and in the name and on behalf of the County, to execute and deliver the Bond Purchase Agreement in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the underwriter’s discount for the sale of the Series 2018 Bonds shall not exceed 1.00% of the aggregate principal amount of the Series 2018 Bonds.

Section 5. The form of the Subordination Agreement, submitted to and on file with the Acting Executive Officer-Clerk of the Board of Supervisors, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the County, to execute and deliver the Subordination Agreement in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The form of the Ground Lessor Consent, submitted to and on file with the Acting Executive Officer-Clerk of the Board of Supervisors, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the County, to execute and deliver the Ground Lessor Consent in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The form of the Issuer Fee and Governance Agreement, submitted to and on file with the Acting Executive Officer-Clerk of the Board of Supervisors, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the County, to execute and deliver the Issuer Fee and Governance Agreement in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. The form of Continuing Disclosure Certificate, submitted to and on file with the Acting Executive Officer-Clerk of the Board of Supervisors, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the County, to execute and deliver the Continuing Disclosure Certificate in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 9. The form of Preliminary Official Statement, submitted to and on file with the Acting Executive Officer-Clerk of the Board of Supervisors, with such changes therein as may be approved by an Authorized Officer, is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Series 2018 Bonds is hereby authorized and approved. The Authorized Officers are each hereby authorized to certify on behalf of the County that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12).

Section 10. The preparation and delivery of an Official Statement, and its use by the Underwriter in connection with the offering and sale of the Series 2018 Bonds, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by an Authorized Officer.

Section 11. The Authorized Officers are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to

consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution.

Section 12. All actions heretofore taken by the officers, employees and agents of the County with respect to the transactions set forth above are hereby approved, confirmed and ratified.

The foregoing Resolution was on the ____ day of _____, 2018, adopted by the Board of Supervisors of the County of Los Angeles and *ex officio* the governing body of all other special assessment and taxing districts, agencies and authorities for which the Board so acts.

CELIA ZAVALA, Acting Executive Officer-Clerk of the Board of Supervisors of the County of Los Angeles

By: _____
Deputy

APPROVED AS TO FORM:

MARY C. WICKHAM
County Counsel

By:  _____
Deputy County Counsel

LOS ANGELES COUNTY FACILITIES INC.

[\$2018A Par Amount] Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt)	[\$2018B Par Amount] Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable)
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BOND PURCHASE AGREEMENT

July __, 2018

Los Angeles County Facilities Inc.
c/o Public Facilities Group
1414 Fourth Avenue
Seattle, Washington 98101

Board of Supervisors
County of Los Angeles, California
Los Angeles, California

Ladies and Gentlemen:

The undersigned, Barclays Capital Inc., as underwriter (the “Underwriter”), offers to enter into this Bond Purchase Agreement (the “Purchase Agreement”) with Los Angeles County Facilities Inc. (the “Issuer”), a California nonprofit public benefit corporation, and the County of Los Angeles (the “County”), a political subdivision of the State of California (the “State”), which, upon acceptance of this offer by the Issuer and the County, will be binding upon the Issuer, the County and the Underwriter. This offer is made subject to written acceptance hereof by the Issuer at or before 5:00 p.m., Pacific Time, on the date hereof, unless extended by agreement of the parties.

Exhibits A through I are attached to this Purchase Agreement and, by this reference, are made a part hereof. Capitalized terms used and not otherwise defined herein are defined in the Indenture of Trust (the “Indenture”) dated as of July 1, 2018, between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”).

1. PURCHASE AND SALE. The Los Angeles County Facilities Inc., Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt) (the “Series 2018A Bonds”) and Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable) (the “Series 2018B Bonds” and, together with the Series 2018A Bonds, the “Bonds”) are to be issued by the Issuer on behalf of the County pursuant to Revenue Ruling 63-20 of the U.S. Treasury, as amended and updated by Revenue Procedure 82-26 of the U.S. Treasury (the “Ruling”), shall be dated as of the date of

delivery to the Underwriter, and shall mature and be subject to redemption on the dates, at the redemption prices and in the principal amounts, shall bear interest payable on the dates and at the interest rates per annum, and shall be initially offered to the public at the prices or yields, all as set forth in Exhibit A. Subject to the terms and conditions and in reliance on the representations, warranties, covenants and agreements set forth herein, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriter, all (but not less than all) of (a) the Series 2018A Bonds, at a purchase price of \$ _____, representing the \$[2018A Par Amount] par amount of the Series 2018A Bonds, [plus][less] [net] [premium][discount] of \$ _____, less Underwriter's discount of \$ _____ and (b) the Series 2018B Bonds, at a purchase price of \$ _____, representing the \$[2018B Par Amount] par amount of the Series 2018B Bonds, [plus][less] [net] [premium][discount] of \$ _____, less Underwriter's discount of \$ _____.

2. THE BONDS. The Issuer's Board of Directors (the "Board") adopted a resolution approving the issuance of the Bonds and the entrance into the Ground Lease, the Facilities Lease (each as defined below), and the Indenture on _____, 2018 (collectively the "Issuer Authorization"). The Board of Supervisors of the County adopted a resolution approving, among other things, the issuance of the Bonds and an Ordinance approving the entrance into the Ground Lease and the Facilities Lease on _____, 2018 (collectively the "County Authorization"). The Bonds are to be issued pursuant to the Issuer Authorization and the Indenture in substantially the form heretofore delivered to the Underwriter. The Bonds shall be as described in the Preliminary Official Statement dated June __, 2018, relating to the Bonds (together with any appendices thereto, any documents incorporated therein by reference and any supplements or amendments thereto being herein called the "Preliminary Official Statement") and in Exhibit A hereto.

The proceeds of the Bonds will be used to (a) finance or refinance costs of: designing, developing, permitting, and constructing improvements and installing furniture, fixtures and equipment for (i) a new office building including approximately (A) 467,758 gross square feet of Class A office space, (B) approximately 3,863 gross square feet of quick service retail, (C) 3,597 gross square feet of ground floor clinic space, (D) 936 structured parking spaces, and (ii) a separate 10-story garage structure containing approximately 800 parking spaces, all to serve as the headquarters, offices and clinic space for the County's Department of Mental Health, office space for the County's Department of Workforce Development, Aging and Community Services, and other County departments, divisions or staff (collectively, the "Project"), to be located on a site (currently consisting of 510, 526 and 532 South Vermont Avenue and 523 Shatto Place) owned by the County in the City of Los Angeles, California (the "Land"); (b) capitalize interest on the Bonds, and (c) pay costs of issuance of the Bonds. The Project is being constructed pursuant to a Development Agreement between the Issuer and TC LA Development, Inc., a Delaware corporation (the "Developer"), dated as of _____, 2018 (the "Development Agreement"). The Land is owned by the County and the County will lease the Land to the Issuer

pursuant to the Ground Lease Agreement between the County and the Issuer, dated as of July 1, 2018 (the “Ground Lease”). The Issuer will lease the Land, the Project and such other improvements as may be located on the Land from time to time (collectively, the “Premises”) to the County pursuant to a Facilities Lease Agreement between the Issuer, as landlord, and the County, as tenant, dated as of July 1, 2018 (the “Facilities Lease”).

3. OFFICIAL STATEMENT

3.1 Official Statement. Upon the Issuer’s and the County’s acceptance of this offer, the Issuer and the County shall be deemed to have ratified, approved and confirmed the Preliminary Official Statement with respect to the Bonds, in connection with the public offering and sale of the Bonds by the Underwriter. The Issuer shall deliver the final Official Statement to the Underwriter (a) in “designated electronic format” (as defined in Rule G-32 of the Municipal Securities Rulemaking Board (the “MSRB”)) and (b) in printed form in such quantities as the Underwriter shall reasonably request, dated the date hereof, substantially in the form of the Preliminary Official Statement, with only such changes as shall have been accepted by the Underwriter (said document, including its cover page, inside cover page and appendices, as the same may be amended and supplemented in accordance with this Purchase Agreement and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the “Official Statement”), approved for distribution pursuant to the Issuer Authorization and the County Authorization. The Issuer shall, as soon as practicable, but not later than seven (7) business days from the date hereof, deliver to the Underwriter such copies of the Official Statement and, in the event the date of Closing (as defined in Section 7 below) is less than seven (7) business days after the date hereof, upon request of the Underwriter, in sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter and not later than three (3) business days prior to Closing; provided, however, that the failure of the Issuer to comply with this requirement due to any circumstance outside of the control of the Issuer shall not constitute cause for a failure of or refusal by the Underwriter to accept delivery of, or pay for, the Bonds. The Issuer has previously delivered to the Underwriter the Preliminary Official Statement. The Issuer represents and warrants that the Preliminary Official Statement has been deemed final by the Issuer, for purposes of paragraph (b)(1) of Rule 15c2-12 (“Rule 15c2-12”) under the Securities Exchange Act of 1934, as amended, except for the omission of no more than offering prices, interest rates, Underwriter’s discount, aggregate principal amount and principal amounts per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters. The Issuer hereby ratifies, approves and confirms the distribution and use of the Preliminary Official Statement by the Underwriter in connection with the public offering and sale of the Bonds prior to the availability of the Official Statement.

3.2 Amendments or Supplements. Between the date of this Purchase Agreement and 25 days following the “end of the underwriting period” (as defined in Rule 15c2-

12), if any event occurs or any pre-existing fact becomes known that might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or if any event relating to or affecting the correctness or completeness of any statement contained in the Official Statement occurs, then the Issuer (to the extent of its knowledge) and the County (to the extent of its knowledge) will promptly notify the Underwriter, and the Issuer or the County, as applicable, of the circumstances and details of such event or fact. If, in the opinion of the Underwriter, such event should be set forth or reflected in an amendment of or supplement to the Official Statement to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to the Underwriter, then the Issuer will, with the cooperation of the County to the extent applicable but at the sole expense of the Issuer, forthwith prepare and furnish to the Underwriter a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter, the Issuer and the County) that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances existing at the time the Official Statement is delivered to the Underwriter, not misleading. Unless otherwise notified in writing by the Underwriter, the Issuer and County shall assume that the “end of the underwriting period” for purposes of Rule 15c2-12 shall be the date of the Closing. In the event such notice is so given in writing by the Underwriter, the Underwriter agrees to notify the Issuer and the County in writing following the occurrence of the end of the underwriting period.

3.3 Submission to the MSRB. The Issuer authorizes the Underwriter, and the Underwriter agrees, to submit one copy of the Official Statement to the MSRB in its Electronic Municipal Market Access System not later than seven (7) business days after the date of the Official Statement. The Underwriter shall fulfill all other responsibilities imposed upon Underwriter by Rule 15c2-12.

4. PUBLIC OFFERING. It shall be a condition to the Issuer’s obligations to sell and to deliver the Bonds to the Underwriter and to the Underwriter’s obligation to purchase, to accept delivery of and to pay for the Bonds that the entire principal amount of the Bonds shall be issued, sold and delivered by the Issuer and purchased, accepted and paid for at Closing. The Underwriter agrees to make a bona fide public offering of all the Bonds at a price which does not exceed the initial public offering prices or the yields as set forth on the inside cover page of the Official Statement. Subject to Section 11 hereof, subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as the Underwriter deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates as set forth on the inside cover page of the Official Statement. The Bonds may be offered and sold to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than such initial public offering prices. The County and the

Issuer hereby authorize the use by the Underwriter of this Purchase Agreement, the Indenture, the Development Agreement, the Ground Lease, the Facilities Lease, the Issuer Authorization, the County Authorization, the County Undertaking (as defined in Section 6.1 below) and the Official Statement, and any supplements or amendments thereto, and the information contained in each of such documents, in connection with the public offering and sale of the Bonds.

5. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF ISSUER.

The Issuer represents and warrants to the Underwriter and the County as of the date hereof, and will represent and warrant to the Underwriter and the County as of the date of Closing, that:

5.1 The Issuer is a nonprofit public benefit corporation duly and validly created and is validly existing under the laws of the State of California.

5.2 The Issuer has full legal right, power and authority to finance, own and lease the Project and full legal right, power and authority to act on behalf of the County for purposes of the Ruling as described in the Preliminary Official Statement and the Official Statement.

5.3 The Issuer has full legal right, power and authority to (a) adopt the Issuer Authorization, (b) enter into this Purchase Agreement, the Ground Lease, the Facilities Lease, the Development Agreement, the Indenture, the Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated as of July 1, 2018, by the Issuer as grantor, to _____ as deed of trust trustee, for the benefit of the Trustee as beneficiary (the “Deed of Trust”), the Assignment of Leases and Cash Collateral dated as of July 1, 2018, from the Issuer to the Trustee (the “Assignment of Leases”), the Unsecured Environmental Indemnity Agreement dated as of July 1, 2018, from the Issuer to the Trustee (the “Environmental Indemnity Agreement”), the Subordination, Non-Disturbance and Attornment Agreement dated as of July 1, 2018, among the Issuer, the County and the Trustee (the “SNDA”), the Ground Lessor Consent, Estoppel, Recognition and Non-Disturbance Agreement dated as of July 1, 2018, among the Issuer, the County and the Trustee (the “Recognition Agreement”), the Assignment of Construction Documents dated as of July 1, 2018, from the Issuer to the Trustee (the “Assignment of Construction Documents”), and all other documents executed, delivered and to be delivered by the Issuer to which it is or will be a party in connection with the requirements of this Purchase Agreement and the Indenture (collectively, the “Issuer Documents”), (c) carry out and consummate the transactions contemplated by the Issuer Authorization, the Issuer Documents and the Preliminary Official Statement, and (d) issue, sell and deliver the Bonds to the Underwriter as provided herein.

5.4 By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Issuer Authorization and the issuance and sale of the Bonds, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part

contained in, the Bonds and the Issuer Documents, (iii) the approval, distribution and use of the Preliminary Official Statement and the approval, execution, distribution and use of the Official Statement for use by the Underwriter in connection with the public offering of the Bonds, and (iv) the consummation by it of all other transactions described in the Official Statement, the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered or received by the Issuer in order to carry out, give effect to, and consummate the transactions described herein and in the Official Statement.

5.5 This Purchase Agreement has been duly authorized, executed and delivered by the Issuer, and constitutes a legal, valid and binding obligation of the Issuer, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights.

5.6 The other Issuer Documents, when duly executed and delivered, will constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights.

5.7 The execution and delivery of the Bonds and the Issuer Documents and the adoption of the Issuer Authorization and compliance with the provisions on the Issuer's part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or to which any of its property or assets are otherwise subject nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer to be pledged to secure the Bonds or under the terms of any such law, regulation or instrument, except as provided by the Bonds, the Indenture and the other Issuer Documents.

5.8 The Bonds, when issued, delivered and paid for, in accordance with the Issuer Authorization, the Indenture and this Purchase Agreement, will have been duly authorized, executed, issued and delivered by the Issuer and will constitute the valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights.

5.9 Upon the issuance, authentication and delivery of the Bonds as aforesaid, the Indenture will provide, for the benefit of the holders from time to time of the Bonds, the legally valid and binding pledge of and lien on the Trust Estate as defined and pledged to such Bonds under the Indenture, and as provided in and contemplated by the Indenture.

5.10 The Preliminary Official Statement (except for information relating to and provided by the County and the Depository Trust Company as to which the Issuer makes no representation), as of its date and as of the date of this Purchase Agreement, did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

5.11 The Issuer has deemed final as of its date the Preliminary Official Statement for purposes of Rule 15c2-12, except for the omission of no more than offering prices, interest rates, Underwriter's discount, aggregate principal amount and principal amounts per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters.

5.12 The Bonds and the Indenture conform to the descriptions thereof contained in the Preliminary Official Statement and the Official Statement under the captions "THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "APPENDIX C – Forms of Principal Legal Documents," and the proceeds of the sale of the Bonds will be applied generally as described in the Preliminary Official Statement and the Official Statement under the captions "INTRODUCTION—General" (second paragraph), "THE PROJECT" and "ESTIMATED SOURCES AND USES."

5.13 The Issuer has the legal authority to apply and will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Indenture, including for payment or reimbursement of expenses incurred in connection with the negotiation, marketing, issuance and delivery of the Bonds to the extent required by Section 10.1 of this Purchase Agreement, and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2018A Bonds.

5.14 At the time of the Issuer's acceptance hereof and (unless the Official Statement is amended or supplemented in accordance with this Purchase Agreement) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement (except for information relating to and provided by the County and the Depository Trust Company as to which the Issuer makes no representation) does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

5.15 If the Official Statement is supplemented or amended in accordance with this Purchase Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto and until the end of the underwriting period as defined in Section 3.2, the Official Statement, as so supplemented or amended (except for information relating to and

provided by the County and the Depository Trust Company as to which the Issuer makes no representation), will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

5.16 Prior to the Closing, the Issuer will not take any action within or under its control that will cause any adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the Issuer.

5.17 The Issuer is not in breach of or default under any applicable constitutional provision, law or administrative regulation of the State or the United States relating to the issuance of the Bonds or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer or any of its property or assets is otherwise subject, and no event which would have a material and adverse effect upon the financial condition of the Issuer has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Issuer under any of the foregoing.

5.18 Except to the extent disclosed in the Preliminary Official Statement and the Official Statement, there is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the best knowledge of the Issuer, threatened against the Issuer: (i) affecting the existence of the Issuer or the titles of its officers to their respective offices, (ii) affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds, (iii) in any way contesting or affecting the validity or enforceability of the Bonds or the Issuer Documents, (iv) contesting the exclusion from gross income of interest on the Series 2018A Bonds for federal income tax purposes, (v) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or (vi) contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Issuer Authorization or the execution and delivery of the Issuer Documents, nor, to the best knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or the Issuer Documents.

5.19 Except as provided in the Preliminary Official Statement and the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the approval or adoption, as applicable, of the Issuer Documents, the issuance of the Bonds or the due performance by the Issuer of its obligations under the Issuer Documents, and the Bonds, have been duly obtained,

except for such approvals, consents and orders as may be required under the blue sky or other securities laws of any state in connection with the offering and sale of the Bonds and except for certain construction permits, certificates of occupancy and similar approvals which the Issuer expects to obtain in due course.

5.20 The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Underwriter, at no expense to the Issuer, as the Underwriter may reasonably request (A) to (y) qualify the Bonds for offer and sale under the blue sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (z) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (B) to continue such qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriter immediately of receipt by the Issuer of any written notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

5.21 The Issuer will not, prior to the Closing, offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, except in the ordinary course of business, without the prior approval of the Underwriter.

5.22 The Issuer has not failed during the previous five years to comply with any previous undertakings in a written continuing disclosure contract or agreement under Rule 15c2-12; the undertaking in connection with the Bonds is the Issuer's first written continuing disclosure contract or agreement under Rule 15c2-12.

5.23 Any certificate signed and delivered to the Underwriter by any official of the Issuer authorized to do so in connection with the transactions described in this Purchase Agreement shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

6. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF THE COUNTY. The County represents and warrants to the Underwriter and to the Issuer as of the date hereof, and will represent and warrant to the Underwriter and the Issuer as of the date of Closing, as follows:

6.1 The County is, and will be on the date of Closing, a political subdivision of the State organized and operating pursuant to the Constitution and laws of the State with the full legal right, power and authority to (a) adopt the County Authorization, (b) enter into the Ground Lease, the Facilities Lease, the SNDA, the Recognition Agreement, the Continuing Disclosure Certificate of the County in the form set forth at Appendix E-2 to the Preliminary

Official Statement (the “County Undertaking”), and this Purchase Agreement (collectively the “County Documents”), (c) own its properties and carry on its business as presently conducted, (d) lease the Land, as landlord, to the Issuer pursuant to the Ground Lease and lease the Premises from the Issuer pursuant to the Facilities Lease, (e) deliver at the Closing the Certificate of County attached as Exhibit B hereto and the Certificate of the County with respect to certain tax matters required by this Purchase Agreement and (f) carry out and consummate the transactions contemplated by the County Authorization, the County Documents, the Preliminary Official Statement and the Official Statement.

6.2 By official action of the County, prior to or concurrently with the acceptance hereof, the County has duly authorized and approved the execution and delivery of, and the performance by the County of the obligations on its part contained in, the County Documents to be executed by it and the consummation by it of all other transactions contemplated by the County Documents.

6.3 This Purchase Agreement has been, as of the date hereof, and the other County Documents will have been, as of the date of Closing, duly authorized, executed and delivered by the County and constitute, or will constitute, legal, valid and binding agreements of the County, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors’ rights generally and by the application of equitable principles if equitable remedies are sought.

6.4 To the best knowledge of the County, the execution and delivery of the County Documents and the adoption of the County Authorization by the County and compliance with the provisions on the County’s part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or to which the County is or to which any of its property or assets are otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the County or under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the County Documents to be executed by the County.

6.5 To the best knowledge of the County, the County is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or is otherwise subject, which breach or default would materially adversely affect the County’s ability to enter into or perform its obligations under the

County Documents to be executed by it, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a breach or default.

6.6 To the best knowledge of the County, and except as disclosed in the Preliminary Official Statement and in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending in which service of process has been completed against the County or threatened against the County in any material respect affecting the existence of the County or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the adoption of the County Authorization or the payment of Rent as required under the Facilities Lease or in any way contesting or affecting the validity or enforceability of the County Documents or contesting the powers of the County or its authority to enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the information relating to and provided by the County in the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the County Documents to be executed by the County or this Purchase Agreement or that could have a material adverse impact upon the ability of the County to enter into or perform its obligations under such documents or that may result in any material adverse change in the business, properties, assets or the financial condition of the County or in any way contesting the existence or powers of the County.

6.7 The information relating to and provided by the County contained in the Preliminary Official Statement was, as of the date thereof, and is, as of the date hereof (excluding any information permitted to be omitted pursuant to Rule 15c2-12), and the information of or pertaining to the County contained in the Official Statement will be, as of the date of Closing, true and correct in all material respects and such information did not, does not and will not, as applicable, contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

6.8 If the information relating to and provided by the County in the Official Statement is amended or supplemented in accordance with this Purchase Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such Section) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the County will further amend or supplement the Official Statement so that the Official Statement, as supplemented or amended (including any financial and statistical data contained therein), will not contain any untrue statement of a material fact or omit to state a material fact relating to and provided by the County in necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

6.9 Other than those which have heretofore been disclosed to the Underwriter in writing and except as may be required under blue sky or other securities laws of any state, no consent, approval, authorization or order of any State court or governmental body is required for the consummation by the County of the transactions contemplated by the Official Statement, except such as have been obtained and except such as may be required under state securities or blue sky laws in connection with the purchase and distribution of the Bonds by the Underwriter.

6.10 After the date of Closing, the County will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter shall reasonably object in writing or which shall be disapproved by counsel for the Underwriter.

6.11 The County has not within the last five years failed to comply in any material respect with any continuing disclosure undertakings with regard to Rule 15c2-12, to provide annual reports or notices of enumerated events specified in such rule.

6.12 The financial statements of, and other financial information regarding, the County contained in the Preliminary Official Statement and in the Official Statement fairly present the financial position and results of the operations of the County as of the dates and for the periods therein set forth, and, to the best of the County's knowledge, (i) the audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied, and (ii) the other financial information has been determined on a basis substantially consistent with that of the County's audited financial statements included in the Preliminary Official Statement and in the Official Statement.

6.13 Any certificate signed by an authorized County representative and delivered to the Underwriter pursuant to this Purchase Agreement shall be deemed a representation and warranty by the County to the Underwriter as to the truth of the statements therein made.

6.14 [The exceptions set forth in the preliminary title report with respect to the Land, subject to permitted encumbrances, do not, and the exceptions set forth in the policy or policies of title insurance will not, materially impair the value of the Land, the existing facilities thereon or the sites thereof, nor materially impair the County's enjoyment of the same for any purposes for which they are, or may reasonably be expected to be, used].

7. THE CLOSING. At 8:00 a.m., Pacific Time, on July __, 2018, or at such other time or on such other date as may be mutually agreed upon by the Issuer and the Underwriter, the Issuer shall, subject to the terms and conditions hereof, (a) deliver or cause to be delivered to the Trustee to be held by the Trustee on behalf of The Depository Trust Company ("DTC"), for credit to the account of the Underwriter, the Bonds in definitive form duly executed by the Issuer and authenticated by the Trustee, and (b) deliver or cause to be delivered to the Underwriter the other

documents and instruments to be delivered at the Closing pursuant to Section 8.6 of this Purchase Agreement (the “Closing Documents”). At the same time and place, and subject to the terms and conditions hereof, the Underwriter shall accept such delivery of and pay the purchase price for the Bonds as set forth in Section 1 hereof and Exhibit A hereto by wire transfers in immediately available funds to the Trustee. Such delivery and payment is herein referred to as the “Closing.”

Delivery of the Closing Documents and payment for the delivery of the Bonds shall be made at the Los Angeles, CA office of Orrick, Herrington & Sutcliffe LLP or at such other location as is agreeable to the Issuer, the County, and the Underwriter.

The Bonds shall be in definitive form, shall be registered in the Bond Register in the name of Cede & Co., the nominee of DTC, and shall be in authorized denominations. The Underwriter shall order CUSIP identification numbers, and the Issuer shall cause such CUSIP identification numbers to be typed or printed on the Bonds, but neither the failure to print or type such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Agreement.

8. CLOSING CONDITIONS. The Underwriter is entering into this Purchase Agreement (a) in reliance upon the representations, warranties and agreements of the Issuer contained herein, (b) in reliance upon the representations, warranties and agreements of the County contained herein, and (c) in reliance upon the representations, warranties and agreements of the Issuer and the County to be contained in the Closing Documents. Accordingly, the Underwriter’s obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Issuer and the County of the covenants and agreements to be performed hereunder and thereunder at or prior to the Closing and are also subject to the following conditions:

8.1 The representations and warranties of the Issuer contained in Section 5 hereof and the representations and warranties of the County contained in Section 6 shall be true, complete and correct in all respects on the date hereof and on the date of Closing as if made on the date of the Closing.

8.2 At the time of the Closing, all official action of the Issuer relating to the Indenture, the Bonds, the Ground Lease, the Facilities Lease, the Development Agreement, and this Purchase Agreement and all other Issuer Documents shall have been taken and such documents shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented since the date hereof except as shall have been agreed to in writing by the Underwriter.

8.3 At the time of the Closing, the Official Statement as delivered to the Underwriter in accordance with the terms of Section 3.1 hereof shall not have been

supplemented or amended without the consent of the Underwriter in compliance with that Section and no event or circumstance shall have occurred which, in the opinion of the Underwriter, would require such amendment or supplement, unless such supplement or amendment has been prepared and distributed with the consent of the Underwriter in accordance with this Purchase Agreement.

8.4 At the time of the Closing, there shall have been no material adverse change in the operations or financial condition of the Issuer or the County.

8.5 S&P shall have given the Bonds a rating of “___”.

8.6 At or prior to the Closing, the Underwriter shall have received each of the following documents:

(a) From the Issuer:

(1) A copy of the Articles of Incorporation and any amendments thereto of the Issuer and a certificate of status of the Issuer, each certified by the California Secretary of State and the Franchise Tax Board and dated no more than 10 days prior to the Closing;

(2) A copy of the Bylaws and any amendments thereto of the Issuer, certified by the Secretary of the Issuer;

(3) A copy of the resolutions or consent in lieu of meeting of the Board of the Issuer electing the current officers of the Issuer, certified by the Secretary of the Issuer;

(4) The Issuer Authorization, certified by the Secretary of the Issuer as of the date of the Closing, authorizing the Issuer to enter into the Issuer Documents and to issue the Bonds;

(5) Affidavits of publication of notice of bond sale in accordance with California Government Code §5808;

(6) Copy of report of proposed debt issuance to the California Debt and Investment Advisory Commission, together with acknowledgment of report;

(7) An executed copy of each of the following, each certified by the President or Vice President of the Issuer as of the date of the Closing (a) to be true, correct and complete copies of such documents, (b) to have been duly authorized, executed and delivered by the Issuer, and (c) not to have been

modified, amended, superseded or rescinded, and remaining in full force and effect, as of the date of the Closing:

- (i) the Facilities Lease and memorandum thereof;
- (ii) the Development Agreement;
- (iii) the Indenture;
- (iv) the Deed of Trust;
- (v) the Ground Lease and memorandum thereof;
- (vi) the Assignment of Leases;
- (vii) the Assignment of Construction Documents and other collateral assignment documents;
- (viii) the SNDA;
- (ix) the Environmental Indemnity Agreement;
- (x) the Recognition Agreement;
- (xi) the Blanket Issuer Letter of Representations between DTC and the Issuer;
- (xii) this Purchase Agreement;
- (xiii) all other Issuer Documents (to the extent requested by the Underwriter); and
- (xiv) two copies of the Official Statement and each supplement or amendment, if any, thereto, each executed by the Issuer.

(8) A certificate of the Issuer deeming final the Preliminary Official Statement as of its date, executed by the President or Vice President of the Issuer and dated as of that date;

(9) A certificate or certificates of the Issuer, dated the date of the Closing, executed by an authorized officer of the Issuer and satisfactory in form and substance to the Underwriter, to the effect that:

(i) Each of the representations and warranties of the Issuer set forth in Section 5 of this Purchase Agreement is true, accurate and complete as of the date of the Closing;

(ii) The Issuer has complied with all agreements and covenants and satisfied all conditions contemplated by the Issuer Authorization and the Issuer Documents on its part to be performed or satisfied at or prior to the date of Closing;

(iii) The information and statements in the Preliminary Official Statement as of its date and as of the date hereof and the Official Statement as of its date and the date of Closing (except for information relating to and provided by the County and the Depository Trust Company) did not and do not contain an untrue statement of a material fact or omit any statement of material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(10) A certificate of an authorized officer of the Issuer to the effect that the insurance required by the Indenture, the Ground Lease, the Facilities Lease and the Development Agreement is in force and effect;

(11) A certificate of the Issuer with respect to arbitration and tax matters in form and substance satisfactory to Bond Counsel;

(12) A copy of the completed information return of the Issuer (on Form 8038-G), executed by the Issuer, pursuant to the provisions of Section 149(e) of the Code, in connection with the issuance of the Series 2018A Bonds;

(13) A copy of the report of final Bond sale to the California Debt and Investment Advisory Commission; and

(14) [A copy of the pro forma ALTA extended coverage mortgagee's policy of title insurance insuring the first lien position of the Deed of Trust in Issuer's leasehold interest in the Land in an amount equal to the principal amount of the Bonds;]

(b) From the County:

(1) A copy of the ordinance authorizing a public leaseback to finance the costs of construction of the Project, certified as of the date of Closing to be a true and correct copy of that ordinance and in full force and effect;

- (2) Executed copies of each of the County Documents;
- (3) A certificate of the County in substantially the form attached to this Purchase Agreement as Exhibit B; and
- (4) A certificate of the County with respect to arbitrage and tax matters in form and substance satisfactory to Bond Counsel;

(c) From the Developer:

(1) A certificate or certificates of the Developer, executed by an authorized officer of the Developer and dated the date of Closing, to the effect that:

(i) the Developer is duly organized and existing under the laws of the State of Delaware and is qualified to transact business and is in good standing in the State of California and has full power and authority to enter into the Development Agreement and to carry out its obligations thereunder;

(ii) the Development Agreement has been duly authorized, executed and delivered by the Developer and constitutes a legal, valid and binding agreement of the Developer enforceable in accordance with its terms, except as the enforcement thereof may be affected by valid bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights or principles of equity;

(iii) the Developer is not in breach of or in default under any applicable law or administrative regulation or any applicable judgment or decree to which the Developer, any of its officers, or any of its properties is a party or is otherwise subject, which would have a material adverse effect upon the business or financial position of the Developer or the Project;

(iv) there is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or threatened against the Developer in which any judgment or order would have a material adverse effect upon the business (financial or otherwise) or assets thereof or affect its existence or authority to do business, the validity of the Development Agreement or the performance by the Developer of its obligations thereunder;

(v) the execution, delivery and performance by the Developer of its obligations under the Development Agreement and compliance by the Developer with the provisions thereof will not violate any provision of the Developer's organizational documents, existing federal law or law of the State of California, or any rule or regulation of any court or any public or governmental agency applicable to the Developer or the Project, and to the best of such counsel's knowledge after due inquiry, will not violate any judgment or order of any court or any public or governmental agency applicable to the Developer or the Project and will not conflict with, or result in any breach of any of the provisions of, or constitute a default under any material agreement or instrument to which the Developer is a party or by which the Developer or any of its properties is or may be bound;

(vi) the Developer has complied with all agreements and covenants and satisfied all conditions contemplated by the Development Agreement on its part to be performed or satisfied at or prior to the date of Closing; and

(vii) the information contained in the Preliminary Official Statement as of its date and as of the date hereof and the Official Statement as of its date and the date of the Closing pertaining to the Developer, the Development Agreement and the Project, including but not limited to that contained under the headings "INTRODUCTION – The Project" and "THE PROJECT," did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(2) A certificate of an authorized officer of the Developer that the insurance and payment and performance bonds required by the Development Agreement to be in effect as of the date of Closing are in full force and effect;

(d) From the Trustee:

A certificate of the Trustee, executed by an authorized officer of the Trustee and dated the date of Closing, to the effect that (a) the Trustee is a duly organized and validly existing national banking association under the laws of the United States of America, legally doing business in and duly qualified to exercise trust powers in the United States of America, eligible under the Indenture to act as trustee thereunder, and has full corporate right, power and authority to accept the trusts contemplated by and to perform all duties and obligations on its part to be

performed and to take all actions required or permitted on its part to be taken under and pursuant to the Indenture; (b) the Trustee has duly authorized the acceptance of the trusts contemplated by the Indenture, has duly accepted the duties and obligations of Trustee thereunder and has duly authorized, executed and delivered the Indenture, and the duties and obligations of the Trustee under the Indenture constitute valid, legal and binding obligations of the Trustee in accordance with the terms of the Indenture subject to customary qualifications and exceptions; (c) all approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, agency, board or commission having jurisdiction in the matter which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Trustee of its duties and obligations under the Indenture, have been obtained and are in full force and effect; (d) the acceptance of the duties and obligations of the Trustee under the Indenture, execution and delivery of the Indenture, and the performance or the consummation of the transactions on the part of the Trustee contemplated in the Indenture and the compliance by the Trustee with the terms, conditions and provisions of such document have been duly authorized by all necessary corporate action on the part of the Trustee and do not contravene any provision of applicable law or regulation or any order, decree, writ or injunction or the Trustee's articles of association or bylaws, and do not require consent under (except to the extent such consent has been obtained), or result in a breach of or default under, any material agreement or material instrument to which the Trustee is a party or is otherwise subject or bound; and (e) to the knowledge of the Trustee, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency or public board or body, pending or threatened, in any way contesting or affecting the creation, organization or existence of the Trustee or the authority of the Trustee to accept or perform the duties and obligations of the Trustee under the Indenture;

(e) Opinions as follows:

(1) Opinions of Hillis Clark Martin & Peterson P.S. and GlaserWeil, as counsel to the Issuer ("Issuer's Counsel"), dated the date of the Closing and addressed to the Issuer, the Trustee, the County, Orrick, Herrington & Sutcliffe LLP, and the Underwriter, in substantially the forms attached hereto as Exhibits C-1 and C-2;

(2) Opinions of the County Counsel and Loeb & Loeb, each dated the date of Closing and addressed to the Issuer, the Trustee, Orrick,

Herrington & Sutcliffe LLP, and the Underwriter, in substantially the forms attached hereto as Exhibits D-1 and D-2;

(3) A supplemental opinion or opinions from Orrick, Herrington & Sutcliffe LLP dated the date of the Closing, addressed to the Underwriter, and based on such investigation a in substantially the form attached hereto as Exhibit F;

(4) An opinion or opinions of counsel to the Developer (“Developer’s Counsel”), dated the date of Closing and addressed to the Issuer, the County, Orrick, Herrington & Sutcliffe LLP, and the Underwriter in substantially the form attached hereto as Exhibit E;

(5) A bond counsel opinion of Orrick, Herrington & Sutcliffe LLP dated the date of the Closing and addressed to the Issuer in substantially the form attached to the Preliminary Official Statement and the Official Statement as Appendix D thereto together with reliance letters addressed to the County, the Trustee, and the Underwriter;

(6) (6) An opinion of Hawkins Delafield & Wood LLP, Disclosure Counsel, dated the date of the Closing and addressed to the County in substantially the form attached to this Purchase Contract as Exhibit G, together a reliance letter addressed to the Issuer and the Underwriter;

(7) An opinion of Katten Muchin Rosenman LLP, Underwriter’s counsel, dated the date of the Closing and addressed to the Underwriter, substantially in the form attached to this Purchase Agreement as Exhibit H and in form and substance satisfactory to the Underwriter; and

(8) An opinion of Issuer’s Counsel dated the date of the Closing and addressed to the County, the Trustee and the Underwriter, in form satisfactory to the Underwriter that the assets and liabilities of the Issuer will not be consolidated with the assets and liabilities of entities related to the Issuer in the event of bankruptcy of any of the related entities.

(f) Satisfactory evidence of the recording and filing of a memorandum of the Ground Lease, a memorandum of the Facilities Lease, the Deed of Trust, the Assignment of Leases, the SNDA, the Recognition Agreement, and other recordable documents contemplated by the Indenture and the Issuer Documents;

(g) Satisfactory evidence that, pursuant to the Development Agreement, the Issuer and the general contractors have entered into guaranteed maximum price construction contracts for construction of the Project; and

(h) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the representations and warranties of the Issuer contained herein, the representations and warranties of the County contained herein, and of the statements and information contained in the Preliminary Official Statement and Official Statement, the due performance by the Issuer and the County on or prior to the date of Closing of all the respective agreements then to be performed by them and the satisfaction on or prior to the date of the Closing of all the conditions to Closing prescribed herein.

All of the evidence, opinions, letters, certificates, instruments and other documents referred to above shall be in form and substance reasonably satisfactory to the Underwriter and to Underwriter's Counsel.

If the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Agreement are not satisfied (and the Underwriter has not waived any such conditions), or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds are terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and, except as provided in Sections 10 and 13 hereof, neither the Underwriter, the Issuer nor the County shall be under any further obligation hereunder.

9. TERMINATION. The Underwriter shall have the right to terminate the Underwriter's obligation under this Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds if, after the execution hereof and prior to the Closing, the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds shall be materially adversely affected in the reasonable judgment of the Underwriter by the occurrence of any of the following:

9.1 Legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling or regulation (final, temporary or proposed) by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to alter, directly or indirectly, federal income taxation upon interest

received on obligations of the general character of the Series 2018A Bonds, or the interest on the Series 2018A Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein.

9.2 Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling or regulation (final, temporary, or proposed) issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Bonds, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect.

9.3 A general suspension of trading in securities on the New York Stock Exchange or any other national securities exchange, the establishment of minimum or maximum prices on any such national securities exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, or any material increase of restrictions now in force (including, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter).

9.4 A general banking moratorium declared by federal, State of New York, or State officials authorized to do so.

9.5 Any event occurring, or information becoming known, which, in the reasonable judgment of the Underwriter makes untrue in any material respect any material statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

9.6 There shall have occurred (i) any new material outbreak of hostilities (including, without limitation, an act of terrorism), (ii) the escalation of hostilities existing prior to the date hereof, or (iii) any other extraordinary event, material national or international calamity or crisis, or any material adverse change in the financial, political or economic conditions affecting the United States, the Issuer or the County.

9.7 There shall have occurred any downgrading or any notice shall have been given of any downgrading in the rating assigned to the Bonds by a “nationally recognized

statistical rating association,” as such term is defined for purposes of Rule 436(a)(2) under the Securities Act of 1933, as amended.

9.8 A material disruption in securities settlement, payment or clearance services shall have occurred.

10. EXPENSES.

10.1 The Underwriter shall be under no obligation to pay, and the Issuer shall pay or cause to be paid, all expenses incident to the performance of its obligations hereunder, including, but not limited to (a) the cost of preparation, printing, authentication and registration of the Bonds; (b) the fees and disbursements of Issuer’s Counsel, Bond Counsel, Disclosure Counsel and any other experts or consultants retained by the Issuer; (c) the fees and disbursements of the Trustee; (d) the fees and disbursements of Underwriter’s Counsel; (e) the cost of preparation and printing (for distribution on or prior to the date hereof) of the Issuer Authorization and the Indenture; (f) the fees, if any, for ratings of the Bonds; (g) the cost of preparation, printing and distribution of the Preliminary Official Statement and the Official Statement; and (h) any other expense not identified in Section 10.2.

10.2 The Underwriter shall pay (a) all advertising expenses incurred by it in connection with the public offering of the Bonds; (b) all expenses relating to blue sky registration, if any; (c) the cost of CUSIP numbers; (d) the cost of preparation and printing of the blue sky memorandum, if any, to be used by the Underwriter and the cost of printing of this Purchase Agreement; (e) all California Debt and Investment Advisory Commission fees, and (f) all other expenses incurred by the Underwriter in connection with the Bonds other than the fees and disbursements of Underwriter’s Counsel.

11. ESTABLISHMENT OF ISSUE PRICE.

11.1 The Underwriter agrees to assist the Issuer in establishing the issue price of the Series 2018A Bonds and shall execute and deliver to the Issuer at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit I, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Issuer and Series 2018A Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2018A Bonds (the “Issue Price Certificate”).

11.2 [Except as otherwise set forth in Schedule I attached to the Issue Price Certificate,] the Issuer will treat the first price at which 10% of each maturity of the Series 2018A Bonds (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Purchase Agreement, the

Underwriter shall report to the Issuer the price or prices at which it has sold to the public each maturity of Series 2018A Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Series 2018A Bonds, the Underwriter agrees to promptly report to the Issuer the prices at which it sells the unsold Series 2018A Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing has occurred, until the 10% test has been satisfied as to the Series 2018A Bonds of that maturity or until all Series 2018A Bonds of that maturity have been sold to the public.

11.3 The Underwriter confirms that it has offered the Series 2018A Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Schedule I attached to the Issue Price Certificate, except as otherwise set forth therein. Schedule I also sets forth, as of the date of this Purchase Agreement, the maturities, if any, of the Series 2018A Bonds for which the 10% test has not been satisfied and for which the Issuer and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Issuer to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Series 2018A Bonds, the Underwriter will neither offer nor sell unsold Series 2018A Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (a) the close of the fifth (5th) business day after the sale date; or
- (b) the date on which the Underwriter has sold at least 10% of that maturity of the Series 2018A Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall promptly advise the Issuer when it has sold 10% of that maturity of the Series 2018A Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

11.4 The Underwriter confirms that any selling group agreement and any retail distribution agreement relating to the initial sale of the Series 2018A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Series 2018A Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Series 2018A Bonds of that maturity or all Series 2018A Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the

Underwriter. The Issuer acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Series 2018A Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail distribution agreement was employed in connection with the initial sale of the Series 2018A Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail distribution agreement and the related pricing wires. The Issuer further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Series 2018A Bonds.

11.5 The Underwriter acknowledges that sales of any Series 2018A Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(a) “public” means any person other than an underwriter or a related party,

(b) “underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2018A Bonds to the public and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) to participate in the initial sale of the Series 2018A Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2018A Bonds to the public),

(c) a purchaser of any of the Series 2018A Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(d) “sale date” means the date of execution of this Purchase Agreement by all parties.

12. NOTICES. Any notice or other communication to be given to the Issuer under this Purchase Agreement may be given by delivering the same in writing to the address set forth above, Attention: John A. Finke, President, with a copy to the County at Treasurer and tax Collector, 500 West Temple, Room 432, Los Angeles. Attention: Antoinette Chandler. Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Barclays Capital Inc., 555 California Street, Floor 30, San Francisco, CA 94104, Attention: Michael Gomez, Director.

13. ENTIRE AGREEMENT; PARTIES IN INTEREST. This Purchase Agreement is made solely for the benefit of the Issuer, the County and the Underwriter (including the successors of the Underwriter approved by the Issuer). No other person shall acquire or have any right hereunder or by virtue hereof. All of the representations, warranties and agreements of the Issuer contained in this Purchase Agreement and all representations, warranties and agreements of the County contained in this Purchase Agreement shall remain operative and in full force and effect regardless of (a) any investigation made by or on behalf of the Underwriter (but if the Underwriter does discover by its investigation that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Underwriter shall so notify the Issuer and the County); (b) the delivery of and payment for the Bonds; and (c) any termination of this Purchase Agreement.

14. GOVERNING LAW. The validity, interpretation and performance of this Purchase Agreement shall be governed by the laws of the State of California.

15. EFFECTIVENESS. This Purchase Agreement shall become effective upon the execution of the acceptance hereof on behalf of the Issuer by an authorized officer of the Issuer, and the acknowledgement and agreement hereof on behalf of the County by an authorized officer of the County, and shall be valid and enforceable at the time of such execution.

16. AMENDMENT. This Purchase Agreement shall not be modified or amended without the prior written agreement of the Underwriter, the Issuer and the County.

17. REPRESENTATION OF UNDERWRITER. The Underwriter represents that it is authorized to take any action under this Purchase Agreement required to be taken by it. The Underwriter represents that it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and is licensed by and registered with the Financial Industry Regulatory Authority as a broker-dealer and with the MSRB as a municipal bond dealer.

18. HEADINGS. The headings of the Sections of this Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

19. COUNTERPARTS. This Purchase Agreement may be executed in several counterparts, which together shall constitute one and the same instrument.

20. NO FIDUCIARY. The Issuer and the County each agree and acknowledge that: (a) with respect to the engagement of the Underwriter by the Issuer, including in connection with the purchase, sale and offering of the Bonds, and the discussions, conferences, negotiations and undertakings in connection therewith, the Underwriter (i) is and has been acting as a principal and not an agent or fiduciary of the Issuer or the County and (ii) has not assumed an advisory or fiduciary responsibility in favor of the Issuer or the County; (b) the Issuer and the County have each consulted their own legal, financial and other advisors to the extent they have deemed appropriate; and (c) this Purchase Agreement expresses the entire relationship between the parties hereto.

[Signatures on the following page.]

Very truly yours,

UNDERWRITER:

BARCLAYS CAPITAL INC.

By: _____
Michael Gomez
Director

Accepted and Agreed To By:

ISSUER:

LOS ANGELES COUNTY FACILITIES INC.,
a California nonprofit public benefit corporation

By: _____
John Finke
President

COUNTY:

COUNTY OF LOS ANGELES, CALIFORNIA

By: _____
Authorized Officer

Exhibit A
Terms of the Bonds

Exhibit B
Certificate of County
pursuant to Section 8.6(b)(3) of the Purchase Agreement

The County of Los Angeles, California (the “County”), a political subdivision duly organized and existing under the laws of the State of California (the “State”) hereby certifies, represents, and warrants to Los Angeles County Facilities Inc. (the “Issuer”) and the Underwriter, with respect to the Issuer’s \$[2018A Par Amount] Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt) (the “Series 2018A Bonds”) and \$[2018B Par Amount] Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable) (the “Series 2018B Bonds” and, together with the Series 2018A Bonds, the “Bonds”) that, as of the date hereof:

1. I am the duly appointed [_____] of the County authorized to provide this certification in connection with the sale and delivery of the Bonds.

2. The County has complied with all agreements and covenants to be undertaken by the County and satisfied all conditions applicable to the County contemplated by (i) the Bond Purchase Agreement, dated July __, 2018 (“Purchase Agreement”), executed by Barclays Capital, Inc. (the “Underwriter”) and accepted and agreed to by Los Angeles County Facilities Inc. (the “Issuer”), a California nonprofit public benefit corporation, and the County of Los Angeles (the “County”), a political subdivision of the State of California; and (ii) the County Documents (as defined in the Purchase Agreement) on its part to be performed or satisfied at or prior to the date of the Closing.

3. Each of the representations and warranties of the County set forth in the Purchase Agreement is accurate and complete as of the date of Closing.

4. The information relating to and provided by the County in the Preliminary Official Statement as of its date and as of the date hereof and the Official Statement as of its date and the date hereof did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and no information has come to my attention that caused me to believe that the information relating to and provided by the County in the Preliminary Official Statement as of its date and as of the date hereof and the Official Statement as of its date and of the date hereof contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

5. All terms not otherwise defined herein are given the meanings and definitions contained in the Purchase Agreement.

DATED this ___ day of July, 2018.

COUNTY OF LOS ANGELES, CALIFORNIA

By: _____
Authorized Officer

Exhibit C-1
Form of Hillis Clark Martin & Peterson P.S. Opinion
Required Pursuant to Section 8.6(e)(1) of the Purchase Agreement

_____, 2018

Los Angeles County Facilities Inc.
Seattle, Washington

Barclays Capital Inc.
San Francisco, California

The County of Los Angeles
Los Angeles, California

U.S. Bank National Association
Los Angeles, California

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Re: *Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018A (Los Angeles County Department of Mental Health Headquarters Building) (Tax-Exempt) and Series 2018B (Los Angeles County Department of Mental Health Headquarters Building) (Federally Taxable)*

Ladies and Gentlemen:

We have acted as counsel to Los Angeles County Facilities Inc., a California nonprofit public benefit corporation (the “Issuer”), in connection with certain matters related to the issuance of the bonds referenced above (the “Bonds”). This opinion is delivered to you pursuant to the provisions of Section 8.6(e)(1) of the Bond Purchase Agreement (the “Purchase Contract”) dated July __, 2018 between Barclays Capital Inc. (the “Underwriter”) and the Issuer. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Purchase Contract.

The Bonds will be issued pursuant to an Indenture of Trust dated as of July 1, 2018 between the Issuer and U.S. Bank National Association, as Trustee. The proceeds of the Bonds will be used by the Issuer to finance the development and construction of a new office tower and parking structure for the County of Los Angeles, California (the “County”) on property owned by the County in Los Angeles, California, as more particularly described in the Official Statement for the Bonds (the “Project”). The Project is being constructed pursuant to a Development Agreement (the “Development Agreement”) dated as of July __, 2018, between the Issuer and TC LA Development, Inc., as Developer. The land on which the Project is located will be leased by the Issuer from the County pursuant to a Ground Lease Agreement between the County, as lessor, and the Issuer, as lessee, dated as of July 1, 2018, and the completed Project will be leased by the Issuer to the County pursuant to a Facilities Lease Agreement (the “Facilities Lease”) between the Issuer, as landlord, and the County, as tenant, dated as of July 1, 2018.

In our capacity as counsel to Issuer, we have examined originals or copies certified or otherwise identified to our satisfaction as being true copies of the documents listed in EXHIBIT A to this opinion (collectively, the “Transaction Documents”). Except for the documents listed in EXHIBIT A, we have not reviewed any other agreements or documents pertaining to the Bonds or the Purchase Contract, or the transactions contemplated thereby, for the purpose of this opinion letter. Except as expressly stated herein, nothing in this letter is to be construed as expressing any opinion whatsoever concerning any documents or agreements other than the Transaction Documents.

The opinions hereinafter expressed are subject to the following additional assumptions, exclusions and qualifications:

ASSUMPTIONS

1. We have assumed that all records, documents and instruments submitted to us as originals are authentic, all signatures appearing on the Transaction Documents are genuine and authorized, all natural persons have legal capacity, and all records, documents and instruments submitted to us as copies are authentic and in conformity with the original.

2. As to matters of fact bearing upon the opinions set forth below, we have relied upon the representations and other statements set forth in the Transaction Documents and representations and certificates made to us by officers of the Issuer. Certain of our opinions below are qualified by the phrase “to our actual knowledge.” The phrase “actual knowledge” means the current conscious awareness of attorneys in our firm who have given substantive legal attention to representation of the Issuer and does not include other information that might be revealed if there were to be undertaken a canvass of all lawyers in our offices or a general search of all documents and records in Issuer’s possession or control. For purposes of such opinions, we have made inquiries of, and have obtained representations from, certain officers of the Issuer with respect to the matters covered by such opinions, but we have conducted no other due diligence or investigation with respect thereto.

3. We have assumed that the Transaction Documents have been duly authorized, executed and delivered by all parties thereto (including the Issuer), and constitute the legal, valid and binding obligations of such parties (to the extent each is a party thereto), enforceable against each of them in accordance with their respective terms, and we express no opinion with respect to such matters.

4. We have assumed that the Bonds will be issued, and the proceeds thereof applied, as contemplated by the Official Statement and the other Transaction Documents.

5. We have assumed that there are no other documents, agreements, or understandings among the parties, written or oral, relating to this transaction, and there is no usage of trade or course of prior dealing among the parties, which are inconsistent with or would modify, supplement, or qualify the rights and obligations of the parties as set forth in the Transaction Documents.

EXCLUSIONS AND QUALIFICATIONS

1. Our opinions herein are subject to the effect of applicable state or federal bankruptcy, insolvency, conservatorship, liquidation, receivership, reorganization, arrangement, fraudulent conveyance, preference, moratorium, forfeiture, seizure and other similar laws, now or hereafter in effect, affecting the rights of creditors generally, and of general principles of equity and the exercise of judicial discretion.

2. We express no opinion as to the title to any real or personal property, or with respect to the creation, attachment, priority or perfection of any lien or encumbrance relating to such property.

3. Except for the limited opinion set forth in Opinion No. 3 below, we express no opinion with respect to compliance with any state or federal securities law, rule or regulation, or with respect to any law, rule or regulation relating to municipal securities or any consent, approval, authorization or order thereunder that may be necessary to authorize the issuance, sale or delivery of the Bonds.

4. We express no opinion as to the effect or application of any state or federal tax law, rule or regulation.

5. We express no opinion with respect to compliance with the requirements of or the obtaining of any consent, approval, authorization or order required to be obtained under any state or federal law, regulation or ordinance in connection with the construction or operation of the Project, including without limitation any zoning, land use, environmental, building code, landlord-tenant, employment, insurance, or health and safety law, rule or regulation.

6. Nothing contained herein shall constitute an opinion on any exhibit to the Transaction Documents or any agreement referenced therein that will be executed at a future date, or with respect to the ability of Issuer as a matter of law to perform its obligations under the Transaction Documents due to future changes in applicable law or changes or modifications of the Transaction Documents.

OPINIONS

Based upon the foregoing and our examination of such questions of law as we have deemed necessary or appropriate for the purposes of this opinion, we are of the opinion that:

1. To our actual knowledge, the execution, delivery and performance by the Issuer of its obligations under the Transaction Documents, and compliance by it with the provisions thereof, will not conflict with, constitute or result in any breach of any of the provisions of, or constitute a default under, any judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or instrument to which the Issuer is a party or by which the Issuer or any of its properties or assets is or may be bound, nor, to our actual knowledge, will any such execution, delivery, or performance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or other assets of the Issuer or under the terms of any judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or instrument to which the Issuer is a party, except as provided or permitted by the Transaction Documents.

2. To our actual knowledge, there is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency or public board or body, pending or threatened against the Issuer: (a) which adversely affects the corporate existence of the Issuer or in any way questions the entitlement of its officers to their respective offices or the appointment of the present directors of the Board of Directors of the Issuer to their offices; (b) which seeks to prohibit, restrain or enjoin the sale, issuance or delivery of any of the Bonds; (c) which in any way contests the validity or enforceability of the Bonds or the Transaction Documents; (d) which in any way contests the powers of the Issuer, or the proceedings of the Issuer, to issue, sell and deliver the Bonds, adopt the Issuer Authorization or execute and deliver the Transaction Documents or in any way contests or challenges the consummation of the transactions contemplated by the Transaction Documents; (e) which contests the exclusion of the interest on the Series 2018A Bonds from gross income for federal income tax purposes; or (f) which contests the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserts that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

3. The descriptions of the Facilities Lease and Development Agreement set forth under the headings “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “THE PROJECT” of the Preliminary Official Statement and the Official Statement are fair and accurate summaries of the provisions thereof.

Although we are not passing upon and assume no responsibility for the accuracy, completeness or fairness of the statements in the Preliminary Official Statement and the Official Statement, based upon our experience as counsel for the Issuer and on our review of and participation in conferences and discussions concerning the drafting of the Preliminary Official Statement and the Official Statement, and after due inquiry, we advise you that no information came to the attention of the attorneys in our firm rendering legal services in connection with the Preliminary Official Statement and the Official Statement that caused or cause us to believe that the information and statements regarding the Project, the Issuer, the Issuer Authorization, the Facilities Lease, the Development Agreement and the General Construction Contracts in (a) the Preliminary Official Statement, as of its date and as of the date of the Purchase Contract, or (b) the Official Statement, as of its date and as of the date hereof, contain or contained any untrue statement of a material fact or omitted or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

We express no opinion with respect to financial or statistical information, or with respect to statements or information that are forward-looking in nature (such as anticipated schedules or budgets) or that describe or relate to persons or entities other than the Issuer or documents other than the specific documents set forth in each of the opinions below; for the avoidance of doubt, but not in limitation of the foregoing, we express no opinion with respect to any statements or information regarding the County, the Developer, the Underwriter, the Trustee or the Depository Trust Company.

4. The forms of the Facilities Lease and Development Agreement set forth in “APPENDIX C” to the Preliminary Official Statement and the Official Statement are accurate and complete copies of the drafts of such agreements (excluding certain exhibits thereto) as of the dates thereof.

The foregoing opinions apply only insofar as the presently applicable laws of the State of Washington and federal law may be concerned, and we express no opinion with respect to the laws of any other jurisdiction. We disclaim any undertaking or obligation to advise you of changes in laws, interpretations of laws, or facts which may be brought to our attention after the date of this opinion or otherwise to update this opinion.

This opinion letter is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. The opinions expressed in this letter are limited to the matters stated herein, and no opinion is implied or may be inferred beyond the matters expressly stated.

Hillis Clark Martin & Peterson P.S. consents to the references to it contained in the Official Statement.

This opinion is furnished to you pursuant to Section 8.6(e)(1) of the Purchase Contract and is solely for your benefit and may not be relied upon by any other person or entity. In addition, copies may not be delivered to any other person or entity without our prior written consent, except as required by law, and except that a copy of this opinion may be included in the transcript for this transaction.

Very truly yours,

HILLIS CLARK MARTIN & PETERSON P.S.

1. By _____

EXHIBIT A TO HILLIS CLARK MARTIN & PETERSON OPINION

1. CORPORATE DOCUMENTS

Articles of Incorporation of Issuer.

- Amended and Restated Bylaws of Issuer.
- Consent in Lieu of Organizational Meeting of the Board of Directors of Issuer dated _____.
- Consent in Lieu of Special Meeting of the Board of Directors of Issuer dated _____.
- Consent in Lieu of Special Meeting of the Board of Directors of Issuer dated _____.
- Other corporate documents and certificates of Issuer.

2. ISSUER DOCUMENTS

Purchase Contract.

Ground Lease Agreement, dated as of July 1, 2018, between the County, as lessor, and the Issuer, as lessee.

Facilities Lease Agreement, dated as of July 1, 2018, between the Issuer, as landlord, and the County, as tenant.

Development Agreement, dated as of July __, 2018, between the Issuer and TC LA Development Inc.

Indenture of Trust, dated as of July 1, 2018, between the Issuer and U.S. Bank National Association (“Trustee”).

Subordination, Nondisturbance and Attornment Agreement dated as of July __, 2018, among the Issuer, the County and the Trustee.

Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Fixture Filing, dated as of July __, 2018, from the Issuer, as trustor, to _____, as trustee, for the benefit of the Trustee, as beneficiary.

Assignment of Leases and Cash Collateral, dated as of July __, 2018, from the Issuer to the Trustee.

Assignment of Construction Documents, dated as of July __, 2018, from the Issuer to the Trustee.

Unsecured Environmental Indemnity Agreement, dated as of July __, 2018, by the Issuer in favor of the Trustee.

Ground Lessor Consent, Estoppel, Recognition and Non-Disturbance Agreement, dated as of July __, 2018, by the County and the Issuer in favor of the Trustee.

3. OTHER DOCUMENTS

Preliminary Official Statement dated July __, 2018 (“Preliminary Official Statement”).

Final Official Statement dated July __, 2018 (“Official Statement”).

Forms of Bonds

Exhibit C-2
Form of GlaserWeil Opinion
Required Pursuant to Section 8.6(e)(1) of the Purchase Agreement

_____, 2018

Los Angeles County Facilities Inc.
c/o Public Facilities Group
1414 Fourth Avenue
Seattle, Washington 98101

Barclays Capital Inc.
555 California Street
30th Floor
San Francisco, California 94104

County of Los Angeles

U.S. Bank, National Association

Los Angeles, California

Re: \$ [REDACTED] Lease Revenue Bonds, Series 2018A (Los Angeles County Department of Mental Health Headquarters Building Project) and \$ [REDACTED] Lease Revenue Bonds, Taxable Series 2018B (Los Angeles County Department of Mental Health Headquarters Building Project)

Ladies and Gentlemen:

We have acted as special California counsel to Los Angeles County Facilities Inc., a California non-profit public benefit corporation (the “Issuer”), in connection with: the issuance and sale by the Issuer of (i) \$ [REDACTED] principal amount of Lease Revenue Bonds, Series 2018A (Los Angeles County Department of Mental Health Headquarters Building Project) and (ii) \$ [REDACTED] principal amount of Lease Revenue Bonds, Taxable Series 2018B (Los Angeles County Department of Mental Health Headquarters Building Project) (collectively, the “Bonds”) on [REDACTED] 2018 pursuant to an Indenture of Trust dated as of [REDACTED] 2018 (the “Indenture”) between the Issuer and U.S. Bank, National Association, in its capacity as trustee (the “Trustee”). This opinion is delivered to you pursuant to the provisions of Section 8.6(e)(1) of the Bond Purchase Contract dated [REDACTED], 2018 (the “Purchase Contract”) between Barclays Capital Inc. and the Issuer. All capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Purchase Contract.

In connection with this opinion, we have examined copies of the following:

- a) The Purchase Contract;
 - b) the Facilities Lease and the Memorandum thereof;
 - c) the Development Agreement;
 - d) the Indenture;
 - e) the Deed of Trust;
 - f) the Ground Lease and the Memorandum thereof;
 - g) the Assignment of Leases;
 - h) the Assignment of Construction Documents;
 - i) the SNDA;
 - j) the Environmental Indemnity Agreement;
 - k) the Recognition Agreement;
 - l) the Blanket Issuer Letter of Representations between DTC and the Issuer;
 - m) [Board Actions]
- (a) through (l) above collectively, the “Issuer Documents”),

With respect to factual matters, as to which we have conducted no independent investigation or inquiry, we are relying, with your concurrence, solely upon certificates of public officials, officers and/or agencies (collectively, “Public Authority Documents”) and a certificate of an officer of the Issuer. We have also examined such other agreements, instruments and other documents, and have made such examination of law, as we have deemed necessary or advisable for the purposes hereof.

We are admitted to practice law in the State of California, and we, therefore, have not examined statutes, judicial decisions, legal provisions or other authorities relating to the laws of jurisdictions other than the State of California and the United States of America (and with respect to California law, our review has been conducted without regard to conflicts of laws principles). Accordingly, we assume no responsibility as to the applicability or effect of the laws of any jurisdiction other than the laws of California and the United States, and we understand that you will be relying on this opinion solely as to matters of California and United States federal law.

For purposes of the opinions set forth herein, we have also assumed the following without investigation, with your concurrence:

(a) the genuineness, authenticity and completeness of all documents submitted to us as originals and the accuracy, completeness and conformity to authentic originals of all documents submitted to us as copies;

(b) the due authorization, execution and delivery by the parties to the Issuer Documents, other than the Issuer, and the legality, binding effect and enforceability against each of the parties to the Issuer Documents, other than the Issuer, of the Issuer Documents;

(c) the compliance by the parties to the Issuer Documents, other than the Issuer, with any and all applicable laws, rules and regulations with which each of the parties to the Issuer Documents, other than the Issuer, is required to comply relating to or affecting the matters and actions contemplated by the Issuer Documents;

(d) all parties to the transactions contemplated in the Issuer Documents will act in accordance with, and will refrain from taking any action that is forbidden by, the terms and conditions of the Issuer Documents;

(e) the legal capacity of all natural persons;

(f) the truth, accuracy and completeness of all factual representations and warranties contained in the Issuer Documents;

(g) the continued accuracy and effectiveness of all Public Authority Documents dated earlier than the date hereof;

(h) the absence of fraud, duress or mutual mistake involved in connection with the transactions contemplated by the Issuer Documents;

(i) the absence of any agreement, arrangement, negotiation or understanding, other than the Issuer Documents and except as specifically contemplated thereby, between any of the parties to the Issuer Documents or any other person with respect to the Issuer Documents, or any of the matters dealt with therein, that may have an effect upon the opinions contained herein;

(j) the constitutionality or validity of all relevant statutes, rules, regulations or agency actions, unless a reported decision has specifically addressed but not resolved, or has established, its unconstitutionality or invalidity;

(k) payment by each of the parties to the Issuer Documents, other than the Issuer, of all California franchise and income taxes due and payable by it, if any, and due qualification and valid existence under the laws of its jurisdiction of organization and possession, in force at all relevant times, of all licenses, permits and qualifications, if any, necessary for it to obtain and enforce contractual rights in the State of California;

(l) the Deed of Trust contains an accurate description of the property covered thereby, such property is owned by Issuer, Issuer has rights in all other collateral in which it is granting security interests, and the Trustee and the Underwriter have given value for such security interests;

(m) Issuer has rights in all the Property (as defined in the Deed of Trust) in which it is granting security interests, and the Trustee and the Underwriter have given value for such security interests;

(n) the recording of the Deed of Trust in the official records of the county where the underlying real property is located and the filing of a UCC-1 financing statement in the Office of the California Secretary of State have been properly and timely performed; and

(o) the recording of the Memorandums of Lease for the Ground Lease and the Facilities Lease in the official records of the county where the underlying real property is located.

As used in this opinion, the expression “to counsel’s knowledge” or “known to counsel” with reference to matters of fact refers to the current actual knowledge of attorneys within the firm principally responsible for handling current matters for Issuer. Except to the extent expressly set forth herein, we have not undertaken any independent investigation to determine the existence or absence of any facts, and no inference as to our knowledge of the existence or absence of any such facts should be drawn from our representation of Issuer or the rendering of the opinions set forth below.

Based upon the foregoing, and subject to the other assumptions, exceptions, limitations and qualifications stated herein, we are of the opinion that:

1. The Issuer is a nonprofit public benefit corporation duly and validly incorporated and is validly existing as a nonprofit public benefit corporation under the laws of the State of California.

2. The Issuer has full legal right, power and authority and is authorized by the terms of its articles of incorporation and bylaws and the California Nonprofit Public Benefit Corporation Law (i) to adopt the resolution of the Issuer dated [REDACTED] approving the issuance of the Bonds and authorizing the Issuer to enter into the Ground Lease and the Facilities Lease (collectively the “Issuer Authorization”), and (ii) to execute and deliver the Issuer Documents, the Bonds, the Preliminary Official Statement relating to the Bonds dated June [REDACTED], 2018 (the “Preliminary Official Statement”) and the Official Statement relating to the Bonds dated July [REDACTED], 2018 (the “Official Statement”); and (iii) perform its respective obligations thereunder.

3. The Issuer has complied with the laws of the State of California applicable to the Issuer in connection with the execution and delivery by the Issuer of the Issuer Documents, the Bonds and the Official Statement.

4. The Issuer Documents, the Preliminary Official Statement, and the Official Statement, have been duly authorized, executed and delivered by the Issuer, and the Issuer Documents (except for the Indenture, concerning the validity and enforceability of which we express no opinion) constitute legal, valid and binding agreements of the Issuer, enforceable against the Issuer in accordance with their respective terms, subject to customary qualifications and exceptions. The Bonds have been duly authorized by Issuer and, assuming that the signatures of the authorized officers of Issuer are properly affixed to the Bonds, have been duly executed and delivered by Issuer.

5. By corporate action of the Issuer taken concurrently with or prior thereto, the Issuer has duly authorized all necessary actions required by its articles of incorporation, its bylaws and the California Nonprofit Public Benefit Corporation Law to be taken by it for (a) the sale, issuance and delivery of the Bonds upon the terms set forth therein and in the Preliminary Official Statement and the Official Statement, and (b) the execution and delivery of the Issuer Documents and the due performance by the Issuer of its obligations contained in the Issuer Documents and any and all other agreements and instruments that may be required to be executed, delivered and received by the Issuer to carry out, give

effect to and consummate the transactions contemplated by each of such documents and the Preliminary Official Statement and the Official Statement.

6. The execution, delivery and performance by the Issuer of its obligations under the Issuer Documents and compliance by the Issuer with the provisions thereof will not violate any provision of existing federal law or law of the State of California applicable to the Issuer, or any rule or regulation, judgment or order known to such counsel of any court or any public or governmental agency or authority having jurisdiction over the Issuer and, to such counsel's knowledge, will not (i) conflict with, or result in any breach of any of the provisions of, or constitute a default under, any agreement or instrument to which the Issuer is a party or by which the Issuer or any of its properties is or may be bound, or (ii) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or other assets of the Issuer or under the terms of any such law, regulation or instrument, except as provided or permitted by the Issuer Documents, and all authorizations, approvals, licenses, permits, consents, filings, registrations and orders, of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect due performance by the Issuer of its obligations in connection with the Bonds, the Issuer Documents, the Official Statement and the Issuer Authorization have been duly obtained and are or will be in full force and effect on the date of Closing.

The opinions set forth above are subject to the following additional exceptions, qualifications and limitations:

(a) Notwithstanding anything to the contrary contained herein, our opinions set forth above are specifically subject to and limited by, and we express no opinion with respect to:

(i) The enforceability of the Issuer Documents as the same may be subject to or limited by bankruptcy, insolvency, fraudulent conveyance or transfer, reorganization, arrangement, moratorium, marshaling other laws, proceedings or court decisions generally affecting or relating to the enforcement of the rights or remedies of creditors;

(ii) The enforceability under certain circumstances of the Issuer Documents as the same may be subject to or limited by general principles of equity, including without limitation concepts of materiality, reasonableness, good faith and fair dealing, unconscionability regardless of whether considered in a proceeding in equity or at law, and the availability of equitable remedies;

(iii) The enforceability under certain circumstances of provisions indemnifying or exculpating a party against liability for its own wrongful or negligent acts or where such indemnification or exculpation is contrary to public policy or the enforceability of provisions, if any, providing for contribution in lieu of indemnification;

(iv) The enforceability under certain circumstances of provisions respecting various self-help or summary remedies, particularly if their operation would work a substantial forfeiture,

impose a substantial penalty upon the burdened party or result in a breach of the peace;

(v) The enforceability under certain circumstances of provisions expressly or by implication waiving notice, rights, claims, set-offs, recoupment, abatement, defenses or remedies, where such waivers are against public policy or prohibited by law (including, without limitation, the waiver of any statute of limitations, except as permitted by California Code of Civil Procedure Section 360.5);

(vi) The enforceability under certain circumstances of provisions to the effect that (a) rights or remedies are not exclusive, (b) every right or remedy is cumulative and may be exercised in addition to or with any other right or remedy, (c) inconsistent remedies may be pursued, (d) election of a particular remedy or remedies does not preclude recourse to one or more other remedies, and (e) delay or failure to exercise rights or remedies will not operate as a waiver of any such rights or remedies;

(vii) The effect of California court decisions, invoking statutes or principles of equity, which have held that certain covenants and provisions of agreements are unenforceable where (a) the breach of such covenants or provisions imposes restrictions or burdens upon the debtor, including the acceleration of indebtedness due under debt instruments, and it cannot be demonstrated that the enforcement of such restrictions or burdens is reasonably necessary for the protection of the creditor, or (b) the creditor's enforcement of such covenants or provisions under the circumstances would violate the creditor's implied covenant of good faith and fair dealing;

(viii) The enforceability under certain circumstances of provisions imposing penalties, forfeitures, late payment charges, requirements to pay attorneys' fees or collection charges or an increase in interest rate upon delinquency in payment or the occurrence of a default including, without limitation, the effect of Section 2954.5 of the California Civil Code (requiring specified notice before the imposition of late charges) and limitations on the enforceability of provisions setting forth late charges in liquidated amounts (which are enforceable only if a court concludes that it is extremely difficult or impractical to fix actual damages for late payments and that such late charges represent a reasonable endeavor by the parties to estimate a fair compensation);

(ix) The effect of California law which provides that where a contract permits one party to the contract to recover attorneys' fees, the prevailing party in any action to enforce any provisions of the contract shall be entitled to recover its reasonable attorneys' fees;

(x) The effect of provisions purporting to affect third parties to which provisions such third parties have not agreed;

(xi) The effect of the compliance or noncompliance by Underwriter and the other parties to the Issuer Documents other than Issuer with any state or federal laws or regulations applicable to the transaction because of the nature of Underwriter's or such other party's business;

(xii) The validity or enforceability of any agreements or instruments (other than the Issuer Documents), notwithstanding the reference in this opinion or in the Issuer Documents to

any other agreement or instrument whether or not incorporated by reference therein;

(xiii) We call your attention to Section 341(d) of the Garn-St. Germain Depository Institutions Act of 1982 (Pub. L. 97-320, 96 Stat. 1469, 12 U.S.C. Section 1701j-3), as amended (the “Act”), which specifically permits enforcement of a contract provision which authorizes a lender, at its option, to declare due and payable sums secured by the lender’s security instrument if all or any part of the property, or any interest therein, securing the real property loan is sold or transferred without the lender’s prior written consent. We express no opinion as to the enforceability of such a remedy upon the occurrence of any event described in the Issuer Documents relating to the transfer of the property, or an interest therein, or the further encumbrance thereof, other than an event held to be a sale or transfer covered by Section 341(d) of the Act;

(xiv) The enforceability under certain circumstances of provisions imposing restrictions on further encumbrances. We call to your attention that enforcement of the restrictions on further encumbrances contained in the Issuer Documents may be limited by California judicial decisions which prohibit the enforcement of such restrictions contained in loan documents secured by real property, unless such real property security is impaired. We note that although the Act preempts California law and authorizes the enforcement of certain due-on-sale provisions, subject to specified exceptions, at this time it is unclear whether the Act is applicable to junior liens and encumbrances where title to the encumbered property is not transferred;

(xv) The enforceability of provisions imposing a prepayment premium in the event of the total or partial satisfaction of the unpaid principal on any indebtedness under the Issuer Documents following the acceleration of the maturity date of the Bonds by reason of a default thereunder by Issuer;

(xvi) The enforceability of provisions to the effect that if the fulfillment of any other provision or term would violate any applicable usury law, then the obligations thereunder shall be reduced so as to be within the applicable legal interest rate. Although there are no reported California appellate or Supreme Court decisions regarding the enforceability of such limiting language, we note that courts in other jurisdictions have held loans to be usurious regardless of the inclusion of any such provisions. However, see In re Dominguez (9th Cir. 1993) 995 F.2d 883, wherein the court in effect upheld the usury savings clause under the facts in that case;

(xvii) The enforceability of provisions (a) which grant the County of Los Angeles, the Trustee, the Underwriters or their agents the right to enter upon and take possession of the encumbered property and undertake any acts which it deems necessary or desirable to preserve such property without a court order awarding such right to such party or (b) which permit the appointment of a receiver without the necessity of proving either the inadequacy of the security or the insolvency of the Issuer or which in any manner impair the court’s discretion in making any such appointment or which are contrary to Chapter 5 of the California Code of Civil Procedure or similar laws, included Section 564 that describes and limit the types of litigation in which receivers may be appointed and limit the rights of a beneficiary to the appointment of a receiver, Section 566 that limits the persons eligible for appointment as a receiver and Section 568 that limits the powers of a receiver;

(xviii) Sections 726 and 580a of the California Code of Civil Procedure, which operate to limit the amount of a deficiency judgment on an obligation secured by a deed of trust or mortgage on real property to the lesser of (a) the difference between the debt and the fair value of the security and (b) the difference between the debt and the sale price of the security;

(xix) The effect of Section 580b of the California Code of Civil Procedure which, among other things, prohibits a deficiency judgment on an obligation secured by both a chattel mortgage and a deed of trust if no deficiency judgment would lie under the deed of trust on real property;

(xx) The effect of Section 580d of the California code of Civil Procedure which provides that no deficiency judgment shall be rendered upon a note secured by a deed of trust or mortgage on real property after the sale of that property through the exercise of the power of sale contained in such deed of trust or mortgage;

(xxi) The effect of Section 726 of the California Code of Civil Procedure which provides, inter alia, that any lawsuit or action to recover any debt, or to enforce any right, secured by a deed of trust or mortgage on real property, whether or not such debt or right is also secured by a lien on personal property, must be in accordance with the provisions of the California Code of Civil Procedure relating to the sale of the encumbered property, the application of proceeds thereof, the rendition in certain cases of a deficiency judgment, limitations upon the recovery of attorneys' fees and other related matters; and we wish to emphasize that failure to comply with the "one form of action" rule embodied in the California Code of Civil Procedure can have serious adverse consequences. See, *e.g.*, Great American First Savings Bank v. Bayside Developers, 232 Cal. App. 3d 1546 (1991);

(xxii) In light of Dover Mobile Estates v. Fiber Form Products, Inc., 220 Cal. Rptr. 183 (1990), the enforceability of any provisions in the Issuer Documents that provide the purchaser at a foreclosure sale with the option to affirm or reject leases that are subordinate to the liens created or to be created pursuant thereto (however, *c.f.* Miscione v. Barton Development Issuer, 97 Daily Journal D.A.R. 1897);

(xxiii) The requirement that a foreclosure under any deed of trust must be conducted in compliance with the procedure requirements of California law relating to the exercise by a real estate secured lender of rights under a power of sale. See, *e.g.*, California Civil Code Section 2924 et seq. In particular, Section 2924c of the California Civil Code provides that whenever the maturity of an obligation secured by a deed of trust or mortgage on real property is accelerated by reason of default in the payment of interest or in the payment of any installment of principal or other sums secured thereby, the trustor and certain other entitled persons have the right, to be exercised during the times specified in Section 2924c, to cure such default by paying the entire amount then due (including certain reasonable costs and expenses incurred in enforcing such obligation but excluding any amount which would not otherwise be due but for such acceleration) and thereby reinstate such deed of trust or mortgage and the obligation secured thereby to the same effect as if no acceleration had occurred;

(xxiv) The requirement that a foreclosure upon property securing a loan consisting of real property and personal property be conducted in compliance with the procedural requirements of the California Commercial Code Section 9501 et seq.;

(xxv) The effect of Section 2938 of the California Civil Code with respect to the assignment of rents, issues and profits of real property, including the appointment of a receiver;

(xxvi) The effect of Section 2924c of the California Civil Code which provides that whenever the maturity of an obligation secured by a deed of trust or mortgage on real property is accelerated by reason of default in the payment of interest or in the payment of any installment of principal or other sums secured thereby, the trustor and certain other entitled persons have the right, to be exercised during the times specified in Section 2924c, to cure such default by paying the entire amount then due (including certain reasonable costs and expenses incurred in enforcing such obligation but excluding any amount which would not otherwise be due but for such acceleration) and thereby reinstate such deed of trust or mortgage and the obligation secured thereby to the same effect as if no acceleration had occurred;

(xxvii) The effect of Section 2954.1 of the California Civil Code which imposes certain restrictions on the amount of impounds and of Section 2955 of the California Civil Code which imposes certain restrictions on the location and investment of impounds;

(xxviii) The effect of Section 2955.5 of the California Civil Code which prohibits a lender from requiring a borrower, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the improvements (as defined in Section 2955.5 of the California Civil Code) on that real property in an amount exceeding the replacement value of the improvements on the property and which further requires the lender to “. . . disclose to a borrower in writing . . . [such prohibition] . . . as soon as practicable, but before execution of any note or security documents.”;

(xxix) The enforceability of security interests granted with respect to after-acquired property (including fixtures) which security interests do not attach and are not enforceable unless and until the party granting the security interest has acquired rights in such property;

(xxx) The enforceability of provisions which vary or purport to waive any of the rights or duties set forth in Sections 9502, 9504, 9505, 9506 and 9507(c) of the Uniform Commercial Code of the State of California (the “UCC”), except to the extent any such variances or waivers are expressly authorized by Sections 9504(2), 9505, 9506, and 9507(c)(1) of the UCC, and the further limitation that to the extent any standards provided in the Issuer Documents by which fulfillment of the rights and duties provided under the foregoing provisions are measured are manifestly unreasonable, such standards will be unenforceable;

(xxxi) Whether the Issuer Documents or any other document or instrument creates a legal, valid and binding security interest, enforceable in accordance with its terms, with respect to any personal property included in the encumbered property in which a security interest may not be taken under, or perfected by filing pursuant to, the UCC;

(xxxii) We call your attention to the fact that in order to create and perfect a lien upon personal property constituting fixtures, among other requirements, a financing statement must be filed in the state office where debtor is located (as provided in UCC Sections 9301 and 9307) and

recorded in the official records of the county where the underlying real property is located, and that a perfected security interest in collateral (including fixtures) or proceeds can become unperfected in certain circumstances, including without limitation, in the event certain property that becomes collateral after the date hereof, (UCC Sections 9507(c), 9508(b)), changes in governing law (UCC Section 9316), by the failure to timely and properly file a continuation statement under UCC Section 9515 within six months of the five year anniversary of the original filing, or by the failure to timely and properly comply with the applicable provisions of UCC Section 9315 regarding perfection as to proceeds;

(xxxiii) We call your attention to the fact that amendments or supplements to a financing statement and/or additional financing statements may be required to be filed in the event of a change of name, identity or corporate structure of Issuer or if Issuer changes the jurisdiction of its place of business (or, if Issuer has more than one place of business, its chief executive office) or the jurisdiction in which the collateral is located;

(xxxiv) In the case of property which becomes collateral after the date hereof, the effect of Section 552 of the Federal Bankruptcy Code, which limits the extent to which property acquired by a debtor after the commencement of a case under the Federal Bankruptcy Code may be subject to a security interest arising from a security agreement entered into by the debtor before commencement of the case;

(xxxv) The enforceability of the security interests in proceeds (as such term is defined in the UCC) created under the provisions of the UCC to the extent such proceeds are not within, or are excluded from, the scope of Division 8 or 9 of the UCC;

(xxxvi) The effect of Section 1265.225 of the California Code of Civil Procedure, which codifies the California case law principle that a lienholder is entitled to share in a condemnation award only to the extent of the impairment of its security, notwithstanding any agreement to the contrary entered into at the time of the creation of the indebtedness on which the lien is based. See, e.g., Milstein v. Security Pac. Nat'l Bank, 27 Cal.App. 3d 482 (1972); Sacramento & San Joaquin Drainage Dist. v. Truslow, 125 Cal.App.2d 478 (1954); and the effect of the decision in Schoolcraft v. Ross, 81 Cal.App.3d 75 (1978), which holds, in part, that “. . . the right of a beneficiary to apply insurance proceeds to the balance of a note secured by a deed of trust must be performed in good faith and with fair dealing and that to the extent the security is not impaired the beneficiary must permit those proceeds to be used for the cost of rebuilding.” Schoolcraft v. Ross, 81 Cal.App.3d 75, 77 (1978);

(xxxvii) Limitations on the enforceability of provisions purporting to limit the power of alienation of real property (see, e.g., Section 711 of the California Civil Code, which provides that certain restraints on alienation are void);

(xxxviii) The effect of the procedural requirements of California law relating to the enforcement of obligations secured by liens on real property, fixtures and personal property;

(xxxix) We understand that you are relying on an examination by a title insurance company of title to, and Issuer's rights in, the real property and fixtures to be included in the encumbered property and that you are relying on your own examination of title to, and Issuer's rights in, the personal property to be included in the encumbered property and the condition of such title, and we express no opinion as to such title and the condition thereof or as to such rights;

(xl) Enforcement of the parties rights under the Issuer Documents may be conditioned upon the conduct of the parties to the Issuer Documents conforming, at all times, with any applicable implied covenant of good faith and fair dealing between such parties and the Issuer, notwithstanding any language in the Issuer Documents reserving to such party, either specifically or in effect, the right to take certain specified actions in its sole or absolute discretion;

(xli) The enforceability of any indemnification obligations contained in the Issuer Documents relating to environmental matters, and the recovery thereunder, may be subject to and limited by the effect of California Code of Civil Procedure Sections 564(c), 726.5 and 736, as well as California Code of Civil Procedure Sections 580(a), 580(d) and 726 to the extent provided in California Code of Civil Procedure Section 726.5(c) and California Code of Civil Procedure Sections 580(a), 580(b), 580(d) and 726 to the extent any party seeks any recovery not specifically exempt therefrom under the provisions of Section 736 of the California Code of Civil Procedure;

(xlii) The effect of general California choice-of-law principles, which, under certain circumstances, may require the application of foreign law if the agreement violates a public policy of another jurisdiction related to the transaction or another jurisdiction has a stronger governmental interest in having its own laws applied;

(xliii) The enforceability of contract provisions which purport to waive the rights of the parties to a jury trial. *See Grafton Partners v. Superior Court*, 36 Cal.4th 944 (2005);

(xliv) Such opinions are subject to the effect on the Issuer Documents of a failure of the parties thereto other than Issuer to comply with California statutory and other legal requirements in the enforcement of the Issuer Documents;

(xlv) We express no opinion as to the priority of any security interest in any property, and we have not made or undertaken to make any investigation of the state of title of the property discussed in the Issuer Documents and we express no opinion with respect to the title thereto; and

(xlvi) We express no opinion regarding the validity or enforcement of any provisions which purport to appoint one party as attorney-in-fact for another party.

(b) Certain remedial provisions of the Issuer Documents we are opining on may be unenforceable in whole or in part, but the inclusion of such provisions does not affect the validity of the balance of the Issuer Documents, subject to the other qualifications set forth in this opinion, and the practical realization of the benefits created by the Issuer Documents taken as a whole will not be materially

impaired by the unenforceability of those particular provisions. In addition, certain remedial provisions of the Issuer Documents may be subject to procedural requirements not set forth therein.

(c) Notwithstanding anything to the contrary contained herein, we express no opinion with respect to:

- (i) the anti-trust and unfair competition laws of the United States or any state;
- (ii) federal and state laws, regulations and policies concerning national and local emergency, employee benefits, labor and employment, health and safety, land use and subdivision, tax laws of the United States or any state, Federal Reserve Board margin regulations;
- (iii) federal and state environmental laws and regulations;
- (iv) federal patent, copyright and trademark, state trademark, and other Federal and state intellectual property laws and regulations;
- (v) federal securities laws and regulations administered by the Securities and Exchange Commission, state “Blue Sky” laws and regulations, and laws and regulations relating to commodity (and other) futures and indices and other similar instruments unless otherwise expressly stated in the opinion;
- (vi) federal and state racketeering laws and regulations (e.g., RICO);
- (vii) other federal and state statutes of general application to the extent they provide for criminal prosecution (e.g., mail fraud and wire fraud statutes);
- (viii) the statutes and ordinances, the administrative decisions, and the rules and regulations of counties, towns, municipalities and special political subdivisions;
- (ix) the effect of the compliance or non-compliance by the Issuer or any of the properties to be included in the encumbered property with any laws, statutes, ordinances, rules or regulations relating to building and safety, zoning, land use, subdivision, environmental protection, hazardous substances, health, occupation, safety, and/or other similar laws, statutes, ordinances, rules or regulations;
- (x) any provision in the Issuer Documents: (1) purporting to confer jurisdiction upon any court to hear or resolve any suit, action or proceeding seeking to enforce any provision of or based upon any matter arising out of or in connection with the Issuer Documents, or (2) that relates to setoff.

The opinions contained herein are limited to the matters expressly stated herein, and no opinion may be implied or inferred beyond those expressly stated.

The foregoing opinions are rendered as of the date hereof, and we make no undertaking and expressly disclaim any duty to supplement or update any such opinion, if, after the date hereof, facts or circumstances come to our attention or changes in the law occur that could affect such opinion.

This opinion is furnished to you solely for your benefit in connection with the consummation of the transactions contemplated by the Indenture and the Issuer Documents and may not be relied upon by any other person or entity, other than your successors and permitted assigns, or for any other purpose without express, prior written consent. This opinion may not be used, circulated, quoted or otherwise referred to for any other purpose without prior express written consent, or used in any other transaction.

Respectfully,

GLASER WEIL FINK HOWARD AVCHEN &
SHAPIRO LLP

Exhibit D-1
Form of County Counsel Opinion
Required Pursuant to Section 8.6(e)(2)

Barclays Capital Inc.
San Francisco, CA

This opinion is rendered pursuant to Section 8.6(e)(2) of the Bond Purchase Agreement, dated July __, 2018 (“Purchase Agreement”), executed by Barclays Capital, Inc. (the “Underwriter”) and accepted and agreed to by Los Angeles County Facilities Inc. (the “Issuer”), a California nonprofit public benefit corporation, and the County of Los Angeles (the “County”), a political subdivision of the State of California, relating to the issuance and sale by the Issuer of its \$[2018A Par Amount] Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax Exempt) (the “Series 2018A Bonds”) and \$[2018B Par Amount] Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable) (the “Series 2018B Bonds” and, together with the Series 2018A Bonds, the “Bonds”). Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Purchase Agreement.

As counsel to the County, this office has examined the record of proceedings and such other documents, records and matters of law as we deemed necessary for the purpose of this opinion hereinafter expressed. As to questions of fact material to such opinions, we have, when relevant facts were not independently established by us, relied upon certificates of the County or its officers or of public officials.

Based upon the foregoing and upon such investigation as we have deemed necessary, we are of the opinion that:

1. The County is a political subdivision of the State of California duly organized and validly existing under the Constitution and the laws of the State of California. The County has the legal right and authority under the Constitution and laws of the State to execute the County Documents.
2. The County Authorization was duly adopted at a meeting of the Board of Supervisors of the County, as the governing board of the County, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption.

3. The County Documents to which the County is a party have been duly authorized, executed and delivered by the County, and, assuming due authorization, execution and delivery by the other respective parties thereto, constitute legal, valid and binding obligations of the County, enforceable against the County in accordance with their respective terms.

4. To the best of County Counsel's knowledge, the County is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or is otherwise subject, which breach or default would materially adversely affect the County's ability to enter into or perform its obligations under the County Documents to be executed by it, and, to the best of County Counsel's knowledge, no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a breach or default; and the execution and delivery of the County Documents by the County and compliance with the provisions on the County's part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument known to County Counsel after reasonable inquiry to which the County is a party or to which the County or the Property or its assets is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the County under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the County Documents executed by the County.

5. To the best of County Counsel's knowledge, and except as disclosed in the Preliminary Official Statement and Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending in which service of process has been completed against the County or threatened against the County in any material respect affecting the corporate existence of the County or the titles of its officers to their respective offices or affecting or seeking to prohibit, restrain or enjoin the adoption of the County Authorization or the payment of Rent as required under the Facilities Lease or in any way contesting or affecting the validity or enforceability of the County Documents, or contesting the tax-exempt status of payment and interest as would be received by the Owners of the Series 2018A Bonds, or contesting the completeness or accuracy of the Official Statement or any supplement or amendment thereto, or contesting the powers of the County or any authorization in connection with the adoption of the County Authorization, or the execution and delivery by the County of the County Documents to which the County is party

wherein an unfavorable decision, ruling or finding which would materially adversely affect the validity or enforceability of the County Documents or the performance by the County of its obligations thereunder.

6. The preparation and distribution of the Official Statement has been duly authorized by the Board of Supervisors of the County.

Respectfully submitted,

Office of County Counsel, County of Los Angeles, California

Exhibit D-2
Form of Opinion of Loeb & Loeb
Required Pursuant to Section 8.6(e)(2)

Exhibit E
Opinions of Developer's Counsel
pursuant to Section 8.6(e)(4)

1. The Developer is duly organized and existing under the laws of the State of Delaware and is qualified to transact business and is in good standing in the State of California and has full power and authority to enter into the Development Agreement dated as of July 1, 2018 between Developer and Issuer (the "Development Agreement") and to carry out its obligations thereunder.

2. The Development Agreement has been duly authorized, executed and delivered by the Developer and constitutes a legal, valid and binding agreement of the Developer enforceable in accordance with its terms, except as the enforcement thereof may be affected by valid bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights or principles of equity.

3. The Developer is not in breach of or in default under any applicable law or administrative regulation or any applicable judgment or decree to which the Developer, any of its officers, or any of its properties is a party or is otherwise subject, which would have a material adverse effect upon the business or financial position of the Developer or the Project.

4. To the best of such counsel's knowledge, there is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or threatened against the Developer in which any judgment or order would have a material adverse effect upon the business (financial or otherwise) or assets thereof or affect its existence or authority to do business, the validity of the Development Agreement or the performance by the Developer of its obligations thereunder.

5. The execution, delivery and performance by the Developer of its obligations under the Development Agreement and compliance by the Developer with the provisions thereof will not violate any provision of the Developer's organizational documents, existing federal law or law of the State of California, or any rule or regulation of any court or any public or governmental agency applicable to the Developer or the Project, and to the best of such counsel's knowledge after due inquiry, will not violate any judgment or order of any court or any public or governmental agency applicable to the Developer or the Project and will not conflict with, or result in any breach of any of the provisions of, or constitute a default under any material agreement or instrument to which the Developer is a party or by which the Developer or any of

its properties is or may be bound, it being understood, however, that such counsel shall not be required to express any opinion concerning (a) compliance by any other party to the Development Agreement with applicable federal law or law of the State of California or any rule, regulation, judgment or order of any court or any public or governmental agency or authority applicable to such other party, as necessary to permit any such other party to enter into or perform its obligations under the Development Agreement; or (b) the ability of the Developer to perform its obligations under the Development Agreement due to future changes in applicable law, changes or modifications of the Developer Documents or changes from the current organization of the Developer.

6. Except as set forth in the Preliminary Official Statement and the Official Statement and except for certain construction permits, certificates of occupancy and similar approvals which the Developer expects to obtain in due course, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the approval of the Developer Documents or the due performance by the Developer of its obligations under the Developer Documents, have been duly obtained.

7. The statements contained in the Preliminary Official Statement and the Official Statement under the captions “INTRODUCTION – The Project,” “THE PROJECT – Construction of the Project,” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Developer’s Limited Obligation for Carrying Costs” (excluding any material that may be treated as included under such captions by cross reference or reference to other documents or sources), insofar as such statements expressly summarize certain provisions of the Development Agreement are accurate in all material respects.

8. Based on an examination of information available to us and our representation of TC LA Development, Inc., as the Developer of the Project, and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements in the Preliminary Official Statement and the Official Statement, no information came to the attention of this firm that caused us to believe that the information regarding the Developer in the Preliminary Official Statement, as of its date and as of the date of the Purchase Contract, and the Official Statement as of its date and the date of Closing, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Exhibit F
Form of Supplemental Opinion of Bond Counsel
Required Pursuant to Section 8.6(e)(3)

Exhibit G
Form of Opinion of Disclosure Counsel
Required Pursuant to Section 8.6(e)(6)

July __, 2018

Board of Supervisors
County of Los Angeles
Los Angeles, California

Ladies and Gentlemen:

We have acted as Disclosure Counsel to Los Angeles County Facilities Inc. (the “Corporation”) and the County of Los Angeles, California (the “County”) in connection with the Preliminary Official Statement dated [POS DATE], 2018 (the “Preliminary Official Statement”) and its Official Statement dated [OS DATE], 2018 (the “Official Statement”), each relating to the \$[PRINCIPAL AMOUNT] aggregate principal amount of Los Angeles County Facilities Inc. Lease Revenue Bonds, 2018 Series (Vermont Corridor County Administration Building) (the “Bonds”) issued on the date hereof by the Corporation. The Bonds are being issued on behalf of the County pursuant to an Indenture of Trust dated as of July 1, 2018 by and between the Issuer and U.S. Bank National Association, as trustee. Capitalized terms used in this letter and not otherwise defined herein shall have the meanings provided by the Official Statement.

The Preliminary Official Statement and the Official Statement are the Corporation’s and the County’s documents and as such the Corporation and the County are responsible for their content. The purpose of our engagement was not to independently establish, confirm, or verify the factual matters set forth in the Preliminary Official Statement and the Official Statement and we have not done so. Moreover, many of the determinations required to be made in the preparation of the Preliminary Official Statement and the Official Statement involve wholly or partially matters of a non-legal character. We do not, therefore, take any responsibility for the factual matters set forth in the Preliminary Official Statement and the Official Statement and we undertake herein only to express certain limited negative assurances regarding the same.

The purpose of our engagement by you was to provide certain limited negative assurances to Barclays Capital Inc., as underwriter for the Bonds (the “Underwriter”). In separately requesting and accepting this letter, the Corporation and the County acknowledge that (i) the scope of those activities performed by us were inherently limited and do not encompass all activities that the Corporation as the issuer of the Bonds may be responsible to undertake in preparing the Preliminary Official Statement and the Official Statement, (ii) those activities performed by us relied substantially on representations, warranties, certifications and opinions made by representatives of the Corporation and the County and others, and are otherwise subject to the matters set forth in this letter, and (iii) while such statements of negative assurance are customarily given to underwriters of municipal securities to assist them in discharging their responsibilities under the federal securities laws, the responsibilities of the Corporation and the

County under those laws may differ from those of Underwriters in material respects, and this letter may not serve the same purpose or provide the same utility to you as it would to the Underwriters.

In giving the limited assurances hereinafter expressed, we are not expressing any opinion or view on, but have ourselves assumed and relied upon, the validity, accuracy and sufficiency of the records, documents, certificates and opinions executed and delivered in connection with the issuance of the Bonds. Without limiting the foregoing statement, we have relied, without independently opining upon the legal conclusions expressed and without independently verifying the factual matters represented, on the legal opinions that we have reviewed. Also, we have relied upon a report prepared by a third party provider regarding the County's compliance with its continuing disclosure undertakings.

This letter does not address (i) CUSIP numbers, (ii) any financial statements contained or incorporated by reference in the Preliminary Official Statement and the Official Statement, (iii) any financial, demographic, statistical or economic data, estimates, projections, numbers, assumptions, charts, graphs, tables, or expressions of opinion contained in the Preliminary Official Statement and the Official Statement, (iv) the section entitled "Tax Matters", and (v) information relating to the book-entry-only system, including information in Appendix F – "Book-Entry Only System."

In our capacity as Disclosure Counsel, we participated in meetings and conference calls with representatives of the Corporation and the County, Orrick, Herrington & Sutcliffe LLP, as Bond Counsel, the Underwriter, Katten Muchin Rosenman LLP, as Underwriter's Counsel, Montague DeRose and Associates, LLC, as Municipal Advisor to the County, and other parties, during which the contents of the Preliminary Official Statement and the Official Statement were discussed and reviewed. Based upon such participation, and information disclosed to us in the course of our representation as Disclosure Counsel, considered in light of our understanding of the applicable law and the experience we have gained through our practice of law, and subject to all of the foregoing in this letter including the qualifications respecting the scope and nature of our engagement, we advise you, as a matter of fact but not opinion, that, during the course of our engagement as Disclosure Counsel with respect to the Preliminary Official Statement and the Official Statement, no facts came to the attention of the attorneys of our firm rendering legal services in connection with this matter that caused them to believe that the Preliminary Official Statement, as of the date of the Preliminary Official Statement, or the Official Statement, as of the date of the Official Statement and as of the date hereof, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

We assume no obligation to update, revise or supplement this letter to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or for any other reason.

We are not expressing any opinion with respect to the authorization, execution, delivery, issuance or validity of the Bonds, or the exclusion from gross income for federal income tax purposes of interest on the Bonds.

This letter is furnished by us solely for your benefit and may not be relied upon by any other person or entity, except as may be expressly authorized by us in writing. This letter is not to be used, circulated, quoted or otherwise referred to in connection with the offering of the Bonds, except that reference may be made in any list of closing documents pertaining to the issuance of the Bonds.

Very truly yours

Exhibit H
Form of Opinion of Underwriter's Counsel
pursuant to Section 8.6(e)(7)

July __, 2018

Barclays Capital Inc.
555 California Street, Floor 30
San Francisco, CA 94104

Re: \$[2018A Par Amount] Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax Exempt) (the "Series 2018A Bonds") and \$[2018B Par Amount] Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable) (the "Series 2018B Bonds" and, together with the Series 2018A Bonds, the "Bonds")

Ladies and Gentlemen:

We have acted as counsel to you in connection with the issuance of the above-captioned Bonds by Los Angeles County Facilities Inc. (the "Issuer"). Unless otherwise defined herein, capitalized terms used herein have the meanings set forth in the Bond Purchase Agreement, dated July __, 2018 ("Purchase Agreement"), executed by Barclays Capital, Inc. (the "Underwriter") and accepted and agreed to by Los Angeles County Facilities Inc. (the "Issuer"), a California nonprofit public benefit corporation, and the County of Los Angeles (the "County"), a political subdivision of the State of California. Capitalized terms used but not otherwise defined herein shall have the meaning ascribed thereto in the Purchase Agreement.

In our capacity as counsel to the Underwriter, we have examined originals, or copies certified or otherwise identified to our satisfaction as being true copies of originals, of the following documents: (i) the Purchase Agreement; (ii) the Issuer Authorization and County Authorization; (iii) the Ground Lease Agreement dated with an effective date of July 1, 2018, by and between the County of Los Angeles and the Issuer and memorandum thereof; (iv) the Facilities Lease Agreement dated with an effective date of July 1, 2018, by and between the Issuer and the County and memorandum thereof; (v) the Development Agreement dated as of July 1, 2018, between the Issuer and the Developer; (vi) the Indenture of Trust dated as of July 1, 2018, by and between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"); (vii) the Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing; (viii) the Assignment of Leases and Cash Collateral from the Issuer to

the Trustee; (ix) the Assignment of Construction Documents from the Issuer to the Trustee and related assignment documents; (x) the Subordination, Non-Disturbance and Attornment Agreement by and among the County, the Issuer and the Trustee, (xi) the Ground Lessor Consent, Estoppel, Recognition and Non-Disturbance Agreement by and among the County, the Issuer and the Trustee; (xii) the Issuer's Preliminary Official Statement relating to the Bonds dated June __, 2018 (the "Preliminary Official Statement"); (xiii) the Issuer's Official Statement relating to the Bonds dated July __, 2018 (the "Official Statement"); (xiv) the Continuing Disclosure Certificate of the County, dated July __, 2018; and (xv) the various certificates and opinions provided on the date hereof pursuant to the Purchase Agreement.

We have not undertaken to determine independently, and assume no responsibility for, the accuracy and completeness of the statements made or included in the Preliminary Official Statement or the Official Statement. During the course of the preparation of the Preliminary Official Statement and the Official Statement, however, we participated in conferences with certain officials of, and counsel for, the County, the Authority, representatives of the Underwriters, bond counsel and disclosure counsel, at which conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. Our examination described above and our participation in the above-mentioned conferences did not disclose to us any information which gives us reason to believe that the Preliminary Official Statement, as of its date or as of the date of the Purchase Agreement, or the Official Statement, as of its date or as of the date hereof, contained any untrue statements of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (provided, however, that no belief or opinion is expressed regarding any financial, forecast, technical or statistical statements or data included in the Preliminary Official Statement or the Official Statement, the statements and information set forth in the Appendices to the Official Statement, information designated as preliminary or permitted to be omitted from the Preliminary Official Statement pursuant to Rule 15c2-12, or any information under the captions "TAX MATTERS," "MUNICIPAL ADVISOR" or "RATINGS").

This opinion is furnished to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose. This opinion is based on law and facts in existence on the date hereof and we assume no obligation to advise you of changes that may hereafter be brought to our attention.

Respectfully yours,

CS: MGM

Exhibit I
Form of Issue Price Certificate

After Recording Return To:

SPACE ABOVE THIS LINE FOR RECORDER'S USE

This instrument is exempt from recording fees (California Government Code § 27383) and from Documentary Transfer Tax (California Revenue and Tax Code § 11922).

SUBORDINATION, NON-DISTURBANCE
AND ATTORNMENT AGREEMENT

by and among

Los Angeles County Facilities Inc., a California nonprofit public benefit corporation (“Landlord”), the County of Los Angeles, a political subdivision of the State of California (“Tenant”) and U.S. Bank National Association (“Beneficiary”), as bond trustee under the Indenture of Trust dated as of July 1, 2018, relating to the Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt) and the Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable)

SUBORDINATION, NON-DISTURBANCE
AND ATTORNMENT AGREEMENT

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

THIS AGREEMENT is entered into by and among Tenant, Landlord, and Beneficiary and affects the Property described in Exhibit A attached hereto. The terms "Tenant," "Landlord," "Beneficiary," "Premises," "Ground Lease," "Lease," "Property," "Bonds," "Indenture" and "Deed of Trust" are defined in the Schedule of Definitions attached hereto as Exhibit B. This Agreement is entered into with reference to the following facts:

A. Landlord and Tenant have entered into that certain unrecorded Lease covering the Premises on the Property.

B. Beneficiary has agreed to execute the Indenture with Landlord. Landlord will issue Bonds pursuant to the Indenture, which Bonds and Indenture are to be secured by the Deed of Trust encumbering the Premises, provided that the Lease is subordinated to the lien of the Deed of Trust.

C. For the purposes of issuing the Bonds pursuant to the Indenture, the parties hereto desire to expressly subordinate the Lease to the lien of the Deed of Trust, it being a condition precedent to the issuance of the Bonds pursuant to the Indenture, that the lien of the Deed of Trust be unconditionally and at all times prior and superior to the leasehold interests and estates created by the Lease.

D. Tenant has requested and Beneficiary has agreed not to disturb Tenant's possessory rights in the Premises in the event Beneficiary should foreclose the Deed of Trust; provided that Tenant is not then in default under the Lease and provided further that Tenant attorns to Beneficiary or the purchaser at any foreclosure or trustee's sale of the Property.

E. It is to the mutual benefit of Landlord and Tenant that Beneficiary execute the Indenture. Beneficiary is unwilling to execute the Indenture without this Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to induce Landlord and Beneficiary to execute the Indenture and issue the Bonds, the parties agree as follows:

1. Notwithstanding anything to the contrary set forth in the Lease, the Lease and the leasehold interests and estate created thereby and all of Tenant's rights thereunder, including, without limitation, all rights of first refusal, purchase options and all other rights or interests of the Tenant under the Lease, shall be and shall at all times remain subject, subordinate and inferior to the Deed of Trust and the lien thereof, and all rights, privileges and powers of the Beneficiary thereunder and to any and all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, that all condemnation awards and insurance proceeds paid or payable with respect to the Premises and received by Landlord or Beneficiary shall be applied as provided in the Lease to the repair and restoration of the Premises or used to redeem or defease Bonds or as otherwise required under the Indenture. The fee simple interest of the County of Los Angeles in the Property is not subject to the subordination granted by this Agreement. Notwithstanding such subordination, Landlord and Beneficiary acknowledge and agree that pursuant to the Indenture and the requirements of Revenue Ruling 63-20 of the Internal Revenue Service, as further amended and updated by Revenue Ruling 82-26 (together, the "Ruling") and applicable Internal Revenue Service regulations and upon full payment and retirement or defeasance of all Bonds outstanding under the Indenture, Landlord or the then owner of the Premises (including Beneficiary) shall convey unencumbered title to the Premises to Tenant as the governmental subdivision identified in the Indenture, without recourse or warranty and in its then condition. This provision shall survive any foreclosure of the Deed of Trust or any transfer of the Premises by conveyance in lieu of foreclosure and shall be binding upon Beneficiary and any succeeding owner of the Premises.

2. If the interests of Landlord in the Premises shall be transferred by reason of the exercise of the power of sale contained in the Deed of Trust, or by any foreclosure or other proceeding for enforcement of the Deed of Trust, or by deed in lieu of foreclosure or such other proceeding, Tenant shall be bound to Beneficiary or the party acquiring Landlord's ("Succeeding Landlord") interests under the Ground Lease and the Lease in the Premises under all of the terms, covenants and conditions of the Ground Lease and the Lease for the balance of the term thereof and any extensions or renewals thereof which may be effected in accordance with any option in the Lease, with the same force and effect as if the Succeeding Landlord were the tenant under the Ground Lease and the landlord under the Lease, and Tenant, as tenant under the Lease, does hereby attorn to the Succeeding Landlord, as its lessor under the Lease. Such attornment shall be effective and self-operative without the execution of any further instruments upon the succession by Succeeding Landlord to the interests of Landlord under the Ground Lease and the Lease. Tenant shall execute and deliver such instrument evidencing such attornment as Succeeding Landlord reasonably may require. The respective rights and obligations of Succeeding Landlord and Tenant upon such attornment, to the extent of the then remaining balance of the term of the Lease and any extensions and renewals, shall be and are the same as now set forth in the Lease; provided, however, that in no event shall Beneficiary or such Succeeding Landlord be (i) liable for any act, omission or default of any previous landlord (including Landlord) or obligations accruing prior to the date Beneficiary or such Succeeding Landlord succeeded to the interest of Landlord under the Ground Lease and

the Lease; (ii) subject to any offset, defense, claim or counterclaim which Tenant might be entitled to assert against any previous landlord (including Landlord) for events arising prior to the date Beneficiary or such Succeeding Landlord succeeded to the interest of Landlord under the Ground Lease and the Lease, or (iii) be bound by any payment of Base Rent, Additional Rent or other payments made by Tenant to any previous landlord (including Landlord) for more than one (1) month in advance.

3. So long as no default by Tenant under the Lease exists (after notice, and the expiration of any grace or cure period as may be required by the Lease) that would entitle Landlord to terminate the Lease, the Lease shall not be terminated, nor shall Tenant's use, possession or enjoyment of the Premises or any of its rights and privileges under the Lease be interfered with in any foreclosure or other action or proceeding in the nature of foreclosure instituted under or in connection with the Deed of Trust, and Beneficiary shall not name or join Tenant as a defendant in any exercise of Beneficiary's rights under the Deed of Trust except to the extent required by applicable law to prosecute Beneficiary's rights and remedies against Landlord and then only for such purpose and not for the purpose of terminating the Lease or otherwise adversely affecting Tenant's rights under the Lease or this Agreement. This nondisturbance provision shall apply with respect to Tenant's continued occupancy of the Premises pursuant to an exercise of its rights under Bankruptcy Code Section 365(h).

4. Beneficiary would not execute the Indenture without this Agreement.

5. It is expressly understood and agreed that this Agreement shall supersede, to the extent inconsistent herewith, any provisions of the Lease relating to the subordination of the Lease and the rights, duties and obligations created thereby to the lien or charge of the Deed of Trust.

6. A copy of any notice of default sent by Tenant to Landlord under the Lease shall be simultaneously mailed to Beneficiary, and Beneficiary shall during an Event of Default (as defined under the Indenture) have the right (but not the obligation) to remedy any default by Landlord under the Lease, if directed by the holders of a majority in aggregate principal amount of Bonds Outstanding and indemnified to its satisfaction, as follows: After the receipt of such notice, Beneficiary shall have a period of thirty (30) days in which to cure any default by Landlord and upon the commencement thereof shall proceed diligently to cure such default, which may include the initiation of legal or other action to acquire title to Landlord's interest under the Ground Lease and the Lease. In the event that neither Landlord nor Beneficiary cures such default, Tenant shall have the right to pursue remedies available to it under Section 23 of the Lease against Landlord; provided, however, that Tenant shall have (i) no right to offset against Rent payable under the Lease, and (ii) no right to terminate the Lease or the Ground Lease so long as the Bonds are outstanding.

7. Tenant represents that the Lease is in full force and effect and except to the extent permitted under the terms of the Indenture and/or the Deed of Trust, it will not change or alter the terms, covenants, conditions and agreements of the Lease.

8. Tenant consents to the execution and delivery of the Deed of Trust by Landlord. This Agreement does not constitute a waiver by Landlord of any of its rights under the Lease with respect to Tenant and does not in any way release Tenant from its obligation to comply with the terms, provisions, conditions, covenants and agreements set forth in the Lease.

9. This Agreement does not constitute a waiver by Beneficiary of any of its rights under the Deed of Trust and does not in any way release Landlord from its obligation to comply with the terms, provisions, covenants, conditions and agreements set forth in the Lease to be performed by Landlord.

10. Notwithstanding any provision of this Agreement or the Lease to the contrary, (i) Beneficiary shall have no obligation or incur any liability with respect to the design, development, construction or completion of the Project (as defined in the Lease) or any improvements for Tenant's use and occupancy except for the obligations of the Beneficiary set forth in the Indenture, (ii) Tenant shall have no right to offset any claims it may have under the Lease against the payment of Rent, Additional Rent or any other amount which Tenant is required to pay under the Lease, and (iii) Tenant agrees that it shall not exercise any rights or take any action to enforce any remedies it may have as a third party beneficiary under the Development Agreement or any of the Construction Documents (each as defined in the Lease) until each of the following conditions has been satisfied: (a) the Rent Commencement Date has occurred and Tenant is paying Base Rent, (b) there is no default by Tenant, and no event that with the giving of notice or the passage of time or both, has occurred, that would constitute an Event of Default by Tenant under the Lease, and (c) an Event of Default by Landlord has occurred under the Lease and all applicable notice and cure periods have expired with reference thereto.

11. The agreements contained herein shall run with the land and shall inure to the benefit of the parties hereto, their successors and assigns; and thereupon all such obligations and liabilities shall be the responsibility of the person to whom such party's interest is assigned or transferred; provided, however, that the interest of either Landlord or Tenant under this Agreement may not be assigned or transferred except together with an assignment or transfer of such party's interest under the Ground Lease and the Lease. In the event of the assignment or transfer of the interest of Beneficiary under the Indenture and/or the Deed of Trust, all obligations and liabilities of Beneficiary under this Agreement shall automatically terminate, and thereupon all such obligations and liabilities shall be the responsibility of the party to whom Beneficiary's interest is assigned or transferred.

12. All notices required or permitted under this Agreement shall be in writing and shall be given to the parties as follows:

Landlord: Los Angeles County Facilities Inc.
c/o Public Facilities Group
1414 Fourth Avenue
Seattle, Washington 98101
Attention: John Finke, President

Tenant: County of Los Angeles
222 South Hill Street, 3rd Floor
Los Angeles, California 90012
Attention: Real Estate Division – Senior Manager

With copies to: Office of the County Counsel
County of Los Angeles
500 West Temple Street, 6th Floor
Los Angeles, California 90012-2932

Chief Executive Office – Capital Projects
County of Los Angeles
500 West Temple Street, Room 713
Los Angeles, California 90012

Treasurer and Tax Collector – Public Finance
County of Los Angeles
500 West Temple Street, Room 432
Los Angeles, California 90012

Beneficiary: U.S. Bank National Association,
U.S. Bank Tower
635 West 5th Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Services

Any such notices shall be either (a) sent by certified mail, return receipt requested, in which case notice shall be deemed delivered three business days after deposit, postage prepaid in the U.S. mail, or (b) sent by a nationally recognized overnight courier, in which case notice shall be deemed delivered one business day after deposit with such courier; or (c) served personally, in which case notice shall be deemed given on the date of such service, or (d) delivered by facsimile transmission followed by delivery by personal service or nationally recognized courier service on the next business day after facsimile transmission, in which case notice shall be deemed to have been given on the date of facsimile transmission. The above addresses may be changed by written notice to the other parties; provided that no notice of a change of address shall be effective until actual receipt of such notice.

13. This Agreement shall be governed by and construed in accordance with the laws of the State of California. All capitalized terms not otherwise defined herein or on Exhibit B hereto shall have the same definition as set forth in the Lease or, if not defined therein, as defined in the Indenture.

14. In the event any term or provision of this Agreement or the application thereof to any person or circumstance shall, for any reason and to any extent be invalid or unenforceable, the remaining terms and provisions of this Agreement shall not be affected thereby, but rather shall be enforceable to the fullest extent permitted by law.

15. The parties hereto agree to execute and deliver in recordable form any and all further documents and instruments reasonably requested by any party hereto or any title insurance company to give effect to the terms and provisions of this Agreement.

16. Notwithstanding anything to the contrary contained herein, Landlord and Tenant acknowledge that Beneficiary is acting under this Agreement not in its individual capacity but solely as Trustee under the Indenture and shall be entitled to the same rights, protections, indemnities and immunities hereunder to which it is entitled under the Indenture.

17. This Agreement may be executed in counterparts, each of which is an original and all of which shall constitute one agreement.

IN WITNESS WHEREOF, the parties have executed this Subordination, Non-Disturbance, and Attornment Agreement as of _____, 2018.

NOTICE: THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT CONTAINS PROVISIONS WHICH ALLOW LANDLORD TO ISSUE BONDS, A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE PROPERTY.

TENANT:

COUNTY OF LOS ANGELES, a political subdivision of the State of California

By: _____
Name: _____
Title: _____

BENEFICIARY:

U.S. BANK NATIONAL ASSOCIATION, as bond trustee under the Indenture

By: _____
Name: _____
Its: _____

LANDLORD:

LOS ANGELES COUNTY FACILITIES INC., a California nonprofit public benefit corporation

By: _____
Name: John Finke
Its: President

CALIFORNIA CERTIFICATE OF ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }
COUNTY OF _____ } SS.

On _____ before me, _____, personally appeared _____, who proved to me 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public Signature

(Notary Public Seal)

Additional Optional Information*

*Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

DESCRIPTION OF ATTACHED DOCUMENT

(Title or Description of Attached Document)

Number of Pages: _____

Document Date: _____

CAPACITY CLAIMED BY THE SIGNER

- Individual
- Corporate Officer: _____ (Title)
- Partner (Limited)
- Partner (General)
- Attorney-in-Fact
- Trustee
- Guardian/Conservator
- Other:

SIGNER IS REPRESENTING: Los Angeles County Facilities Inc., a California nonprofit public benefit corporation

SIGNER(S) OTHER THAN NAMED ABOVE:

CALIFORNIA CERTIFICATE OF ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }
COUNTY OF _____ } SS.

On _____ before me, _____, personally appeared _____, who proved to me 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public Signature (Notary Public Seal)

Additional Optional Information*

*Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

DESCRIPTION OF ATTACHED DOCUMENT

(Title or Description of Attached Document)

Number of Pages: _____
Document Date: _____

CAPACITY CLAIMED BY THE SIGNER

- Individual
- Corporate Officer: _____ (Title)
- Partner (Limited)
- Partner (General)
- Attorney-in-Fact
- Trustee
- Guardian/Conservator
- Other:

SIGNER IS REPRESENTING: County of Los Angeles, a political subdivision of the State of California

SIGNER(S) OTHER THAN NAMED ABOVE:

CALIFORNIA CERTIFICATE OF ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }
COUNTY OF _____ } SS.

On _____ before me, _____, personally appeared _____, who proved to me 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public Signature

(Notary Public Seal)

Additional Optional Information*

*Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

DESCRIPTION OF ATTACHED DOCUMENT

(Title or Description of Attached Document)

Number of Pages: _____

Document Date: _____

CAPACITY CLAIMED BY THE SIGNER

- Individual
- Corporate Officer: _____
(Title)
- Partner (Limited)
- Partner (General)
- Attorney-in-Fact
- Trustee
- Guardian/Conservator
- Other:

SIGNER IS REPRESENTING: U.S. Bank National Association

SIGNER(S) OTHER THAN NAMED ABOVE:

EXHIBIT A

Legal Description

The following real property situated in the City of Los Angeles, Los Angeles County, California and more particularly described as follows:

[TO BE PROVIDED]

Assessor's Parcel No. _____

EXHIBIT B

Schedule of Definitions

“Beneficiary” shall mean U.S. Bank National Association, as bond trustee under the Indenture. All notices hereunder to Beneficiary shall be mailed to:

U.S. Bank Tower
635 West 5th Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Services

“Bonds” means, collectively, \$ _____ in aggregate principal amount of Los Angeles County Facilities Inc., Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt) and \$ _____ in aggregate principal amount of Los Angeles County Facilities Inc., Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable).

“Deed of Trust” shall mean a first lien Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated as of _____, 2018, encumbering the Property, executed by Landlord, as Trustor to _____, as Trustee, in favor of Beneficiary, securing repayment of the Bonds issued pursuant to the Indenture to be recorded in the county in which the Property is located.

“Ground Lease” shall mean that certain Ground Lease Agreement dated as of _____, 2018 executed by Tenant as ground lessor, and Landlord as ground lessee, as now or hereafter amended.

“Indenture” shall mean that certain Indenture of Trust dated as of July 1, 2018 executed by Landlord and Beneficiary pursuant to which Landlord issues the Bonds.

“Landlord” shall mean Los Angeles County Facilities Inc., a California nonprofit public benefit corporation, having an address c/o Public Facilities Group, 1414 Fourth Avenue, Seattle, Washington 98101, Attention: John Finke, President.

“Lease” shall mean that certain Facilities Lease Agreement dated as of _____, 2018, by and between Landlord and Tenant, as now or hereafter amended.

“Premises” shall mean the improvements located in and upon the Property, including the Project (as defined in the Lease) and such other improvements as may be located on the Property from time to time, together with Landlord’s leasehold interest in the Property demised to Landlord under the Ground Lease.

“Property” shall mean the real property described in Exhibit A hereto together with the improvements thereon.

“Tenant” shall mean the County of Los Angeles, a political subdivision of the State of California, having an address at 222 South Hill Street, 3rd Floor, Los Angeles, California 90012, Attention: Real Estate Division – Senior Manager.

ND: 21980.002 4819-3448-6117v1

After Recording Return To:

SPACE ABOVE THIS LINE FOR RECORDER'S USE

This instrument is exempt from recording fees (California Government Code § 27383)

GROUND LESSOR CONSENT, ESTOPPEL, RECOGNITION AND NON-DISTURBANCE AGREEMENT

by and among

The County of Los Angeles, a political subdivision of the State of California ("Owner"),
Los Angeles County Facilities Inc., a California nonprofit public benefit corporation
("Lessee"), and U.S. Bank National Association, in its capacity as bond trustee ("Trustee")
under the Indenture of Trust dated as of July 1, 2018, relating to the
Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018A (Vermont
Corridor County Administration Building) (Tax-Exempt) and the
Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018B (Vermont
Corridor County Administration Building) (Federally Taxable)

GROUND LESSOR CONSENT, ESTOPPEL, RECOGNITION AND NON-DISTURBANCE AGREEMENT

THIS GROUND LESSOR CONSENT, ESTOPPEL, RECOGNITION AND NON-DISTURBANCE AGREEMENT (“Agreement”) is made as of _____, 2018, by and among the COUNTY OF LOS ANGELES, a political subdivision of the State of California (“Owner”), LOS ANGELES COUNTY FACILITIES INC., a California nonprofit public benefit corporation (“Lessee”), and U.S. BANK NATIONAL ASSOCIATION, in its capacity as bond trustee (the “Trustee”) under the Indenture of Trust dated as of July 1, 2018 (the “Indenture”) relating to the Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt) (the “Series 2018A Bonds”) and the Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable) (the “Series 2018B Bonds” and, together with the Series 2018A Bonds, the “Bonds”), with reference to the following facts:

RECITALS

A. Lessee is a California nonprofit public benefit corporation and an organization described under Section 501(c)(3) of the federal Internal Revenue Code of 1986, as amended (the “Code”);

B. Owner desires to have Lessee design, develop, permit and construct improvements and install furniture, fixtures and equipment for (i) a new office building with (a) approximately 468,000 gross square feet of Class A office with ground floor retail space and public serving uses, and (b) approximately 965 structured parking spaces; and (ii) a separate 10-story garage structure containing approximately 768 parking spaces, all to serve as the headquarters and office space for the Los Angeles County Department of Mental Health, office space for the Los Angeles County Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff (collectively, the “Project”), all located in the City of Los Angeles, Los Angeles County, California;

C. Lessee and Owner have entered into a Ground Lease Agreement dated as of _____, 2018 (as amended from time to time, the “Ground Lease”) under which Owner is leasing certain real property located in the City of Los Angeles, Los Angeles County, on which the Project will be located and which is more particularly described in Exhibit A, attached hereto and by this reference incorporated herein (the “Land”) to Lessee;

D. Concurrently therewith, Lessee and Owner have entered into a Facilities Lease Agreement, dated as of _____, 2018 (as amended from time to time, the “Facilities Lease”) under which Lessee will undertake the Project and lease the Premises (as such term is defined in the Facilities Lease) to the Owner at the rent and pursuant to the terms and conditions set forth in the Facilities Lease;

E. Lessee will engage TC LA Development, Inc. as developer (“Developer”) to develop, oversee and manage the design, permitting and construction of the Project in accordance with the terms and conditions of a Development Agreement dated as of _____, 2018 (the “Development Agreement”);

F. By Ordinance No. ___ adopted on _____, 2018 and by subsequent actions, the Board of Supervisors of Owner approved the Ground Lease, the Facilities Lease, the Development Agreement, the Project, the issuance of the Bonds (as hereinafter defined) and the future acceptance of the title to the Premises;

G. Lessee and Owner have determined that the most cost-effective method of financing the Project is through the issuance by Lessee of the Series 2018A Bonds (a series of tax-exempt obligations) pursuant to Rev. Rul. 63-20 of the U.S. Treasury, as further amended and updated by Rev. Rul. 82-26 (together, the “Ruling”) under the Code;

H. Lessee intends to issue the Series 2018A Bonds pursuant to the Indenture and to use the proceeds thereof to finance the costs of design, development and construction of the Project;

I. The obligations of Lessee to pay principal and interest on the Bonds and the indebtedness evidenced by the Indenture are secured, inter alia, by that certain (a) Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing of even date herewith (the “Deed of Trust”) executed by Lessee as trustor and debtor in favor of the Trustee, as beneficiary and secured party, encumbering the Land and certain real and personal property more particularly described in the Deed of Trust, (b) that certain Assignment of Leases and Cash Collateral of even date herewith executed by Lessee as assignor in favor of Trustee as assignee and (c) other security interests granted under other security documents; and

J. Lessee and Trustee would not execute the Indenture and the Lessee would not issue the Bonds or enter into the Ground Lease, the Facilities Lease or the Development Agreement, except upon the express condition that Owner: (a) confirm the status of the Ground Lease, (b) confirm any and all approvals to the financing plan contemplated by the execution of the Indenture, the issuance of the Bonds, the execution of the Ground Lease, the Facilities Lease and the Development Agreement and all documents and instruments executed in connection therewith, including, without limitation, the Deed of Trust, (c) agree to recognize and agree not to disturb the rights of the Trustee under the Deed of Trust, and (d) confirm certain matters with respect to the Ground Lease and Facilities Lease as more particularly set forth herein.

NOW THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in order to induce Lessee and Trustee to execute the Indenture and Lessee to issue the Bonds, Owner and Lessee hereby certify and agree in favor and for the benefit of Trustee as follows:

AGREEMENT

1. Each of the recitals set forth above is by this reference incorporated herein. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Indenture or, if not defined therein, as defined in the Facilities Lease.

2. The Ground Lease is valid and in full force and effect and constitutes the entire agreement between Owner and Lessee, as the tenant thereunder, with respect to the demise of the Land pursuant to the Ground Lease and there have been no modifications or amendments to the Ground Lease since its execution. There are no oral or other written agreements between Owner and Lessee with respect to the lease of the Land except the Ground Lease and the Facilities Lease. There is no default by either Owner or Lessee in the performance of their respective obligations under the Ground Lease or the Facilities Lease and no event that with the giving of notice, the passage of time or both, would constitute an Event of Default under the Ground Lease or the Facilities Lease. To the best of Owner's knowledge, there are no set-offs, defenses or claims in favor of Owner against Lessee or against enforcement by Lessee of any of the terms and conditions of the Ground Lease or the Facilities Lease.

3. All rent and other sums due and payable under the Ground Lease have been paid in full and neither Owner nor Lessee has commenced any action or given or received any notice for the purposes of terminating the Ground Lease.

4. The term of the Ground Lease will commence _____, 2018, and will terminate _____, unless it is earlier terminated in accordance with the terms of the Ground Lease, or unless it is extended in accordance with Section 2.1 of the Ground Lease.

5. Owner consents to the Indenture, the Deed of Trust, the Assignment of Leases and the Development Agreement and agrees that the Deed of Trust shall constitute a Leasehold Mortgage and Trustee and/or any assignee of Trustee's interest under the Deed of Trust will have all of the rights, privileges and benefits accruing to a "Leasehold Mortgagee" as defined in Section 6.1 of the Ground Lease or any other holder of an encumbrance under the Ground Lease, including, without limitation, the right to: (a) foreclose the Deed of Trust, (b) effect cure of a tenant default under the Ground Lease, (c) receive casualty insurance proceeds and (d) obtain a new lease if the Ground Lease should be terminated. No approval by any party not a signatory to this Agreement is required in connection with the encumbrance of Lessee's rights under the Ground Lease pursuant to the Deed of Trust. This Agreement shall constitute notice to Owner of the Indenture, the Bonds, the Deed of Trust and Trustee's interest therein, as required under the Ground Lease. Owner acknowledges receipt of copies of such documents pursuant to the Ground Lease. The notice address of Trustee to which notices must be sent under the Ground Lease and this Agreement is set forth in Section 19 of this Agreement.

6. Owner and Lessee each agrees that it shall not (a) alter, amend, change, extend or modify any provision contained in the Ground Lease, (b) waive or consent to a waiver of any of its rights and benefits thereunder, or (c) cancel, release, surrender or terminate the same (whether pursuant to agreement or any right of election granted under the Ground Lease or otherwise), except in accordance with the requirements of the Indenture, and any purported attempt by Owner or Lessee to effectuate any of the foregoing except in compliance therewith shall be void.

7. If Lessee shall default in the performance or observance of any term, covenant or condition of the Ground Lease on the part of Lessee to be performed or observed, then, without limiting the generality of the other provisions of this Agreement, and without waiving, or releasing Lessee from any of its obligations hereunder, Trustee shall have all rights and/or benefits accruing to the tenant under the Ground Lease in connection with any such default, including, without limitation, any and all notice and cure rights arising under Section 6.2 of the Ground Lease to cure such default and/or commence foreclosure proceedings to avoid a termination of the Ground Lease. In the event that the breach or default by Lessee is of a nature which is not curable by Trustee, any such breach or default shall be waived by Owner so long as Trustee is curing or using its diligent efforts to cure any curable defaults pursuant to Section 6.2 of the Ground Lease, and Owner hereby agrees to grant to Trustee such time as is necessary to gain control of the Land pursuant to Section 6.2 of the Ground Lease.

8. Unless the Bonds have been paid in full, Owner shall not terminate the Ground Lease or the Facilities Lease prior to the end of the Term. Notwithstanding the foregoing or any other provision contained herein or in the Ground Lease, in the event the Ground Lease nevertheless terminates, or is rejected in bankruptcy or by the debtor in possession or a trustee-in-bankruptcy, upon Trustee's request, Owner hereby agrees to execute a new Ground Lease with Trustee on the same terms and conditions as the Ground Lease, which new lease shall be fully assignable by Trustee without the consent of Owner. Trustee and any person designated by Trustee shall have, and are hereby granted, the right to enter upon the Land at any time and from time to time for the purpose of taking any cure action as described herein or in the Ground Lease. Owner shall deliver a copy of any petition filed under the Bankruptcy Code by Owner or Lessee to Trustee. Owner shall promptly deliver to Trustee following receipt, copies of any and all notices, summonses, pleadings, applications and other documents received by Owner in connection with any such petition and any proceedings relating thereto.

9. In the event that Trustee or any purchaser at a foreclosure sale, or assignee thereof, succeeds to the rights of Lessee in and to the Ground Lease pursuant thereto or otherwise, notwithstanding anything to the contrary in the Ground Lease, the liability of Trustee or any such purchaser or assignee thereof to Owner with respect to the Ground Lease shall be limited to the value of such entity's or person's interest in the Land.

10. The rejection of the Ground Lease by the Owner's trustee-in-bankruptcy shall not affect or impair this Agreement or Trustee's rights under the Ground Lease or Lessee's possession of the Land. This Agreement specifically attaches to Lessee's right to use and possession of the Land if a trustee-in-bankruptcy of the Owner rejects the Ground Lease. Lessee shall not treat the Ground Lease as terminated by reason of the bankruptcy of the Owner or under Subsection 365(h)(1) of the Bankruptcy Code without the Trustee's prior written consent, and any such termination without Trustee's prior written consent shall be null, void and of no force or effect. Trustee shall have the right to proceed in its own name or in the name of Lessee in respect of any claim, suit, action or proceeding relating to the rejection of the Ground Lease, including, without limitation, the right to file and prosecute, to the exclusion of Lessee, any proofs of claim, complaints, motions, applications, notices and other documents, in any case regarding Owner under the Bankruptcy Code, and all of such rights are hereby assigned by Lessee to Trustee. Any amounts received by Trustee as damages arising out of the rejection of the Ground Lease as aforesaid shall be applied by Trustee in such order of priority as Trustee determines in its sole and absolute discretion, to the obligations of Lessee under the Indenture.

11. Trustee will have the right to appear in and participate in all proceedings, including any arbitration proceedings, which could affect Trustee's use or possession of the Land or the provisions of the Ground Lease in the event it should foreclose the Deed of Trust or which relate to the leasehold interest of Lessee under the Ground Lease or any sublease. Lessee shall promptly provide notice of any such proceeding to Trustee.

12. Owner represents and warrants that no lien or encumbrance (whether for borrowed money or otherwise) exists on the fee interest in the Land. Owner and Lessee represent and warrant to Trustee that no lien or encumbrance (whether for borrowed money or otherwise) exists on the Land which, if foreclosed or realized upon, could defeat, terminate or otherwise extinguish the Ground Lease.

13. In the event that Trustee determines from time to time in good faith that receipt of an estoppel certificate is necessary or appropriate, then promptly (but in no event less than fifteen (15) days after such written request), all parties hereto shall deliver to Trustee an estoppel certificate relating to the Ground Lease in form and substance reasonably satisfactory to Trustee and containing such information as Trustee may reasonably require.

14. No consent of any party to the Ground Lease is required as a condition precedent to the exercise by Trustee of any of its rights and remedies under the Indenture, the Deed of Trust, the Assignment of Leases or any other document that secures the obligations of the Lessee under the Indenture.

15. Nothing contained herein in this Agreement shall constitute Trustee as a joint venturer or partner of the Owner or the Lessee.

16. This Agreement shall not be amended except by written instrument signed by all parties hereto.

17. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one original.

18. This Agreement shall be binding on the parties hereto and their respective successors and assigns and shall inure to the benefit of Trustee and its successors and assigns. This Agreement shall remain in full force and effect until (i) the Bonds have been paid or defeased in full, (ii) all obligations owing to Trustee under the Indenture have been fully paid and/or performed in full, or (iii) the acquisition by Trustee or its nominee or any purchaser at foreclosure sale of title to the Real Property pursuant to a foreclosure or deed in lieu of foreclosure of the Deed of Trust, or the exercise of the power of sale contained in the Deed of Trust.

19. All notices required or permitted under this Agreement shall be in writing and shall be given to the parties as follows:

Lessee: Los Angeles County Facilities Inc.
c/o Public Facilities Group
1414 Fourth Avenue
Seattle, Washington 98101
Attention: John Finke, President

Owner: County of Los Angeles
222 South Hill Street, 3rd Floor
Los Angeles, California 90012
Attention: Real Estate Division – Senior Manager

With copies to: Office of the County Counsel
County of Los Angeles
500 West Temple Street, 6th Floor
Los Angeles, California 90012-2932

Chief Executive Office – Capital Projects
County of Los Angeles
500 West Temple Street, Room 713
Los Angeles, California 90012

Treasurer and Tax Collector – Public Finance
County of Los Angeles
500 West Temple Street, Room 432
Los Angeles, California 90012

Trustee: U.S. Bank National Association
U.S. Bank Tower
635 West 5th Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Services

Any such notices shall be either (a) sent by certified mail, return receipt requested, in which case notice shall be deemed delivered three business days after deposit, postage prepaid in the U.S. mail, or (b) sent by a nationally recognized overnight courier, in which case notice shall be deemed delivered one business day after deposit with such courier; or (c) served personally, in which case notice shall be deemed given on the date of such service, or (d) delivered by facsimile transmission followed by delivery by personal service or nationally recognized courier service on the next business day after facsimile transmission, in which case notice shall be deemed to have been given on the date of facsimile transmission. The above addresses may be changed by written notice to the other parties; provided that no notice of a change of address shall be effective until actual receipt of such notice.

20. This Agreement shall be governed by and construed in accordance with the laws of the State of California without giving effect to the conflict of law principles of said State. In the event any action is brought under this Agreement, the parties agree that venue shall lie exclusively in the courts of the County of Los Angeles, California.

[remainder of this page left intentionally blank]

IN WITNESS WHEREOF, the parties hereto have caused this Ground Lessor Consent, Estoppel, Recognition and Non-Disturbance Agreement to be executed as of the day and year first above written.

LESSEE:

LOS ANGELES COUNTY FACILITIES
INC., a California nonprofit public benefit
corporation

By: _____

Name: John Finke

Its: President

OWNER:

COUNTY OF LOS ANGELES, a political
subdivision of the State of California

By: _____

Name: _____

Its: _____

TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION, as
bond trustee under the Indenture

By: _____

Name: _____

Its: _____

CALIFORNIA CERTIFICATE OF ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }
COUNTY OF _____ } SS.

On _____ before me, _____, personally appeared _____, who proved to me 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public Signature

(Notary Public Seal)

Additional Optional Information*

*Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

DESCRIPTION OF ATTACHED DOCUMENT

(Title or Description of Attached Document)

Number of Pages: _____

Document Date: _____

CAPACITY CLAIMED BY THE SIGNER

- Individual
- Corporate Officer: _____
(Title)
- Partner (Limited)
- Partner (General)
- Attorney-in-Fact
- Trustee
- Guardian/Conservator
- Other:

SIGNER IS REPRESENTING: Los Angeles County Facilities Inc., a California nonprofit public benefit corporation

SIGNER(S) OTHER THAN NAMED ABOVE:

CALIFORNIA CERTIFICATE OF ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }
COUNTY OF _____ } SS.

On _____ before me, _____, personally appeared _____, who proved to me 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public Signature

(Notary Public Seal)

Additional Optional Information*

*Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

DESCRIPTION OF ATTACHED DOCUMENT

(Title or Description of Attached Document)

Number of Pages: _____

Document Date: _____

CAPACITY CLAIMED BY THE SIGNER

- Individual
- Corporate Officer: _____
(Title)
- Partner (Limited)
- Partner (General)
- Attorney-in-Fact
- Trustee
- Guardian/Conservator
- Other:

SIGNER IS REPRESENTING: County of Los Angeles, a political subdivision of the State of California

SIGNER(S) OTHER THAN NAMED ABOVE:

CALIFORNIA CERTIFICATE OF ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }
COUNTY OF _____ } ss.

On _____ before me, _____, personally appeared _____, who proved to me 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public Signature

(Notary Public Seal)

Additional Optional Information*

*Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

DESCRIPTION OF ATTACHED DOCUMENT

(Title or Description of Attached Document)

Number of Pages: _____

Document Date: _____

CAPACITY CLAIMED BY THE SIGNER

- Individual
- Corporate Officer: _____
(Title)
- Partner (Limited)
- Partner (General)
- Attorney-in-Fact
- Trustee
- Guardian/Conservator
- Other:

SIGNER IS REPRESENTING: U.S. Bank National Association

SIGNER(S) OTHER THAN NAMED ABOVE:

EXHIBIT A

Legal Description

The following real property situated in the City of Los Angeles, Los Angeles County, California and more particularly described as follows:

[TO BE PROVIDED]

Assessor's Parcel No. _____

ND: 21980.002 4844-6365-1685v1

ISSUER FEE AND GOVERNANCE AGREEMENT

This Issuer Fee and Governance Agreement (“Agreement”) is entered into as of the ____ day of _____, 2018, by and among the County of Los Angeles, California, a body corporate and politic (the “County”), Los Angeles County Facilities Inc., a California nonprofit corporation (“LACF”), and Public Facilities Group, a Washington nonprofit corporation (“PFG”).

RECITALS

A. The County and LACF are parties to a Pre-Development Agreement dated as of August 18, 2016 (the “Pre-Development Agreement”), a Ground Lease dated of even date herewith (the “Ground Lease”), and a Facilities Lease dated of even date herewith (the “Facilities Lease” and, together with the Pre-Development Agreement and the Ground Lease, the “Agreements”), relating to certain real property (the “Property”) owned by the County on South Vermont Avenue in Los Angeles, California.

B. Pursuant to the Agreements, LACF has undertaken to ground lease the Property from the County, to construct thereon (i) a new office building (the “Office Project” as defined in the Facilities Lease) and (ii) a new parking structure (the “Shatto Garage Project” as defined in Facilities Lease and, together with the Office Project, the “Project” as defined in the Facilities Lease), and to lease the completed Project to the County to serve as the headquarters of the County’s Department of Mental Health and for other County purposes. The Project is to be developed pursuant to a Development Agreement between LACF and TC LA Development, Inc. (“Developer”) dated of even date herewith (the “Development Agreement”).

C. LACF will finance the construction of the Project with proceeds of (i) tax-exempt bonds to be issued by LACF on behalf of the County pursuant to Revenue Ruling 63-20 and Revenue Procedure 82-26 of the U.S. Treasury, and (ii) taxable bonds to be issued by LACF on behalf of the County (collectively, the “Bonds”). The Bonds will be issued under an Indenture of Trust (the “Indenture”) between LACF and U.S. Bank National Association, as bond trustee (the “Trustee”)

D. PFG is the sole member of LACF.

E. In connection with the development of the Project and the issuance of the Bonds, the parties hereto wish to provide for certain matters, as set forth below.

AGREEMENTS

For good and valuable consideration, the parties hereto agree as follows:

1. Project Fee. Pursuant to Section 8.2 of the Pre-Development Agreement, the County and LACF have agreed that, upon issuance of the Bonds, LACF will receive a fee from the proceeds of the Bonds (the “LACF Fee”). The County and LACF hereby confirm and agree that the amount of the LACF Fee shall be Three Million Dollars (\$3,000,000.00), and that such LACF Fee shall be a Project cost to be paid out of the Project Fund established under the

Indenture. The LACF Fee shall be disbursed to LACF by the Trustee according to the following schedule, upon submission of a requisition therefor to the Trustee in accordance with the Indenture: (a) \$600,000 at closing of the sale of the Bonds; (b) \$600,000 at Commencement of Construction (as defined in the Development Agreement); (c) \$300,000 at 25% Percentage of Project Completion; (d) \$450,000 at 50% Percentage of Project Completion; (e) \$450,000 at 75% Percentage of Project Completion; (f) \$300,000 at Substantial Completion of the Project (as defined in the Development Agreement); (g) \$225,000 at Final Acceptance of the Project (as defined in the Development Agreement); and (h) \$75,000 in connection with LEED Silver certification of the Office Project at the same time as Developer is paid the portion of its fee related to LEED certification under Section 4.7 of the Development Agreement. For purposes of this paragraph, "Percentage of Project Completion" shall have the same meaning described in, and the associated payments shall be made concurrently with the payments to Developer required under, Section 11.3 of the Development Agreement.

2. Replacement of PFG as Sole Member of LACF. The parties agree that the County shall have the right, under the circumstances described herein, to cause PFG to be replaced as the sole member of LACF.

2.1. *Right to Replace PFG Prior to Expiration of the Warranty Period.* Prior to expiration of the Warranty Period (as defined below), the County shall have the right, upon written notice to LACF and PFG, upon the occurrence of a For Cause Event (as defined below) to require that PFG be replaced as the sole member of LACF by the County or its designee.

2.2. *Right to Replace PFG Following Expiration of the Warranty Period.* Following expiration of the Warranty Period, the County shall have the right, upon at least sixty (60) days' prior written notice to LACF and PFG, to require that PFG be replaced as the sole member of LACF by the County or its designee, regardless of whether or not a For Cause Event has occurred.

2.3. *Amendment of Articles and Bylaws.* PFG and LACF agree that, upon receipt of the notice described in Sections 2.1 and 2.2, they shall cause the Articles of Incorporation and Bylaws of LACF to be amended so as to remove PFG as the sole member of LACF and substitute in its place the County or the County's designee. PFG and LACF agree to take any further actions reasonably requested by the County to accomplish the purposes of this Section 2, so long as such actions do not require PFG or LACF to incur any additional costs or liabilities.

2.4. *Definition of "Warranty Period".* For purposes of this Section 2, "Warranty Period" shall mean the period from the date of this Agreement to the date that is one (1) year following Substantial Completion of the Project.

2.5. *Definition of "For Cause Event".* For purposes of this Section 2, "For Cause Event" shall mean any of the following:

- (a) Any officer or director of LACF is convicted of, or pleads guilty or *nolo contendere* to, (i) crimes involving fraud, misappropriation and embezzlement, or (ii) a felony;

(b) The officers, collectively, of LACF are absent from, or do not substantially perform their usual duties for, LACF for any continuous thirty (30) day period or for more than sixty (60) days in any 365-day period;

(c) LACF misappropriates Bond funds, otherwise acts fraudulently, commits willful misconduct, or is reckless or grossly negligent in the performance of its duties under the Ground Lease, Facilities Lease, Development Agreement (as defined in the Facilities Lease), or Construction Contracts (as defined in the Facilities Lease);

(d) (i) LACF materially breaches its obligations under the Ground Lease, Facilities Lease, Development Agreement or Construction Contracts; (ii) such breach has a material adverse effect on the construction of the Project; and (iii) LACF either fails to cure such breach within thirty (30) days after its receipt of written notice thereof from the County or, if such breach is incapable of being cured within such thirty (30) day period, fails to continue to use its best efforts to cure such breach;

(e) a court of competent jurisdiction enters an order or decree as a result of which PFG is effectively prohibited or enjoined from performing its responsibilities as the member of LACF; or

(f) PFG or LACF (i) files a petition under any federal or state law concerning bankruptcy, reorganization, insolvency or relief from creditors, or if such a petition is filed against PFG or LACF without its consent, it is not dismissed within sixty (60) days; or (ii) consents to the appointment of a receiver, trustee, liquidator or custodian with respect to PFG or LACF (as applicable), or a receiver, trustee, liquidator or custodian is appointed with respect to PFG or LACF and such appointment is not terminated within sixty (60) days.

2.6. *Limitations.* Notwithstanding any provision hereof to the contrary, no replacement of PFG as the member of LACF shall occur (a) unless and until LACF receives an opinion of nationally recognized bond counsel that such replacement will not adversely affect the tax-exempt character of the Bonds, or (b) if LACF reasonably determines that such replacement will adversely affect LACF's status as a 501(c)(3) corporation. Furthermore, nothing herein shall limit the right of LACF or PFG to contest, by appropriate legal action, the County's determination that a For Cause Event has occurred.

3. Miscellaneous.

3.1. *Counterparts.* This Agreement may be executed in counterparts.

3.2. *Binding Effect.* This Agreement shall be binding upon, and inure to the benefit of, the parties and their respective successors and assigns.

3.3. *Amendment.* This Agreement may be amended or modified only in writing, executed by the party or parties intended to be bound thereby.

3.4. *Entire Agreement.* This Agreement sets forth the entire agreement of the parties as to the subject matter hereof and supersedes all prior discussions and understandings between them.

3.5. *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the state of California.

Executed as the date first written.

COUNTY OF LOS ANGELES

By _____
Its _____

LOS ANGELES COUNTY FACILITIES INC.

By _____
Its _____

PUBLIC FACILITIES GROUP

By _____
Its _____

NEW ISSUE – BOOK-ENTRY ONLY

Ratings: Fitch – “ ”
Moody’s – “ ”
Standard & Poor’s – “ ”
(See “RATINGS”)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel further observes that interest on the Federally Taxable Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS.”

[Preliminary Par]*
LOS ANGELES COUNTY FACILITIES INC.

[2018A Preliminary Par]*
Lease Revenue Bonds, Series 2018A
(Vermont Corridor County Administration Building)
(Tax-Exempt)

[2018B Preliminary Par]*
Lease Revenue Bonds, Series 2018B
(Vermont Corridor County Administration Building)
(Federally Taxable)

Dated: Date of Delivery

Due: December 1, as shown on the inside front cover.

Los Angeles County Facilities Inc. (the “Issuer”), a California nonprofit public benefit corporation and an organization described under Section 501(c)(3) of the federal Internal Revenue Code of 1986, as amended (the “Code”), is issuing its [2018A Preliminary Par]* Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt) (the “Tax-Exempt Bonds”) and [2018B Preliminary Par]* Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable) (the “Federally Taxable Bonds”) and, together with the Tax-Exempt Bonds, the “Bonds”). The Bonds are being issued on behalf of the County of Los Angeles, California (the “County”) pursuant to an Indenture of Trust dated as of July 1, 2018 (the “Indenture”) by and between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”). The Issuer is issuing the Tax-Exempt Bonds in accordance with the guidelines set forth in Revenue Ruling 63-20 of the U.S. Treasury, as amended and updated by Revenue Procedure 82-26 of the U.S. Treasury, relating to the issuance of tax-exempt obligations on behalf of a political subdivision for the purpose of financing governmental facilities.

The Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. The Bonds will be issued in book-entry form in the denomination of \$5,000 or any integral multiple thereof within a maturity. Purchasers will not receive certificates representing their interest in the Bonds purchased. The Bonds will bear interest from their date of delivery, payable semi-annually on each June 1 and December 1, beginning on December 1, 2018. Principal of and interest and redemption premium, if any, on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds. See APPENDIX F – “Book-Entry Only System” attached hereto.

The Tax-Exempt Bonds are subject to acceleration and redemption prior to maturity as provided herein. The Federally Taxable Bonds are subject to acceleration as provided herein. However, the County’s obligation to pay Base Rent (“Base Rent”) under the Facilities Lease (as defined below) in an amount sufficient to pay principal of and interest on the Bonds is not subject to acceleration.

The proceeds of the Bonds will be used by the Issuer to (1) finance or refinance costs of designing, developing, permitting, and constructing improvements and installing furniture, fixtures and equipment of (a) a new office building with (i) approximately 468,000 gross square feet of Class A office space with ground floor retail space and public serving uses, and (ii) approximately 965 structured parking spaces (collectively, the “Office Project”), and (b) a separate 10-story garage structure containing approximately 768 parking spaces (the “Shatto Garage Project”), all to serve as the headquarters and office space for the County’s Department of Mental Health, office space for the County’s Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff (collectively, the “Project”), on a site (consisting of 510, 526 and 532 South Vermont Avenue and 523 Shatto Place) owned by the County in the City of Los Angeles, California (the “Land” and, together with the Project and such other improvements as may be located on the Land from time to time, the “Premises”), (2) fund capitalized interest on the Bonds through the construction period, as described herein, and (3) pay costs of issuance of the Bonds.

The Issuer has agreed to lease to the County the Premises, including the Project thereon, pursuant to a Facilities Lease Agreement, dated as of July 1, 2018 (the “Facilities Lease”), by and between the Issuer, as the lessor, and the County, as the lessee. The County is obligated under the Facilities Lease to begin paying a portion of Base Rent upon Substantial Completion of the Office Project and Base Rent upon Substantial Completion of the Project. The County has covenanted in the Facilities Lease to take such action as may be necessary to include the payment of all Base Rent and certain additional rent (collectively, “Rent”) due thereunder in its annual budget and to make the necessary annual appropriations for the payment of such Rent, subject to the provisions of the Facilities Lease. The Facilities Lease will expire on the earlier of (a) the date of final maturity of the Bonds, (b) the date that the Bonds are no longer Outstanding under the Indenture and the Premises has been conveyed by the Issuer to the County pursuant to the Facilities Lease, or (c) the date on which the Facilities Lease terminates in accordance with its terms.

The Bonds are special, limited obligations of the Issuer payable solely from and secured solely by a pledge of the Trust Estate (as defined herein) as provided in the Indenture. No revenue, income, receipts, donations, earnings, property or assets of the Issuer, other than the Trust Estate, shall be subject to any lien or claim for the payment of the Bonds or the performance of any other obligation of the Issuer under the Indenture. The Issuer is a single-purpose entity, is not a governmental unit, and has no taxing power. The Issuer has no source of funds available to pay debt service on the Bonds other than the Trust Estate. The primary source of revenues anticipated to be received by the Issuer and included within the Trust Estate is Base Rent to be received from the County under the Facilities Lease.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

The obligation of the County to pay the Base Rent does not constitute a debt of the County or of the State of California (the “State”) or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation. The Bonds shall be special obligations of the Issuer, payable solely from the Base Rent and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the County or the State, or any political subdivision thereof, is pledged to the payment of the Bonds. The Issuer has no taxing power and has no obligation to pay Base Rent.

This cover page contains certain information for quick reference only. It is not a summary of the terms of or security for the Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment discussion.

The Bonds are offered when, as and if issued and delivered by the Issuer and received by the Underwriter, and are subject to approval of legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Issuer by Hillis Clark Martin & Peterson P.S., Seattle, Washington, and Glaser Weil Fink Howard Avchen & Shapiro LLP, Los Angeles, California, for the County by the County Counsel’s Office, Hawkins Delafield & Wood LLP, Disclosure Counsel, and Loeb and Loeb, LLP, and for the Underwriter by its counsel, Katten Muchin Rosenman LLP, New York, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about July __, 2018.

[Barclays Logo]

Dated: July __, 2018

MATURITY SCHEDULE

**[Preliminary Par]*
LOS ANGELES COUNTY FACILITIES INC.**

**[2018A Preliminary Par]*
Lease Revenue Bonds, Series 2018A
(Vermont Corridor County Administration Building)
(Tax-Exempt)**

<u>Due (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP†</u>	<u>Due (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP†</u>
2022					2037				
2023					2038				
2024					2039				
2025					2040				
2026					2041				
2027					2042				
2028					2043				
2029					2044				
2030					2045				
2031					2046				
2032					2047				
2033					2048				
2034					2049				
2035					2050				
2036					2051				

\$ _____ % Term Bonds due December 1, 20__ ; Yield – ___ %* CUSIP†: _____

**[2018B Preliminary Par]*
Lease Revenue Bonds, Series 2018B
(Vermont Corridor County Administration Building)
(Federally Taxable)**

<u>Due (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP†</u>	<u>Due (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP†</u>
2022					2024				
2023									

* Preliminary, subject to change.

† Copyright, American Bankers Association. CUSIP data is provided by Standard & Poor’s CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc., and is set forth herein for convenience of reference only. The Issuer, the County and the Underwriter do not assume responsibility for the accuracy of such data.

LOS ANGELES COUNTY FACILITIES INC.

Board of Directors and Officers

John A. Finke	Chairman of the Board of Directors and President
Erin Birkenkopf	Director, Vice President, Secretary and Treasurer
Matt Calcavecchia	Director and Vice President

COUNTY OF LOS ANGELES

Board of Supervisors

Sheila Kuehl	Supervisor, Third District (Chair)
Hilda Solis	Supervisor, First District
Mark Ridley-Thomas	Supervisor, Second District
Janice Hahn	Supervisor, Fourth District
Kathryn Barger	Supervisor, Fifth District
Celia Zavala	Acting Executive Officer-Clerk, Board of Supervisors

County Officials

Sachi A. Hamai	Chief Executive Officer
Mary C. Wickham	County Counsel
Joseph Kelly	Treasurer and Tax Collector
John Naimo	Auditor-Controller

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP
Los Angeles, California

MUNICIPAL ADVISOR

Montague DeRose and Associates, LLC
Westlake Village, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

DEVELOPER

TC LA Development, Inc.
El Segundo, California

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County or the Issuer. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information set forth in this Official Statement has been obtained from the Issuer and the County, and other sources that are believed by the Issuer and the County to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Issuer since the date hereof. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the County and the Issuer.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Neither the County nor the Issuer is obligated to or plans to issue any updates or revisions to the forward-looking statements if or when their respective expectations, or events, conditions or circumstances on which such statements are based, occur.

The County maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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OFFICIAL STATEMENT

[Preliminary Par]* LOS ANGELES COUNTY FACILITIES INC.

**[2018A Preliminary Par]*
Lease Revenue Bonds, Series 2018A
(Vermont Corridor County Administration
Building)
(Tax-Exempt)**

**[2018B Preliminary Par]*
Lease Revenue Bonds, Series 2018B
(Vermont Corridor County Administration
Building)
(Federally Taxable)**

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and the appendices attached hereto (this “Official Statement”), provides certain information concerning the sale and issuance by Los Angeles County Facilities Inc. (the “Issuer”), a California nonprofit public benefit corporation and an organization described under Section 501(c)(3) of the federal Internal Revenue Code of 1986, as amended (the “Code”), of its [2018A Preliminary Par]* Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt) (the “Tax-Exempt Bonds”) and [2018B Preliminary Par]* Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable) (the “Federally Taxable Bonds” and, together with the Tax-Exempt Bonds, the “Bonds”). The Bonds are being issued on behalf of the County of Los Angeles, California (the “County”) pursuant to an Indenture of Trust dated as of July 1, 2018 (the “Indenture”) by and between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”). The Issuer is issuing the Tax-Exempt Bonds in accordance with the guidelines set forth in Revenue Ruling 63-20 of the U.S. Treasury, as amended and updated by Revenue Procedure 82-26 of the U.S. Treasury, relating to the issuance of tax-exempt obligations on behalf of a political subdivision for the purpose of financing governmental facilities. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to thereto in the Indenture, the Facilities Lease or the Development Agreement, as applicable. See Appendix C – “Forms of Principal Legal Documents.”

The proceeds of the Bonds will be used by the Issuer to (1) finance or refinance costs of designing, developing, permitting, and constructing improvements and installing furniture, fixtures and equipment of (a) a new office building with (i) approximately 468,000 gross square feet of Class A office space with ground floor retail space and public serving uses, and (ii) approximately 965 structured parking spaces (collectively, the “Office Project”), and (b) a separate 10-story garage structure containing approximately 768 parking spaces (the “Shatto Garage Project”), all to serve as the headquarters and office space for the County’s Department of Mental Health, office space for the County’s Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff (collectively, the “Project”), on a site (consisting of 510, 526 and 532 South Vermont Avenue and 523 Shatto Place) owned by the County in the City of Los Angeles, California (the “Land” and, together with the Project and such other improvements as may be located on the Land from time to time, the “Premises”), (2) fund capitalized interest on the Bonds through the construction period, as described herein, and (3) pay costs of issuance of the Bonds. See “THE PROJECT.”

The County will lease the real property underlying the Premises to the Issuer and the Issuer will lease the same from the County upon and subject to the conditions set forth in the Ground Lease, dated as of July 1, 2018 (the “Ground Lease”), by and between the County and the Issuer. The Ground Lease is coterminous with the Facilities Lease and, unless extended pursuant to its terms, will terminate on the earlier of (a) the date of final maturity of the Bonds and (b) the date that the Bonds are no longer Outstanding under the Indenture and

* Preliminary, subject to change.

the Premises has been conveyed by the Issuer to the County pursuant to the Facilities Lease. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Deed of Trust and Other Security Documents” herein.

The Issuer will lease back the Premises to the County and the County will lease back the Premises from the Issuer upon and subject to the conditions set forth in the Facilities Lease, dated as of July 1, 2018 (the “Facilities Lease”), by and between the County and the Issuer. Pursuant to the terms of the Facilities Lease, the County will not be entitled to occupy the Premises (except for certain garage-related access) until the date of Substantial Completion of the Project, being the “Rent Commencement Date.” In addition, the County is obligated under the Facilities Lease to begin paying a portion of Base Rent (as set forth in the Schedule of Base Rent attached as Exhibit B to the Facilities Lease, “Base Rent”) upon Substantial Completion of the Office Project and Base Rent upon the Rent Commencement Date. Base Rent, together with amounts of capitalized interest, will be used to pay debt service on the Bonds. The Facilities Lease further provides that the Project will be delivered to the County in Turnkey Condition (as defined in the Facilities Lease).

The Issuer has entered into a Development Agreement, effective as of [Effective Date] (the “Development Agreement”), by and between Issuer and TC LA Development, Inc., a Delaware corporation and wholly owned, independent subsidiary of Trammell Crow Company (the “Developer”), to develop, oversee and manage the design, permitting and construction phases of the Project in accordance with the terms and conditions of the Development Agreement.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of this Official Statement.

All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Ground Lease, the Indenture, the Facilities Lease or the Development Agreement shall have the same meanings assigned to such terms as set forth therein. See APPENDIX C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS.”

The Issuer

The Issuer is a California nonprofit public benefit corporation organized in April 2016 under the Non Profit Public Benefit Corporation Law of the State (Corporations Code Sections 5110 *et seq.*) exclusively to issue the Bonds as an “on-behalf-of issuer” and enter into and fulfill its obligations under the Development Agreement, the Ground Lease, the Facilities Lease, the Deed of Trust and the Indenture, and engage in other activities necessary or desirable in connection with the Project or incidental to the Project. The Issuer is a single-purpose entity, is not a governmental unit, and has no taxing power. The Issuer has no source of funds to pay debt service on the Bonds other than the Trust Estate pledged under the Indenture.

The County

The County is located in the southern coastal portion of the State of California (the “State”) and covers 4,083 square miles. The County was established under an act of the State Legislature on February 18, 1850. It is the most populous county in the nation and, in terms of population, is larger than 41 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production, agriculture and tourism. For certain financial, economic and demographic information with respect to the County, see APPENDIX A – “COUNTY OF LOS ANGELES INFORMATION STATEMENT” and APPENDIX B – “COUNTY OF LOS ANGELES FINANCIAL STATEMENTS.”

Authorization

The Bonds are being issued pursuant to the Nonprofit Public Benefit Corporation Law of the State (Corporations Code Sections 5110 *et seq.*) and the Public Leaseback Act of the State (Government Code Sections 54240 *et seq.*). The Issuer's Board of Directors approved the Facilities Lease, and authorized the Issuer to issue the Bonds by its resolution dated [Issuer Resolution Date]. By Ordinance No. ___ passed on May __, 2018, and subsequent action at its June __, 2018 meeting, the County's Board of Supervisors (the "Board of Supervisors") approved the Ground Lease and the Facilities Lease. The Board of Supervisors approved the issuance of the Bonds by the Issuer, the Project, the Indenture and various matters related thereto, and agreed to accept unencumbered title to the Premises upon retirement of the Bonds, by resolution adopted on June __, 2018.

Description of the Bonds

The Bonds will be issued in denominations of \$5,000 and any integral multiple thereof within a maturity (the "Authorized Denominations"). The Bonds will be dated their date of delivery and are payable with respect to interest semi-annually each June 1 and December 1, commencing on December 1, 2018.

The Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the beneficial owners (the "Beneficial Owners") of the Bonds. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

The Bonds are subject to redemption prior to maturity, as described herein. See "THE BONDS – Redemption of the Bonds."

For a more complete description of the Bonds and the security therefor, see "THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and APPENDIX C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS."

Security and Sources of Payment for the Bonds

The Bonds are special, limited obligations of the Issuer payable solely from and secured solely by a pledge of the Trust Estate (as defined herein) as provided in the Indenture. The Trust Estate pledged under the Indenture includes "Revenues" and all funds held by the Trustee under the Indenture, excluding the Rebate Fund and the Capital Repairs Fund. The primary source of Revenues anticipated to be received by the Issuer and included within the Trust Estate is Base Rent to be received from the County under the Facilities Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Trust Estate." Base Rent will be paid from all general revenues of the County. The Bonds are not a debt or general obligation of the County. No revenue, income, receipts, donations, earnings, property or assets of the Issuer, other than the Trust Estate, shall be subject to any lien or claim for the payment of the Bonds or the performance of any other obligation of the Issuer under the Indenture. The Issuer is a single-purpose entity, is not a governmental unit, and has no taxing power. The Issuer has no source of funds available to pay debt service on the Bonds other than the Trust Estate.

Under the terms of the Facilities Lease, the County agrees to lease the Premises, including the Project thereon, for a term of approximately [34] years, subject to certain potential extensions or early termination events. The County is obligated under the Facilities Lease to pay Rent ("Rent") at the times and in the amounts specified therein. Rent includes (a) a Base Rent component sufficient to pay scheduled debt service on the Bonds, and (b) an Additional Rent ("Additional Rent") component to cover all costs and expenses directly

related to ownership, operation and maintenance of the Premises, including taxes and utilities, and various capital expenditures. See “THE PROJECT.” The Facilities Lease is an absolute net lease.

The Facilities Lease provides that the County is obligated to pay a portion of Base Rent upon Substantial Completion of the Office Project and Base Rent on the Rent Commencement Date. Pursuant to the Facilities Lease, the County shall pay Base Rent to the Trustee without deduction, offset, prior notice or demand, in advance on the Rent Commencement Date and thereafter in advance on each June 1 and December 1 throughout the term of the Facilities Lease (each a “Rent Payment Date”). The County shall deposit with the Trustee each payment of Base Rent at least one (1) Business Day prior to the Rent Payment Date. The first Base Rent payment that occurs upon on the Rent Commencement Date shall equal the prorated amount attributable to the period occurring between the Rent Commencement Date and the next following Rent Payment Date (after deducting any portion of Base Rent paid by the County in connection with Substantial Completion of the Office Project that is on deposit with the Trustee for such period), and the last Base Rent payment shall equal the prorated amount attributable to the period occurring between the last Rent Payment Date and the expiration of the Facilities Lease. The County will also be obligated to pay Additional Rent, including “Operating Costs” (being any and all costs and expenses directly related to ownership, operation and maintenance of the Premises, as more particularly set forth in Section 5.2 of the Facilities Lease, but excluding Project Costs, Capital Expenditures and certain other items expressly excluded under Section 5.3 of the Facilities Lease), and the Annual Capital Repair Reserve Payment, following the Rent Commencement Date. The County has covenanted in the Facilities Lease to take such action as may be necessary to include the payment of all Rent due thereunder in its annual budget and to make the necessary annual appropriations for the payment of Rent, subject to the provisions of the Facilities Lease. The County’s obligation to pay Base Rent is subject to abatement (i) in the event that (a) the Premises are damaged or destroyed by fire or other casualty following the Rent Commencement Date (or after the County commences paying a portion Base Rent in connection with Substantial Completion of the Office Project), or (b) a defect in the Issuer’s title occurs, either of which results in substantial interference with the County’s right to the use and occupancy of the Premises or (2) under certain circumstances following any partial taking of the Premises by Condemnation.

The term of the Facilities Lease commences on the Effective Date and expires on the earlier of (a) the final maturity date of the Bonds, (b) the date that the Bonds are no longer Outstanding under the Indenture and the Premises has been conveyed by the Issuer to the County pursuant to the Facilities Lease, or (c) the date on which the Facilities Lease terminates in accordance with its terms (any, as applicable, the “Expiration Date”). Notwithstanding the foregoing, if on the Expiration Date of the Facilities Lease, the total Base Rent otherwise payable under the Facilities Lease has not been fully paid as a result of an Abatement of Rent and the Bonds remain Outstanding, then, the term of the Facilities Lease shall be extended until the total Base Rent otherwise payable under the Facilities Lease shall be fully paid or such earlier time as the Bonds are no longer Outstanding; provided, however, that such extension shall not exceed ten (10) years. In the event of such an extension, the term of the Ground Lease will be deemed extended for the same period of time that the term of the Facilities Lease is extended.

The Facilities Lease is subject to early termination under certain circumstances. First, the Facilities Lease will terminate in the event that the County exercises its option to purchase the Premises and redeem or defease the Bonds. Second, under Section 20.1 of the Facilities Lease, the Facilities Lease is subject to termination upon the total condemnation of the Premises, and under Section 20.2.4, in the event of a partial condemnation that results in no reasonable use of the Premises by the County. Finally, the Facilities Lease is subject to termination in the event of underinsured damage to the Premises under certain circumstances following total destruction of the Premises. See “THE PROJECT – *Underinsured Damage*.”

The Issuer will enter into the Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases, and Fixture Filing, dated as of July 1, 2018 (the “Deed of Trust”) for the benefit of the Trustee, and the Assignment of Leases and Cash Collateral, dated as of July 1, 2018 (the “Assignment of Leases”), from the Issuer to the Trustee, as additional security in favor of the Trustee. Pursuant to the Subordination, Non-Disturbance and Attornment Agreement (the “Subordination Agreement”), by and among the County, the

Issuer and the Trustee, the lien of the Deed of Trust will be unconditionally and at all times prior and superior to the leasehold interest and estates created by the Facilities Lease. Pursuant to the Ground Lessor Consent, Estoppel, Recognition and Non-Disturbance Agreement, dated as of July 1, 2018 (the “Non-Disturbance Agreement”), by and among the County, the Issuer and the Trustee, the County, among other things, agrees to recognize and not to disturb the rights of the Trustee under the Deed of Trust.

The obligation of the County to pay the Base Rent does not constitute a debt of the County or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation. The Bonds shall be special obligations of the Issuer, payable solely from the Base Rent and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the County or the State, or any political subdivision thereof, is pledged to the payment of the Bonds. The Issuer has no taxing power and has no obligation to pay Base Rent.

The Project

TC LA Development, Inc., a Delaware corporation and wholly owned, independent subsidiary of Trammell Crow Company], has been selected as the Developer for the Project. Pursuant to the Development Agreement, the Developer has committed to oversee and manage the design, permitting and construction of the Project for a fixed price (the “Fixed Price”) and to deliver the completed Project to the Issuer by the “Developer Obligation Date,” which is defined as [Developer Obligation Date]; provided that the Developer Obligation Date may be extended for certain delays caused by the Issuer and unavoidable delays, as described herein and in the Development Agreement.

The Developer is responsible for managing the development and construction of the Project. The Issuer will enter into a guaranteed maximum price construction contract (the “Office Project General Construction Contract”) between the Issuer and Hathaway Dinwiddie Construction Company, a California corporation, the anticipated general contractor for the herein described Office Project, or another qualified general contractor proposed by the Developer and approved by the Issuer with the County’s concurrence. The Issuer will also enter into a guaranteed maximum price construction contract (the “Shatto Garage Project General Construction Contract” and, together with the Office Project General Construction Contract, the “Construction Contracts”) between the Issuer and Bomel Construction Co., Inc., a California corporation, the anticipated general contractor for the herein described Shatto Garage Project, or another qualified general contractor proposed by the Developer and approved by the Issuer with the County’s concurrence. Each of the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract is required to include provisions for initiating, maintaining and providing supervision of safety precautions and programs in connection with the construction of the respective project, and provisions for indemnification of claims arising out of negligence or willful misconduct of such contractor and its employees, agents and sub-contractors. See “THE PROJECT – Construction of the Project.”

Under the Facilities Lease, the Issuer is obligated to diligently cause the Project to be designed, permitted and constructed in a good and workmanlike manner and delivered to the County upon achieving Substantial Completion of the Project by the date set forth in the Facilities Lease and in no event later than the Developer Obligation Date. The Issuer is obligated to use its best efforts to cause all Project Costs (as described further herein) not to exceed the Fixed Price; provided, however, that (i) the Issuer shall have no obligation to pay Project Costs in excess of the Fixed Price, and (ii) the County, whose only payment obligation hereunder is the payment of Rent and other amounts specifically set forth in the Facilities Lease, shall have no obligation for the payment of any Project Costs. To the extent of certain defaults by Developer under the Development Agreement which the Developer does not cure within the allotted cure period, the Development Agreement provides that the County then shall be deemed a third party beneficiary of the Development Agreement and may enforce the performance by the Developer of its obligations under the Development Agreement. **Except for a portion of Base Rent due and payable under the Facilities Lease**

upon the completion of the Office Project, the County’s obligation to pay Base Rent commences on the Rent Commencement Date, which is the Substantial Completion Date, as defined in the Facilities Lease. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Base Rent; Abatement” and “THE PROJECT.”

Additional Bonds

Pursuant to the Indenture, the Issuer may issue additional obligations payable from or secured by a pledge of the Trust Estate at the direction of the County for the purpose of refunding all or a portion of the Bonds or for the purpose of financing the repair or replacement of tenant improvements to the Premises, with a lien and charge on the Trust Estate equal to the lien thereon of the Bonds (“Additional Bonds”) upon compliance with certain conditions precedent as set forth in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds” and APPENDIX C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS – INDENTURE – Additional Bonds.”

Continuing Disclosure

Pursuant to the Indenture, the Issuer has covenanted to provide, or cause to be provided, by not later than April 1 following each fiscal year of the Issuer (currently June 30), commencing on April 1, 2019, to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system certain annual financial information and operating data and, not later than ten Business Days after their occurrence, notice of certain enumerated events. These covenants have been made in order to assist the Underwriter (as defined herein) of the Bonds in complying with Rule 15c2-12 (the “Rule”) promulgated by the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. See “CONTINUING DISCLOSURE” and APPENDIX E – “CONTINUING DISCLOSURE UNDERTAKINGS OF THE ISSUER AND THE COUNTY – CONTINUING DISCLOSURE UNDERTAKING OF THE ISSUER.”

Pursuant to the Continuing Disclosure Certificate to be executed in connection with the issuance of the Bonds, the County has covenanted to provide, or cause to be provided, by not later than April 1 of each fiscal year, commencing on April 1, 2019, to the MSRB through its EMMA system certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with the Rule. See “CONTINUING DISCLOSURE” and APPENDIX E – “CONTINUING DISCLOSURE UNDERTAKINGS OF THE ISSUER AND THE COUNTY – FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE COUNTY.”

Certain Risk Factors

Certain events could affect the ability of the Issuer to make debt service payments on the Bonds and ability of the County to make the Base Rent when due. See “CERTAIN RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds.

Other Information

The descriptions herein of the Indenture, the Ground Lease, the Facilities Lease, the Development Agreement and any other agreements relating to the Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the Bonds are qualified in their entirety by the forms thereof and the information with respect thereto included in the aforementioned documents. See APPENDIX C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS.”

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any

future use of this Official Statement, under any circumstances, creates any implication that there has been no change in the affairs of the County or the Issuer since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County or the Issuer. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

THE PROJECT

General

The Project consists of designing, developing, permitting, and constructing improvements and installing furniture, fixtures and equipment for (a) a new office building with (i) approximately 468,000 gross square feet of Class A office space with ground floor retail space and public serving uses, and (ii) approximately 965 structured parking spaces, and (b) a separate 10-story garage structure containing approximately 768 parking spaces, all to serve as the headquarters and office space for the County's Department of Mental Health, office space for the County's Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff, on a site (consisting of 510, 526 and 532 South Vermont Avenue and 523 Shatto Place) owned by the County in the City of Los Angeles. The site for the Project is located on Vermont Avenue in the City of Los Angeles. The entrance to the Metro Rail Wilshire/Vermont Station is located approximately 1,000 feet south of the site. The Metro Red and Purple Lines provide access to the regional rail transit system, including the Metro Blue, Gold, Orange and Exposition Lines, and to the regional and commuter rail lines, including Metrolink and Amtrak, through Union Station. The Project is expected to be completed in late 2021.

The components of the Project are as follows:

The Office Project. Proposed development of a new County office building containing approximately 468,000 gross square feet of office use over a 368,658 gross square foot parking structure containing 936 spaces, and approximately 3,597 square feet of ground floor clinic space to serve the Department of Mental Health. The proposed office building will consist of 21 total stories (13 office floors over an eight-story parking structure (seven levels above grade and one level at grade). Approximately 3,863 gross square feet of quick service retail space is planned for the Ground Floor to support the building occupants. The office building, inclusive of the parking area containing approximately 935 structured parking spaces and the retail area, is referenced herein as the "Office Project."

The Shatto Garage Project. In addition to the parking area that is part of the Office Project, a new stand-alone 10-story parking structure will be constructed on the site of the existing 7-story parking structure on Shatto Place. The Shatto Garage Project will contain approximately 800 spaces within a 297,643 gross square foot, 10-story building with one below grade level that will serve the new office building and will be accessible via a skybridge at the P-9 level.

The Project is one of three related projects being undertaken by the County as part of its Vermont Corridor Development Plan (the "Vermont Corridor Development Plan"). The other two projects are: (1) conversion of the existing Department of Mental Health headquarters at 550 South Vermont Avenue into 172 residential units with 4,700 square feet of retail space and 1,375 square feet of ancillary space and the demolition of a County office building at 3175 West 6th Street and development of a related parking structure with the potential future construction of an additional 74 residential units at the 6th Street location (the "Site 2 Project"), and (2) demolition of a County office building at 427-433 South Vermont Avenue and development of a six-story, 72-unit affordable housing complex with an approximately 13,200-square foot community center (the "Site 3 Project"). While the three projects are part of the Vermont Corridor Development Plan and

will be phased-in to minimize relocation of County staff, only the Project will be financed will proceeds of the Bonds and only the Project will secure payment of Base Rent for the Bonds.

Construction of the Project

General Construction Contracts. The Office Project will be constructed pursuant to the Office Project General Construction Contract between the Issuer and Hathaway Dinwiddie Construction Company, the anticipated general contractor for the Office Project, or another qualified general contractor proposed by Developer and approved by the Issuer. The Shatto Garage Project will be constructed pursuant to the Shatto Garage Project General Construction Contract between the Issuer and Bomel Construction Co., Inc., or another qualified general contractor proposed by Developer and approved by the Issuer. Each construction contract is independent of the other.

Delivery of the Project for a Fixed Price. The Issuer will enter into the Development Agreement with the Developer, TC LA Development, Inc., a Delaware corporation and wholly owned, independent subsidiary of Trammell Crow Company, pursuant to which the Developer will develop, oversee and manage the design, permitting and construction phases of the Project. The Development Agreement provides that the Developer warrants Substantial Completion of the Project (i) constructed in a good and workmanlike manner, (ii) in substantial accordance with the Contract Documents, (iii) on or before _____, 20__ (the “Developer Obligation Date”), which may be extended as described below, (iv) for the Fixed Price (excluding any components of the Project that are not Project Costs), and (v) free and clear of all liens. Project Costs exceeding the Fixed Price shall be paid by Developer, with Developer depositing any required funds with Trustee pursuant to the Development Agreement. Fixed Price means an amount not to exceed \$[Fixed Price], being the total amount to be paid by Issuer for Project Costs. A detailed description of Project Costs by line item and category is set forth under “Project Budget” below. Project Costs do not include and the Developer has no responsibility for (a) personal property of the County and any taxes thereon (which shall be paid by the County at its sole cost and expense); (b) “Owner Discretionary Costs” (being discretionary costs of the Issuer, as further described in the Development Agreement); (c) Costs Resulting from Owner-Caused Delay (being costs resulting from delays caused by the Issuer or the County, as further described in the Development Agreement); (d) any increase in the cost of the Project resulting from Issuer-initiated change orders; (e) real property taxes and assessments with respect to the Premises and the improvements thereon; and (f) Other Owner Costs (being other costs that are the responsibility of the Issuer or the County, as further described in the Development Agreement).

The Development Agreement provides that the Developer Obligation Date shall be extended day-for-day to the extent (i) the Bonds are not issued on or before _____, 20__, (ii) the Issuer has not issued its Notice to Proceed (as defined in the Development Agreement) on or before _____, 20__, (iii) of Owner-Caused Delays (as defined in the Development Agreement), or (iv) of Unavoidable Delays (as defined in the Development Agreement); provided, however, that extensions due to Unavoidable Delays shall not exceed 90 days. Notwithstanding the foregoing, if the Unavoidable Delay is a direct and unavoidable result of either (1) a casualty or condemnation subject to Section 21 of the Development Agreement or (2) the discovery of Hazardous Substances beneath the surface of the Premises, which existed but were unknown (or the location or extent of which were unknown based on the information in the Developer’s possession as of the effective date of the Development Agreement) to the Developer as of the Effective Date, then the ninety (90) day limitation set forth in the immediately preceding sentence shall not apply.

Developer Payments for Late Project Delivery. Pursuant to the Development Agreement, if Substantial Completion of the Project fails to occur by the Developer Obligation Date (as extended, if applicable), then commencing on the Developer Obligation Date and continuing on the first day of each successive calendar month through the month in which Substantial Completion of the Project occurs, as the Issuer’s sole remedy for such delay, Developer shall pay to Trustee an amount (the “Monthly Carrying Costs”) equal to the amount that would be payable to the Trustee under the Indenture if Substantial Completion of the Project had occurred prior to such calendar month. The Monthly Carrying Cost is, in turn, equal to the Base

Rent that would be payable by the County under the Facilities Lease if Substantial Completion of the Project had so occurred. The Monthly Carrying Cost shall be offset by any amounts of Base Rent paid or payable by the County under the Facilities Lease. Prior to the due date, the Issuer shall provide and/or shall cause the Trustee to provide Developer with the amounts of such Monthly Carrying Costs. Any overpayment of Monthly Carrying Costs in a particular month shall be credited against the amount due in the next month, except any overpayment due to achievement of Substantial Completion of the Project shall be refunded in arrears for the partial month in which Substantial Completion of the Project occurs.

Notwithstanding the foregoing, to the extent the Issuer receives insurance proceeds under the builders risk insurance policy provided for in the Development Agreement (see “Insurance and Performance Bond During Construction” herein) to reimburse the Issuer for loss of income and rents, such sums shall be credited against the Developer’s obligation to pay Monthly Carrying Costs to the Trustee. Furthermore, notwithstanding anything to the contrary contained in the Development Agreement, in no event and under no circumstance shall the Developer be obligated to make out-of-pocket payments for Monthly Carrying Costs in excess of that portion of the Developer’s Fee theretofore received by the Developer under the Development Agreement plus any available insurance proceeds. However, any further obligation of the Developer for Monthly Carrying Costs shall result in a forfeiture by the Developer of that portion of the remainder of its the Developer’s Fee equal to the amount of the Developer’s remaining obligation (if any) for such Monthly Carrying Costs and the Issuer shall issue notice to Trustee to transfer any such forfeited amount of the Developer’s Fee to the appropriate account under the Indenture for payment of debt service on the Bonds. The Developer’s Fee under the Development Agreement is \$ _____, consisting of two percent (2.0%) of the Project Costs, excluding the Developer’s Fee, the Overhead Allowance and the Project Contingency (except to the extent that the Project Contingency is expended towards Project Costs), with any change in the work initiated by Issuer in accordance with Section 8.3 of the Development Agreement (a) increasing the Developer’s Fee in an amount calculated as two percent (2.0%) of the cost of any such change in the work, and (b) to the extent that such change in the work extends the Project Schedule, increasing the Overhead Allowance as may be appropriate due to such extension as mutually agreed to by Owner and Developer. The Developer will also be paid an Overhead Allowance in connection with the work in the amount of \$3,474,000, payable in installments of \$96,500 per month from March 2018 (the commencement of pre-construction activity for the Project) through the earlier to occur of (i) occupancy of the Project by the County or (ii) full payment of the amount of \$3,474,000 (which amount shall not be changed notwithstanding any change in the Fixed Price).

General Construction Contract Including Liquidated Damages. The Development Agreement provides that, as part of the Fixed Price, the Project shall be constructed pursuant to one General Construction Contract for the Office Project and one General Construction Contract for the Shatto Garage Project, each of which shall contain the applicable Guaranteed Maximum Construction Price. “Guaranteed Maximum Construction Price” means (i) with respect to the Office Project, the maximum cost for construction of the Office Project, as guaranteed by the Office Project General Contractor pursuant to the terms of the Office Project General Construction Contract, and (ii) with respect to the Shatto Garage Project, the maximum cost for construction of the Shatto Garage Project, as guaranteed by the Shatto Garage Project General Contractor pursuant to the terms of the Shatto Garage Project General Construction Contract. Each General Construction Contract shall contain a provision for payment and performance bonds issued by a surety reasonably acceptable to the Issuer pursuant to which the Issuer, the Trustee and the County shall be named as obligees pursuant to a rider or riders reasonably acceptable to the Issuer.

Pursuant to the Development Agreement, any liquidated damages or similar amount paid by either of the Office Project General Contractor or the Shatto Garage Project General Contractor under either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract as a result of the failure to achieve Substantial Completion of the Office Project or Substantial Completion of the Shatto Garage Project, respectively, by the Developer Obligation Date shall be deposited with the Trustee and held for payment of Monthly Carrying Costs and related expenses through the month in which Substantial Completion of the Office Project or Substantial Completion of the Shatto Garage Project, respectively, occurs

to the extent that the aggregate amount paid or forfeited by Developer pursuant to the Development Agreement is not sufficient to pay all Monthly Carrying Costs through the month in which Substantial Completion of the Office Project or Substantial Completion of the Shatto Garage Project, respectively, occurs. Upon Final Acceptance by the Issuer of the Project (as described further in the Development Agreement) and the making of all final payments (including the funding of the 150% holdback for uncompleted Punch List items), if Substantial Completion of the Project failed to occur by the Developer Obligation Date, the Developer and the Issuer with concurrence of the County, shall (i) determine the amount of any liquidated damages or similar amount paid by either of the Office Project General Contractor or the Shatto Garage Project General Contractor and deposited with Trustee as result of the failure of Substantial Completion to occur prior to the Developer Obligation Date and which has not been disbursed by Trustee to cover Monthly Carrying Costs and related expenses (“Excess Liquidated Damages”) and (ii) direct the Trustee to disburse such Excess Liquidated Damages to Developer to the extent of any Monthly Carrying Costs paid by Developer or resulting in any forfeited Developer’s Fee in accordance with the Development Agreement.

Developer Fee Payments and Incentives for Timely Completion. Pursuant to the Development Agreement, the Developer is entitled to a portion of the Developer’s Fee based upon achievement of the Project milestones set forth below. If the hard costs incurred as of a date a milestone is achieved exceed the budgeted percentage of hard costs, as set forth below, after application of the Project Contingency, the Developer is not entitled to draw that portion of its Developer’s Fee equal to such excess until the next milestone is achieved, and then only if the hard costs incurred as of such milestone do not exceed the budgeted percentage of hard costs to be incurred by such milestone date after application of the Project Contingency. Any unpaid portion of the Developer’s Fee shall be paid with the final payment.

Project Completion Milestones	Cumulative Percentage of Developer’s Fee Payable
Upon commencement of construction	10.0%
25%*	20.0
50%*	35.0
75%*	50.0
Substantial Completion of the Office Project	80.0
Substantial Completion of the Project	90.0
Final Acceptance	97.5
LEED Certification	100.0

* Percentage of Project completion to be calculated as the percentage of hard construction costs approved for disbursement divided by the total of all such hard construction costs as shown in the Project Budget; provided, however, that Developer shall be entitled to such payment only to the extent the hard costs incurred as of any such milestone dates do not exceed the hard costs budgeted (after application of the Project Contingency) to be incurred as of such milestone dates. The final installment of the Developer’s Fee shall be paid to Developer as described below.

LEED Certification. The Development Agreement provides that the Developer will use commercially reasonable efforts to obtain a Leadership in Energy and Environmental Design – NC 2009 (“LEED”) Silver certification from the U.S. Green Building Council (“USGBC”) with respect to the Office Project. Pursuant to the Development Agreement, the Issuer agrees to work in good faith with the Developer when making various decisions to consider their potential impact on LEED certifications. It is anticipated that the final determination by the USGBC of the LEED certification of the Office Project will not occur until after Final Acceptance. **The County’s obligation to pay Base Rent under the Facilities Lease is not contingent on obtaining any level of LEED certification.**

Pursuant to the Development Agreement, the Issuer shall hold back 2.5% of the Developer’s Fee until a LEED certification is obtained for the Office Project, and the Developer shall diligently and continuously use commercially reasonable efforts to pursue such LEED certification for the Office Project. If the Developer has

diligently and continuously used commercially reasonable efforts to pursue such LEED certification for the Office Project, and the LEED certification for the Office Project has not been obtained within eighteen (18) months after Final Acceptance of the Office Project (subject to Unavoidable Delays), then the Developer shall be entitled to payment of the remaining 2.5% of the Developer's fee being held by the Issuer. If the LEED certification for the Office Project has not been obtained within eighteen (18) months after Final Acceptance of the Office Project (subject to Unavoidable Delays) because the Developer has not diligently and continuously used commercially reasonable efforts to pursue such LEED certification for the Office Project (beyond any applicable notice and cure period), and such failure to obtain LEED certification is not as a result of the acts or omissions of the Issuer or the County, then the Issuer shall be entitled, as the Issuer's sole remedy, to retain the 2.5% of the Developer's Fee held back as liquidated damages resulting from the Developer's failure to use diligent and continuous efforts to achieve the LEED certification.

Insurance and Performance Bond During Construction. The Development Agreement sets forth the insurance coverage requirements for the Developer, including commercial general liability insurance, professional liability, automobile liability insurance, and workers compensation and employers' liability insurance or qualified self-insurance satisfying statutory requirements. The Development Agreement also sets forth the insurance coverage requirements for the construction phase of the Project, including builder's risk course of construction insurance, general liability insurance, automobile liability insurance, professional liability/errors and omissions insurance, workers compensation and employers' liability insurance or qualified self-insurance satisfying statutory requirements, developer's pollution liability insurance, and asbestos liability insurance, and requires the delivery of a performance surety bond. See APPENDIX C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS – The Development Agreement – *Insurance.*"

Condemnation During Construction. Pursuant to the Development Agreement, if, prior to Substantial Completion of the Project, there is a partial taking of the Premises by Condemnation but the Project can be completed substantially in accordance with the Project Requirements, such condemnation proceeds shall be paid to Trustee who shall deposit such condemnation proceeds into the Non-Bond Proceeds Account established under Section 4.02 of the Indenture for purposes of paying Project Costs. Following Substantial Completion of the Project, if there is a partial taking of the Premises by Condemnation, and the County determines that restoration is possible or a reasonable use can be made of the Premises without restoration, then the condemnation proceeds shall be paid to Trustee who shall, as applicable, (i) deposit such condemnation proceeds into the Capital Repairs Fund (as defined in the Indenture) and shall disburse such condemnation proceeds to the Issuer from time to time as restoration progresses, or (ii) deposit such condemnation proceeds in the Bond Fund (as defined in the Indenture) to be used to repay or defease Bonds. See APPENDIX C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS – The Development Agreement – *Condemnation.*"

General Contractors' Obligations for Costs. If the Office Project General Contractor does not achieve substantial completion of the work described in the Office Project Construction Contract by [_____, 20__] (as such date may be extended under the Office Project Construction Contract), a liquidated damages clause in the Office Project General Construction Contract provides that the Office Project General Contractor will pay the Issuer as reimbursement for the Issuer's additional costs \$____,000 per day for each day beyond such date, until substantial completion of the Office Project is achieved. If the Shatto Garage Project General Contractor does not achieve substantial completion of the work described in the Shatto Garage Project Construction Contract by [_____, 20__] (as such date may be extended under the Shatto Garage Project Construction Contract), a liquidated damages clause in the Shatto Garage Project General Construction Contract provides that the Shatto Garage Project General Contractor will pay the Issuer as reimbursement for the Issuer's additional costs \$____,000 per day for each day beyond such date, until substantial completion of the Shatto Garage Project is achieved.

Cost Overruns; Sufficiency of Funds to Complete Construction. Pursuant to the Developer Agreement, the Issuer has no obligation to request any disbursement of money on deposit in the Bond Proceeds Account in the Project Fund unless and until the Project is in balance. The Project shall be deemed

to be in balance only when the undisbursed portion of Bond proceeds in the Project Fund allocable to payment of the Fixed Price (which the Issuer shall cause to contain an amount sufficient to pay the Fixed Price plus all other funds that are the responsibility of the Issuer under the Development Agreement) together with funds deposited by the Developer (if applicable) with the Trustee and expected earnings on the Project Fund to the date of their anticipated disbursement after provision for all contingencies shall equal or exceed the amount reasonably estimated by the Issuer to pay for all Project Costs that are the responsibility of the Developer under the terms of the Development Agreement. In the event the Issuer properly advises the Developer that the Project is not in balance, the Developer will deposit into the Project Fund held by the Trustee the amount necessary to bring the Project into balance (*i.e.*, the excess amount, if any, by which the Project Costs that are the Developer's responsibility under the terms of the Development Agreement exceed the Fixed Price), and such funds will be disbursed in their entirety prior to any further disbursement of Bond proceeds from the Bond Proceeds Account in the Project Fund; provided that if the shortfall in the Bond Proceeds Account in the Project Fund is due to the Issuer's failure to deposit funds as required in connection with any Issuer-initiated change orders, the Issuer will deposit the necessary funds into the Bond Proceeds Account in the Project Fund held by the Trustee.

Notwithstanding anything to the contrary contained in the Development Agreement, all costs of every nature that constitute "Other Owner Costs" shall be the sole responsibility, cost and expense of the Issuer. The Issuer further agrees that the Developer shall have no responsibility or liability for any of the Other Owner Costs and the Issuer shall timely fund all Other Owner Costs.

Project Construction and Management under the Facilities Lease. Under the terms of the Facilities Lease, the Issuer is obligated to cause the design, permitting and construction of the Project by entering into the Development Agreement. Following Substantial Completion of the Project, the Issuer shall, at Issuer's sole cost and expense (but only to the extent that County has provided funds in accordance with the annual operating budget (approved by Issuer and the County) and that there are available operating or maintenance reserves (with respect to Operating Costs) and Capital Repairs Fund (with respect to Capital Expenditures, or as otherwise made available by County), (each as defined in) and in accordance with the Facilities Lease, maintain, repair and replace the Project or portions thereof in an attractive condition, good order and function, at a condition equal to or better than the predominant condition of other office buildings owned or occupied by County in the business districts of the City of Los Angeles, throughout the term of the Facilities Lease. In addition, the Issuer shall cause the Premises to be operated and managed, and services provided, in a manner consistent with that of a reasonably prudent building owner of comparable Class A office buildings located in the business districts of Los Angeles, California, and in a manner which is efficient and reasonably controls expenses.

Pursuant to the Facilities Lease, following Substantial Completion of the Project, the Issuer shall at all times cause the Premises to be operated by a professional property management company selected and managed by the Issuer. Such property manager shall have at least five (5) years' experience in managing Class A office buildings of comparable size and quality to the Premises in the business districts of Los Angeles, at a management fee which shall not be in excess of the predominant management fee charged by property management companies managing commercial office buildings of comparable size and quality in Los Angeles County. Such property management contract shall (a) not have a term greater than five (5) years, (b) contain a requirement that, if the nature of the obligation presents a hazard or emergency, the property manager shall commence performance within 4 hours, and shall thereafter pursue such cure with diligence, and (c) include provisions stating that such contract may be terminated for cause (but not convenience) by the Issuer on its determination or as directed by the County, if the property manager is in default under the property management contract. After the expiration or termination of the original property management contract, contracts with property management firms shall be terminable for cause as set forth above and terminable for convenience by the Issuer at the County's direction upon not less than six (6) months' notice beginning five (5) years after the Substantial Completion Date. Notwithstanding the foregoing or any other provision of the Facilities Lease, any and all management contracts relating to the Project, including the original property

management contract, shall immediately terminate at the time that the Tax-Exempt Bonds are no longer Outstanding.

The Developer

[To be confirmed.] TC LA Development, Inc. will manage the design, permitting and construction of the Project as Developer. The Developer is a wholly owned, but independent subsidiary of the Trammell Crow Company (“Trammell Crow”). Trammell Crow, founded in 1948, is a commercial real estate organization that has developed or acquired over 540 million square feet of buildings totaling nearly \$60 billion in value. Trammell Crow currently has 19 million square feet of projects throughout North America scheduled or under development that are LEED certified, seeking LEED certification or have sustainable design elements. Trammell Crow entered the Southern California market in 1972, and since then Trammell Crow and its affiliates have developed more than 90 projects totaling more than 31 million square feet, including the 800,000-square foot office building containing Creative Artists in Century City and the 250,000 square foot office project for Southern California Edison in Pomona. The Developer maintains two offices in Southern California with a staff of over 20 professional team members. [To be confirmed by Trammell Crow]

Office Project General Contractor

Hathaway Dinwiddie Construction Company (“Hathaway Dinwiddie”) is the Office Project General Contractor. The Office Project General Contractor will provide a guaranteed maximum price contract for construction of the Office Project. Hathaway Dinwiddie was founded in 1911 and is headquartered in San Francisco, with additional offices in Santa Clara and Los Angeles. Hathaway Dinwiddie provides general contracting, planning (design), and management services in the commercial construction field. Past customers include both private and public sector entities. [Additional information to come.]

Shatto Garage Project General Contractor

Bomel Construction Co., Inc. (“Bomel”) is the Shatto Garage Project General Contractor. The Shatto Garage Project General Contractor will provide a guaranteed maximum price contract for construction of the Shatto Garage Project. Bomel was founded in 1978 and specializes in “concrete projects” as parking structures, office buildings, hotels, stadiums, bridges and similar structures. Bomel has over \$325 million in revenues and has completed hundreds of concrete projects. [Additional information to come.]

Office Project Architect

M. Arthur Gensler Jr. & Associates, Inc. (“Gensler”) is the architect for the Office Project. Gensler was founded in 1965 and is headquartered in San Francisco, California. Gensler specializes in commercial office buildings, retail centers, airports, education facilities, and entertainment complexes. It is also involved in planning and urban design, brand strategy, environmental graphic design, mission-critical facilities, and sustainable design consulting. [Additional information to come.]

Shatto Garage Project Architect

Parking Design Solutions Inc. (“PDS”) is the architect for the Shatto Garage Project. PDS was founded in _____ and is headquartered in _____. PDS specializes in _____. [Additional information to come.]

Design, Permits and Approvals

[Design of the Office Project has been completed by the Office Project Architect and design of the Shatto Garage Project has been completed by the Shatto Garage Project Architect.] [Confirm.]

[The County, through its Community Development Commission, caused the preparation of a draft Environmental Impact Report (the “EIR”) pursuant to the California Environmental Quality Act in 2017. Public comment on the draft EIR concluded on January 19, 2018. A final EIR, including responses to various comments, was prepared. At its May __, 2018 meeting, the Board of Supervisors accepted public comment on and approved the final EIR. A final notice of determination was issued on _____, 2018. The period for appealing the determination has passed.]

The Project will be submitted to the Los Angeles County Building and Safety Department for plan check review and approval. Various permits, including demolition permits and building permits, are expected to be obtained in due course. The Issuer does not expect any delays in obtaining the necessary permits and approvals.

Construction Schedule

The Developer anticipates Project construction and delivery will occur on the following schedule:

Activity	Date
Ground Breaking	
Office Building Parking Structure TCO	
Office Building Tenant Improvement ⁽¹⁾ Complete	
Retail Area Complete	
Shatto Parking Structure Complete	
Temporary Certificate of Occupancy Issued	
Substantial Completion/ Developer Obligation Date	

Source: TC LA Development, Inc.

⁽¹⁾ Being the improvements requested by the County to the interior of the Office Project, including but not limited to HVAC thermostats, operating controls and conduit rough-in for data, telephone, and security wiring, as they are described in the Construction Documents.

Project Budget

The proceeds of the Bonds will be used by the Issuer to pay Project Costs up to the amount of the Fixed Price. Project Costs also include an amount for Tenant Improvements. Bond proceeds will also be used to pay costs of issuance in connection with the issuance of the Bonds. [In addition to the foregoing, Bond proceeds, together with certain interest earnings, will provide for the payment of interest on the Bonds through December 1, 20__, which is approximately six months after the estimated date of Substantial Completion.] [to be updated] The Issuer and the Developer expect that the proceeds of the Bonds, together with earnings thereon and other available funds, will be sufficient to pay the costs of the Project, including interest on the Bonds during construction, although the Issuer cannot guarantee that such proceeds will be sufficient. See “CERTAIN RISK FACTORS – Construction and Completion Risk.” The Issuer does not have any obligation to pay Project Costs in excess of the Fixed Price, and the County, whose only payment obligation under the Facilities Lease is the payment of Rent and other amounts specifically set forth therein, has no obligation to pay Project Costs. See APPENDIX C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS – The Facilities Lease” and “– The Development Agreement.”

The following schedule sets forth the estimated Project Costs:

Sitework	\$
Office Building Shell and Core	
Offsite Improvements	
Financed Furniture, Fixtures and Equipment Allowance	
Tenant Improvements	
Soft Costs and Insurance	
Developer's Fee	
Developer's Overhead Allowance	
Contingency	
Total:	<u>\$</u>

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied approximately as set forth below:

<u>Sources of Funds:</u>	<u>Tax-Exempt Bonds</u>	<u>Federally Taxable Bonds</u>
Principal Amount of the Bonds	\$	\$
Original Issue Premium		
Total	<u>\$</u>	<u>\$</u>
 <u>Uses of Funds:</u>		
Deposit to Project Fund	\$	\$
Deposit to Capitalized Interest Fund ⁽¹⁾		
Deposit to Costs of Issuance Fund ⁽²⁾		
Total	<u>\$</u>	<u>\$</u>

⁽¹⁾ Includes capitalized interest through the construction period.

⁽²⁾ Includes underwriter's discount, title insurance costs, rating agency fees, Bond Counsel fees and expenses, Disclosure Counsel fees and expenses, municipal advisor fees, printing costs and other miscellaneous expenses.

THE BONDS

Description

The Bonds are dated and bear interest from the date of their delivery. Interest on the Bonds is payable semi-annually on June 1 and December 1, beginning December 1, 2018 (each an "Interest Payment Date"). Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will bear interest at the rates and mature on December 1 in the years and in the amounts set forth on the inside cover of this Official Statement (each a "Principal Payment Date"). A portion of the proceeds of the Bonds will be used to fund capitalized interest on the Bonds through the construction period. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Beneficial Use and Occupancy" herein.

The Bonds will be fully registered as to both principal and interest, and will be in the denomination of \$5,000 or any integral multiple thereof within a single maturity. Initially, individual purchases of the Bonds may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Bonds purchased. When issued, the Bonds will be registered in the name of Cede & Co. as Registered Owner and nominee of The Depository Trust Company, New York, New York ("DTC"). So long as Cede & Co. is the Registered Owner of the Bonds, references herein to the Owners, Registered Owners or Bond Owners will mean Cede & Co. and will not mean the "Beneficial Owners" of the Bonds. In this Official Statement, the term

“Beneficial Owner” will mean the person for whom a DTC participant acquires an interest in the Bonds. Principal of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the beneficial owners (the “Beneficial Owners”) of the Bonds. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds will be paid by the Trustee by check mailed on the applicable Interest Payment Date to the Owners as of the close of business on the applicable Record Date, all as defined in the Indenture, at the address in the books for registration of the Bonds kept for the Issuer by the Trustee (the “Bond Register”), or at such other address as is furnished in writing by Owners to the Trustee (provided, however, that the Trustee will, at the request of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds, make payments of interest on such Bonds by wire transfer to the account at any bank in the United States designated by such Owner in writing on or before the Record Date), and the principal of the Bonds is payable in lawful money of the United States of America upon surrender thereof at the principal corporate trust office of the Trustee. No payment of principal will be made on any certificated Bond unless and until such Bond is surrendered to the Trustee for payment.

Redemption of the Bonds

Optional Redemption.* The Tax-Exempt Bonds are subject to redemption prior to their stated maturity as described below (i) upon the written direction of the County given to the Issuer and the Trustee; and (ii) otherwise upon the written direction of the Issuer, in either case as a whole or in part (and if in part with maturities to be selected by the County, so long as no Facilities Lease Default Event has occurred and is continuing, and otherwise by the Issuer).

[The Tax-Exempt Bonds maturing on and prior to December 1, 20__ are not subject to optional redemption prior to their scheduled maturity. The Tax-Exempt Bonds maturing on and after December 1, 20__, are subject to redemption, in whole or in part, in Authorized Denominations, on any date on and after December 1, 20__, from (i) prepaid Base Rent paid pursuant to the Facilities Lease, or (ii) any other source of available funds, at a price of par plus accrued interest to the date of redemption.]

The Federally Taxable Bonds are not subject to optional redemption prior to their scheduled maturity.

Mandatory Sinking Fund Redemption.* The Tax-Exempt Bonds maturing on December 1, 20__ are term Bonds subject to mandatory sinking fund redemption (in such a manner as DTC or the Trustee, as applicable, shall determine) at a price of 100% of the principal amount of the Tax-Exempt Bonds to be redeemed plus accrued interest to the date of redemption on December 1 in the years and amounts as follows:

<u>Redemption Years</u>	<u>Redemption Amounts</u>
-------------------------	---------------------------

(Final Maturity)

The principal amount of any term Bonds optionally redeemed shall be credited against the scheduled redemptions of such Bonds in the manner designated by an Authorized Officer of the County or the Issuer, as applicable.

Extraordinary Optional Redemption. The Bonds are subject to extraordinary optional redemption in whole, and not in part, on any date (and will be redeemed on the first practical date for which notice may reasonably be given by the Trustee), at a price of par plus accrued interest to the date of redemption, upon the

* Preliminary, subject to change.

receipt by the Trustee of (i) insurance proceeds in connection with certain uninsured damage as described in the Facilities Lease (see APPENDIX C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS – The Facilities Lease – *Destruction* – Uninsured Damage”) or (ii) condemnation proceeds in connection with certain condemnation events as described in the Facilities Lease (see APPENDIX C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS – The Facilities Lease – *Condemnation*”). Upon receipt of notice from the County of the occurrence of circumstances described in the preceding sentence and setting a redemption date, the Trustee will call Bonds for extraordinary redemption on the first practical date for which notice may reasonably be given and on which the redemption price is or will be available.

Notice of Redemption. As long as the Bonds are held in book-entry only form, notice of redemption (which may be conditional) will be given by DTC solely in accordance with the operational arrangements of DTC as then set forth. If the Bonds are no longer held in book-entry form, the Trustee will give notice of redemption by first class mail, postage prepaid, mailed no fewer than 20 nor more than 60 days prior to the redemption date to each Owner of Bonds to be redeemed at the address of such Owner appearing in the Bond Register. Any notice of redemption may be conditional and may be revocable at any time prior to the conditions set forth therein being satisfied in full.

Neither the failure of any Owner to receive notice mailed as described herein nor any defect in notice so mailed will affect the validity of the proceedings for redemption in accordance with the Indenture. All notices of redemption shall state: (a) the redemption date and the conditions, if any, of redemption; (b) the redemption price; (c) the amount of accrued interest payable on the redemption date (if such amount can be calculated at the time the notice is mailed); (d) the designation of the Bonds to be redeemed, the principal amount of Bonds to be redeemed, and, if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the Bonds to be redeemed; (e) that (unless the notice of redemption is a conditional notice, in which case the notice shall state that interest shall cease to accrue from the date fixed for redemption if and to the extent that funds have been provided to the Trustee for the redemption of Bonds) on the redemption date the redemption price of each such Bond will become due and payable and that interest on each such Bond shall cease to accrue on and after such date; (f) the place or places where such Bonds must be surrendered for payment of the redemption price thereof; and (g) such additional information as the Issuer shall deem appropriate.

Notice of redemption having been given to the Owners as aforesaid and if the notice of redemption is conditional and the conditions stated in the notice of redemption have been met, such Bonds to be redeemed will become due and payable on the redemption date at the redemption price specified, and on and after such date (unless the Issuer defaults in the payment of the redemption price) such Bonds will cease to bear interest. Upon surrender of any such Bond for redemption in accordance with such notice, such Bond will be paid at the redemption price thereof, to the extent of funds on deposit with the Trustee and available therefor. To the extent possible, each check or other transfer of funds issued for the payment of the redemption price of Bonds being redeemed will bear the CUSIP number identifying, by maturity, the Bonds being redeemed with the proceeds of such check or other transfer. If any Bond called for redemption is not so paid upon surrender thereof for redemption, the redemption price and, to the extent lawful, interest thereon will, until paid, bear interest from the redemption date at the rate borne by the Bond immediately before the redemption date.

Partial Redemption of Bonds. For so long as the Bonds are held in fully immobilized form, the selection of particular Bonds within a maturity to be redeemed, whether by optional or mandatory redemption, will be made in accordance with the operational arrangements then in effect at DTC. If less than all of the Bonds of a particular maturity are to be called for any optional redemption or mandatory sinking fund redemption: (1) if the Bonds are not registered in book-entry only form, the Trustee will select by lot the Bonds to be redeemed; and (2) if the Bonds are in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, Bonds to be redeemed will be selected in accordance with DTC’s procedures in effect at such time. Upon surrender of any Bond redeemed in part only, the Issuer will execute and the Trustee will authenticate and deliver to the Owner thereof, at no expense to the Owner, a new Bond or Bonds of Authorized Denominations equal in aggregate principal amount to the

unredeemed portion of the Bond surrendered. Costs of printing and/or authentication of new Bonds shall be paid by the Issuer.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and money for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue on the redemption date, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds will have no rights in respect thereof except to receive payment of said principal and interest accrued to the date fixed for redemption. All Bonds redeemed as described herein will be cancelled by the Trustee upon surrender thereof.

Option to Prepay Facilities Lease and Purchase Project

Option to Prepay Facilities Lease in Whole. Pursuant to the Facilities Lease, the County has the option to purchase the Premises and thereby terminate the Facilities Lease and the Ground Lease by depositing with the Trustee amounts sufficient to redeem or defease all of the Outstanding Bonds pursuant to the terms of the Indenture, plus all costs associated with such redemption or defeasance.

The Indenture provides that, on or after the date the Bonds are subject to optional redemption, the purchase price of the Premises shall be an amount sufficient to pay all Outstanding Bonds, plus interest accrued thereon to the date of redemption. Prior to the date the Bonds are subject to optional redemption, the purchase price of the Premises shall be an amount sufficient to pay all Outstanding Bonds, plus interest accrued thereon to the date of redemption, plus the additional amount, if any, required to fully defease the Outstanding Bonds in accordance with the Indenture.

The County may exercise its option to purchase by providing a notice of election to exercise purchase option as specified in the Indenture, which election by the County may be conditioned on the availability of sufficient funds on the purchase date, so long as any required notices of termination of management contracts that must be given by the Issuer in anticipation of the purchase are also so conditioned.

Pursuant to the Indenture, on the closing date specified in the notice of election to exercise purchase option, or such other date as the County, the Issuer and the Trustee may mutually agree and if the purchase price has been paid by the County in immediately available funds, the Issuer shall convey the Premises to the County by grant deed, free and clear of all liens and encumbrances, except those liens and encumbrances approved by the County, but without recourse against the Trustee, and the Indenture, the Ground Lease, and the Facilities Lease shall automatically terminate. Nothing in the Indenture shall be construed to require the County to exercise the purchase option herein granted.

Option to Partially Prepay the Facilities Lease and Cause Bonds to be Redeemed or Defeased. Pursuant to the Facilities Lease, the County has the option to partially prepay the principal component of Base Rent, in increments of five thousand dollars (\$5,000), for periods to be determined by the County by causing Bonds to be redeemed in accordance with Section 3.01 of the Indenture or by causing Bonds to be defeased in accordance with Article X of the Indenture. By 10:00 a.m. Pacific Time on the date set for prepayment, the County shall pay to Trustee in cash or same-day available funds, an amount equal to the principal component of Base Rent to be prepaid, together with interest thereon sufficient to optionally redeem or defease such Bonds in accordance with the Indenture. Upon such prepayment, the Facilities Lease shall be amended to reflect the reduction in Base Rent resulting from such prepayment; provided, however that in all cases the revised Base Rent will be due and payable in the amounts and at the times sufficient to pay the principal of and interest on all Bonds Outstanding after giving effect to the redemption or defeasance.

Defeasance under the Facilities Lease. The Facilities Lease provides that, in the event that, pursuant to the provisions described under this caption “Option to Prepay Facilities Lease and Purchase Project,” the County deposits with the Trustee money and/or Government Obligations (as defined in the Indenture), maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to pay or prepay all Base Rent then due under the Facilities Lease in accordance with the terms of the Facilities Lease and sufficient to redeem or defease all of the Outstanding Bonds pursuant to the terms of the Indenture, plus all costs associated with such redemption or defeasance, the Issuer shall convey unencumbered title to the Premises to the County (subject to Section 4.4 of the Facilities Lease), the Facilities Lease shall automatically terminate, no further payments need be made of any Base Rent under the Facilities Lease and the Issuer shall not be entitled to any lien, benefit or security in the Premises, except the right to receive the funds so set aside and pledged, and neither the Issuer nor the County shall have any further obligation to the other hereunder. The Issuer shall apply such prepaid Base Rent to the defeasance or redemption of Bonds in accordance with the Indenture. In the event the Premises are conveyed to the County as described in this paragraph, the Ground Lease shall automatically terminate. Notwithstanding any such defeasance, the County remains obligated for any unpaid Additional Rent due under the Facilities Lease.

Purchase of Bonds

At the written direction of an Authorized Officer of the County, so long as no Facilities Lease Default Event has occurred and is continuing, and otherwise at the written direction of the Issuer and with the sources of funds specified by the County and/or the Issuer, the Trustee will purchase Bonds offered to the County or the Issuer at prices deemed acceptable to the County or the Issuer, as applicable. The principal amount of any term Bonds purchased pursuant as described hereunder will be credited against the scheduled redemptions of such Bonds in the manner designated by an Authorized Officer of the County or the Issuer, as applicable, in accordance with the provisions described under “THE BONDS –Redemption of the Bonds – *Mandatory Sinking Fund Redemption.*”

Defeasance of Bonds

Pursuant to the Indenture, if the Issuer (1) issues refunding bonds (a) to pay the principal of, premium, if any, and interest on all or a portion of the Bonds as the same become due and payable and (b) to refund or defease such then Outstanding Bonds and to pay the costs of refunding or defeasance; or (2) sets aside irrevocably in a special fund for and pledged to such payment, refunding or defeasance, money (which shall remain uninvested) and/or Government Obligations, that are not subject to redemption prior to maturity sufficient in amount (as verified in a report from a firm of certified public accountants or nationally recognized arbitrage consultants), together with known earned income from the investments thereof, to make such payments and to accomplish the refunding or defeasance as scheduled (the “trust account”); and (3) makes irrevocable provisions for redemption of such Bonds, then in that case all right and interest of the Owners of the Bonds to be so retired, refunded or defeased (the “defeased Bonds”) in the covenants of the Indenture, in the Trust Estate, and in the funds and accounts obligated to the payment of such defeased Bonds, other than the right to receive the funds so set aside and pledged, thereupon shall cease and become void, except that those Owners will have the right to receive payment of the principal of and premium, if any, and interest on the defeased Bonds from the trust account (except such rights as exist with respect to payment, exchange and transfer of such Bonds under the pertinent provisions of the Indenture). After the establishing and full funding of such trust account, the defeased Bonds shall be deemed to be discharged, the Trustee will cancel the defeased Bonds as paid, and the Issuer then may, at the direction of the County, so long as the Facilities Lease is in effect and no Facilities Lease Default Event has occurred and is continuing, and otherwise in the Issuer’s sole discretion, apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the Owners of any other Bonds then Outstanding. Money held in any defeasance trust account shall be held solely for the benefit of the Owners of the Bonds. “Government Obligations” means direct, non-callable (a) United States Treasury Obligations, (b) United States Treasury Obligations – State and Local Government Series, (c) non prepayable obligations that are fully and unconditionally guaranteed as to full and timely payment of principal and interest

by the United States of America or (d) REFCORP debt obligations unconditionally guaranteed by the United States.

It is a condition of any such defeasance of the Bonds that the Issuer has obtained and delivered to the Trustee: (i) an Opinion of Bond Counsel that such Bonds have been legally defeased under the Indenture and that such refunding or defeasance will not affect the tax-exempt status of the Bonds; and (ii) if any Government Obligations are set aside in the special fund described in clause (2) above, the verification report of independent certified public accountants or nationally recognized arbitrage consultants, as described in clause (2) above. On the date of defeasance or full payment of Bonds the Issuer shall convey the Premises to the County.

Summary of Debt Service Requirements for the Bonds

ESTIMATED DEBT SERVICE SCHEDULE⁽¹⁾

The table below sets forth estimated debt service payments for the Bonds on an annual basis, as of each June 30, presuming there is no optional redemption of the Bonds and no prepayment of the Facilities Lease and purchase of the Project.

Year	Tax-Exempt Bonds		Federally Taxable Bonds		Total ⁽²⁾
	Principal	Interest	Principal	Interest	
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
2048					
2049					
2050					
2051					
TOTAL⁽²⁾	=====	=====	=====	=====	=====

⁽¹⁾ Reflects debt service on the Bonds, which are the Issuer’s only outstanding obligations.
⁽²⁾ Totals may not add due to rounding.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations; No Recourse on Bonds

The Bonds shall be special, limited obligations of the Issuer payable solely from and secured solely by a pledge of the Trust Estate as provided in the Indenture. No revenue, income, receipts, donations, earnings, property or assets of the Issuer other than the Trust Estate shall ever be subject to any lien or claim for the payment of the Bonds or the performance of any other obligation of the Issuer under the Indenture. The Issuer is a single-purpose entity, is not a governmental unit, and has no taxing power. **The Issuer has no source of funds available to pay debt service on the Bonds other than the Trust Estate.**

Neither the County nor any agency or municipality of the State is obligated to pay debt service on the Bonds. The Bonds are not an obligation of the County, moral or otherwise. The County's sole obligations with respect to this financing, including the obligation to pay Rent, are those set forth in the Facilities Lease.

No recourse shall be had for the payment of the principal of or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in the Indenture, against any past, present or future officer, employee or agent, or member of the Issuer, or any successor to the Issuer, as such, either directly or through the Issuer, or any past, present, or future officer, employee or agent, or member of any successor to the Issuer under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officer, employee or agent, or member of the Issuer or any successor to the Issuer, as such, is expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of the Bonds.

Pledge of Trust Estate

The Bonds are non-recourse revenue obligations of the Issuer, payable solely from the Trust Estate pledged under the Indenture. The "Trust Estate" consists of the following, whether now owned or hereafter acquired, which are pledged for the equal and proportionate benefit, security and protection of all present and future Owners of Bonds and any Additional Bonds issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds or Additional Bonds over any other Bonds or Additional Bonds: (1) all right, title and interest of the Issuer in and to all rents, issues, income, revenues and receipts derived by the Issuer from all sources, including the Facilities Lease (except for payments under the Facilities Lease for deposit into the Capital Repairs Fund), with respect to the use of the Premises, including all right, title and interest and security interest, if any of the Issuer, in and to all money, earnings, revenues, rights to the payment of money, receivables, accounts, contract rights, whether now owned or hereafter acquired, including, without limitation, all rents, issues, profits, income, revenues and receipts derived by the Issuer in any fashion from the Premises; (2) the Premises pursuant to the Deed of Trust, the Assignment of Construction Documents and the Assignment of Leases, including all proceeds thereof; (3) any and all other property of every kind and nature from time to time hereafter conveyed, pledged, assigned or transferred by delivery or by writing of any kind, as and for additional security hereunder by the Issuer, the County or by anyone on its or their behalf to the Trustee, which is hereby authorized to receive the same at any time as additional security hereunder; provided, however, that any real property may be conveyed to the Trustee only with its prior written consent, which consent shall not be unreasonably withheld; (4) all Revenues; (5) all choses in action and all choses in possession now or hereafter existing to the benefit of or arising for the benefit of the Issuer with respect to the Bonds, including all proceeds of all the foregoing; (6) all funds and accounts established under the Indenture and the investments thereof, if any, and money, securities and obligations therein (subject to disbursements from any such fund or account upon the conditions set forth in the Indenture), except for money held in the Rebate Fund and Capital Repairs Fund; and (7) to the extent not covered in the foregoing, all proceeds of all of the foregoing.

"Revenues" means all amounts received by the Issuer or by the Trustee for the account of the Issuer pursuant to the Facilities Lease (or any other lease by the Issuer of the Premises) or otherwise with respect to

the Premises, including, without limiting the generality of the foregoing, all Rent (including both timely and delinquent payments and any late charges, paid from any source), prepayments, any payments received under any policy of title insurance with respect to the Premises, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture (except as otherwise provided herein), but not including (i) Administrative Fees and Expenses, (ii) Rebatable Arbitrage, (iii) money deposited in the Capital Repairs Fund; and (iv) any and all revenue, income, and receipts of the Issuer not derived from or received with respect to the Facilities Lease, the Premises, or any fund or account established pursuant to the Indenture.

The primary source of Revenues anticipated to be received by the Issuer and included within the Trust Estate is Base Rent to be received from the County under the Facilities Lease. To secure the pledge of the Revenues under the Indenture, the Issuer will assign to the Trustee the Base Rent and certain other amounts pursuant to the Assignment of Leases.

Base Rent; Abatement

Base Rent. Pursuant to the Facilities Lease, the County shall pay Base Rent to the Trustee without deduction, offset, prior notice or demand, in advance on the Rent Commencement Date and thereafter in advance on each June 1 and December 1 throughout the term of the Facilities Lease (each a “Rent Payment Date”). The County shall deposit with the Trustee each payment of Base Rent at least one (1) Business Day prior to the Rent Payment Date. The first Base Rent payment that occurs upon on the Rent Commencement Date shall equal the prorated amount attributable to the period occurring between the Rent Commencement Date and the next following Rent Payment Date (after deducting any portion of Base Rent paid by the County in connection with Substantial Completion of the Office Project that is on deposit with the Trustee for such period), and the last Base Rent payment shall equal the prorated amount attributable to the period occurring between the last Rent Payment Date and the expiration of the Facilities Lease. In any fiscal year commencing July 1 and ending June 30 (the “Fiscal Year”), the aggregate amount of Base Rent plus the Annual Capital Repair Reserve Payment shall not exceed the Fair Market Rent for the Premises and in any partial Fiscal Year (falling in the Fiscal Year in which Rent Commencement Date or the termination of this Lease occurs), the aggregate amount of Base Rent plus the Annual Capital Repair Reserve Payment shall not exceed the Fair Market Rent for the Premises for such partial Fiscal Year.

The Facilities Lease also provides that for the period commencing on the Office Project Substantial Completion Date and ending on the Rent Commencement Date, the County shall pay to the Trustee without deduction, offset, prior notice or demand, in advance on the Office Project Substantial Completion Date and thereafter in advance of each Rent Payment Date until the Rent Commencement Date, the amount that is equal to the sum of (a) the Office Project Portion, and (b) any Operating Costs arising solely and directly from the County’s occupancy of the Office Project. the County shall deposit each payment of the Office Project Portion with the Trustee at least one (1) Business Day prior to the Rent Payment Date. The first payment of Base Rent as described in this paragraph shall equal the prorated portion for the period between the Office Project Substantial Completion Date and the next following Rent Payment Date. “Office Project Portion” means the portion of Base Rent equal to the product of the Base Rent and the fraction, the numerator of which is the sum of the actual costs of the Office Project as of the Office Project Substantial Completion Date plus the remaining estimated costs of the Office Project as of the Office Project Substantial Completion Date and the denominator of which is the total budget of the entire Project (taking into account costs to date and estimated remaining costs) as of the Office Project Substantial Completion Date. Amounts to be paid by the County, as described in this paragraph, constitutes a portion of the Base Rent securing the Bonds.

Subject to the abatement provisions set forth in the Facilities Lease, aggregate Base Rent payments are equal to the principal of and interest on the Bonds when due. The County’s obligation to pay Base Rent is subject to abatement as described under “ – Abatement” below.

The County has covenanted in the Facilities Lease to take such action as may be necessary to include the payment of all Rent due hereunder in its annual budget and to make the necessary annual appropriations for the payment of Rent, subject to the provisions of the Facilities Lease. Such covenants are deemed to be duties imposed by law, and it is the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such official to enable the County to carry out and perform such covenants.

The County's obligation to pay Rent, including Base Rent, is a general fund obligation of the County, and the County covenants pursuant to the Facilities Lease to take such action as may be necessary to include the payment of all Rent due thereunder in its annual budget and to make the necessary annual appropriations for the payment of Rent, subject to the provisions of the Facilities Lease. As stated in the Facilities Lease, such covenants are deemed to be duties imposed by law, and it is the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such official to enable the County to carry out and perform such covenants. Payments to be made by the County under the Facilities Lease will be used to pay principal of and interest and premium, if any, on the Bonds when due and to pay Operating Costs of the Premises. The Base Rent, together with amounts of capitalized interest, are equal to the principal of and interest on the Bonds when due. See APPENDIX C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS – Facilities Lease – Base Rent; Conveyance of Premise."

In the event that Substantial Completion of the Project is not achieved by the Developer Obligation Date, the following provisions shall apply until such time as Substantial Completion is achieved:

(a) The Issuer shall vigorously enforce the provisions of the Development Agreement, including, without limitation, provisions thereof with regard to the failure of the Developer to cause Substantial Completion of the Project to occur by the Developer Obligation Date. Amounts received from Developer thereunder for the payment of debt service on the Bonds shall be deposited with the Trustee as provided under the Indenture.

(b) The Issuer shall vigorously enforce the respective provisions of both the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract including, without limitation, provisions requiring the payment of liquidated damages in the event that either of the Office Project General Contractor or the Shatto Garage Project General Contractor fails to achieve completion of construction of the Office Project or the Shatto Garage Project by the respective date set forth in the applicable Construction Contract. Amounts received from the Office Project General Contractor or the Shatto Garage Project General Contractor and available for payment of debt service on the Bonds shall be deposited with the Trustee as provided under the Indenture.

Abatement. Pursuant to the Facilities Lease, the County's obligation to pay Base Rent is subject to abatement (i) in the event that (a) the Premises are damaged or destroyed by fire or other casualty following the Rent Commencement Date (or after the County commences paying a portion Base Rent in connection with Substantial Completion of the Office Project), or (b) a defect in the Issuer's title occurs, either of which results in substantial interference with the County's right to the use and occupancy of the Premises or (2) under certain circumstances following any partial taking of the Premises by Condemnation.

Absolute Net Lease

The Facilities Lease is an absolute net lease. In addition, pursuant to the Facilities Lease, from and after the Substantial Completion Date, the County shall pay (i) all Operating Costs and (ii) Capital Repair Reserve Payments under the Facilities Lease. Prior to the Substantial Completion Date, all Operating Costs relating to the Premises will be paid by the Issuer or as otherwise provided by the Development Agreement.

Deposits of Base Rent to the Revenue Fund

All Base Rent determined in accordance with the Facilities Lease will be paid directly to the Trustee for deposit in the Revenue Fund. Following the Rent Commencement Date, the Trustee shall notify the Issuer and the County by the close of business on each Rent Payment Date if Base Rent due on such Rent Payment Date has not been received. The money and investments in the Revenue Fund are irrevocably pledged and shall be used and transferred by the Trustee, as follows and in the following order of priority: (1) on or prior to each Interest Payment Date, the amount necessary to pay the interest on the Bonds coming due on the Interest Payment Date to the Interest Account; (2) on or prior to each Principal Payment Date, the amount necessary to pay the regularly scheduled principal (including mandatory redemption amounts pursuant to the Indenture) of Bonds maturing on such Principal Payment Date to the Principal Account; (3) on or prior to each day on which Bonds shall be subject to redemption prior to scheduled maturity, the redemption price of Bonds to be redeemed to the Redemption Account; and (4) to pay Administrative Fees and Expenses, but only upon the written direction of an Authorized Officer of the Issuer; provided, that such written direction shall not be required if an Event of Default has occurred and is continuing.

Upon the occurrence and continuation of an Event of Default and acceleration of all Bonds for maturity pursuant to the Indenture, and subject to the lien of all Bonds, all money in the Revenue Fund and all funds that are then on deposit with the Trustee pursuant to the Indenture (other than funds on deposit in the Rebate Fund and the Capital Repairs Fund) shall be transferred to the Principal Account.

Capitalized Interest Fund

The Indenture provides that the Trustee shall establish and maintain a separate fund designated the "Capitalized Interest Fund," and shall establish therein, the Series 2018A Account and the Series 2018B Account. Under the Indenture, the Issuer agrees to provide the Trustee with written notice of each Project Component Completion Date and, upon the first and second Project Completion Date, the Allocable Percentage of Series 2018A Bonds and the Allocable Tower Garage Percentage of Series 2018A Bonds applicable as of such dates as soon as practicable after such dates. Amounts in the Series 2018A Account of the Capitalized Interest Fund shall be used to pay interest accrued on the Allocable Percentage of Series 2018A Bonds until the end of the Tax-Exempt Capitalized Interest Period. Amounts in the Series 2018B Account of the Capitalized Interest Fund shall be used to pay interest accrued on all of the Series 2018B Bonds until the Rent Commencement Date.

Effective on the Rent Commencement Date, the balance on hand in the Series 2018A Account, at the written direction of the County, with a copy to the Issuer, shall be transferred to the Bond Proceeds Account of the Project Fund to be disbursed to pay any unpaid Costs of the Project or shall be transferred to the Principal Account or the Redemption Account to be applied to pay principal of the Bonds as described and permitted in the Tax Certificate. Effective on the Rent Commencement Date, the balance on hand in the Series 2018B Account, at the written direction of the County, with a copy to the Issuer, shall be transferred to the Interest Account to be applied to pay interest on the Bonds indicated in such direction, or transferred to the Bond Proceeds Account of the Project Fund to be disbursed to pay any unpaid Costs of the Project or shall be transferred to the Principal Account or the Redemption Account to be applied to pay principal of the Bonds. At the time when all amounts in the Capitalized Interest Fund and Accounts therein are expended, the Trustee shall then close the Capitalized Interest Fund and all Accounts therein.

Deposits into the Bond Fund

Following the issuance of the Bonds and until the Rent Commencement Date, the deposits to the Interest Account of the Bond Fund shall be made from funds on hand in the Capitalized Interest Fund. Following the Rent Commencement Date, the deposits to the Bond Fund are expected to be made from the following sources (not identified in order of priority) (i) transfers made from the Bond Proceeds Account and/or the Non-Bond Proceeds Account in the Project Fund, (ii) transfers made from the Capitalized Interest

Fund; and (iii) money on hand in the Revenue Fund. Notwithstanding the foregoing, the Trustee may accept deposits from any source, with written instructions from the Issuer or the County, as applicable, with a copy to the other, to deposit the same into the Bond Fund.

The Trustee shall deposit the following sums into the Bond Fund: (1) on each Interest Payment Date, to the Interest Account an amount that, together with any other money then available therefor in the Interest Account, will be equal to the interest on all of the Bonds then Outstanding to become due and payable on that Interest Payment Date; (2) on each Principal Payment Date for as long as any of the Bonds are Outstanding and unpaid, to the Principal Account an amount that, together with any other money available therefor in the Principal Account, will be equal to the principal (including mandatory redemption amounts) of the Bonds to become due and payable on that Principal Payment Date; (3) on each date on which the Bonds are subject to redemption prior to maturity, whether by optional redemption or acceleration prior to maturity, to the Redemption Account the redemption price of the Bonds to be redeemed; (4) as received, all investment earnings on the Bond Fund to the respective account; and (5) all other money directed in writing by the Issuer or the County, with a copy to the Issuer or the County, as applicable, to be deposited therein.

Except as otherwise provided in the Indenture in connection with application of Revenues and other funds after a default and discharge of the Indenture and defeasance of the Bonds, money in the Bond Fund shall be used solely for the payment of the principal of and interest on the Bonds as the same shall become due and payable at maturity, upon redemption or acceleration or otherwise, and the lien of the Owners of Bonds on such money shall be first and prior to the lien of any other Person thereon.

Additional Rent

The County shall pay as Additional Rent amounts sufficient to pay or reimburse the Issuer for all Operating Costs incurred by the Issuer pursuant to an Annual Operating Budget approved by the County pursuant to the Facilities Lease. In consideration of the County's payment of the Operating Costs, the Issuer shall be responsible for all operations and all property management for the Premises. The Issuer shall at all times use its best efforts to operate the Premises in an economically reasonable manner and minimize Operating Costs in accordance with reasonable commercial standards prevailing in the market place for comparable premises. Operating Costs means any and all costs and expenses directly related to operation and maintenance of the Premises, as described in the Facilities Lease.

No Reserve Fund

There is no debt service reserve fund established for the Bonds.

Additional Bonds

Pursuant to the Indenture, the Issuer may issue additional obligations payable from or secured by a pledge of the Trust Estate at the direction of the County for the purpose of refunding all or a portion of the Bonds or for the purpose of financing the repair or replacement of tenant improvements to the Premises, with a lien and charge on the Trust Estate equal to the lien thereon of the Bonds upon compliance with certain conditions precedent as set forth in the Indenture, including: (a) the Ground Lease and the Facilities Lease are in effect and no Facilities Lease Default Event has occurred and is then continuing as evidenced to the Trustee by a certificate of the County; (b) the County and the Issuer enter into and approve an amendment to or restatement of the Facilities Lease providing for Base Rent payments sufficient to pay all payments of principal of, interest and premium, if any, on all Outstanding Bonds and Additional Bonds; (c) the amendment or restatement of the Facilities Lease or a memorandum thereof must be recorded; (d) appropriate title insurance endorsements, as necessary, are delivered to the Trustee; provided, that the Trustee has no duty to request or examine any such endorsements or to determine the adequacy or sufficiency of any such endorsements; (e) the Issuer and the Trustee enter into a Supplemental Indenture providing for the creation of a bond fund for the payment of principal of and interest on the Additional Bonds and other funds required to

effect the refunding of all or a portion of the Bonds; (f) the Other Documents, as applicable, are amended as necessary to provide that such Other Documents secure the principal of and interest on all Outstanding Bonds and Additional Bonds; and (g) the Issuer and the Trustee receive an opinion of Bond Counsel to the effect that the issuance of such Additional Bonds is authorized under the Indenture, shall not adversely affect the tax-exempt status of other Bonds originally issued on a tax-exempt basis, and that all conditions to the issuance of such Additional Bonds set forth in the Indenture and the Other Documents have been complied with. “Other Document” means any or all of the Ground Lease, Facilities Lease, the Deed of Trust, the Development Agreement, the applicable Uniform Commercial Code financing statements, the Assignment of Construction Documents, the Subordination, Non-Disturbance and Attornment Agreement (the “Nondisturbance Agreement”), and the Assignment of Leases.

Insurance

Pursuant to the Facilities Lease, the Issuer has agreed to obtain from and after the Substantial Completion Date certain types of insurance, including twenty-four (24) months of rental interruption coverage for the costs of Base Rent and Additional Rent, with Extra Expense coverage and naming Trustee and the County as loss payee as each of their interests may appear. The Issuer shall further cause the Premises to be insured against the perils of earth movement and flood, either as part of the aforementioned commercial property policy, or under a separate policy or policies. Such earth movement and flood insurance shall include twenty-four (24) months of rental interruption coverage and shall name the Trustee as loss payee as its interests may appear. The Issuer will cause coverage to be maintained against loss arising from earth movement and flood so long as such coverage is available at a commercially reasonable cost and in coverage amounts which are commercially available, but shall not be in default under the Facilities Lease if coverage is no longer written, is unavailable for properties comparable to the Premises or is not available at commercially reasonable premium amounts. The Facilities Lease also provides that, among other things, after the Rent Commencement Date [(or upon the earlier occupation of the Office Project by the County)], the Issuer will provide and maintain commercial general liability insurance and commercial property insurance. The Facilities Lease further sets forth certain minimum scope of insurance coverage for the County and provides that the County may self-insure for various risks, including general liability and workers’ compensation liability. Pursuant to the Indenture, if the Facilities Lease terminates by its terms at any time that Bonds remain Outstanding under the Indenture, the Issuer covenants to obtain and maintain, or cause the County to obtain and maintain, liability and property insurance substantially as described in the Facilities Lease. See Appendix C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS – The Facilities Lease – Insurance” attached hereto.

Warranties

During the term of the Facilities Lease, the Issuer is required to use its good faith and diligent efforts to enforce any and all applicable warranties, express or implied, in connection with defects which may arise in the original design, materials or workmanship of the Premises as originally constructed. The Issuer is also required to assess maintenance, repairs, and replacements for potential warranty coverage and comply with warranty requirements, including but not limited to notices to the warrantor and requests for warranty service. Notwithstanding the foregoing, following final acceptance of the Premises, the County may require the Issuer to assign any such warranties to the County and the County will thereafter be responsible for enforcement of such warranties.

Damage; Destruction; Condemnation

Partial or Total Destruction If during the term of the Facilities Lease, the Premises are partially or totally destroyed by any casualty that is covered by insurance pursuant to the Facilities Lease, rendering the Premises partially or totally inaccessible or unusable, the Issuer shall restore the Premises to substantially the same condition as they were in immediately before such destruction, if (i) the insurance proceeds available to the Issuer equal or exceed the cost of such restoration, (ii) such restoration can be completed within a period which is not longer than twenty-four (24) months from date of such destruction, and (iii) such restoration is

permitted under [then-existing Applicable Laws] to be done in such a manner as to return the Premises to substantially the same condition as it was immediately before the destruction. [If the foregoing conditions can be met], the insurance proceeds shall be retained by Trustee who shall disburse same to the Issuer from time to time as the restoration work progresses; provided, however, that The Issuer shall complete such restoration as soon as reasonably practical, but in any event not longer than that period which is twenty-four (24) months from the date of such destruction. If the foregoing conditions cannot be met, such destruction shall be treated as “Underinsured Damage” in accordance with the Facilities Lease.

Underinsured Damage. If during the term of the Facilities Lease, the Premises are partially or totally destroyed by any casualty and the conditions set forth under “Insured Damage” above cannot be met, the Issuer shall provide written notice to the County and the Trustee within ninety (90) days after the date of destruction. Such notice shall describe the extent of the destruction, which of the conditions(s) cannot be met, and the estimated time necessary for restoration of the Premises. Within thirty (30) days of the County’s receipt of the Issuer’s notice, the County shall notify the Issuer in writing whether the County will proceed to satisfy the conditions which cannot be met, including the deposit of funds with the Trustee sufficient to restore any Underinsured Damage. If the County so fulfills such conditions, then the Issuer shall proceed to restore the Premises in accordance with the terms agreed between the Issuer and the County. In that event, the insurance proceeds shall be retained by Trustee who shall disburse same to the Issuer from time to time as the restoration work progresses. If the County elects not to fulfill such conditions and the Premises are totally destroyed, the Facilities Lease shall terminate and the entire amount of the insurance proceeds held by Trustee shall be used to repay, redeem or defease Bonds and to reimburse Trustee for any costs incurred by Trustee for which it is entitled to reimbursement under the Indenture. If the County elects not to fulfill such conditions and the Premises are partially destroyed, the Facilities Lease shall not terminate, the County shall continue to pay Rent subject to Abatement and the amount of the insurance proceeds held by Trustee shall be disbursed to the Issuer to complete such restoration as the Issuer reasonably determines to be practicable to allow for the County’s partial use of the Premises for its intended purposes. Any insurance proceeds not disbursed for such restoration shall be used to repay or defease Bonds and to reimburse Trustee for any costs incurred by Trustee for which it is entitled to reimbursement under the Indenture. If any monies deposited by the County in connection with any restoration as described in this paragraph remain after the Premises have been restored, those monies shall be returned to the County.

Condemnation. If there is a taking or damaging of all or any portion of the Premises by the exercise of any governmental power, whether by legal proceedings or otherwise, by a governmental agency with jurisdiction over the Premises (a “Condemnation”) such that there can be no reasonable use of the Premises by the County, as reasonably determined by the County, the Facilities Lease shall terminate on the date the condemnor has the right to possession of the Premises. The entire award with respect to a taking of the Premises (including the County’s leasehold estate under the Facilities Lease) shall be paid to the Trustee and applied to repay, redeem or defease Bonds in accordance with the Indenture. Any Condemnation proceeds remaining after Bonds have been paid in full shall be paid to the County.

If, prior to Substantial Completion of the Project, there is a partial taking of the Premises by Condemnation but the Project can be completed substantially in accordance with the Project Requirements, such condemnation proceeds shall be paid to Trustee who shall deposit such condemnation proceeds into the Non-Bond Proceeds Account established under the Indenture for purposes of paying Project Costs, and any funds remaining in such account as of Substantial Completion shall be used to repay, redeem or defease Bonds in accordance with the Indenture. If there is a partial taking of the Premises by Condemnation, and the County determines that restoration is possible or a reasonable use can be made of the Premises by the County without restoration, then the condemnation proceeds shall be paid to Trustee who shall, as applicable, (i) deposit such condemnation proceeds into the Capital Repairs Fund and shall disburse such condemnation proceeds to the Issuer from time to time as restoration progresses, or (ii) apply such amounts to repay, redeem or defease Bonds in accordance with the Indenture. Following any partial taking of the Premises by Condemnation in which the County determines that restoration is possible or a reasonable use can be made of the Premises by the County without restoration, Rent (other than Additional Rent for payment of Operating Costs) shall be

subject to Abatement to the extent and during the period that the partial condemnation results in substantial interference with the County's right to the use and occupancy of the Premises. Following any partial taking of the Premises in which the County determines that restoration is not possible and no reasonable use can be made of the Premises by the County, the Facilities Lease shall terminate on the date the condemnor has the right to possession of the Premises. The entire award with respect to a taking of the Premises (including the County's leasehold estate under the Facilities Lease) shall be paid to Trustee and applied to repay, redeem or defease Bonds in accordance with the Indenture. Any Condemnation proceeds remaining after Bonds are no longer Outstanding shall be paid to the County. See "CERTAIN RISK FACTORS – Condemnation of the Project." See also APPENDIX C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS – The Facilities Lease" and "– The Development Agreement" for a description of the provisions applicable to a partial condemnation of the Premises.

Events of Default and Remedies under the Indenture

Events of Default. The following are Events of Default under the Indenture: (a) default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise; (b) default in the due and punctual payment of any installment of interest on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise; (c) default by the Issuer in the observance of any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer and the County by the Trustee, or to the Issuer, the County and the Trustee by the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding; (d) except with respect to matters constituting Events of Default as set forth in clauses (a), (b) and (c) above, any failure by the Issuer to observe or perform any covenant, condition, agreement or provision in the Deed of Trust on its part to be observed or performed which failure continues at least for a period of 30 days following written notice given by the Trustee to the Issuer and the County specifying such failure and requesting that such failure be remedied by the Issuer or the County; or (e) the occurrence of an Event of Bankruptcy.

Remedies. If any Event of Default identified in clause (a) or (b) of the preceding paragraph occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall be entitled and upon notice in writing to the Issuer, the Trustee and the County, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding, and interest on the Bonds shall cease to accrue on the date of such declaration. The Trustee shall give notice of such declaration by mail to the respective Owners of the Bonds at their addresses appearing on the Bond Register. **Notwithstanding the foregoing, payments of Base Rent under the Facilities Lease are not subject to acceleration.** See "– Events of Default and Remedies under the Facilities Lease" and "CERTAIN RISK FACTORS – Limitations on Remedies; No Acceleration of Base Rent Upon an Event of Default" below.

Upon the occurrence and continuance of an Event of Default, then and in every such case the Trustee in its discretion may, or upon written demand of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and receipt of indemnity against anticipated expenses and liability to its satisfaction (which indemnity is a condition precedent to its duties under the Indenture), shall, in its own name and as the Trustee of an express trust take any or all of the following actions if the Bonds are not fully paid: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require the Issuer or the County to carry out any agreements with or for the benefit of the Owners of Bonds and to perform its or their duties under the Facilities Lease and the Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Facilities Lease or the Indenture, as the case may be; (b) bring suit upon the Bonds; (c) by action or suit in equity require the Issuer to account as if

it were the trustee of an express trust for the Owners of Bonds; (d) upon the occurrence of Event of Default described in clause (a) or (b) of the first paragraph under this caption, foreclose the Deed of Trust or exercise any other remedies thereunder, including the reletting of the Premises for any commercial purpose; (e) exercise any remedy under the Facilities Lease by the Issuer of the Premises or any other lease by the Issuer of the Premises; (f) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of Bonds; or (g) take any action or exercise any remedy under the Construction Contracts (as such term is defined in the Development Agreement) and the Development Agreement, if such contracts and agreement remain in effect.

Anything in the Indenture to the contrary notwithstanding, the Trustee shall not be required to enter, take possession of, or take any other action whatsoever with respect to the Premises unless the Trustee is satisfied that the Trustee will not be subject to any liability under Environmental Laws or from any circumstances present at the Premises relating to the presence, use, management, disposal or contamination by any environmentally hazardous materials or substances of any kind whatsoever.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees and charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel and agents) incurred in and in connection with the performance of its powers and duties under the Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on any overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference;

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon those Bonds, with interest on the overdue principal at the rate borne by the Bonds and to the payment of the principal of and interest due on other Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference; and

- (c) All other amounts due to any other Person legally entitled thereto.

See APPENDIX C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS – The Indenture – Events of Default and Remedies of Owners.”

Deed of Trust and Other Security Documents

The Deed of Trust grants a lien for the benefit of the Trustee on the Issuer’s interest in the Premises and grants to the Trustee certain remedies following an event of default under the Deed of Trust, including *inter alia*, the right to foreclose the Issuer’s interest in the Premises. By exercising this remedy, the Trustee would have the right to take possession of the Premises. Pursuant to the Ground Lease, in the event of the termination of the Ground Lease prior to the expiration of its term for any reason, including a termination by reason of a bankruptcy by the Issuer, the County shall provide the Trustee, as Leasehold Mortgagee (the “Leasehold Mortgagee”), written notice, among other things, of such termination and the Leasehold Mortgagee shall thereupon have the option, but shall in no event be obligated, to obtain a new lease in accordance with and upon compliance with the terms and conditions therefor, as set forth in the Ground Lease. The Ground Lease also provides that if the Issuer or its bankruptcy trustee rejects the Ground Lease during its term in a proceeding under Section 365 of the United States Bankruptcy Code or similar or successor statute, such rejection will have no effect on the rights of Leasehold Mortgagee with respect to its lien and security interests, as set forth under Section 6.2 of the Ground Lease, which rights will remain in full force and effect notwithstanding such rejection as if the same were provided for in a separate and independent agreement between County and the Leasehold Mortgagee, and the Leasehold Mortgagee shall have the right to a new ground lease on the same terms and conditions set forth in Section 6.2 of the Ground Lease. See APPENDIX C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS – Ground Lease.”

Under the Indenture, without the consent of or notice to the Owners of the Bonds, but with the written consent of the Trustee, the Issuer and the County shall have the right to amend the Ground Lease, Facilities Lease and the Deed of Trust from time to time to exclude portions of the real property from the Premises originally demised thereunder: (1) as may be necessary to comply with permitting requirements or to complete the Project as long as such amendment does not reduce or otherwise adversely affect the County’s obligation to pay Base Rent under the Facilities Lease; or (2) except as provided in clause (1) above, upon satisfaction of the following conditions: (i) the Issuer and the County shall receive, and shall provide to the Trustee a copy of, a survey certified by a licensed California surveyor delineating the boundaries and legal description of the remaining Premises that will continue to be demised thereunder; (ii) the Issuer, the Trustee, and the County shall receive an opinion of counsel or other evidence reasonably satisfactory to the Issuer that the remaining Premises (A) is assessed as a separate tax parcel, and (B) will be in compliance with, and not in violation of, any applicable covenants, restrictions, statutes, laws, ordinances, rules and/or regulations pertaining to the use and development of the remaining Premises, including but not limited to those pertaining to subdivision and platting; (iii) the County as the owner of the remaining Premises shall provide such easements and reciprocal agreements as may be necessary to provide comparable pedestrian, vehicular access and other uses, amenities and operations to the Premises (including public utilities) as existed prior to the release of such property from the Premises originally demised thereunder; (iv) the Issuer shall receive an appraisal prepared by a disinterested appraiser that the remaining Premises has a fair market value which is not less than the principal balance outstanding under the Bonds; (v) such exclusion will not affect payment to the Issuer of Base Rent required under the Facilities Lease; and (vi) the Issuer and the Trustee shall receive an Opinion of Bond Counsel satisfactory to LACF and County and the Trustee that such exclusion shall not adversely affect the tax-exempt status of interest payable on the Bonds and that all conditions to any amendment of the Ground Lease, Facilities Lease or the Deed of Trust to exclude portions of the real property from the Premises set forth herein and in the document to be amended have been complied with.

The Issuer, the County, and the Trustee will also enter into the Subordination Agreement, pursuant to which the Facilities Lease and the leasehold interests thereunder and estate created thereby and all of County’s rights thereunder, including, without limitation, all purchase options and all other rights or interests of the

County under the Facilities Lease, shall be and shall at all times remain subject, subordinate and inferior to the Deed of Trust and the lien thereof, and all rights, privileges and powers of the Trustee and to any and all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, that all condemnation awards and insurance proceeds paid or payable with respect to the Premises and received by Issuer or Trustee shall be applied as provided in the Facilities Lease to the repair and restoration of the Premises or used to redeem or defease Bonds or as otherwise required under the Indenture. The fee simple interest of the County of Los Angeles in the Property is not subject to the subordination granted by the Subordination Agreement. In addition, the Subordination Agreement provides that if the interests of Issuer in the Premises shall be transferred by reason of the exercise of the power of sale contained in the Deed of Trust, or by any foreclosure or other proceeding for enforcement of the Deed of Trust, or by deed in lieu of foreclosure or such other proceeding, County shall be bound to the Trustee or the party acquiring the interests of the Issuer (the "Succeeding Party") under the Ground Lease and the Facilities Lease in the Premises under all of the terms, covenants and conditions of the Ground Facilities Lease and the Facilities Lease for the balance of the term thereof and any extensions or renewals thereof which may be effected in accordance with any option in the Facilities Lease, with the same force and effect as if the Succeeding Party were the [County] under the Ground Facilities Lease and the Issuer under the Facilities Lease, and County, as County under the Facilities Lease, does hereby attorn to the Succeeding Party, as its lessor under the Facilities Lease.

The Issuer and the Trustee also will enter into the Assignment of Leases under which the Issuer will assign to the Trustee: (i) all existing and future leases upon all or relating to any part of the Premises, including the Facilities Lease; (ii) any and all guaranties of any tenants' performance under any and all leases of the Premises; and (iii) the right to collect and receive all of the rents, income, receipts, revenues, issues, profits, and other income of any nature pertaining to or arising from any lease of the Premises, including the Facilities Lease (other than the Capital Repair Reserve Payments to be paid under the Facilities Lease).

Events of Default and Remedies under the Facilities Lease

Default by the County. The occurrence of any of the following shall constitute an "Event of Default" by the County under the Facilities Lease: (a) failure to make any payment or any other payment due or required under the Facilities Lease, if the failure to pay is not cured within ten (10) days after written notice of such failure from the Trustee or the Issuer has been received by the County; provided, however, failure to pay the Base Rent at least one (1) business day prior to the Rent Payment Date shall be deemed an immediate default; and (b) failure to materially perform any other provision of the Facilities Lease if the failure to perform is not cured within thirty (30) days after written notice of such failure from Trustee or the Issuer has been received by the County; provided, however, if the default cannot reasonably be cured within such thirty (30) days, then such default shall not constitute an Event of Default if the County commences to cure the default within thirty (30) days and diligently and in good faith continues to cure such default until cured.

Remedies for the County Default. If the County commits an Event of Default as described in the preceding paragraph and fails to cure such default within the time period provided therein (in lieu of any statutory requirements), then the Issuer shall have the right to pursue any and all remedies available at law or in equity, including without limitation, the right to (a) terminate the Facilities Lease or (b) so long as the Issuer or its assignee does not terminate the County's right to possession, the Facilities Lease shall continue in effect and the Issuer or its assignee shall have the right enforce all of its rights and remedies under the Facilities Lease, including the right to recover Base Rent payments as they become due hereunder pursuant to Section 1951.4 of the California Civil Code. **Notwithstanding the foregoing, in no event shall the Issuer have the right to accelerate any payments owing by the County under the Facilities Lease.**

Notwithstanding anything to the contrary herein, in the event the County commits an Event of Default under the Facilities Lease in connection with the Annual Capital Repair Reserve Payment and fails to cure such default within the time period provided herein, the Issuer shall have no right to cancel and terminate the Facilities Lease or evict the County and re-enter the Premises through an unlawful detainer action or otherwise.

Default by the Issuer. The Issuer shall be in default if the Issuer fails to perform its obligations (i) within five (5) Business Days after notice by the County specifying the obligation which the Issuer has failed to perform if such failure occurs prior to the Substantial Completion Date and (ii) within thirty (30) days after notice by the County specifying the obligation which the Issuer has failed to perform if such failure occurs after the Substantial Completion Date; provided, that if the nature of the Issuer's obligation is such that more than five (5) Business Days or thirty (30) days, as applicable, are required for performance, the Issuer shall not be in default if the Issuer commences diligent performance within such period following the County's notice and thereafter completes performance within a reasonable time. In the event that the Issuer fails to cure any such default within the time periods permitted, the County shall have the right to pursue any and all remedies available at law or in equity, or have the option to pursue such remedies after resort to the procedure provided in the Facilities Lease, provided, however, that the County shall have (i) no right to offset against Rent payable under the Facilities Lease, and (ii) no right to terminate the Facilities Lease or the Ground Lease so long as the Bonds remain Outstanding.

Trustee's Rights. For so long as the Deed of Trust remains in force and effect the following provisions shall apply:

(a) From and after the date the County provides notice of such default to the Issuer and the Trustee as specified in the Facilities Lease, Trustee shall have the same period, after the giving of such notice upon it, for remedying any default or acts or omissions which are the subject matter of such notice, or causing the same to be remedied, as is given the Issuer after the giving of such notice to the Issuer under the Facilities Lease, plus in each instance the additional periods of time specified in the Facilities Lease to remedy, commence remedying or cause to be remedied, the defaults or acts or omissions which are specified in such notice.

(b) The Trustee shall have the right, but not the obligation, to remedy such default or cause the same to be remedied for a period of ninety (90) days after the expiration of the Issuer's cure period, if any, provided under the Facilities Lease, for the Issuer to remedy same, and the County shall accept such performance by or at the instance of Trustee as if the same had been made by the Issuer.

(c) If the default is reasonably susceptible of cure, but cannot reasonably be remedied within ninety (90) days, the County shall not terminate the Facilities Lease, so long as (a) defaults in the payment of money under the Facilities Lease are cured, within ninety (90) days and (b) the cure for any non-monetary default under the Facilities Lease has commenced, and is thereafter diligently and in good faith continuously prosecuted to completion. Such cure period shall include any time required to obtain possession of the Premises by foreclosure of the Leasehold Mortgage or by other appropriate means by reasonable diligence, or until such earlier time as all defaults of the Issuer are cured. Nothing in the provisions described under this caption, however, shall be construed to extend the Facilities Lease beyond the Term, nor to require a Trustee to continue such foreclosure proceedings after all defaults are cured. Once all defaults are cured, the Facilities Lease, shall continue in full force and effect as if the Issuer had not defaulted.

Developer's Limited Obligation for Carrying Costs

In the Development Agreement, the Developer has warranted the construction and completion of the Project (to the extent of "Project Costs" as defined in the Development Agreement) for the Fixed Price. As described in further detail under "THE PROJECT – Construction of the Project," if Substantial Completion of the Project fails to occur by the Developer Obligation Date, the Developer may be obligated, under certain circumstances, to pay to the Trustee "Monthly Carrying Costs" equal to the amount that would be payable to the Trustee under the Indenture if Substantial Completion of the Project had occurred on the Developer Obligation Date; provided, however, the Monthly Carrying Costs shall be calculated on a daily basis so that if, by way of example, Substantial Completion of the Project is one day after the Developer Obligation Date, then the Monthly Carrying Costs shall equal 1/30th of the Monthly Carrying Cost for the subject month. The Monthly Carrying Cost is, in turn, equal to one-sixth (1/6th) of the Base Rent that would be payable by the

County under the Facilities Lease if Substantial Completion of the Project had so occurred, but the Developer's obligation to pay the Monthly Carrying Cost shall be offset by any amounts of Base Rent paid or payable by the County under the Facilities Lease. In no event and under no circumstance shall the Developer be obligated to make out-of-pocket payments for Monthly Carrying Costs in excess of that portion of the Developer's Fee theretofore received by the Developer under the Development Agreement plus any available insurance proceeds. However, any further obligation of Developer for Monthly Carrying Costs shall result in a forfeiture by the Developer of that portion of the remainder of its Developer's Fee equal to the amount of the Developer's remaining obligation (if any) for such Monthly Carrying Costs and the Issuer shall issue notice to Trustee to transfer any such forfeited amount of Developer's Fee to the appropriate account under the Indenture for payment of debt service on the Bonds. The Developer may also be required, under certain circumstances, to advance funds to the Trustee to the extent the Project is not "in balance" under the terms of the Development Agreement, subject to the limitations set forth in the Development Agreement. See "THE PROJECT—Construction of the Project—*Development Agreement*."

Amendments to the Principal Documents

The Indenture provides that it may be supplemented without consent of Bond Owners in certain circumstances and that the consent of a majority of the Bond Owners is required for supplements in other circumstances where the rights of Bond Owners will be materially adversely affected. In addition, the Indenture provides that the Ground Lease, Facilities Lease, the Deed of Trust, the Development Agreement, the applicable Uniform Commercial Code financing statements, the Assignment of Construction Documents and the Assignment of Leases (the "Other Documents") may be amended without consent of the Bond Owner in certain circumstances, which include, but are not limited to, permitting a partial release of the Premises from the lien of the Deed of Trust, and may be amended only with the consent of a majority of the Bond Owners in other circumstances where the rights of Bond Owners will be materially adversely affected. See APPENDIX C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS."

THE ISSUER

General

The Issuer is a California nonprofit public benefit corporation organized in April 2016 under the Non Profit Public Benefit Corporation Law of the State (Corporations Code Sections 5110 et seq.) exclusively to issue the Bonds as an "on-behalf-of issuer" and enter into and fulfill its obligations under the Development Agreement, the Ground Lease, the Facilities Lease, the Deed of Trust and the Indenture, and engage in other activities necessary or desirable in connection with or incidental to the Project. The Issuer is a single-purpose entity, is not a governmental unit, and has no taxing power. The Issuer has no source of funds to pay debt service on the Bonds other than the Trust Estate pledged under the Indenture. The sole member of the Issuer is Public Facilities Group ("PFG"), a 501(c)(3) organization organized under the laws of the State of Washington. PFG's primary purpose is to act as a supporting organization for single purpose 501(c)(3) organizations, including the Issuer, that it forms to structure, finance, develop, own and operate specific public facilities on behalf of governmental entities. However, the Issuer, like the other such organizations supported by PFG, is a distinct entity with its own separate assets and liabilities. The Bonds are issued and all contracts are entered into by the Issuer in its own name and as its own separate obligation. The Issuer has no employees of its own, and has entered into a Services Agreement with PFG under which PFG provides administrative, professional and accounting personnel, office space and supplies, and other overhead and services required by the Issuer. All of the current board members of the Issuer are employees of PFG (although, as described below, the Issuer intends to appoint an additional "independent director" for bankruptcy and other limited purposes). Pursuant to the Issuer Fee and Governance Agreement between the Issuer, PFG and the County, the County shall have the right to cause the organizational documents of the Issuer to be amended to replace the sole member of the Issuer with the County or the County's designee upon the occurrence of certain events. See Appendix C – "FORM OF PRINCIPAL LEGAL DOCUMENTS."

Projects

Although PFG and the Issuer have only been in existence since 2016 and have not yet completed a bond financing or project in connection therewith, the principals of the Issuer have extensive experience in the structuring, development, financing and management of economic development projects on behalf of a variety of governmental entities. John Finke, the President and a member of the board of directors of the Issuer, was previously a Senior Director at The National Development Council and in that capacity successfully completed over 20 major public projects on behalf of state and municipal governments and universities in the states of Washington, California and Alaska, involving the issuance of tax-exempt and taxable bonds with a principal amount in excess of \$1.5 billion. All of these projects were completed in a timely manner and on budget. These projects include the issuance of \$43,710,000 in tax-exempt bonds on behalf of the Los Angeles County Community Development Commission (the “Commission”) to finance the construction of a 120,000 square foot office building in Alhambra, California, to serve as the Commission’s headquarters, which project was completed in 2012; and the issuance of \$44,380,000 in tax-exempt bonds on behalf of the County of Riverside, California to finance the construction of an office building of approximately 90,000 square feet to serve as the Riverside County law building, ancillary improvements to accommodate the potential future construction of a building of approximately 5,000 square feet, and surface parking, all on a site located in the City of Indio, California leased from the County of Riverside, which project was completed in 2014.

Organizational and Key Personnel

The Issuer has a board consisting of three directors. In addition, the Issuer’s bylaws provide for, and the Issuer intends to appoint, an “independent director” who will participate only in certain decisions relating to bankruptcy, merger, dissolution and similar events, and whose affirmative vote would be required in connection with any such decisions. The members of the board of directors are elected by the board for one-year terms, subject to ratification by the Issuer’s sole member, PFG. The board has appointed several officers to manage and carry out the business of the Issuer. The following are the current officers and directors of the Issuer:

John Finke, Director and President. Mr. Finke is also the President and a director of PFG. Before joining PFG and the Issuer, Mr. Finke worked for over 30 years for The National Development Council (“NDC”) and its affiliates. Most recently, Mr. Finke was a Senior Director of NDC and was responsible for NDC’s Public-Private Partnership program nationwide. From 1979 to 1983, Mr. Finke worked as the Development Finance Manager for the City of Seattle’s Office of Economic Development. He has served on the Board of Directors of the Pike Place Market Preservation and Development Authority since 1989. Mr. Finke received his B.A. from the University of Washington in 1976 and took graduate studies at the University of Illinois School of Urban Planning.

Erin Birkenkopf, Director, Vice President, Secretary and Treasurer. Ms. Birkenkopf is also Vice President, Secretary and Treasurer of PFG. Before joining PFG and the Issuer, Ms. Birkenkopf worked for four years for The National Development Council as Asset Manager with NDC’s Public-Private Partnership program. Prior to her work at NDC, Ms. Birkenkopf worked as an administrator for the University of Washington’s Department of Housing and Food Services and as a science educator at the Pacific Science Center. Ms. Birkenkopf received her B.A. from the University of Washington.

Matt Calcavecchia, Director and Vice President. Mr. Calcavecchia is also Vice President of PFG. Before joining PFG and the Issuer, Mr. Calcavecchia worked for 14 years for The National Development Council and its affiliates in various roles and responsibilities, including NDC’s Public-Private Partnership program, NDC’s advocacy efforts, and as NDC’s Director of Communications. Mr. Calcavecchia received an undergraduate degree from the University of Washington in 1998.

[County official/officer], Independent Director. [bio to come]

CERTAIN RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

Special Obligation of the Issuer

The Bonds are special, limited obligations of the Issuer payable solely from and secured solely by a pledge of the Trust Estate as provided in the Indenture. No revenue, income, receipts, donations, earnings, property or assets of the Issuer, other than the Trust Estate, shall be subject to any lien or claim for the payment of the Bonds or the performance of any other obligation of the Issuer under the Indenture. The Issuer is a single-purpose entity, is not a governmental unit, and has no taxing power. The Issuer has no source of funds available to pay debt service on the Bonds other than the Trust Estate.

The obligation of the County to pay the Base Rent does not constitute a debt of the County or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation. The Bonds shall be special obligations of the Issuer, payable solely from the Base Rent and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the County or the State, or any political subdivision thereof, is pledged to the payment of the Bonds. The Issuer has no taxing power and has no obligation to pay Base Rent.

Although the Facilities Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Facilities Lease to pay the Rent, including Base Rent, from legally available funds for the use and possession of the Premises as provided therein and the County has covenanted in the Facilities Lease to take such action as may be necessary to include in its annual budget Base Rent and Additional Rent due under the Facilities Lease and to make necessary annual appropriations therefor. The County's obligation to pay Base Rent is subject to abatement (i) in the event that (a) the Premises are damaged or destroyed by fire or other casualty following the Rent Commencement Date (or after the County commences paying a portion Base Rent in connection with Substantial Completion of the Office Project), or (b) a defect in the Issuer's title occurs, either of which results in substantial interference with the County's right to the use and occupancy of the Premises or (2) under certain circumstances following any partial taking of the Premises by Condemnation. The County is currently liable on other obligations payable from general revenues, some of which may have priority over the Base Rent and the Additional Rent.

Construction and Completion Risk

The Developer has warranted the delivery of the Project (excluding those portions of the Project that are not paid from Project Costs) for the Fixed Price, constructed in good and workman-like manner and in substantial accordance with the construction documents on or before the Developer Obligation Date. The Developer is responsible for payment of Project Costs exceeding the Fixed Price, other than costs resulting from changes in plans requested by the County or the Issuer or the cost of tenant improvements in excess of the tenant improvement allowance. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Developer's Limited Obligation for Carrying Costs." However, a number of factors could cause the construction of the Project to be delayed. Some of these delays would not obligate the Developer to pay the additional Project Costs. In addition, to the extent that delays in achieving completion of the various components of the Project delay the County's obligation to pay Base Rent, there is no assurance that the Developer's obligation to pay Monthly Carrying Costs, the General Contractor's obligation to pay liquidated damages or other sources will be sufficient to pay debt service on the Bonds when due.

The Development Agreement provides that the Owner shall be responsible for procuring builder's risk insurance coverage for the Project, unless the Issuer, the Developer and either of the Office Project General Contractor or the Shatto Garage Project General Contractor agree that such Contractor shall be responsible therefor. Such insurance shall be written on an "all risk" or "open perils" basis. Coverage shall be provided for (i) losses on an all-risk basis; (ii) the perils of earth movement and flood so long as such coverage is available at commercially reasonable cost and in coverage amounts that are commercially available; (iii) resultant damage from errors in design, plans, specifications, faulty workmanship, materials and construction; (iv) "extra expense"; (v) all materials to be stored offsite and while in transit to the jobsite; (vi) "cold testing" of all building systems; (vii) the Issuer's, the County's and the Developer's loss of use of the Project due to delays in Project completion caused by covered peril losses to the Project, including loss of income and rents (for at least twenty-four (24) months) and soft costs such as interest on the Bonds and insurance premiums; (viii) the increased cost of construction, debris removal and demolition due to the operation of building laws and code upgrades; and (ix) direct physical damage to the Project and loss of use caused by an off premises power interruption. Each of the Office Project General Contractor and the Shatto Garage Project General Contractor is required to obtain payment and performance bonds to insure its performance under the applicable Construction Contract, and no payments will be made to the applicable General Contractor under that contract until those bonds are in place.

The County is obligated to pay a portion of Base Rent upon Substantial Completion of the Office Project. In addition, proceeds of the Bonds will fund capitalized interest. The portion Base Rent to be paid upon Substantial Completion of the Office Project, together with capitalized interest and interest earnings thereon, are expected to be sufficient to pay debt service on the Bonds until Substantial Completion of the Project in late 2021.

Additional Obligations of the County

The County has the capability to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rent may be decreased.

The Base Rent and other payments due under the Facilities Lease (including payment of costs of replacement, maintenance and repair of the Property and taxes, other governmental charges and utility charges levied against the Property) are payable from funds lawfully available to the County. In the event that the amounts which the County is obligated to pay in a Fiscal Year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rent, based on the perceived needs of the County. The same result could occur if, because of California constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues. In such event, the County may not have sufficient funds available to pay the Base Rent when due.

Insurance on the Project

Under the Facilities Lease, the Issuer is required to maintain through the term of the Facilities Lease policies of insurance covering loss or damage to the Premises in the full amount of its replacement cost. If the Premises are damaged or destroyed, there can be no assurance that the insurance proceeds will be sufficient to repair or restore the Project, or to redeem or defease all of the then Outstanding Bonds. See APPENDIX C – "FORMS OF PRINCIPAL LEGAL DOCUMENTS – Facilities Lease." Neither the Issuer nor the County makes any representation regarding whether the provider of any insurance policy will pay under the respective policy.

Adequacy of County Insurance Reserves or Insurance Proceeds

The County may self-insure for certain types of insurance required under the Facilities Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Insurance" and APPENDIX C –

FORMS OF PRINCIPAL LEGAL DOCUMENTS – FACILITIES LEASE – Insurance.” The County intends to self-insure for workers’ compensation insurance and general liability insurance with respect to the Premises. If the County elects to self-insure against other risks, no assurance can be given that the insurance reserves established by the County will be sufficient to satisfy any loss which the County may experience. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Abatement” and “– Abatement” below.

Condemnation of the Project

If all or a portion of the Premises were condemned, there can be no assurance that any such award or payment will be sufficient at the time to redeem or defease all of the then Outstanding Bonds. If the award is less than the amounts remaining on the Outstanding Bonds, then the Bondholders will be paid less than the amounts remaining on the Outstanding Bonds. See APPENDIX C – “FORMS OF PRINCIPAL LEGAL DOCUMENTS.”

Abatement

Pursuant to the Facilities Lease, in the event that (i) the Premises are damaged or destroyed by fire or other casualty following the Rent Commencement Date (or after Tenant commences paying Base Rent in accordance with Section 4.6), or (ii) a defect in Landlord’s title occurs, either of which results in substantial interference with Tenant’s right to the use and occupancy of the Premises, this Lease shall not terminate (except as provided in Section 19.2), but the Rent otherwise payable by Tenant hereunder (other than Additional Rent for payment of Operating Costs) shall be subject to Abatement during the period of such interference.

In the event that such portion of the Premises, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the County’s rental interruption insurance will be available in lieu of Base Rent, plus the period for which funds are available from other funds and accounts established under the Indenture, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such portion of the Premises or redemption of the Bonds, there could be insufficient funds to make payments to Owners of the Bonds in full.

Bankruptcy

Bankruptcy of the County. In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture and the Facilities Lease may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors’ rights. The County is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the “Bankruptcy Code”). However, pursuant to Chapter 9 of the Bankruptcy Code, the County may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the County were to become a debtor under the Bankruptcy Code, the County would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of Bonds; and (iv) the possibility of the adoption of a plan (a “Plan”) for the adjustment of the County’s debt without the consent of the Trustee or all of the Owners of Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the County could either reject the Ground Lease or the Facilities Lease or assume the Ground Lease or the Facilities Lease despite any provision of the Ground Lease or the Facilities Lease which makes the bankruptcy or insolvency of the County an event of default thereunder. In the event the County rejects the Facilities Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate the Facilities Lease and the County's obligations to make payments thereunder. The County may also be permitted to assign the Facilities Lease (or the Ground Lease) to a third party, regardless of the terms of the transaction documents. In the event the County rejects the Ground Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection may terminate both the Ground Lease and the Facilities Lease and the obligations of the County to make payments thereunder.

Bankruptcy of the Issuer. While the Issuer's purposes and activities are contractually limited pursuant to the financing documents, which restrictions may reduce the risk of bankruptcy, the Issuer was not established and has not been operated as a special-purpose bankruptcy-remote entity and the Issuer could file for bankruptcy protection pursuant to the provisions of the Bankruptcy Code. The Issuer is subject to the voluntary and involuntary procedures of the Bankruptcy Code. Should the Issuer file for bankruptcy, there could be adverse effects on the Bondowners. These adverse effects could include, but might not be limited to, one or more of the following.

First, the automatic stay provisions of the Bankruptcy Code could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by the Issuer under the financing documents, or any action to enforce any obligation of the Issuer under the financing documents; in particular, the Trustee may be prevented from exercising any of the rights of the Issuer that have been assigned to the Trustee. These restrictions may also limit the ability of the Trustee to make payments to the Bondowners from funds in the Trustee's possession during the pendency of the bankruptcy proceedings. Unless the bankruptcy court grants relief from the automatic stay during the course of the bankruptcy case (upon motion made by a party in interest and after notice and a hearing), the automatic stay will remain in effect until the earliest of (a) the time the case is closed, (b) the time the case is dismissed, or (c) the time a discharge is granted or denied.

Second, with the authorization of the bankruptcy court, the Issuer might be able to reject one or more of the financing documents to the extent such documents constitute executory contracts or unexpired leases, or any other executory contract or unexpired lease to which the Issuer is a party. A rejection of an executory contract or unexpired lease by the Issuer would generally excuse the Issuer from any further performance (including payment obligations) under such agreement, but would give rise to an unsecured claim for damages arising from such rejection. If any of the financing documents which constitute executory contracts or unexpired leases were rejected, any rights of the Issuer under such agreement that have been assigned to the Trustee may be adversely affected. If the Lease is rejected, the County would have the option to either treat the Lease as terminated or to remain in possession of the Premises. If the County treats the Lease as terminated, then the County would no longer be obligated to make any payments under the Lease, but the County would likely be required to vacate the Premises. If the County remains in possession, it will be obligated to pay rent, but it may be able to reduce its rent payments by the amount of damages that it has suffered. Any pre-bankruptcy agreement by the County not to treat the Lease as terminated may or may not be enforceable. Under such circumstances, the holders of the Bonds could be treated as general unsecured creditors of the Issuer and there could be delays or reductions in, or the elimination of, payments on the Bonds.

Third, payments previously made to the Bondowners during the 90 days immediately preceding the filing of a bankruptcy petition may be subject to avoidance as preferential transfers, in which event the Bondowners may be required to return such payments.

Fourth, the Issuer may be able to use any of its property that is subject to the lien of the Indenture or any of the other financing documents as long as the bankruptcy court determines that the rights of the Trustee

and the Bondowners will be adequately protected. Additionally, the Issuer may under certain circumstances be able to sell its property that is subject to the lien of the Indenture or any of the other financing documents free and clear of such lien (with the lien attaching to the sale proceeds), so long as the legal requirements for a sale free and clear are determined by the bankruptcy court to be satisfied.

Fifth, the Issuer might be able, without the consent and over the objection of the Trustee and the Bondowners to alter the priority, principal amount, interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants) and other terms or provisions of the financing documents pursuant to a confirmed plan of reorganization; such alterations could not be made, however, unless the bankruptcy court determines that they are fair and equitable and otherwise consistent with certain legal requirements established in the Bankruptcy Code. In addition, with the authorization of the bankruptcy court, the Issuer may assign its rights and obligations under any of the financing documents, or any other agreement to which the Issuer is a party, to another entity, despite any contractual prohibition to the contrary, subject to satisfaction of certain requirements established under the Bankruptcy Code.

Sixth, the Issuer may be able, with the approval of the bankruptcy court but without the consent and over the objection of the Trustee and the holders of the Bonds, and without complying with the terms of the transaction documents, to sell the Premises [and the Site]. If the Premises [and the Site] are sold, it is not clear whether or not the Lease would automatically terminate. If the Lease does terminate, the County would no longer be obligated to make any payments under the Lease. Under such circumstances, the holders of the Bonds could be treated as general unsecured creditors of the Issuer and there could be delays or reductions in, or the elimination of, payments on the Bonds.

Ninth, the assignment of the Lease assigns to the Trustee the Issuer's rights to receive payments from the County and the Issuer's rights to enforce the Lease against the County. If a bankruptcy court were to conclude that this assignment was for security purposes only, and was not an absolute assignment, then, unless the authorization of the bankruptcy court has been obtained, the Trustee may be prohibited from enforcing the Lease against the County and the Issuer may be able to require that the County make all payments under the Lease to the Issuer, rather than to the Trustee. In addition, the holders of the Bonds could be treated as having made a loan to the Issuer, rather than the County or the Issuer.

The Issuer could threaten to take any of the actions described above as part of negotiations to alter its obligations under the Lease or the other transaction documents.

The occurrence of any of these, as well as the occurrence of other possible effects of a bankruptcy of the Issuer, could result in delays or reductions in payments to the Bondowners. In addition, a bankruptcy trustee or the borrower as a debtor in possession could take action which could adversely affect the exclusion of the interest on with respect to the Bonds from gross income for federal income tax purposes.

Limitations on Remedies; No Acceleration of Base Rent Upon an Event of Default

If the County commits an Event of Default under the Facilities Lease and fails to cure such default within the time period provided therein, then the Issuer shall have the right to pursue any and all remedies available at law or in equity, including without limitation, the right to (a) terminate the Facilities Lease or (b) so long as the Issuer or its assignee does not terminate the County's right to possession, the Facilities Lease shall continue in effect and the Issuer or its assignee shall have the right enforce all of its rights and remedies under the Facilities Lease, including the right to recover Base Rent payments as they become due hereunder pursuant to Section 1951.4 of the California Civil Code. **Notwithstanding the foregoing, in no event shall the Issuer have the right to accelerate any payments owing by the County under the Facilities Lease.**

In the event of default under the Indenture, the Trustee may exercise certain remedies under the Indenture and the Other Documents. In the event of a monetary default under the Indenture and foreclosure of

the Deed of Trust, the Trustee has the right to enter and take possession of the Premises, and the Trustee may hold, operate, manage or relet the Premises and apply revenues therefrom toward payment of the Bonds.

There is no available remedy of acceleration of the total Rent due over the term of the Lease. The County will only be liable for the Rent on an annual basis and the Trustee would be required to seek a separate judgment each year for that year's Rent due. Any such suit for money damages could be subject to limitations on legal remedies against public agencies in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Due to the specialized nature of the Premises, the Trustee may have limited ability to relet the Premises to provide a source of funds sufficient to pay the principal of and interest on the Bonds, so as to preserve the tax-exempt nature of the interest on the Bonds. Given the governmental function of the Premises, it is not certain whether a court would permit the exercise of the remedies of repossession and reletting with respect to the Premises. The current exemption from City zoning requirements would no longer apply if the Premises is no longer leased by the County. It is impossible to estimate the cost, feasibility or time required to comply with any existing zoning requirements at the time of reletting. In addition, there can be no assurance that the Trustee will be able to realize from the re-leasing of the Premises an amount sufficient to pay principal of and interest on the Bonds.

The rights and remedies contained in the Indenture and the Lease may be limited by and are subject to provisions of the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against counties in the State.

Hazardous Substances

The existence or discovery of hazardous materials may limit the beneficial use of the Property. In general, the owners and lessees of the Property may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Property may be limited in the future resulting from the current existence on the Property of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Property of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Property.

[Description of and results from extensive Phase II testing to come.]

Pursuant to the Ground Lease, the Issuer shall cause any environmental remediation contemplated in the approved Project Budget to be completed at the Ground Lease Premises (the "Environmental Work"). Other than the completion of the Environmental Work, the County shall be solely responsible for all claims, judgments, damages, penalties, fines, expenses, liabilities or losses relating to the presence, release or disposal

of Hazardous Substances that (i) were present in the soil, groundwater, soil vapor, or anywhere on, in, or under the Ground Lease Premises as of the effective date thereof; (ii) are at any time present on any adjacent property owned or controlled by the County and which result in contamination of the Ground Lease Premises; or (iii) contaminate the Ground Lease Premises as a result of the act or omission of County or the act or omission of any party for which County is liable.

Seismic Events

The Premises is located within a seismically active area, and damage to the Premises from an earthquake could be substantial. Under the Facilities Lease, neither the County nor the Issuer is required to maintain earthquake insurance. The County presently maintains earthquake insurance on certain of its properties, including the Premises. [Confirm] However, such insurance is less than the value of all the insured properties, is less than the initial aggregate principal amount of the Bonds and is not required to be used, if obtained, to replace or repair the Premises or to redeem the Bonds. If the proceeds of any earthquake insurance were not used or were insufficient to replace or repair the damage caused to the Premises, the County would be limited to its general fund, reserves and emergency grants, if any, in seeking to make appropriate repairs. Pending such repairs, the County's obligation to pay Base Rent under the Facilities Lease would be subject to abatement. See "CERTAIN RISK FACTORS – Abatement."

Economic Conditions in the State of California

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Decreases in the State's General Fund revenues may significantly affect appropriations made by the State to public agencies, including the County. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Issuer and the County have covenanted in the Indenture and Facilities Lease not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the Bonds could become includable in gross income for purposes of Federal income taxation retroactive to the date the Bonds were issued, as a result of acts or omissions of the Issuer or the County in violation of the Code. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until prepaid under the optional redemption provisions of the Indenture.

TAX MATTERS

Tax-Exempt Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the Tax-Exempt Bonds is less than the amount to be paid at maturity of such Tax-Exempt Bonds (excluding amounts stated to be interest and payable at least

annually over the term of such Tax-Exempt Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Tax-Exempt Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Tax-Exempt Bonds is the first price at which a substantial amount of such maturity of the Tax-Exempt Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Tax-Exempt Bonds accrues daily over the term to maturity of such Tax-Exempt Bonds on the basis of a constant interest rate compounded semi-annually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Tax-Exempt Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Tax-Exempt Bonds. Beneficial Owners of the Tax-Exempt Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Tax-Exempt Bonds in the original offering to the public at the first price at which a substantial amount of such Tax-Exempt Bonds is sold to the public.

Tax-Exempt Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Tax-Exempt Bonds. The Issuer has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Tax-Exempt Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Tax-Exempt Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Tax-Exempt Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Tax-Exempt Bonds may adversely affect the value of, or the tax status of interest on, the Tax-Exempt Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Tax-Exempt Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Tax-Exempt Bonds. Prospective purchasers

of the Tax-Exempt Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Tax-Exempt Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Issuer or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Issuer has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Tax-Exempt Bonds ends with the issuance of the Tax-Exempt Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer or the Beneficial Owners regarding the tax-exempt status of the Tax-Exempt Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Issuer and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Issuer legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Tax-Exempt Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Tax-Exempt Bonds, and may cause the Issuer or the Beneficial Owners to incur significant expense.

Federally Taxable Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Federally Taxable Bonds is exempt from State of California personal income taxes. Interest on the Federally Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Federally Taxable Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix D hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Federally Taxable Bonds that acquire their Federally Taxable Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Federally Taxable Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Federally Taxable Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Federally Taxable Bonds pursuant to this offering for the issue price that is applicable to such Federally Taxable Bonds (i.e., the

price at which a substantial amount of the Federally Taxable Bonds are sold to the public) and who will hold their Federally Taxable Bonds as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Federally Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Federally Taxable Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Federally Taxable Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Federally Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Federally Taxable Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that, under newly enacted law that is effective for tax years beginning after December 31, 2017 (or, in the case of original issue discount, for tax years beginning after December 31, 2018), certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Federally Taxable Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below.

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Federally Taxable Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Federally Taxable Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

Federally Taxable Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Federally Taxable Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Federally Taxable Bond.

Sale or Other Taxable Disposition of the Federally Taxable Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Issuer) or other disposition of a Federally Taxable Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Federally Taxable Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Federally Taxable Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder’s adjusted U.S. federal income tax basis in the Federally Taxable Bond (generally, the purchase price paid by the U.S. Holder for the Federally Taxable Bond, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Federally Taxable Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable

to ordinary income if such U.S. holder's holding period for the Federally Taxable Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Federally Taxable Bonds. If the Issuer defeases any Federally Taxable Bond, the Federally Taxable Bond may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted tax basis in the Federally Taxable Bond.

Information Reporting and Backup Withholding. Payments on the Federally Taxable Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Federally Taxable Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Federally Taxable Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Federally Taxable Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act," payments of principal of, and interest on, any Federally Taxable Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the Issuer through stock ownership and (2) a bank which acquires such Federally Taxable Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Federally Taxable Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Federally Taxable Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Issuer or a deemed retirement due to defeasance of the Federally Taxable Bond) or other disposition of a Federally Taxable Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Issuer) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Federally Taxable Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Federally Taxable Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading “FATCA,” under current U.S. Treasury Regulations, payments of principal and interest on any Federally Taxable Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Federally Taxable Bond or a financial institution holding the Federally Taxable Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act (“FATCA”) – U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Federally Taxable Bonds and sales proceeds of Federally Taxable Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018 and (ii) certain “passthru” payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Federally Taxable Bonds in light of the holder’s particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Federally Taxable Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

CONTINUING DISCLOSURE

Continuing Disclosure Undertaking of the Issuer. Pursuant to the Indenture, the Issuer has covenanted to provide, or cause to be provided, by not later than April 1 following each fiscal year of the Issuer (currently June 30), commencing on April 1, 2019, to the MSRB through its EMMA system certain annual financial information and operating data and, not later than ten Business Days after their occurrence, notice of certain enumerated events. These covenants have been made in order to assist the Underwriter of the Bonds in complying with the Rule. See APPENDIX E – “CONTINUING DISCLOSURE UNDERTAKINGS OF THE ISSUER AND THE COUNTY – CONTINUING DISCLOSURE UNDERTAKING OF THE ISSUER.”

Continuing Disclosure Undertaking of the County. Pursuant to the Continuing Disclosure Certificate to be executed in connection with the issuance of the Bonds, the County has covenanted to provide, or cause to be provided, by not later than April 1 of each fiscal year, commencing on April 1, 2019, to the MSRB through its EMMA system certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriter of the Bonds in complying with the Rule. See APPENDIX E – “CONTINUING DISCLOSURE UNDERTAKINGS OF THE

ISSUER AND THE COUNTY – FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE COUNTY.”

CERTAIN LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer. Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX D – “PROPOSED FORM OF BOND COUNSEL OPINION.” Certain legal matters will be passed upon for the Issuer by Hillis Clark Martin & Peterson P.S., Seattle, Washington, and Glaser Weil Fink Howard Avchen & Shapiro LLP, Los Angeles, California, for the County by the County Counsel’s Office, Hawkins Delafield & Wood LLP, Disclosure Counsel, and Loeb and Loeb, LLP and for the Underwriter by its counsel, Katten Muchin Rosenman LLP, New York, New York.

FINANCIAL STATEMENTS

The financial statements of the County for the Fiscal Year ended June 30, 2017, pertinent sections of which are included in Appendix B to this Official Statement, have been audited by Macias Gini & O’Connell LLP (the “Independent Auditor”), certified public accountants, as stated in their report appearing in Appendix B. The Independent Auditor has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made herein, and no opinion is expressed by Independent Auditor with respect to any event subsequent to its report dated December 15, 2017.

MUNICIPAL ADVISOR

Montague DeRose and Associates, LLC has served as Municipal Advisor to the County in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to make an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained herein.

LITIGATION

Litigation relating to the Issuer. To the best knowledge of the Issuer, there is no litigation pending or threatened against the Issuer concerning the validity of the Bonds or challenging any action taken by the Issuer in connection with the authorization of the Indenture, the Ground Lease, the Facilities Lease or any other document relating to the Bonds to which the Issuer is or is to become a party or the performance by the Issuer of any of its obligations under any of the foregoing.

Litigation relating to the County. To the best knowledge of the County, there is no litigation pending or threatened against the County concerning the validity of the Bonds or challenging any action taken by the County in connection with the authorization of the Ground Lease, the Facilities Lease or any other document relating to the Bonds to which the County is or is to become a party or the performance by the County of any of its obligations under any of the foregoing.

There are a number of lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County’s insurance limits. In the opinion of the County Counsel, such suits and claims as are presently pending will not materially impair the ability of the County to make the Rent payments when due. See APPENDIX A – “COUNTY OF LOS ANGELES INFORMATION STATEMENT – General Litigation.”

RATINGS

Fitch Ratings, Inc. (“Fitch”), Moody’s Investors Service (“Moody’s”) and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“Standard & Poor’s”) have assigned the Bonds ratings of “___,” “___” and “___,” respectively. Such ratings reflect only the views of Fitch, Moody’s and Standard & Poor’s, and do not constitute a recommendation to buy, sell or hold the Bonds. Explanation of the significance of such ratings may be obtained only from the respective organizations at: Fitch, 33 Whitehall Street, New York, New York 10004; Moody’s Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007-2796; and Standard and Poor’s Ratings Services, 55 Water Street, New York, New York 10041. There is no assurance that any such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of any such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by Barclays Capital Inc. (the “Underwriter”). The Underwriter has agreed to purchase the Bonds from the Issuer at an aggregate purchase price of \$_____ (consisting of the aggregate principal amount of the Bonds, plus an original issue premium of \$_____ and less an underwriter’ discount of \$_____), pursuant to the terms of the Bond Purchase Agreement. The Bond Purchase Agreement provides that the obligations of the Underwriter are subject to certain conditions precedent and that the Underwriter will be obligated to purchase all of the Bonds offered under the Bond Purchase Agreement if any of the Bonds offered thereunder are purchased.

ADDITIONAL INFORMATION

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

The Issuer has approved and authorized the preparation, execution and distribution of this Official Statement. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such, and are not representations of fact. This Official Statement is not to be construed as an agreement or contract between the Issuer and the purchasers or holders of any Bonds.

LOS ANGELES COUNTY FACILITIES INC.

By: _____
President

APPENDIX A

THE COUNTY OF LOS ANGELES INFORMATION STATEMENT

THE COUNTY OF LOS ANGELES

Information Statement

GENERAL INFORMATION

The County of Los Angeles (the "County") was established by an act of the California State Legislature on February 18, 1850 as one of California's original 27 counties. Located in the southern coastal portion of the State, the County covers 4,083 square miles and includes 88 incorporated cities as well as many unincorporated communities. With a population of over 10.2 million in 2017, the County is the most populous of the 58 counties in California and has a larger population than 41 states.

As required by the County Charter, County ordinances, and State or Federal mandates, the County is responsible for providing government services at the local level for activities including public welfare, health and justice, the maintenance of public records, and administration of ad valorem taxes. The County provides services such as law enforcement and public works to cities within the County on a cost-recovery contract basis. The County also provides certain municipal services to unincorporated areas of the County and operates recreational and cultural facilities throughout the County.

COUNTY GOVERNMENT

The County is governed by a five-member Board of Supervisors, each of whom is elected by residents from their respective supervisorial districts to serve four-year terms. The other elected officials of the County are the Assessor, District Attorney and Sheriff. On March 5, 2002, County voters approved two charter amendments that introduced mandatory term limits for the elected officials of the County. As a result, each Supervisor is now limited to serving a maximum of three consecutive terms commencing as of December 2002.

In March 2007, the Board of Supervisors amended the County Code by adopting the Interim Governance Structure Ordinance. Under this governance structure, the Board of Supervisors delegated additional responsibilities for the administration of the County to the Chief Executive Office (the "CEO"), including the oversight, evaluation and recommendation for appointment and removal of specific department heads and County officers. The five departments that continued to report directly to the Board of Supervisors were the Fire Department, Auditor-Controller, County Counsel, Executive Office of the Board of Supervisors, and the CEO. In May 2011, the Board of Supervisors further revised the governance structure by directing the Department of Children and Family Services and the Probation Department to report directly to the Board.

Over the last several years, the County has experienced significant changes to its elected leadership, senior management personnel and governance structure. In December 2014, the previous Supervisors for the First District and the Third District reached their term limits, with their successors elected by voters in the November 2014 election. The current Supervisors for the First and Third Districts commenced their first terms on December 1, 2014. In November 2014, voters also elected a new Assessor and a new Sheriff. Other key management changes to County departments include appointments by the Board of Supervisors of a new Auditor-Controller in October 2014, a new Treasurer

and Tax Collector in January 2015, a new CEO in October 2015, and a new County Counsel in July 2015. In November 2016, voters elected new Supervisors to the Fourth District and the Fifth District, replacing the previous Supervisors who had reached their term limits. The new Supervisors for the Fourth and Fifth Districts commenced their first terms on December 5, 2016.

On July 7, 2015, the Board of Supervisors approved recommendations by the CEO to amend the County Code by repealing the 2007 Interim Governance Structure Ordinance, and to establish a new governance structure. Under the new governance structure, all non-elected department heads report directly to the Board of Supervisors, and all Deputy CEO positions were eliminated. County departments continue to report to the CEO for day-to-day operations, and for administrative and budget matters. The CEO continues to function as the Board of Supervisor's agent to manage countywide policy objectives and departmental performance management. The new governance structure is designed to streamline County governance by improving communications with County departments, which will facilitate more effective decision making and greater responsiveness to the Board of Supervisors' policy objectives.

COUNTY SERVICES

The vast majority of the County population resides in the 88 incorporated cities located within its boundaries. The County provides some municipal services to these cities on a contract basis under the Contract Services Plan. Established in 1954, this plan was designed to allow cities to contract for municipal services without incurring the cost of creating numerous city departments and facilities. Under the Contract Services Plan, the County will provide various municipal services to a city on a cost recovery basis at the same level of service as provided to the unincorporated areas or at a higher level of service that a city may choose.

Over one million people live in the unincorporated areas of the County. For the residents of these areas, the County Board of Supervisors functions as their "City Council," and County departments provide all of their municipal services, including law enforcement, fire protection, land use and zoning, building and business permits, road maintenance, animal care and control, and public libraries. Beyond the unincorporated areas, the County provides a wide range of services to all citizens who live within its boundaries.

Many of the County's core service functions are required by the County Charter, County ordinances, or by State or Federal mandate. State and Federal mandated programs, primarily related to social services and health care, are required to be maintained at certain minimum levels of service, which can limit the County's flexibility in providing these services.

Health and Welfare

Under State Law, the County is required to administer Federal and State health and welfare programs, and to fund a portion of the program costs with local revenues, such as sales and property taxes. Health care services are provided through a network of County hospitals and comprehensive health

centers. In addition, the County provides public health, immunization, environmental and paramedic services, and is responsible for the design and establishment of the county-wide emergency trauma network, which includes two medical centers operated by the County. The County also has responsibility for providing and partially funding mental health, drug and alcohol abuse prevention, and various other treatment programs. These services are provided at County facilities and through a network of contract providers.

While many of the patients receiving services at County facilities are indigent or covered by Medi-Cal (a State health insurance program), the County health care delivery system has been designed with the objective of providing quality health care services to the entire population. Through its affiliation with two medical schools and by operating its own school of nursing, the County Department of Health Services (“DHS”) is a major provider of health care professionals throughout California.

Disaster Services

The County operates and coordinates a comprehensive disaster recovery network that is responsible for providing critical services in response to floods, fires, storms, earthquakes, and other emergency events. Centralized command centers can be established at any Sheriff station or in mobile trailers throughout the County. To prevent floods and conserve water, the County maintains and operates a system of 14 major dams, 172 debris basins, an estimated 120,000 catch basins, 35 sediment placement sites, and over 3,380 miles of storm drains and channels. County lifeguards monitor 25 miles of beachfront and County rescue boats patrol 75 miles of coastline, including the Catalina Channel.

Public Safety

The County criminal justice network is primarily supported by local County revenue sources, State Public Safety sales tax revenue and fees from contracting cities. The Sheriff provides county-wide law enforcement services and will perform specific functions requested by local police departments, including the training of thousands of police officers employed by the incorporated cities of the County. Specifically, the County provides training for narcotics, vice, homicide, consumer fraud, and arson investigations, as well as assistance in locating and analyzing crime scene evidence. The County also operates and maintains one of the largest jail systems in the United States, with an average daily inmate population of approximately 16,613 inmates. This number includes approximately 622 inmates who were serving their sentences outside of the jail in community based alternatives to custody programs.

General Government

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes, and distribution of property tax revenue to cities, agencies, special districts, and local school districts. Another essential general government service is the County’s voter registration and election system, which provides services to an estimated 5.3 million registered voters and maintains approximately 5,000 voting precincts for countywide elections.

Culture and Recreation

Through a partnership with community leaders, non-profit organizations, volunteers and the private sector, the County operates the Music Center complex, which includes the Dorothy Chandler Pavilion, Mark Taper Forum, Ahmanson Theater, and the Walt Disney Concert Hall. The County also functions as the operator of the Hollywood Bowl, the John Anson Ford Theater, the Los Angeles County Museum of Art, the Museum of Natural History, and the George C. Page Museum.

The County manages over 182 parks and operates a network of regional recreational facilities, including Marina del Rey (a small craft harbor), 10 regional parks, 44 neighborhood parks, 16 community parks, 14 wildlife sanctuaries, 10 nature centers, 40 public swimming pools, over 200 miles of horse, biking and hiking trails, and 20 golf courses. The County also maintains botanical centers, including the Arboretum and Botanic Garden, the South Coast Botanic Garden, Descanso Gardens, and the Virginia Robinson Gardens, providing County residents with valuable environmental and educational resources.

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

The County has a total workforce of approximately 101,860 with 86.9% of the workforce represented by sixty-one (61) separate collective bargaining units that are certified employee organizations. These organizations include the Services Employees International Union (“SEIU”) Local 721, which includes twenty-four (24) collective bargaining units that represent 56.3% of County employees; the Coalition of County Unions (“CCU”), which includes twenty-two (22) collective bargaining units that represent 22.8% of County employees; and the Independent Unions (the “Independent Unions”), which encompass fifteen (15) collective bargaining units that represent 7.8% of County employees. Under labor relations policy direction from the Board of Supervisors and Chief Executive Officer, the CEO Employee Relations Division is responsible for negotiating sixty-one (61) individual collective bargaining agreements for wages and salaries and an additional two (2) fringe benefit agreements with SEIU Local 721 and the CCU. The Independent Unions are covered by one of the two fringe benefit agreements.

The County maintains strong working relationships with its collective bargaining units. The current Memoranda of Understanding (“MOUs”) with the various collective bargaining units cover wages, salaries and fringe benefits. The current MOUs covering wages and salaries have three-year terms and provided for a 10% cost of living increase over the term of the agreements, which have various expiration dates ranging from December 31, 2017 to September 30, 2018. Non-represented employees also received the 10% cost of living increase that was agreed to with its collective bargaining units.

As the result of reopener language related to specific MOU provisions, the County is currently re-negotiating the MOUs with Building Trades and Skilled Craftsmen in regard to compensation rates for apprentices, and with SEIU Local 721 in regard to compensation rates for Nurse Practitioners.

The two (2) MOUs covering fringe benefits, which expire on September 30, 2018, include provisions to change the cafeteria plan contributions and subsidies for temporary and part-time employees, additional annual vacation leave of up to 40 hours after 24 years or more of service, an additional paid holiday in recognition of Cesar Chavez’ birthday, a change in eligibility for sick personal leave for rehired retirees, and an expansion of bereavement leave provisions (SEIU Local 721 Fringe Benefit MOU only).

The County has commenced salary and wage negotiations with those collective bargaining units with MOUs that expired on December 31, 2017 and January 31, 2018. The County expects to begin salary and wage negotiations with the remaining collective bargaining units (MOU expiration dates of September 30, 2018) during the summer of 2018. Negotiations for each of the fringe benefit MOUs are scheduled to begin in the late spring/early summer of 2018.

RETIREMENT PROGRAM

General Information

All permanent County employees of three-quarter time or more are eligible for membership in the Los Angeles County Employees Retirement Association ("LACERA"). LACERA was established in accordance with the County Employees Retirement Law of 1937 (the "Retirement Law") to administer the County's Employee Retirement Trust Fund (the "Retirement Fund"). LACERA operates as a cost-sharing multi-employer defined benefit plan for employees of the County, the Los Angeles Superior Court and four other participating agencies. The Superior Court and the other four non-County agencies account for approximately 4.9% of LACERA's total membership.

LACERA is governed by the Board of Retirement, which is responsible for the administration of the Retirement Fund, the retiree healthcare program, and the review and processing of disability retirement applications. The Board of Retirement is comprised of four positions appointed by the Board of Supervisors, two positions elected by general LACERA members, two positions (one active and one alternate) elected by LACERA safety members and two positions (one active and one alternate) elected by retired LACERA members. The County Treasurer and Tax Collector is required by law to serve as an ex-officio member of the Board of Retirement.

The LACERA plans are structured as "defined benefit" plans in which benefit allowances are provided based on salary, length of service, age and membership classification. Law enforcement officers, firefighters, foresters and lifeguards are classified as "safety" employees, with all other positions classified as "general" employees. County employees have the option to participate in a contribution based defined benefit plan or a non-contribution based defined benefit plan. In the contribution based plans (Plans A, B, C, D & G), employees contribute a fixed percentage of their monthly earnings to LACERA based on rates determined by LACERA's independent actuary. The contribution rates depend upon age, the date of entry into the plan and the type of membership (general or safety). County employees who began their employment after January 4, 1982 also have the option to participate in Plan E, which is a non-contribution based plan. The contribution based plans (A through G) have higher monthly benefit payments for retirees compared to Plan E.

LACERA's total membership as of June 30, 2017 was 174,778, consisting of 72,009 active vested members, 25,202 active non-vested members, 63,324 retired members and 14,243 terminated vested (deferred) members. Of the 97,211 active members (vested and non-vested), 84,513 are general members in General Plans A through G, and 12,698 are safety members in Safety Plans A through C.

Of the 63,324 retired members, 51,083 are general members in General Plans A through G, and 12,241 are safety members in Safety Plans A, B and C. Beginning in 1977, both the

General Plan A and the Safety Plan A were closed to new members. The County elected to close these plans in response to growing concerns regarding the future cost of Plan A benefits, which were considerably more generous than other plan options currently available to County employees.

As of June 30, 2017, approximately 54% of the total active general members (vested and non-vested) were enrolled in General Plan D, and over 85% of all active safety members (vested and non-vested) were enrolled in Safety Plan B. The basic benefit structure of General Plan D is a "2.0% at 61" funding formula that provides for annual 2.0% increases in benefits, with no benefit reductions for members who retire at age 61 or older. For the Safety Plan B, the benefit structure is a "2.0% at 50" formula that provides benefit increases of 2.0% and no benefit reductions beginning at age 50. To illustrate the potential financial impact of the retirement benefit, a General Plan D member with 35 years of experience can retire at age 61 with benefits equal to approximately 70% of current salary; and a Safety Plan B member with 25 years of experience can retire at age 50 with benefits equal to approximately 50% of current salary.

2012 State Pension Reform

On September 12, 2012, the Governor signed AB 340 into law, which established the California Public Employees' Pension Reform Act ("PEPRA") to govern pensions for public employers and public pension plans, effective January 1, 2013. For new employees hired on or after January 1, 2013, PEPRA includes pension caps, equal sharing of pension costs, changes to retirement age, and three-year final compensation provisions. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays, and purchases of service credit.

PEPRA applies to all State and local public retirement systems, including county and district retirement systems created pursuant to the Retirement Law, independent public retirement systems, and to individual retirement plans offered by public employers. PEPRA only exempts the University of California system and certain charter cities and counties whose pension plans are not governed by State law. Because the County's retirement system is governed by the County Employees Retirement Law of 1937, LACERA is required to comply with the provisions of PEPRA.

As a result of PEPRA, the County implemented General Plan G and Safety Plan C for new hires, effective January 1, 2013. Based on the June 30, 2017 Actuarial Valuation (the "2017 Actuarial Valuation"), the total employer contribution rate in Fiscal Year 2018-19 for new employees hired on and after January 1, 2013 is 19.49% for General Plan G and 24.93 for Public Safety Plan C. The new employer contribution rates are similar to the comparative rates of 19.47% for General Plan D participants and 26.33% for Public Safety Plan B participants. The basic benefit structure of Plan G using the PEPRA funding formula is "2.5% at 67" and provides for annual 2.0% cost of living adjustments during retirement, with no benefit reductions for members who retire at age 61 or older. For Safety Plan C, the benefit structure is a "2.7% at 57" formula that provides for annual 2.0% cost of living adjustments during retirement, with no benefit reductions beginning at age 50. Overall, the implementation of General Plan G and Safety Plan C is expected to result in a slight decrease to the total normal cost rate and an increase in the average member contribution rate, thus resulting in a decrease in the total employer contribution rate.

Contributions

Employers and members contribute to LACERA based on rates recommended by the independent actuary (using the Entry Age Normal Cost Funding Method) and adopted by the Board of Investments of LACERA (the "Board of Investments") and the County's Board of Supervisors. Contributory plan members are required to contribute between 5% and 15% of their annual covered salary. Employers and participating agencies are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual pre-funded contributions at actuarially determined rates. The annual contribution rates are based on the results of investments and various other factors set forth in the actuarial valuations and investigations of experience, which are described below.

Investment Policy

The Board of Investments has exclusive control of all Retirement Fund investments and has adopted an Investment Policy Statement. The Board of Investments is comprised of four active and retired members and four public directors appointed by the Board of Supervisors. The County Treasurer and Tax Collector serves as an ex-officio member. The Investment Policy Statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board of Investments, investment staff, investment managers, master custodian, and consultants.

Actuarial Valuation

The Retirement Law requires the County to contribute to the Retirement Fund on behalf of employees using rates determined by the plan's independent actuary, which is currently Milliman Consultants and Actuaries ("Milliman"). Such rates are required under the Retirement Law to be calculated at least once every three years. LACERA presently conducts valuations on an annual basis to assess changes in the Retirement Fund's portfolio.

In June 2002, the County and LACERA entered into the Retirement Benefits Enhancement Agreement (the "2002 Agreement") to enhance certain retirement benefits in response to changes to State programs enacted in 2001 and fringe benefit changes negotiated in 2000. However, unlike other local governments in California, the County did not agree to major increases in pension benefits as part of its 2002 Agreement. The 2002 Agreement, which expired in July 2010, provided for a 30-year rolling amortization period for any unfunded actuarial accrued liability ("UAAL"). UAAL is defined as the actuarial accrued liability ("AAL") minus the actuarial value of the assets of LACERA at a particular valuation date.

When measuring assets to determine the UAAL, the Board of Investments has elected to "smooth" gains and losses to reduce the potential volatility of its funding requirements. If in any year, the actual investment return on the Retirement Fund's assets is lower or higher than the current actuarial assumed rate of return, then the shortfall or excess is smoothed, or spread, over a multi-year time period. The impact of this valuation method will result in "smoothed" assets that are lower or higher than the market value of assets depending on whether the remaining amount to be smoothed is either a net gain or a net loss.

In December 2009, the Board of Investments adopted a new Retirement Benefit Funding Policy (the "2009 Funding Policy"), which amended the terms of the 2002 Agreement. The impact

of the 2009 Funding Policy on the LACERA plans was reflected in the June 30, 2009 Actuarial Valuation prepared by Milliman. The two most significant changes in the 2009 Funding Policy are described as follows:

- **Asset Smoothing Period:** The smoothing period to account for asset gains and losses increased from three years to five years. This initially resulted in a higher Funded Ratio (as determined by dividing the valuation assets by the AAL) and a lower contribution rate than would have been calculated under the previous three-year smoothing period.
- **Amortization Period:** The UAAL is amortized over a closed thirty-year layered period, compared to an open thirty-year period under the 2002 Agreement. If LACERA achieves a Funded Ratio in excess of 100%, the surplus funding position will be amortized over a thirty-year open period.

In addition to annual actuarial valuations, LACERA requires its actuary to review the reasonableness of the economic and non-economic actuarial assumptions every three years. This review, commonly referred to as the Investigation of Experience, is accomplished by comparing actual results during the preceding three years to what was expected to occur according to the actuarial assumptions. On the basis of this review, the actuary recommends whether any changes in the assumptions or methodology would allow a more accurate projection of total benefit liabilities and asset growth. Based on the Investigation of Experience for the three-year period ended June 30, 2010, (the "2010 Investigation of Experience"), Milliman recommended that the Board of Investments consider the adoption of some key changes to the economic assumptions related to inflation and investment returns, and other minor changes to the demographic assumptions.

In October 2011, based on the 2010 Investigation of Experience, the Board of Investments lowered the assumed investment rate of return from 7.75% to 7.5%, and to phase in the reduction over a three-year period commencing as of June 30, 2011. The assumed rates of return were adjusted to 7.7%, 7.6% and 7.5% for the June 30th year-end actuarial valuations in 2011, 2012 and 2013, respectively.

In December 2013, Milliman released the 2013 Investigation of Experience for Retirement Benefit Assumptions (the "2013 Investigation of Experience"). The 2013 Investigation of Experience provided the basis for Milliman's recommended changes to the actuarial assumptions in the June 30, 2013 Actuarial Valuation (the "2013 Actuarial Valuation"). The key changes to the actuarial assumptions proposed by Milliman included a reduction in the assumed investment rate of return from 7.5% to 7.25%; reductions in the assumed rates for wage growth and price inflation from 3.75% and 3.25% to 3.5% and 3.0%, respectively; and a reduction in the mortality rate (increase in life expectancy) for all retirees. In December 2013, the Board of Investments approved Milliman's recommended changes to the actuarial assumptions to be used in the 2013 Actuarial Valuation, with the exception of the assumed rate of return, which remained unchanged at 7.5%.

In December 2016, Milliman released the 2016 Investigation of Experience for Retirement Benefit Assumptions (the "2016 Investigation of Experience"). The 2016 Investigation of Experience provided the basis for Milliman's recommended changes to the actuarial assumptions in the June 30, 2016 Actuarial Valuation (the "2016 Actuarial Valuation"). The key changes to the actuarial assumptions proposed by Milliman included a reduction in the assumed investment rate of return

from 7.5% to 7.25%; reductions in the assumed rates for wage growth and price inflation from 3.50% and 3.00% to 3.25% and 2.75%, respectively; and a reduction in the mortality rate (increase in life expectancy) for all retirees. In December 2016, the Board of Investments approved Milliman's recommended changes to the actuarial assumptions to be used in the 2016 Actuarial Valuation. However, the resulting increase to the employer contribution rate will be phased in over a three-year period beginning in Fiscal Year 2017-18.

UAAL and Deferred Investment Returns

For the June 30, 2016 Actuarial Valuation (the "2016 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 1.1%, which was significantly lower than the 7.25% assumed rate of return. As a result of the weaker than assumed investment performance, the market value of Retirement Fund Assets decreased by \$971 million or 2.0% to \$47.847 billion as of June 30, 2016. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by \$2.030 billion or 4.3% from \$47.328 billion to \$49.358 billion as of June 30, 2016. The 2016 Actuarial Valuation reported that the AAL increased significantly by \$5.380 billion to \$62.199 billion, and the UAAL increased by \$3.350 billion to \$12.841 billion from June 30, 2015 to June 30, 2016.

The 2016 Actuarial Valuation provided the basis for establishing the contribution rates effective July 1, 2017. The County's required contribution rate increased from 17.77% to 19.70% of covered payroll in Fiscal Year 2017-18 after partial phase-in of the new actuarial assumption changes. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 8.49% to 11.24%, and an increase in the normal cost contribution rate from 9.28% to 9.97%.

The increase in the County's required contribution rate for Fiscal Year 2017-18 reflects partial recognition of the 2.87% increase in the contribution rate attributable to the changes in actuarial assumptions recommended by Milliman for the 2016 Actuarial Valuation. The Board of Investments approved a gradual phase-in of the increase in the contribution rate over a three-year period, with the remaining balance of the increase to be reflected in higher contribution rates for Fiscal Years 2018-19 and 2019-20. If the three-year phase-in had not been adopted by the Board of Investments, the employer contribution rate for Fiscal Year 2017-18 would have been 21.21%.

The 2016 Actuarial Valuation did not include \$2.012 billion of net deferred investment losses that will be partially recognized over the next four fiscal years. If the actual market value of Retirement Fund assets was used as the basis for the valuation, the Funded Ratio would have been 76.1% as of June 30, 2016, and the required County contribution rate would have been 22.79% for Fiscal Year 2017-18.

For the June 30, 2017 Actuarial Valuation (the "2017 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 12.7%, which was significantly higher than the 7.25% assumed rate of return. As a result of the stronger than assumed investment performance, the market value of Retirement Fund Assets increased by \$4.897 billion or 10.0% to \$52.744 billion as of June 30, 2017. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by \$2.808 billion or 5.7% from \$49.357 billion to \$52.166 billion as of June 30, 2017. The 2017 Actuarial Valuation reported that the AAL increased significantly by

\$3.112 billion to \$65.311 billion, and the UAAL increased by \$304 million to \$13,145 billion from June 30, 2016 to June 30, 2017.

After reaching a cyclical high of 94.5%, prior to the economic downturn, the Funded Ratio declined steadily from June 30, 2008 to June 30, 2013. The steady decline in the Funded Ratio over the five-year period was primarily driven by continuous growth in the AAL and the partial recognition of significant actuarial investment losses in Fiscal Years 2008-09 and 2011-12 (especially the losses in Fiscal Year 2008-09). The \$10.428 billion of actuarial investment losses incurred in Fiscal Year 2008-09 were fully accounted for in the valuation of the Retirement Fund as of June 30, 2013. The Funded Ratio as of June 30, 2016 decreased to 79.4% from 83.3% in the prior year, primarily due to changes in the actuarial assumptions for the 2016 Actuarial Valuation. The Funded Ratio as of June 30, 2017 increased slightly to 79.9% from the prior year, primarily due to improved investment performance.

The 2017 Actuarial Valuation provides the basis for establishing the contribution rates effective July 1, 2018. The County's required contribution rate will increase from 19.70% to 20.04% of covered payroll in Fiscal Year 2018-19 after partial phase-in of the new actuarial assumption changes. The increase in the contribution rate is comprised of a slight decrease in the funding requirement to finance the UAAL over 30 years from 11.24% to 11.06%, and a slight decrease in the normal cost contribution rate from 9.97% to 9.94%.

The increase in the County's required contribution rate for Fiscal Year 2018-19 reflects partial recognition of the 2.87% increase in the contribution rate attributable to the changes in actuarial assumptions recommended by Milliman for the 2016 Actuarial Valuation. If the three-year phase-in had not been adopted by the Board of Investments, the employer contribution rate for Fiscal Year 2018-19 would be 21.00%.

The 2017 Actuarial Valuation does not include \$49.907 million of net deferred investment gains that will be partially recognized over the next four fiscal years. If the actual market value of Retirement Fund assets was used as the basis for the valuation, the Funded Ratio would have been 80.0% as of June 30, 2017, and the required County contribution rate would have been 20.96% for Fiscal Year 2018-19.

[As of March 31, 2017, LACERA reported a 9.9% fiscal year to date return on Retirement Fund assets, which is higher than the actuarial assumed investment rate of return of 7.25%. The asset allocation percentages for the Retirement Fund as of March 31, 2017 were 24.9% domestic equity, 23.6% international equity, 23.3% fixed income, 11.8% real estate, 9.2% private equity, 2.0% commodities, 2.8% hedge funds and 2.4% cash.] **(TO BE UPDATED)**

An eight-year history of the County's UAAL is provided in Table 1 ("Retirement Plan UAAL and Funded Ratio"), and a summary of investment returns for the prior eight years is presented in Table 2 ("Investment Return on Retirement Plan Assets") on page A-11.

Pension Funding

Since Fiscal Year 1997-98, the County has funded 100% of its annual actuarially required contribution to LACERA. In Fiscal Years 2015-16 and 2016-17, the County's total contributions to the Retirement Fund were \$1.384 billion and \$1.335 billion, respectively. In Fiscal Year 2017-18, the County's required contribution payments are projected to increase by over \$168

million or 12.6% to \$1.503 billion. For Fiscal Year 2018-19, the County is estimating retirement contribution payments to LACERA of \$1.617 billion, which would represent a 7.6% or \$113.8 million increase from Fiscal Year 2017-18.

A summary of actual and projected County pension payments to LACERA for the eight-year period ending June 30, 2019 is presented in Table 3 ("County Pension and OPEB Payments") on page A-11.

During the early and mid-1990's, the County relied heavily upon the use of excess earnings to fund all or a portion of its annually required contribution to LACERA. The County's excess earnings were generated as a result of an agreement between the County and LACERA, which allowed the County to share in Retirement Plan earnings (through June 30, 1998) in excess of the actuarial assumed rate of return. Beginning in 1996, the County embarked on a multi-year plan to lessen its reliance on excess earnings by systematically increasing its net County cost to the Retirement Plan. The required contribution for Fiscal Year 2007-08 represented the first year that excess earnings were not used to fund the County's required contribution. The remaining balance of excess earnings maintained with LACERA (the "County Contribution Credit Reserve") was \$470.71 million as of June 30, 2012. In Fiscal Year 2012-13, the County transferred \$448.8 million from the County Contribution Credit Reserve to fund the establishment of a trust to help address the County's substantial liability related to other post-employment benefits ("OPEB"). As of June 30, 2017, the remaining balance in the County Contribution Credit Reserve was zero.

STAR Program

The Supplemental Targeted Adjustment for Retirees program ("STAR Program") is a discretionary program that provides a supplemental cost-of-living increase from excess earnings to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. As of June 30, 2017, \$614 million was available in the STAR Program Reserve to fund future benefits. Under the 2009 Funding Policy, the entire STAR Program Reserve was included in the Retirement Fund's valuation assets. However, there is no corresponding liability for any STAR Program benefits in the 2017 Actuarial Valuation that may be granted in the future. If the STAR Program Reserve was excluded from the valuation assets, the County's required contribution rate would have increased from 20.04% to 20.51% for Fiscal Year 2018-19, and the Funded Ratio would have decreased from 79.9% to 78.9% as of June 30, 2017. The exclusion of the STAR Program Reserve from the valuation assets would require the County to increase its required contribution to LACERA by approximately \$35 million in Fiscal Year 2017-18.

Pension Accounting Standards

In June 2012, the Governmental Accounting Standards Board ("GASB") issued new statements to replace the previous pension accounting and reporting requirements for defined pension benefit plans such as LACERA, and employers such as the County. GASB Statement No. 67, Financial Reporting for Pension Plans, replaces the requirements of GASB Statement No. 25 and is focused on pension plan administrators such as LACERA. GASB 67 was implemented with the issuance of LACERA's Fiscal Year 2013-14 financial statements and expanded the pension-related note disclosures and supplementary information requirements.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, has replaced the requirements of GASB Statement No. 27 and is focused on employers that provide defined pension benefits such as the County. GASB 68 was implemented with the issuance of the County's Fiscal Year 2014-15 financial statements. Although GASB 68 does not materially affect the existing process for calculating the UAAL, it requires the County to recognize its proportionate share of LACERA's Net Pension Liability directly on the Statement of Net Position (government-wide balance sheet). The new requirement to recognize a liability in the financial statements represents a significant and material change from the previous standards, which only required the disclosure of such amounts in the notes to the financial statements. GASB 68 also includes additional reporting requirements, which have expanded the pension-related note disclosures and supplementary information requirements.

The new GASB pension standards are only applicable to the accounting and reporting for pension benefits in the County's financial statements. Accordingly, there will be no impact on the County's existing statutory obligations and policies to fund pension benefits. For the Fiscal Year ended June 30, 2017 the County reported a Net Pension Liability of \$10.273 billion, which represents a \$2.825 billion or 38% increase from the \$7.448 billion Net Pension Liability reported as of June 30, 2016.

Postemployment Health Care Benefits

LACERA administers a health care benefits program for retirees under an agreement with the County. The program includes medical, dental, vision and life insurance benefit plans for over 88,000 retirees or survivors and their eligible dependents. The Board of Retirement reserves the right to amend or revise the medical plans and programs under the retiree health program at any time. County payments for postemployment benefits are calculated based on the employment service credit of retirees, survivors, and dependents. For eligible members with 10 years of service credit, the County pays 40% of the health care plan premium. For each year of service credit beyond 10 years, the County pays an additional 4% of the plan premium, up to a maximum of 100% for a member with 25 years of service credit.

The County reached an agreement with CCU and SEIU to add a new tier of retiree healthcare benefits for employees who begin County service on or after July 1, 2014. Under the new agreement, the County will provide paid medical coverage at the retiree only premium level and not at the current level of full family coverage. The retiree will have the option to purchase coverage for dependents, but the County will only provide a financial subsidy to the retiree. In addition, Medicare-eligible retirees will be required to enroll in Medicare, with the County subsidy based on a Medicare supplement plan. The same vesting rights and years of service crediting formula of 40% after 10 years and 100% after 25 years will still apply to the new tier. The agreement will not affect current retirees or current employees hired prior to July 1, 2014. The new retiree healthcare benefit tier is projected to save an estimated \$840 million over the next 30 years and reduce the unfunded liability for retiree healthcare by 20.8%. The agreement was approved by the Board of Retirement and by the Board of Supervisors in June 2014.

In Fiscal Years 2015-16 and 2016-17, the total "pay as you go" payments from the County to LACERA for retiree health care benefits were \$507.7 million and \$528.9 million, respectively. In Fiscal Year 2017-18, payments to LACERA for OPEB are

projected to increase by \$31.6 million or 6.0% to \$560.5 million. For Fiscal Year 2018-19, the County is projecting \$599.8 million in OPEB payments to LACERA, which would represent a 7.0% or \$39.2 million increase from Fiscal Year 2017-18.

Financial Reporting for Other Postemployment Benefits

GASB had previously issued two statements that address financial reporting requirements for OPEB, which is defined to include many post-retirement benefits other than pension-related benefits. Health care and disability benefits are the most significant of these benefits provided by the County.

GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans ("GASB 43"), established financial reporting standards for OPEBs in a manner similar to the standards that were previously in effect for pension benefits. GASB 43 was focused on the entity that administers such benefits (which, in the case of the County, is LACERA) and requires an actuarial valuation to determine the funded status of accrued benefits. LACERA has complied with GASB 43 requirements for all annual reporting periods beginning with the Fiscal Year ended June 30, 2008.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 45"), established financial reporting standards designed to measure, recognize, and disclose OPEB costs. GASB 45 was focused on the County's financial statements, and related note disclosures. Starting with the June 30, 2008 Comprehensive Annual Financial Report ("CAFR"), the County implemented the requirements of GASB 45 in its financial reporting process. The core requirement of GASB 45 is that an actuarial analysis must be prepared at least once every two-year period with respect to projected benefits ("Plan Liabilities"), which would be measured against the actuarially determined value of the related assets (the "Plan Assets"). To the extent that Plan Liabilities exceeded Plan Assets, the difference could be amortized over a period not to exceed 30 years. GASB 45 did not require the funding of any OPEB liability related to the implementation of this reporting standard.

In June 2015, GASB issued Statement No. 74 and Statement No. 75, which will replace the existing OPEB accounting and reporting requirements for entities that administer OPEB plans (LACERA) and employers (the County).

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, replaces the requirements of GASB Statement No. 43 and is focused on the OPEB plan administrator (LACERA). GASB 74 was implemented with the issuance of LACERA's Fiscal Year 2016-2017 financial statements and expanded the required OPEB-related note disclosures and supplementary information.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of GASB Statement No. 45 and is focused on employers (the County) providing defined OPEB benefits. GASB 75 will be implemented with the issuance of the County's Fiscal Year 2017-2018 financial statements. Although GASB 75 is not expected to materially affect the existing process which computes the County's UAAL, it will require the County to recognize the full amount of net OPEB liabilities directly on the Statement of Net Position (government-wide balance sheet). The net OPEB liability is

the difference between the total OPEB liability (the present value of projected OPEB benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) held by LACERA to pay OPEB benefits. There are also new requirements which will expand the existing OPEB-related note disclosures and supplementary information.

The new requirement to recognize the full amount of net OPEB liabilities in the financial statements is a substantive and material change to the existing standards. Current accounting standards only require recognition of OPEB liabilities to the extent that OPEB funding is less than the actuarially determined amount. As of June 30, 2017, the County's Statement of Net Position recognized \$14.527 billion of OPEB liabilities. The new GASB OPEB standards are only applicable to accounting and reporting for OPEB benefits in the County's financial statements. Accordingly, there is no impact on the County's existing statutory obligations and policies to fund the OPEB benefits.

OPEB Actuarial Valuation

In order to comply with the requirements of GASB 43 and GASB 45, LACERA engaged Milliman to complete actuarial valuations of OPEB liabilities for the LACERA plans. In their OPEB valuations, Milliman has provided a determination of the AAL for LACERA's health, dental, vision and life insurance benefit plans. The County's members comprise approximately 95% of LACERA's retiree population and the County is responsible for this percentage of OPEB costs. The 5% of LACERA retirees who do not contribute to the County's OPEB liability are predominantly members of the Los Angeles Superior Court. The demographic and economic assumptions used in the OPEB valuations are modeled on the assumptions used by LACERA for its pension program. The healthcare cost assumptions are based on discussions with other consultants and actuaries used by the County, LACERA and labor groups.

For the Fiscal Year ended June 30, 2016, the County reported a net OPEB obligation of \$13.109 billion, which represented a \$1.575 billion or 13.6% increase from the \$11.535 billion obligation reported as of June 30, 2015. The net OPEB obligation is comprised of \$12.785 billion for retiree health care benefits and \$324.0 million for long-term disability benefits, which the County has determined to be an additional OPEB liability and reported as a component of the net OPEB obligation in the CAFR.

In August 2017, Milliman released the County's fifth OPEB actuarial valuation report ("the 2016 OPEB Valuation") as of July 1, 2016. In the 2016 OPEB Valuation, Milliman reported an AAL of \$25.913 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability is \$24.792 billion, which represents a 9.0% decrease from the previous OPEB Valuation as of July 1, 2014 (the "2014 OPEB Valuation"). The annual required contribution ("ARC") to fund the OPEB liability as of July 1, 2016 is estimated to be \$1.964 billion, which represents 27.03% of the County's payroll costs and a 8.7% decrease from the 2014 OPEB Valuation. The decrease in the County's OPEB liability from 2014 to 2016 was the result of several offsetting factors, with the most significant factors being an increase in the discount rate from 3.75% to 4.50% and lower than expected increases in health insurance premiums.

For the Fiscal Year ended June 30, 2017, the County reported a net OPEB obligation of \$14.527 billion, which represents a

\$1.418 billion or 10.8% increase from the \$13.109 billion obligation reported as of June 30, 2016. The net OPEB obligation is comprised of \$14.151 billion for retiree health care benefits and \$376.0 million for long-term disability benefits, which the County has determined to be an additional OPEB liability and reported as a component of the net OPEB obligation in the CAFR.

The June 30, 2017 OPEB ARC of \$2.047 billion, which includes \$1.956 billion for retiree health care benefits and \$90.2 million for long-term disability benefits, represents a \$145.6 million or 6.6% decrease from the \$2.192 billion obligation as of June 30, 2016. The OPEB ARC was partially offset by \$628.6 million in total County contribution payments, resulting in an increase in the net OPEB obligation of \$1.418 billion in Fiscal Year 2016-17. The total County contribution payments in Fiscal Year 2016-17 were 30.7% of the OPEB ARC, which represents an increase from the 28.2% funding level in Fiscal Year 2015-16.

Funding for Other Postemployment Benefits

In May 2012, the Board of Supervisors approved the establishment of a tax-exempt OPEB trust pursuant to a Trust and Investment Services Agreement (the "OPEB Trust") between LACERA and the County. In accordance with the OPEB Trust, the LACERA Board of Investments will function as the trustee and investment manager, and the Board of Supervisors will have exclusive discretion over the amount of contributions and/or transfers the County may invest or allocate to the OPEB Trust. In Fiscal Year 2012-13, the County transferred \$448.8 million from the County Contribution Credit Reserve for the initial funding of the OPEB Trust.

On June 22, 2015, the Board of Supervisors approved a multi-year plan to begin pre-funding the County's unfunded OPEB liability (the "OPEB Pre-funding Plan"). The OPEB Pre-funding Plan requires the County to begin the process to fully fund the OPEB ARC by incrementally increasing the annual contribution to the OPEB Trust. The Fiscal Year 2017-18 Final Adopted Budget appropriates \$121.2 million in pre-funding contributions to the OPEB Trust Fund, which will be funded by a \$50.0 million Net County Cost ("NCC") contribution from the General Fund and \$71.2 million in projected subvention revenue received from Federal, State and other local government entities. In future fiscal years, the County expects to incrementally increase its OPEB funding by approximately \$60 million per year, including an annual \$25 million increase in the NCC contribution from the General Fund and a \$35 million annual increase funded by subvention revenue. For Fiscal Year 2018-19, the County is projecting a deposit to the OPEB Trust in the amount of \$182.9 million. Based on current projections for the OPEB Pre-funding Plan, the OPEB ARC will be fully funded by Fiscal Year 2027-28.

In January 2016, LACERA transferred \$50 million to the OPEB Trust from an excess retiree health premium reserve account. The transaction was initiated by LACERA, and is un-related to the County's OPEB Pre-funding Plan. [As of March 31, 2017, the balance of the OPEB Trust was \$689.8 million, of which \$664.0 million is attributable to the County.] **(TO BE UPDATED)**

Long-Term Disability Benefits

In addition to its Retirement Plan, the County administers a Disability Benefits Plan ("DBP") that is separate from LACERA. The DBP covers employees who become disabled as a direct result of an injury or disease while performing assigned duties.

Generally, the long-term disability plans included in the DBP provide employees with a basic monthly benefit of between 40% and 60% of such employee's monthly compensation, commencing after 6 months of disability. The benefits under these plans normally terminate when the employee is no longer totally disabled or turns age 65, whichever occurs first. The health plans included in the DBP generally cover qualified employees who are sick or disabled and provide for the payment of a portion of the medical premiums for these individuals.

The County has determined that the liability related to long-term disability benefits is an additional OPEB obligation, which is reported as a component of the OPEB ARC in the CAFR. Following completion of the original OPEB Valuation, the County engaged Buck Consultants to prepare actuarial valuations of the long-term disability portion of its DBP as of (the "2013 LTD Valuation") and July 1, 2015 (the "2015 LTD Valuation"). In the 2015 LTD Valuation, the AAL for the County's long-term DBP was \$1.090 billion, which represents a 15.3% increase from the \$946 million AAL reported in the 2013 LTD Valuation. As of June 30, 2017, the County's net OPEB obligation of \$14.527 billion includes \$376.2 million for long-term disability benefits.

In Fiscal Years 2015-16 and 2016-17, the County made total DBP payments of \$37.6 million and \$38.8 million, respectively. For Fiscal Year 2017-18, the County is estimating total DBP payments of \$41.3 million. For Fiscal Year 2018-19, the County is projecting total DBP payments in the amount of \$42.2 million. The annual "pay-as-you-go" DBP payments are accounted for as an offset to the OPEB obligation in the CAFR.

FEDERAL AUDIT

In February 2016, the Internal Revenue Service ("IRS") initiated a compliance examination of the County's Tax Year 2014 payroll tax returns and Form 1099 submissions. During the examination, the IRS expanded the scope to include Tax Year 2015. The examination concluded in April 2017 and consisted of a comprehensive review of County salaries, employee benefits, and payments to vendors to determine compliance with federal tax laws and regulations. The IRS identified some minor compliance issues, including the County's underpayment of certain federal employment taxes and penalties related to Form 1099 submissions. These issues were nearly offset by other findings, which concluded the County overpaid the amount of federal employment taxes owed. The net amount owed by the County to the IRS, for both Tax Years examined, was \$601.47.

LITIGATION (ADDITIONAL UPDATES TO BE PROVIDED)

The County is routinely a party to various lawsuits and administrative proceedings. The following are summaries of certain pending legal proceedings or potential contingent liabilities, as reported by the Office of the County Counsel. A further discussion of certain legal matters that directly affect the budget and the revenue generating powers of the County is provided in the Budgetary Information section of Appendix A.

Public Safety Cases

A lawsuit was filed against the County in 2013 alleging that the plaintiff had been falsely convicted of murder and served over twenty years in prison. The Court subsequently ordered a new trial based on new evidence. The case was retried and the plaintiff was acquitted. The County settled the case for \$15

million, which will be paid in two installments of \$8 million and \$7 million in Fiscal Years 2017-18 and 2018-19, respectively.

On December 16, 2014, the Board of Supervisors entered into a settlement agreement in the *Rosas v. Baca, et al.* lawsuit. *Rosas v. Baca, et al.* is a Federal class action lawsuit filed by the ACLU alleging a pattern and practice of excessive use of force in the County jails. Under the terms of the agreement, the Sheriff's Department will implement various reforms recommended by a court-appointed panel of monitors. The settlement agreement requires that the Sheriff's Department comply with various recommendations by specific target dates. The County continues to make progress toward compliance with these recommendations.

On June 4, 2014, the U.S. Department of Justice (the "DOJ") issued a public report alleging that systemic deficiencies related to suicide prevention and mental health care existed in the County jails, and that those deficiencies violated inmates' constitutional rights. The Sheriff's Department and the Department of Mental Health have reached a proposed settlement with the DOJ concerning the DOJ's allegations that the County and the Sheriff's Department are violating inmates' constitutional rights with respect to mental health services and suicide prevention in the County jails as well as DOJ's concerns about the use of excessive force in the County jails. At this time, the cost of compliance for both this DOJ matter, and *Rosas* is still being evaluated.

Social Services Cases

In September 2011, *Duval v. County of Los Angeles, et al.* was filed against the County pursuant to the Civil Rights Act, alleging that plaintiff's civil rights were violated when the Department of Children and Family Services removed plaintiff's son from her custody without parental consent, a warrant or exigent circumstances. On November 3, 2016, a jury awarded the plaintiff \$3.1 million in damages. The court later awarded the plaintiff attorneys' fees and costs totaling approximately \$3 million, for a total judgment of \$6 million. Both the plaintiff and the County have filed notices of appeal.

Tax Cases

In 2007, in *Los Angeles Unified School District v. County of Los Angeles, et al.*, the Los Angeles Unified School District (LAUSD) alleged that the Auditor-Controller improperly calculated statutory pass-through payments related to the Educational Revenue Augmentation Fund ("ERAF") that were payable to LAUSD under redevelopment law. The Court of Appeal reversed a trial court decision in favor of the County, and the County's petition for review was denied by the California Supreme Court. On remand in January 2012, the trial court issued a decision in favor of the County regarding calculation of the statutory payments, which temporarily reduced the County's exposure. On September 7, 2012, LAUSD appealed the trial court's ruling. On June 26, 2013, the Court of Appeal reversed the trial court ruling and sided with LAUSD, holding that the statutory payments to LAUSD should have included a higher share of the ERAF revenue diverted by the "Triple Flip" and Vehicle License Fee swap legislation. The California Supreme Court denied the County's petition for review in October 2013. The Court of Appeal's decisions have resulted in higher statutory pass through payments to school districts and lower pass through payments to the County. Three other districts, Los Angeles Community College District, Montebello Unified School District, and Long Beach Unified School District, subsequently filed lawsuits with the same allegations litigated by LAUSD. The three cases were stayed

until August 14, 2014 to allow for a settlement of all ERAF-related litigation. Pursuant to the terms of the settlements, the County paid LAUSD \$57.86 million, Los Angeles Community College District \$6.95 million, Montebello Unified School District \$4.80 million, and Long Beach Unified School District \$12.90 million. The remaining payments under the settlement are for County-controlled special districts estimated to total \$160,000, which are expected to be fully executed on or before August 1, 2018, bringing the litigation to a close.

Willy Granados v. County of Los Angeles, an action for damages and declaratory and injunctive relief, was filed in November 2006. It seeks to stop the County's collection of the utility user tax ("UUT") to the extent that it is applied to telecommunications services that are no longer subject to the federal excise tax ("FET"). The County Code excludes from the UUT amounts paid for services exempt from the FET. In addition, the suit seeks to recover the allegedly wrongfully collected taxes. The plaintiff also seeks certification as a class action. In 2007, the County filed a demurrer to the complaint, which was sustained. The action was dismissed and the plaintiff appealed. The action was stayed pending a decision in *Ardon v. City of Los Angeles*, where the court ruled in 2011 that a class claim could be brought for a UUT refund. In 2012, the Court of Appeal reversed the dismissal order, resulting in reinstatement of the lawsuit. Litigation activity resumed in 2016, and the plaintiff's motion for class certification was granted in May 2017. The plaintiffs sought \$39 million in refunds. The County authorized settlement of the lawsuit for \$16.9 million and has set aside reserves in this amount. The terms of the settlement agreement also include a provision for unclaimed funds to revert to the County, thereby potentially reducing the \$16.9 million liability. It is anticipated that final resolution of the claim process will occur by early 2019.

Other Cases

In May 2016, the County experienced a phishing email attack that affected multiple departments and resulted in a breach of information for over 750,000 individuals. The County has provided the required notices and is undergoing an investigation into the incident. To date, no evidence suggests that any information has been misused. The County has taken actions to enhance security measures and training for employees to guard against future intrusions. The County does not expect any liability from this incident to adversely affect the County's ability to repay its outstanding lease and debt obligations.

Pending Litigation

There are a number of other lawsuits and claims pending against the County. In the opinion of the County Counsel, such suits and claims that are presently pending will not impair the ability of the County to make debt service payments or otherwise meet its outstanding lease or debt obligations.

TABLE 1: RETIREMENT PLAN UAAL AND FUNDED RATIO

(in thousands)

Actuarial Valuation Date	Market Value of Plan Assets	Actuarial Value of Plan Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
06/30/2010	33,433,888	38,839,392	46,646,838	7,807,446	83.26%
06/30/2011	39,452,011	39,193,627	48,598,166	9,404,539	80.65%
06/30/2012	38,306,756	39,039,364	50,809,425	11,770,061	76.83%
06/30/2013	41,773,519	39,932,416	53,247,776	13,315,360	74.99%
06/30/2014	47,722,277	43,654,462	54,942,453	11,287,991	79.45%
06/30/2015	48,818,350	47,328,270	56,819,215	9,490,945	83.30%
06/30/2016	47,846,694	49,357,847	62,199,214	12,841,367	79.35%
06/30/2017	52,743,651	52,166,307	65,310,803	13,144,496	79.87%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2017.

TABLE 2: INVESTMENT RETURN ON RETIREMENT PLAN ASSETS

(in thousands)

Fiscal Year	Market Value of Plan Assets	Market Rate of Return	Funded Ratio Based on Market Value
2009-10	33,433,888	11.8%	69.9%
2010-11	39,452,011	20.4%	79.4%
2011-12	38,306,756	0.3%	73.7%
2012-13	41,773,519	12.1%	77.6%
2013-14	47,722,277	16.8%	86.0%
2014-15	48,818,350	4.3%	85.0%
2015-16	47,846,694	1.1%	76.1%
2016-17	52,743,651	12.7%	80.0%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2017.

TABLE 3: COUNTY PENSION AND OPEB PAYMENTS

(in thousands)

Fiscal Year	Payments to LACERA			Pension Bonds Debt Service	Total Pension & OPEB Payments
	Retirement Fund	OPEB (PAYGO)	OPEB (Prefund)		
2011-12	1,026,867	424,030	0	0	1,450,897
2012-13	1,118,514	441,062	448,819	0	2,008,395
2013-14	1,262,754	446,979	0	0	1,709,733
2014-15	1,430,462	450,202	0	0	1,880,664
2015-16	1,383,897	507,698	72,489	0	1,964,084
2016-17	1,334,825	528,908	61,145	0	1,924,878
2017-18	1,503,188 *	560,549 *	120,797 *	0	2,184,534
2018-19	1,617,026 *	599,784 *	182,887 *	0	2,399,697

Source: Milliman Actuarial Valuations (of LACERA), Los Angeles County CAFRs and County of Los Angeles Chief Executive Office.

* Estimated

BUDGETARY INFORMATION

COUNTY BUDGET PROCESS

The County is required by California State Law to adopt a balanced budget by October 2nd of each year. The CEO of the County prepares a preliminary forecast of the County budget based on the current year budget, the State budget, and other projected revenue and expenditure trends. Expanding on this forecast, the CEO prepares a target County budget for the ensuing fiscal year, and projected resources are tentatively allocated to the various County programs and services.

The CEO normally presents the Recommended County Budget to the Board of Supervisors in April. The Board of Supervisors is required to adopt a Recommended Budget no later than June 30th. If a final County Budget is not adopted by June 30th, the appropriations approved in the Recommended Budget, with certain exceptions, become effective for the new fiscal year until the final budget is approved.

The CEO generally recommends revisions to the County Budget after adoption of the final State budget to align County expenditures with approved State funding. After conducting public hearings and deliberating on the details of the budget, the Board of Supervisors is required to adopt the Final County Budget by October 2nd of each year.

Throughout the remainder of the fiscal year, the Board of Supervisors approves various adjustments to the Final County Budget to reflect changes in appropriation requirements and funding levels. The annual revenues from the State and Federal governments are generally allocated pursuant to formulas specified in State and Federal statutes. For budgetary or other reasons, such statutes are often subject to change that may affect the level of County revenues and budgetary appropriations.

COUNTY BUDGET OVERVIEW

The County Budget is comprised of eight fund groups through which the County's resources are allocated and controlled. These groups include the General Fund and Hospital Enterprise Fund (which represents the General County Budget), Special Revenue Funds, Capital Project Special Funds, Special District Funds, Other Enterprise Funds, Internal Service Fund, and Agency Fund.

The General County Budget accounts for approximately 78.8% of the 2018-19 Recommended Budget and appropriates funding for programs that are provided on a mostly county-wide basis (e.g., health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis (e.g., law enforcement, planning and engineering).

Special Revenue Funds represent approximately 11.1% of the 2018-19 Recommended Budget, and are used to account for the allocation of revenues that are restricted to defined purposes, such as public library operations, road construction and maintenance programs, specific automation projects and Measure H – Los Angeles County Plan to Prevent and Combat Homelessness.

Capital Project Special Funds account for approximately 0.8% of the 2018-19 Recommended Budget and provide funding for the acquisition or construction of major capital facilities that are not financed through other funding sources.

Special District Funds, which account for approximately 6.8% of the 2018-19 Recommended Budget, are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. Special Districts are governed by the Board of Supervisors and include, among others, Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts. The remaining fund groups, Other Enterprise, Internal Services and Agency Funds account for 2.5% of the 2018-19 Recommended Budget.

CONSTITUTIONAL PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Proposition 13

Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed 1% of the Full Cash Value of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes required to pay debt service on voter-approved general obligation bonds. Full Cash Value is defined as the County Assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.

The Full Cash Value is subject to annual adjustment to reflect inflation at a rate not to exceed 2%, or a reduction as shown in the consumer price index (or comparable local data), or a decline in property value caused by damage, destruction or other factors. The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on certain types of indebtedness approved by the voters.

Article XIII B of the California Constitution limits the amount of appropriations by local governments to "Proceeds of Taxes." The County's appropriation limit for Proceeds of Taxes for Fiscal Year 2017-18 is \$23,164,352,326. The 2017-18 Final Adopted Budget included proceeds from taxes of \$9,046,684,333, which is substantially below the statutory limit.

Proposition 62

Proposition 62, a 1986 ballot initiative that amended the California Constitution, requires voter approval of all new taxes or any increases to local taxes. A challenge to taxes subject to Proposition 62 may only be made for those taxes collected beginning one year before a claim is filed. Such a claim is a necessary prerequisite to the filing of a lawsuit against a public entity in California.

Proposition 218

Proposition 218, a 1996 ballot initiative that added Articles XIIC and XIID to the California Constitution, established the following requirements on all taxes and property-related assessments, fees, and charges:

- precluded special purpose districts or agencies, including school districts, from levying general taxes;
- precluded any local government from imposing, extending or increasing any general tax unless such tax is approved by a majority of the electorate;
- precluded any local government from imposing, extending or increasing any special purpose tax unless such tax is approved by two-thirds of the electorate; and
- ensured that voters may reduce or repeal local taxes, assessments, or fees through the initiative process.

An Appellate Court decision determined that Proposition 218 did not supersede Proposition 62. Consequently, voter approval alone may not be sufficient to validate the imposition of general taxes adopted, increased or extended after January 1, 1995.

Proposition 218 also expressly extends to voters the power to reduce or repeal local taxes, assessments, and fees through the initiative process, regardless of the date such charges were imposed. SB 919, the Proposition Omnibus Implementation Act, was enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions to comply with Proposition 218. SB 919 states that the initiative power provided for in Proposition 218 shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by the United States Constitution.

In the 2006 case of *Bighorn-Desert View Water Agency v. Virjil (Kelley)*, the State Supreme Court suggested that the initiative power under Proposition 218 is not free of all limitations, and could be subject to restrictions imposed by the contract clause of the United States Constitution. No assurance can be given, however, that voters in the County will not, in the future, approve an initiative that reduces or repeals local taxes, assessments, fees or charges that are deposited into the County's General Fund. In addition, "fees" and "charges" are not defined by Article XIIC or SB 919, and the scope of the initiative power under Article XIIC could include all sources of General Fund revenue not received from or imposed by the Federal or State government or derived from investment income.

Proposition 1A 2004

Proposition 1A 2004, approved by the voters in November 2004, amended the State Constitution by limiting the State's authority to reduce local sales tax rates or alter their method of allocation, shift property tax revenues from local governments to schools or community college districts, or decrease Vehicle License Fee ("VLF") revenues without providing replacement funding. Proposition 1A 2004 further amended the State Constitution by requiring the State to suspend State laws that create unfunded mandates in any year that the State does not fully reimburse

local governments for their costs to comply with such mandates. Pursuant to Proposition 1A 2004, the State can no longer reallocate local property tax revenues without triggering a constitutional obligation to repay the local taxing agencies within three years. The State is further prohibited from reallocating local property tax revenues on more than two occasions within a ten-year period.

Proposition 26

On November 2, 2010, voters approved Proposition 26, which amended the State Constitution to expand the definition of a tax so that certain fees and charges imposed by the State and local governments will now be subject to approval by two-thirds of each house of the State Legislature or approval by local voters, as applicable. Proposition 26 requires a two-thirds approval by each house of the State Legislature to enact new laws that increase taxes on any taxpayer, and repealed State laws that were in conflict with the measure, unless they were approved again by two-thirds of each house of the State Legislature.

In terms of its direct fiscal impact on the County, Proposition 26 is likely to result in the loss of approximately \$61 million in annual State tax revenue to County road districts, which are separate legal entities responsible for the operation and maintenance of streets and roads in the unincorporated areas of the County. Since the County is unlikely to backfill any reduction in State revenue to the road districts, there is no projected fiscal impact to the County General Fund.

Future Initiatives

Propositions 13, 62, 218, 1A 2004 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting County revenues or the County's ability to expend revenues.

FEDERAL AND STATE FUNDING

A significant portion of the County budget is comprised of revenues received from the Federal and State governments. As indicated in the table "Historical Appropriations by Fund" on page A-23 of this Appendix A, \$4.872 billion of the \$24.286 billion 2018-19 Recommended General County Budget is received from the Federal government and \$6.421 billion is funded by the State. The remaining \$12.993 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 47% of General County funding is provided by the State and Federal government illustrates the County's significant reliance on outside funding sources.

Federal Budget Update

On March 23, 2018, the President signed into law H.R. 1625, the Consolidated Appropriations Act, 2018, which is an omnibus spending package for the remainder of Federal Fiscal Year (FFY) 2018. The \$1.3 trillion spending bill funds Federal government operations through September 30, 2018, the end of FFY 2018. The funding levels reflect those set in the recently enacted Bipartisan Budget Act of 2018 (H.R. 1892), which provided \$143.0 billion in additional spending authority, including \$63.0 billion for non-defense domestic discretionary programs. The package includes increased funding for many programs of interest to the County, including the Community

Development Block Grant, Public Housing Operating and Capital Funds, and funding for the 2020 Decennial Census.

On February 12, 2018, the President released his Proposed Federal Budget for FFY 2019, which accounts for the new top-line spending limit enacted in the Bipartisan Budget Act. The \$4.4 trillion budget proposes \$200.0 billion in new infrastructure spending in the form of grants designed to leverage \$1.5 trillion in non-federal funding. The proposal also includes \$3.0 trillion in spending cuts over the next ten years, including \$1.7 trillion in cuts to mandatory entitlement programs such as Medicaid (\$199.0 billion), Medicare (\$554.0 billion), Supplemental Nutrition Assistance Program (\$213.5 billion), and Temporary Assistance for Needy Families (\$21.3 billion). It also proposes to eliminate or significantly curtail several discretionary spending programs of interest to the County, including the elimination of the Community Development Block Grant, HOME Investment Partnership program, Community Services Block Grant, State Criminal Alien Assistance program grants and the Public Housing Capital Fund.

The President's Proposed Budget for FFY 2019 is unlikely to be enacted, but rather serves as a messaging document highlighting his priorities. Congress is responsible for passing appropriations legislation to fund the federal government. With the Federal budget for FFY 2018 complete, the House and Senate have turned their attention to FFY 2019, and preliminary hearings have already been conducted by several authorizing and appropriations committees. Based on the top-line spending levels for FFY 2019 that have been agreed to, the County expects that FFY 2019 appropriations for individual programs will be consistent with levels provided in the FFY 2018 omnibus spending package.

STATE BUDGET PROCESS

Over the past twenty-five years, the State budget has experienced broad fluctuations as the State responded to the economic recession of the early 1990's, the economic recovery later in the same decade, the 2001 recession and subsequent recovery, and the most recent economic downturn that started in 2008. With the steady improvement in the State economy since the 2008 recession and the passage of Proposition 30 in the November 2012 election (and the subsequent extension by voters with the passage of Proposition 55 in November 2016), the State has experienced significant improvement to its budget stability and overall financial condition. The State's budgetary decisions in response to the changing economic environment will continue to have a significant financial and programmatic impact on counties, cities, and other local jurisdictions.

Fiscal Year 1991-92 Realignment Program

In Fiscal Year 1991-92, the State and county governments collectively developed a program realignment system (the "1991-92 Realignment Program") that removed State funding for certain health and welfare programs, and provided counties with additional flexibility to administer such programs. Under the 1991-92 Realignment Program, certain health and welfare services are funded by a 0.5% increase in sales taxes and increased vehicle license fees. Since counties receive their share of the funding for health and welfare programs under a fixed formula prescribed by State law, the flow of funds is no longer subject to the State budget process. If sales tax and vehicle license fee revenues are not realized as expected, county governments will still maintain responsibility for the management

and cost of such programs.

On June 27, 2013, Governor Brown signed into law AB 85, which provides a mechanism for the State to redirect certain 1991-92 Realignment Program health care funding to social service programs. With California electing to implement a state-run Medicaid expansion pursuant to the Affordable Care Act, the State anticipates that the cost to counties for providing health care services to the indigent population will decrease as this population becomes eligible for coverage through Medi-Cal or the State-run health insurance exchange. The impact of the AB 85 legislation to the County is discussed in further detail in the Health Services Budget section

Public Safety Realignment

The approval of the Public Safety Realignment Act of 2011 (AB 109) transferred responsibility for the custody and supervision of specific low-level inmates and parolees from the California Department of Corrections and Rehabilitation to counties. Funding for AB 109 is financed by redirecting 1.0625% of State sales tax revenue and a portion of Vehicle License Fee revenues from the State to the counties. In November 2012, California voters passed Proposition 30, which authorized a constitutional amendment prohibiting the State Legislature from removing AB 109 funding.

Redevelopment Agencies

Effective February 1, 2012, and pursuant to Assembly Bill x1 26 ("ABx1 26"), redevelopment agencies throughout the State were abolished and prohibited from engaging in future redevelopment activities. ABx1 26 requires successor agencies to take over from the former redevelopment agencies and perform the following functions:

- Continue making payments on existing legal obligations without incurring any additional debt.
- Wind down the affairs of the former redevelopment agencies and return the funds of liquidated assets to the county Auditor-Controller, who will in turn distribute these funds to the appropriate local taxing entities.

Under ABx1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as "residual taxes", are to be distributed as property tax revenue to the appropriate local taxing entities, including the County. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County General Fund was approximately \$453.0 million in Fiscal Year 2009-10. In Fiscal Years 2015-16 and 2016-17, the County General Fund received \$144.3 million and \$175.2 million of residual taxes, respectively. The budgeted and estimated residual tax revenue for Fiscal Year 2017-18 is \$186.0 million, while the 2018-19 Recommended Budget includes a projected \$210.7 million of residual tax revenue for the General Fund.

The County's direct involvement in redevelopment activities was limited to unincorporated areas of the County and to a small number of projects. The successor agency for these activities is the County's Community Development Commission. The

dissolution of County related projects is not expected to have a material impact, if any, on the financial condition of the County.

2017-18 STATE BUDGET

On June 27, 2017, Governor Brown signed the Fiscal Year 2017-18 State Budget Act (the "2017-18 State Budget Act"), which projected a beginning fund balance surplus from Fiscal Year 2016-17 of \$1.622 billion, total revenues and transfers of \$125.880 billion, total expenditures of \$125.096 billion, and a year-end surplus of \$2.406 billion for Fiscal Year 2017-18. Of the projected year-end surplus, \$980 million will be allocated to the Reserve for Liquidation of Encumbrances and \$1.426 billion will be deposited to the Special Fund for Economic Uncertainties. The 2017-18 State Budget Act provides for a deposit into the State's Budget Stabilization Account (Rainy Day Fund) in the amount of \$8.486 billion, which represents approximately 65% of the Constitutional funding target established under Proposition 2 of 2014.

The 2017-18 State Budget Act is not expected to result in any significant loss of funding to the County with the exception of the following program reductions related to the In-Home Supportive Services Maintenance of Effort (IHSS MOE) and the CalWORKs Single Allocation, as described below.

The 2017-18 State Budget Act includes the Governor's proposal to mitigate the impact of eliminating the IHSS MOE to counties by (1) establishing a base funding level of \$1.769 billion in State General Fund contributions to counties over the next four fiscal years; (2) establishing an annual county inflation factor which would be phased in and applied to the base funding level, beginning at zero in Fiscal Year 2017-18, 5% in Fiscal Year 2018-19, and 7% in Fiscal Year 2019-20; and (3) returning collective bargaining to counties.

As a result of the IHSS MOE, the County is projecting total IHSS cost increases of \$149.6 million over the next four fiscal years (2017-18 to 2020-21), and total revenue loss/redirections of \$79.1 million over the same time period. The primary factors which are expected to drive up costs in the coming years include substantial caseload growth, increases in the minimum wage to \$15.00, overtime costs and paid sick leave.

The 2017-18 State Budget Act provides \$108.9 million to partially restore funding related to the Governor's proposal in the May Budget Revision to reduce the CalWORK5 Single Allocation by \$248.0 million. The CalWORKs Single Allocation provides funding for county functions related to employment services, eligibility determination and administration, Stage 1 Child Care and Cal-Learn. The County estimates that the CalWORKs Single Allocation reduction will result in a funding loss of approximately \$46.0 million in Fiscal Year 2017-18.

2018-19 STATE BUDGET

On January 10, 2018, Governor Brown released his Fiscal Year 2018-19 Proposed State Budget (the "Proposed State Budget"). The Proposed State Budget projects a beginning fund balance surplus from Fiscal Year 2017-18 of \$5.351 billion, total revenues and transfers of \$129.792 billion, total expenditures of \$131.690 billion, and a year-end surplus of \$3.453 billion for Fiscal Year 2018-19. Of the projected year-end surplus, \$1.165 billion would be allocated to the Reserve for Liquidation of Encumbrances and \$2.288 billion would be deposited to the Special Fund for

Economic Uncertainties. In accordance with the 2014-15 State Budget Act, the Proposed State Budget continued to provide for a deposit into the State's Budget Stabilization Account (Rainy Day Fund) in the amount of \$13.461 billion, which includes a \$3.5 million supplemental payment to reach the Constitutional funding target established under Proposition 2 in 2014.

The key funding priorities addressed in the Proposed State Budget include: continued funding for the expansion of health care coverage for low-income residents under the Affordable Care Act; provides the first full year of funding for the Road Repair and Accountability Act of 2017 (the State's 10-year Transportation Infrastructure Plan); and proposes an additional \$3.1 billion to fully fund the K-12 Local Control Funding Formula, bringing total funding for this program to \$78.3 billion in Fiscal Year 2018-19.

The items of major interest to the County include the following:

Voting Systems Update and Replacement. The Governor's Budget includes a one-time State General Fund augmentation of \$134.3 million to support the purchase of all necessary hardware, software, and initial licensing for the replacement of voting systems and technology statewide. This funding will be made available to all counties with a 50 percent match requirement. [The County's estimated share of this funding in Fiscal Year 2018-19 is \$XX.X million.]

2020 Census Funding. The Governor's Budget proposes \$40.3 million to support statewide outreach and other census related activities to support the U.S. Census Bureau for the 2020 Census. The statewide funding represents a \$30.3 million increase from Fiscal Year 2017-18, and provides up to \$10.0 million of funding (including \$7.0 million allocated to counties) in the form of Local Update of Census Address Grants. [The County is expected to receive \$X.X million of this funding in Fiscal Year 2018-19.]

In-Home Supportive Services (IHSS). The Governor's Budget includes \$11.2 billion (\$3.6 billion State General Fund) for the IHSS program in Fiscal Year 2018-19, which represents a 7.7% increase in funding from the State General Fund over the revised funding level in Fiscal Year 2017-18. The State will maintain the existing IHSS MOE annual inflation factor adjustments of 5% in Fiscal Year 2018-19 and 7% in Fiscal Year 2019-20. [The County is expected to receive \$X.X million of this funding in Fiscal Year 2018-19.]

County Medi-Cal Administration. The Governor's Budget proposes an increase of \$54.8 million (\$18.5 million State General Fund) in FY 2018-19 based on an adjustment to the existing funding level using the increase in the California Consumer Price Index. The increase is based on an interim methodology that will be used until a new budgeting methodology is developed for calculating base costs related to county Medi-Cal administration. However, unspent funds will no longer be reallocated to counties that overspend their allocation. [The County's estimated share of the increased funding in Fiscal Year 2018-19 is \$XX.X]

Emergency Child Care Bridge Program for Foster Children. The Proposed State Budget includes \$30.5 million in funding for Fiscal Year 2018-19. This program provides emergency child care vouchers for foster youth caregivers, access to a child care navigator, and trauma-informed care training for foster youth

child care providers. The County expects to receive \$5.5 million of the total \$30.5 million statewide funding in Fiscal Year 2018-19.

State-County Partnerships on Incompetent to Stand Trial. The Governor's Budget includes \$117.3 million of statewide funding for State-county partnerships to address the increasing need for Incompetent to Stand Trial (1ST) placement options. [The County's estimated share of the statewide funding for this program in Fiscal Year 2018-19 is \$XX.X million]

2011 Public Safety Realignment Funding. The Governor's Budget projects an increase in funding for the AB 109 Program from the statewide base allocation of \$1.24 billion in Fiscal Year 2017-18 to \$1.33 billion in Fiscal Year 2018-19. The County is expected to receive \$412.2 million in AB 109 base allocation funds in Fiscal Year 2018-19, which represents an increase of \$26.2 million over the Fiscal Year 2017-18 base allocation.

Community Corrections Performance Incentive Grant. The Governor's Budget includes \$106.4 million in statewide funding for the Community Corrections Performance Incentive Grant (SB 678 of 2009), which provides county probation departments performance-based funding when they successfully reduce the number of adult felony probationers going to State prison. The County is expected to receive \$36.6 million of SB 678 funds in Fiscal Year 2018-19, which is equal to the County's funding allocation in Fiscal Year 2017-18.

Proposition 57 of 2016. The Governor's Budget includes \$29.0 million in statewide funding for county probation departments to manage the temporary increase in the Post Release Community Supervision (PRCS) population as a result of Proposition 57. The County is expected to receive \$7.8 million in Proposition 57 funds in Fiscal Year 2018-9.

Transportation and Infrastructure. The Governor's Budget includes approximately \$4.6 billion in new statewide transportation revenue from the first full year of funding under SB 1, the Road Repair and Accountability Act of 2017. Approximately \$1.2 billion of the statewide SB 1 revenue will be allocated directly to counties and cities to fund transportation and infrastructure projects. The County is expected to receive approximately \$112.0 million of new SB 1 funding in Fiscal Year 2018-19.

RECENT COUNTY BUDGETS

General County Budgets have reflected a conservative approach and have sought to maintain a stable budgetary outlook in an uncertain fiscal environment. As a result of the previous economic downturn, which started to impact the budget in Fiscal Year 2008-09, the County experienced a "cyclical" budget deficit, as revenues declined and spending on safety net programs and pension-related costs increased. The economic downturn had a significant impact on the Net County Cost (NCC) budget gap, which reached a peak of \$491.6 million in Fiscal Year 2010-11. NCC is the portion of the County's budget that is financed with County discretionary funding (also known as locally generated revenues).

In order to manage the budget gaps, the County used a balanced approach of curtailing departmental budgets, and using reserves and capital funding appropriations to achieve a balanced budget. To control costs, the County achieved significant savings through

its efficiency initiative program, and the implementation of a hiring freeze and a freeze on non-essential services, supplies and equipment, which ended as of July 1, 2013. The County eliminated 2,735 budgeted positions from Fiscal Year 2009-10 to Fiscal Year 2011-12, and the County's employee labor groups agreed to zero cost-of-living adjustments and no salary increases for a five-year period beginning in Fiscal Year 2008-09. If the County had relied solely on curtailments, the impact to County services and its residents would have been much more severe and most likely would have resulted in the reduction of critical services and the layoff of large numbers of County employees. The measured approach to managing budgetary challenges, including the use of one-time funding sources, enabled the County to more strategically achieve balanced budgets, and maintain critical core services.

Property Tax Revenue

Property tax revenue represents the largest source of ongoing discretionary revenue for the County. The reliability of property tax revenue is due in large part to Proposition 13, which helps insulate the County from the cyclical nature of the real estate market. Proposition 13 limits the growth of assessed valuations and allows for reassessments when a property is sold or when new construction occurs. Assessed valuation can also be adjusted for inflation or deflation. As a result of Proposition 13, there is a significant amount of "stored" home value appreciation that is not reflected on the property tax rolls, which helped to offset a significant decrease in property values during the most recent economic downturn.

To illustrate this point, average median home prices in the County declined by 48% from their peak value in August 2007 (\$562,346) to a low in January 2012 (\$290,015), but the net revenue-producing value of the property tax roll (the "Net Local Roll") decreased by only 0.51% and 1.87% in Fiscal Year 2009-10 and 2010-11, respectively. After the economic downturn, and with the ongoing recovery in the real estate market, the County has experienced seven consecutive years of steady growth in assessed valuation, with increases in the Net Local Roll of 1.36%, 2.20%, 4.66%, 5.47%, 6.13%, 5.58% and 6.04% in Fiscal Years 2011-12 through 2017-18, respectively.

For Fiscal Year 2017-18, the Assessor reported a Net Local Roll of \$1.416 trillion, which represents an increase of 6.04% or \$80.6 billion from Fiscal Year 2016-17. The Fiscal Year 2017-18 Net Local Roll represents the largest revenue-producing valuation in the history of the County, and the seventh consecutive year of growth in assessed valuation. The largest factors contributing to the increase in assessed valuation in Fiscal Year 2017-18 are transfers in ownership (\$43.5 billion), and an increase in the consumer price index (\$24.6 billion).

For the Fiscal Year 2017-18 tax roll, the Assessor estimates that approximately 10.9% of all single-family residential parcels, 11.3% of all residential income parcels and 14.3% of commercial-industrial parcels are 1975 base-year parcels, which indicates a significant amount of stored value that can be realized on future tax rolls when these parcels are sold and reassessed at higher values.

With the downturn in the real estate market that started in 2007, the County Assessor initiated Proposition 8 reviews of 791,000 parcels. As a result of the Assessor's proactive approach to Proposition 8 reviews, the valuations of 552,000 parcels sold

during the height of the real estate market were adjusted downward to reflect current market values at the time of the review. The lower valuations helped to insulate the County from future reductions in the Net Local Roll if these properties were re-sold at lower market values. In response to the improvement in the real estate market, and beginning with the Fiscal Year 2008-09 Assessment Roll, the Assessor initiated a review of the 552,000 parcels to determine if the reductions in assessed value were still warranted under Proposition 13. Based on this review, the Assessor has fully restored approximately 433,000 parcels to their Proposition 13 base year value, with 119,000 parcels still eligible for potential restorations in value.

Based on a preliminary forecast, the County is projecting a 5.74% increase in the Net Local Roll for Fiscal Year 2018-19. The Assessor is scheduled to issue their official forecast in May 2018, and release the final property tax roll for Fiscal Year 2018-19 in July 2018.

FISCAL YEAR 2017-18 FINAL ADOPTED BUDGET

The Fiscal Year 2017-18 Final Adopted Budget (the "2017-18 Final Adopted Budget") was approved by the Board of Supervisors on September 26, 2017. The 2017-18 Final Adopted Budget appropriates \$31.605 billion, which reflects a \$1.722 billion or 5.8% increase in total funding requirements from the Fiscal Year 2016-17 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates \$24.324 billion, which represents a \$1.333 billion or 5.8% increase from the Fiscal Year 2016-17 Final Adopted Budget. The 2017-18 Final Adopted Budget appropriates \$7.281 billion for Special Funds/District, reflecting a \$389 million or 5.6% increase from the Fiscal Year 2016-17 Final Adopted Budget.

The primary changes to the NCC component of the 2017-18 Final Adopted Budget are outlined in the following table.

Fiscal Year 2017-18 NCC Budget Changes

Public Assistance Changes	\$ 24,332,000
Unavoidable Cost Increases	
Health Insurance Subsidy	38,464,000
Pension Costs	32,066,000
Employee Salaries	93,621,000
Prefund Retiree Healthcare Benefits	25,000,000
Various Cost Changes	14,476,000
Program Changes	
Correctional Mental Health Services	9,968,000
Juvenile Indigent Defense	6,939,000
Data Center	13,271,000
Women & Girls Initiative	1,115,000
Affordable Housing & Economic Development	10,200,000
Other Public Safety Programs	7,527,000
Health Services Program Changes	2,513,000
Correctional Treatment Facility Debt Service	17,200,000
Other Debt Service	2,826,000
All Other Program Changes	9,128,000
Fiscal Policies	
Appropriation for Contingency	2,379,000
Deferred Maintenance	5,000,000
Total Net County Cost Increases	316,025,000
Revenue Changes	
Property Taxes	283,001,000
Property Taxes - CRA Dissolution Residual	14,555,000
Public Safety Sales Tax	13,996,000
Various Revenue Changes	4,473,000
Total Locally Generated Revenue	316,025,000
Total Projected Budget Gap	\$ -

Public Assistance Changes

The increase in funding for Public Assistance in the 2017-18 Final Adopted Budget is primarily related to a \$23.4 million increase in the IHSS Program.

Unavoidable Cost Increases

Salaries and Employee Benefits - Unavoidable cost increases are primarily the result of previously approved increases in salaries and employee benefits. The current labor agreements provide for a 10% increase over three (3) years, beginning in Fiscal Year 2015-16.

Prefund Retiree Healthcare Benefits - The 2017-18 Final Adopted Budget appropriates \$121.2 million in pre-funding contributions to the OPEB Trust Fund. This appropriation is comprised of \$50 million in NCC and \$71.2 million in projected subvention revenue to be received from Federal, State and other local government entities. This is the third year of a multi-year plan approved by the Board of Supervisors on June 22, 2015 that is expected to incrementally increase the prefunding of retiree healthcare benefits on an annual basis.

Program Changes

The 2017-18 Final Adopted Budget includes \$80.7 million of adjustments to various County programs, including increases for public safety, social services and health and mental health services.

Fiscal Policies

The County budget policy (the "Budget Policy") requires the establishment of a Rainy Day Fund as a hedge against future economic uncertainties, with a target funding amount equivalent to 10% of ongoing locally generated revenues. The current balance of the Rainy Day Fund is \$448.3 million, which is approximately 7.4% of discretionary revenues.

On September 30, 2014, the County updated the Budget Policy to require that between 5% to 10% of new ongoing discretionary revenues be set aside during the budget process in the Appropriation for Contingency as a hedge against unforeseen budget issues that may occur during any fiscal year. As part of the 2017-18 Final Adopted Budget, \$29.7 million was set aside in the Appropriation for Contingency, which reflects 10% of discretionary revenues. In addition, the revised Budget Policy requires that \$5.0 million be allocated annually for deferred maintenance needs as part of the Recommended Budget.

Revenue Changes

As the local economy continues to improve, the County's primary revenue sources are expected to show continued growth in Fiscal Year 2017-18. The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. Based on the 6.04% increase in the Net Local Roll, the 2017-18 Final Adopted Budget includes a \$283.0 million increase in property tax revenues. The 2017-18 Final Adopted Budget also includes a \$14.6 million increase in the property tax residual from the dissolution of redevelopment agencies.

Based on current trends and a survey of local economic forecasts, the County assumed a 2.6% growth factor in its overall statewide sales tax projection for the 2017-18 Final Adopted Budget. Based on the 2.6% growth rate, the County is projecting a \$14.0 million increase in Proposition 172 Sales Tax in Fiscal Year 2017-18.

FISCAL YEAR 2018-19 RECOMMENDED BUDGET

The Fiscal Year 2018-19 Recommended Budget (the "2018-19 Recommended Budget") was approved by the Board of Supervisors on April 10, 2018. The 2018-19 Recommended Budget appropriates \$30.805 billion, which reflects an \$800 million or 2.5% decrease in total funding requirements from the 2017-18 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates \$24.286 billion, which represents a \$38 million or 0.2% decrease from the 2017-18 Final Adopted Budget. The 2018-19 Recommended Budget appropriates \$6.519 billion for Special Funds/District, reflecting a \$762 million or 10.5% decrease from the Fiscal Year 2017-18 Final Adopted Budget.

The primary changes to the ongoing NCC component of the 2018-19 Recommended Budget are outlined in the following table.

Fiscal Year 2018-19 NCC Budget Changes

Public Assistance Changes	\$(852,000)
Unavoidable Cost Increases	
Health Insurance Subsidy	43,024,000
Pension Costs	43,027,000
Employee Salaries	148,837,000
Prefund Retiree Healthcare Benefits	25,000,000
Various Maintenance of Effort Requirements	5,442,000
Program Changes	
Affordable Housing	15,000,000
Public Safety Programs	23,936,000
Debt Service	9,065,000
Other Changes	(6,023,000)
All Other Program Changes	1,299,000
Fiscal Policies	
Appropriation for Contingency	1,155,000
Deferred Maintenance	5,000,000
Total Net County Cost Increases	313,910,000
Revenue Changes	
Property Taxes	277,572,000
Property Taxes - CRA Dissolution Residual	24,715,000
Public Safety Sales Tax	6,684,000
Various Locally Generated Revenues	4,939,000
Total Locally Generated Revenue	313,910,000
Total Projected Budget Gap	\$ -

Public Assistance Change

The decrease in funding for Public Assistance in the 2018-19 Recommended Budget is primarily related to a projected \$2.3 million decrease in General Relief expenditures, as well as a \$1.6 million decrease primarily due to a reduction in the CalWORKs caseload. The cost decreases are partially offset by increases in a variety of other Public Assistance programs.

Unavoidable Cost Increases

Salaries and Employee Benefits - Unavoidable cost increases are primarily the result of previously approved salaries and employee benefits increases, as well as yet to be determined salary and benefit increases that are subject to negotiations with County's collective bargaining units, and expected to take effect in Fiscal Year 2018-19. The current labor agreements provide for a 10% increase over three (3) years, beginning in 2015-16.

Prefund Retiree Healthcare Benefits - The 2018-19 Recommended Budget appropriates \$182.9 million in pre-funding contributions to the OPEB Trust Fund. This appropriation is comprised of \$75.0 million in NCC and \$107.9 million in projected subvention revenue received from Federal, State and other local government entities. This is the fourth year of a multi-year plan approved by the Board of Supervisors on June 22, 2015 that is expected to incrementally increase the prefunding of retiree healthcare benefits on an annual basis.

Program Changes

The 2018-19 Recommended Budget includes \$43.3 million of adjustments to various programs in the 2017-18 Final Adopted Budget, including increases for public safety, social services and health and mental services.

Fiscal Policies

The current balance of the Rainy Day Fund is \$448.3 million, which is approximately 7.0% of discretionary revenues. As part of the 2018-19 Recommended Budget, \$1.2 million was added to Appropriation for Contingencies, raising the amount to \$30.9 million, which reflects 10% of new discretionary revenues. The 2018-19 Recommended Budget also includes a \$5 million allocation for deferred maintenance needs.

Revenue Changes

As the local economy continues to improve, the County's primary revenue sources are expected to experience continued growth in Fiscal Year 2018-19. The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. Based on the 5.74% projected growth in the Assessment Roll, the 2018-19 Recommended Budget includes a \$277.6 million increase in property tax revenues. The 2018-19 Recommended Budget also includes a \$24.7 million increase in the property tax residual from the dissolution of redevelopment agencies.

Based on current trends and a survey of local economic forecasts, the County has assumed a 2.0% growth factor in its overall statewide sales tax projection for the 2018-19 Recommended Budget. Based on the 2.0% growth rate, the County is projecting a \$6.7 million increase in Proposition 172 Sales Tax in Fiscal Year 2018-19.

HEALTH SERVICES BUDGET

The Department of Health Services ("DHS") provides vital inpatient acute care through four hospitals: LAC+USC Medical Center, Harbor-UCLA Medical Center, Olive View-UCLA Medical Center and Rancho Los Amigos National Rehabilitation Center. Two of the hospitals, LAC+USC Medical Center and Harbor-UCLA Medical Center, operate trauma centers and emergency rooms; Olive View-UCLA Medical Center provides emergency room services; and Rancho Los Amigos National Rehabilitation Center operates as an acute rehabilitation facility. Outpatient services are provided at all four hospitals as well as multiple other facilities, including one outpatient center, one regional health center, six comprehensive health centers, eleven community health centers, and over 100 contracted Community Partner clinics located throughout the County. DHS also manages the emergency medical services system for the entire County. In collaboration with the University of Southern California and the University of California at Los Angeles, the County provides training for approximately 1,000 physician residents on an annual basis.

As a safety net provider, the County is the medical provider of last resort for indigent County residents. Historically, the cost of providing health services exceeded the combined total of DHS revenues and the annual subsidies from the County General Fund, which resulted in an ongoing structural deficit for DHS. DHS has been able to cover its structural deficits by developing

new revenue sources, implementing operational efficiencies and hiring freezes, and using one-time reserve funds.

DHS' fiscal outlook has improved from prior years, primarily due to new revenues that were part of the previous five-year Section 1115 Hospital Financing Waiver which became effective in November 2010, the new Medi-Cal 2020 Waiver which became effective in December 2015, (collectively referred to as the "Waiver") and the implementation of the Affordable Care Act (the "ACA") which became effective January 1, 2014. As a result of the ACA implementation, DHS has experienced a significant reduction in the number of uninsured patients, providing an overall fiscal benefit. Since the ACA has resulted in an expanded revenue base for DHS, the budgetary pressures on DHS have been significantly reduced. Furthermore, as explained below, Assembly Bill (AB) 85 establishes a sum certain for the maintenance of effort ("MOE") requirement for the County's contribution to DHS, as well as providing additional revenue sources

New Section 1115 Hospital Financing Waiver

On December 30, 2015, the Federal Centers for Medicaid and Medicare Services (CMS) approved Medi-Cal 2020 – a five year renewal of the Waiver, which could provide the State with over \$6.2 billion in new Federal funding.

The renewed Waiver features new programs that are designed to improve care for the State's Medi-Cal and remaining uninsured patients, and may result in additional Federal funding for the County over the five-year term of the new Waiver. The primary features of the new Waiver include:

- Public Hospital Redesign and Incentives in Medi-Cal (PRIME) is a pay-for-performance delivery system transformation and alignment program.
- Global Payment Program is a payment reform program for services provided to uninsured patients in California's Public Health Care system.
- Whole Person Care is a series of pilot programs designed to provide more integrated care to the highest-risk and most vulnerable patients. The pilot programs are chosen based on a competitive application process. The Department has been awarded the maximum amount of \$90.0 million annually over the 5-year Waiver term.

Affordable Care Act

The ACA provided the framework for the 2010 Waiver by allowing an early implementation of some of the law's coverage expansion provisions, which resulted in early enrollment for many uninsured DHS patients. The ACA's Medicaid Coverage Expansion ("MCE") program provides Medi-Cal coverage for citizens or legal residents who are uninsured adults (ages 19-64) with incomes at or below 138% of the Federal poverty level. As the ACA became effective on January 1, 2014, the early enrollees were automatically transitioned to coverage under the MCE program. The MCE program has significantly improved DHS' payer mix and provided additional revenues as previously uninsured patients have transitioned to Medi-Cal coverage.

At this time, the Medicaid provisions under the ACA remain in place. However, the tax reform bill that passed Congress late last year (the "Tax Cuts and Jobs Act of 2017"), included a repeal of the Affordable Care Act's individual mandate starting in 2019. A repeal of the individual mandate is likely to result in higher premiums on the health insurance exchanges. However, DHS does not anticipate any significant revenue impact.

Assembly Bill 85

Based on the implementation of the ACA and the expected reduction in the number of uninsured patients, the State proposed a restructuring of its relationship to the counties in terms of the State's funding of health care and human services programs that have been in place since the 1991-92 Realignment Program. Negotiations between the State and the counties regarding the State's proposed reductions ultimately resulted in the enactment of AB 85 (amended by SB 98). This legislation details the methodology that will be used to determine the amount of realignment revenue that will be "redirected" from the County's Realignment Revenue Health Subaccount to the County's Family Support Subaccount, which benefits social services programs. The County was able to negotiate its own agreement with the State and a formula that is different than that of the other counties in the State.

The County's unique formula takes into account the entire DHS budget and includes cost caps, revenue requirements, specific sharing ratios, and a County MOE. A mathematical formula is used to determine whether there are "excess" funds available for "redirection" of 1991-92 Realignment Program revenue back to the State. The amount of revenue redirection is reconciled to the formula two years after the close of each respective fiscal year. If there are "excess" funds resulting from the formula calculation, the sharing ratio for the excess amount of health care realignment revenue will be 80% State and 20% County. In general under the formula, if the County realizes higher revenue, the amount of redirection to the State will be higher as well, but cannot exceed the realignment amount received for a particular fiscal year. Conversely, if the County realizes less revenue, the amount of redirection to the State will also be less.

The final redirection amount for Fiscal Year 2013-14 was \$0 and for 2014-15, the redirection amount was \$365.5 million. The current projected redirection amounts for Fiscal Years 2015-16, 2016-17, and 2017-18 are \$291.4 million, \$134.6 million, and \$0, respectively. However, the redirection amounts for Fiscal Years 2016-17 and 2017-18 will have to be recalculated due to the recent CMS approval of two new revenue producing programs that replace programs that expired June 30, 2017. The County expects the redirection payback to the State will be larger due to increased revenue to DHS from these new programs. The new programs are described in the "Managed Care Rule" section below.

In addition, AB 85 established an MOE funding requirement for an annual County General Fund contribution based on Fiscal Year 2012-13 funding levels, with increases to the MOE of one percent each subsequent fiscal year. The initial MOE funding requirement for Fiscal Year 2013-14 was \$323.0 million. The MOE funding requirement for Fiscal Year 2017-18 is \$339.5 million. The MOE provides a stable and ongoing source of funding for DHS from the County General Fund.

General Fund Contributions

The Fiscal Year 2017-18 NCC contribution to DHS is \$990.6 million, as shown in the chart below. The NCC contribution to DHS is comprised of multiple components, including the AB 85 MOE, other General Fund resources for specific programs, VLF Realignment Revenue, and Tobacco Settlement Revenue. Due to the improvement in DHS' revenue streams as noted previously, the pressure on the County General Fund has stabilized due to the fixed AB 85 MOE. Furthermore, the additional funding from the County General Fund for DHS programs related to the homeless and correctional health services represent strategic investments by the Board of Supervisors and transfers from other County departments, which are not related to cost increases as the result of budgetary pressures from DHS' operations.

DHS NCC Contribution	
FY 2018-19 Recommended Budget	
(\$ in millions)	
	Amount
County General Fund - AB 85 MOE	\$ 342.9
County General Fund - Specific Programs ^(A)	334.5
Vehicle License Fees Realignment	279.3
Tobacco Settlement Revenue	57.0
Transfers to Other Budget Unit ^(B)	(23.1)
Total	\$ 990.6

(A) Includes funding for Board initiatives, such as homeless services and correctional health services.
 (B) Includes the transfer for the In-Home Supportive Services Provider Health Care Plan.

General Fund Advances and Cash Flow

The County maintains separate Enterprise Funds to account for hospital and ambulatory care services in various regions of the County, commonly referred to as the Hospital Funds. The County's General Fund provides cash advances to each of the Hospital Funds to provide for the net cash flow requirements of County hospitals. On a daily basis, the County reviews the cash inflows and outflows of the Hospital Funds and adjusts the amount of advances in order to provide the Hospital Funds with a minimal daily cash position of approximately \$10.0 million.

The Federal and State governments are the primary sources of revenue for the Hospital Funds. The Hospital Funds typically receive cash reimbursement several months after the County has delivered and paid for services. As of February 28, 2018, the balance of General Fund cash advances to the Hospital Funds was \$365.7 million.

In addition to the funding sources described above, the County's General Fund also provides cash advances to the Hospital Funds for certain long-term receivables that are owed by the State to the hospitals. The receivables are associated with the Cost Based Reimbursement Clinics ("CBRC") program. Although the CBRC receivables are reliable assets, the collection process is contingent upon annual audits by the State. The State has preliminarily completed the audit for Fiscal Year

2015-16, with an estimated value of \$57.8 million. The audits for Fiscal Years 2016-17 and 2017-18 are pending at this time. As of March 21, 2018, the total estimated receivable balance is \$122.4 million. The County has recognized an equivalent reserve against the fund balance associated with the CBRC receivable since it is not currently available to fund the County's budgetary requirements. The CBRC receivable balance for Fiscal Year 2018-19 will be determined during the fiscal year-end closing process.

As part of the annual process to set rates for the managed care MCE population under the ACA, the California Department of Health Care Services ("DHCS") requested CMS' approval of new MCE rates for Fiscal Year 2017-18. With pending CMS approval of the proposed MCE rates, DHS continues to be paid based on the existing approved rates. Upon CMS' approval of the Fiscal Year 2017-18 rates, retroactive paybacks will be applied and are expected to be completed around June 2018. DHS has set up a reserve to account for the repayment and expects no impact on DHS' revenue.

DHS Reserve Funds

In Fiscal Year 2016-17, DHS closed the year with a Fund Balance of \$661.4 million, and is expected to close Fiscal Year 2017-18 with a Fund Balance of \$692.6 million. The Fund Balance is available to fund DHS operations in the future, as needed.

Managed Care Rule

The new rules governing Medicaid Managed Care (the "Managed Care Rule") prohibit directed payments and pass-through payments effective June 30, 2017. DHS had previously received such payments, and has worked with the State on proposals that would replace this revenue stream by providing additional payments that comply with the limitations and exceptions of the Managed Care Rule.

The two proposals that were submitted to CMS to meet the new managed care requirements are the Quality Improvement Program (QIP) and the Enhanced Payment Program (EPP). The QIP will provide value-based payments for the achievement of clinically-established quality measures for Medi-Cal managed care enrollees. The EPP establishes a pool to supplement the base rates received by public hospitals through their Medi-Cal managed care contracts. The QIP and EPP proposals were recently approved by CMS for Fiscal Year 2017-18. The State is currently preparing a request to CMS to continue the QIP and EPP programs for Fiscal Year 2018-19.

The State has also submitted another proposal for CMS approval to obtain additional payments for public hospitals related to Graduate Medical Education (GME) and Indirect Medical Education (IME) for Medi-Cal managed care beneficiaries. These proposed payments would cover Medi-Cal's share of the salaries and benefits of interns and residents receiving training at public hospitals, as well as certain indirect costs associated with their training. If approved, the effective date would be January 2017. The GME/IME proposal is currently awaiting CMS approval.

Tobacco Settlement Revenue

In November 1998, the attorneys general of 46 states (including the State of California) and other territories reached agreement with the then four largest United States tobacco manufacturers to settle more than forty pending lawsuits brought by these public entities. The Master Settlement Agreement (the "MSA") requires the tobacco companies to make payments to the states in perpetuity, with the payments totaling an estimated \$206 billion through 2025. California will receive 12.76%, or approximately \$25.0 billion of the total settlement. In accordance with the terms of the MSA, the annual Tobacco Settlement Revenues ("TSRs") are subject to numerous adjustments, offsets and recalculation. While the County's share of the State settlement was initially expected to average approximately \$100 million per year, the actual amount of TSRs received by the County has fluctuated significantly from year to year. Factors that impact the annual payments to the State include actions of the Federal government, overall declines in smoking participation rates, reduction in cigarette sales and declining market share among the participating manufacturers in the MSA, lawsuits, tobacco company bankruptcies, and various adjustments under the terms of the MSA.

In February 2006, the County issued \$319.8 million in tax-exempt Tobacco Settlement Asset-Backed Bonds (the "Tobacco Bonds"). The Tobacco Bonds are secured and payable from 25.9% of the County's TSRs beginning in 2011, which represented the initial year for the payment of debt service on the Tobacco Bonds. The proceeds from the sale of the Tobacco Bonds were used to finance a portion of the construction costs related to the LAC+USC Medical Center, as well as to partially insure against the risk of a significant reduction of the County's ongoing TSRs as a result of the various factors described above. The use of this fixed percentage of TSRs as security for the repayment of the Tobacco Bonds is not expected to materially impact the DHS programs that rely on such revenues for funding.

To date there have been multiple legal challenges to the MSA under a variety of claims, including claims on anti-trust and Commerce Clause grounds. None of these lawsuits has been successful or resulted in the termination of the original agreement. However, previous actions by certain participating manufacturers have reduced the settlement funding received by the State and may adversely impact future payments. Given the terms of the MSA, the fiscal impact to the County of future protests and payment adjustments to the MSA cannot be predicted at this time.

Neither the MSA nor the Memorandum of Understanding restricts the use of the County's settlement funds to any specific purpose. Proceeds received by the County from the settlement have been deposited in the County's General Fund and unused amounts have been set aside as obligated fund balance Committed for Health Services-Tobacco Settlement. In Fiscal Year 2016-17, the County received \$64.5 million in TSRs from the participating manufacturers. The distribution of TSRs to the County are net of the 25.9% of TSRs pledged for the repayment of the Tobacco Bonds, which have been deposited with a trustee for the payment of debt service on the Tobacco Bonds.

BUDGET TABLES

The 2018-19 Recommended Budget is supported by \$5.630 billion in property tax revenue, \$4.872 billion in Federal funding, \$6.421 billion in State funding, \$84 million in cancelled obligated fund balance, \$1.399 billion in Fund Balance and \$5.880 billion from other funding sources. The tables on the following pages provide historical detail on General County budget appropriations, along with a summary and comparison of the 2018-19 Recommended Budget with the 2017-18 Final Adopted Budget.

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County of Los Angeles: General County Budget Historical Appropriations by Fund (in thousands)						
Fund	Final 2013-14	Final 2014-15	Final 2015-16	Final 2016-17	Final 2017-18	Recommended 2018-19
General Fund	\$ 17,206,258	\$ 17,782,636	\$ 18,532,749	\$ 19,589,641	\$ 20,856,959	\$ 21,208,901
Hospital Enterprise Fund	2,803,170	3,165,359	3,195,948	3,401,444	3,466,796	3,076,665
Total General County Budget	\$ 20,009,428	\$ 20,947,995	\$ 21,728,697	\$ 22,991,085	\$ 24,323,755	\$ 24,285,566

County of Los Angeles: General County Budget Historical Funding Requirements and Revenue Sources						
	Final 2013-14	Final 2014-15	Final 2015-16	Final 2016-17	Final 2017-18	Recommended 2018-19
Requirements						
Social Services	\$ 5,846,911	\$ 6,206,407	\$ 6,446,374	\$ 6,859,438	\$ 7,200,237	\$ 7,141,751
Health	6,208,232	6,373,399	6,590,413	7,135,235	8,040,428	8,309,828
Justice	5,146,062	5,442,540	5,674,407	5,973,130	5,823,573	5,899,378
Other	2,808,223	2,925,649	3,017,503	3,023,282	3,259,517	2,934,609
Total	\$ 20,009,428	\$ 20,947,995	\$ 21,728,697	\$ 22,991,085	\$ 24,323,755	\$ 24,285,566
Revenue Sources						
Property Taxes	\$ 4,177,683	\$ 4,467,240	\$ 4,765,596	\$ 5,031,658	\$ 5,331,727	\$ 5,629,601
State Assistance	5,024,219	5,366,757	5,542,998	5,965,914	6,290,778	6,420,696
Federal Assistance	4,342,123	4,184,128	4,236,481	4,499,196	4,931,647	4,871,815
Other	6,465,403	6,929,870	7,183,622	7,494,317	7,769,603	7,363,454
Total	\$ 20,009,428	\$ 20,947,995	\$ 21,728,697	\$ 22,991,085	\$ 24,323,755	\$ 24,285,566

County of Los Angeles: General County Budget Historical Summary of Funding Requirements by Budgetary Object and Available Financing (in thousands)						
	Final 2013-14	Final 2014-15	Final 2015-16	Final 2016-17	Final 2017-18	Recommended 2018-19
Financing Requirements						
Salaries & Employee Benefits	\$ 9,671,291	\$ 10,353,404	\$ 10,988,705	\$ 11,537,805	\$ 12,254,330	\$ 12,783,326
Services & Supplies	7,138,148	7,362,617	7,696,979	8,148,441	8,511,618	8,500,740
Other Charges	3,901,664	4,082,120	3,878,926	4,252,725	4,483,734	4,465,574
Capital Assets	982,969	946,383	864,488	868,341	951,628	816,730
Other Financing Uses	619,569	263,903	595,100	509,535	723,265	604,859
Appropriations for Contingencies	-	5,000	15,919	27,375	29,754	30,909
Interbudget Transfers ¹	(1,417,786)	(1,054,758)	(1,411,193)	(1,370,514)	(1,678,129)	(1,622,664)
Gross Appropriation	\$ 20,895,855	\$ 21,958,669	\$ 22,628,924	\$ 23,973,708	\$ 25,276,200	\$ 25,579,474
Less: Intrafund Transfers	944,775	990,638	1,008,980	1,063,876	1,259,379	1,351,467
Net Appropriation	\$ 19,951,080	\$ 20,968,031	\$ 21,619,944	\$ 22,909,832	\$ 24,016,821	\$ 24,228,007
Provision for Obligated Fund Balance						
General Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	16,093	-
Assigned for Rainy Day Funds	35,033	24,274	31,414	27,882	39,000	-
Committed Fund Balance	23,315	(44,310)	77,339	53,371	251,841	57,559
Total Financing Requirements	\$ 20,009,428	\$ 20,947,995	\$ 21,728,697	\$ 22,991,085	\$ 24,323,755	\$ 24,285,566
Available Financing						
Fund Balance	\$ 1,497,581	\$ 1,566,263	\$ 1,750,126	\$ 1,824,822	\$ 1,982,626	\$ 1,399,037
Cancel Provision for Obligated Fund Balance	239,852	143,419	282,930	216,915	348,499	84,355
Property Taxes: Regular Roll	4,123,069	4,414,842	4,705,966	4,971,696	5,271,414	5,569,018
Supplemental Roll	54,614	52,398	59,630	59,962	60,313	60,583
Revenue	14,094,312	14,771,073	14,930,045	15,917,690	16,660,903	17,172,573
Total Available Financing	\$ 20,009,428	\$ 20,947,995	\$ 21,728,697	\$ 22,991,085	\$ 24,323,755	\$ 24,285,566

¹ This amount includes certain non-program expenditures and revenues that are included in the budget for accounting purposes. Failure to exclude such amounts, totaling \$1.6 billion in 2018-19, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County appropriations to \$25.9 billion.

Source: Chief Executive Office

**COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF 2017-18 FINAL ADOPTED BUDGET TO 2018-19 RECOMMENDED BUDGET
Net Appropriation: By Function
(In thousands)**

Function	2017-18 Final ⁽¹⁾	2018-19 Recommended ⁽²⁾	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	\$ 1,097,542.0	\$ 1,172,508.0	\$ 74,966.0	6.83%
General Services	830,636.0	693,663.0	(136,973.0)	-16.49%
Public Buildings	885,459.0	782,680.0	(102,779.0)	-11.61%
Total General	\$ 2,813,637.0	\$ 2,648,851.0	\$ (164,786.0)	-5.86%
Public Protection				
Justice	\$ 5,471,927.0	\$ 5,581,578.0	\$ 109,651.0	2.00%
Other Public Protection	220,570.0	210,606.0	(9,964.0)	-4.52%
Total Public Protection	\$ 5,692,497.0	\$ 5,792,184.0	\$ 99,687.0	1.75%
Health and Sanitation	8,003,723.0	8,273,123.0	269,400.0	3.37%
Public Assistance	7,033,294.0	7,046,868.0	13,574.0	0.19%
Recreation and Cultural Services	376,556.0	368,712.0	(7,844.0)	-2.08%
Insurance and Loss Reserve	67,360.0	67,360.0	-	0.00%
Provision for Obligated Fund Balance	306,934.0	57,559.0	(249,375.0)	-81.25%
Appropriations for Contingencies	29,754.0	30,909.0	1,155.0	3.88%
Total Requirements	\$ 24,323,755.0	\$ 24,285,566.0	\$ (38,189.0)	-0.16%
AVAILABLE FUNDS				
Property Taxes	\$ 5,331,727.0	\$ 5,629,601.0	\$ 297,874.0	5.59%
Fund Balance	1,982,626.0	1,399,037.0	(583,589.0)	-29.44%
Cancelled Prior-Year Reserves	348,499.0	84,355.0	(264,144.0)	-75.79%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	\$ 374,639.0	\$ 400,086.0	\$ 25,447.0	6.79%
Homeowners' Exemption	19,000.0	19,000.0	-	0.00%
Public Assistance Subventions	865,158.0	893,585.0	28,427.0	3.29%
Other Public Assistance	2,259,536.0	2,246,609.0	(12,927.0)	-0.57%
Public Protection	1,310,342.0	1,337,046.0	26,704.0	2.04%
Health and Mental Health	1,320,018.0	1,390,775.0	70,757.0	5.36%
Capital Projects	117,670.0	111,994.0	(5,676.0)	-4.82%
Other State Revenues	24,415.0	21,601.0	(2,814.0)	-11.53%
Total State Revenues	\$ 6,290,778.0	\$ 6,420,696.0	\$ 129,918.0	2.07%
Federal Revenues				
Public Assistance Subventions	\$ 2,852,629.0	\$ 2,817,832.0	\$ (34,797.0)	-1.22%
Other Public Assistance	196,816.0	193,071.0	(3,745.0)	-1.90%
Public Protection	116,820.0	105,163.0	(11,657.0)	-9.98%
Health and Mental Health	1,751,152.0	1,740,870.0	(10,282.0)	-0.59%
Capital Projects	105.0	105.0	-	0.00%
Other Federal Revenues	14,125.0	14,774.0	649.0	4.59%
Total Federal Revenues	\$ 4,931,647.0	\$ 4,871,815.0	\$ (59,832.0)	-1.21%
Other Governmental Agencies	28,339.0	24,153.0	(4,186.0)	-14.77%
Total Intergovernmental Revenues	\$ 11,250,764.0	\$ 11,316,664.0	\$ 65,900.0	
Fines, Forfeitures and Penalties	186,601.0	192,065.0	5,464.0	2.93%
Licenses, Permits and Franchises	57,804.0	58,582.0	778.0	1.35%
Charges for Services	3,703,200.0	4,221,518.0	518,318.0	14.00%
Other Taxes	228,302.0	228,533.0	231.0	0.10%
Use of Money and Property	184,789.0	191,702.0	6,913.0	3.74%
Miscellaneous Revenues	648,181.0	473,718.0	(174,463.0)	-26.92%
Operating Contribution from General Fund	401,262.0	489,791.0	88,529.0	22.06%
Total Available Funds	\$ 24,323,755.0	\$ 24,285,566.0	\$ (38,189.0)	-0.16%

(1) Reflects the 2017-18 Final Adopted General County Budget approved by the Board of Supervisors on September 26, 2017

(2) Reflects the 2018-19 Recommended General County Budget approved by the Board of Supervisors on April 10, 2018

COUNTY OF LOS ANGELES
FINAL ADOPTED BUDGET 2017-18 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)

<u>Function</u>	<u>General Fund</u>	<u>Hospital Enterprise Fund</u>	<u>Total General County</u>
REQUIREMENTS			
General			
General Government	\$ 1,097,542.0	\$ -	\$ 1,097,542.0
General Services	830,636.0	-	830,636.0
Public Buildings	885,459.0	-	885,459.0
Total General	\$ 2,813,637.0	\$ -	\$ 2,813,637.0
Public Protection			
Justice	\$ 5,471,927.0	\$ -	\$ 5,471,927.0
Other Public Protection	220,570.0	-	220,570.0
Total Public Protection	\$ 5,692,497.0	\$ -	\$ 5,692,497.0
Health and Sanitation	\$ 4,536,927.0	\$ 3,466,796.0	\$ 8,003,723.0
Public Assistance	7,033,294.0	-	7,033,294.0
Recreation and Cultural Services	376,556.0	-	376,556.0
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	306,934.0	-	306,934.0
Appropriation for Contingency	29,754.0	-	29,754.0
Total Requirements	\$ 20,856,959.0	\$ 3,466,796.0	\$ 24,323,755.0
AVAILABLE FUNDS			
Property Taxes	\$ 5,331,727.0	\$ -	\$ 5,331,727.0
Fund Balance	1,982,626.0	-	1,982,626.0
Cancel Provision for Obligated Fund Balance	115,735.0	232,764.0	348,499.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	\$ 374,639.0	\$ -	\$ 374,639.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	865,158.0	-	865,158.0
Other Public Assistance	2,259,536.0	-	2,259,536.0
Public Protection	1,310,342.0	-	1,310,342.0
Health and Mental Health	1,271,956.0	48,062.0	1,320,018.0
Capital Projects	117,670.0	-	117,670.0
Other State Revenues	24,415.0	-	24,415.0
Total State Revenues	6,242,716.0	48,062.0	6,290,778.0
Federal Revenues			
Public Assistance Subventions	\$ 2,842,452.0	\$ 10,177.0	\$ 2,852,629.0
Other Public Assistance	196,816.0	-	196,816.0
Public Protection	116,820.0	-	116,820.0
Health and Mental Health	1,346,067.0	405,085.0	1,751,152.0
Capital Projects	105.0	-	105.0
Other Federal Revenues	14,125.0	-	14,125.0
Total Federal Revenues	\$ 4,516,385.0	\$ 415,262.0	\$ 4,931,647.0
Other Governmental Agencies	28,339.0	-	28,339.0
Total Intergovernmental Revenues	\$ 10,787,440.0	\$ 463,324.0	\$ 11,250,764.0
Fines, Forfeitures and Penalties	186,601.0	-	186,601.0
Licenses, Permits and Franchises	57,678.0	126.0	57,804.0
Charges for Services	1,797,496.0	1,905,704.0	3,703,200.0
Other Taxes	228,302.0	-	228,302.0
Use of Money and Property	184,700.0	89.0	184,789.0
Miscellaneous Revenues	184,654.0	463,527.0	648,181.0
Operating Contribution from General Fund	-	401,262.0	401,262.0
Total Available Funds	\$ 20,856,959.0	\$ 3,466,796.0	\$ 24,323,755.0

(1) Reflects the 2017-18 Final Adopted General County Budget approved by the Board of Supervisors on September 26, 2017

**COUNTY OF LOS ANGELES
RECOMMENDED BUDGET 2018-19 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)**

<u>Function</u>	<u>General Fund</u>	<u>Hospital Enterprise Fund</u>	<u>Total General County</u>
REQUIREMENTS			
General			
General Government	\$ 1,172,508.0	\$ -	\$ 1,172,508.0
General Services	693,663.0	-	693,663.0
Public Buildings	782,680.0	-	782,680.0
Total General	\$ 2,648,851.0	\$ -	\$ 2,648,851.0
Public Protection			
Justice	\$ 5,581,578.0	\$ -	\$ 5,581,578.0
Other Public Protection	210,606.0	-	210,606.0
Total Public Protection	\$ 5,792,184.0	\$ -	\$ 5,792,184.0
Health and Sanitation	\$ 5,196,458.0	\$ 3,076,665.0	\$ 8,273,123.0
Public Assistance	7,046,868.0	-	7,046,868.0
Recreation and Cultural Services	368,712.0	-	368,712.0
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	57,559.0	-	57,559.0
Appropriation for Contingency	30,909.0	-	30,909.0
Total Requirements	\$ 21,208,901.0	\$ 3,076,665.0	\$ 24,285,566.0
AVAILABLE FUNDS			
Property Taxes	\$ 5,629,601.0	\$ -	\$ 5,629,601.0
Fund Balance	1,399,037.0	-	1,399,037.0
Cancel Provision for Obligated Fund Balance	26,751.0	57,604.0	84,355.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	\$ 400,086.0	\$ -	\$ 400,086.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	893,585.0	-	893,585.0
Other Public Assistance	2,246,609.0	-	2,246,609.0
Public Protection	1,337,046.0	-	1,337,046.0
Health and Mental Health	1,346,988.0	43,787.0	1,390,775.0
Capital Projects	111,994.0	-	111,994.0
Other State Revenues	21,601.0	-	21,601.0
Total State Revenues	6,376,909.0	43,787.0	6,420,696.0
Federal Revenues			
Public Assistance Subventions	\$ 2,813,280.0	\$ 4,552.0	\$ 2,817,832.0
Other Public Assistance	193,071.0	-	193,071.0
Public Protection	105,163.0	-	105,163.0
Health and Mental Health	1,416,645.0	324,225.0	1,740,870.0
Capital Projects	105.0	-	105.0
Other Federal Revenues	14,774.0	-	14,774.0
Total Federal Revenues	\$ 4,543,038.0	\$ 328,777.0	\$ 4,871,815.0
Other Governmental Agencies	24,153.0	-	24,153.0
Total Intergovernmental Revenues	\$ 10,944,100.0	\$ 372,564.0	\$ 11,316,664.0
Fines, Forfeitures and Penalties	192,065.0	-	192,065.0
Licenses, Permits and Franchises	58,456.0	126.0	58,582.0
Charges for Services	2,352,635.0	1,868,883.0	4,221,518.0
Other Taxes	228,533.0	-	228,533.0
Use of Money and Property	191,588.0	114.0	191,702.0
Miscellaneous Revenues	186,135.0	287,583.0	473,718.0
Operating Contribution from General Fund	-	489,791.0	489,791.0
Total Available Funds	\$ 21,208,901.0	\$ 3,076,665.0	\$ 24,285,566.0

(1) Reflects the 2018-19 Recommended General County Budget approved by the Board of Supervisors on April 10, 2018

FINANCIAL SUMMARY

PROPERTY TAX RATE, VALUATION AND LEVY

Taxes are levied each fiscal year on taxable real and personal property located in the County as of the preceding January 1st. Upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured", and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, and inflation) prorated among the jurisdictions which serve the tax areas where the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

PAYMENT DATES AND LIENS

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, with a ten percent penalty assessed to any delinquent payments. Any property on the secured roll with delinquent taxes as of July 1 is declared tax-defaulted. Such property taxes may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer and Tax Collector.

Property taxes on the unsecured roll are due as of the January 1st lien date and become delinquent, if unpaid, by August 31st. A ten percent penalty attaches to delinquent property taxes on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1st. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

LARGEST TAXPAYERS

The twenty largest taxpayers in the County included on the Fiscal Year 2017-18 secured tax roll, and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. Property owned by the twenty largest taxpayers had a full cash value of \$41,246,376,188 which constitutes only _____% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2017-18
Southern California Edison Co	\$98,516,731
Maguire Properties	48,602,737
Douglas Emmett Residential	45,967,366
Universal Studios LLC	29,423,472
Chevron USA Inc / TEXACO / UNOCAL	27,776,295
Southern California Gas Co	27,750,212
Tishman Speyer / Archstone Smith / ASN	26,070,775
TESORO Refining and Marketing Co	24,709,467
Prologis / AMB	22,763,134
AT&T Communications	22,411,612
ESSEX Portfolio LP	18,320,770
Phillips 66	15,189,937
Frontier Communications	13,418,057
Macerich / Westside Pavilion	11,811,258
Beacon Oil Co / Ultramar / Valero Energy Co	11,732,538
Kaiser Foundation	11,258,680
FSP South Flower Street	11,184,113
CBS Inc / Paramount Pictures Corp	10,800,510
PBF Energy	10,525,380
Participants in Long Beach Unit	10,226,048
	<u>\$498,459,092</u>

Total may not add due to rounding.

Source: Los Angeles County Treasurer and Tax Collector

PROPERTY TAXATION AND COLLECTIONS

The table on the following page compares the full cash values, property tax levies and collections from Fiscal Years 2013-14 through 2017-18.

COUNTY OF LOS ANGELES
 COMPARISON OF FULL CASH VALUE
 PROPERTY TAXATION AND COLLECTIONS
 FISCAL YEARS 2013-14 THROUGH 2017-18

Fiscal Year	Full Cash Value ⁽¹⁾	General Fund Secured Property Tax Levies	General Fund Secured Property Tax Collections ⁽²⁾	Current Collection As a Percent of Levies %
2013-14	1,085,743,685,894	2,662,214,197	2,623,480,895	98.55%
2014-15	1,146,946,428,176	2,814,475,757	2,773,124,193	98.53%
2015-16	1,218,549,285,645	2,951,107,847	2,919,629,056	98.93%
2016-17	1,287,688,313,197	3,144,947,550	3,111,401,116	98.93%
2017-18	TBD	TBD	TBD ⁽³⁾	TBD ⁽³⁾

- (1) Full cash values reflect the equalized assessment roll as reported in August of each year; mid-year adjustments are reflected in the following year's values. Incremental full cash values of properties within project areas designated by community redevelopment agencies are excluded. See "Redevelopment Agencies".
- (2) Reflects collection within the fiscal year originally levied.
- (3) Preliminary estimate based on Fiscal Year 2016-17 collections.

REDEVELOPMENT AGENCIES

Pursuant to ABX1 26 (the "Redevelopment Dissolution Act"), all redevelopment agencies were dissolved effective February 1, 2012. ABX1 26 prohibited redevelopment agencies from engaging in new business, provided for their eventual wind down and dissolution, and required that successor agencies be created to take over from the former agencies. Any tax increment remaining after the payment of enforceable legal obligations, pass-through payments and limited administrative costs will be distributed as property tax revenue to the appropriate taxing entities, including the County. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County was approximately \$453.0 million. A more detailed discussion of the redevelopment agency dissolution is provided in the Budgetary Information section of this Appendix A.

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for Fiscal Years 2013-14 through 2017-18.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
 PROJECTS IN THE COUNTY OF LOS ANGELES
 FULL CASH VALUE AND TAX ALLOCATIONS
 FISCAL YEARS 2013-14 THROUGH 2017-18

Fiscal Year	Full Cash Value Increments ⁽¹⁾	Total Tax Allocations ⁽²⁾
2013-14	149,910,987,097	1,282,940,191
2014-15	159,180,996,812	1,327,755,469
2015-16	171,855,943,160	1,477,752,454
2016-17	184,568,536,419	1,069,567,615
2017-18	197,952,598,205	991,207,258 ⁽³⁾

- (1) Equals the full cash value for all redevelopment project areas above their base year valuations. This data represents growth in full cash values which generates tax revenues for use by former community redevelopment agencies and their successor agencies created under ABX1 26.
- (2) Includes actual cash revenues collected by the County and subsequently paid to redevelopment agencies, which includes incremental growth allocation, debt service, mid-year changes and Supplemental Roll.
- (3) Total CRA Tax Allocations from November 2017 through February 2018.

CASH MANAGEMENT PROGRAM

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts from the two largest sources of County revenue follow an uneven pattern, primarily as a result of unpredictable delays in payments from other governmental agencies and the significant amount of secured property tax revenue received close to the December and April due dates for the first and second installments, respectively.

As a result of the uneven pattern of revenue receipts, the General Fund cash balance prior to Fiscal Year 1977-78 had typically been negative for most of the year and had been covered in part by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution. "Interfund borrowing" is borrowing from specific funds of other governmental entities whose funds are held in the County Treasury. Because such borrowings caused disruptions in the General Fund's management of pooled investments, beginning in 1977, the County eliminated the practice of interfund borrowing and replaced it with a program to manage its cash flow needs by issuing tax and revenue anticipation notes (TRANS) for the General Fund and by using intrafund borrowing.

The use of "intrafund borrowing" for General Fund purposes represents borrowing against funds that are held in trust by the County. Such funds, with the exception of the Hospital Enterprise Funds, are held by the County on a pre-apportionment basis until they are eventually distributed to County operating funds (such as the General Fund) or other governmental agencies. All intrafund borrowings used for General Fund purposes, and all notes issued in connection with the County's cash management program have been repaid in accordance with their required maturity dates.

2017-18 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 9, 2017, the County issued the 2017-18 TRANs with an aggregate principal amount of \$800,000,000 due on June 30, 2018. The 2017-18 TRANs are general obligations of the County attributable to Fiscal Year 2017-18 and are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County.

Under the Resolution and Financing Certificate executed by the Treasurer and Tax Collector, the County pledged to deposit sufficient revenues into a Repayment Fund during Fiscal Year 2017-18 for the purpose of repaying the 2017-18 TRANs on the June 30, 2018 maturity date. The deposits to the Repayment Fund have been made in accordance with the following schedule:

**COUNTY OF LOS ANGELES
2017-18 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND***

Deposit Date	Deposit Amount
December, 2017	\$315,000,000
January, 2018	315,000,000
April, 2018	209,555,556
Total	\$839,555,556

* Includes \$800,000,000 of 2017-18 TRANs principal and 5.00% interest.

The County has always maintained full compliance with its deposit obligations with respect to its TRANs program. The following table illustrates the Unrestricted General Fund Receipts collected on a cash flow basis since Fiscal Year 2013-14.

**COUNTY OF LOS ANGELES
GENERAL FUND
UNRESTRICTED GENERAL FUND RECEIPTS (in thousands)**

	2013-14	2014-15	2015-16	2016-17	2017-18 Estimate
Property Taxes	\$4,337,915	\$4,581,797	\$4,806,915	\$5,077,037	\$5,325,912
Other Taxes	203,396	204,173	215,228	225,297	217,970
Licenses, Permits and Franchises	65,260	58,488	58,908	60,487	58,950
Fines, Forfeitures and Penalties	212,676	197,663	182,298	178,105	182,034
Investment and Rental Income	104,422	131,053	165,037	178,804	202,434
State In-Lieu Taxes	344,971	407,316	356,888	303,768	190,218
State Homeowner Exemptions	19,715	20,277	19,892	19,673	19,244
Charges for Current Services	1,582,791	1,577,165	1,597,095	1,792,303	1,718,363
Other Revenue*	541,460	622,329	685,637	746,748	628,756
TOTAL UNRESTRICTED RECEIPTS	\$7,412,606	\$7,800,261	\$8,087,898	\$8,582,222	\$8,543,880

Detail may not add due to rounding.
Source: Los Angeles County Chief Executive Office
* Includes Tobacco Settlement Revenue

Intrafund and Interfund Borrowing

To the extent necessary, the County intends to use intrafund (and not interfund) borrowing to cover its General Fund cash needs, including projected year-end cash requirements. If the County determines that it is necessary to utilize interfund borrowing, then such borrowing may not occur after the last Monday in April of each fiscal year and must be repaid before any other obligation of the County. The County does not intend to engage in interfund borrowing for the General Fund nor has it done so since the implementation of the General Fund cash management program in Fiscal Year 1977-78.

Funds Available for Intrafund Borrowing

After the tax and revenue anticipation note proceeds are utilized, the General Fund may borrow from three fund groups to meet its cash flow needs. The most significant group is the Property Tax Group, which consists of collected property taxes that are awaiting apportionment. The great majority of these amounts will be distributed to other governmental agencies such as school districts.

The second most significant borrowing source includes the various Trust Group funds. The largest of these funds is the Departmental Trust Fund, which consists of various collections, such as court fines and other revenues, awaiting distribution. The majority of these funds will eventually be distributed to entities outside the County. Also included in this group is the Payroll Revolving Fund, which is used as a clearing account for County payroll operations and has a cash balance that consists exclusively (except for a small portion related to the County Superior Court) of advances from funds included in the General County Budget.

The last fund group consists of the Hospital Enterprise Funds. The balances in these funds are different from those in the Property Tax Group and Trust Group in that the Hospital Enterprise Funds are included in the General County Budget. Furthermore, these funds are considered as part of the General Fund for purposes of sizing the County's annual TRANs financing.

The Hospital Enterprise Funds generally represent working capital advances from the General Fund and cash generated from the County hospitals. At year-end, the remaining balances are transferred back to the General Fund.

The average daily balances shown for these intrafund sources are not necessarily indicative of the balances on any given day. The balances in certain funds, such as those in the Property Tax Group, can fluctuate significantly throughout the month. The General Fund cash balance also fluctuates during the month, with the third week being the lowest and month-end the highest due to the timing of revenue deposits from the State and the receipt of welfare advances on the last business day of the month.

The legality of the County's practice of intrafund borrowing was decided and affirmed by the California Court of Appeals in May 1999, in the case entitled *Stanley G. Auerbach et al v. Board of Supervisors of the County of Los Angeles et al.*

The tables at the end of this Financial Summary Section provide a monthly summary of the funds available to the County for intrafund borrowing in Fiscal Year 2016-17 and Fiscal Year 2017-18.

General Fund Cash Flow Statements

The Fiscal Year 2016-17 and Fiscal Year 2017-18 General Fund Cash Flow Statements are provided at the end of this Financial Summary Section. In Fiscal Year 2016-17, the County had an ending General Fund cash balance of \$2.509 billion. In Fiscal Year 2017-18, the County is estimating an ending cash balance in the General Fund of \$1.526 billion.

COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector has delegated authority to invest funds on deposit in the County Treasury Pool (the "Treasury Pool"). As of February 28, 2018, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in Billions)
County of Los Angeles and Special Districts	\$13.281
Schools and Community Colleges	14.507
Independent Public Agencies	2.522
Total	\$30.310

Of these entities, the discretionary participants accounted for 7.86% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 21, 2017, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated March 30, 2018, the book value of the Treasury Pool as of February 28, 2018 was approximately \$31.310 billion and the corresponding market value was approximately \$29.884 billion.

The County maintains a strong system of internal controls for monitoring the cash accounting and investment process. The Treasurer's Internal Controls Branch (ICB) operates independently from the Investment Office, and reconciles cash and investments to fund balances on a daily basis. ICB staff also reviews each investment trade for accuracy and compliance with the Board of Supervisor's adopted Investment Policy. On a quarterly basis, the County's external independent auditor (the "External Auditor") reviews the cash and

investment reconciliations for completeness and accuracy, and reviews investment transactions to ensure compliance with the Investment Policy.

The following table identifies the types of securities held by the Treasury Pool as of February 28, 2018:

<u>Type of Investment</u>	<u>% of Pool</u>
U.S. Government and Agency Obligations	61.67
Certificates of Deposit	11.88
Commercial Paper	26.32
Bankers Acceptances	0.00
Municipal Obligations	0.05
Corporate Notes & Deposit Notes	0.08
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of February 28, 2018 approximately 35.87% of the investments mature within 60 days, with an average of 592 days to maturity for the entire portfolio.

The County complements its conservative investment policies with a well-established practice of market research and due diligence. The Treasury Pool did not experience a single investment loss as a result of the global financial crisis in Fiscal Year 2008-09. Furthermore, the County has never purchased any structured investment vehicles nor any securities with material exposure to sub-prime mortgages.

FINANCIAL STATEMENTS-GAAP BASIS

Since Fiscal Year 1980-81, the County has prepared its general purpose financial statements in conformity with Generally Accepted Accounting Principles (GAAP) for State and local governments, with annual audits performed by independent certified public accountants.

The basic financial statements for the Fiscal Year ended June 30, 2017, and the unmodified opinion of Macias Gini & O'Connell LLP are attached hereto as Appendix B. Since 1982, the County CAFRs have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

The County budget for the upcoming fiscal year is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements for the current fiscal year. The 2017-18 Final Adopted Budget included an available General Fund balance of \$1,982,626,000 as of June 30, 2017.

The 2017-18 Final Adopted Budget uses the fund balance language of the County Budget Act, which has been updated to reflect Governmental Accounting Standards Board (GASB) Statement No. 54.

The amounts presented for the General Fund in accordance with GAAP are based on the modified accrual basis of accounting and differ from the amounts presented on the budgetary basis of accounting. The major areas of difference are described as follows:

- For budgetary purposes, nonspendable, restricted, committed and assigned fund balances and the portion of unassigned fund balance reserved for the "Rainy Day"

fund are recorded as other financing uses at the time they are established. The County recognizes them as uses of budgetary fund balance. The nonspendable, restricted, committed, and assigned fund balances that are subsequently cancelled or otherwise made available are recorded as changes in fund balance from other financing sources.

- Under the budgetary basis of accounting, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the modified accrual basis, revenues are not recognized until the qualifying expenditures are incurred and amounts are collected within the County's availability period.
- General Fund obligations for accrued compensated absences and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within a one-year period after the fiscal year end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation No. 6.
- In conjunction with the sale of Tobacco Settlement Asset-Backed Bonds in 2005-06, the County sold a portion of its future tobacco settlement revenues. Under the budgetary basis of accounting, the bond proceeds were recognized as revenues. Under the modified accrual basis of accounting, the bond proceeds were recorded as deferred inflows of resources and were being recognized over the duration of the sale agreement, in accordance with GASB Statements No. 48 and No. 65. This matter is discussed in further detail in Note 11 to the 2016-17 CAFR, under the caption, "Tobacco Settlement Asset-Backed Bonds."
- Under the budgetary basis of accounting, property tax revenues are recognized to the extent that they are collectible within a one-year period after the fiscal year end. Under the modified accrual basis of accounting, property tax revenues are recognized only to the extent that they are collectible within 60 days.
- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the modified accrual basis of accounting, the effects of such fair value changes have been recognized as a component of investment income.
- In conjunction with the implementation of GASB Statement No. 45, the County determined that certain assets were held by LACERA (as the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis of accounting, the expenditures are adjusted to recognize the OPEB Agency assets as of June 30, 2017.

The tables below provide a reconciliation of the General Fund's June 30, 2017 fund balance on a budgetary and GAAP basis, and a summary of the audited Balance Sheets and Statements

of Revenues and Expenditures and Changes in Fund Balance from Fiscal Year 2012-13 to Fiscal Year 2016-17.

COUNTY OF LOS ANGELES
 GENERAL FUND
 RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS
 JUNE 30, 2017 (in thousands of \$)

Unassigned Fund Balance - Budgetary Basis	\$1,982,626
Adjustments:	
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP	177,805
Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund	157,290
Accrual of liabilities for accrued compensated absences not required by GAAP	78,639
Change in revenue accruals related to encumbrances	(31,095)
Deferral of property tax receivables	(68,582)
Deferral of sale of tobacco settlement revenue	(228,142)
Change in fair value of Investments	(33,538)
Reserve for "Rainy Day" Fund	409,309
	<hr/>
Unassigned Fund Balance - GAAP Basis	\$2,444,312

Source: Los Angeles County Auditor-Controller

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COUNTY OF LOS ANGELES**BALANCE SHEET AT JUNE 30, 2013, 2014, 2015, 2016 and 2017****GENERAL FUND-GAAP BASIS (in thousands of \$)****ASSETS**

	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
Pooled Cash and Investments	\$1,637,765	\$1,933,794	\$2,678,685	\$3,181,151	\$4,149,612
Other Investments	5,676	4,810	4,655	4,693	4,483
Taxes Receivable	171,919	169,141	157,215	148,485	159,429
Other Receivables	1,777,034	1,996,683	1,888,537	1,875,029	1,930,937
Due from Other Funds	391,605	283,255	460,987	322,883	308,556
Advances to Other Funds	754,376	885,314	434,849	395,511	167,179
Inventories	47,375	56,790	48,186	59,267	48,824
Total Assets	\$4,785,750	\$5,329,787	\$5,673,114	\$5,987,019	\$6,769,020

LIABILITIES

Accounts Payable	\$321,509	\$516,410	\$410,671	\$545,739	\$600,827
Accrued Payroll	309,926	331,045	356,579	374,951	392,096
Other Payables	89,852	111,019	115,998	100,964	102,289
Due to Other Funds	461,480	158,626	271,800	146,886	126,140
Deferred Revenue*	302,656	0	0	0	0
Advances Payable	404,975	575,567	853,441	975,135	1,433,485
Third-Party Payor Liability	15,702	26,207	39,693	39,042	42,051
Total Liabilities	\$1,906,100	\$1,718,874	\$2,048,182	\$2,182,717	\$2,696,888

DEFERRED INFLOWS OF RESOURCES*

	\$508,105	\$435,109	\$420,060	\$421,159
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FUND BALANCES

Nonspendable	\$253,836	\$272,007	\$272,384	\$324,555	\$212,281
Restricted	59,786	40,577	55,694	67,880	70,157
Committed	528,865	482,740	334,346	364,679	429,440
Assigned	376,181	538,078	491,954	446,579	494,783
Unassigned	1,660,982	1,769,406	2,035,445	2,180,549	2,444,312
Total Fund Balances	2,879,650	3,102,808	3,189,823	3,384,242	3,650,973
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$4,785,750	\$5,329,787	\$5,673,114	\$5,987,019	\$6,769,020

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2013, 2014, 2015, 2016 and 2017.

*The County implemented GASB Statement 65 "Items Previously Reported as Assets and Liabilities" in FY 2013-14. As of June 30, 2014, deferred inflows and outflows of resources are reported in the new required GASB 65 format.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GENERAL FUND-GAAP BASIS FISCAL YEARS 2012-13 THROUGH 2016-17 (in thousands of \$)

	2012-13	2013-14	2014-15	2015-16	2016-17
REVENUES:					
Taxes	\$4,267,858	\$4,520,755	\$4,772,762	\$5,003,124	\$5,333,532
Licenses, Permits & Franchises	61,412	59,886	61,561	60,666	59,197
Fines, Forfeitures and Penalties	222,226	207,094	207,684	189,312	183,400
Use of Money and Property	89,841	128,501	141,816	186,443	155,878
Aid from Other Government	8,182,687	8,395,672	8,574,288	8,939,412	9,377,215
Charges for Services	1,565,937	1,743,447	1,491,656	1,651,883	1,800,657
Miscellaneous Revenues	216,977	152,663	204,966	159,346	172,055
TOTAL	\$14,606,938	\$15,208,018	\$15,454,733	\$16,190,186	\$17,081,934
EXPENDITURES					
General	\$979,989	\$998,438	\$1,155,070	\$1,039,188	\$1,159,100
Public Protection	4,694,982	4,843,148	5,136,461	5,418,926	5,546,279
Health and Sanitation	2,779,870	3,204,177	2,931,257	3,161,202	3,460,315
Public Assistance	5,247,031	5,430,398	5,682,198	5,892,530	6,034,942
Recreation and Cultural Services	272,835	282,660	304,895	321,414	341,272
Debt Service	30,816	28,928	27,060	29,600	31,079
Capital Outlay	8,065	2,398	866	547	63
Total	\$14,013,588	\$14,790,147	\$15,237,807	\$15,863,407	\$16,573,050
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$593,350	\$417,871	\$216,926	\$326,779	\$508,884
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to)					
Other Funds-Net	(\$359,171)	(\$197,219)	(\$131,647)	(\$133,714)	(\$243,604)
Sales of Capital Assets	740	770	870	807	1,388
Capital Leases	2,780	1,736	866	547	63
OTHER FINANCING SOURCES (USES)-Net	(\$355,651)	(\$194,713)	(\$129,911)	(\$132,360)	(\$242,153)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	237,699	223,158	87,015	194,419	266,731
Beginning Fund Balance	2,641,951	2,879,650	3,102,808	3,189,823	3,384,242
Ending Fund Balance	\$2,879,650	\$3,102,808	\$3,189,823	\$3,384,242	\$3,650,973

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2013, 2014, 2015, 2016 and 2017.

**COUNTY OF LOS ANGELES BORROWABLE RESOURCES
FUNDS AVAILABLE FOR INTRAFUND BORROWING**

**2016-17: 12 MONTHS ACTUAL
2017-18: 9 MONTHS ACTUAL**

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COUNTY OF LOS ANGELES BORROWABLE RESOURCES

AVERAGE DAILY BALANCES: Fiscal Year 2016-17

FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of \$)

	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016
PROPERTY TAX GROUP						
Tax Collector Trust Fund	71,266	39,908	37,582	463,777	1,325,747	2,392,482
Auditor Unapportioned Property Tax	195,195	47,582	124,434	168,076	941,269	2,441,476
Unsecured Property Tax	165,820	180,406	114,969	135,267	103,202	61,742
Miscellaneous Fees & Taxes	6,290	6,292	6,313	6,334	6,349	6,348
State Redemption Fund	27,207	40,822	42,469	43,372	26,632	26,150
Education Revenue Augmentation	281,813	324,086	277,000	274,676	299,463	626,191
State Reimbursement Fund	0	0	0	0	440	10,201
Sales Tax Replacement Fund	80,108	0	0	0	0	0
Vehicle License Fee Replacement Fund	0	19,197	122,641	125,978	126,753	218,193
Property Tax Rebate Fund	6,256	9,156	15,734	8,740	7,233	23,201
Utility User Tax Trust Fund	2,187	2,862	5,652	4,551	5,411	10,598
Subtotal	\$ 836,142	\$ 670,311	\$ 746,794	\$ 1,230,771	\$ 2,842,499	\$ 5,816,582
VARIOUS TRUST GROUP						
Departmental Trust Fund	524,304	534,824	504,282	495,200	505,475	515,442
Payroll Revolving Fund	48,458	45,855	41,627	55,889	42,541	40,983
Asset Development Fund	43,579	43,776	43,801	43,817	43,834	43,851
Productivity Investment Fund	4,552	4,528	4,500	4,423	4,388	4,371
Motor Vehicle Capital Outlays	3,826	759	828	828	734	728
Civic Center Parking	34	220	343	339	325	309
Reporters Salary Fund	522	499	501	330	374	340
Cable TV Franchise Fund	12,853	12,624	12,861	13,064	13,003	13,195
Megaflex Long-Term Disability	12,979	12,836	12,906	12,971	12,876	12,852
Megaflex Long-Term Disability & Health	10,007	10,084	10,139	10,244	10,308	10,398
Megaflex Short-Term Disability	48,998	49,281	49,518	49,754	49,980	50,191
Subtotal	\$ 710,112	\$ 715,286	\$ 681,306	\$ 686,859	\$ 683,838	\$ 692,660
HOSPITAL GROUP						
Harbor-UCLA Medical Center	2,088	(14,039)	3,974	4,672	3,876	32
Olive View-UCLA Medical Center	2,165	2,979	713	3,349	1,484	1,600
LAC+USC Medical Center	1,734	12,684	4,823	6,243	7,802	4,001
MLK Ambulatory Care Center	0	0	0	0	0	0
Rancho Los Amigos Rehab Center	43	4,999	3,655	1,196	639	332
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	\$ 6,030	\$ 6,623	\$ 13,165	\$ 15,460	\$ 13,801	\$ 5,965
GRAND TOTAL	\$ 1,552,284	\$ 1,392,220	\$ 1,441,265	\$ 1,933,090	\$ 3,540,138	\$ 6,515,207

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2017	February 2017	March 2017	April 2017	May 2017	June 2017	
PROPERTY TAX GROUP						
766,283	389,103	816,107	2,543,031	701,865	159,080	Tax Collector Trust Fund
1,517,573	963,587	573,119	1,715,681	923,897	337,829	Auditor Unapportioned Property Tax
57,710	48,316	49,127	45,831	59,913	96,353	Unsecured Property Tax
6,379	6,372	6,306	6,363	6,295	6,299	Miscellaneous Fees & Taxes
19,767	20,410	23,765	22,751	17,628	21,107	State Redemption Fund
443,272	408,286	175,574	449,615	603,428	300,259	Education Revenue Augmentation
19,515	1,152	1,152	4,229	18,740	8,133	State Reimbursement Fund
0	0	0	0	0	0	Sales Tax Replacement Fund
769,359	350,011	677,285	705,509	644,327	0	Vehicle License Fee Replacement Fund
19,605	9,842	7,009	8,277	9,112	7,297	Property Tax Rebate Fund
15,861	4,926	9,430	10,840	6,328	9,626	Utility User Tax Trust Fund
\$ 3,635,324	\$ 2,202,005	\$ 2,338,874	\$ 5,512,127	\$ 2,991,533	\$ 945,983	Subtotal
VARIOUS TRUST GROUP						
501,657	489,740	483,514	467,413	462,161	446,643	Departmental Trust Fund
61,421	37,803	42,379	51,941	43,143	38,612	Payroll Revolving Fund
43,869	44,064	44,143	44,161	44,178	44,252	Asset Development Fund
4,931	7,233	6,936	6,403	6,117	5,971	Productivity Investment Fund
700	685	666	611	578	578	Motor Vehicle Capital Outlays
297	305	281	275	261	283	Civic Center Parking
416	367	654	505	409	360	Reporters Salary Fund
13,552	13,461	13,784	13,767	13,093	13,519	Cable TV Franchise Fund
12,906	12,798	12,708	12,685	12,600	12,628	Megaflex Long-Term Disability
10,520	10,549	10,598	10,680	10,759	10,832	Megaflex Long-Term Disability & Health
50,581	50,983	51,520	51,986	52,390	52,757	Megaflex Short-Term Disability
\$ 700,850	\$ 667,988	\$ 667,183	\$ 660,427	\$ 645,689	\$ 626,435	Subtotal
HOSPITAL GROUP						
(2,599)	(525)	1,798	3,517	7,208	(1,618)	Harbor-UCLA Medical Center
160	3,698	4,440	702	2,886	548	Olive View-UCLA Medical Center
(276)	12,697	2,372	4,402	8,513	3,706	LAC + USC Medical Center
0	10	0	0	0	0	MLK Ambulatory Care Center
(375)	(4,262)	(768)	(114)	2,595	(607)	Rancho Los Amigos Rehab Center
0	0	0	0	0	0	LAC+USC Medical Center Equipment
\$ (3,090)	\$ 11,618	\$ 7,842	\$ 8,507	\$ 21,202	\$ 2,029	Subtotal
\$ 4,333,084	\$ 2,881,611	\$ 3,013,899	\$ 6,181,061	\$ 3,658,424	\$ 1,574,447	GRAND TOTAL

COUNTY OF LOS ANGELES BORROWABLE RESOURCES

AVERAGE DAILY BALANCES: Fiscal Year 2017-18

FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of \$)

	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017
PROPERTY TAX GROUP						
Tax Collector Trust Fund	67,815	54,082	42,716	492,879	1,792,023	2,623,580
Auditor Unapportioned Property Tax	350,252	98,109	98,213	168,073	657,500	2,690,644
Unsecured Property Tax	172,319	111,417	122,125	152,745	160,071	68,705
Miscellaneous Fees & Taxes	6,281	6,266	6,308	6,289	6,321	6,260
State Redemption Fund	25,510	51,284	47,722	46,876	33,068	22,396
Education Revenue Augmentation	192,227	260,588	180,968	166,968	178,183	616,955
State Reimbursement Fund	0	0	0	0	438	11,150
Sales Tax Replacement Fund	0	0	0	0	0	0
Vehicle License Fee Replacement Fund	0	21,638	157,643	171,655	171,667	171,667
Property Tax Rebate Fund	3,952	15,922	12,305	8,716	14,817	11,761
Utility User Tax Trust Fund	1,140	2,320	4,056	7,758	8,173	10,670
Subtotal	\$ 819,496	\$ 621,626	\$ 672,056	\$ 1,221,959	\$ 3,022,261	\$ 6,233,788
VARIOUS TRUST GROUP						
Departmental Trust Fund	464,155	480,556	475,529	468,132	580,608	680,975
Payroll Revolving Fund	54,106	43,191	44,360	59,477	38,262	47,729
Asset Development Fund	44,436	44,277	44,342	44,369	44,388	44,415
Productivity Investment Fund	5,859	5,804	5,758	5,597	5,716	5,503
Motor Vehicle Capital Outlays	578	674	703	703	703	664
Civic Center Parking	164	141	242	263	262	232
Reporters Salary Fund	315	457	254	182	238	331
Cable TV Franchise Fund	13,256	12,603	13,020	12,964	12,939	13,307
Megaflex Long-Term Disability	12,623	12,498	12,471	12,316	12,133	12,114
Megaflex Long-Term Disability & Health	10,912	10,962	11,033	11,124	11,214	11,300
Megaflex Short-Term Disability	53,157	53,578	53,935	54,410	54,723	55,086
Subtotal	\$ 659,561	\$ 664,741	\$ 661,647	\$ 669,537	\$ 761,186	\$ 871,656
HOSPITAL GROUP						
Harbor-UCLA Medical Center	1,035	(1,436)	3,145	3,739	98	(2,096)
Olive View-UCLA Medical Center	4,350	(4,060)	2,164	2,726	834	2,279
LAC+USC Medical Center	3,161	(4,331)	5,142	3,116	1,430	6,100
MLK Ambulatory Care Center	0	0	0	0	1	0
Rancho Los Amigos Rehab Center	133	1,693	449	439	121	2,026
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	\$ 8,679	\$ (8,134)	\$ 10,900	\$ 10,020	\$ 2,484	\$ 8,309
GRAND TOTAL	\$ 1,487,736	\$ 1,278,233	\$ 1,344,603	\$ 1,901,516	\$ 3,785,931	\$ 7,113,753

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2018	February 2018	March 2018	Estimated April 2018	Estimated May 2018	Estimated June 2018	
PROPERTY TAX GROUP						
1,657,829	605,430	594,839	2,415,879	\$ 884,308	\$ 162,443	Tax Collector Trust Fund
1,632,891	1,444,515	595,738	1,715,681	689,780	187,045	Auditor Unapportioned Property Tax
68,272	56,764	54,307	45,831	94,621	128,200	Unsecured Property Tax
6,394	6,403	6,357	6,363	9,198	8,868	Miscellaneous Fees & Taxes
23,112	19,579	17,872	22,751	34,647	25,268	State Redemption Fund
507,917	289,170	234,764	449,615	79,607	168,583	Education Revenue Augmentation
18,471	1,132	1,132	4,229	29,269	11,261	State Reimbursement Fund
0	0	0	0	81,348	0	Sales Tax Replacement Fund
651,142	441,584	723,359	705,509	574,415	0	Vehicle License Fee Replacement Fund
13,619	25,574	13,008	8,277	0	0	Property Tax Rebate Fund
13,224	12,506	8,217	10,840	7,261	11,403	Utility User Tax Trust Fund
\$ 4,592,871	\$ 2,902,657	\$ 2,249,593	\$ 5,384,975	\$ 2,484,454	\$ 703,071	Subtotal
VARIOUS TRUST GROUP						
480,800	472,336	475,234	467,413	\$ 555,784	\$ 542,645	Departmental Trust Fund
66,343	31,973	37,108	51,941	62,091	51,560	Payroll Revolving Fund
44,433	44,458	44,504	44,161	44,000	44,000	Asset Development Fund
5,146	4,990	6,217	6,403	6,000	6,000	Productivity Investment Fund
623	601	601	611	6,000	6,000	Motor Vehicle Capital Outlays
208	294	304	275	239	143	Civic Center Parking
545	534	622	505	559	413	Reporters Salary Fund
13,443	13,303	13,345	13,767	13,000	13,000	Cable TV Franchise Fund
12,057	11,998	11,993	12,685	14,893	14,893	Megaflex Long-Term Disability
11,387	11,412	11,459	10,680	9,306	9,306	Megaflex Long-Term Disability & Health
55,715	56,065	56,554	51,986	43,310	43,310	Megaflex Short-Term Disability
\$ 690,700	\$ 647,964	\$ 657,941	\$ 660,427	\$ 755,182	\$ 731,270	Subtotal
HOSPITAL GROUP						
4,210	4,656	1,830	0	0	0	Harbor-UCLA Medical Center
1,126	(1,371)	1,658	0	0	0	Olive View-UCLA Medical Center
1,777	6,120	3,970	0	0	0	LAC + USC Medical Center
0	0	0	0	0	0	MLK Ambulatory Care Center
4,086	(800)	183	0	0	0	Rancho Los Amigos Rehab Center
0	0	0	0	0	0	LAC+USC Medical Center Equipment
\$ 11,199	\$ 8,605	\$ 7,641	\$ -	\$ 0	\$ 0	Subtotal
\$ 5,294,770	\$ 3,559,226	\$ 2,915,175	\$ 6,045,402	\$ 3,239,636	\$ 1,434,341	GRAND TOTAL

**COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS**

**2016-17: 12 MONTHS ACTUAL
2017-18: 9 MONTHS ACTUAL**

DRAFT

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2016-17
(in thousands of \$)

	July 2016	August 2016	September 2016	October 2016	November 2016
BEGINNING BALANCE	\$ 2,162,672	\$ 2,266,486	\$ 1,529,884	\$ 914,444	\$ 900,176
RECEIPTS					
Property Taxes	\$ 35,229	\$ 111,497	183	685	\$ 45,414
Other Taxes	12,902	11,160	25,259	22,792	14,493
Licenses, Permits & Franchises	3,035	2,784	5,437	3,301	3,010
Fines, Forfeitures & Penalties	31,949	19,504	8,594	9,581	15,302
Investment and Rental Income	23,156	12,127	12,949	9,975	21,122
Motor Vehicle (VLF) Realignment	0	(100,656)	44,036	33,022	32,532
Sales Taxes - Proposition 172	68,898	56,456	56,383	54,105	68,474
1991 Program Realignment	63,177	37,116	51,876	68,330	65,902
Other Intergovernmental Revenue	143,814	197,214	208,806	274,926	276,601
Charges for Current Services	113,667	208,471	68,460	165,137	110,166
Other Revenue & Tobacco Settlement	95,225	47,172	3,498	11,952	57,152
Transfers & Reimbursements	4,607	3,151	0	5,199	15,288
Hospital Loan Repayment*	130,809	122,048	67,323	807,266	49,628
Welfare Advances	317,231	23,881	534,103	357,517	315,866
Other Financing Sources/MHSA	4,819	52,525	0	18,479	67,935
Intrafund Borrowings	0	0	0	0	0
TRANS Sold	800,000	0	0	0	0
Total Receipts	\$ 1,848,518	\$ 804,450	\$ 1,086,907	\$ 1,842,267	\$ 1,158,885
DISBURSEMENTS					
Welfare Warrants	\$ 186,153	\$ 222,052	\$ 218,878	\$ 217,624	\$ 209,430
Salaries	461,597	461,902	455,180	462,352	468,580
Employee Benefits	278,678	280,385	252,435	289,293	281,718
Vendor Payments	638,616	408,440	330,088	399,154	459,885
Loans to Hospitals*	0	1,752	348,184	363,417	112,944
Hospital Subsidy Payments	167,531	100,443	96,102	2,386	0
Transfer Payments	12,129	66,078	1,480	122,308	10,192
TRANS Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	\$ 1,744,704	\$ 1,541,052	\$ 1,702,347	\$ 1,856,534	\$ 1,542,749
ENDING BALANCE	\$ 2,266,486	\$ 1,529,884	\$ 914,444	\$ 900,177	\$ 516,312
Borrowable Resources (Avg. Balance)	\$ 1,552,284	\$ 1,392,220	\$ 1,441,265	\$ 1,933,090	\$ 3,540,138
Total Cash Available	\$ 3,818,770	\$ 2,922,104	\$ 2,355,709	\$ 2,833,267	\$ 4,056,450

* The net change in the outstanding Hospital Loan Balance is a decrease of \$228.63 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2016	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017	Total 2016-17
\$ 516,312	\$ 949,816	\$ 1,543,599	\$ 1,583,091	\$ 1,247,137	\$ 2,002,202	\$ 2,992,964	
\$ 1,233,642	\$ 1,170,719	\$ 261,844	\$ 30,021	\$ 852,266	\$ 1,088,752	\$ 246,785	\$ 5,077,037
16,217	13,611	26,750	13,553	25,871	13,207	29,482	225,297
3,831	2,494	5,201	8,834	13,876	3,427	5,257	60,487
7,973	9,209	18,787	14,180	9,671	24,115	9,240	178,105
12,607	8,420	11,873	11,060	24,111	16,024	15,380	178,804
34,156	32,542	33,392	30,979	32,667	118,241	12,857	303,768
54,600	54,065	82,937	50,603	49,580	70,920	56,415	723,436
62,693	55,714	85,714	52,376	51,351	73,578	58,442	726,269
139,094	188,995	377,916	217,684	393,512	193,700	97,558	2,709,820
140,497	277,718	105,271	150,881	155,197	143,369	153,469	1,792,303
88,598	74,516	70,827	84,738	124,741	18,161	70,168	746,748
78,189	22,861	32,863	21,018	15,831	10,889	14,655	224,551
29,918	495,060	49,797	99,209	399,098	180,937	71,442	2,502,535
559,613	358,484	379,361	484,623	389,268	535,288	288,475	4,543,710
14,863	30,542	15,606	29,338	3,381	37,440	50,475	325,403
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	800,000
\$ 2,476,491	\$ 2,794,950	\$ 1,558,139	\$ 1,299,097	\$ 2,540,421	\$ 2,528,048	\$ 1,180,100	\$ 21,118,273
\$ 234,647	\$ 196,682	\$ 232,267	\$ 232,971	\$ 225,494	\$ 223,095	\$ 313,466	\$ 2,712,759
485,114	499,163	482,597	469,419	488,519	465,854	471,607	5,671,884
269,023	310,418	292,506	265,886	291,700	292,795	261,132	3,365,969
360,347	497,092	338,144	337,915	377,678	385,991	397,923	4,931,273
330,987	295,392	161,012	196,512	161,966	94,587	207,148	2,273,901
0	0	(1,750)	0	(6,670)	(3,671)	(958)	353,413
23,936	87,420	13,871	132,348	76,669	78,635	14,069	639,135
338,933	315,000	0	0	170,000	0	0	823,933
0	0	0	0	0	0	0	0
\$ 2,042,987	\$ 2,201,167	\$ 1,518,647	\$ 1,635,051	\$ 1,785,356	\$ 1,537,286	\$ 1,664,387	\$ 20,772,267
\$ 949,816	\$ 1,543,599	\$ 1,583,091	\$ 1,247,137	\$ 2,002,202	\$ 2,992,964	\$ 2,508,677	
6,515,207	\$ 4,333,084	\$ 2,881,611	\$ 3,013,899	\$ 6,181,061	\$ 3,658,424	\$ 1,574,447	
\$ 7,465,023	\$ 5,876,683	\$ 4,464,702	\$ 4,261,036	\$ 8,183,263	\$ 6,651,388	\$ 4,083,124	

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2016-17
(in thousands of \$)

	July 2017	August 2017	September 2017	October 2017	November 2017
BEGINNING BALANCE	\$ 2,508,677	\$ 2,605,709	\$ 2,140,176	\$ 1,452,843	\$ 1,585,190
RECEIPTS					
Property Taxes	\$ 68,299	\$ 117,118	1,605	0	\$ 46,480
Other Taxes	14,998	10,702	17,563	21,884	22,628
Licenses, Permits & Franchises	3,207	6,168	2,781	4,575	2,244
Fines, Forfeitures & Penalties	35,590	16,716	7,997	9,466	15,321
Investment and Rental Income	25,251	15,092	13,324	24,363	15,493
Motor Vehicle (VLF) Realignment	0	(167,216)	48,826	64,030	34,904
Sales Taxes - Proposition 172	72,935	61,116	56,981	57,075	71,952
1991 Program Realignment	75,552	26,032	102,517	67,871	73,011
Other Intergovernmental Revenue	133,916	508,397	154,524	231,268	272,552
Charges for Current Services	92,934	198,780	83,723	176,749	98,437
Other Revenue & Tobacco Settlement	120,904	30,197	1,743	166,756	(142,844)
Transfers & Reimbursements	7,858	12,827	(205)	1,690	15,562
Hospital Loan Repayment*	37,283	587,151	101,231	1,006,128	(338,000)
Welfare Advances	341,921	258,213	485,296	401,294	444,597
Other Financing Sources/MHSA	88,110	16,862	0	0	5,164
Intrafund Borrowings	0	0	0	0	0
TRANS Sold	800,000	0	0	0	0
Total Receipts	\$ 1,918,758	\$ 1,698,155	\$ 1,077,906	\$ 2,233,149	\$ 637,501
DISBURSEMENTS					
Welfare Warrants	\$ 191,537	\$ 197,920	\$ 194,706	\$ 299,175	\$ 189,508
Salaries	483,248	480,690	474,480	479,128	482,777
Employee Benefits	324,514	294,144	275,797	309,991	303,996
Vendor Payments	595,479	539,732	328,053	388,105	385,735
Loans to Hospitals*	0	346,253	480,888	371,024	272,000
Hospital Subsidy Payments	205,042	283,161	0	0	(62,147)
Transfer Payments	21,906	21,788	11,315	253,379	18,308
TRANS Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	\$ 1,821,726	\$ 2,163,688	\$ 1,765,239	\$ 2,100,802	\$ 1,590,177
ENDING BALANCE	\$ 2,605,709	\$ 2,140,176	\$ 1,452,843	\$ 1,585,190	\$ 632,514
Borrowable Resources (Avg. Balance)	\$ 1,487,736	\$ 1,278,233	\$ 1,344,603	\$ 1,901,516	\$ 3,785,931
Total Cash Available	\$ 4,093,445	\$ 3,418,409	\$ 2,797,446	\$ 3,486,706	\$ 4,418,445

* The net change in the outstanding Hospital Loan Balance is a increase of \$268.39 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2017	January 2018	February 2018	March 2018	Estimated April 2018	Estimated May 2018	Estimated June 2018	Total 2017-18
\$ 632,514	\$ 1,370,053	\$ 1,660,492	\$ 1,853,032	\$ 1,311,599	\$ 1,293,953	\$ 1,762,904	
\$ 1,309,725	\$ 1,273,331	\$ 434,542	\$ 12,806	\$ 846,377	\$ 1,005,180	\$ 210,449	\$ 5,325,912
16,475	13,061	27,143	12,995	27,888	10,638	21,996	217,970
4,306	2,743	3,075	7,379	14,832	3,794	3,845	58,950
7,916	8,981	22,146	13,964	9,049	24,377	10,511	182,034
15,464	15,236	16,635	15,272	28,488	9,383	8,433	202,434
33,755	32,245	44,213	32,568	26,771	27,662	12,460	190,218
56,884	58,836	84,302	54,437	45,512	60,351	47,644	728,025
61,565	63,718	91,229	59,810	46,503	63,291	60,098	791,197
246,274	176,022	189,581	311,856	103,123	253,253	103,134	2,683,899
154,764	305,644	94,907	115,602	124,653	131,581	140,588	1,718,363
107,978	(11,676)	49,210	45,634	109,102	61,616	90,136	628,756
51,352	4,135	4,416	59,219	6,330	7,739	20,553	191,475
231,725	264,186	145,012	0	382,107	266,243	437,412	3,120,477
514,006	365,786	376,824	489,513	371,367	304,283	441,681	4,794,780
1,726	1,145	144,549	27,602	14,853	16,161	15,507	331,679
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	800,000
\$ 2,813,915	\$ 2,573,393	\$ 1,727,784	\$ 1,258,657	\$ 2,156,955	\$ 2,245,549	\$ 1,624,445	\$ 21,966,168
\$ 225,584	\$ 330,359	\$ 190,321	\$ 228,457	\$ 233,626	\$ 244,084	\$ 325,194	\$ 2,850,472
505,244	517,511	500,413	486,925	529,207	511,289	514,485	5,965,398
306,347	338,658	318,993	301,720	315,907	316,960	297,113	3,704,140
332,538	411,600	334,420	434,642	431,788	461,688	426,139	5,069,920
355,686	274,269	146,460	330,094	364,450	171,474	276,267	3,388,866
(6,065)	(383)	34,735	0	0	0	0	454,343
42,042	95,940	9,902	18,252	97,890	71,102	22,209	684,033
315,000	315,000	0	0	201,733	0	0	831,733
0	0	0	0	0	0	0	0
\$ 2,076,376	\$ 2,282,954	\$ 1,535,244	\$ 1,800,090	\$ 2,174,602	\$ 1,776,598	\$ 1,861,408	\$ 22,948,904
\$ 1,370,053	\$ 1,660,492	\$ 1,853,032	\$ 1,311,599	\$ 1,293,953	\$ 1,762,904	\$ 1,525,941	
\$ 7,113,753	\$ 5,294,770	\$ 3,559,226	2,915,175	\$ 6,045,402	\$ 3,239,636	\$ 1,434,341	
\$ 8,483,806	\$ 6,955,262	\$ 5,412,258	\$ 4,226,774	\$ 7,339,355	\$ 5,002,540	\$ 2,960,282	

DEBT SUMMARY

INTRODUCTION

The County has issued various types of notes, bonds, and certificates to finance and refinance its cash management requirements, the replacement of essential equipment, and the acquisition, construction and/or improvement of government buildings and public facilities. The County has not entered into any swap agreements, or other similar interest rate derivative contracts, in connection with its outstanding debt.

OUTSTANDING OBLIGATIONS

As of July 1, 2017, approximately \$1.739 billion of intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of \$789 million of the outstanding debt. Revenues from Special Districts/Special Funds, Courthouse Construction Fund, and Hospital Enterprise Funds secure the remaining \$950 million of outstanding obligations.

The table below identifies the funding sources for the County's debt payments due in 2017-18.

COUNTY OF LOS ANGELES ADDITIONAL FUNDING SOURCES FOR REPAYMENT OF COUNTY INTERMEDIATE AND LONG-TERM OBLIGATIONS

2017-18 Payments

Funding Source	2017-18 Payment
Total 2017-18 Payment Obligations	\$159,291,461
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	59,369,955
Courthouse Construction Funds	15,010,203
Special Districts/Special Funds	2,771,892
Net 2017-18 General Fund Obligations	\$82,139,411

Source: Los Angeles County Auditor-Controller

As of May 1, 2018, the County has \$1.092 billion of outstanding short-term obligations, which include \$800 million in TRANs, \$25.0 million in Bond Anticipation Notes, and \$267 million in Lease Revenue Tax-exempt Commercial Paper Notes. The following table summarizes the outstanding General County debt and note obligations.

COUNTY OF LOS ANGELES SUMMARY OF OUTSTANDING PRINCIPAL

As of May 1, 2018 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	\$800,000
Bond Anticipation Notes	25,000
Lease Revenue Notes	267,370
Intermediate & Long-Term Obligations	1,704,392
Total Outstanding Principal	\$2,796,762

Source: Los Angeles County Treasurer and Tax Collector and Auditor-Controller

The tables at the end of this section provide a detailed summary of the funding sources for the County's outstanding obligations and future debt service payments.

SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

In 1977, the County implemented a cash management program to finance its General Fund cash flow deficits, which occur periodically during the fiscal year. Since the program's inception, the County has annually sold varying amounts of tax anticipation notes and tax and revenue anticipation notes (including commercial paper).

Pursuant to a resolution adopted by the Board of Supervisors on May 9, 2017, the County issued \$800 million of 2017-18 TRANs on July 3, 2017. The 2017-18 TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2017-18, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2017-18 Tax and Revenue Anticipation Notes" of this Appendix A.

Bond Anticipation Notes

The County is currently utilizing the proceeds from the issuance of Bond Anticipation Notes ("BANs") to provide an interim source of funding for the acquisition of equipment on behalf of the County General Fund. The BANs are issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and are purchased by the County Treasury Pool under terms and conditions established by the Board of Supervisors. The BANs are payable within three years of their initial issuance from the proceeds of long-term bonds or other available funds. Repayment is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of May 1, 2018, \$25.0 million in BANs are outstanding. The County expects to repay the outstanding BANs in full with the proceeds of intermediate-term bonds to be issued by LAC-CAL on or before July 1, 2019.

Lease Revenue Note Program

Under the Lease Revenue Note Program (the "Note Program"), the County is authorized to issue up to \$500 million in aggregate principal amount of lease revenue notes. The short-term lease revenue notes issued through the Note Program will continue to finance construction costs on various capital projects throughout the County. The Note Program consists of two Irrevocable, Direct-Pay Letters of Credit ("LOC") in the aggregate principal amount of \$300 million issued by Bank of the West (Series A - \$100 million), and U.S. Bank (Series B - \$200 million); and a Direct Placement Revolving Credit Facility with Wells Fargo (Series C - \$200 million). The Note Program is secured by a lease-revenue financing structure between LAC-CAL and the County, and a portfolio of sixteen County-owned properties pledged as collateral to secure the credit facilities. The three credit agreements, which are scheduled to terminate on April 12, 2019, provide credit enhancement and liquidity support for both tax-exempt and taxable commercial paper notes and direct placement revolving notes. As of May 1, 2018, \$267.3 million of tax-exempt commercial paper notes are outstanding. The Note Program provides the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which will eventually be refinanced with the issuance of long-term bonds upon completion.

INTERMEDIATE AND LONG-TERM OBLIGATIONS

Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of July 1, 2017, approximately \$1.739 billion in principal remained outstanding on such obligations. The County's lease obligations are secured by revenues from various funding sources, including the General Fund, and are subject to annual appropriation. The Fiscal Year 2017-18 Adopted Budget contains sufficient appropriations to fund the County's lease payment obligations in Fiscal Year 2017-18. The County's Board of Supervisors has never failed to appropriate sufficient funding for such obligations, nor has the County abated payments on any of its lease-revenue financings to date.

DEBT RATIOS

The ratio of the General Fund's outstanding debt to the net revenue-producing valuation of the property tax roll (the "Net Local Roll") decreased from 0.134% in Fiscal Year 2016-17 to 0.123% in Fiscal Year 2017-18. The following table provides the ratio of the General Fund's outstanding debt to the Net Local Roll over the past ten years.

COUNTY OF LOS ANGELES OUTSTANDING DEBT TO ASSESSED VALUATION AS OF JULY 1

Fiscal Year	Outstanding Principal	Net Local Property Tax Roll	Debt To Value Ratio
2008-09	\$1,180,113,183	\$1,067,594,451,410	0.111%
2009-10	972,937,056	1,062,174,404,954	0.092%
2010-11	805,297,030	1,042,339,975,681	0.077%
2011-12	1,397,467,754	1,056,493,252,156	0.132%
2012-13	1,370,642,758	1,079,685,510,076	0.127%
2013-14	1,622,142,327	1,129,994,170,579	0.144%
2014-15	1,576,510,029	1,191,806,972,618	0.132%
2015-16	1,633,835,517	1,264,906,464,546	0.129%
2016-17	1,785,310,693	1,335,525,121,301	0.134%
2017-18	1,739,996,064	1,416,125,372,989	0.123%

Source: Los Angeles County Assessor and Auditor-Controller

OTHER DEBT OBLIGATIONS

Tobacco Bonds

On February 8, 2006 the California County Tobacco Securitization Agency (the "Agency"), a Joint Exercise of Powers Authority, issued \$319.8 million in Tobacco Settlement Asset-Backed Bonds (the "Tobacco Bonds") for the purpose of loaning the proceeds to the Los Angeles County Securitization Corporation (the "Corporation"). The Corporation used the Tobacco Bond proceeds to purchase 25.9% of the County's annual Tobacco Settlement Revenues (the "TSRs") paid by the tobacco companies participating in the Master Settlement Agreement. The Tobacco Bonds are secured by the 25.9% portion of the annual TSRs, and are not considered a debt obligation of the County.

DPSS Lease Obligations

Beginning January 28, 1999 through July 28, 2005, the County entered into several build to suit operating and capital lease agreements with various organizations whereby the County would lease buildings and improvements for use by County Departments including the Department of Public Social Services (the "DPSS Facilities"). In order to facilitate the construction of the DPSS Facilities, financing was obtained through the sale of Certificates of Participation ("COPs") and Lease Revenue Bonds with the periodic lease payments pledged as security for repayment of the COPs and Bonds. Although these financings are categorized as leases in the County's financial statements, the ultimate obligor for the outstanding debt securities is the County General Fund. The principal amount of the outstanding underlying COPs and Bond obligations is \$228 million as of May 1, 2018.

REPORTS AS OF JULY 1, 2017

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL BY FUNDING SOURCE

ENTIRE CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL BY FUNDING SOURCE

REPORTS AS OF MAY 1, 2018

SUMMARY OF OUTSTANDING GENERAL COUNTY OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

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**COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2017**

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service
2017-18	\$ 82,139,411	\$ 59,369,955	\$ 15,010,203	\$ 2,771,892	\$ 159,291,462
2018-19	78,913,983	56,629,774	15,013,314	2,772,901	153,329,972
2019-20	74,270,204	52,934,921	15,002,335	2,772,114	144,979,574
2020-21	70,969,646	50,681,389	14,997,342	2,770,155	139,418,531
2021-22	71,577,391	50,423,184	14,991,788	2,772,727	139,765,090
2022-23	69,166,614	50,420,052	14,991,568	2,770,179	137,348,413
2023-24	46,440,195	50,410,165	14,985,583	2,771,524	114,607,466
2024-25	46,430,339	50,403,888	14,971,366	2,772,880	114,578,474
2025-26	46,425,341	50,395,048	14,968,875	2,772,804	114,562,067
2026-27	46,420,826	50,391,691	14,959,875	2,772,537	114,544,928
2027-28	46,331,986	50,383,353	14,947,750	2,771,073	114,434,161
2028-29	46,030,081	50,371,753	14,945,875	2,773,632	114,121,341
2029-30	45,809,454	50,364,260	14,937,625	2,770,541	113,881,879
2030-31	45,801,510	50,345,701	8,340,500	2,770,790	107,258,501
2031-32	45,793,532	50,341,280	8,336,375	2,771,350	107,242,537
2032-33	45,787,862	50,331,926	6,115,375	2,770,272	105,005,435
2033-34	45,778,791	50,315,721	6,119,250	2,772,755	104,986,516
2034-35	45,769,504	50,309,705	-	2,774,794	98,854,002
2035-36	45,766,974	50,294,766	-	2,769,980	98,831,721
2036-37	45,759,388	50,283,745	-	2,774,430	98,817,563
2037-38	45,746,294	50,278,866	-	2,772,883	98,798,044
2038-39	45,737,969	50,259,691	-	2,773,883	98,771,544
2039-40	45,727,144	50,246,289	-	2,773,659	98,747,093
2040-41	45,723,835	50,237,761	-	2,772,601	98,734,197
2041-42	25,100,375	19,945,100	-	2,774,050	47,819,525
2042-43	25,102,875	19,948,218	-	2,774,482	47,825,575
2043-44	25,101,625	-	-	808,250	25,909,875
2044-45	25,099,000	-	-	809,750	25,908,750
2045-46	15,902,875	-	-	-	15,902,875
Total	\$ 1,390,625,026	\$ 1,266,318,201	\$ 223,634,999	\$ 73,698,888	\$ 2,954,277,114

**COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2017**

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2017-18	\$ 789,548,095	\$ 747,824,802	\$ 161,160,000	\$ 41,463,167	\$ 1,739,996,064
2018-19	766,071,063	729,170,176	152,675,000	40,686,165	1,688,602,404
2019-20	740,326,443	708,717,922	144,035,000	39,872,265	1,632,951,630
2020-21	715,755,942	688,722,303	135,205,000	39,017,435	1,578,700,679
2021-22	685,779,023	669,817,455	126,135,000	38,120,777	1,519,852,255
2022-23	645,603,559	650,368,047	116,790,000	37,175,498	1,449,937,104
2023-24	605,987,302	630,069,623	107,130,000	36,184,357	1,379,371,281
2024-25	587,474,815	608,863,906	97,130,000	35,141,008	1,328,609,729
2025-26	568,091,357	586,643,269	86,730,000	34,042,763	1,275,507,389
2026-27	547,761,235	563,319,690	75,825,000	32,888,277	1,219,794,202
2027-28	526,435,089	538,830,160	64,370,000	31,674,859	1,161,310,108
2028-29	504,142,909	513,114,829	52,340,000	30,400,717	1,099,998,455
2029-30	481,046,152	486,115,239	39,695,000	29,058,609	1,035,915,000
2030-31	457,011,720	457,762,435	26,410,000	27,650,845	968,835,000
2031-32	431,769,828	427,999,539	19,210,000	26,170,633	905,150,000
2032-33	405,340,098	396,740,964	11,645,000	24,613,939	838,340,000
2033-34	377,660,124	363,916,356	5,970,000	22,978,519	770,525,000
2034-35	348,589,529	329,453,785	-	21,256,686	699,300,000
2035-36	318,100,780	293,295,333	-	19,448,887	630,845,000
2036-37	286,191,347	255,401,290	-	17,562,363	559,155,000
2037-38	252,797,750	215,683,273	-	15,583,977	484,065,000
2038-39	217,881,190	174,133,219	-	13,515,591	405,530,000
2039-40	181,436,097	130,747,077	-	11,346,826	323,530,000
2040-41	143,408,169	85,416,324	-	9,070,508	237,895,000
2041-42	103,720,000	38,047,845	-	6,682,155	148,450,000
2042-43	83,295,000	19,481,371	-	4,173,629	106,950,000
2043-44	61,820,000	-	-	1,540,000	63,360,000
2044-45	39,245,000	-	-	790,000	40,035,000
2045-46	15,515,000	-	-	-	15,515,000

Source: Los Angeles County Chief Executive Office

**COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2017**

Title	Total Debt Service	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds
Long-Term Obligations					
Long-Term Capital Projects					
1993 COPs: Disney Parking Project	\$ 16,740,000	\$ 16,740,000			
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	\$ 731,023	\$ 731,023			
Patriotic Hall Renovation	1,180,471	1,180,471			
Hall of Justice Rehabilitation	6,094,200	6,094,200			
Olive View Medical Center ER/TB Unit	1,360,210		\$ 1,360,210		
Olive View Medical Center Seismic	560,353		560,353		
Harbor/UCLA Surgery/ Emergency	8,523,712		8,523,712		
Harbor/UCLA Seismic Retrofit	1,314,393		1,314,393		
Total 2010 Multiple Capital Projects I, Series A	\$ 19,764,362	\$ 8,005,694	\$ 11,758,669	\$ 0	\$ 0
2010 Multiple Capital Projects I, Federally Taxable Series B:					
Coroners Expansion/ Refurbishment	\$ 1,166,023	\$ 1,166,023			
Patriotic Hall Renovation	1,882,916	1,882,916			
Hall of Justice Rehabilitation	9,720,589	9,720,589			
Olive View Medical Center ER/TB Unit	2,169,611		\$ 2,169,611		
Olive View Medical Center Seismic	893,795		893,795		
Harbor/UCLA Surgery/ Emergency	13,595,795		13,595,795		
Harbor/UCLA Seismic Retrofit	2,096,529		2,096,529		
Total 2010 Multiple Capital Projects I, Series B	\$ 31,525,258	\$ 12,769,528	\$ 18,755,731	\$ 0	\$ 0
2011 High Desert Solar Complex (Federally Taxable)	\$ 595,899	\$ 595,899			
2012 Refg COPs: Disney Parking Project	\$ 2,533,750	\$ 2,533,750			
2012 Multiple Capital Projects II, Series 2012:					
High Desert Multi-Service Ambulatory Care Center	\$ 8,842,053		\$ 8,842,053		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	10,763,663		10,763,663		
Martin Luther King Jr. Data Center	341,842		341,842		
Fire Station 128	296,973			\$ 296,973	
Fire Station 132	480,322			480,322	
Fire Station 150	745,015			745,015	
Fire Station 156	442,232			442,232	
Total 2012 Multiple Capital Projects II, Series 2012	\$ 21,912,100	\$ 0	\$ 19,947,558	\$ 0	\$ 1,964,542
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	\$ 9,194,450	\$ 9,194,450			
Manhattan Beach Library	807,350			\$ 807,350	
Total 2015 Multiple Capital Projects, Series A	\$ 10,001,800	\$ 9,194,450	\$ 0	\$ 0	\$ 807,350
2015 Lease Revenue Refunding Bonds, Series B					
Calabasas Landfill Project	\$ 3,044,500	\$ 3,044,500			
LAX Area Courthouse	2,533,000			\$ 2,533,000	
Chatsworth Courthouse	2,124,500			2,124,500	
Total 2015 Multiple Capital Projects, Series B	\$ 7,702,000	\$ 3,044,500	\$ 0	\$ 4,657,500	\$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	\$ 10,352,703			\$ 10,352,703	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	\$ 15,893,594	\$ 15,893,594			
Total Long-Term Obligations	\$ 137,021,468	\$ 68,777,415	\$ 50,461,957	\$ 15,010,203	\$ 2,771,892
Intermediate-Term Obligations					
Equipment					
2014 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	\$ 4,359,750	\$ 2,615,850	\$ 1,743,900		
2017 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	\$ 17,910,244	\$ 10,746,147	\$ 7,164,098		
Total Intermediate-Term Obligations	\$ 22,269,994	\$ 13,361,997	\$ 8,907,998	\$ 0	\$ 0
Total Obligations	\$ 159,291,462	\$ 82,139,411	\$ 59,369,955	\$ 15,010,203	\$ 2,771,892

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
 OUTSTANDING PRINCIPAL BY FUNDING SOURCE
 AS OF JULY 1, 2017

Title	Total Outstanding Principal	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds
Long-Term Obligations					
Long-Term Capital Projects					
1993 COPs: Disney Parking Project	\$ 10,623,779	\$ 10,623,779			
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	\$ 2,038,905	\$ 2,038,905			
Patriotic Hall Renovation	3,292,463	3,292,463			
Hall of Justice Rehabilitation	16,997,401	16,997,401			
Olive View Medical Center ER/TB Unit	3,793,778		\$ 3,793,778		
Olive View Medical Center Seismic	1,562,888		1,562,888		
Harbor/UCLA Surgery/ Emergency	23,773,579		23,773,579		
Harbor/UCLA Seismic Retrofit	3,665,987		3,665,987		
Total 2010 Multiple Capital Projects I, Series A	\$ 55,125,000	\$ 22,328,769	\$ 32,796,231	\$ 0	\$ 0
2010 Multiple Capital Projects I, Series B:					
Coroners Expansion/ Refurbishment	\$ 25,447,194	\$ 25,447,194			
Patriotic Hall Renovation	41,092,631	41,092,631			
Hall of Justice Rehabilitation	212,141,438	212,141,438			
Olive View Medical Center ER/TB Unit	47,349,441		\$ 47,349,441		
Olive View Medical Center Seismic	19,506,113		19,506,113		
Harbor/UCLA Surgery/ Emergency	296,713,674		296,713,674		
Harbor/UCLA Seismic Retrofit	45,754,510		45,754,510		
Total 2010 Multiple Capital Projects I, Series B	\$ 688,005,000	\$ 278,681,262	\$ 409,323,738	\$ 0	\$ 0
2011 High Desert Solar Complex (Federally Taxable)	\$ 6,302,286	\$ 6,302,286			
2012 Refg COPs: Disney Parking Project	\$ 50,675,000	\$ 50,675,000			
2012 Multiple Capital Projects II, Series 2012:					
High Desert Multi-Service Ambulatory Care Center	\$ 131,843,319		\$ 131,843,319		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	160,496,330		160,496,330		
Martin Luther King Jr. Data Center	5,097,184		5,097,184		
Fire Station 128	4,428,149			\$ 4,428,149	
Fire Station 132	7,162,049			7,162,049	
Fire Station 150	11,108,878			11,108,878	
Fire Station 156	6,594,091			6,594,091	
Total 2012 Multiple Capital Projects II, Series 2012	\$ 326,730,000	\$ 0	\$ 297,436,833	\$ 0	\$ 29,293,167
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	\$ 138,590,000	\$ 138,590,000			
Manhattan Beach Library	12,170,000			\$ 12,170,000	
Total 2015 Multiple Capital Projects, Series A	\$ 150,760,000	\$ 138,590,000	\$ 0	\$ 0	\$ 12,170,000
2015 Lease Revenue Refunding Bonds, Series B					
Calabasas Landfill Project	\$ 14,090,000	\$ 14,090,000			
LAX Area Courthouse	50,660,000			\$ 50,660,000	
Chatsworth Courthouse	42,490,000			42,490,000	
Total 2015 Lease Revenue Refunding Bonds, Series B	107,240,000	\$ 14,090,000	\$ 0	\$ 93,150,000	\$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	\$ 68,010,000			\$ 68,010,000	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	\$ 255,855,000	\$ 255,855,000			
Total Long-Term Obligations	\$ 1,719,326,064	\$ 777,146,095	\$ 739,556,802	\$ 161,160,000	\$ 41,463,167
Intermediate-Term Obligations					
Equipment					
2014 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	\$ 4,275,000	\$ 2,565,000	\$ 1,710,000		
2017 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	\$ 16,395,000	\$ 9,837,000	6,558,000		
Total Intermediate-Term Obligations	\$ 20,670,000	\$ 12,402,000	\$ 8,268,000	\$ 0	\$ 0
Total Obligations	\$ 1,739,996,064	\$ 789,548,095	\$ 747,824,802	\$ 161,160,000	\$ 41,463,167

Source: Los Angeles County Chief Executive Office
 Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS
AS OF MAY 1, 2018

Title	Outstanding Principal	Total Future Payments	2017-18 FY Payment Remaining
Long-Term Obligations			
Long-Term Capital Projects			
1993 COPs: Disney Parking Project	\$ 7,513,152	\$ 45,555,000	\$ 0
2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I	37,650,000	39,534,669	0
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable)	688,005,000	1,135,974,418 (1)	0
2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable)	5,769,252	6,090,129 (1)	0
2012 Refg COPs: Disney Parking Project	50,675,000	60,830,500	0
2012 Lease Rev Bonds - Multiple Capital Projects II Series 2012	320,350,000	547,825,600	0
2015 Multiple Capital Projects, Series A	148,220,000	273,809,000	3,705,500
2015 Lease Revenue Refunding Bonds Series B	104,840,000	158,069,250	2,621,000
2015 Lease Revenue Refunding Bonds Series C (Taxable)	59,525,000	66,993,180	901,885
2016 Lease Revenue Bonds Series D	251,510,000	451,069,638	5,730,847
Total Long-Term Obligations:	\$ 1,674,057,404	\$ 2,785,751,383	\$ 12,959,231
Intermediate-Term Obligations			
Equipment			
2014 Lease Rev Bonds Series A - LAC-CAL Equipment Program	\$ 1,375,000	\$ 1,395,625	\$ 1,395,625
2017 Lease Rev Bonds Series A - LAC-CAL Equipment Program	\$ 28,960,000	\$ 30,792,500	\$ 8,599,000
Total Intermediate-Term Obligations	\$ 30,335,000	\$ 32,188,125	\$ 9,994,625
Total Obligations	\$ 1,704,392,404	\$ 2,817,939,508	\$ 22,953,856
COPs = Certificates of Participation			
(1) Total Future Payments reflects the County's net future payment obligation after receipt of a Federal interest subsidy authorized by the American Recovery and Reinvestment Act (ARRA) of 2009.			
Source: Los Angeles County Chief Executive Office			
Note: Amounts do not include Tax Exempt Commercial Paper			

COUNTY OF LOS ANGELES		
ESTIMATED OVERLAPPING DEBT STATEMENT AS OF MAY 1, 2018 [UPDATES TO COME]		
2016-17 Assessed Valuation: \$1,361,956,007,239: (includes unitary valuation)		
	Applicable %	Debt as of 5/1/17
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
Los Angeles County Flood Control District	100.000 %	\$ 10,060,000
Metropolitan Water District	48.417	36,266,754
Los Angeles Community College District	100.000	3,847,880,000
Other Community College Districts	Various (1)	3,124,699,992
Arcadia Unified School District	100.000	184,618,852
Beverly Hills Unified School District	100.000	407,475,754
Glendale Unified School District	100.000	271,029,986
Long Beach Unified School District	100.000	1,166,245,702
Los Angeles Unified School District	100.000	10,005,485,000
Pasadena Unified School District	100.000	383,590,000
Pomona Unified School District	100.000	227,648,077
Redondo Beach Unified School District	100.000	221,466,110
Santa Monica-Malibu Unified School District	100.000	323,670,710
Torrance Unified School District	100.000	474,354,455
Other Unified School Districts	Various (1)	3,343,085,332
High School and School Districts	Various (1)	1,800,920,641
City of Los Angeles	100.000	720,435,000
City of Industry	100.000	94,075,000
Other Cities	100.000	54,925,000
Community Facilities Districts	100.000	708,869,258
Los Angeles County Regional Park & Open Space Assessment District	100.000	38,895,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000	74,944,244
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 27,520,640,867
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		
Los Angeles County General Fund Obligations	100.000 %	\$ 1,963,521,065
Los Angeles County Office of Education Certificates of Participation	100.000	7,204,988
Community College District Certificates of Participation	Various (2)	26,985,036
Baldwin Park Unified School District Certificates of Participation	100.000	28,775,000
Compton Unified School District Certificates of Participation	100.000	20,490,000
Los Angeles Unified School District Certificates of Participation	100.000	239,440,000
Paramount Unified School District Certificates of Participation	100.000	28,710,000
Other Unified School District Certificates of Participation	Various (2)	235,344,964
High School and Elementary School District General Fund Obligations	Various (2)	118,542,157
City of Beverly Hills General Fund Obligations	100.000	150,120,000
City of Los Angeles General Fund and Judgment Obligations	100.000	1,484,847,152
City of Long Beach General Fund Obligations	100.000	158,310,000
City of Long Beach Pension Obligations	100.000	30,660,000
City of Pasadena General Fund Obligations	100.000	444,851,426
City of Pasadena Pension Obligations	100.000	119,460,000
Other Cities' General Fund Obligations	100.000	1,298,421,352
Los Angeles County Sanitation Districts Financing Authority	100.000	140,205,118
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 6,495,888,258
Less: Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds and economically defeased certificates of participation		(9,782,835)
Cities' supported bonds		(469,357,170)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 6,016,748,253
OVERLAPPING TAX INCREMENT DEBT: (Successor Agencies):		\$ 3,911,938,121
TOTAL DIRECT DEBT		\$ 1,963,521,065
TOTAL GROSS OVERLAPPING DEBT		\$ 35,964,946,181
TOTAL NET OVERLAPPING DEBT		\$ 35,485,806,176
GROSS COMBINED TOTAL DEBT		\$ 37,928,467,246 (3)
NET COMBINED TOTAL DEBT		\$ 37,449,327,241
RATIOS TO 2016-17 ASSESSED VALUATION		
Total Gross Overlapping Tax and Assessment Debt	2.02 %	
Total Gross Direct Debt (\$1,963,521,065)	0.14 %	
Gross Combined Total Debt	2.78 %	
Net Combined Total Debt	2.75 %	
Ratios to Redevelopment Successor Agency Incremental Valuation (\$184,829,276,228)		
Total Overlapping Tax Increment Debt	2.12 %	
Source: California Municipal Statistics. The above report is included for general information purposes only. The County has not reviewed the debt report for completeness or accuracy and makes no representations in connection therewith.		

ECONOMIC AND DEMOGRAPHIC INFORMATION

Economic Overview

With a 2017 Gross Product of \$670.0 billion, Los Angeles County's economy is larger than that of [44 states] and all but 21 countries. The County serves as the central trade district for the western United States and the U.S. gateway to the Asian economies, as it has evolved into a leader in international commerce and investments. The County's economy experienced moderate growth in 2017 with an increase in economic output of 3.2%, as measured by Gross Product, and an estimated increase in total taxable sales of 2.1%. The economic recovery is expected to continue in 2018, with several sectors of the local economy experiencing growth.

The County's unemployment rate fell to 4.6% in 2017, which reflects the ongoing improvement in the job market, and the lowest rate of the post-recession period. In 2018 and 2019, the positive trend in the job market is expected to continue, with a projected decline in the average unemployment rate to 4.3% and 4.1% respectively. The significant job losses which occurred during the recession of 2008 and 2009 were partially offset by the positive impact of major public and private construction projects.

During Fiscal Year 2016-17, voters approved various State and local ballot measures that could generate approximately \$151.0 billion in funding for capital infrastructure and public services in the County. In the June and November 2016 elections, the voters in school and community college districts passed over \$9.1 billion in general obligation bond measures supported by ad valorem taxes to finance new capital construction and improvement projects, with an average approval rate of over 73%. In addition to the new bond measures approved in 2016, K-12 schools and community college districts in the County had approximately \$8.3 billion of previously authorized, but unissued bond capacity as of June 2016. The Measure A parcel tax is expected to generate approximately \$94 million per year for the County's local parks, beaches, and open space areas, and will replace the expiring funding from voter approved Propositions A in 1992 and 1996. The success of the ballot measures in 2016 may be an indication that County voters are willing to authorize new taxes to finance critical capital infrastructure and public services.

The increase in sales tax revenue resulting from the 2008 and 2016 voter-approved Measure R in 2008 and Measure M in 2016 will continue to provide funding for major highway and transit projects throughout the County. Measure M provides an indefinite extension of the increase in sales tax revenue that was originally set to expire on July 1, 2039. Measure M is projected to generate \$120.0 million of sales tax revenue over the next 40 years for the Los Angeles County Metropolitan Transportation Authority ("MTA") to finance new transportation infrastructure projects. In addition, hospitals throughout the County are engaged in building programs to meet stricter earthquake standards and other regulatory requirements. These major construction projects, combined with the terminal expansions under way at the two primary sea ports (Port of Los Angeles and Port of Long Beach), the expansion of the Los Angeles International Airport ("LAX"), and the expansion of the Metro Light Rail System have provided continued support to an improving job market in the County.

In terms of its industrial base, diversity continues to be the County's greatest strength, with wholesale and retail trade, health care, manufacturing, and leisure and hospitality being the leading employment sectors in the private economy. The Los Angeles Customs District ("LACD"), which includes LAX, Port Hueneme, Port of Los Angeles, and the Port of Long Beach, is the largest customs district in the nation. [The Los Angeles region is the largest manufacturing center in the nation, with over 360,400 workers employed in this sector in 2016.] **(TO BE UPDATED- WAITING FOR DATA FROM LAEDC- TABLE F)** The two major seaports (Port of Los Angeles and Port of Long Beach) encompass the largest port complex in the nation as measured by cargo tonnage and the number of containers handled, and is ranked as the ninth largest among the world's port facilities. The County's vibrant technology sector known as Silicon Beach has become a large and growing source of highly compensated jobs in the local economy. [According to the Los Angeles Economic Development Corporation ("LAEDC"), the County's information technology sector employed 230,900 workers in 2016.] **(TO BE UPDATED- WAITING FOR DATA FROM LAEDC- TABLE F)**

Quality of Life

Higher Education

The County is home to an extensive education system, with 120 colleges and university campuses, including UCLA; five state university campuses; 21 community colleges; prestigious private universities such as USC, Occidental College and Claremont College; religious-affiliated universities such as Pepperdine and Azusa Pacific; renowned technology schools such as the California Institute of Technology and the affiliated Jet Propulsion Laboratory; and specialized institutions such as the California Institute of the Arts, the Art Center College of Design, the Fashion Institute of Design and Merchandising, and the Otis College of Art and Design.

Culture

The County is the cultural center of the western United States and has been referred to as the "entertainment capital of the world," offering world-class museums, theaters, and music venues. The County is home to the world's leading movie studios, television networks, recording studios, video game developers, publishers and artists, creating one of the largest centers for art and entertainment activity in the nation.

The Performing Arts Center of Los Angeles County, which includes the Dorothy Chandler Pavilion, Ahmanson Theater, Mark Taper Forum and Walt Disney Concert Hall, is one of the three largest performing art venues in the nation. The County features more musical and theatrical productions and has more weekly openings than most major cities in the world. The County is home to the Los Angeles Philharmonic Orchestra, which is recognized as one of the finest symphony orchestras in the world.

The County has among the largest number of museums per capita relative to other large metropolitan areas in the world. The area's museums showcase some of the world's finest collections of art, sculpture, manuscripts, and antiquities; as well as providing a historical overview of the area's ethnic heritage and experience. Major institutions include the Los Angeles County

Museum of Art, the Los Angeles County Museum of Natural History, the Norton Simon Museum, the J. Paul Getty Museum, the Museum of Contemporary Art, the Huntington Library and the Broad Museum of Contemporary Art. The Broad Museum is located adjacent to the iconic Walt Disney Concert Hall, and will further strengthen and help establish downtown Los Angeles as a premiere cultural destination on the west coast.

Recreation

With its geographic size, topography, mild climate, and an average of 329 days of sunshine per year, Los Angeles County offers a full spectrum of recreational activities that are enjoyed by residents and visitors on a year-round basis. The County owns and maintains the world's largest man-made recreational harbor at Marina del Rey, and manages over 182 parks, over 200 miles of horse, biking, and hiking trails, natural habitat and the world's largest public golf course system. Each year, millions of people visit the County's 25 miles of public beaches stretching along its 75-mile coastline, with bike enthusiasts able to enjoy the County's 22-mile beach bikeway.

Millions of visitors continue to enjoy the County's multitude of amusement parks, zoos, museums, theaters, sporting venues, motion picture and television studios, parklands, and world-renowned restaurants and retail centers. In addition, the County is the host to a number of major annual events such as the January 1st Rose Parade & Rose Bowl game, Long Beach Grand Prix, Grammy Awards, and the Academy Awards. Los Angeles County has been a prior host to major sporting events such as the Summer Olympics, the World Cup, X Games, BCS College Football National Championship, and the Super Bowl. In July 2017, the City of Los Angeles announced a deal with the International Olympic Committee to host the 2028 Summer Olympics.

Population

The County is the most populous county in the U.S. with over 10.2 million people estimated to be residing within its borders. The County's population makes it equivalent to the tenth largest state in the nation and accounts for approximately 25.9% of the total population of California. According to the U.S. Census Bureau's demographic profile, the County's population is comprised of 48.5% Hispanic, 26.5% White, 15.1% Asian, 9.1% African American and 0.8% other. The County is home to the highest number of foreign-born residents in the nation and has the largest population of persons of Chinese, Filipino, Japanese, Korean, Mexican, Salvadoran and Thai descent outside their native countries. With 103 consulates, the County has a larger consular corps than any other U.S. city outside of Washington D.C. with more than 220 languages and cultures represented across the County. It is estimated that 77.7% of the adult population has a high school diploma or higher, and 30.8% has a bachelor's degree or higher. Table B illustrates the recent historical growth of the County's population.

Employment

After the most recent economic downturn, which started in late 2007 and had a significant adverse impact on the local economy, the County has continued to experience a steady recovery in the job market since 2010. The average unemployment rate increased from 5.1% in 2007 to 12.5% in 2010, but has experienced a steady decrease over the last seven years to 4.6% in 2017. In comparison, the average unemployment rates for the State of California and the United States in 2017 were

4.8% and 4.4%, respectively. The unemployment rate in the County is expected to experience continued improvement over the next two years, falling to 4.3% in 2018 and 4.1% in 2019, as the County approaches full employment. Table E details the County's historical unemployment rates from 2013 through 2017. The employment situation in the County showed additional signs of improvement in 2017, with estimated [total net job growth of 109,200 among the various sectors of the local economy. Table F details the non-agricultural employment statistics by sector for the County from 2013 through 2017.] **(TO BE UPDATED-WAITING FOR DATA FROM LAEDC- TABLE F)**

Personal Income

Total personal income in the County grew by an estimated 3.8% in 2017. The 2017 total personal income of \$585.5 billion represents an estimated 25.5% of the total personal income generated in California. The LAEDC is projecting continued growth in personal income of 2.9% for 2018 and 2.8% for 2019. Table C provides a summary of the personal income statistics for the County from 2013 through 2017.

Consumer Spending (TO BE UPDATED)

As the most populous county in the nation with a vibrant and diverse economy, the County is recognized as a national leader in consumer spending. As reported by LAEDC, the County experienced a 5.5% increase in total taxable sales in 2016, with stronger growth of 6.8% projected for 2017. The \$159.8 billion of total taxable sales in the County in 2016 represents 23.8% of the total taxable sales in California, which underscores the significant importance of the County to the economic health of California. Table D provides a summary of total taxable sales activity in the County from 2012 through 2016.

Industry

With an estimated annual economic output of \$670.0 billion in 2017, the County continues to rank among the world's largest economies. The County's 2017 Gross Product represents approximately 28.2% of the total economic output in California and 3.9% of the Gross Product of the United States. The County's business environment is distinguished by its diversity and balance and it is recognized as a world leader in technology, electronics, energy, communications, and entertainment. The top industries in the manufacturing sector include computer and electronics, apparel, transportation equipment, fabricated metal products, and food. Table A provides the Gross Product statistics for the County from 2013 through 2017.

International Trade (TO BE UPDATED- WAITING FOR 2017 DATA FROM LAEDC- TABLE H)

Due to its strategic location, broad transportation network and extensive cargo facilities, the County has become the leading center of international trade in the United States. The County's airports and extensive port facilities serve as the gateway for the Southern California region's thriving international trade. The value of two-way trade in the LACD experienced steady growth over the previous decade, resulting in a record level of \$357.1 billion in 2008. After suffering a substantial decrease in 2009, the value of two-way trade in the LACD has experienced strong growth over the last several years. From 2009 to 2013, the value of two-way trade at LACD increased by 47% which surpassed the record level attained in 2008. LACD experienced a moderate decline in 2015, handling approximately \$393.8 billion worth of international trade, which represents a 5.7% decrease from

2014. The decline in the value of international trade was partially the result of a labor strike that slowed loading activities at both ports. With the resolution of the labor strike during the first quarter of 2015, the LACD is expected to show moderate growth in 2016. Although the recent increase in the value of the dollar is expected to have a negative impact on export growth, the demand for imported goods is expected to remain strong. The LACD maintained its ranking as the top customs district in the nation for international trade in 2015, with China, Japan, South Korea, Taiwan and Vietnam being the top trading partners.

Transportation/Infrastructure

The County is one of the world's largest transportation centers. The region's ports, airports, integrated rail and highway facilities are part of an extensive transportation infrastructure that provides valuable service to residents, visitors, and industry.

Airports and Harbors

All transcontinental airlines and many international carriers serve the Los Angeles area through major air terminals at LAX, Long Beach Airport and the Bob Hope Airport in Burbank. LAX is ranked as the fourth busiest airport in the world and second in the United States for passenger traffic. In 2017, LAX served 84.6 million passengers, representing an 4.5% increase from the previous year. The 2.4 million tons of air cargo handled at LAX in 2017, and the corresponding value of \$109.6 billion, represents an increase of 10.3% from 2016 levels. The \$14 billion capital improvement project currently underway at LAX is expected to generate approximately 121,640 local jobs. On May 2, 2016, the Bob Hope Airport changed its branding name to Hollywood Burbank Airport in an effort to increase name recognition outside of Southern California. The Hollywood Burbank Airport is currently in the pre-planning stage to replace its 14-gate terminal with a new state of the art facility. Construction is scheduled to begin on the replacement terminal between 2018 and 2022.

The Ports of Los Angeles and Long Beach are adjacent ports that encompass the nation's largest port complex in terms of annual cargo tonnage and container volume. The combined Los Angeles/Long Beach port complex has been one of the fastest growing port facilities in the United States, and is the busiest port complex in the U.S. and western hemisphere, and the tenth busiest in the world. The port complex is a powerful economic force in the region, with a direct connection to hundreds of thousands of jobs in Southern California and billions of dollars in state and local tax revenue.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2017, it was ranked as the busiest container port in the United States and the seventeenth (17th) busiest in the world, as measured by annual container volume. The Port of Los Angeles covers over 7,500 acres and includes 43 miles of waterfront. The Port has 26 passenger and cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. In 2017, the Port handled over 9.3 million TEUs, which represents an 5.5% increase in container volume from 2016.

The Port of Long Beach is also among the world's busiest container ports, and was ranked behind the Port of Los Angeles as the second busiest port in the nation, and the twenty-first (21st) busiest in the world in 2017. The Port of Long Beach covers over 3,000 acres with 10 separate piers, 80 berths, 66 cranes and 22 shipping terminals. In 2017, the port handled

nearly 7.5 million TEUs of container cargo, which represents an increase of 11.4% from 2016.

Port Expansion

The Ports of Los Angeles and Long Beach are currently in the process of major ongoing expansion programs that will facilitate further growth and expansion of trade activity. The expansion of port facilities will continue to have a positive economic impact on the region through the creation of new jobs in the trade-related sectors of the local economy. The various expansion related projects will enable the region to more effectively manage higher volumes of imports and exports and provide a faster and more efficient system for the transportation of cargo from the port complex to markets nationwide.

Metro System

The Metro System is a multi-modal and integrated passenger transportation system that provides service to the greater Los Angeles area. With over 414 million in annual boardings, the Metro System is the second largest public transportation system in the U.S. The Metro System was designed to meet the travel needs of the area's diverse population centers through a variety of transportation services that will be implemented over a 30-year period. The integrated Metro System is administered and operated by the MTA, which is responsible for the planning, design, construction and operation of the public transportation system for the County. The Fiscal Year 2017-18 operating budget for the MTA is \$6.1 billion, which is funded primarily through voter approved State and local sales taxes, State gasoline taxes, and various Federal, State and local grants.

Visitor and Convention Business

Tens of millions of visitors travel to Southern California each year, providing a significant contribution to the County's economy. In 2017, the Los Angeles region hosted a record high 31.9 million overnight visitors, representing a 2.9% increase from 2016. According to the Los Angeles Convention and Visitors Bureau, a record high of 7.3 million foreign residents visited the region in 2017, which represents a 3.2% increase compared to 2016. Of all foreign countries visiting the region, China continues to display the fastest growth of any international market with 11.7% more visitors than in 2016. Recently constructed hotels in downtown Los Angeles, Beverly Hills and Hollywood are attracting additional business and leisure travelers to the County.

Real Estate and Construction

After enduring the adverse effects of the economic downturn starting in late 2007, the County's residential housing market has experienced a strong and steady recovery since 2012. The average median price for new and existing homes, decreased by nearly 46% from a peak of \$532,281 in 2007 to a cyclical low of \$290,015 in January 2012. However, the real estate market stabilized in 2012 and began a strong recovery as the average median home price increased by 69.9% from 2012 to 2017.

In 2017, the real estate market continued to experience strong growth, as the average median home price increased by 7.6% to \$561,317 from 2016. After a record high of 105,433 in 2009, notices of default recorded decreased by 89.2% to 11,402 in 2017 equaling a rate of approximately 950 notices per month, which represents a slight improvement over 2016 when the rate averaged 1,150 notices per month. Foreclosures, as measured by the number of trustees deeds recorded, has experienced a

significant decrease of over 94% from a cyclical high of 39,774 in 2008 to 2,570 in 2017. The number of trustees deeds recorded in 2017 represents a 26% decrease from 2016 (3,481 to 2,570).

Despite the severe downturn in the housing market from 2007 to 2011, the County has maintained stable assessed valuations. The stability of the property tax base is primarily due to the significant amount of “stored value” in the secured property tax roll as a result of Proposition 13. For Fiscal Year 2017-18, the County Assessor reported a Net Local Roll of \$1.416 trillion, which represents a 6.04% increase from the Net Local Roll of \$1.336 trillion in Fiscal Year 2016-17. The Net Local Roll in Fiscal Year 2017-18 represents a 31.2% increase from Fiscal Year 2011-12, and the seventh consecutive year of growth in assessed valuation after the recent economic downturn.

The commercial real estate sector continued to show improvement in 2017. Construction lending experienced robust growth of 13.7% from \$11.979 billion in 2016 to \$13.619 billion in 2017. Office market vacancy rates increased slightly from 2016 to 2017, with the average vacancy rate increased to 14.4% from 14.0%, which is still significantly higher than the 9.7% rate in 2007, prior to the economic downturn. Industrial market vacancy rates increased to 1.1% in 2017 from 0.9% in 2016, which is slightly lower than the 1.5% vacancy rate in 2007 prior to the economic downturn.

On June 23, 2017, the InterContinental hotel in the Wilshire Grand Center in Downtown Los Angeles opened after several years of construction. The 73-story, 1,100-foot tall structure, includes an InterContinental hotel, office space and condominiums, represents a \$1.35 billion private investment in Downtown Los Angeles. The University of Southern California has recently completed a \$700 million mixed-use complex adjacent to its main campus, which is located just south of Downtown Los Angeles. The 1.2 million-square foot complex includes seven residential halls, a 30,000 square-foot fitness center, and is home to commercial tenants such as Trader Joes, Target, CVS, and Wahlburgers.

In January 2016, National Football League (NFL) team owners voted to allow the St. Louis Rams to move to Los Angeles for the 2016 NFL season. A year later, NFL team owners voted to allow the San Diego Chargers to relocate to Los Angeles for the 2017 NFL season. The future home of the Los Angeles Rams and the Los Angeles Chargers is currently under construction and will feature a new 70,000 seat glass-roofed stadium on a 298 acre site in Inglewood. The new stadium is part of a larger privately financed multibillion-dollar entertainment, retail and housing complex located on the former site of Hollywood Park. The Rams' and Chargers' new stadium is projected to open for the 2020 NFL season at a cost expected to exceed \$2 billion. The Rams will play their home games in the Los Angeles Coliseum until their new stadium is completed. For the next three years, the Chargers will play at the Stub-Hub Center in Carson, the home of the LA Galaxy professional soccer team.

GROSS PRODUCT

POPULATION LEVELS

TOTAL PERSONAL INCOME

TOTAL TAXABLE SALES

UNEMPLOYMENT RATES

AVERAGE ANNUAL EMPLOYMENT

SUMMARY OF AIRPORT AND PORT ACTIVITY

VALUE OF INTERNATIONAL TRADE AT MAJOR U.S. CUSTOMS DISTRICTS

TOTAL TONNAGE OF MAJOR WEST COAST PORTS

TOTAL CONTAINER TRAFFIC AT MAJOR U.S. PORTS

REAL ESTATE AND CONSTRUCTION INDICATORS

BUILDING PERMITS AND VALUATIONS

LARGEST PRIVATE SECTOR EMPLOYERS

DRAFT

TABLE A: GROSS PRODUCT OF LOS ANGELES COUNTY (in millions of \$)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Los Angeles County	\$587,582	\$610,332	\$634,635	\$649,349	\$669,975
State of California	2,064,534	2,150,580	2,245,876	2,320,345	2,379,111
United States	15,612,200	16,013,300	16,471,500	16,716,200	17,096,200
Los Angeles County as a % of California	28.46%	28.38%	28.26%	27.99%	28.16%

Source: Los Angeles Economic Development Corporation - 2018-2019 Economic Forecast & Industry Outlook February 2018 & Bureau of Economic Analysis - U.S. Department of Commerce

TABLE B: POPULATION LEVELS (in thousands of \$)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Los Angeles County	10,056	10,125	10,179	10,215	10,278
State of California	38,373	38,739	39,059	39,312	39,613
Los Angeles County as a % of California	26.21%	26.14%	26.06%	25.98%	25.95%

Source: Los Angeles Economic Development Corporation - 2018-2019 Economic Forecast & Industry Outlook February 2018

TABLE C: TOTAL PERSONAL INCOME: HISTORICAL SUMMARY BY COUNTY (in millions of \$)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Los Angeles County	\$483,579	\$514,517	\$549,073	\$563,908	\$585,515
Orange County	166,369	174,586	188,471	196,920	202,801
San Diego County	157,757	167,633	177,551	183,032	188,877
Riverside and San Bernardino Counties	141,977	149,935	160,048	166,657	173,019
Ventura County	41,728	43,878	46,269	47,397	48,823
State of California	1,861,956	1,986,025	2,133,664	2,212,691	2,300,034
Los Angeles County as a % of California	25.97%	25.91%	25.73%	25.49%	25.46%

Source: Los Angeles Economic Development Corporation - 2018-2019 Economic Forecast & Industry Outlook February 2018

TABLE D: TOTAL TAXABLE SALES IN LOS ANGELES COUNTY (in millions of \$)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Los Angeles County	\$135,296	\$140,080	\$147,447	\$151,034	\$154,208
State of California	558,387	586,840	615,822	633,884	649,079
Los Angeles County as a % of California	24.23%	23.87%	23.94%	23.83%	23.76%

Source: Board of Equalization

TABLE E: UNEMPLOYMENT RATES

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Los Angeles County	9.8%	8.2%	6.6%	5.2%	4.6%
State of California	8.9%	7.5%	6.2%	5.4%	4.8%
United States	7.4%	6.2%	5.3%	4.9%	4.4%

Source: Los Angeles Economic Development Corporation - 2018-2019 Economic Forecast & Industry Outlook February 2018

TABLE F: ESTIMATED AVERAGE ANNUAL EMPLOYMENT IN LOS ANGELES COUNTY BY SECTOR**Non-Agricultural Wage and Salary Workers (in thousands)**

Employment Sector	2013	2014	2015	2016	2017
Wholesale & Retail Trade	624.3	635.5	644.9	649.3	
Health Care & Social Assistance	584.7	602.1	621.6	644.4	
Government	551.2	556.2	568.5	576.3	
Leisure & Hospitality	440.5	466.6	489.1	510.5	
Manufacturing	374.4	370.0	366.8	360.4	
Professional, Scientific & Technical Services	271.8	271.8	271.8	278.3	
Administrative & Support & Waste Services	256.9	262.9	265.8	270.0	
Information	197.0	198.8	207.5	230.9	
Transportation, Warehousing & Utilities	157.5	163.4	171.5	180.6	
Other	145.7	150.5	151.0	153.4	
Finance & Insurance	138.3	134.5	135.6	138.1	
Construction	114.6	118.5	126.2	133.1	
Educational Services	117.4	118.6	119.5	123.0	
Real Estate & Rental & Leasing	74.7	76.7	80.0	81.7	
Management of Companies & Enterprises	58.2	58.6	57.9	56.9	
Total	4,107.2	4,184.7	4,277.7	4,386.9	0.0

Source: Los Angeles Economic Development Corporation

TABLE G: SUMMARY OF AIRPORT AND PORT ACTIVITY (in thousands)

Type of Activity	2013	2014	2015	2016	2017
International Air Cargo (Tons)					
Los Angeles International Airport	1,119.5	1,176.3	1,284.7	1,336.3	1,476.7
As Percentage of Total Air Cargo	58.12%	58.78%	60.25%	60.59%	61.80%
Total Air Cargo (Tons)					
Los Angeles International Airport	1,926.1	2,001.2	2,132.5	2,205.3	2,389.5
Long Beach Airport	24.4	25.5	23.9	25.2	23.0
Hollywood Burbank Airport	52.9	56.3	54.8	53.3	54.4
Total	2,003.4	2,082.9	2,211.1	2,283.9	2,466.9
International Air Passengers					
Los Angeles International Airport	17,852.1	19,105.7	20,740.1	22,850.2	24,829.4
As Percentage of Total Passengers	26.78%	27.04%	27.68%	28.24%	29.36%
Total Air Passengers					
Los Angeles International Airport	66,667.6	70,662.2	74,936.3	80,921.5	84,558.0
Long Beach Airport	2,942.9	2,824.0	2,523.7	2,841.1	3,783.8
Hollywood Burbank Airport	3,844.4	3,861.2	3,943.6	4,142.9	4,739.5
Total	73,454.9	77,347.4	81,403.6	87,916.8	93,081.3
Container Volume (TEUs)					
Port of Los Angeles	7,868.6	8,340.1	8,160.5	8,856.8	9,343.2
Port of Long Beach	6,730.6	6,820.8	7,192.1	6,775.2	7,544.5
Total	14,599.2	15,160.9	15,352.5	15,632.0	16,887.7

Source: Los Angeles World Airports, LAX - Statistics; Hollywood Burbank Airport - Statistics; Long Beach Airport - Statistics; Port of Los Angeles - Statistics; Port of Long Beach - Statistics

TABLE H: VALUE OF INTERNATIONAL TRADE AT MAJOR CUSTOMS DISTRICTS (in millions of \$)

Customs District	2012	2013	2014	2015	2016
Los Angeles, CA	\$403,900	\$414,700	\$417,800	\$393,800	
New York, NY	381,900	379,000	386,800	369,900	
Laredo, TX	239,100	253,200	279,800	284,300	
Detroit, MI	253,200	253,600	261,800	244,200	
Chicago, IL	187,500	192,600	210,700	201,600	
New Orleans, LA	243,600	235,000	233,900	199,700	
Houston-Galveston, TX	273,900	251,700	252,500	196,400	
Seattle, WA	138,800	144,000	152,500	154,800	
Savannah, GA	132,300	129,500	141,800	148,600	
Cleveland, OH	118,700	122,600	131,700	129,600	

Source: Los Angeles Economic Development Corporation - 2018-2019 International Trade Report

TABLE I: TOTAL TONNAGE OF MAJOR WEST COAST PORTS (in thousands)

Port	2012	2013	2014	2015	2016
Los Angeles-Long Beach, CA	201,709	207,252	210,440	204,800	209,685
Tacoma, WA	30,975	31,861	34,936	34,149	38,153
Oakland, CA	30,298	30,906	30,540	29,020	31,100
Seattle, WA	25,549	18,104	14,422	14,906	15,134
Kalama, WA	10,199	9,304	9,725	12,080	14,241
Portland, OR	17,948	13,571	14,573	9,798	9,743
San Diego, CA	4,822	5,168	5,358	5,591	5,999
Port Hueneme	4,520	4,921	5,240	5,774	5,381
Vancouver, WA	4,914	2,001	2,855	3,014	2,748

Source: Pacific Maritime Association - 2017 Annual Report and past reports

TABLE J: TOTAL CONTAINER TRAFFIC AT MAJOR U.S. PORTS (TEUs in thousands)

Port	2012	2013	2014	2015	2016
Los Angeles-Long Beach, CA	14,123	14,599	15,161	15,353	16,888
New York-New Jersey, NY	5,530	5,467	5,772	6,372	6,252
Savannah, GA	2,966	3,034	3,346	3,737	3,645
Seattle-Tacoma, WA	3,564	3,456	3,394	3,529	3,616
Norfolk, VA	2,106	2,224	2,393	2,549	2,657
Oakland, CA	2,344	2,347	2,394	2,278	2,370
Houston, TX	1,922	1,950	1,951	2,131	2,183
Charleston, SC	1,515	1,601	1,792	1,973	1,996

Source: Port of Los Angeles, Port of Long Beach, The Port Authority of NY & NJ, Georgia Ports Authority, Port of Oakland, Port of Virginia, The Northwest Seaport Alliance, Port of Houston Authority, and South Carolina Ports - analysis of data provided by ports

TABLE K: REAL ESTATE AND CONSTRUCTION INDICATORS IN LOS ANGELES COUNTY

Indicator	2013	2014	2015	2016	2017
1. Construction Lending (in millions)	\$6,379	\$8,750	\$9,711	\$11,979	\$13,619
2. Residential Purchase Lending (in millions)	\$27,910	\$31,441	\$48,832	\$53,362	\$53,754
3. New & Existing Median Home Prices	\$412,795	\$458,677	\$490,083	\$521,558	\$561,317
4. New & Existing Home Sales	84,229	76,348	81,188	81,061	82,319
5. Notices of Default Recorded	20,970	17,883	17,422	13,802	11,402
6. Unsold New Housing (at year-end)	561	552	620	1,217	N/A*
7. Office Market Vacancy Rates	16.7%	14.9%	14.7%	14.0%	14.4%
8. Industrial Market Vacancy Rates	1.8%	1.5%	0.8%	0.9%	1.1%

*2nd & 3rd Quarter of 2017 data are unavailable.

Source: Real Estate Research Council of Southern California - 4th Quarter 2017

TABLE L: BUILDING PERMITS AND VALUATIONS

	2013	2014	2015	2016	2017
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	3,599	4,286	4,297	4,664	5,559
b. Multi-Family	12,631	14,595	18,638	15,272	16,451
Total Residential Building Permits	16,230	18,881	22,935	19,936	22,010
Building Valuations					
2. Residential Building Valuations (in millions of \$)					
a. Single Family	\$1,507	\$1,740	\$1,868	\$2,096	\$2,376
b. Multi-Family	1,921	2,310	2,877	2,765	3,173
c. Alterations and Additions	1,193	1,429	1,591	1,550	1,692
Residential Building Valuations Subtotal	\$4,621	\$5,479	\$6,336	\$6,411	\$7,241
3. Non-Residential Building Valuations (in millions of \$)					
a. Office Buildings	\$246	\$269	\$347	\$345	\$498
b. Retail Buildings	385	829	472	541	688
c. Hotels and Motels	145	359	327	332	89
d. Industrial Buildings	128	122	85	154	132
e. Alterations and Additions	2,012	3,155	2,629	2,774	2,999
f. Other	669	1,507	1,025	618	876
Non-Residential Building Valuations Subtotal	\$3,585	\$6,241	\$4,885	\$4,764	\$5,282
Total Building Valuations (in millions)	\$8,206	\$11,720	\$11,221	\$11,175	\$12,523

Source: Real Estate Research Council of Southern California - 4th Quarter 2017

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

Company (in order of 2017 Ranking)	Industry	Headquarters	No. of Employees	
			L.A. County	Total
1 Kaiser Permanente	Health Care Provider	Oakland, CA	36,468	277,123
2 University of Southern California	Education-Private University	Los Angeles, CA	20,163	20,499
3 Northrop Grumman Corp.	Aerospace/Defense Contractor	Falls Church, VA	16,600	67,000
4 Providence Health & Services	Health Care	Renton, WA	15,255	87,634
5 Target Corp.	Retailer	Minneapolis, MN	15,000	341,000
6 Ralphs/Food 4 Less (Kroger Co.)	Grocery Retailer	Cincinnati, OH	14,970	443,000
7 Walt Disney Co.	Entertainment	Burbank, CA	13,000	195,000
8 Albertsons/Vons/Pavilions	Grocery Retailer	Boise, Idaho	13,000	273,000
9 Bank of America Corp.	Banking and Financial Services	Charlotte, NC	12,500	208,000
10 Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	12,242	12,330
11 NBCUniversal	Entertainment	New York	12,000	N/A
12 AT&T Inc.	Telecommunications	Dallas, TX	11,500	264,000
13 Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	11,200	406,000
14 UPS	Transportation and Freight	Atlanta, GA	10,131	434,000
15 Wells Fargo	Diversified Financial Services	San Francisco, CA	9,001	271,000
16 Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	9,000	144,081
17 California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	8,702	9,670
18 Allied Universal	Security Professional and Safety Services	Santa Ana, CA/ Conshohocken, PA	8,384	150,000
19 ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,000	110,000
20 FedEx Corp.	Shipping and Logistics	Memphis, TN	7,000	168,000
21 Dignity Health	Hospitals	San Francisco, CA	6,274	57,264
22 Costco Wholesale	Membership Chain of Warehouse Stores	Issaquah, WA	6,000	218,000
23 Amgen Inc.	Biotechnology	Thousand Oaks, CA	5,616	19,200
24 SoCalGas	Natural Gas Utility	Los Angeles, CA	5,600	8,500
25 Raytheon Co.	Aerospace/Defense Contractor	Waltham, MA	5,500	63,000

N/A - Not Available

Source: Los Angeles Business Journal - The largest employers ranked by employees in L.A. County - The List, August 2017

APPENDIX B

**THE COUNTY OF LOS ANGELES AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

APPENDIX C
FORMS OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer, proposes to render its final opinion in substantially the following form:

[To come from Bond Counsel]

APPENDIX E

**CONTINUING DISCLOSURE UNDERTAKINGS
OF THE ISSUER AND THE COUNTY**

CONTINUING DISCLOSURE UNDERTAKING OF THE ISSUER

Los Angeles County Facilities Inc. (the “Issuer”) has agreed, pursuant to the Indenture of Trust dated as of July 1, 2018 (the “Indenture”) by and between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”), to provide certain continuing disclosure in connection with the issuance of the Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt) (the “Tax-Exempt Bonds”) and Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable) (the “Federally Taxable Bonds” and, together with the Tax-Exempt Bonds, the “Bonds”) in accordance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time. Capitalized terms used in this Appendix E without definition shall have the meanings ascribed thereto in the Indenture.

The Issuer agrees as follows:

(a) Financial Statements/Operating Data. The Issuer agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board (“MSRB”), the following annual financial information and operating data for the prior fiscal year:

(1) Annual financial statements showing ending fund balances for the Issuer prepared in accordance with generally accepted accounting principles; and

(2) Information regarding material changes to the Facilities Lease, Rent delinquencies, changes in tenancy of the Premises and any change in Trustee, presented in substantially the form set forth on Exhibit D of the Indenture.

Such information and data described above shall be provided on or before April 1 following the end of the Issuer’s fiscal year, commencing with the report for the Issuer’s June 30, 2018 fiscal year (which is due no later than April 1, 2019). The Issuer’s current fiscal year ends June 30. The Issuer may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the Issuer may cross-reference to other documents available to the public on the MSRB’s internet website or filed with the SEC.

If not provided as part of the annual financial information discussed above, the Issuer shall provide the Issuer’s audited annual financial statement prepared in accordance with generally accepted accounting principles, when and if available, to the MSRB.

(b) Enumerated Events. The Issuer agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten Business Days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material

notices or determinations with respect to the tax status of the Tax-Exempt Bonds, or other material events affecting the tax status of the Tax-Exempt Bonds;

7. Modifications to the rights of Bond Owners, if material;
8. Bond calls, if material, and tender offers for the Bonds;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition of the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement to undertake such an actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.

(c) Notification Upon Failure to Provide Financial Data. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of its failure to provide the annual financial information and operating data described in subsection (a) above on or prior to the date set forth in subsection (a) above.

(d) Additional Information. In addition to the information required to be provided under the Rule, the Issuer agrees to provide in a timely manner to the MSRB, notice (i) if the County ceases to be the lessee of the Premises, and (ii) if the Facilities Lease expires or terminates.

(e) EMMA; Format for Filings With the MSRB. Until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org. All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(f) Termination/Modification. The Issuer's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. This section, or any provision hereof, shall be null and void if the Issuer (1) obtains an Opinion of Bond Counsel to the effect that those portions of the Rule that require this section, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (2) notifies the MSRB of such opinion and the cancellation of this section.

Notwithstanding any other provision of the Indenture including without limitation the provisions of Article IX, the Issuer may amend Section 11.12 (The Issuer's Compliance With Continuing Disclosure Requirements of the SEC) of the Indenture, and any provision of such Section may be waived, with an Opinion of Bond Counsel to the effect that such amendment or waiver is consistent with and does not violate the Rule.

In the event of any amendment or waiver of a provision of Section 11.12 (The Issuer's Compliance With Continuing Disclosure Requirements of the SEC) of the Indenture, the Issuer shall describe such

amendment or waiver in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under subsection (b) of Section 11.12 (The Issuer's Compliance With Continuing Disclosure Requirements of the SEC) of the Indenture, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**FORM OF CONTINUING DISCLOSURE CERTIFICATE
OF THE COUNTY**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the County of Los Angeles (the “County”) in connection with the issuance of the Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt) (the “Tax-Exempt Bonds”) and Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable) (the “Federally Taxable Bonds” and, together with the Tax-Exempt Bonds, the “Bonds”) by the Los Angeles County Facilities Inc. (the “Issuer”). The Bonds are being issued pursuant to the terms of an Indenture of Trust dated as of July 1, 2018 (the “Indenture”) by and between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”). The County covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission (“S.E.C.”) Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the County, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

“Holder” shall mean the person in whose name any Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than April 1 after the end of the County’s fiscal year, commencing with the report for the County’s June 30, 2018 fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the County may be submitted

separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the County) file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the County for the preceding fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the County's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the County, the Annual Report shall also include the following:

- (1) Assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended;
- (2) Summary financial information on revenues, expenditures and fund balances for the fiscal year of the County most recently ended;
- (3) Summary financial information on the proposed and adopted budgets of the County for the current fiscal year and any changes in the adopted budget;
- (4) Summary of aggregate annual debt obligations of the County as of the beginning of the current fiscal year;
- (5) Summary of annual outstanding principal obligations of the County as of the beginning of the current fiscal year; and
- (6) The ratio of the County's outstanding debt to total assessed valuations as of the most recently ended fiscal year of the County.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been made available to the public on the MSRB's website. The County shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) Substitution of credit or liquidity providers, or their failure to perform;
- (5) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (6) Tender offers;
- (7) Defeasances;
- (8) Rating changes; or
- (9) Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

- (1) Unless described in paragraph 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Tax-Exempt Bonds or other events affecting the tax status of the Tax-Exempt Bonds;
- (2) Modifications to rights of Bond holders;
- (3) Optional, unscheduled or contingent Bond calls;
- (4) Release, substitution, or sale of property securing repayment of the Bonds;
- (5) Non-payment related defaults;
- (6) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to

undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(7) Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the County determines would be material under applicable federal securities laws, the County shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in a filing with the MSRB.

SECTION 8. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the County.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Los Angeles or in U.S. District Court in or nearest to the County of Los Angeles. The sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: July __, 2018.

COUNTY OF LOS ANGELES

By: _____
Authorized Signatory

CONTINUING DISCLOSURE EXHIBIT A

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligor: County of Los Angeles

Name of Bond Issue: Los Angeles County Facilities Inc.
Lease Revenue Bonds, Series 2018A
(Los Angeles County Department of Mental Health
Headquarters Building Project) (Tax-Exempt)
and
Los Angeles County Facilities Inc.
Lease Revenue Bonds, Series 2018B
(Los Angeles County Department of Mental Health
Headquarters Building Project) (Federally Taxable)

Date of Issuance: July __, 2018

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the County, dated the Date of Issuance. [The County anticipates that the Annual Report will be filed by _____.]

Dated: _____

COUNTY OF LOS ANGELES

By: _____

APPENDIX F
BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book entry system has been obtained from DTC, and the Issuer, the County and the Underwriters take no responsibility for the completeness or accuracy thereof. The Authority, the County and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix D. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an Authorized Officer of DTC. One fully registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an

Authorized Officer of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an Authorized Officer of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an Authorized Officer of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

NONE OF THE AUTHORITY, THE COUNTY, THE UNDERWRITERS OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE

PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR PREPAYMENT.

None of the Issuer, the County or the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

Vermont Corridor Project Approval and Related Actions – Attachment

Site 1 Ground Lease

GROUND LEASE AGREEMENT

between

**COUNTY OF LOS ANGELES,
a body corporate and politic**

and

**LOS ANGELES COUNTY FACILITIES INC.,
a California nonprofit public benefit corporation**

Dated as of _____, 2018

**Vermont Corridor County Administration Building
Los Angeles, California**

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GROUND LEASE AGREEMENT

THIS GROUND LEASE AGREEMENT (this “**Ground Lease**”) is effective as of _____, 2018 (the “**Effective Date**”), and is made by and between the **COUNTY OF LOS ANGELES**, a body corporate and politic (“**County**”), and **LOS ANGELES COUNTY FACILITIES INC.**, a California nonprofit public benefit corporation (“**LACF**”). County and LACF are each occasionally referred to herein as a “**Party**” or collectively as the “**Parties**.”

RECITALS

A. County is the owner of certain real property in the City of Los Angeles, County of Los Angeles, California, the address of which is 510, 526 and 532 South Vermont Avenue and 523 Shatto Place and which is legally described on the attached Exhibit A (collectively, the “**Ground Lease Premises**”). The portion of the Ground Lease Premises consisting of 523 Shatto Place (the “**Shatto Place Parcel**”) has an existing parking structure constructed upon it (the “**Existing Garage**”).

B. LACF is a California nonprofit public benefit corporation established exclusively for purposes and activities that are permitted under Section 501(c)(3) of the Internal Revenue Code of 1986 (the “**Code**”). In particular, LACF has been formed for the purposes of (i) assisting in the erection and maintenance of public buildings, monuments, facilities, housing, or works, (ii) combatting community deterioration and carrying out neighborhood revitalization and community economic development by receiving and administering funds exclusively for educational and charitable purposes, (iii) promoting social welfare and education through cooperative programs with governmental entities, (iv) undertaking activities which lessen the burdens of government, and (v) carrying on other charitable activities associated with the foregoing purposes as allowed by law.

C. Pursuant to California Government Code Sections 25549.1 *et seq.*, County desires to lease the Ground Lease Premises to LACF pursuant to this Ground Lease, and for LACF to design, develop, permit, and construct improvements and install furniture, fixtures and equipment on the Ground Lease Premises consisting of a (i) new office building with (A) approximately 468,000 gross square feet of Class A office with ground floor retail space and public serving uses, and (B) approximately 965 structured parking spaces; and (ii) a separate 10-story garage structure containing approximately 768 parking spaces, all to serve as the headquarters and office space for the County’s Department of Mental Health, office space for the County’s Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff (collectively, the “**Project**”).

D. LACF will sublease the Ground Lease Premises and the Project to be constructed thereon to County pursuant to that certain Facilities Lease, between LACF as sublandlord and County as subtenant, of even date herewith (the “**Facilities Lease**”), the form of which is attached as Exhibit B. The design and construction of the Project is more particularly described in the Facilities Lease. Under the Facilities Lease, the Project is to be delivered in “turnkey condition.”

E. TC LA Development, Inc., a Delaware corporation (“TCLA”), is a national real estate development firm with experience in the oversight and management of design, permit processing and construction of office buildings. Pursuant to a County solicitation issued on August 18, 2015, County selected TCLA to be the developer of the Project. Accordingly, LACF will engage TCLA to oversee and manage certain construction and development activities for the Project pursuant to a separate development management agreement (the “**Development Agreement**”) of even date herewith between LACF and TCLA, in the form attached as Exhibit C.

F. Financing for the Project shall be from the proceeds of tax-exempt and taxable obligations issued by LACF, with the tax-exempt obligations to be issued in accordance with the provisions of the Internal Revenue Service Revenue Ruling 63-20, as amended and updated by Internal Revenue Service Revenue Procedure 82-26 (the “**Bonds**”). 63-20 Bonds are tax-exempt bonds issued by a nonprofit organization on behalf of a government entity to finance a public facility.

G. All capitalized terms used but not defined in this Ground Lease shall have the meaning given to them in the Facilities Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the Parties agree as follows:

1. **Demise.**

1.1 Demise. In consideration of the rents, covenants and agreements contained in this Ground Lease, County hereby leases the Ground Lease Premises to LACF, and LACF hereby leases the Ground Lease Premises from County upon and subject to the conditions set forth in this Ground Lease.

1.2 Use of the Ground Lease Premises. The Ground Lease Premises shall be used and occupied only for the purpose of the development, construction, operation, use, repair, and maintenance of the Project pursuant to the terms and conditions of this Ground Lease, the Facilities Lease and all Applicable Laws (collectively, the “**Permitted Uses**”); provided, however, County may continue to use the Existing Garage for parking purposes until the Existing Garage Vacation Date (as defined in Section 37 of the Facilities Lease). The Parties agree that the explicit purpose of this Ground Lease is to allow for the County’s occupancy of the Project pursuant to the Facilities Lease; consequently, except as set forth in the preceding sentence, LACF shall not use or permit the Ground Lease Premises to be used for any purpose other than the Permitted Uses without the prior written approval of County, which County may grant, withhold or condition at its sole and absolute discretion. All uses other than the Permitted Uses are prohibited.

1.3 Applicable Laws. “**Applicable Laws**” means all of the following, even if unforeseen or extraordinary, to the extent affecting any of, (a) LACF, its members, owners, shareholders, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (b) County, its board members, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (c) TCLA, its members, owners, shareholders, officers, employees,

contractors, consultants, agents, customers, guests, or invitees, (d) all or any portion of the Ground Lease Premises, or (e) the use, occupancy, possession, construction, operation, maintenance, improvement, alteration, repair, or restoration of any portion of the Project: (x) all present and future laws, statutes, requirements, ordinances, orders, judgments, regulations, resolutions, covenants, restrictions, or administrative or judicial determinations of every governmental authority and of every court or agency claiming jurisdiction over LACF, County, TCLA, the Project, or the Ground Lease Premises or matters set forth clauses (a) through (e), above, whether enacted or in effect as of the Effective Date or thereafter, including, but not limited to, California Labor Code §§ 1720 *et seq.*, environmental laws, zoning laws, building codes and regulations and those laws relating to accessibility to, usability by, and discrimination against, disabled individuals; and (y) all covenants, restrictions, and conditions of record affecting the Ground Lease Premises from time to time.

1.4 Prohibited Uses.

1.4.1 Nuisance. LACF shall not conduct or permit to be conducted any private or public nuisance on or about the Ground Lease Premises or the Project, nor commit any waste thereon. No rubbish, trash, waste, residue, brush, graffiti, weeds or undergrowth or debris of any kind or character shall ever be placed or permitted to accumulate upon any portion of the Ground Lease Premises or the Project, except for trash collected in appropriate receptacles intended for such purposes, nor shall any portion of the Ground Lease Premises or Project be permitted to be operated or maintained in a manner that renders the Ground Lease Premises or Project a fire hazard or other hazard to public safety.

1.4.2 Restrictions and Prohibited Uses. Without expanding upon or enlarging the Permitted Uses of the Ground Lease Premises and Project expressly set forth in Section 1.2, the following uses of the Ground Lease Premises and the Project are expressly prohibited:

1.4.2.1 The Ground Lease Premises and Project shall not be used or developed in any way which violates any Applicable Laws.

1.4.2.2 The Ground Lease Premises and Project shall not be used or developed in any way in a manner inconsistent with the Permitted Uses. Without limiting the foregoing, no part of the Ground Lease Premises shall be used by any person for any adult entertainment purposes, as such term refers to graphic, explicit and/or obscene depictions of sexual activity.

1.4.2.3 The Project shall at all times be kept in good condition and repair consistent with the requirements of this Ground Lease and the Facilities Lease.

1.4.2.4 No condition shall be permitted to exist upon the Ground Lease Premises or Project which induces, breeds or harbors infectious plant diseases, rodents or noxious insects, and LACF shall take such measures as are appropriate to prevent any conditions from existing on the Ground Lease Premises or Project which create a danger to the health or safety of any persons occupying, using, working at, or patronizing the Ground Lease Premises or Project.

1.4.2.5 No tools, equipment, or other structure designed for use in boring for water, oil, gas or other subterranean minerals or other substances, or designed for use in any mining operation or exploration, shall hereafter be erected or placed upon or adjacent to the Ground Lease Premises, except (a) as is necessary to allow LACF to perform its maintenance and repair obligations pursuant to this Ground Lease, and (b) for such boring or drilling as necessary to perform water testing or monitoring, or any dewatering program to relieve soil water pressure.

1.4.2.6 No adverse environmental condition in violation of Applicable Laws shall be permitted to exist on or in any portion of the Ground Lease Premises or the Project, nor shall any Hazardous Substances be permitted to be generated, treated, stored, released, disposed of, or otherwise deposited in or on, or allowed to emanate from, the Ground Lease Premises, the Project or any portion thereof.

Notwithstanding the foregoing, County acknowledges that County shall be subject to the same prohibited use restrictions in the Facilities Lease, and in the event that County violates such prohibited use restrictions, LACF shall not be in default under the Ground Lease.

1.5 Access and Utilities. [Once it has been determined whether any easements or reservations of rights are needed for pedestrian and vehicular access and/or utilities this section will be completed.]

1.6 Leasehold Title Insurance. The leasehold interest in the Ground Lease Premises granted to LACF by County shall be subject only to (a) those easements and reservations of rights set forth in Section 1.5 and (b) those permitted exceptions set forth in the attached Exhibit D. The leasehold interest shall be insured by a CLTA title policy issued by Commonwealth Title Company (Doug Abernathy, title officer), and the cost of the policy of title insurance shall be a cost of the Project.

2. Term.

2.1 Term. The term (the “**Term**”) of this Ground Lease shall commence on the Effective Date and, unless such term is extended, shall terminate on the earlier of (a) _____, 20__ [**Final maturity date of the Bonds**] and (b) the date that the Bonds are no longer Outstanding (as defined in the Indenture _____ of even date herewith (the “**Indenture**”)) and the Project has been conveyed by LACF to County as set forth in the applicable provisions of the Facilities Lease.

Notwithstanding the foregoing, if on the Expiration Date of the Facilities Lease, the total Base Rent (as defined in the Facilities Lease) otherwise payable has not been fully paid as a result of an Abatement of Rent (as defined in the Facilities Lease) and the Bonds remain Outstanding, then, as provided in the Facilities Lease, the term of the Facilities Lease shall be extended until the total Base Rent otherwise payable thereunder shall be fully paid or such earlier time as the Bonds are no longer Outstanding; provided, however, that such extension shall not exceed ten (10) years. In the event of such an extension, the Term of this Ground Lease shall be deemed extended for the same period of time that the term of the Facilities Lease is extended.

3. **Rent.** LACF shall pay to County as rent for the Term the sum of \$1.00 payable in advance on or before the first day of the Term. In addition, only to the extent that County has paid current all amounts of Additional Rent owed under the Facilities Lease, then LACF shall also be required to make the following additional payments:

3.1 Net Lease. The Parties acknowledge that the rent to be paid by LACF under this Ground Lease is intended to be absolutely net to County. LACF shall be solely responsible for all capital costs (including, without limitation, all structural and roof repairs or replacements) and operating expenses attributable to the operation and maintenance of the Ground Lease Premises and the Project, including without limitation the parking areas included within the Ground Lease Premises.

3.2 Utilities. LACF shall pay or cause to be paid all utility and service charges for furnishing water, power, sewage disposal, light, telephone service, garbage and trash collection, and all other utilities and services, to the Ground Lease Premises and the Project, unless otherwise provided in the Facilities Lease.

3.3 Taxes and Assessments. LACF agrees to pay before delinquency all lawful taxes, assessments, fees, or charges which at any time may be levied by the state, County, city or any tax or assessment levying body upon any interest in this Ground Lease or any possessory right which LACF may have in or to the Ground Lease Premises or the Project for any reason, as well as all taxes, assessments, fees, and charges on goods, merchandise, fixtures, appliances, equipment, and property owned by it in, on or about the Ground Lease Premises. LACF's obligation to pay taxes and assessments hereunder shall include but is not limited to the obligation to pay any taxes and/or assessments, or increases in taxes and/or assessments arising as a result of the making of this Ground Lease or the construction of the Project. LACF shall have the right to contest the amount of any assessment imposed against the Ground Lease Premises, the Project or the possessory interest therein; provided, however, the entire expense of any such contest (including interest and penalties which may accrue in respect of such taxes) shall be the responsibility of LACF.

The Parties acknowledge that under certain circumstances the Ground Lease Premises may be subject to possessory interest taxes, and that such taxes shall be paid by LACF. This statement is intended to comply with Section 107.6 of the Revenue and Taxation Code. LACF shall include a statement in any sublease (other than the Facilities Lease) to the effect that the interests created therein are derived from LACF's interest under this Ground Lease and that LACF's interest requires the payment of a possessory interest tax.

4. **Development of Project.**

4.1 Construction. In accordance with the Facilities Lease, this Ground Lease and all Applicable Laws, LACF shall cause the Project to be constructed and developed on the Ground Lease Premises. LACF shall not develop or construct on the Ground Lease Premises any improvements except as set forth in the Facilities Lease.

4.2 Ownership of the Project. During the Term, the Project together with any other improvements permitted under this Ground Lease and the Facilities Lease shall be owned

by LACF. However, LACF shall have no ownership interest in the Ground Lease Premises other than its leasehold interest under this Ground Lease. Notwithstanding the foregoing, the Parties intend that the separation of the title to the Ground Lease Premises from the title to the Project shall not change the character of the Project as real property.

4.2.1 No Conveyance of the Project. During the term of this Ground Lease, the Project shall not be conveyed, transferred or assigned except that a lien may be granted by LACF under the terms of a Leasehold Mortgage (as defined in the Facilities Lease) for the benefit of the trustee for the Bonds, as further described in the Indenture. In its capacity as the beneficiary of the Leasehold Mortgage, the trustee for the Bonds is hereafter referred to as the “**Leasehold Mortgagee.**” At all times, the owner of the leasehold interest under this Ground Lease shall also be the owner of the Project. Any attempted conveyance, transfer or assignment, whether voluntarily or by operation of law or otherwise, to any person or entity not in compliance with the preceding sentence shall be void and of no effect whatsoever.

4.2.2 Vesting of the Project in County. Upon the date the Bonds are no longer Outstanding, all of LACF’s right, title and interest in and to the improvements constructed pursuant to the Project shall terminate and title to the Project shall automatically vest in County and the Project shall be surrendered by LACF to County. No further deed or other instrument shall be necessary to confirm the vesting in County of title to the Project; however, LACF shall upon request of the County execute, acknowledge and deliver to County a quitclaim deed to convey all of LACF’s leasehold interest in the Ground Lease Premises and its ownership of the Project and any other improvements constructed by LACF on the Ground Lease Premises to County and to confirm that title to the Project has vested in County.

5. **Condition of the Ground Lease Premises.**

5.1 “As Is”. LACF accepts the Ground Lease Premises “as is” in its existing condition to the extent provided in this Section 5.1, and LACF shall cause any environmental remediation contemplated in the approved Project Budget (as defined in the Development Agreement) to be completed at the Ground Lease Premises (the “**Environmental Work**”). Other than the completion of the Environmental Work, County shall be solely responsible for all claims, judgments, damages, penalties, fines, expenses, liabilities or losses relating to the presence, release or disposal of Hazardous Substances that (i) were present in the soil, groundwater, soil vapor, or anywhere on, in, or under the Ground Lease Premises as of the Effective Date; (ii) are at any time present on any adjacent property owned or controlled by County and which result in contamination of the Ground Lease Premises; or (iii) contaminate the Ground Lease Premises as a result of the act or omission of County or the act or omission of any party for which County is liable. County’s obligation shall include any costs of investigation or remediation of such toxic or hazard substances that may be required by any federal, state or local government agency. County shall not be responsible for any claims, judgments, damages, penalties, fines, expenses, liabilities, or losses relating to the release or disposal of Hazardous Substances on the Ground Lease Premises during construction of the Project or at any other time during the Term by LACF or the act or omission of LACF’s contractors or their subcontractors or any other party for which LACF is liable, and the responsibility for the same shall remain with LACF.

5.2 “Hazardous Substances.” “Hazardous Substances” means the following:

(a) petroleum, any petroleum by-products, waste oil, crude oil or natural gas; (b) any material, waste or substance that is or contains asbestos or polychlorinated biphenyls, or is radioactive; any medical waste; and (c) any substance, product, waste or other material of any nature whatsoever which is or becomes defined, listed or regulated as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “solid waste,” “radioactive material,” or similarly defined substance pursuant to any Applicable Laws, including the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, 42 U.S.C. §§ 9601 *et seq.*; the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1801 *et seq.*; the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 *et seq.*; the California Health & Safety Code and all other analogous State of California and local statutes, ordinances and regulations, including, without limitation, any dealing with underground storage tanks; provided, however, “Hazardous Substances” shall not include any of the foregoing materials or substances described above that are of the types and in quantities customarily used in the ordinary course of construction, occupancy or operation of office buildings similar to the Project, including, without limitation, in the ordinary course of delivering medical care in accordance with generally accepted standard practices, consisting of (i) office, cleaning, building maintenance, and construction materials and supplies used in reasonable quantities and in the ordinary course of the construction, occupancy or operation of the Project, and (ii) gasoline or diesel fuel in the tanks of automobiles and other machines located on the Ground Lease Premises (whether during construction or otherwise); but only so long as, in the case of (i) and (ii), they are always stored, maintained, used and disposed of in compliance with all Applicable Laws.

5.3 County’s Right to Inspect. County shall have the right to inspect the Ground Lease Premises at any time.

6. **Liens; Security Interest.**

6.1 Leasehold Mortgage. Except for [_____], the Leasehold Mortgage, to be granted by LACF to the Leasehold Mortgagee as security for the Bonds to be issued to finance the Project or as otherwise specifically approved in writing by County, LACF shall not directly or indirectly create or permit to be created or to remain, and will discharge, any mortgage, lien, security interest, encumbrance or charge on the Ground Lease Premises, the Project or any part thereof or on LACF’s interest therein.

6.2 Protection of Leasehold Mortgagee. For so long as the Leasehold Mortgage remains in force and effect the following provisions shall apply:

6.2.1 Notice of Default. County upon serving LACF any notice of default pursuant to the provisions of this Ground Lease shall also serve a copy of such notice upon Leasehold Mortgagee at the address set forth in Section 14 or as subsequently provided in writing by Leasehold Mortgagee to County pursuant to the notice provisions set forth in Section 14. No notice to LACF under this Ground Lease shall be deemed to have been duly given unless and until a copy thereof has been provided to such Leasehold Mortgagee in accordance with Section 14. From and after the date such notice has been given to Leasehold Mortgagee, such Leasehold Mortgagee shall have the same period, after the giving of such notice upon it, for remedying any default or acts or omissions which are the subject matter of such notice, or

causing the same to be remedied, as is given LACF after the giving of such notice to LACF under this Ground Lease, plus in each instance the additional periods of time specified in Sections 6.2.2 and 6.2.3 to remedy, commence remedying or cause to be remedied, the defaults or acts or omissions which are specified in such notice.

6.2.2 Right to Cure. Leasehold Mortgagee shall have the right, but not the obligation, to remedy such default or cause the same to be remedied for a period of ninety (90) days after the expiration of LACF's cure period, if any, provided under this Ground Lease, for LACF to remedy same, and County shall accept such performance by or at the instance of Leasehold Mortgagee as if the same had been made by LACF.

6.2.3 Extended Cure Period. If a non-monetary default is reasonably susceptible of cure, but cannot reasonably be remedied within ninety (90) days after receipt of notice of default, then, so long as the cure for any non-monetary default under this Ground Lease has commenced within ninety (90) days after receipt of notice of default, and is thereafter diligently and in good faith continuously prosecuted to completion, the cure period will be extended. Such cure period shall include any time required to obtain possession of the Ground Lease Premises by foreclosure of the Leasehold Mortgage or by other appropriate means by reasonable diligence, or until such earlier time as all defaults of LACF are cured. Nothing in this Section 6.2.3, however, shall be construed to extend this Ground Lease beyond the Term, nor to require a Leasehold Mortgagee to continue such foreclosure proceedings after all defaults are cured.

6.2.4 New Ground Lease. In the event of the termination of this Ground Lease prior to the expiration of the Term for any reason, including a termination by reason of a bankruptcy by LACF, County shall provide the Leasehold Mortgagee written notice that the Ground Lease has been terminated together with a statement of any and all sums which would at the time be due under this Ground Lease but for such termination and of all other defaults, if any, under this Ground Lease then known to County. Leasehold Mortgagee shall thereupon have the option, but shall in no event be obligated, to obtain a new lease in accordance with and upon compliance with each of the following terms and conditions:

6.2.4.1 Leasehold Mortgagee shall, within sixty (60) days following receipt of written notice of termination of this Ground Lease, provide written notice to County that it desires to enter into a new lease of the Ground Lease Premises with County; and

6.2.4.2 County and Leasehold Mortgagee shall enter into a new lease within thirty (30) days after County's receipt of notice under Section 6.2.4.1, which shall be effective as of the date of the termination of this Ground Lease and shall be for the remainder of the Term of this Ground Lease and at the Rent and upon all other terms, covenants and conditions as this Ground Lease (excluding requirements which are inapplicable or have already been fulfilled).

6.2.5 Notices. Any notice or other communication which County shall desire or is required to give or serve upon Leasehold Mortgagee shall be in writing and shall be provided in accordance with Section 14. Any notice or other communication which such

Leasehold Mortgagee shall desire or is required to give or serve upon County shall be in writing and shall be provided in accordance with Section 14.

6.2.6 Amendments. No agreement between County and LACF modifying, canceling or surrendering this Ground Lease shall be effective without (a) the prior written consent of the Trustee in accordance with Section ___ of the Indenture and (b) a Favorable Opinion of Bond Counsel (as defined in the Indenture) delivered to the Trustee.

6.2.7 Insurance Clauses. If required by Leasehold Mortgagee, Leasehold Mortgagee shall be named as its interests may appear on any insurance policies covering the Ground Lease Premises.

6.2.8 Leasehold Mortgage Not a Transfer. The making of a Leasehold Mortgage shall not be deemed to constitute an assignment or transfer of this Ground Lease or the leasehold estate hereby created, nor shall any Leasehold Mortgagee, as such, be deemed to be an assignee or transferee of LACF's interest under this Ground Lease or of the leasehold estate created hereby so as to require such Leasehold Mortgagee as such to assume the performance of any of the terms, covenants or conditions on the part of LACF to be performed prior to foreclosure of the Leasehold Mortgage; provided, however, that upon foreclosure of the Leasehold Mortgage, the Leasehold Mortgagee or any purchaser at any sale of LACF's rights under this Ground Lease in any proceedings for the foreclosure of any Leasehold Mortgage, or the assignee or transferee of LACF's rights under this Ground Lease created under any instrument of assignment or transfer in lieu of foreclosure of any Leasehold Mortgage, shall be deemed to have agreed to perform all of the terms, covenants and conditions on the part of LACF to be performed hereunder from and after the date of such purchase and assignment.

6.2.9 Leasehold Mortgagee's Right to Assign. Notwithstanding any provision of this Ground Lease to the contrary, upon acquiring LACF's interest under this Ground Lease pursuant to foreclosure, assignment in lieu of foreclosure or other proceedings Leasehold Mortgagee may, upon acquiring LACF's interest under this Ground Lease, or a new lease as provided above, and without further consent of County, sell and assign such leasehold interest on such terms and to such persons and organizations as are acceptable to such Leasehold Mortgagee and which meet the requirements set forth in Section 15.3.3, and thereafter be relieved of all obligations under this Ground Lease, which accrue after the date of such sale or assignment so long as each of the following conditions are met:

6.2.9.1 There is no default on the part of Leasehold Mortgagee under this Ground Lease and no event that with the giving of notice, the passage of time, or both, would constitute an Event of Default by Leasehold Mortgagee under this Ground Lease, all such defaults having been cured to the reasonable satisfaction of County prior to the Effective Date of such assignment;

6.2.9.2 If such assignee will not itself manage the Project, its proposed operator shall have sufficient experienced and competent personnel to construct (if applicable), operate, manage, maintain, and repair the Project in accordance with the requirements of this Ground Lease and as set forth in Section 15.3.3; and

6.2.9.3 As part of such assignment the assignee shall assume all of the obligations of LACF under this Ground Lease by executing, acknowledging and recording one or more assumption agreements in form and substance reasonably satisfactory to County. The assignee shall thereafter have all the rights and shall perform all the duties and obligations of LACF under this Ground Lease.

6.2.9.4 No Leasehold Mortgagee or assignee shall have any liability under this Ground Lease beyond its interest in this Ground Lease, even if it becomes the tenant. Any such liability shall terminate if and when any such Leasehold Mortgagee or assignee assigns (and the assignee assumes) this Ground Lease; provided, however, no such sale or assignment shall release Leasehold Mortgagee or such assignee from any claims or obligations under this Ground Lease, which arose while Leasehold Mortgagee or any of its affiliates or assignee held the leasehold interest under this Ground Lease or was in possession of the Ground Lease Premises.

6.2.10 Rejection of Unexpired Ground Lease by LACF or LACF's Bankruptcy Trustee. If LACF or LACF's Bankruptcy Trustee rejects this Ground Lease during the Term in a proceeding under Section 365 of the United States Bankruptcy Code or similar or successor statute, such rejection will have no effect on the rights of Leasehold Mortgagee under this Section 6.2, which rights will remain in full force and effect notwithstanding such rejection as if the same were provided for in a separate and independent agreement between County and such Leasehold Mortgagee, and such Leasehold Mortgagee shall have the right to a new ground lease on the same terms and conditions set forth in Section 6.2. The provisions set forth in Section 6.2 granting Leasehold Mortgagee certain rights are for the express benefit of each such Leasehold Mortgagee for the term set forth in this Section 6.2 and are independent of the other provisions of this Ground Lease.

6.2.11 No Merger. So long as any Leasehold Mortgage is in existence, unless the Leasehold Mortgagee otherwise consents in writing, the fee title to the Ground Lease Premises and the leasehold estate of LACF therein created by this Ground Lease shall not merge but shall remain separate and distinct, notwithstanding the acquisition of said fee title and said leasehold estate by County or by LACF or by a third party, by purchase or otherwise.

6.2.12 Further Assurances. Upon request from LACF or any Leasehold Mortgagee (prospective or current), County shall promptly and in writing, under documentation reasonably satisfactory to County and the requesting party: certify whether or not (a) this Ground Lease is in full force and effect, (b) to County's knowledge a default exists, (c) the date through which rent has been paid, and (d) such other similar matters as may be reasonably requested, all subject to any then exceptions reasonably specified in such certificate.

6.2.13 Miscellaneous. Notwithstanding anything to the contrary in this Ground Lease, Leasehold Mortgagee: (a) may exercise its rights through an affiliate, assignee, designee, nominee, subsidiary or other person, acting in its own name or in Leasehold Mortgagee's name (and anyone so acting shall automatically have the same protections, rights, and limitations of liability as Leasehold Mortgagee); (b) shall never be obligated to cure any LACF default; (c) may abandon such cure at any time; and (d) may withhold its consent or

approval for any reason when acting upon the direction of the holders of a majority in aggregate principal amount of the Bonds. Any such consent or approval must be in writing.

7. **Indemnify and Hold Harmless.**

7.1 Indemnification by County. County shall indemnify, defend and hold harmless LACF and its officers, representatives, employees, and agents (the “**Indemnified LACF Parties**”) from and against any and all liability, demands, liens, damages, claims, causes of action, expenses, and fees (including reasonable attorney’s fees and costs and expert witness fees) for bodily injury, property damage, and death (hereinafter collectively referred to as “**Liabilities**”), arising out of or relating to the negligent acts, errors, or omissions of County including, without limitation, any breach of this Ground Lease except to the extent that such Liabilities are caused by the negligence or willful misconduct of LACF.

7.2 Indemnification by LACF. LACF shall indemnify, defend and hold harmless County and its special districts, elected officials, officers, agents, employees and volunteers (the “**Indemnified County Parties**”) from and against any and all Liabilities (as defined in Section 7.1), arising out of or relating to the negligent acts, errors, or omissions of LACF including, without limitation, any breach of this Ground Lease except to the extent that such Liabilities are caused by the negligence or willful misconduct of County.

7.3 Survival. The indemnification provisions of this Section 7 shall remain in full force and effect and survive the termination and/or expiration of this Ground Lease.

8. **Minimum Scope of Insurance Coverage for LACF.** For so long as the Facilities Lease remains in effect, the insurance provisions thereof shall be deemed to be substituted in their entirety for this Section 8. At any other time, the following provisions shall be applicable:

8.1 General Insurance Provisions. Without limiting LACF’s indemnification of County, and during the Term and until all of LACF’s obligations pursuant to this Ground Lease have been met, LACF shall provide and maintain at its own expense insurance coverage satisfying the requirements specified in this Ground Lease (the “**Required Insurance**”). County in no way warrants that the Required Insurance is sufficient to protect LACF for liabilities which may arise from or relate to this Ground Lease.

8.1.1 Evidence of Coverage and Notice to County. Certificate(s) of insurance coverage (each an “**Insurance Certificate**”) satisfactory to County and a copy of an Additional Insured endorsement confirming that the Indemnified County Parties have been given Insured status under the LACF’s General Liability policy, shall be delivered to County at the address set forth in Section 8.1.1.4, prior to the Effective Date.

8.1.1.1 Renewal Insurance Certificates shall be provided to County prior to LACF’s policy expiration dates. County reserves the right to obtain complete, certified copies of any Required Insurance policies at any time.

8.1.1.2 Each Insurance Certificate shall identify all Required Insurance coverage types and limits, reference this Ground Lease by name or number, and be

signed by an authorized representative of the insurer(s). The Insured party named on the Insurance Certificate shall be LACF. Each Insurance Certificate shall provide the full name of each insurer providing coverage, its NAIC (National Association of Insurance Commissioners) identification number, its financial rating, the amounts of any policy deductibles or self-insured retentions exceeding twenty-five thousand (\$25,000.00) dollars, and list any County required endorsement forms.

8.1.1.3 Neither County's failure to obtain, nor County's receipt of, or failure to object to a non-complying Insurance Certificate or endorsement, or any other insurance documentation or information provided by LACF, its insurance broker(s) and/or insurer(s), shall be construed as a waiver of any of the Required Insurance provisions.

8.1.1.4 Insurance Certificates and copies of any required endorsements, notices of cancellation shall be delivered to:

County of Los Angeles
Chief Executive Office [or other department acting as Landlord, as applicable]
Real Estate Division – Senior Manager
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012
Attention: Name of Lease Manager, Property Management

8.1.2 Claims Notice. LACF shall promptly notify County of any third party claim or suit filed against LACF which arises from or relates to this Ground Lease, and could result in the filing of a claim or lawsuit against LACF and/or County.

8.1.3 Additional Insured Status and Scope of Coverage. Indemnified County Parties, shall be provided additional insured status under LACF's General Liability policy with respect to liability arising from or connected with LACF's acts, errors, and omissions arising from and/or relating to LACF's operations on and/or its use of the Ground Lease Premises. Indemnified County Parties' additional insured status shall apply with respect to liability and defense of suits arising out of the LACF's acts or omissions, whether such liability is attributable to LACF or to Indemnified County Parties. The full policy limits and scope of protection also shall apply to Indemnified County Parties as an additional insured, even if they exceed the Landlord's minimum Required Insurance. Use of an automatic additional insured endorsement form is acceptable providing it satisfies the Required Insurance provisions.

8.1.4 Cancellation of or Changes in Insurance. LACF shall provide County with, or LACF's insurance policies shall contain a provision that County shall receive, written notice of cancellation or any change in Required Insurance, including insurer, limits of coverage, term of coverage or policy period. The written notice shall be provided to County at least ten (10) days in advance of cancellation for non-payment of premium and thirty (30) days in advance for any other cancellation or policy change. Failure to provide written notice of cancellation or any change in Required Insurance shall an Event of Default by LACF.

8.1.5 Failure to Maintain Required Insurance. LACF's failure to maintain or to provide acceptable evidence that it maintains the Required Insurance shall

constitute an Event of Default by LACF. County, at its sole discretion, may obtain damages from LACF resulting from LACF's failure to maintain Required Insurance, and/or County may elect to purchase the Required Insurance without further notice to LACF, and LACF shall promptly reimburse County's expense of such purchase.

8.1.6 Insurer Financial Ratings. Required Insurance is to be provided by an insurance company authorized to do business in the State of California and acceptable to County, with an A.M. Best rating of not less than A:VII, unless otherwise approved by County.

8.1.7 LACF's Insurance Shall Be Primary. LACF's insurance policies, with respect to any claims related to this Ground Lease, shall be primary with respect to all other sources of coverage available to County. Any County maintained insurance or self-insurance coverage shall be in excess of and not contribute to any LACF coverage.

8.1.8 Waiver of Subrogation. To the fullest extent permitted by law, LACF waives its and its insurer(s) rights of recovery against County under all Required Insurance policies for any loss arising from or related to this Ground Lease. LACF shall require its insurers to execute any waiver of subrogation endorsements which may be necessary to affect such waiver.

8.1.9 Deductibles and Self-Insured Retentions. LACF's policies shall not obligate County to pay any portion of any LACF deductible or Self-Insured Retentions ("SIR"). County retains the right to require LACF to reduce or eliminate policy deductibles and SIRs with respect to County, or to provide a bond guaranteeing LACF's payment of all deductibles and SIRs, including all related claims investigation, administration and defense expenses. Such bond shall be executed by a corporate surety licensed to transact business in the State of California.

8.1.10 Claims Made Coverage. If any part of the Required Insurance is written on a claims made basis, any policy retroactive date shall precede the Effective Date, and LACF shall maintain such coverage for a period of not less than three (3) years following the end of the Term.

8.1.11 Application of Excess Liability Coverage. LACF may use a combination of primary and excess insurance policies that provide coverage as broad as ("follow form" over) the underlying primary policies, to satisfy the Required Insurance provisions.

8.1.12 Separation of Insureds. All liability policies shall provide cross-liability coverage as would be afforded by the standard ISO (Insurance Services Office, Inc.) separation of insureds provision with no insured versus insured exclusions or limitations.

8.1.13 Landlord Review and Approval of Required Insurance. County reserves the right to review and adjust the Required Insurance provisions, conditioned upon County's determination of changes in risk exposures.

8.2 Insurance Coverage Types and Limits. The Required Insurance includes the following insurance types and coverages:

8.2.1 Commercial General Liability Insurance. Commercial General Liability insurance (providing scope of coverage equivalent to ISO policy form CG 00 01), naming Indemnified County Parties as an additional insured, with limits of not less than:

General Aggregate:	\$ 2 million
Products/Completed Operations Aggregate:	\$ 2 million
Personal and Advertising Injury:	\$ 1 million
Each Occurrence:	\$ 1 million

8.2.2 Automobile Liability Insurance. Automobile Liability insurance (providing scope of coverage equivalent to ISO policy form CA 00 01) with limits of not less than \$1 million for bodily injury and property damage, in combined or equivalent split limits, for each single accident. Insurance shall cover liability arising out of LACF's use of autos pursuant to this Ground Lease, including owned, leased, hired, and/or non-owned autos, as each may be applicable.

8.2.3 Workers Compensation and Employers' Liability Insurance. Workers Compensation and Employers' Liability insurance or qualified self-insurance satisfying statutory requirements, which includes Employers' Liability coverage with limits of not less than \$1 million per accident. If applicable to LACF's operations, coverage also shall be arranged to satisfy the requirements of any federal workers or workmen's compensation law or any federal occupational disease law.

8.2.4 Commercial Property Insurance. Commercial Property Insurance shall:

8.2.4.1 Provide coverage for County's property and any improvements and betterments; this coverage shall be at least as broad as that provided by the Causes-of-Loss Special Form (ISO form CP 10 30), excluding earthquake and including flood and ordinance or law coverage.

8.2.4.2 Be written for the full replacement cost of the property, with a deductible no greater than two hundred fifty thousand (\$250,000) or five percent (5%) of the property value, whichever is less. Insurance proceeds shall be payable to the LACF and County as their interests may appear.

9. **Eminent Domain.** In the event of any taking of the Ground Lease Premises, in whole or in part, by eminent domain proceedings, the interest of LACF shall be recognized and is hereby determined to be the amount of the then unpaid or outstanding Bonds and other amounts due under the Indenture and the Facilities Lease attributable to such part of the Facilities and shall be paid to the Trustee and applied as set forth in the Facilities Lease, and the balance of the award, if any, shall be paid to the County.

10. **Events of Default by LACF and County's Remedies.**

10.1 Events of Default. The following occurrences or acts shall constitute an Event of Default by LACF (each an "**Event of Default**") under this Ground Lease:

10.1.1 Monetary Defaults. The failure of LACF to pay the rentals due, or make any other monetary payments required under this Ground Lease, within ten (10) days after receiving written notice that any such payment is overdue. LACF may cure such nonpayment by paying the amount overdue within such ten (10) day period.

10.1.2 Failure to Perform Other Obligations. The failure of LACF to keep, perform, and observe any and all other promises, covenants, conditions, and agreements set forth in this Ground Lease within thirty (30) days after receiving written notice of LACF's failure to perform; provided, however, that where LACF's performance of such covenant, condition or agreement is not reasonably susceptible of completion within such thirty (30) day period and LACF has in good faith commenced and is continuing to perform the acts necessary to perform such covenant, condition or agreement within such thirty (30) day period, County will not exercise any remedy available to it hereunder for so long as LACF uses reasonable due diligence in continuing to pursue to completion the performance such covenant, condition or agreement and so completes performance within a reasonable time.

10.1.3 LACF's Financial Condition. LACF shall be in default hereunder if LACF shall make a general assignment for the benefit of creditors, or shall file a petition in bankruptcy, or shall be adjudicated as bankrupt or insolvent, or shall file a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, or shall file an answer admitting or shall fail seasonably to contest the material allegations of a petition filed against it in any such proceeding, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of LACF or any material part of its properties.

10.1.4 LACF Event of Default Under Facilities Lease. Any LACF Event of Default under the Facilities Lease shall be an Event of Default under this Ground Lease.

10.1.5 LACF Default Under Development Agreement. Any LACF Default under the Development Agreement (beyond any applicable notice and cure period) shall be an Event of Default under this Ground Lease.

10.1.6 Limitation on Events of Default. Except with respect to breaches or defaults with respect to the payment of money, LACF shall not be considered in default as to any provision of this Ground Lease to the extent such default is the result of or pursuant to, any process, order, or decree of any court or regulatory body with jurisdiction, or any other circumstances which are physically or legally impossible to cure, provided LACF uses due diligence in pursuing whatever is required to obtain release from or reversal of such process, order, or decree or is attempting to remedy such other circumstances preventing its performance. With respect to breaches or defaults with respect to the payment of money, LACF shall not be considered in default as to any provision of this Ground Lease to the extent such default is the result of or pursuant to, any default by County under the Facilities Lease.

10.2 Remedies upon LACF's Default. Upon the occurrence of an Event of Default, and subject to the rights of any Leasehold Mortgagee to cure such Event of Default as provided in Section 6, County may exercise any remedy which may be available to it at law or equity, including but not limited to actions for damages, and/or injunctive relief, provided,

however, that, unless the Bonds are no longer Outstanding, County may not terminate this Ground Lease prior to the end of the Term.

10.3 Cumulative Rights and Remedies. The rights and remedies reserved to County herein, including those not specifically described, shall be cumulative, and except as provided by California statutory law in effect at the time, County may pursue any and all such rights and remedies at the same time or independently.

10.4 No Waiver. No delay or omission of County to exercise any right or remedy shall, except as expressly provided herein, be construed as a waiver of any such right or remedy or of any default by LACF hereunder. The acceptance by County of rent shall not be a waiver of any preceding breach or default by LACF of any provision hereof, other than the failure of LACF to pay the particular rent accepted, regardless of County's knowledge of such preceding breach or default at the time of acceptance of such rent, or, except as expressly set forth herein, a waiver of County's right to exercise any remedy available to County by virtue of such breach or default.

10.5 Attorneys' Fees. In the event suit is brought by County or LACF relating to this Ground Lease, including for the breach of any covenant or condition of this Ground Lease, each Party shall bear its own costs and expenses, including attorneys' fees, regardless of the prevailing Party, unless otherwise awarded by a court of competent jurisdiction.

10.6 Waiver of Damages. Notwithstanding any provision in this Ground Lease to the contrary, in no event shall LACF or County, or any of their respective board members, affiliates, managers, members, shareholders, employees, or representatives, be liable under this Ground Lease to the other Party, or its respective board members, affiliates, managers, members, shareholders, employees, or representatives, for consequential, loss of the bargain, punitive, exemplary, statutory, indirect, special, punitive or similar losses or damages.

11. **Quiet Enjoyment.** If and so long as LACF shall pay all rent and all other amounts payable by LACF hereunder whenever the same shall become due and shall keep all of the covenants and conditions required by it to be kept during the term of this Ground Lease, County shall not interfere with the peaceful and quiet occupation and enjoyment of the Ground Lease Premises by LACF.

12. **Compliance with Laws.** LACF shall not use the Ground Lease Premises or permit anything to be done in or about the Ground Lease Premises which will in any way conflict with any Applicable Laws or any other law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. LACF shall, at its sole cost and expense, promptly comply with all Applicable Laws and any other laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, and obtain all permits, licenses or other approvals required by governmental agencies or bodies.

13. **Waiver Limitations.** The waiver by either Party of any term, covenant or condition herein contained on the part of the other Party to be performed shall not be deemed a waiver of such term, covenant or condition for any subsequent breach of the same or any other

term, covenant or condition herein contained. The subsequent acceptance by a Party of the other Party's performance of any obligations hereunder shall not be deemed to be a waiver of any preceding breach of any term, covenant or condition of this Ground Lease.

14. **Notices.** All notices or requests required or permitted under this Ground Lease shall be in writing, shall be (i) personally delivered, (ii) sent by certified or registered mail, return receipt requested, postage prepaid, or (iii) delivered by a nationally recognized overnight courier and shall be deemed given when so delivered or received. All notices or requests shall be sent as follows:

If to County:

County of Los Angeles
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012
Attention: Real Estate Division

With a copy to:

Office of the County Counsel
County of Los Angeles
500 West Temple Street, 6th Floor
Los Angeles, CA 90012-2932
Attention: Behnaz Tashakorian/Amy Caves

Chief Executive Office- Capital Projects
County of Los Angeles
500 West Temple St. Room 713
Los Angeles, CA 90012

Treasurer and Tax Collector- Public Finance
County of Los Angeles
500 West Temple St., Room 432
Los Angeles, CA 90012

If to LACF:

Los Angeles County Facilities Inc.
c/o Public Facilities Group
1414 Fourth Avenue
Seattle, WA 98101
Attention: John Finke

With a copy to:

Hillis Clark Martin & Peterson PS
999 Third Avenue, Suite 4600
Seattle, WA 98104
Attention: Michelle A. Gail

If to Leasehold Mortgagee:

With a copy to:

Any party may change the address to which notices shall be sent by notice to the other party in the manner and with the effect set forth in this Section 14.

15. Assignment and Subleasing.

15.1 Purpose of Ground Lease; Unique Qualifications of LACF and Key Staff. LACF acknowledges and agrees that (a) the sole and explicit purpose of this Ground Lease is for LACF to construct the Project on the Ground Lease Premises and to then sublease the Project and the Ground Lease Premises to County pursuant to the Facilities Lease (a “**Lease/Leaseback Transaction**”); (b) the board members, officers and employees of LACF have unique and specialized knowledge in structuring and managing Lease/Leaseback Transactions for public entities in which bonds are issued; (c) because of the attributes explicitly described in clauses (a) and (b) in this Section 15.1, together with many other attributes not explicitly described herein but nevertheless acknowledged by the Parties, the restraints on any Subleases and Assignments set forth in this Section 15 are conclusively agreed by the Parties to be reasonable and in no event an unreasonable restraint on alienation.

15.2 Subleasing. The Parties intend that LACF shall enter into the Facilities Lease with County. Any other proposed Sublease of the Ground Lease Premises shall only be allowed in the event of an Event of a Tenant Default under the Facilities Lease, and then subject to the terms and conditions set forth in this Section 15.

15.2.1 Definition of Sublease. The term “**Sublease**” means any lease, license, permit, concession, or other interest in the Ground Lease Premises or the Project, or a right to use the Ground Lease Premises or a portion thereof, which is conveyed or granted by LACF to a party other than the County pursuant to the Facilities Lease, and which constitutes less than the unrestricted conveyance of the entire LACF interest under this Ground Lease. “**Subtenant**” means the person or entity (other than County) to whom such right to use is conveyed by a Sublease.

15.2.2 Facilities Lease. Concurrently herewith the Parties have entered into the Facilities Lease, which shall be effective as of the Effective Date.

15.2.3 LACF’s Right to Sublease. In the event that County, as the subtenant under the Facilities Lease, is subject to an Event of Tenant Default under the Facilities Lease, the Facilities Lease is terminated, and County has been lawfully evicted from the Ground Lease Premises (collectively, a “**County Eviction**”), then, and only then, shall LACF have the right to Sublease the Ground Lease Premises pursuant to the following: LACF may freely

execute Subleases (and amendments, modifications, renewals of assignments thereof) without the consent or approval of County provided that (a) the subleased Ground Lease Premises shall be utilized only for Permitted Uses, (b) the Sublease shall terminate no later than the end of the Term of this Ground Lease or its earlier termination, (c) the terms and conditions of the Sublease are consistent with those specific terms and conditions of this Ground Lease and the Sublease does not otherwise purport to grant rights LACF does not possess or violate the terms and conditions of this Ground Lease or any Applicable Laws. No Sublease shall be effective without a Favorable Opinion of Bond Counsel delivered to the Trustee. Prior to entering into any Sublease, LACF shall submit to County for its approval, not to be unreasonably withheld, conditioned or delayed, the form of sublease and any related agreement. Any material changes to these forms and agreements in the future shall also be submitted to County for its review and approval, not to be unreasonably withheld, conditioned or delayed. Notwithstanding anything to the contrary elsewhere in this Ground Lease, in the event of a County Eviction, the Permitted Uses shall be automatically amended to include general office and retail use by any Subtenant.

15.3 Assignment. Except for the Leasehold Mortgage, LACF shall not assign, mortgage, or encumber this Ground Lease or delegate the duties of LACF under this Ground Lease without the prior written consent of County, which may be granted, withheld or conditioned at County's sole and absolute discretion. A consent to one assignment shall not be deemed to be a consent by County to any subsequent assignment by another person. This Ground Lease shall not, nor shall any interest of LACF herein, be assignable by operation of law.

15.3.1 Approval of Assignments. Except as specifically provided in this Article 15, LACF shall not, without the prior written consent of County, which may be granted, withheld or conditioned at County's sole and absolute discretion, either directly or indirectly give, assign, hypothecate, encumber, transfer, or grant control of this Ground Lease or any interest, right, or privilege therein, or enter into a Sublease for the use of all or substantially all of the Ground Lease Premises.

15.3.2 Involuntary Transfers Prohibited. Except as otherwise specifically provided in this Ground Lease, neither this Ground Lease nor any interest therein shall be assignable or transferable in proceedings in attachment, garnishment, or execution against LACF, or in voluntary or involuntary proceedings in bankruptcy or insolvency or receivership taken by or against LACF, or by any process of law including proceedings under the Bankruptcy Act.

15.3.3 Any assignee must (a) be a public benefit corporation established under Section 501(c)(3) of the Code and (b) have staff with comparable or better skills and experience as John Finke in Lease/Leaseback Transactions.

15.4 Key Staffing. In the event that John Finke, resigns, is removed or is otherwise unable, incapable or unwilling to continue in his capacity as Chief Executive Officer and board chair for LACF, then LACF shall replace John Finke with Erin Birkenkopf or Matt Calcavecchia, or another person having at comparable or better skills and experience in Lease/Leaseback Transactions and such other replacement shall be subject to County's approval, which may not be unreasonably withheld, conditioned or delayed.

15.5 Terms Binding Upon Successors, Assigns and Subtenants. Except as otherwise specifically provided for herein, each and all of the provisions, agreements, terms, covenants, and conditions herein contained to be performed, fulfilled, observed, and kept by LACF hereunder shall be binding upon the heirs, executors, administrators, successors, and assigns of LACF, and all rights, privileges and benefits arising under this Ground Lease in favor of LACF shall be available in favor of its heirs, executors, administrators, successors, and assigns.

16. **Representations and Warranties.**

16.1 Representations and Warranties of LACF. LACF hereby makes the following representations and warranties as of the Effective Date:

16.1.1 Legal Power. LACF has the legal power, right and authority to enter into this Ground Lease and to consummate the transactions contemplated and described herein.

16.1.2 Binding Obligation of LACF. This Ground Lease is a valid and legally binding obligation of LACF and the applicable provisions hereof enforceable against LACF in accordance with their terms, subject only to applicable bankruptcy, insolvency, reorganization and moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally.

16.1.3 Compliance with Organizational Documents. There is no charter, bylaw, or capital stock provision of LACF, and no provision of any indenture, instrument, or agreement, written or oral, to which LACF is a party or which governs the actions of LACF or which is otherwise binding upon LACF, nor to LACF's knowledge is there any judgment, decree or order of any governmental authority or court binding on LACF which would be contravened by the execution, delivery or performance by LACF of this Ground Lease.

16.1.4 Litigation Pending. To LACF's knowledge, there is no action, suit, or proceeding at law or in equity or by or before any governmental authority now pending, or threatened against or affecting LACF, which, if adversely determined, would materially impair LACF's right or ability to execute or perform its obligations under this Ground Lease.

16.1.5 No Breach of Indebtedness Requirements. Neither the execution and delivery of this Ground Lease, nor the incurrence of the obligations set forth herein, nor the consummation of the transactions herein contemplated, nor compliance with the terms of this Ground Lease conflict with or result in a material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, encumbrance, deed of trust, loan, lease or other instrument to which LACF is a party.

16.1.6 No Insolvency. To LACF's knowledge, no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or threatened against LACF, nor are any of such proceedings contemplated by LACF.

16.1.7 Accuracy of Materials. To LACF's knowledge, all written reports, documents, and instruments prepared by LACF or an affiliate thereof and delivered to County in connection with entering into this Ground Lease are accurate, correct and sufficiently complete to give County true and accurate knowledge of their subject matter, and do not contain any material misrepresentation or material omission.

16.1.8 No Gratuity. Neither LACF, nor its directors, officers, employees or affiliates, nor any individual representing LACF, nor anyone holding an interest in LACF has offered or given to any official or employee of County any gratuity (in any form) for the intent or purpose of securing favorable treatment under this Ground Lease or the approval or execution hereof.

16.1.9 No Solicitation. LACF has not employed or retained any person, other than a bona fide employee working solely for LACF, to solicit or secure this Ground Lease and it has not paid or agreed to pay any person, other than a bona fide employee working solely for LACF or financing fees payable to third parties in connection with the issuance of the Bonds to finance the Project, any fee, commission, percentage, brokerage fee, gifts or any other consideration, contingent upon or resulting from the award or making of this Ground Lease.

16.1.10 Authority to Execute. The individual(s) signing this Ground Lease on behalf of LACF is or are authorized to execute this Ground Lease and bind LACF to its terms and conditions, and, upon such execution, this Ground Lease shall be legally binding on LACF and, if LACF is a corporation for which a single individual is signing, have provided County with a corporate resolution stating that such individual is duly empowered to by such corporation to enter into this Ground Lease.

16.2 Representations and Warranties of County. County hereby makes the following representations and warranties as of the Effective Date:

16.2.1 Legal Power. County has the legal power, right and authority to enter into this Ground Lease, and to consummate the transactions contemplated hereby herein.

16.2.2 Binding Obligations of County. This Ground Lease is the valid and legally binding obligation of County and the applicable provisions hereof are enforceable against County in accordance with their terms, subject only to applicable bankruptcy, insolvency, reorganization and moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally.

16.2.3 Compliance with Charter. There is no provision of any indenture, instrument, or agreement, written or oral, to which County is a party or which governs the actions of County or which is otherwise binding upon County, nor is there any judgment, decree or order of any governmental authority or court binding on County which would be contravened by the execution, delivery or performance of this Ground Lease by County.

16.2.4 Litigation Pending. To County's knowledge, there is no action, suit, or proceeding at law or in equity or by or before any governmental authority now pending, or threatened against or affecting County, which, if adversely determined, would materially impair County's right or ability to execute or perform its obligations under this Ground Lease.

16.2.5 No Breach of Indebtedness Requirements. Neither the execution and delivery of this Ground Lease, nor the incurrence of the obligations set forth herein, nor the consummation of the transactions herein or therein contemplated, nor compliance with the terms of this Ground Lease conflict with or result in a material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, encumbrance, deed of trust, loan, lease or other instrument to which County is a party.

16.2.6 No Insolvency. To County's knowledge, no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or are threatened against County, nor are any of such proceedings contemplated by County.

16.2.7 Authority to Execute. The individual(s) signing this Ground Lease on behalf of County are authorized to execute this Ground Lease and bind County to its terms and conditions, and, upon such execution, this Ground Lease shall be legally binding on County.

17. **Damage and Destruction.**

17.1 No Option to Terminate for Casualty. LACF shall have no option to terminate this Ground Lease because of damage or destruction to the Project.

17.2 No County Obligation to Make Repairs. County shall have no obligation whatsoever to make any repairs or perform any maintenance on the Ground Lease Premises except as may be set forth in the Facilities Lease.

17.3 Repairs Not Performed by LACF. If LACF fails to make any repairs or replacements as required, County may notify LACF of said failure in writing, and should LACF fail to cure said failure and make repairs or replacements within a reasonable time as established by County, County may make such repairs or replacements and the cost thereof, including, but not limited to, the cost of labor, overhead, materials and equipment, shall be charged against LACF.

17.4 Waiver of Civil Code Sections. The Parties' rights shall be governed by this Ground Lease in the event of damage or destruction. The Parties hereby waive the provisions of California Civil Code Sections 1932 and 1933, and any other provisions of law which provide for contrary or additional rights.

18. **Miscellaneous**

18.1 Time of Essence. Time is of the essence in regard to performance of the covenants and agreements stated herein.

18.2 Entire Agreement. This Ground Lease sets forth the entire agreement of the Parties as to the subject matter hereof and supersede all prior discussions and understandings between them.

18.3 No Joint Venture or Agency. Nothing contained in this Ground Lease nor any of the acts of the Parties hereto shall be construed nor is it the intent of the Parties, to create a joint venture or partnership between County and LACF, nor is either Party the agent or representative of the other, and nothing in this Ground Lease shall be construed to create any such agency relationship or to hold either Party liable to anyone for goods delivered or services performed at the request of the other Party.

18.4 Amendments. No change in, or addition to, or waiver or termination of this Ground Lease, shall be valid unless made in writing and signed by both parties and in compliance with Section 6.2.6. County and LACF agree to negotiate in good faith any amendments to this Ground Lease that may be requested or required in connection with the issuance of the Bonds to finance the Project.

18.5 Governing Law. This Ground Lease shall be construed in accordance with and governed by the laws of the State of California.

18.6 Jurisdiction/Venue. In the event any action is brought to enforce any of the provisions of this Ground Lease, the Parties agree to be subject to exclusive in personam jurisdiction in the Superior Court of California, County of Los Angeles, and agree that in any such action venue shall lie exclusively in the County of Los Angeles, California.

18.7 Headings. The article, section and paragraph headings herein contained are for the purposes of identification and reference convenience only and shall not be considered in construing this Ground Lease.

18.8 No Merger. In no event shall the leasehold interest of LACF hereunder merge with any estate of County in or to the Ground Lease Premises or the leasehold interest of County under the Facilities Lease. In the event that County acquires the leasehold interest of LACF, such leasehold interest shall not merge with County's fee interest in the Ground Lease Premises or the leasehold interest of County under the Facilities Lease, and this Ground Lease and the Facilities Lease shall remain in full force and effect.

18.9 Counterparts; Recording of Memorandum. This Ground Lease may be executed in several counterparts, each of which shall be deemed an original for all purposes. The parties shall record a memorandum of this Ground Lease in the form attached hereto as Exhibit E.

18.10 Intentionally Omitted.

18.11 Meanings of Words Not Specifically Defined/General Rules of Interpretation. Words and phrases contained herein shall be construed according to the context and the approved usage of the English language, but technical words and phrases, and such others as have acquired a peculiar and appropriate meaning by law, or are defined in this Ground Lease, are to be construed according to such technical, peculiar, and appropriate meaning or definition. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. As used in this Ground Lease, the word "includes or "including" means including without limitation, the word "or" is not exclusive and the words "herein," "hereof," "hereto" and

hereunder refer to this Ground Lease as a whole unless the context otherwise requires, references herein: (a) to articles, paragraphs, sections and exhibits mean the articles, paragraphs, sections and exhibits which are part of this Ground Lease as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Ground Lease, (b) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Ground Lease, and (c) to a statute means such statute as amended, supplemented or replaced from time to time. The exhibits, schedules, addenda, and attachments which are attached to this Ground Lease are made a part of this Ground Lease.

18.12 Parties Represented by Counsel. Both County and LACF have entered this Ground Lease following advice from legal counsel of their own choosing. This document is the result of combined efforts of both Parties and their attorneys. Thus, any rule of law or construction which provides that ambiguity in a term or provision shall be construed against the draftsman shall not apply to this Ground Lease.

18.13 Conflict of Interest; No Personal Liability. No official or employee of County shall have any personal interest, direct or indirect, in this Ground Lease, nor shall any official or employee of County participate in any decision relating to this Ground Lease which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of the County shall be personally liable in the event of a breach of this Ground Lease. LACF shall within not less than ten (10) days after learning of any such conflict of interest or facts which reasonably indicate that a conflict of interest may exist, notify County thereof; provided, however, the failure of LACF to make any such notification shall not be a breach or default of this Ground Lease.

18.14 Waivers and Relocation. To the fullest extent permitted by Applicable Laws, LACF waives any rights now or hereafter conferred upon it by statute or other law to surrender this Ground Lease or to quit or surrender the Ground Lease Premises or any part thereof, or to receive any suspension, diminution, abatement or reduction of the rent or other sums and charges payable by LACF hereunder on account of any damage to the Ground Lease Premises or the Project, other than as expressly provided in this Ground Lease or as otherwise agreed to in writing by the Parties. To the fullest extent permitted by Applicable Laws, LACF waives the provisions of Section 1932, Subdivision 2, and Section 1933, Subdivision 4, of the California Civil Code, and the provisions of any similar law hereinafter enacted, as each may be amended from time to time. LACF expressly acknowledges that LACF will be in possession of the Ground Lease Premises as a result of County's previously acquired property interest in recognition of such fact and to the fullest extent permitted by Applicable Law, LACF disclaims any status as a "displaced person" as such is defined in Governmental Code Section 7260, and hereby acknowledges its ineligibility for relocation assistance as provided in Government Code Sections 7260 through 7276, inclusive, as interpreted in Title 25, Chapter 6, Section 6034(b)(1) of the California Code of Regulations.

18.15 No Third-Party Beneficiaries. The Leasehold Mortgagee shall be a third party beneficiary of the rights conferred to it under this Ground Lease. Except as expressly set forth in this Ground Lease, no parties other than County, the Leasehold Mortgagee and LACF,

and their respective successors and assigns, shall be a beneficiary of the rights conferred in this Ground Lease, and no other party shall be deemed a third-party beneficiary of such rights.

18.16 Exculpation of Certain Persons. No individual board member, trustee, officer, director, shareholder, member, constituent partner, employee, or agent of any party, in his or her individual capacity as such, shall have any personal liability for the performance of any obligation of such party under this Ground Lease solely by reason of such status.

18.17 Performance Postponed. Any performance required under this Ground Lease on a day that is not a business day shall be postponed until the next business day.

18.18 Severability. If (a) any provision of this Ground Lease is held by a court of competent jurisdiction (or by an arbitrator in an arbitration) as to be invalid, void or unenforceable and (b) the invalidity or unenforceability of such a provision does not deny a party the material benefit of this Ground Lease, then the remainder of this Ground Lease which can be given effect without the invalid provision shall continue in full force and effect and shall in no way be impaired or invalidated.

18.19 Interest. In any situation where County has advanced sums on behalf of LACF pursuant to this Ground Lease, such sums shall be due and payable within five (5) days after LACF's receipt of written demand, together with interest at the Applicable Rate (unless another rate is specifically provided herein) from the date such sums were first advanced, until the time payment is received. In the event that LACF repays sums advanced by County on LACF's behalf with interest in excess of the maximum rate permitted by Applicable Laws, County shall refund such excess payment. "**Applicable Rate**" means an annually compounded rate of interest equal to the Prime Rate, plus three percent (3%) per annum; provided, however, that the Applicable Rate shall in no event exceed the maximum rate of interest which may be charged pursuant to Applicable Laws. "**Prime Rate**" means the prime or reference rate announced from time to time by Bank of America, N.A. or its successor, or if Bank of America, N.A. and its successor cease to exist then the prime or reference rate announced from time to time by the largest state chartered bank in California in term of deposits.

18.20 Recitals. All Recitals set forth herein are hereby incorporated into this Ground Lease. The Parties agree that the Recitals are true and correct and have the same force and effect as all other provisions contained Ground Lease.

18.21 Surrender. On the expiration or early termination of this Ground Lease, LACF shall surrender and deliver up the Ground Lease Premises, including all improvements then located thereon and the appurtenances thereto, into the possession of LACF, in good order, condition and repair, free and clear of all lettings and occupancies, and, without any payment or allowance whatsoever by County, free and clear of all liens and encumbrances other than those existing on the Effective Date of this Ground Lease and those, if any, created by County. LACF shall execute, acknowledge and deliver to County such instruments of further assurance as in the opinion of County are necessary or desirable to confirm or perfect Landlord's right, title and interest in and to the Ground Lease Premises.

19. **Schedule of Exhibits.** THIS GROUND LEASE INCLUDES THE FOLLOWING EXHIBITS ATTACHED HERETO AND INCORPORATED HEREIN BY THIS REFERENCE.

Exhibit A	Ground Lease Premises Legal Description
Exhibit B	Facilities Lease
Exhibit C	Development Agreement
Exhibit D	Permitted Exceptions
Exhibit E	Form of Memorandum of Lease

[Signatures on next page]

COUNTY:
COUNTY OF LOS ANGELES
a body corporate and politic

By: _____
Name: _____
Title: _____

ATTEST:

Clerk of the Board

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:
MARY C. WICKHAM, County Counsel

By: _____
Name: _____
Title: _____

LACF:
LOS ANGELES COUNTY FACILITIES INC.
a California nonprofit public benefit corporation

By: _____
John Finke
President

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

Subscribed and sworn to (or affirmed) before me on this ____ day of _____, 2018,
by _____, proved to me on the
basis of satisfactory evidence to be the person(s) who appeared before me.

Signature _____ Seal

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

Subscribed and sworn to (or affirmed) before me on this ____ day of _____, 2018,
by _____, proved to me on the
basis of satisfactory evidence to be the person(s) who appeared before me.

Signature _____ Seal

EXHIBIT A
GROUND LEASE PREMISES LEGAL DESCRIPTION

**EXHIBIT B
FACILITIES LEASE**

EXHIBIT C
DEVELOPMENT AGREEMENT

EXHIBIT D
PERMITTED EXCEPTIONS

EXHIBIT E
FORM OF MEMORANDUM OF GROUND LEASE

RECORDING REQUESTED BY:

WHEN RECORDED MAIL TO:

Hillis Clark Martin & Peterson P.S.
Attention: Michelle Gail
999 Third Avenue, Suite 4600
Seattle, WA 98104

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE ONLY.

Assessor's Parcel Nos.

This instrument is exempt from recording fees (California Government Code Section 27383) and from Documentary Transfer Tax (California Revenue and Tax Code Section 11922).

MEMORANDUM OF GROUND LEASE

THIS MEMORANDUM OF GROUND LEASE ("**Memorandum**") is dated for reference purposes _____, 2018 and is made by and between **COUNTY OF LOS ANGELES**, a body corporate and politic ("**County**"), acting by and through its **COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES ("**Commission**")**, and **LOS ANGELES COUNTY FACILITIES INC.**, a California nonprofit public benefit corporation ("**LACF**").

1. Ground Lease. County leases to LACF under that certain Ground Lease Agreement (the "**Ground Lease**") effective as of _____, 2018 (the "**Effective Date**") that certain real property located in the City of Los Angeles, County of Los Angeles, California ("**Ground Lease Premises**"), legally described on the attached Exhibit A.

2. Term. The term of this Ground Lease shall commence on the Effective Date and, unless such term is extended, shall expire on the earlier of (a) _____, 20__ [**Final maturity date of the Bonds to be completed**] or (b) the date that the Bonds are no longer Outstanding (as defined in the Indenture) and the Project has been conveyed by Landlord to Tenant as set forth in the applicable provisions of the Facilities Lease (either, as applicable, the "**Expiration Date**").

Notwithstanding the foregoing, if on the Expiration Date, the Bonds remain Outstanding, then, as provided in the Facilities Lease, the term of the Facilities Lease shall be extended until the Bonds are no longer Outstanding; provided, however, that such extension shall not exceed

ten (10) years. In the event of such an extension, the Term of this Ground Lease shall be deemed extended for the same period of time that the term of the Facilities Lease is extended.

3. Purpose of Memorandum. This Memorandum is prepared for purposes of recordation only and to provide constructive notice of the rights of County and LACF under the Ground Lease to all third parties, and does not set forth all of the terms and conditions set forth in the Ground Lease. In the event there is any conflict between the terms and conditions of the Ground Lease and this Memorandum, the Ground Lease shall control.

[Signatures on next page]

DATED the date first above written.

LACF:

LOS ANGELES COUNTY FACILITIES INC.,
a California nonprofit public benefit corporation

By _____
Name: John Finke
Title: President

SIGNER(S) OTHER THAN NAMED ABOVE:

COUNTY OF LOS ANGELES,
a body corporate and politic

By _____
Name: _____
Title: _____

ATTEST:

Clerk of the Board

By _____
Name: _____
Title: _____

APPROVED AS TO FORM:
MARY C. WICKHAM, County Counsel

By _____
Name: _____
Title: _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

Subscribed and sworn to (or affirmed) before me on this ____ day of _____, 2018,
by _____, proved to me on the
basis of satisfactory evidence to be the person(s) who appeared before me.

Signature _____ Seal

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

Subscribed and sworn to (or affirmed) before me on this ____ day of _____, 2018,
by _____, proved to me on the
basis of satisfactory evidence to be the person(s) who appeared before me.

Signature _____ Seal

Vermont Corridor Project Approval and Related Actions – Attachment

Site 1 Facilities Lease

**FACILITIES
LEASE AGREEMENT**

between

**LOS ANGELES COUNTY FACILITIES INC.,
a California nonprofit public benefit corporation**

and

**COUNTY OF LOS ANGELES,
a body corporate and politic**

Dated as of _____, 2018

**Vermont Corridor County Administration Building
Los Angeles, California**

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FACILITIES LEASE AGREEMENT

THIS FACILITIES LEASE AGREEMENT (this “**Lease**”) is effective as of _____, 2018 (the “**Effective Date**”) and is made by and between **LOS ANGELES COUNTY FACILITIES INC.**, a California nonprofit public benefit corporation, as sublandlord (“**Landlord**”), and the **COUNTY OF LOS ANGELES**, a body corporate and politic, as subtenant (“**Tenant**”). Landlord and Tenant are each occasionally referred to herein as a “**Party**” or collectively as the “**Parties.**”

RECITALS

A. Landlord is the lessee under that certain Ground Lease of even date herewith (the “**Ground Lease**”), with Tenant as lessor, pursuant to which Landlord leases that certain real property in the City of Los Angeles (the “**City**”), County of Los Angeles, California (the “**County**”), the address of which is 510, 526 and 532 South Vermont Avenue and 523 Shatto Place and which is legally described on the attached Exhibit A (collectively, the “**Land**”). The portion of the Land consisting of 523 Shatto Place (the “**Shatto Place Parcel**”) has an existing parking structure constructed upon it (the “**Existing Garage**”). Pursuant to the Existing Garage License, Landlord shall permit Tenant to occupy the Existing Garage until the Existing Garage Vacation Date.

B. Pursuant to California Government Code Sections 25549.1 *et seq.*, Tenant desires to have Landlord design, develop, permit, construct, operate, maintain, and repair improvements and install furniture, fixtures and equipment on the Land consisting of (i) a new office building with (A) approximately 468,000 gross square feet of Class A office with ground floor retail space and public serving uses, and (B) approximately 965 structured parking spaces, and (ii) a separate 10-story garage structure containing approximately 768 parking spaces, all to serve as the headquarters and office space for the County’s Department of Mental Health, office space for the County’s Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff (collectively, the “**Project**”). The Project shall be delivered to Tenant in Turnkey Condition as defined in Section 1.

C. Landlord and Tenant desire to enter into this Lease whereby Tenant shall sublease and, pursuant to this Lease, shall occupy the Premises at the rent and subject to all of the terms, covenants and conditions set forth herein.

D. Landlord will engage TC LA Development, Inc., a Delaware corporation (“**TCLA**”) as Developer to develop, oversee and manage the design, permitting and construction phases of the Project in accordance with the terms and conditions of a Development Agreement and for a Fixed Price as provided herein, all of which shall be subject to Tenant’s Concurrence as provided herein.

E. The financing for the Project will be pursuant to Landlord’s issuance of Bonds (defined in Section 1). The Tax-Exempt Bonds are issued by a nonprofit organization on behalf of a government entity to finance a public facility. Upon the date the Bonds are no longer

Outstanding (as defined in the Indenture), Landlord will convey the Premises to Tenant for no additional consideration and this Lease shall terminate and the Ground Lease shall terminate.

AGREEMENT

1. Definitions. As used in this Lease, the following capitalized terms shall have the following meanings:

“Abatement” means a reduction in the Rent payable by Tenant hereunder (other than Additional Rent for current Operating Costs) as a result of damage, destruction or partial condemnation of the Premises or a defect in Landlord’s title to the Premises, any of which results in substantial interference with Tenant’s right to use and occupancy of the Premises. The amount by which Rent is abated during any period shall be the amount necessary to cause the resulting Rent payable by Tenant (other than Additional Rent for current Operating Costs) not to exceed the Fair Market Rent for the portions of the Premises with respect to which there is no substantial interference.

“ADA” means the Americans With Disabilities Act of 1990, as amended from time to time.

“Additional Rent” means the Operating Costs, including Taxes and Utilities, together with Capital Expenditures, each as defined herein, payable by Tenant under the provisions of this Lease.

“Administrative Fees and Expenses” has the meaning given such term in the Indenture.

“Annual Capital Repair Reserve Payment” means the annual payment to the Capital Repairs Fund described in Section 5.11.

“Annual Operating Budget” shall have the meaning set forth in Section 5.7.

“Applicable Laws” means all of the following, even if unforeseen or extraordinary, to the extent affecting any of, (a) Landlord, its members, owners, shareholders, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (b) Tenant, its board members, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (c) Trustee, its members, owners, shareholders, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (d) all or any portion of the Premises, or (e) the use, occupancy, possession, construction, operation, maintenance, improvement, alteration, repair, or restoration of any portion of the Project: (x) all present and future laws, statutes, requirements, ordinances, orders, judgments, regulations, resolutions, covenants, restrictions, or administrative or judicial determinations of every governmental authority and of every court or agency claiming jurisdiction over Landlord, Tenant, Developer, Trustee, the Project, or the Premises or matters set forth in Clauses (a) through (e), above, whether enacted or in effect as of the Effective Date or thereafter, including, but not limited to, California Labor Code §§ 1720 *et seq.*, environmental laws, zoning laws, building codes and regulations and those laws relating to accessibility to, usability by, and discrimination against, disabled individuals; and (y) all covenants, restrictions, and conditions of record affecting the Premises from time to time.

“Applicable Rate” means an annually compounded rate of interest equal to the Prime Rate, plus two percent (2%) per annum; provided, however, that the Applicable Rate shall in no event exceed the maximum rate of interest which may be charged pursuant to Applicable Laws.

“Approved Work Plan” has the meaning set forth in Section 5.11(a).

“Architect” means M. Arthur Gensler Jr. & Associates, Inc., a California corporation, the architect for the Project, or another qualified architect selected by Landlord, with the Tenant’s Concurrence.

“Asset Management Fee” means that fee payable to Landlord as part of the Additional Rent in an amount equal to one percent (1%) of the Base Rent payable hereunder as of the Rent Commencement Date.

“Base Rent” means the rent payable by Tenant under this Lease from the Rent Commencement Date to and including the Expiration Date in the amounts set forth on the Schedule of Base Rent, attached hereto as Exhibit B; provided, however, if Shatto Garage Project Substantial Completion has not been achieved on or prior to the Office Project Substantial Completion Date, then, for the period commencing on the Office Project Substantial Completion Date and ending on the Substantial Completion Date, Base Rent shall be payable in accordance with Section 4.6.

“Bonds” means the Tax-Exempt Bonds and the Taxable Bonds to be issued by Landlord for design, permitting, construction, and equipping of the Project pursuant to the Indenture. From the proceeds of such Bonds, Landlord intends to pay all costs associated with the development of the Project for the Fixed Price, all costs of issuing the Bonds, and capitalized interest during the construction period.

“Business Day” means a day (i) other than a day on which banks located in the State of California, the City of New York, New York, or the city in which the Corporate Trust Office of the Trustee is located are required or authorized to close and (ii) on which the New York Stock Exchange is not closed.

“Capital Expenditures” means the acquisition of a prior non-existing asset (including Financed FF&E) or the repair or replacement of a pre-existing asset (other than personal property, or removable trade fixtures) which (i) are not characterized as an operating cost or expense under generally accepted accounting principles, (ii) maintains the value of the Project over its usual life and (iii) is permanently affixed to, or otherwise used in conjunction with the real estate.

“Capital Repairs Fund” means the fund of that name established under the Indenture and referenced in Section 5.11.

“City” has the meaning set forth in Recital A.

“**Code**” means the Internal Revenue Code of 1986, as amended, or any successor federal income tax statute or code. Any reference to a provision of the Code shall include the applicable Department of Treasury regulations.

“**Condemnation**” has the meaning set forth in Section 20.1.

“**Construction Contracts**” means (i) the Office Project General Construction Contract (ii) the Shatto Garage Project General Construction Contract, and (iii) all other contracts for construction services entered into between Landlord, or Developer on behalf of and acting as authorized representative for Landlord, and any Contractor, for construction of any portion of the Project not covered by either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract.

“**Construction Documents**” mean the Construction Drawings and Detailed Specifications approved, in writing, by Landlord with Tenant’s Concurrence, for the construction of the Project, including technical drawings, schedules, diagrams, plans, and specifications setting forth in detail the requirements for construction of the Project and providing information customarily required for the use of the building trades.

“**Construction Drawings**” means drawings setting forth in detail the requirements for the construction of the Project. As used herein, “Construction Drawings” include all graphic and pictorial documents depicting the design, location and dimensions of the elements of the Project (including Tenant Improvements) and include plans, elevations, sections, details, schedules and diagrams for the Project, all of which shall be consistent with the Project Requirements. The general design and location of the Project is based upon the general design and concepts presented to Tenant by Landlord in Tenant’s Request for Proposal process.

“**Contract Documents**” means the Construction Documents, the Construction Contracts and the other documents identified as Contract Documents in either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract, all of which shall be subject to Tenant’s Concurrence.

“**Contractors**” means the Office Project General Contractor, the Shatto Garage Project General Contractor and any other construction contractors and design-builders with whom Landlord enters into direct contracts upon the written recommendation of Developer, or with whom Developer on behalf of and acting as the Landlord’s authorized representative, enters into contracts, all such contracts shall be subject to Tenant’s Concurrence.

“**County**” has the meaning set forth in Recital A, acting in a capacity other than as Tenant.

“**Detailed Specifications**” means all written detailed requirements for materials, equipment, construction systems, standards, and workmanship for the construction of the Project.

“**Developer**” means TC LA Development, Inc., a Delaware corporation, and its successors and permitted assigns under the Development Agreement.

“**Developer Obligation Date**” means _____ [Add date.].

“Developer Start Date” means that date that is thirty (30) days after the Effective Date.

“Development Agreement” means that certain Development Agreement of even date herewith, as amended from time to time, between Developer and Landlord which provides for the development, design, permitting and construction of the Project, and which has received Tenant’s Concurrence (the form of which is attached hereto as Exhibit O).

“Disallowed Amendment” has the meaning set forth in Section 9.17.

“Effective Date” has the meaning set forth in the Preamble.

“Emergency Repair Commencement Deadline” has the meaning set forth in Section 10.1(a).

“Emergency Repair Situation” has the meaning set forth in Section 10.1(d).

“Environmental Laws” means all federal, state, and local laws, statutes, rules, regulations, ordinances, and codes relating to the regulation or protection of human health, safety, the environment, and natural resources, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. §§ 9601 *et seq.*), the Hazardous Materials Transportation Act (49 U.S.C. §§ 5101 *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 *et seq.*), the Clean Air Act (42 U.S.C. §§ 7401 *et seq.*), the Clean Water Act (33 U.S.C. §§ 1251 *et seq.*), the Solid Waste Disposal Act (42 U.S.C. §§ 6901 *et seq.*), the Toxic Substances Control Act (15 U.S.C. §§ 2601 *et seq.*), the Emergency Planning and Community Right-To-Know Act (42 U.S.C. §§ 11001 *et seq.*), the Occupational Safety and Health Act (29 U.S.C. §§ 651 *et seq.*), and any similar or comparable state or local laws, including, without limitation, the California Hazardous Substance Account Act (California Health & Safety Code §§ 25300 *et seq.*), as such federal, state, and local laws exist as of the Effective Date and as amended in the future.

“Event of Default” has the meaning set forth in Section 22 of this Lease.

“Existing Garage” has the meaning set forth in Recital A.

“Existing Garage License” means a license between Landlord as licensor and Tenant as licensee, in the form attached as Exhibit P, dated of even date herewith, pursuant to which Tenant shall have the right to occupy the Existing Garage from the Effective Date to the Existing Garage Vacation Date.

“Existing Garage Vacation Date” has the meaning set forth in Section 37.

“Expiration Date” has the meaning set forth in Section 3.

“Fair Market Rent” means the fair market rent (other than rent to cover current Operating Costs) payable for office premises in Los Angeles County, California comparable to the Premises hereunder, determined as of the Effective Date. The Fair Market Rent shall be determined by a qualified MAI appraiser selected by Tenant and reasonably acceptable to

Landlord. The Fair Market Rent shall be calculated as of the Effective Date and thereafter shall be re-calculated in the event of damage, destruction or partial condemnation of the Premises as contemplated in Sections 19 and 20;

“Final Acceptance” has the meaning set forth in Section 9.14.

“Final Payment” means payment to the Developer, the Architect, the Office Project General Contractor, the Shatto Garage Project General Contractor, and any other Contractors by Landlord following Final Acceptance.

“Financed FF&E” means furniture, fixtures, equipment and movable property as set forth on Exhibit N attached hereto, the costs of which will (i) be included in Project Costs, but only to the extent of the Financed FF&E Allowance set forth in the approved Project Budget, and (ii) be financed through the Bonds. Any cost of furniture, fixtures, equipment and movable property that is in excess of the Financed FF&E Allowance set forth in the approved Project Budget shall not be part of the Fixed Price. The Financed FF&E will be designed, provided and installed as set forth on Exhibit N.

“Financial Statements” has the meaning set forth in Section 10.2.

“Fiscal Year” means the fiscal year under which the County operates, commencing with July 1 and ending with June 30.

“Fixed Price” means an amount not to exceed \$ _____, the total amount to be paid by Landlord for Project Costs. A detailed description of Project Costs by line item and category is set forth in the Project Budget.

“Force Majeure” means any inability of a Party to perform any non-monetary obligation under this Lease due to fire or other casualty, earthquake, flood, tornado or natural disaster, civil disturbance, war, organized labor dispute, freight embargo, governmental order, or other unforeseeable event beyond the reasonable control of the Party required to perform the subject obligation, including, in the case of a delay in the commencement or completion by Landlord of the Project, a delay in such construction caused by a hidden condition, including without limitation environmental contamination, relating to the foundation, substructure or subsurface of the Premises, which was not known to, Landlord as of the commencement of such work, although Landlord shall, to the extent possible, commence and complete the portions, if any, of the work, not impacted by such delay within the timeframes set forth in this Lease. Notwithstanding the foregoing, in order for either Party to claim a delay has been caused by a Force Majeure event, the Force Majeure must be detailed in a written notice given by the Party claiming such delay to the other Party within thirty (30) days after the Party claiming such delay obtained actual knowledge of the Force Majeure event giving rise to the claim of delay, which notice shall, at a minimum, reasonably specify the (a) nature of the Force Majeure event and of the delay it has caused and (b) the date of commencement of the Force Majeure event and the delay it caused and (if not ongoing) the date the Force Majeure event ended.

“Ground Lease” has the meaning set forth in Recital A.

“Hazardous Substance” means the following:

(a) petroleum, any petroleum by-products, waste oil, crude oil or natural gas;

(b) any material, waste or substance that is or contains asbestos or polychlorinated biphenyls, or is radioactive;

(c) any medical waste; and

(d) any substance, product, waste or other material of any nature whatsoever which is or becomes defined, listed or regulated as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “solid waste,” “radioactive material,” or similarly defined substance pursuant to any Applicable Laws, including the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, 42 U.S.C. §§ 9601 *et seq.*; the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1801 *et seq.*; the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 *et seq.*; the California Health & Safety Code and all other analogous State of California and local statutes, ordinances and regulations, including, without limitation, any dealing with underground storage tanks; provided, however, “Hazardous Substances” shall not include any of the foregoing materials or substances described above that are of the types and in quantities customarily used in the ordinary course of construction, occupancy or operation of office buildings and related parking structures similar to the Project, including, without limitation, in the ordinary course of delivering medical care in accordance with generally accepted standard practices, consisting of (a) office, cleaning, building maintenance, and construction materials and supplies used in reasonable quantities and in the ordinary course of the construction, occupancy or operation of the Project, and (b) gasoline or diesel fuel in the tanks of automobiles and other machines located on the Premises (whether during construction or otherwise); but only so long as, in the case of (a) and (b), they are always stored, maintained, used and disposed of in compliance with all Applicable Laws.

“**Indemnified Landlord Parties**” has the meaning set forth in Section 18.2.

“**Indemnified Tenant Parties**” has the meaning set forth in Section 18.1.

“**Indenture**” means the trust indenture dated of even date herewith by and between the Trustee and the Landlord, (the form of which is attached hereto as Exhibit S), as originally executed.

“**Inspecting Engineer**” has the meaning set forth in Section 5.11(a).

“**Inspection Report**” has the meaning set forth in Section 5.11(a).

“**Land**” has the meaning set forth in Recital A.

“**Landlord**” means Los Angeles County Facilities Inc., a California nonprofit public benefit corporation, and its successors and permitted assigns.

“**Lease**” means this Facilities Lease Agreement.

“Leasehold Mortgage” means the (a) Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing; (b) Assignment of Leases and Cash Collateral; (c) applicable Uniform Commercial Code financing statements; and (d) other security documents executed by Landlord in connection with or to secure the Bonds.

“Liabilities” has the meaning set forth in Section 18.1.

“Liens” means any lien, charge, security interest or encumbrance, except the Indenture and the Leasehold Mortgage, which may be attached to, upon or against the Premises or any portion thereof.

“Notice Address” means, as to each of the Notice Parties, its respective address as specified in or pursuant to Section 34.15.

“Notice Parties” means each of Landlord, Tenant and Trustee.

“Office Project” means the new office building with (a) approximately 468,000 gross square feet of Class A office, with ground floor retail space and public serving uses, and (b) the Tower Garage, all to serve as the headquarters and office space for the County’s Department of Mental Health, office space for the County’s Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff. The Office Project design shall be structured around a solid core and shell to ensure a functional and easily maintainable building foundation. The Office Project shall be designed to meet LEED Silver certification standards.

“Office Project General Construction Contract” means the agreement between Landlord and the Office Project General Contractor for construction of the Office Project.

“Office Project General Contractor” means Hathaway Dinwiddie Construction Company, a California corporation, the anticipated general contractor for the Office Project, or another qualified general contractor proposed by Developer and approved by Landlord.

“Office Project Portion” means the portion of Base Rent equal to the product of the Base Rent and the fraction, the numerator of which is the sum of the actual costs of the Office Project as of the Office Project Substantial Completion Date plus the remaining estimated costs of the Office Project as of the Office Project Substantial Completion Date and the denominator of which is the total budget of the entire Project (taking into account costs to date and estimated remaining costs) as of the Office Project Substantial Completion Date.

“Office Project Substantial Completion Date” means the date of Substantial Completion of the Office Project.

“Operating Costs” means any and all costs and expenses directly related to ownership, operation and maintenance of the Premises, as more particularly set forth in Section 5.2, but excluding Project Costs, Capital Expenditures and the other items expressly excluded under Section 5.3.

“Permitted Use” means use of the Premises by Tenant for office, retail, parking and/or any other lawful use consistent with the provisions of Section 7 and the Ground Lease.

“Preliminary Plans” means the initial renditions for the Project pursuant to site plan approvals issued with respect to the Project by the County, a schedule of which Preliminary Plans is attached hereto as Exhibit C. The Preliminary Plans include a design intent summary regarding the quality of construction, and general intent of design.

“Premises” means the Land, the Project and such other improvements as may be located on the Land from time to time.

“Prime Rate” means the prime or reference rate announced from time to time by Bank of America, N.A. or its successor, or if Bank of America, N.A. and its successor cease to exist then the prime or reference rate announced from time to time by the largest state chartered bank in California in term of deposits.

“Procured FF&E” means furniture, fixtures, equipment, and movable property installed in the Project by Developer at Landlord’s direction through a Landlord initiated change order, the costs of which are not a Project Cost, but defined as an Other Owner Cost in the Development Agreement.

“Project” has the meaning set forth in Recital B, inclusive of all design, permitting and construction, all design and other professional services, and all labor, materials and equipment used or incorporated in such design and construction of the (a) Office Project, (b) Tenant Improvements to be constructed within the Office Project, (c) the Financed FF&E and the Procured FF&E, and (d) the Shatto Garage Project. The Project shall be consistent with and reasonably inferable from the approved Project Requirements as being necessary to produce the intended results.

“Project Budget” means the budget for development of the Project attached hereto as Exhibit D-2 and as revised from time to time by Developer and Landlord with Tenant’s Concurrence, and in accordance with the Development Agreement.

“Project Contingency” means the contingency by that name set forth in the Project Budget and further defined in the Development Agreement.

“Project Costs” means all costs for the completion of the development, design, permitting, and construction and equipping of the Project, including, without limitation, all site work, including utility relocation and installation of utilities as required to serve the Project, all roadway improvements (if any), sidewalks and landscaping, all permit fees, all costs of the Office Project, HVAC, electrical and other building systems, including but not limited to conduit rough-in for data, telephone, and security, all costs of Tenant Improvements including HVAC thermostats and operating controls, all costs of Financed FF&E (but only to the extent of the Financed FF&E Allowance set forth in the approved Project Budget), all costs of architectural services provided by the Architect under the Architect’s agreement, all other professional design services and other services provided by Contractors or other professionals engaged by Developer, the Office Project General Contractor or the Shatto Garage Project General Contractor, all amounts paid to the Office Project General Contractor and the Shatto Garage

Project General Contractor under the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract, including all labor, material, and equipment used or incorporated in such design and construction, all amounts paid to other Contractors and subcontractors, if any, under any other Construction Contract or subcontract entered into by Landlord upon the written approval of Developer or by Developer on behalf of and acting as the Landlord's agent in connection with the Project, including all labor, material, equipment used or incorporated in such design and construction, services provided by engineers, environmental consultants, surveyors and other professionals and consultants retained by Developer in connection with the Project, the Developer's Overhead Allowance, Developer's Fee (each as defined in the Development Agreement), insurance (other than Bond insurance and other than builders risk insurance which shall be purchased by Landlord and not by Developer the Office Project General Contractor or the Shatto Garage Project General Contractor), payment and performance bonds, applicable state and local retail sales taxes, and the Project Contingency.

Notwithstanding anything to the contrary herein, Project Costs do not include (a) Tenant's Personal Property and any taxes thereon (which shall be paid by Tenant at its sole cost and expense); (b) Owner Discretionary Costs; (c) Costs Resulting from Owner-Caused Delay; (d) any increase in the cost of the Project resulting from Owner-initiated change orders in accordance with Section 8.3 of the Development Agreement; (e) real property taxes and assessments with respect to the Premises; and (f) Other Owner Costs. Owner Discretionary Costs, Costs Resulting from Owner-Caused Delay, and Other Owner Costs each shall have the meaning assigned to them in the Development Agreement.

"Project Requirements" means the Preliminary Plans, Construction Documents, Requirements of Law, and any other requirements for the Project specifically agreed to by Landlord and Developer with Tenant's Concurrence.

"Project Schedule" means the schedule for development and construction of the Project as revised from time to time by Developer and Landlord, with Tenant's Concurrence, in accordance with the Development Agreement. The initial Project Schedule is set forth in Exhibit D-1.

"Proposed Capital Expenditure Work Plan" has the meaning set forth in Section 5.11(a).

"Punch List" means a list of items required to be completed prior to Final Acceptance that are minor items which do not affect Landlord's ability to lease the Premises to Tenant and do not affect Tenant's ability to use the Premises for their Permitted Use. The Punch List shall be subject to Tenant's Concurrence.

"Relocation Services" means the relocation and installation of Tenant's furniture, fixtures, equipment and movable property from Tenant's current buildings at 550 South Vermont Avenue and 3175 West 6th Street to the Office Project in conformance with plans, change orders and directions agreed by Landlord and Developer with Tenant's Concurrence, the costs of which shall not be part of the Bonds.

"Rent" means the sum of Base Rent and Additional Rent.

“Rent Commencement Date” means the date of Substantial Completion of the Project, except as set forth in Section 4.6.

“Rent Payment Date” means each June 1 and December 1 throughout the Term.

“Required Art” means art to be installed in accordance with the County’s arts policy and the Construction Documents.

“Requirements of Law” means all requirements relating to land and building construction (including those specifically applicable to Tenant’s contemplated use of the Premises, Office Project and the Shatto Garage Project for the Permitted Use), planning, zoning, subdivision, environmental, air quality, flood hazard, fire safety, accessibility, and other governmental approvals, permits, licenses and/or certificates as may be necessary from time to time to comply with all the foregoing and other applicable statutes, rules, orders, regulations, laws, Applicable Laws, ordinances, and covenants, conditions and restrictions, which now apply to and/or affect the design, construction, existence, intended use, operation and/or occupancy of the Premises, the Project or any part thereof.

“Shatto Garage Project” means the new parking structure consisting of a 10-story garage structure containing approximately 768 parking spaces located on the Shatto Place Parcel, which is intended to provide additional parking for the Office Project. A site plan of the Project showing the Shatto Garage Project is attached hereto as Exhibit I.

“Shatto Garage Project General Construction Contract” means the agreement between Landlord and the Shatto Garage Project General Contractor for construction of the Shatto Garage Project.

“Shatto Garage Project General Contractor” means Bomel Construction Company Inc., a California corporation, the anticipated general contractor for the Shatto Garage Project, or another qualified general contractor proposed by Developer and approved by Landlord.

“Shatto Garage Project Substantial Completion Date” means the date of Substantial Completion of the Shatto Garage Project.

“Shatto Place Parcel” has the meaning set forth in Recital A.

“Substantial Completion Date” means the date of Substantial Completion of the Project.

“Substantial Completion of the Office Project” has the meaning set forth in Section 9.13.1.

“Substantial Completion of the Project” has the meaning set forth in Section 9.13.3.

“Substantial Completion of the Shatto Garage Project” has the meaning set forth in Section 9.13.2.

“Substantially Complete” or “Substantially Completed” means:

(a) with respect to the Project in its entirety, that the Project has been constructed in substantial accordance with the Contract Documents and: (i) all elements required for the functioning of the Project are operational and in good working order and condition including satisfying applicable ADA building requirements, as well as regulations adopted thereunder; (ii) the Office Project and, to the extent applicable, the Shatto Garage Project, is weather tight and waterproof; (iii) the fire and life safety systems within the Project are operational and in good working order and condition; (iv) the elevators within the Project operate and function in good working order and condition, but may still require minor touch up installation and cleaning; (v) the mechanical and electrical systems, including but not limited to the HVAC system, have been individually tested and verified that they are in good working order and able to support the Permitted Use of the Project by the Tenant, and have been tested to assure that the Project systems operate on an integrated basis; (vi) the finish work has been substantially completed, including, but not limited to public lobby, elevator, HVAC, plumbing, fire and life safety, sprinkler and electrical systems, doors, partitions, cabinetry, carpet and base, including removal of all construction debris; and (vii) all roadway improvements, site utilities, sidewalks and landscaping have been substantially completed and construction barricades and equipment have been removed; except, in each case, minor Punch List items which do not materially affect use and occupancy of the Project for its Permitted Use;

(b) with respect to the Office Project, that the Office Project has been constructed in substantial accordance with the Contract Documents and that the requirements of clauses (a)(i) through (vii) above have been satisfied to the extent that such requirements apply to the Office Project and the uses for which it is intended; and

(c) with respect to the Shatto Garage Project, that the Shatto Garage Project has been constructed in substantial accordance with the Contract Documents and that the requirements of clauses (a)(i) through (vii) above have been satisfied to the extent that such requirements apply to the Shatto Garage Project and the uses for which it is intended.

“Tax Agreement” has the meaning set forth in Section 7.4(a).

“Tax-Exempt Bonds” means those Bonds that are tax-exempt obligations and that satisfy the requirements of Internal Revenue Service Revenue Ruling 63-20, as amended and updated by Internal Revenue Service Revenue Procedure 82-26, and other regulations, interpretations and letter rulings issued by the Internal Revenue Service with respect to such financings.

“Taxable Bonds” means any Bonds that are not Tax-Exempt Bonds.

“Taxes” means all real and personal property taxes and assessments (including assessments for special assessment district improvements), supplemental assessments, license and permit fees, leasehold excise taxes, other excise taxes, levies, sales, use and occupancy taxes,

any tax or charge assessed against the Premises and any taxes levied or assessed in addition to or in lieu of, in whole or in part, such taxes, assessments or other charges and all other governmental impositions and charges of every kind and nature, general and special, ordinary and extraordinary, foreseen and unforeseen of every character which at any time from and after the Substantial Completion Date may be imposed, levied upon or assessed against or which arise with respect to or constitute a lien upon the Premises, the Project (or any part thereof), the leasehold estate created by this Lease or any part thereof, or any estate, right or interest therein, or any occupancy, use or possession of or activity conducted on the Premises or any part thereof. Taxes shall not include any tax computed on the basis of Landlord's net income or any other form of income tax by any governmental entity.

“**TCLA**” means TC LA Development, Inc., a Delaware corporation.

“**Tenant**” means the County of Los Angeles, and its successors and permitted assigns.

“**Tenant Improvements**” means any improvements to the interior of the Office Project, including but not limited to HVAC thermostats, operating controls and conduit rough-in for data, telephone, and security wiring, all of which are more specifically described in the Construction Documents and subject to Tenant's Concurrence.

“**Tenant's Concurrence**” means, with respect to any Contract Documents or any action to be taken by Landlord with respect to the Project for which Tenant's Concurrence is specified, (a) the written approval of Tenant to such Contract Document or action following written notice to Tenant from Landlord or Developer requesting such concurrence or (b) any deemed concurrence pursuant to this Lease. Tenant's Concurrence (whether written or deemed) is given solely as an expression of Tenant's lack of objection to any Contract Documents or any action for which Tenant's Concurrence is sought and shall under no circumstance be deemed or construed to constitute (x) Tenant's endorsement of such Contract Document or action, (y) a professional opinion by Tenant regarding the effect, safety, legality, or construction worthiness of any improvement or work conducted in accordance with such Contract Document or action, or (z) Tenant's acceptance or assumption of any liability arising from such Contract Document or action. Tenant's written approval of such Contract Document or action shall be made within ten (10) Business Days following written notice to Tenant from Landlord requesting such concurrence. Landlord shall include in any such notice, printed in capital letters and boldface type, a legend to the following effect:

“THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN TEN (10) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE CONTRACT DOCUMENTS DESCRIBED HEREIN.”

If the foregoing legend is included by the Landlord in its communication, then the submitted Contract Documents shall be deemed to have been approved if the Tenant fails to object with respect thereto within ten (10) Business Days of receipt of such notice. Tenant's Concurrence shall not be unreasonably withheld, conditioned or delayed.

“Tenant’s Construction Representative” means the _____, or such other individual named in a notice from Tenant to Landlord given from time to time.

“Tenant’s Personal Property” means Tenant’s furniture, equipment and movable property placed in the Premises. Tenant shall provide and install Tenant’s Personal Property at Tenant’s sole cost and expense. Tenant’s Personal Property does not include Financed FF&E.

“Term” has the meaning set forth in Section 3.

“Tower Garage” means that certain parking structure having approximately 965 parking spaces located in the podium of the Office Project.

“Tower Garage Completion” means that the Tower Garage has been constructed in substantial accordance with the Contract Documents and: (a) all elements required for the functioning of the Tower Garage are operational and in good working order and condition including satisfying applicable ADA building requirements, as well as regulations adopted thereunder; (b) the fire and life safety systems within the Tower Garage are operational and in good working order and condition; (c) the Tower Garage elevators operate and function in good working order and condition, but may still require minor touch up installation and cleaning; (d) the mechanical and electrical systems, including but not limited to the HVAC system, have been individually tested and verified that they are in good working order and able to support the use of the Tower Garage by Tenant, and have been tested to assure that the Tower Garage systems operate on an integrated basis; (e) the finish work has been substantially completed, including, but not limited to elevator, HVAC, plumbing, fire and life safety, sprinkler and electrical systems, doors, including removal of all construction debris; (f) Tenant has been provided ingress and egress access to and from the Tower Garage, (g) a temporary certificate of occupancy has been issued by County allowing for Tenant’s intended use of the Tower Garage, and (h) Tenant has accepted the Tower Garage as being available for its occupancy pursuant to the terms set forth above, except, in the case of (a) through (f) above, minor Punch List items which do not materially affect use and occupancy of the Tower Garage for its intended use by Tenant.

“Tower Garage Occupancy Agreement” means that certain occupancy agreement of even date herewith between Landlord as licensor and Tenant as licensee, in the form attached as Exhibit Q, pursuant to which Tenant shall (a) have the right to occupy the Tower Garage from the date of the Tower Garage Completion to the Office Project Substantial Completion Date, and (b) pay to Landlord the reasonable and actual expenses arising solely and directly from Tenant’s occupancy of the Tower Garage.

“Trustee” has the meaning given such term under the Indenture.

“Turnkey Condition” when used to describe the Office Project, means that Substantial Completion of the Office Project has been achieved and all Financed FF&E and Procured FF&E has been installed in accordance with the Construction Documents, and the

Office Project is fully occupiable and usable for its intended purposes by Tenant and any agreed Relocation Services have been completed.

“**Utilities**” means all utilities and services furnished to the Premises, after the Substantial Completion Date including without limitation, gas, electricity, water and sewer.

Any capitalized term used but not defined shall have the meaning given to it in the Development Agreement or Indenture, as applicable.

2. Demise of Premises. In consideration of the rents, covenants and agreements contained in this Lease, Landlord hereby leases the Premises to Tenant, and Tenant hereby leases the Premises from Landlord upon and subject to the conditions set forth in this Lease; provided that Tenant shall not be able to occupy the Premises prior to the Substantial Completion Date, except (a) pursuant to the Existing Garage License, and the Tower Garage Occupancy Agreement, and (b) the Office Project, on the Office Project Substantial Completion Date.

2.1 Subleasehold Title Insurance. The subleasehold interest in the Premises granted to Tenant by Landlord shall be subject only to those permitted exceptions set forth in the attached Exhibit J. The subleasehold interest shall be insured by a CLTA title policy issued by Commonwealth Title Company (Doug Abernathy, title officer), and the cost of the policy of the title insurance policy shall be a cost of the Project.

3. Term. The term (the “**Term**”) of this Lease shall commence on the Effective Date and shall expire on the earlier of (a) _____, 20__ [**Final maturity date of the Bonds**], (b) the date that the Bonds are no longer Outstanding (as defined in the Indenture) and the Premises have been conveyed by Landlord to Tenant as set forth in the applicable provisions of this Lease, or (c) the date on which this Lease terminates in accordance with its terms (any, as applicable, the “**Expiration Date**”).

Notwithstanding the foregoing, if on the Expiration Date of this Lease, the total Base Rent otherwise payable hereunder has not been fully paid as a result of an Abatement of Rent and the Bonds remain Outstanding, then, the Term of this Lease shall be extended until the total Base Rent otherwise payable hereunder shall be fully paid or such earlier time as the Bonds are no longer Outstanding; provided, however, that such extension shall not exceed ten (10) years. In the event of such an extension, the Term of this Lease shall be deemed extended for the same period of time that the term of the Ground Lease is extended.

Notwithstanding that prior to the Substantial Completion Date, Tenant’s right to occupy the Premises shall only be (a) pursuant to the Existing Garage License, and the Tower Garage Occupancy Agreement, and (b) the Office Project, commencing on the Office Project Substantial Completion Date, all of the other terms and provisions of this Lease shall be effective from and after the Effective Date (except as otherwise provided herein, such as provisions related to Tenant’s obligation to pay Rent and to procure insurance).

4. Base Rent; Conveyance of Premises.

4.1 Obligation to Pay Base Rent. Except as set forth in Section 4.6, Tenant shall pay Base Rent to the Trustee at the Trustee’s address set forth in Section 34.15 without

deduction, offset, prior notice or demand, in advance on the Rent Commencement Date and thereafter in advance on each Rent Payment Date throughout the Term. Tenant shall deposit with the Trustee each payment of Base Rent at least one (1) Business Day prior to the Rent Payment Date. The first Base Rent payment that occurs on the Rent Commencement Date shall equal the prorated amount attributable to the period occurring between the Rent Commencement Date and the next following Rent Payment Date (after deducting any payments made by Tenant pursuant to Section 4.6 that are on deposit with the Trustee for such period), and the last Base Rent payment shall equal the prorated amount attributable to the period occurring between the last Rent Payment Date and the Expiration Date. In any Fiscal Year, the aggregate amount of Base Rent plus the Annual Capital Repair Reserve Payment shall not exceed the Fair Market Rent for the Premises and in any partial Fiscal Year (falling in the Fiscal Year in which Rent Commencement Date or the termination of this Lease occurs), the aggregate amount of Base Rent plus the Annual Capital Repair Reserve Payment shall not exceed the Fair Market Rent for the Premises for such partial Fiscal Year.

4.2 Defeasance. In the event that, pursuant to Section 4.3, Tenant deposits with the Trustee money and/or Government Obligations (as defined in the Indenture), maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to pay or prepay all Base Rent then due under this Lease in accordance with the terms of this Lease and sufficient to redeem or defease all of the Outstanding Bonds pursuant to the terms of the Indenture, plus all costs associated with such redemption or defeasance, Landlord shall convey unencumbered title to the Premises to Tenant (subject to Section 4.4), this Lease shall automatically terminate, no further payments need be made of any Base Rent under this Lease and Landlord shall not be entitled to any lien, benefit or security in the Premises, except the right to receive the funds so set aside and pledged, and neither Landlord nor Tenant shall have any further obligation to the other hereunder. Landlord shall apply such prepaid Base Rent to the defeasance or redemption of Bonds in accordance with the Indenture. In the event the Premises are conveyed to Tenant pursuant to this Section 4.2, the Ground Lease shall automatically terminate.

4.3 Options to Prepay Rent and Purchase Premises; Conveyance of Title.

(a) **Option to Purchase.** Tenant shall have the option to purchase the Premises and thereby terminate this Lease and the Ground Lease by depositing with the Trustee amounts sufficient to redeem or defease all of the Outstanding Bonds pursuant to the terms of the Indenture, plus all costs associated with such redemption or defeasance.

(b) **Exercise of Option.** Tenant shall give Landlord not less than forty-five (45) days' prior written notice of its irrevocable election to exercise its option to purchase under Section 4.3(a) in the form set forth on the attached Exhibit G. Within fifteen (15) days thereafter and in accordance with Section 4.3(e), Landlord shall provide Tenant with an accounting of the amounts necessary to complete the purchase on the date set forth in such notice. The purchase price shall be paid in cash or same-day available funds by 12:00 noon Pacific Time on the payment date specified in such notice (or such other earlier date as Tenant and Landlord may mutually agree. Notwithstanding the foregoing, Tenant's election hereunder may be conditioned on the availability of sufficient funds on the purchase date, so

long as any required notices of termination of management contracts that must be given by Landlord in anticipation of the purchase are also so conditioned.

(c) **Option to Partially Prepay Lease and Cause Bonds to be Redeemed or Defeased.** Tenant shall have the option to partially prepay the principal component of Base Rent, in increments of five thousand dollars (\$5,000), for periods to be determined by Tenant (as represented by the principal components of Base Rent due each year as set forth on Exhibit B) by causing Bonds to be redeemed in accordance with Section 3.01 of the Indenture or by causing Bonds to be defeased in accordance with Article X of the Indenture. Notice of Tenant's intent to prepay by causing Bonds to be redeemed or defeased, as applicable, shall be given to Landlord in writing not less than forty-five (45) days in advance of the intended prepayment date. The notice of partial prepayment shall be substantially in the form set forth on Exhibit H. By 10:00 a.m. Pacific Time on the date set for such prepayment, Tenant shall pay to Trustee in cash or same-day available funds, an amount equal to the principal component of Base Rent to be prepaid, together with interest thereon sufficient to optionally redeem or defease such Bonds in accordance with the Indenture. Upon such prepayment, Exhibit B shall be amended to reflect the reduction in Base Rent resulting from such prepayment; provided, however that in all cases Exhibit B shall result in Base Rent being due and payable in the amounts and at the times sufficient to pay the principal of and interest on all Bonds Outstanding after giving effect to the redemption or defeasance. Tenant shall be responsible for paying all costs associated with partial payment.

(d) **No Requirement to Purchase.** Nothing herein shall be construed to require Tenant to exercise the purchase option herein granted.

(e) **Accounting; Disputed Amounts.** Within fifteen (15) days of its receipt of the notice under Section 4.3(b), in addition to providing Tenant with information regarding the amounts required to redeem or defease all of the Outstanding Bonds pursuant to the terms of the Indenture, plus all costs associated with such redemption or defeasance, Landlord shall provide Tenant with an accounting of all Additional Rent then due and expected to be due on the purchase date set forth in the notice. Such accounting shall also include the amounts of money currently in any Capital Repairs Fund or other reserve account, and specifically itemize amounts in those accounts allocated to work already performed, and contracted to be performed. If Tenant does not dispute such accounting, Tenant shall pay all such Additional Rent and other amounts due and owing on the purchase date, and if Tenant does not pay such amounts, Landlord may use funds remaining in any operating account (including the reserve fund established pursuant to Section 5.2(t)) to pay such amounts. If Tenant disputes the amounts set forth in the accounting provided by Landlord and an agreement cannot be reached within twenty (20) days of receipt of the accounting, then Tenant shall pay all undisputed amounts on the purchase date, and any amounts remaining in dispute are not waived by Landlord, and, notwithstanding the conveyance of the Premises, Landlord may seek those amounts per the Dispute Resolution Procedure in Exhibit F. Tenant's obligation to pay Additional Rent hereunder shall survive the payment in full or defeasance of the Bonds and the termination of this Lease. It is contemplated that amounts remaining in controversy, if any, will relate to Additional Rent, including but not limited to operating costs, capital costs, prorations of expenses, Landlord

management fees, capital expenditures, reserve accounts, ongoing or estimated expenses. Amounts paid by Tenant to redeem or defease the Bonds pursuant to the terms of the Indenture and cause conveyance of the Premises shall be used only for that purpose and shall not be first applied to Additional Rent. Payment may, to the extent permitted by the Indenture, be partially made by demand to use amounts remaining in any operating, capital, or replacement reserve accounts not already allocated to work actually performed or equipment purchased and upon conveyance of the Premises to Tenant any amounts remaining in such operating capital, or replacement reserve accounts shall be paid to Tenant within ten (10) Business Days.

(f) Limitation. Notwithstanding any other provision hereof, no prepayment shall be permitted that would result in any Taxable Bonds (and the Base Rent payments allocable thereto) remaining Outstanding beyond the last remaining Base Rent payment applicable to the Tax-Exempt Bonds.

4.4 Conveyance of Premises. Landlord shall convey to Tenant unencumbered title to the Premises without recourse or warranty (except by assignment of all warranties provided by Contractors and their equipment suppliers) and in its then-current condition together with any reserve funds or accounts held by Landlord (subject to offset as described in Section 4.3(e)), upon the termination of this Lease, as a result of the full payment, redemption or defeasance of all outstanding Bonds pursuant to the terms of the Indenture, plus all costs associated with such redemption or defeasance. The deed by which Landlord conveys the Premises to Tenant may list as exceptions all covenants, conditions, restrictions and other matters then recorded against the Premises so long as such exceptions: (w) were in effect on the Effective Date, (x) were approved by Tenant prior to the Substantial Completion Date; (y) consist of non-delinquent real estate taxes and assessments or (z) arise by reason of Tenant's activities. Tenant shall pay the cost for any owner's policy of title insurance it elects to obtain in connection with such conveyance together with any transfer tax. Landlord shall not be required to make any representations regarding the conditions of the Premises, and Tenant agrees to accept the Premises in an "as is" condition. Upon termination of this Lease, the Ground Lease shall automatically terminate, and, upon request by either Party, the parties shall execute and record a termination of Ground Lease and this Lease in the real property records of the County. In addition, prior to the conveyance, as built plans, maintenance records, management records, and records of contracts and payments with vendors for the entire Lease Term shall be made available to Tenant, or transferred into the Tenant's possession.

4.5 Covenant to Budget for Rent. Tenant's obligation to pay Rent is a general fund obligation of Tenant, and Tenant hereby covenants to take such action as may be necessary to include the payment of all Rent due hereunder in its annual budget and to make the necessary annual appropriations for the payment of Rent, subject to the provisions of this Lease. Such covenants are deemed to be duties imposed by law, and it is the duty of each and every public official of Tenant to take such action and do such things as are required by law in the performance of the official duty of such official to enable Tenant to carry out and perform such covenants.

Subject to Abatement as provided herein, the obligation of Tenant to pay Rent and to perform its obligations hereunder will be absolute and unconditional, and payment of Rent will not be subject to setoff, counterclaim or recoupment.

Notwithstanding the foregoing, the obligation of Tenant to pay Base Rent and Additional Rent does not constitute an obligation of Tenant for which Tenant is obligated to levy or pledge any form of taxation or for which Tenant has levied or pledged any form of taxation. Neither the Bonds nor the obligation of Tenant to pay Base Rent or Additional Rent constitutes an indebtedness of the County, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

4.6 Office Project Temporary Rent Period. For the period commencing on the Office Project Substantial Completion Date and ending on the Rent Commencement Date, Tenant shall pay to the Trustee at the Trustee's address set forth in Section 34.15 without deduction, offset, prior notice or demand, in advance on the Office Project Substantial Completion Date and thereafter in advance of each Rent Payment Date until the Rent Commencement Date, the amount that is equal to the sum of (a) the Office Project Portion, and (b) any Operating Costs arising solely and directly from Tenant's occupancy of the Office Project. Tenant shall deposit each payment of the Office Project Portion with the Trustee at least one (1) Business Day prior to the Rent Payment Date. The first payment of Base Rent pursuant to this Section 4.6 shall equal the prorated portion for the period between the Office Project Substantial Completion Date and the next following Rent Payment Date.

5. Additional Rent; Payment of Operating Costs and Capital Costs. Absolute Net Lease. Tenant acknowledges that, with the conditions set forth herein, this Lease is an absolute net lease. From and after the Substantial Completion Date, Tenant shall pay (i) all Operating Costs in accordance with Section 5.7 and (ii) Capital Repair Reserve Payments made in accordance with Section 5.11. Prior to the Substantial Completion Date, all Operating Costs relating to the Premises shall be paid by Landlord or as otherwise provided by the Development Agreement.

5.2 Operating Costs. Tenant shall pay as Additional Rent amounts sufficient to pay or reimburse Landlord for all Operating Costs incurred by Landlord pursuant to an Annual Operating Budget approved by Tenant pursuant to Section 5.7. In consideration of Tenant's payment of the Operating Costs, Landlord shall be responsible for all operations and all property management for the Premises. Landlord shall at all times use its best efforts to operate the Premises in an economically reasonable manner and minimize Operating Costs in accordance with reasonable commercial standards prevailing in the market place for comparable premises. Operating Costs means any and all costs and expenses directly related to operation and maintenance of the Premises in connection with the following, in each case excluding costs described in Section 5.3:

- (a) the repair, replacement (other than capital repairs and replacement), operation, and maintenance of the Premises, including, without limitation, interior and exterior maintenance, all exterior doors and windows, elevators, sidewalks, driveways, dock or pier, interior perimeter and interior partition walls and finishes (including periodic painting thereof), exterior wall finishes, broken glass in exterior and interior doors

and windows, roof, floor covering, window frames, gutters and downspouts, HVAC system, electrical system, plumbing system, pest control, landscaping, and all other areas used in connection with the Premises;

(b) the Asset Management Fee payable to Landlord pursuant to Section 10.2(d);

(c) the commercially reasonable property management fees paid to the entity managing the Premises under any property management contract entered into pursuant to, and terminable in accordance with, Section 10.2(b);

(d) the auditing fees incurred by Landlord in connection with the preparation of the financial statements required under Section 10.2(c);

(e) all reasonable costs of services provided by third parties (i.e., service providers other than Landlord) and benefiting the Premises, including parking management services; provided, however, that (i) Landlord shall be required to obtain services at rates generally competitive in the marketplace, (ii) such third-party providers shall not be related entities to Landlord and (iii) any gift, bonus, rebate, offset against fees or charges at another site or other remuneration paid by any such third-party provider to Landlord, Developer, any property manager, or any other party engaging in or related to the management of the Premises shall be disclosed to Tenant and credited to Tenant as an offset against Operating Costs. Such services shall include janitorial, security, gardening, together with related costs and expenses, licenses, permits, and inspection fees, the cost of supplies, materials, equipment, and tools used in connection therewith;

(f) Utilities until such time as the account for any such Utility is established in the name of Tenant with Tenant's Concurrence pursuant to Section 6, and reasonable security/fire alarm monitoring fees and related costs;

(g) Taxes;

(h) any damage to the Premises (but not to Tenant's Personal Property) caused by breaking and entering or other criminal act or any other event not covered by insurance, to the extent that such act or event is not caused or exacerbated by the acts or omissions of Landlord, its agents, employees, or contractors;

(i) all costs of compliance with governmental laws or the board of fire underwriters (or similar organization) now or hereafter constituted as applicable to the Premises;

(j) all insurance premiums for insurance required to be carried under this Lease (including loss of rent insurance);

(k) amounts necessary to fund or restore any operating or maintenance reserve provided for in the Annual Operating Budget or as may otherwise be agreed by Landlord and Tenant;

(l) the amount of any deductible payable under any insurance policy described herein as a result of repairs or replacements attributable to fire or other casualty to the extent that such fire or casualty is not caused or exacerbated by the acts or omissions of Landlord, its agents, employees, or contractors;

(m) following Final Acceptance, all attorneys' fees and other costs incurred by Landlord in efforts to enforce the provisions of the Development Agreement the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract as approved by Tenant, to enforce product or workmanship warranties given by Developer, the Office Project General Contractor, the Shatto Garage Project General Contractor, or other Contractors or suppliers of equipment or materials (unless Tenant desires that Landlord instead assign such warranties to Tenant in accordance with Section 5.8), but only to the extent that such costs have not been paid from the Project Contingency or reimbursed by or recovered from Developer, the Office Project General Contractor, the Shatto Garage Project General Contractor, or any other Contractor or any other party who may be obligated to Landlord;

(n) Administrative Fees and Expenses, any Rebatable Arbitrage (as defined in the Indenture) payable with respect to the Bonds, and costs payable in connection with any prepayment of Base Rent and any defeasance or redemption of the Bonds;

(o) all other costs reasonably incurred by Landlord in connection with the maintenance, and upkeep of the Premises in order to: (i) prevent any dangerous or unsafe condition on the Premises that could result in liability to Landlord or its officers, employees, directors, or other agents or (ii) comply fully with and to avoid or to cure any default under the Indenture, Leasehold Mortgage and other documents relating to the Bonds and all Requirements of Law;

(p) all costs of compliance with federal, state or local laws, regulations or permits pertaining to storm water pollution, prevention plans and all National Pollution Discharge Elimination System laws or regulations adopted or to be adopted by the United States Environmental Protection Agency;

(q) the costs for a day porter for the Premises on such schedule as is mutually agreed by Landlord and Tenant;

(r) the costs for building engineers (including an Inspection Engineer under Section 5.11(a)) for the Premises on such schedule as is mutually agreed by Landlord and Tenant;

(s) the costs for security for the Premises on such schedule as is mutually agreed by Landlord and Tenant; and

(t) a reserve fund for unexpected expenses commencing at two hundred thousand dollars (\$200,000) per year and thereafter as it may be increased at the suggestion of Landlord and direction of Tenant.

5.3 Exclusions from Operating Costs. Operating Costs shall exclude:

- (a) Project Costs;
- (b) Utilities established in the name of Tenant with Tenant's Concurrence as provided in Section 5.2(f);
- (c) political or charitable contributions made by Landlord;
- (d) fines, penalties and interest penalties incurred as a result of Landlord's failure to make payments when due or take such other actions as may be required, unless arising directly from Tenant's failure to pay Rent to Landlord when due;
- (e) legal fees, accountant's fees and other expenses incurred in connection with (i) disputes with Tenant or associated with the interpretation of the terms of this Lease or (ii) legal proceedings arising out of Landlord's violation of the terms of this Lease, the Ground Lease, any contract with any third party, or any Requirements of Law;
- (f) costs of any service provided to Tenant for which Landlord is reimbursed, or any other expense for which Landlord is or will be reimbursed by another source (i.e., expenses covered by insurance or warranties or the proceeds of any condemnation) or expenses which would be reimbursed if the Landlord maintained the insurance coverage required by Section 16;
- (g) fees to Landlord for goods or services in excess of the fees that would typically be charged by unrelated, independent persons or entities for similar goods and services;
- (h) repairs or replacements made to rectify or correct any latent defect(s) in the original design, materials or workmanship of the Project, as originally constructed, to the extent of and in the amount that the cost of such repairs or replacements are paid to Landlord (i) from the Project Contingency or (ii) by reimbursement or other recovery from Developer, the Office Project General Contractor, the Shatto Garage Project General Contractor or any other Contractor, or any other party who may be obligated to Landlord to pay or reimburse for such repairs, including, but not limited to, warranty claims;
- (i) repairs or replacements necessitated by the negligence or willful misconduct of Landlord, Landlord's employees, contractors or agents;
- (j) repairs or replacements attributable to fire or other casualty to the extent covered by the proceeds of insurance required by Section 16;
- (k) notwithstanding Section 5.2(f), any Utilities directly related to the completion of the Project following Substantial Completion of the Project in an amount determined by Landlord in the exercise of its reasonable discretion if not otherwise metered, all of which shall be payable as part of the Project Costs;

(l) any cost of repair, replacement, operation and/or maintenance of the Premises incurred as a direct result of the ongoing construction of the Project following Substantial Completion of the Project, all of which shall be payable as part of the Project Costs;

(m) Capital Expenditures;

(n) depreciation or amortization;

(o) debt service on loans with respect to the Premises not approved by Tenant;

(p) damages recoverable by Tenant due to violation by Landlord of any of the terms and conditions of this Lease;

(q) Except for the Asset Management Fee, Landlord's general corporate overhead and general administrative expenses not related to the operation of the Premises and all compensation to executives, officers or partners of Landlord or to any other person above the level of building manager (excluding the building manager of the Premises, if any); and

(r) Costs associated with the operation of the business of the Landlord as the same are distinguished from the costs of operation of the Premises, including accounting and legal matters, costs of defending any lawsuits with any lender or any employee or vendor of Landlord.

5.4 Payment of Taxes by Tenant. Tenant shall be liable for Taxes that accrue from and after the Rent Commencement Date. Tenant shall pay all Taxes directly to the applicable governmental agency prior to delinquency and shall provide proof of such payment promptly to Landlord. To the extent Taxes or other charges can be paid in installments, Tenant may pay such Taxes in installments. With respect to any general or special assessments which may be levied against or upon the Premises, or which under the Applicable Laws then in force may be evidenced by improvement or other bonds or may be paid in annual installments, only the amount of such annual installment, and interest due thereon, shall be included within the computation of Taxes. Landlord and Tenant shall cooperate to minimize the amount of applicable Taxes where reasonably possible and to the extent consistent with all Applicable Laws.

5.5 Real and Personal Property Tax Statements. Landlord shall make appropriate arrangements to receive directly from the applicable governmental agency assessment notices and real and personal property tax statements for the current year and shall provide a copy thereof promptly to Tenant. Tenant and Landlord shall work together in good faith to obtain a property tax exemption for the Premises and Project.

5.6 Right to Contest Taxes. If Landlord receives prior notice that an appraisal of the Premises, or any portion thereof, will be conducted for real property tax purposes, Landlord shall so notify Tenant and permit Tenant to be present during such appraisal if Tenant so elects. Tenant shall have the right in Landlord's name and stead, and at Tenant's

sole expense, to contest the validity or amount of any real property taxes provided all such taxes are paid when and as due. Landlord shall cooperate with Tenant and provide reasonable assistance with respect to any such contest, including, without limitation, such information and supporting documents as may be reasonably requested by Tenant. Notwithstanding any provision of this Lease to the contrary, Tenant shall not be required, nor shall Landlord have the right, to pay, discharge or remove any such real property tax so long as no Event of Default has occurred and Tenant is contesting the existence, amount, applicability or validity thereof by appropriate proceedings conducted in good faith with due diligence. In the event Landlord shall obtain a tax refund as a result of any such tax appeal or other proceedings Tenant shall be entitled to, and Landlord shall promptly pay to Tenant, all such tax refunds.

5.7 Payment of Operating Costs. From and after the Substantial Completion Date, Tenant shall pay the Operating Costs to Landlord in the following manner:

(a) **Annual Operating Budget.** Landlord shall develop an annual operating budget (“**Annual Operating Budget**”) for the Premises and shall submit a copy of such Annual Operating Budget to Tenant no later than nine (9) months prior to the anticipated Substantial Completion Date and the commencement of each Fiscal Year thereafter for review and written approval by Tenant for the purpose of determining the amount of estimated Operating Costs expected to be incurred in connection with the Premises for the upcoming Fiscal Year. If Tenant does not approve the proposed Annual Operating Budget and Tenant and Landlord are unable to agree upon an Annual Operating Budget by the thirtieth (30th) day prior to the commencement of the following Fiscal Year, Landlord and Tenant will resolve the dispute pursuant to Exhibit F. Until such time as such dispute is resolved, Tenant shall continue to pay Operating Costs in accordance with the previously approved Annual Operating Budget.

(b) **Payment as Additional Rent.** In advance of the Rent Commencement Date and thereafter in advance of each Rent Payment Date, Tenant shall pay as Additional Rent, an amount equal to one-half (1/2) of the Operating Costs for each Fiscal Year as reasonably estimated by Landlord and set forth in the Annual Operating Budget. The first Additional Rent payment shall equal the sum of (i) the prorated amount attributable to the period between the Substantial Completion Date and the next following Rent Payment Date, and (ii) any insurance premiums that are required to be prepaid in full at the commencement of coverage on the Rent Commencement Date. The last Additional Rent payment shall equal the prorated amount attributable to the period between the last Rent Payment Date and the Expiration Date. Tenant shall pay directly to the Trustee any portion of Additional Rent that is required to be held and applied by the Trustee under the Indenture, and to the Landlord any other portion.

(c) **Tenant Review.** Operating Costs shall be subject to Tenant’s review, and Tenant shall have the right to object to (i) any cost or expense which exceeds the prevailing price for such goods or services in the market; (ii) any cost or expense which has been improperly included under Section 5.2; or (iii) the failure of the Landlord to include costs or expenses for goods or services which Landlord is obligated to provide under this Lease.

(d) **Reconciliation.** Within ninety (90) days after the end of each Fiscal Year occurring during the Term (or, if applicable, the Expiration Date), Landlord shall furnish to Tenant a reconciliation statement of the actual Operating Costs for the preceding Fiscal Year and Tenant's actual payment of Operating Costs based upon the Parties' approved Annual Operating Budget. The reconciliation statement shall be prepared, signed and certified to be correct by Landlord. If the actual Operating Costs for that Fiscal Year exceed the monthly payments of estimated Operating Costs made by Tenant, Tenant shall pay Landlord the deficiency within thirty (30) days after receipt of the reconciliation statement. If Tenant's payments of estimated Operating Costs made during that Fiscal Year exceed the actual Operating Costs, the excess shall be credited by Landlord to the Additional Rent next due and payable; provided, however, that such excess sum which is more than three (3) months of then estimated Operating Costs shall be paid to Tenant in cash via Landlord's check within thirty (30) days after the date of the reconciliation statement.

5.8 Warranties. During the Term, Landlord shall exert its good faith and diligent efforts to enforce any and all applicable warranties, express or implied, in connection with defects which may arise in the original design, materials or workmanship of the Premises as originally constructed. Landlord shall assess maintenance, repairs, and replacements for potential warranty coverage and comply with warranty requirements, including but not limited to notices to the warrantor and requests for warranty service. Prior to Final Acceptance, costs incurred by Landlord in enforcing any such warranties shall be deemed a Project Cost and not payable by Tenant. Thereafter, costs incurred by Landlord to enforce any warranties shall be an Operating Cost, subject to the provisions of Section 5.2(m). Notwithstanding the foregoing, following Final Acceptance, Tenant may require Landlord to assign any such warranties to Tenant and Tenant shall thereafter be responsible for enforcement of such warranties.

If Landlord fails to take actions reasonably requested by Tenant to enforce or otherwise obtain the benefit of any such warranty, Tenant shall have the right, but not the obligation, to perform required work and shall have the right to be reimbursed by Landlord for the sum it actually expends in the performance of such work. If Landlord does not reimburse Tenant within thirty (30) days after demand from Tenant, Tenant shall have the right to pursue any and all remedies available at law or equity except that Tenant shall have no right to offset against Base Rent payable under this Lease.

5.9 Proration. Operating Costs for any partial month during the Term shall be prorated on a daily basis at the rate of one-thirtieth ($\frac{1}{30}$) of the Operating Costs for that month.

5.10 Right to Audit. Each Fiscal Year, within that period expiring ninety (90) days after Tenant's receipt of the reconciliation statement provided under Section 5.7, Tenant shall have the right to audit Landlord's books and records pertaining to the accuracy of the computation of Operating Costs. If, after delivery of copies of such audit to Landlord and Trustee and consultation with Landlord to determine such accuracy, any such audit, conducted in accordance with generally accepted accounting principles, reveals a discrepancy between Landlord's statement of the actual Operating Costs for a Fiscal Year and the amount determined by such audit, then Landlord shall reimburse to Tenant the excess amount paid by Tenant (or Tenant shall pay to Landlord the deficiency), if any; and, if such discrepancy exceeds three

percent (3%) or more, Landlord shall pay for the cost of such audit. The Trustee shall have no duty to review, verify or analyze such audits and shall hold such audits solely as a repository for the benefit of the Landlord and the holders of the Bonds. The Trustee shall not be deemed to have notice of any information contained therein or default or Event of Default which may be disclosed therein in any manner.

Tenant shall also have the right either before or after Final Acceptance to cause Landlord to undertake an audit of the books and records of Developer, or any Project contractor in accordance with Section 18 of the Development Agreement, in a method, by parties and at a budget approved by Tenant, and to submit the results of any such audit to Tenant. Similarly, Tenant shall have the right to cause Landlord to undertake an audit of the books and records of the property manager for the Project in a method, by parties and at a budget approved by Tenant and in accordance with the provisions of the agreement entered into between Landlord and such property manager. Costs incurred by Landlord in connection with any such audit shall be reimbursed by Tenant except to the extent otherwise reimbursed under Section 19 of the Development Agreement or management agreement.

5.11 Annual Capital Repair Reserve Payment. Following the Substantial Completion Date, in advance of each Rent Payment Date, Tenant shall pay to Trustee, as Additional Rent, one-half (1/2) of the Annual Capital Repair Reserve Payment which has been reasonably established for the Premises. The Annual Capital Repair Reserve Payment shall be deposited by Trustee in the Capital Repairs Fund. The Annual Capital Repair Reserve Payment for the Premises for the first five (5) Fiscal Years following the Substantial Completion Date is approximately \$_____ per year, but such amount is reviewable annually and is subject to revision by mutual agreement of Landlord and Tenant. The annual payment for the initial year and final year shall be prorated for any partial year.

The Approved Work Plan for the Premises and the amount of the Annual Capital Repair Reserve Payment shall be re-determined every fifth (5th) Fiscal Year following the Substantial Completion Date utilizing the procedures set forth in Section 5.11(a). Landlord shall provide Trustee with written notice of the amount of each Annual Capital Repair Reserve Payment, including any modification of the initial Annual Capital Repair Reserve Payment, as soon as practicable after each calculation thereof but in no event later than the Substantial Completion Date and each September 30 thereafter. A copy of each such notice shall be provided to Tenant, and the Trustee shall be entitled to rely on the calculation set forth therein without independent investigation or verification.

(a) **Calculation of Annual Capital Repair Reserve Payment and Disbursements.** For the sixth (6th) Fiscal Year following the Substantial Completion Date and each Fiscal Year thereafter, the Annual Capital Repair Reserve Payment shall be determined in accordance with the following procedure: on or before June 1 of the fifth (5th) Fiscal Year following the Substantial Completion Date, and every fifth (5th) June 1 thereafter, Landlord shall, following consultation with Tenant, retain an independent qualified structural engineering firm with at least five (5) years of experience inspecting buildings comparable to the Premises or other qualified construction professional mutually acceptable to Landlord and Tenant with comparable levels of expertise (“**Inspecting Engineer**”) to conduct a physical inspection of the condition of the Premises (including all major building systems).

Any contract for such services must specifically be transferrable to Tenant upon conveyance of the Premises, and terminable by the Tenant by written notice within forty-five (45) days of conveyance of the Premises with or without cause.

Within thirty (30) days following such inspection, the Inspecting Engineer shall deliver a copy of its report (“**Inspection Report**”) to Landlord and Tenant, including a description of what Capital Expenditures, if any, need to be made to the Premises through the stated maturity date of the Bonds in order to maintain the Premises in substantially its present condition and state of repair as of Final Acceptance, normal wear and tear excepted (which may include recommendation for periodic maintenance or other preventive measures which should be taken to minimize Capital Expenditures and otherwise maintain the Premises in an economic and cost-effective manner), a recommended schedule of Capital Expenditures to be made during the next five (5) year period, and cost estimates to implement such schedule.

Landlord, or Landlord’s property manager, shall consult with Tenant to determine a proposed capital expenditure work plan (“**Proposed Capital Expenditure Work Plan**”) based upon the Inspection Report and taking into account amounts already on deposit in the Capital Repairs Fund. Tenant shall not be required to make payments into a reserve for Capital Expenditures which do not need to be completed within the next five (5) years unless the Tenant agrees otherwise. Disputes between Landlord and Tenant regarding the Proposed Capital Expenditure Work Plan may, but are not required to be, submitted according to the independent dispute mediation process set forth in Section 5.11(d), and the Work Plan so approved by the Parties or resolved by the independent dispute mediation process shall be deemed the “**Approved Work Plan**” for the next five (5) year period.

(b) **Disbursements from the Capital Repairs Fund.** Landlord, or Landlord’s property manager, shall from time to time as required by the Approved Work Plan prepare requests for disbursements from the Capital Repairs Fund for submission to the Trustee in accordance with Section 4.15 of the Indenture. Such requests shall be signed by both Landlord and Tenant. Disbursements made from the Capital Repairs Fund by Trustee pursuant to any such written request shall be presumed to be made properly and the Trustee shall not be required to verify (i) the propriety of any Capital Expenditure, (ii) the application of any disbursement made from the Capital Repairs Fund, (iii) the compliance of any party with any Approved Work Plan, (iv) the accuracy of any calculation of the Annual Capital Repair Reserve Requirement or (v) the purpose of any disbursement from the Capital Repairs Fund.

(c) **Determination of Capital Expenditure Amount.** The cost of a Capital Expenditure shall include construction and project management fees payable to Landlord and Landlord’s property manager as determined by Landlord and agreed to by Tenant in writing based upon the complexity of the Capital Expenditure project but not less than one percent (1%) and not to exceed a total of five percent (5%) of the hard construction costs associated with the Capital Expenditure. For reference, projects consisting of a purchase and installation by a single vendor, without separate design costs or other contractors may have a lower construction and project management fee; projects requiring several contractors, special inspections, round the clock access, coordination with existing service providers, other contractors, or design professionals may have a higher construction

management fee. Asset Management Fees shall not be assessed on payments into the Capital Repairs Fund. The acquisition of a prior non-existing asset requested by Tenant that is not part of the Approved Work Plan shall be paid for by Tenant as a tenant improvement at the time of such acquisition unless Landlord and Tenant agree that the acquisition of such asset can be paid for out of funds on deposit in the Capital Repairs Fund.

(d) **Mediation of Disputes.** Landlord and Tenant have the option, but not the obligation, to follow the independent dispute mediation process set forth in the attached Exhibit F to attempt to resolve disputes regarding the Proposed Capital Expenditure Work Plan in an economic and time efficient manner and without resorting to litigation so that the Proposed Capital Expenditure Work Plan conforms to the requirements of this Lease and any Capital Expenditures made to the Premises are made in a cost-effective, appropriate and timely manner so as to maintain the Premises in not less than substantially its condition and repair as of Final Acceptance, normal wear and tear excepted; provided, however, Tenant shall not be required to make payments into the Capital Repairs Fund for Capital Expenditures which do not need to be made during the next five (5) years unless the Tenant agrees otherwise. Nothing in this Section prohibits either party from pursuing remedies in law or equity with courts of the County of Los Angeles consistent with Section 34.12.

(e) **Remaining Balance of Capital Repairs Fund.** Any balance remaining in the Capital Repairs Fund not specifically allocated to Capital Expenditures in progress or already completed at the time of conveyance of the Premises to Tenant pursuant to Section 4.3 and/or 4.4 will be, at the Tenant's option, and in accordance with the Indenture, returned to Tenant within forty-five (45) days following conveyance by either the Landlord or Trustee.

(f) **Limit on Annual Capital Repair Reserve Payment.** Notwithstanding any other provision of this Lease to the contrary, in no event shall the Annual Capital Repair Reserve Payment for any year exceed an amount which, when added to the total Base Rent for such year, cause the aggregate of such amounts to exceed the Fair Market Rent of the Premises for such year.

6. Utilities. Landlord shall be solely responsible for and shall pay for all charges for Utilities used or consumed in the Premises from the Effective Date until the Substantial Completion Date, and Landlord shall make any necessary arrangements to have all such Utilities billed directly to and paid for directly by Landlord during this time. Upon written notice from Tenant following the Substantial Completion Date, Landlord shall arrange for the transfer of any specified Utility account into Tenant's name. Thereafter, Tenant shall be responsible for and shall pay for all charges for such Utility or Utilities used or consumed on the Premises. Notwithstanding anything to the contrary herein, until Substantial Completion of the Project has occurred, Landlord shall be solely responsible for and shall pay for all charges for Utilities used or consumed in the Premises.

7. Use. Tenant intends to use the Premises for the Permitted Use, and Tenant has confirmed to its satisfaction that the Premises can be used for the Permitted Use. Any sublease by Tenant to private persons as defined in the Code shall require that Landlord, Trustee and Tenant receive a Favorable Opinion of Bond Counsel (as defined in the Indenture). Furthermore,

no such sublease shall adversely affect the status of Landlord as a 501(c)(3) organization as defined in the Code. Tenant's use of the Premises shall be in accordance with the following:

7.1 No Insurance Cancellation. Tenant shall not negligently or intentionally do, bring, or keep anything in or about the Premises that would reasonably be expected to cause cancellation of any insurance covering the Premises.

7.2 Compliance with Applicable Laws. From and after the Substantial Completion Date, Tenant shall comply with all Applicable Laws concerning the Premises and Tenant's use of the Premises, including without limitation, Environmental Laws. Tenant shall not use the Premises for the transportation, storage or generation of any Hazardous Substances in violation of Environmental Laws. From and after the Substantial Completion Date, and to the extent permitted by law, Tenant shall absolutely and unconditionally indemnify, defend and hold Landlord harmless from and against any and all debts, demands, obligations, liens, judgments, claims, liabilities, losses, damages, cleanup costs, and expenses (including reasonable attorneys' fees) now or hereafter arising in connection with the presence, transportation, storage, disposal or handling of Hazardous Substances located in, on or about the Premises which are proven to be caused by or resulting from the actions of Tenant, its agents or employees after the Substantial Completion Date, excluding (a) any Hazardous Substances introduced on the Premises by Landlord or its agents or which migrate onto the Premises from property not owned by Tenant as a result of any act or omission of Landlord or its agents; (b) any such debt, demand, obligation, lien, judgment, claim, liability, loss, damage, cleanup cost or expense resulting from the actions or omissions of Landlord, Developer, the Office Project General Contractor, the Shatto Garage Project General Contractor and their respective agents, employees, contractors, subcontractors or invitees; or (c) any debt, demand, obligation, lien, judgment, claim, liability, loss, damage, cleanup cost, or expense as a result of Landlord's violation of any contractual obligation under this Lease, the Ground Lease, the Development Agreement, the Indenture, any other document executed by Landlord in connection with a Leasehold Mortgage incurred in connection with Section 11, or any other contract or agreement. This indemnification shall survive the Expiration Date.

7.3 No Waste, Nuisance or Damage. Tenant shall not use the Premises in any manner that will constitute waste of the Premises or nuisance, and Tenant shall not do anything or permit actions to be taken that would reasonably be expected to cause damage to the Premises.

7.4 Landlord and Tenant Covenants.

(a) **Tax Covenants.** At all times from and after the Effective Date, Landlord (a) shall maintain its purposes and engage only in activities which are in furtherance of its purposes and which are permitted by the California Nonprofit Public Benefit Corporation Law; (b) will maintain its status as a nonprofit corporation and as an organization described in Section 501(c)(3) of the Code whose income does not inure to the benefit of any private person; (c) shall not encumber, pledge, hypothecate or grant a security interest in all or any part of the Premises (except for the Indenture and the Leasehold Mortgage which comply with the provisions of Section 11) or except as consented to in writing by Tenant (at Tenant's sole and absolute discretion) and Trustee; (d) shall not engage

in any activities related to the Premises or the Leasehold Mortgage (except those specifically set forth in Sections 9 and 11) which would cause the transaction contemplated under this Lease to constitute an unrelated trade or business determined by applying Section 513(a) of the Code; and (e) will not take any action or omit to take any action which, if taken or omitted, would adversely affect the tax-exempt status of interest payable on the Tax-Exempt Bonds. Unless Landlord (i) is directed in writing by holders of a majority in aggregate principal amount of the Tax-Exempt Bonds or the Trustee, and (ii) has received a Favorable Opinion of Bond Counsel, at all times during the Term, Landlord shall not assign its rights under this Lease (except to Trustee pursuant to the Indenture and the Leasehold Mortgage) without (x) the prior written consent of Tenant (which may be granted or withheld at Tenant's sole and absolute discretion), and (y) complying with the Ground Lease. Tenant agrees to comply with the provisions of that certain Tax Agreement by and between _____ of even date herewith (the form of which is attached as Exhibit T) (the "**Tax Agreement**"). Tenant hereby covenants that it will not take any action, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue, if such action or inaction would cause the interest on the Tax Exempt Bonds to be included in gross income for federal income tax purposes. This covenant shall survive the payment in full or defeasance of the Tax-Exempt Bonds.

(b) **Continuing Disclosure.** Tenant hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Lease, failure of Tenant to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default hereunder.

7.5 Prohibited Uses. The following uses of the Premises are expressly prohibited:

(a) The Premises shall not be used or developed in any way which violates any Applicable Laws.

(b) The Premises shall not be used or developed in any way in a manner inconsistent with the Permitted Use. Without limiting the foregoing, no part of the Premises shall be used by any person for any adult entertainment purposes, as such term refers to graphic, explicit and/or obscene depictions of sexual activity.

(c) No condition shall be permitted to exist upon the Premises which induces, breeds or harbors infectious plant diseases, rodents or noxious insects, and Tenant shall take such measures as are appropriate to prevent any conditions from existing on the Premises which create a danger to the health or safety of any persons occupying, using, working at, or patronizing the Premises.

(d) No tools, equipment, or other structure designed for use in boring for water, oil, gas or other subterranean minerals or other substances, or designed for use in any mining operation or exploration, shall hereafter be erected or placed upon or adjacent to the Premises, except (a) as is necessary to perform maintenance and repair

obligations under this Lease, and (b) for such boring or drilling as necessary to perform water testing or monitoring, or any dewatering program to relieve soil water pressure.

(e) No adverse environmental condition in violation of Applicable Laws shall be permitted to exist on or in any portion of the Premises, nor shall any Hazardous Substances be permitted to be generated, treated, stored, released, disposed of, or otherwise deposited in or on, or allowed to emanate from, the Premises, or any portion thereof.

8. Liens.

8.1 Covenant Against Liens. Except for the Indenture and the Leasehold Mortgage incurred by Landlord in compliance with the provision of Section 11 to secure the Bonds, Landlord covenants and agrees that it shall not during the Term suffer or permit any Liens to be attached to, upon or against the Premises, or any portion thereof or any Rent payable under this Lease for any reason, including without limitation, Liens arising out of the possession, use, occupancy, acquisition, construction, repair, or rebuilding of the Premises or by reason of the furnishing of labor, services, materials, or equipment to the Premises or to Landlord. Landlord shall cause Developer to keep the Premises free and clear of all construction liens resulting from the construction of the Project (including the right to contest same by appropriate proceedings conducted in good faith with due diligence) under the terms of the Development Agreement prior to the Substantial Completion Date. If Developer shall fail to do so, Landlord shall protect, defend, indemnify and hold Tenant harmless against any such liens. Landlord agrees to indemnify, protect, defend and hold Tenant harmless from and against all liabilities, losses, damages, expenses and costs (including reasonable attorneys' fees and costs) incurred in connection with any such Lien. Landlord's obligations pursuant to this Section 8.1 shall survive the Expiration Date. Tenant covenants and agrees that, from and after the Substantial Completion Date, it shall not during the Term suffer or permit any Liens to be attached to, upon or against the Premises (including the right to contest same by appropriate proceedings conducted in good faith with due diligence), or any portion thereof or its leasehold interest in the Premises for any reason, including without limitation, Liens arising out of the possession, use, occupancy, acquisition, maintenance, operation, repair, or rebuilding of the Premises or by reason of the furnishing of labor, services, materials, or equipment to the Premises or to Tenant. Tenant agrees to indemnify, protect, defend and hold Landlord harmless from and against all liabilities, losses, damages, expenses and costs (including reasonable attorneys' fees and costs) incurred in connection with any Lien arising from the circumstances set forth in the immediately preceding sentence.

8.2 Covenant to Remove Liens. Landlord will promptly, and in all events within thirty (30) days following the attachment of any Lien, remove and discharge any and all Liens which attach to, upon or against the Premises or any portion thereof, or any leasehold interest of Tenant created under this Lease (other than liens or encumbrances arising through the actions of Tenant). Landlord reserves the right to contest the validity or amount of any such Lien in good faith provided that, within thirty (30) days after the filing of such Lien, Landlord discharges such Lien of record or records a bond which complies with the requirements of applicable law eliminating such Lien as an encumbrance against the Premises. In the event Landlord shall fail to so remove any such Lien, Tenant may take such action as Tenant shall

reasonably determine to remove such Lien and all costs and expenses incurred by Tenant including, without limitation, amounts paid in good faith settlement of such Lien and attorneys' fees and costs shall be paid by Landlord to Tenant together with interest at the Applicable Rate from the date advanced until paid. Landlord's obligations pursuant to this Section 8.2 shall survive the Expiration Date and, unless properly incurred under other provisions of this Lease, the costs of such obligations shall not be included as Operating Costs hereunder.

8.3 Tenant's Disclaimer. Notwithstanding the consent or request of Tenant, express or implied, for the performance of any labor or services or for the furnishing of any materials or equipment for any construction, alteration, addition, or repair to the Premises (or any part thereof), Landlord and Tenant agree and notice is hereby given that Tenant will not be liable for any labor, services, materials, or equipment furnished or to be furnished to Landlord, Developer or anyone holding an interest in the Premises (or any part thereof) through or under Landlord or Developer, and that no construction or other liens for any such labor, services, materials, or equipment shall attach to or affect the interest of Tenant in the Premises. Nothing in this Section 8.3 shall relieve Tenant of its obligation to pay Rent hereunder.

9. Construction of Project. Tenant would not have entered into this Lease but for the agreement by Landlord to undertake the Project, including without limitation (a) the obtaining of financing for the Project, (b) the acquisition of a leasehold interest in the Premises by way of the Ground Lease, and (c) the construction and equipping of the Premises for use by Tenant for the Permitted Use. It is of critical importance to Tenant that the construction of the Project be completed in a timely manner and within the Project Budget. Accordingly, Landlord shall diligently cause the Project to be designed, permitted and constructed in a good and workmanlike manner and delivered to Tenant upon achieving Substantial Completion of the Project by the date set forth in the approved Project Schedule and in no event later than the Developer Obligation Date. Upon Final Acceptance, the Project shall be free of patent or latent defects, free and clear of all Liens and otherwise in accordance with the requirements of this Lease. In order to assure timely communications between Landlord and Tenant during the construction process, any notice to Tenant requiring or permitting a response by Tenant shall specify the outside date by which Tenant's response must be received to be effective, which response date shall not be less than ten (10) Business Days.

9.1 Development Agreement; Developer Insurance. To meet the requirements of this Lease for timely completion of the Project, Landlord shall, simultaneously with the Effective Date, enter into the Development Agreement with Developer in the form attached to this Agreement as Exhibit Q. Landlord shall also cause Developer to procure and maintain, at a minimum, for the duration of the Development Agreement, insurance as more particularly described in Exhibit G to the Development Agreement, against claims for injuries to persons or damages to property which may arise from, or in connection with, the performance of work pursuant to the Development Agreement by Developer, its agents, representatives, employees, and/or subcontractors. The cost of such insurance shall be paid by the Developer or its subcontractors as described in Section 9.11.

9.2 Developer Start Date. Landlord shall cause the Developer to commence demolition, grading and substantive construction of the Office Project and/or the Shatto Garage

Project by the Developer Start Date and thereafter to diligently prosecute the construction of the Project until its Substantial Completion in accordance with the Project Schedule.

9.3 Schedule for Design and Construction. The dates set forth in the initial Project Schedule attached hereto as Exhibit D-1, as may be revised from time to time with Tenant's Concurrence, shall serve as target dates for achieving the matters set forth therein. Landlord shall require Developer to agree that time is of the essence and Substantial Completion of the Project must occur by the date set forth in the approved Project Schedule, subject only to Unavoidable Delays and Owner-Caused Delays (each as defined in the Development Agreement). In order to ensure to the greatest extent practicable that the Project is designed, permitted and completed on or before the dates set forth in the Project Schedule, Landlord and Tenant shall each proceed with all necessary due diligence and in good faith to complete such matters as require action or approval on the part of Tenant and Landlord. Landlord shall, following consultation with Tenant's Construction Representative, promptly and diligently respond to all questions and concerns raised by Developer or by the Architect, Contractors, engineers or other consultants.

(a) **Notices from Developer to Landlord.** To ensure that Tenant is fully apprised of decisions required of Landlord pursuant to the Development Agreement, Landlord shall require Developer to simultaneously provide to Tenant a copy of all final notices, plans and specifications or other documents required to be delivered by Developer to Landlord under the Development Agreement and Landlord shall also simultaneously provide to Tenant a copy of notices, plans and specifications or other documents required to be delivered by Landlord to Developer under the Development Agreement. In addition, Tenant shall have the right, but not the obligation, to attend design meetings with Developer, Architect, and other design professionals as appropriate in the course of development of Construction Documents.

(b) **Notices by Tenant to Landlord and Developer.** To ensure that Developer is fully apprised of Tenant's position on Project decisions to be made by Landlord, Tenant shall have the right to simultaneously provide to Developer a copy of any notice Tenant issues to Landlord hereunder. Such notice shall be sent to Developer at the following address by messenger or fax:

TC LA Development, Inc.
2221 Rosecrans Ave, Suite 200
El Segundo, CA 90245
Attention: Greg Ames

(c) **Tenant's Construction Representative.** Landlord shall, and shall direct Developer to, direct all notices and submittals required to be sent to Tenant hereunder to the attention of Tenant's Construction Representative.

9.4 Plans and Specifications.

(a) **Preliminary Plans.** As of the date of this Lease, Landlord has reviewed and accepted with Tenant's Concurrence, the Project Requirements for the Project

to be constructed on the Land, including the Preliminary Plans, a list of which is attached to this Lease as Exhibit C. In addition, Tenant has reviewed and accepted the Project Budget, which is attached as Exhibit D-2, which sets forth a detailed itemization by line item and category for all Project Costs.

(b) Construction Drawings and Detailed Specifications.

Landlord will cause the preparation by Architect of Construction Drawings and Detailed Specifications for the Project and plans and specifications for Tenant Improvements, in each case for review and acceptance by Tenant. Landlord shall, following consultation with Tenant, cooperate in good faith with Developer to cause a completed design that meets all Requirements of Law and is consistent with all Project Requirements and the building quality reflected therein, in an amount not to exceed the Project Budget, as expeditiously as possible to ensure the Substantial Completion of the Project by the date set forth in the approved Project Schedule. Accordingly, as provided above, Developer will provide Tenant a copy of all submittals requiring Landlord's review and approval pursuant to the Development Agreement, as and when such submittals are provided to Landlord. To the extent that is commercially reasonable, Landlord shall provide Tenant with advance warning of the expected timing of any submission of Construction Drawings and/or Detailed Specifications for the Project or plans and/or specifications for Tenant Improvements. Tenant shall only have the right to withhold Tenant's Concurrence to interim and final sets of such Construction Drawings and Detailed Specifications which (i) do not meet the Project Requirements, or (ii) do not comply with Requirements of Law, or (iii) do not comply with previous iterations of the Construction Drawings and Detailed Specifications in all material respects, or (iv) propose changes in work or materials that would result in a material change in appearance or diminution in quality of the Project. Tenant shall have the right to give notice to Landlord disapproving any such iterations of the Construction Drawings and Detailed Specifications and Landlord shall notify Developer in the manner and within the time period set forth in the Development Agreement. Tenant's written Concurrence, objection or comments shall be provided within ten (10) days after receiving iterations of the Construction Drawings and Detailed Specifications. Landlord shall include in any such notice, printed in capital letters and boldface type, a legend to the following effect:

“THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN TEN (10) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE CONTRACT DOCUMENTS DESCRIBED HEREIN.”

If the foregoing legend is included by the Landlord in its communication, then the submitted Construction Drawings, Detailed Specifications for the Project, or plans and specifications for Tenant Improvements, shall be deemed to have been approved if the Tenant fails to object with respect thereto within ten (10) Business Days of receipt of such notice. The final Construction Drawings and Detailed Specifications setting forth in detail the requirements for the construction of the entire Project which have been approved by Landlord, with Tenant's Concurrence, are called the Construction Documents.

(c) Changes to Construction Documents. Landlord has directed that Developer provide Tenant a copy of all proposed changes in the Construction

Documents requiring Landlord's review and/or approval pursuant to the Development Agreement, as and when such proposed changes are provided to Landlord. Such submittals shall reasonably highlight any changes to or differences from the previous iteration of such Construction Drawings and/or Detailed Specifications for the Project or plans and/or specifications for Tenant Improvements. To the extent that is commercially reasonable, Landlord shall provide Tenant with advance warning of the expected timing of any submission of Construction Drawings and/or Detailed Specifications for the Project or plans and/or specifications for Tenant Improvements. Tenant shall have the right to give notice to Landlord disapproving any such proposed change in the Construction Documents within the time period set forth in the notice of any such proposed change, but in no event shall the time period be less than ten (10) Business Days. Landlord shall include in any such notice, printed in capital letters and boldface type, a legend to the following effect:

“THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN TEN (10) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE CONTRACT DOCUMENTS DESCRIBED HEREIN.”

If the foregoing legend is included by the Landlord in its communication, then the submitted changes to Construction Drawings and/or Detailed Specifications for the Project or plans and/or specification for Tenant Improvements shall be deemed to have been approved if the Tenant fails to object with respect thereto within ten (10) Business Days of receipt of such notice.

If Tenant timely disapproves any such proposed change, Tenant shall notify Landlord in writing specifying the reason for its disapproval and Landlord shall so notify Developer. Tenant shall only have the right to disapprove changes which (i) are not a consistent development of the Project Requirements, (ii) do not meet Project Requirements, (iii) do not comply with Requirements of Law, (iv) would violate the terms of any permits for the Project, (v) would cause the Project Schedule to be adversely impacted or the Project Budget to be exceeded, or (vi) involve proposed changes in work or materials which would result in a material change in appearance or diminution in quality of the Project. Disputes regarding a proposed change in the Construction Documents shall be resolved pursuant to the dispute resolution process set forth in Section 9.6.

9.5 Tenant Improvements. The Fixed Price shall include the design, permitting and construction of Tenant Improvements. As is the case for the Project in general, the aspects of the Construction Documents, the Project Schedule and the Project Budget that relate to the Tenant Improvements shall be subject to Tenant's Concurrence. Final plans for the Tenant Improvements must be completed within the applicable period set forth in the Project Schedule. The Tenant Improvements must not exceed the amount budgeted in Exhibit D-2.

9.6 Dispute Resolution Process. Tenant and Landlord have the option to follow the independent resolution process set forth in this Section 9.6 to resolve disputes regarding preparation of the Construction Drawings and Detailed Specifications and changes to Construction Documents in an economic and time efficient manner so that such documents conform to the requirements of this Lease, the Project Schedule is not adversely impacted, and

the Project as constructed will satisfy the Project Requirements. In the event that a dispute arises between Tenant and Landlord during the design or construction of the Project regarding the adequacy of any Construction Drawings or Detailed Specifications or the responsibility for any costs associated with any design development, addition or change (e.g., whether any design development is consistent with and reasonably inferable from the Project Requirements), the Parties shall attempt to resolve such dispute as expeditiously as possible and shall cooperate so that the progress of the design and construction of the Project is not delayed. If, however, the parties are unable to resolve the dispute within three (3) Business Days, either Party may, by delivering written notice to the other and Trustee, refer the matter to a dispute resolution mediator as set forth on the attached Exhibit F.

9.7 Project Contingency. The amounts set forth in the various line items of the Project Budget are estimates only of Project Costs to be incurred. To the extent the actual Project Costs in any line item of the Project Budget exceed the amount shown for such line item, Developer shall first allocate amounts in other line items, in which the actual known Project Costs shall have been less than the amount in the Project Budget, to the line item in which the excess Project Cost(s) has occurred. Following the allocation by Developer as set forth in the preceding sentence with respect to all line items, except Project Contingency, Developer is entitled to draw upon the Project Contingency for such excess Project Costs. The allocation of the Project Contingency for such purposes is solely under Developer's control; provided however, if there is any unused Project Contingency following Final Acceptance, such sums shall be allocated in accordance with the provisions of Section 12.8 of the Development Agreement, the Indenture and the Tax Agreement. If the Project Contingency is not sufficient to pay such excess Project Costs, Developer shall be responsible therefor in accordance with Section 9.6 of the Development Agreement. The monthly reports provided to Landlord and Tenant shall contain an explanation in reasonable detail of any allocation of cost savings and Project Contingency to other line items in the Project Budget.

9.8 Permits; Costs; Compliance with Legal Requirements. Landlord shall cause Developer to secure all permits for the Project, licenses, permissions, consents, and approvals required to be obtained from governmental agencies or third parties in connection with construction of the Project pursuant to Requirements of Law. Tenant shall join in the application for such permits or authorizations whenever such joinder is required; provided, however, Tenant shall incur no expense or liability in connection therewith. Landlord shall cause all work on the Project to be performed in accordance with (a) the Development Agreement, (b) all Requirements of Law and all directions and regulations of all governmental agencies and the representatives of such agencies having jurisdiction over the Project and/or the Premises, (c) this Lease, and the Ground Lease.

9.9 Construction Contracts. Landlord intends to contract for the construction of the Project directly with the Office Project General Contractor and the Shatto Garage Project General Contractor and to cause Developer to serve as construction manager in connection therewith pursuant to the provisions of the Development Agreement. Prior to its execution, Landlord shall provide Tenant with a copy of the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract for Tenant's Concurrence. In addition, Tenant shall have the right to view, for its own information, all Construction Contracts and the bids submitted by potential Contractors and subcontractors.

9.9.1 Office Project General Contractor and Shatto Garage Project General Contractor Insurance. Prior to the date of the execution of both of the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract, Landlord shall cause the applicable Contractor to procure and maintain, at a minimum, for the duration of such Construction Contract the insurance more particularly described in Exhibit G of the Development Agreement, against claims for injuries to persons or damages to property which may arise from, or in connection with the performance of work thereunder by such Contractor, its agents, representatives, employees and/or subcontractors. The cost of such insurance shall be paid by (as applicable) the Office Project General Contractor or the Shatto Garage Project General Contractor, or their subcontractors.

9.9.2 No Assumption of Risk. By requiring such minimum insurance, neither Landlord nor Tenant shall be deemed to, or construed to, have assumed the risks that may be applicable to the Office Project General Contractor, the Shatto Garage Project General Contractor, the Office Project General Construction Contract, or the Shatto Garage Project General Construction Contract.

9.10 Construction of Project. Landlord shall use its reasonable best efforts to commence initial construction of the Project promptly following receipt of the clearing and grading permits. Thereafter, following receipt of the building permits for the Project, Landlord shall use its best efforts to cause construction of the Project to be diligently and continuously prosecuted in a timely manner. All work shall be performed in a good and workmanlike manner, shall be free of defects in the work and materials and shall be constructed in substantial accordance with the Contract Documents, the requirements of this Lease, Requirements of Law, and the Ground Lease. Landlord shall use its best efforts to cause Substantial Completion of the Project in accordance with the Project Schedule attached hereto as Exhibit D-1. In addition, Landlord shall use its best efforts to cause all Project Costs not to exceed the Fixed Price; provided, however, that (i) Landlord shall have no obligation to pay Project Costs in excess of the Fixed Price, and (ii) Tenant, whose only payment obligation hereunder is the payment of Rent and other amounts specifically set forth herein, shall have no obligation for the payment of any Project Costs. As reflected in Exhibit N, Tenant may directly procure certain Financed FF&E. In such event, upon written request by Tenant (including such supporting documentation as Landlord may reasonably require), Landlord shall reimburse Tenant as a Project Cost for Tenant's costs of procuring such Financed FF&E; provided that such reimbursement shall not exceed the amount of the Financed FF&E Allowance as set forth in the Project Budget, and any costs in excess of such Financed FF&E Allowance shall be borne by Tenant and are not part of the Fixed Price.

9.11 Payment of Project Costs and Other Costs Associated with the Project. Throughout the course of construction of the Project, Developer shall submit to Landlord on a monthly basis Project Applications for Payment, as defined in, and in the manner, and with all supporting documentation described in, the Development Agreement. Pursuant to Section 9.3(a), Landlord shall require Developer to simultaneously provide Tenant with a copy of all such Project Applications for Payment and supporting documentation. Tenant shall have the right, but not the obligation, to give notice to Landlord objecting to any aspect of such submittals and Landlord shall notify Developer in the manner and within the time period set forth in the Development Agreement. If Tenant fails to give such notice so as to allow Landlord

to make timely objection, Landlord shall be free to approve or to take such other action as it deems appropriate with respect to any such submittal. Any dispute with respect to Project Applications for Payment may be subject to dispute resolution pursuant to Section 9.6. In no event shall Landlord approve any Project Application for payment unless and until the Project is in balance in accordance with Section 9.6 of the Development Agreement.

9.12 Savings. Upon Final Acceptance, Landlord shall provide Tenant and Trustee notice of the unexpended amount, if any, of the Project Contingency. Subject to the payment to Developer of the incentive fee specified in Section 12.8 of the Development Agreement, one hundred percent (100%) of the remaining savings shall be used, at the direction of the Tenant consistent with the Indenture and the Tax Agreement, to finance other capital improvements related to the Project or to pay or redeem Bonds, which shall result in a corresponding reduction to the Base Rent.

9.13 Substantial Completion of the Project.

9.13.1 Substantial Completion of the Office Project. “Substantial Completion of the Office Project” shall have occurred when all of the following events have occurred with respect to the Office Project:

- (a) Developer has notified Landlord and Tenant in writing that the Office Project, including all Tenant Improvements, is Substantially Complete in substantial accordance with the Contract Documents, subject only to the completion of normal Punch List items;
- (b) Architect has issued its “Certificate of Substantial Completion” (AIA Document G704) stating that the work under the Construction Contracts is sufficiently complete in substantial accordance with the Contract Documents to permit Tenant to occupy or utilize the Office Project portion of the Premises for its Permitted Use;
- (c) The County has issued a temporary or final certificate of occupancy or other approval sufficient for initial occupancy of the Office Project portion of the Premises and the City’s Fire Department has also issued its approval for occupancy such that Tenant is permitted to and could, pursuant to such issued certificate of occupancy, physically occupy the Office Project portion of the Premises for its Permitted Use; provided, however, if (i) the certificate of occupancy is not issued solely because of Tenant’s failure to install Tenant’s Personal Property and/or any portion of the Financed FF&E to be installed by Tenant, in accordance with Exhibit N and the latest agreed upon schedule (but, if Tenant has not been provided with appropriate access rights to perform and complete the installation, then Tenant will be excused for every day it was not provided access) and (ii) Landlord has given Tenant written notice of such failure, with enough detail for Tenant to reasonably understand the failure, at least ten (10) Business Days prior to the deemed Office Project Substantial Completion Date, then this condition shall be deemed satisfied;
- (d) The Office Project General Contractor has issued its “Certificate of Substantial Completion” together with its “Affidavit of Payment of Debts and Claims” (AIA Forms 706 and 706A), together with partial waivers and releases of lien for

work performed prior to the date of its “Certificate of Substantial Completion” in form satisfactory to Landlord, with Tenant’s Concurrence, from such materialmen, laborers, contractors and subcontractors as Landlord, with Tenant’s Concurrence, may reasonably require;

(e) Access to the Office Project portion of the Premises has undergone inspection by a “Certified Access Specialist” and has been determined pursuant to such inspection to meet all applicable construction-related accessibility standards under California Civil Code Section 55.53, and Landlord has so certified to Tenant pursuant to California Civil Code Section 1938;

(f) Landlord, with Tenant’s Concurrence, has accepted the Office Project as Substantially Complete (which acceptance by Landlord and concurrence by Tenant shall not be unreasonably withheld, conditioned or delayed and will presumptively be granted if items (a) through (e) have been satisfied), subject to completion of the Punch List items agreed upon by Landlord, with Tenant’s Concurrence;

(g) Landlord shall, or shall cause Developer to, have caused a Notice of Completion under California Civil Code Section 8190 to be recorded with respect to the Office Project.

(h) Notwithstanding that Substantial Completion of the Office Project shall have occurred, Landlord shall be entitled to provide Developer with a Punch List.

9.13.2 Substantial Completion of the Shatto Garage Project.

“Substantial Completion of the Shatto Garage Project” shall have occurred when all of the following events have occurred with respect to the Shatto Garage Project:

(a) Developer has notified Landlord and Tenant in writing that the Shatto Garage Project is Substantially Complete in substantial accordance with the Contract Documents, subject only to the completion of normal Punch List items;

(b) Architect has issued its “Certificate of Substantial Completion” (AIA Document G704) stating that the work under the Construction Contracts is sufficiently complete in substantial accordance with the Contract Documents to permit Tenant to occupy or utilize the Shatto Garage Project portion Premises for its Permitted Use;

(c) The County has issued a temporary or final certificate of occupancy or other approval sufficient for initial occupancy of the Shatto Garage Project portion of the Premises and the City’s Fire Department has also issued its approval for occupancy such that Tenant is permitted to and could, pursuant to such issued certificate of occupancy, physically occupy the Shatto Garage Project portion of the Premises for its Permitted Use;

(d) The Shatto Garage Project General Contractor has issued its “Certificate of Substantial Completion” together with its “Affidavit of Payment of Debts and Claims” (AIA Forms 706 and 706A), together with partial waivers and releases of lien for

work performed prior to the date of its “Certificate of Substantial Completion” in form satisfactory to Landlord, with Tenant’s Concurrence, from such materialmen, laborers, contractors and subcontractors as Landlord, with Tenant’s Concurrence, may reasonably require;

(e) Access to the Shatto Garage Project portion of the Premises has undergone inspection by a “Certified Access Specialist” and has been determined pursuant to such inspection to meet all applicable construction-related accessibility standards under California Civil Code Section 55.53, and Landlord has so certified to Tenant pursuant to California Civil Code Section 1938;

(f) Landlord, with Tenant’s Concurrence, has accepted the Shatto Garage Project as Substantially Complete (which acceptance by Landlord and concurrence by Tenant shall not be unreasonably withheld, conditioned or delayed and will presumptively be granted if items (a) through (e) have been satisfied), subject to completion of the Punch List items agreed upon by Landlord, with Tenant’s Concurrence;

(g) Landlord shall, or shall cause Developer to, have caused a Notice of Completion under California Civil Code Section 8190 to be recorded.

(h) Notwithstanding that Substantial Completion of the Project shall have occurred, Landlord shall be entitled to provide Developer with a Punch List.

9.13.3 Substantial Completion of the Project. “Substantial Completion of the Project” shall have occurred when Substantial Completion of the Office Project and Substantial Completion of the Shatto Garage Project have been achieved, and when Developer has notified Landlord and Tenant in writing that the Project, including all Tenant Improvements, are Substantially Complete in substantial accordance with the Contract Documents, subject only to the completion of normal Punch List items and activities required for LEED Silver certification (or as otherwise agreed by Landlord and Tenant). Notwithstanding that Substantial Completion of the Project shall have occurred, Landlord shall be entitled to provide Developer with a Punch List.

9.14 Final Acceptance. “Final Acceptance” shall have occurred when all of the following events have occurred with respect to the Project:

(a) The County has issued all certificates of occupancy for the Project; provided, however, if issuance of a certificate of occupancy is subject to completion of installation of Tenant’s Personal Property, then this condition shall be deemed satisfied; provided, further, that if the parties specifically agree that any element of the Financed FF&E will be installed by Tenant, that agreement shall be set forth in Exhibit N and this condition shall be deemed satisfied regardless of any delay in the issuance of any certificate of occupancy attributable to such installation.

(b) Each Contractor has issued its “Certificate of Substantial Completion” together with its “Affidavit of Payment of Debts and Claims” (AIA Forms 706 and 706A), together with final waivers and releases of lien, in form satisfactory to Landlord

with Tenant's Concurrence, from all Contractors and subcontractors who have performed work on site.

(c) All Punch List items for the Project have been completed to the reasonable satisfaction of Landlord with Tenant's Concurrence; provided that Landlord with Tenant's Concurrence, may consent to Final Acceptance prior to completion of all Punch List items, if (i) Landlord and Developer have agreed upon the estimated cost of any Punch List items remaining to be completed and (ii) 150% of such estimated costs are withheld by the Trustee in the Project Fund until the Punch List items have been completed to the reasonable satisfaction of Landlord with Tenant's Concurrence. When the Punch List items have been completed, and Developer has so notified Landlord, upon Landlord's reasonable satisfaction (with Tenant's Concurrence) that such Punch List items have been completed, Landlord shall deliver its requisition to the Trustee for payment of such funds being withheld by Trustee.

(d) Developer has submitted its application for Final Payment together with evidence reasonably satisfactory to Landlord (with Tenant's Concurrence) that all construction costs for the Project have been paid in full including evidence of full payment for any personal property installed on the Premises as part of the Project Costs.

(e) The period for filing construction liens for the Project has expired and none have been filed or releases or discharges of construction liens in form and substance satisfactory to Landlord (with Tenant's Concurrence) have been obtained by Developer from all Contractors in accordance with all Construction Contracts and from such laborers, Contractors and subcontractors performing work on site as Landlord, with Tenant's Concurrence, may require.

(f) Architect has issued its "Certificate of Final Completion" for the Project and Landlord has received the certificate of any other architect or engineer reasonably requested by Landlord or Tenant.

(g) Both (i) the Office Project General Contractor has issued a certificate that the Office Project has been finally completed in substantial accordance with the Contract Documents and no Hazardous Substances were incorporated into the structure of the Office Project (other than as set forth in the Construction Documents), and (ii) the Shatto Garage Project General Contractor has issued a certificate that the Shatto Garage Project has been finally completed in accordance with the Contract Documents and no Hazardous Substances were incorporated into the structure of the Shatto Garage Project (other than as set forth in the Construction Documents).

(h) Developer has delivered to Landlord a written report showing the allocation of Project Costs among the categories of the Project Budget and the remaining specified dollar amount of the Project Contingency and the undisbursed portion of the Developer's Fee (as defined in the Development Agreement).

(i) Landlord, Tenant and Trustee have each received an endorsement to its title policy, each dated as of and issued on the date of Final Acceptance, which shall (i) insure Landlord, Tenant and Trustee, respectively, against any liens for labor

or materials, whether or not of record, which may have arisen in connection with the construction of the Project, and (ii) show no additional exceptions to such title policy other than those approved by or arising through Landlord (with Tenant's Concurrence).

(j) Developer shall have delivered to Landlord and Tenant its affidavit that the Construction Contracts for the Project required the Contractors under those contracts and their subcontractors to pay prevailing wage in accordance with Section 34.23.

(k) The Required Art shall have been installed.

(l) Developer shall have submitted the initial applications, supporting documents, and other materials needed to obtain LEED Silver certification (or as otherwise agreed by Landlord and Tenant).

9.15 As-Constructed Plans and Specifications; Manuals; Warranties; Permits and Licenses; and Survey. On or before Final Acceptance, Landlord shall provide Tenant with a complete and detailed set of "as constructed" plans and specifications for the Project (Tenant Improvements to be provided in a CAD—computer-aided design—format), together with copies of all other materials received from Developer pursuant to the Development Agreement including manuals, warranties, permits, licenses, and a survey. Landlord shall ensure that Tenant has the right and irrevocable license to use the Construction Documents for maintenance, repairs, remodels, and additions or any other use incidental to Tenant's use or occupancy of the Project and/or Premises or Tenant's leasehold or feehold rights to the Project. Tenant may freely use likenesses, depictions or renderings of the Project for publicity or other purposes associated with Tenant's use or occupancy of the Project and/or Premises or Tenant's leasehold or feehold rights to the Project.

9.16 Inspection by Tenant. Tenant shall have the right to inspect the ongoing construction of the Project and the Contract Documents upon reasonable prior notice to Landlord.

9.17 No Amendment of Documents. In the event Landlord desires to amend the agreement with the Architect, the Office Project General Construction Contract, the Shatto Garage Project General Construction Contract, the Development Agreement, the Indenture, the Leasehold Mortgage, each in accordance with its terms, or any other document, contract or agreement entered into in connection with the Bonds, Landlord shall submit a copy of such proposed amendment to Tenant. Such submittals shall clearly highlight any proposed amendment of the previously accepted version of any such agreement or contract and provide a clear articulation as to the reasons and purposes for making the proposed amendment. To the extent that is commercially reasonable, Landlord shall provide Tenant with advance warning of the expected timing of any notice of a proposed amendment. Landlord shall include in any such notice, printed in capital letters and boldface type, a legend to the following effect:

"THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN TEN (10) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE CONTRACT DOCUMENTS DESCRIBED HEREIN."

If the foregoing legend is included by the Landlord in its communication, then the submitted amendment to any of the agreement with the Architect, the Office Project General Construction Contract, the Shatto Garage Project Construction General Contract, or any Contract Document, the Development Agreement, the Indenture, the Leasehold Mortgage, each in accordance with its terms, or any other document, contract or agreement entered into in connection with the Project or the Bonds, shall be deemed to have been approved by Tenant if the Tenant fails to object with respect thereto within ten (10) Business Days of receipt of such notice; provided, however, any amendment that would be likely to result in (a) the Project (i) not meeting the Project Requirements, (ii) not complying with Requirements of Law, (iii) violating the terms of any permits for the Project, (iv) not being completed in compliance with the Project Schedule, (v) having a cost that exceeds the Project Budget, or (vi) being subject to material change in appearance or diminution in quality of the Project or (b) the Base Rent or the Additional Rent being increased at any time during the Term (collectively, a “**Disallowed Amendment**”) shall not be subject to the deemed approval provision set forth above and shall require the affirmative consent of Tenant.

In the event Tenant notifies Landlord within ten (10) Business Days following receipt of such proposed amendment of its objection to such proposed amendment, stating any conditions for assent and reasons for the objections, Landlord shall not enter into the proposed amendment unless (a) Landlord first does each of the following: (i) responds to the concerns expressed by Tenant, (ii) determines that any such amendment does not materially and adversely affect the Project, (iii) confirms that any such amendment complies with the provisions of the Indenture, and (iv) obtains Tenant’s Concurrence and (b) the proposed amendment is not a Disallowed Amendment.

9.18 Tenant’s Construction Representative. Tenant’s Construction Representative shall have the right, but not the obligation, to (i) review and suggest revisions to the Construction Contracts prior to their execution, (ii) review and suggest revisions to the Construction Documents prior to or during construction in order to clarify, correct or properly reflect the intent of design (as defined below), (iii) review, comment on, or suggest actions with respect to all submittals and change orders concurrently with the Architect’s review and with a reasonable time for such comments prior to final approval of the change order or submittal, and (iv) provide written notice to Landlord of any known or suspected failure of the Project to comply with the Construction Documents, this Lease, Requirements of Law, or the Ground Lease, or any other construction related defects in the Project or construction means and methods.

(a) **Copies of Review Items.** Landlord shall require Developer to provide, or make available, to the Tenant’s Construction Representative copies of all potential Construction Contracts, Construction Documents, submittals, and change orders. Tenant Construction Representative’s efforts shall be coordinated with Landlord and Developer so as to not unreasonably interfere with or delay design, development or construction of the Project.

(b) **Notices to Landlord.** If during the course of construction, Tenant’s Construction Representative notifies Landlord that it believes that the Project is not proceeding in accordance with the Contract Documents, Landlord shall provide a copy of

such notice to Developer for review and response and Landlord shall thereafter require Developer to take, or cause to be taken, any steps necessary to correct any deficiency or omission that is determined to exist. The failure of Tenant's Construction Representative or Tenant to give such notice or to take advantage of such rights listed above shall not give rise to any liability for Tenant and shall not be considered a waiver of any right of Tenant under this Lease.

(c) **Intent of Design.** As of the Effective Date of this Lease, the Construction Documents are in development and are not complete. Accordingly, to the extent such Contract Documents are silent or internally inconsistent as to various design and construction matters, Tenant Construction Representative may issue notice to Landlord and Developer as to what it considers to be the intent of design. For purposes of this Section 9.18(c), "intent of design" shall mean what would be naturally and reasonably inferable from the Contract Documents by an experienced professional in the construction industry accustomed to projects similar to the Project as being necessary for the construction of a fully complete and operational project.

(d) **Change in the Work Initiated by Tenant.** Tenant may initiate changes in the work if, and only if, Tenant deposits additional funds in the Non-Bond Proceeds Account (as defined in the Indenture) held by the Trustee to cover any additional cost of such change including the applicable Developer's Fee payable for any such change pursuant to Section 11.1 of the Development Agreement. Such Tenant requested change orders are expected to include change orders related to Procured FF&E; additional environmental remediation in excess of the amount set forth in the Project Budget; performance of the Relocation Services; and tenant improvements to the retail area of the Premises.

10. Maintenance, Management, Alterations, and Janitorial Services.

10.1 Maintenance and Repair. Landlord shall, at Landlord's sole cost and expense (but only to the extent that Tenant has provided funds in accordance with the Annual Operating Budget and that there are available operating or maintenance reserves (with respect to Operating Costs), the Capital Repairs Fund (with respect to Capital Expenditures), or as otherwise made available by Tenant), and in accordance with this Lease, maintain, repair and replace the Project or portions thereof in an attractive condition, good order and function, at a condition equal to or better than the predominant condition of other office buildings owned or occupied by Tenant in the business districts of the City of Los Angeles, throughout the Term, including but not limited to the following: (a) the structural portions of the Premises (understood to include the roof, foundation and load bearing walls); (b) the non-structural portions of the Premises (understood to include the roof covering and membrane), including but not limited to all improvements, alterations and fixtures, but excluding furnishings; (c) all systems and equipment, including but not limited to electrical, plumbing, fire sprinkler, fire suppression system, fire/life/safety system, elevators, security systems, flooring, ceiling, doorways, windows, hardware, fixtures, lighting, heating, ventilating and air conditioning system ("HVAC"), and loading doors; (d) the exterior of the Premises including, but not limited to, landscaping, driveways, sidewalks, lighting and parking facilities, and storm water maintenance servicing the Premises. Landlord shall take all action and will perform all interior and exterior, structural and

non-structural, foreseen and unforeseen, ordinary and extraordinary, maintenance and repairs required to keep all parts of the Premises in good repair and condition, subject only to ordinary wear and tear. It is the intent of this Section 10 that Landlord, to the extent of available funds as set forth above, agrees to perform all maintenance and make all repairs to the Premises that may become necessary by reason of age, wear and tear, deferred maintenance or defects in any construction thereof by Landlord. In determining a maintenance and repair program for the Premises, Landlord shall determine a cost-effective program of maintenance and repair. In the event that there are insufficient funds available to make repairs required under this Section 10.1 due to unforeseen circumstances, the Parties shall meet promptly and determine how to amend the budget priorities, utilize any reserves, or modify operations or standards so that the then-current Fiscal Year's budget is not increased.

(a) **Time for Repairs.** Repairs shall be made promptly to keep the Premises in the condition described in this Section 10. Landlord understands certain response time is required to ensure Tenant's operations continue with minimal interruption and to ensure the safety of employees and delivery of services. Landlord shall commence repairs or cause the property manager or others to commence repairs (i) within four (4) hours from notice ("**Emergency Repair Commencement Deadline**") with respect to (1) electrical power, (2) HVAC operations, (3) vertical transportation, (4) parking garage use or access, (5) broken windows, exterior doors or any other fault to the exterior surface of the Office Project or Shatto Garage Project that poses any sort of security or weatherproofing concern, (6) security and fire/life safety systems, (7) flooding or water damage, (8) any condition reasonably likely to lead to any risk to public safety, human health or property damage, destruction or loss, and (9) essential daily custodial services, and (ii) within ten (10) Business Days for all other repairs and maintenance (unless, due to the nature of the particular repair or maintenance obligation, more than thirty (30) days are reasonably required to commence it, in which case the property manager shall not be in default if it begins the work within this thirty (30) day period). Once commenced, repairs shall be diligently prosecuted to completion on a commercially reasonable schedule.

(b) **Tenant's Right to Make Repairs.** If Tenant provides notice to Landlord of an event or circumstance that requires the action of Landlord with respect to the replacement, repair, or maintenance to the Premises as set forth in this Section 10.1 and Landlord fails to provide such action as required by the terms of this Lease within the time period specified in Section 10.1(a), Tenant may (but shall not be obligated to do so) take the required action if Tenant delivers to Landlord an additional notice advising Landlord that Tenant intends to take the required action if Landlord does not begin the required repair or maintenance within (i) four (4) hours for any of the issues set forth in Section 10.1(a)(i) and (ii) twenty-four (24) hours for any other issue.

(c) **Tenant's Right to Reimbursement.** If such action was required under the terms of this Lease to be taken by Landlord, Tenant shall be entitled to prompt reimbursement within thirty (30) days of invoice by Tenant to Landlord, which invoice shall include reasonable supporting documentation with respect thereto.

(d) **Emergency Repairs.** An "**Emergency Repair Situation**" is defined as the existence of any condition that requires prompt repair, replacement or service

to minimize the impact of an event or situation that affects Tenant's ability to conduct business or otherwise occupy and utilize the Premises in a neat, clean, safe, and functional environment. If Tenant notifies Landlord of an Emergency Repair Situation, which occurs in or about the Premises and which is the responsibility of Landlord to repair or maintain, then Landlord shall commence appropriate repairs or maintenance immediately after notice of the condition is given by Tenant, which notice may be via telephone, facsimile, email, personal contact or any other means, and Landlord shall thereafter diligently pursue to completion said repairs or maintenance.

(e) **Tenant's Right to Cure.** If Landlord fails to commence repairs within four (4) hours of the Emergency Repair Commencement Deadline, or if the Tenant is unable to contact the Landlord or any designated agent within a reasonable time based upon the seriousness of the event or situation, Tenant may, but shall not be obligated to, cause said repairs or replacements to be made or such maintenance to be performed, and Tenant shall provide notice to Landlord of any actions taken by Tenant with respect to such repairs, replacements or maintenance. Within ten (10) days following demand and invoice by Tenant accompanied by reasonable supporting documentation with respect thereto, Landlord shall reimburse Tenant the actual cost and expenses thereof, provided said costs and expenses are reasonable and funds are available therefor.

(f) **Tenant's Right to Consent.** Landlord and Tenant shall consult as to whether a particular expenditure under this Section 10.1 is properly chargeable as an Operating Cost or Capital Expenditure, and no withdrawals from the Capital Repairs Fund shall be made without Tenant's written consent (either at the time or in advance by means of approval of a budget providing for such expenditure).

10.2 Management of Premises; Accounting.

(a) **Standard of Operation.** Landlord shall cause the Premises to be operated and managed, and services provided, in a manner consistent with that of a reasonably prudent building owner of comparable Class A office buildings located in the business districts of Los Angeles, California, and in a manner which is efficient and reasonably controls expenses.

(b) **Property Management.** Following Substantial Completion of the Project, Landlord shall at all times cause the Premises to be operated by a professional property management company selected and managed by Landlord. Such property manager shall have at least five (5) years' experience in managing Class A office buildings of comparable size and quality to the Premises in the business districts of Los Angeles, at a management fee which shall not be in excess of the predominant management fee charged by property management companies managing commercial office buildings of comparable size and quality in Los Angeles County. The property management contract shall include the provisions set forth in Exhibit L, and shall comply with Revenue Procedure 2017-13 or any successor revenue procedure issued by the Internal Revenue Service governing management, operation or other service contracts in connection with the issuance of tax-exempt obligations. The property management contract shall also include a requirement that, if the nature of the repair or maintenance obligation presents a hazard or emergency, the property

manager shall commence performance within 8 hours, and shall thereafter pursue such cure with diligence. Such property manager shall at all times operate the Premises in compliance with the requirements of all Applicable Laws and in compliance with the terms and provisions of this Lease and the Ground Lease. Commencing on the Substantial Completion Date, the property manager shall be retained with a contract not more than five (5) years in length. Such property management contract shall include provisions stating that such contract may be terminated for cause (but not convenience) by Landlord on its determination or as directed by Tenant, if the property manager is in default under the property management contract. Such termination for cause shall require only thirty (30) days written notice to the property manager. After the expiration or termination of the original property management contract, Contracts with property management firms shall be terminable for cause as set forth above and terminable for convenience by Landlord at Tenant's direction upon not less than six (6) months' notice beginning five (5) years after the Substantial Completion Date. Notwithstanding the foregoing or any other provision of this Lease, any and all management contracts relating to the Project, including the original property management contract, shall immediately terminate at the time that the Tax-Exempt Bonds are no longer Outstanding.

(c) **Financial Statements.** As soon as reasonably possible and in any event within ninety (90) days after the close of each Fiscal Year, Landlord shall deliver to Tenant and Trustee the (i) consolidated balance sheet of Landlord and the Premises as at the end of such Fiscal Year setting forth in comparable form the corresponding figures as at the end of the preceding Fiscal Year, certified as to accuracy by an officer of Landlord; (ii) statements of income, retained earnings and changes in financial position for such Fiscal Year of Landlord and the Premises setting forth in comparable form the corresponding figures for the previous Fiscal Year prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year or containing disclosure of the effect on financial position or results of operations of any change in the application of accounting principles during the year certified as to accuracy by an officer of Landlord; (iii) operating statement for the Premises for the preceding Fiscal Year certified as to accuracy by an officer of Landlord; and (iv) certificate executed by an officer of Landlord certifying compliance by Landlord with the requirements of this Lease, the Ground Lease, the Leasehold Mortgage, the Indenture, and the Bonds. Such year-end balance sheet and income statements of the Landlord and Premises shall be accompanied by an unqualified report and audit opinion of independent public accountants of recognized standing selected by Landlord and not objected to by Tenant, which report and opinion shall be in accordance with generally accepted auditing standards relating to reporting, or, if qualified, the opinion shall not be qualified due to any departure from any generally accepted accounting principles, and shall be accompanied by a statement of such accountants that in making the audit necessary for the certification of such financial statements and any such report, such accountants have obtained no knowledge of any default under this Lease, the Ground Lease, the Leasehold Mortgage, the Indenture, the Bonds, or any other evidence of indebtedness or of any event which, with notice or lapse of time, or both, would constitute an event of default under this Lease, the Ground Lease, the Leasehold Mortgage, the Indenture, the Bonds or any other evidence of indebtedness or, if in the opinion of such accountants any such event of default or other event shall exist, shall include a statement as to the nature and status thereof.

Notwithstanding anything to the contrary contained herein, Trustee shall have no duty to review any such audited or unaudited financial statements or reports, including the balance sheet, income, retained earnings, and changes in financial position statements and operating statements described above (collectively, “**Financial Statements**”) or inquire into the underlying facts and circumstances of any certificate or notice delivered by Landlord. Trustee shall not be considered to have notice of the contents of any such financial statements or of any default or Event of Default hereunder or under any Bond Document or Other Document (as defined in the Indenture) based upon such content. Further, Trustee has no duty to verify the accuracy of any such Financial Statements or any such notice or certificate.

(d) **Asset Management Fee.** As compensation for its services in overseeing the management of the Premises, the preparation of financial statements and the preparation of an Annual Operating Budget for the Premises, Tenant shall pay Landlord the Asset Management Fee as an Operating Cost pursuant to Section 5.2. The Asset Management Fee is separate and distinct from the Development Management Fee paid to Landlord through Bond proceeds pursuant to that certain Issuer Fee and Governance Agreement dated [___], 2018 between Landlord and Tenant (a copy of which is attached as Exhibit U).

10.3 Tenant’s Remedies. If Landlord does not perform its obligations under Section 10.1 of this Lease within the time limitations set forth therein, or if Landlord does not reimburse Tenant as required under Section 10.1 after demand from Tenant, Tenant may resort to the mediation procedure in Exhibit F and/or pursue any and all remedies available at law or equity, except that Tenant shall have no right to offset against Base Rent payable under this Lease.

10.4 Alterations by Landlord. From and after the Substantial Completion Date, Tenant may require Landlord to complete alterations of the Premises and Landlord shall provide a written cost estimate of the requested alterations with complete line item breakdown for each component of the requested alterations for Tenant’s review and approval. In the event Tenant approves the cost, and the total cost is \$25,000 or less, Landlord shall proceed to complete the requested alterations. Upon completion of the alterations, Landlord shall submit an invoice for payment to Tenant including a detailed breakdown on the costs for the alteration(s), and Tenant shall pay said invoice within thirty (30) days of receipt of invoice. In the event the cost of the alterations exceeds \$25,000 and Tenant approves the costs, Landlord shall proceed to complete the requested alterations subject to the availability of funds, or, Tenant’s undertaking to reimburse Landlord for such costs prior to the due date for payment to contractors, architects, or other third parties in connection with such alterations, provided said due date is not less than thirty (30) days from each invoice for completion of the alterations. Such alterations and additions shall not decrease the value of the Premises, and such modifications, alterations, and additions shall be expeditiously completed in a good and workmanlike manner and in compliance with all applicable laws and the requirements of all insurance policies required to be maintained by Landlord. Any alterations completed by Landlord pursuant to this Section 10.4 shall be maintained by Landlord during the term of this Lease.

10.5 Compliance with Laws. To the extent required by Applicable Laws, Landlord shall comply and stay current with all applicable local, state, and federal building codes

and laws as from time to time amended, including, but not limited to, the Americans with Disabilities Act requirements in providing Tenant with any requested alterations.

10.6 Lien Free. Landlord shall cause all alterations to be lien free, completed in a workmanlike manner and in compliance with all Applicable Laws.

10.7 Alterations by Tenant. Any alterations or Tenant Improvements to be undertaken by Tenant shall have the prior written consent of Landlord. Such consent shall not be unreasonably withheld, conditioned or delayed. Any alterations or Tenant Improvements made by Tenant shall remain Tenant property and may be removed by Tenant at or prior to the expiration of this Lease; provided, however, that such removal does not cause injury or damage to the Premises beyond normal wear and tear. Landlord shall, upon reasonable notice, have access to all plans and specifications relating to alterations or Tenant Improvements made by Tenant to Premises.

10.8 Communications Equipment. Tenant may, from time to time, install, maintain, replace and/or remove any satellite dishes, links, duct bank or antennas on the grounds, roof and/or exterior walls or parapet of the Premises as Tenant deems necessary or desirable, provided Tenant shall first obtain Landlord's approval, which approval shall not be unreasonably withheld, conditioned, or delayed, and Tenant shall be responsible for repairing any damage caused to the roof or roof membrane in connection with such activities. Upon the removal by Tenant of any such satellite dishes, links, or antennas, Tenant shall repair any damage incurred in connection with such removal. Any work by Tenant pursuant to this Section 10.8 shall be subject to compliance with the Landlord's reasonable requirements, including, without limitation, the requirement that any work affecting the roof of the Office Project or Shatto Garage Project be undertaken in a manner so as not to affect any roof warranty then in effect.

10.9 Janitorial Services. Landlord shall provide, or cause to be provided, as an Operating Cost, all janitorial services in connection with the Premises, consistent with the requirements set forth on Exhibit M.

10.10 Termination of Contracts. All third-party contracts entered into by Landlord with respect to the maintenance and operation of the Premises shall include a provision which provides for immediate termination of each such contract following the conveyance of the Premises to Tenant pursuant to Section 4.

11. Landlord Financing of Project. Landlord shall not have the right to mortgage, pledge, encumber, or assign the Premises in whole or in part except in connection with its financing of the Project through the Bonds issued by Landlord. Copies of the Indenture and the Leasehold Mortgage securing the Bonds have been provided to and approved by Tenant. Pursuant to the subordination, non-disturbance and attornment agreement, of even date herewith entered into by Landlord and Tenant with the Trustee as the beneficiary under the Leasehold Mortgage, so long as Tenant is not in default, beyond any applicable notice and/or cure period, under any of the terms, covenants or conditions of this Lease, the beneficiary under the Leasehold Mortgage shall not disturb Tenant's possessory rights in the Premises in the event such beneficiary should foreclose the Leasehold Mortgage.

12. Construction Liens. From and after the Substantial Completion Date, Tenant shall pay all costs for modifications, alterations and additions done by it or caused to be done by it on the Premises as permitted or required by this Lease (other than the construction of the Project) and Tenant shall keep the Premises free and clear of all Liens resulting from modifications, alterations and additions done by or for Tenant; provided, however, Tenant shall have the right to contest the correctness or validity of any such Lien by appropriate proceedings conducted in good faith with due diligence. Within thirty (30) days following written notice from Landlord, Tenant shall discharge such Lien of record or record a bond which complies with the requirements of law for eliminating such Lien as an encumbrance against the Premises if in the reasonable exercise of Landlord's judgment the protection of the Premises or Landlord's interest therein shall require such payment. In the event Tenant shall fail to so remove any such Lien, Landlord may take such action as Landlord shall reasonably determine to remove such Lien and all costs and expenses incurred by Landlord including, without limitation, amounts paid in good faith settlement of such Lien and attorneys' fees and costs shall be paid by Tenant to Landlord. Tenant's obligations pursuant to this Section 12 shall survive the Expiration Date.

13. Representations and Warranties.

13.1 Representations and Warranties of Landlord. Landlord hereby makes the following representations and warranties as of the Effective Date:

13.1.1 Legal Power. Landlord has the legal power, right and authority to enter into this Lease and to consummate the transactions contemplated and described herein.

13.1.2 Binding Obligation of Landlord. This Lease is a valid and legally binding obligation of Landlord and the applicable provisions hereof enforceable against Landlord in accordance with their respective terms, subject only to applicable bankruptcy, insolvency, reorganization and moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally.

13.1.3 Compliance with Organizational Documents. There is no charter, bylaw, or capital stock provision of Landlord, and no provision of any indenture, instrument, or agreement, written or oral, to which Landlord is a party or which governs the actions of Landlord or which is otherwise binding upon Landlord, nor to Landlord's knowledge is there any judgment, decree or order of any governmental authority or court binding on Landlord which would be contravened by the execution, delivery or performance of this Lease.

13.1.4 Litigation Pending. To Landlord's knowledge, there is no action, suit, or proceeding at law or in equity or by or before any governmental authority now pending, or threatened against or affecting Landlord, which, if adversely determined, would materially impair Landlord's right or ability to execute or perform its obligations under this Lease.

13.1.5 No Breach of Indebtedness Requirements. Neither the execution and delivery of this Lease, nor the incurrence of the obligations set forth herein, nor the consummation of the transactions herein contemplated, nor compliance with the terms of this Lease conflict with or result in a material breach of any terms, conditions or provisions of, or

constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, encumbrance, deed of trust, loan, lease or other instrument to which Landlord is a party.

13.1.6 Landlord. To Landlord's knowledge, no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or threatened against Landlord, nor are any of such proceedings contemplated by Landlord.

13.1.7 Accuracy of Materials. To Landlord's knowledge, all written reports, documents, and instruments prepared by Landlord or an affiliate thereof and delivered to Tenant in connection with entering into this Lease are accurate, correct and sufficiently complete to give Tenant true and accurate knowledge of their subject matter, and do not contain any material misrepresentation or material omission.

13.1.8 No Gratuity. Neither Landlord, nor its directors, officers, employees or affiliates, nor any individual representing Landlord, nor anyone holding an interest in Landlord has offered or given to any official or employee of Tenant any gratuity (in any form) for the intent or purpose of securing favorable treatment under this Lease or the approval or execution hereof.

13.1.9 No Solicitation. Landlord has not employed or retained any person, other than a bona fide employee working solely for Landlord, to solicit or secure this Lease and it has not paid or agreed to pay any person, other than a bona fide employee working solely for Landlord, any fee, commission, percentage, brokerage fee, gifts or any other consideration, contingent upon or resulting from the award or making of this Lease.

13.1.10 Authority to Execute. The individual(s) signing this Lease on behalf of Landlord is or are authorized to execute this Lease and bind Landlord to its terms and conditions, and, upon such execution, this Lease shall be legally binding on Landlord and, if Landlord is a corporation for which any individual is signing, have provided Tenant with a corporate resolution stating that such individual(s) is or are duly empowered to by such corporation to enter into this Lease.

13.2 Representations and Warranties of Tenant. Tenant hereby makes the following representations and warranties as of the Effective Date:

13.2.1 Legal Power. Tenant has the legal power, right and authority to enter into this Lease, and to consummate the transactions contemplated hereby herein.

13.2.2 Binding Obligations of Tenant. This Lease is the valid and legally binding obligation of Tenant and the applicable provisions hereof are enforceable against Tenant in accordance with their terms, subject only to applicable bankruptcy, insolvency, reorganization and moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally.

13.2.3 Compliance with Charter. There is no provision of any indenture, instrument, or agreement, written or oral, to which Tenant is a party or which governs

the actions of Tenant or which is otherwise binding upon Tenant, nor is there any judgment, decree or order of any governmental authority or court binding on Tenant which would be contravened by the execution, delivery or performance of this Lease by Tenant.

13.2.4 Litigation Pending. To Tenant's knowledge, there is no action, suit, or proceeding at law or in equity or by or before any governmental authority now pending, or threatened against or affecting Tenant, which, if adversely determined, would materially impair Tenant's right or ability to execute or perform its obligations under this Lease.

13.2.5 No Breach of Indebtedness Requirements. Neither the execution and delivery of this Lease, nor the incurrence of the obligations set forth herein or therein, nor the consummation of the transactions herein or therein contemplated, nor compliance with the terms of this Lease conflict with or result in a material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, encumbrance, deed of trust, loan, lease or other instrument to which Tenant is a party.

13.2.6 No Insolvency. To Tenant's knowledge, no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or are threatened against Tenant, nor are any of such proceedings contemplated by Tenant.

13.2.7 Authority to Execute. The individual(s) signing this Lease on behalf of Tenant are authorized to execute this Lease and bind Tenant to its terms and conditions, and, upon such execution, this Lease shall be legally binding on Tenant.

14. Minimum Scope of Insurance Coverage for Landlord. After the Effective Date, Landlord shall at a minimum maintain insurance coverage of the type and amount specified on Exhibit K.

15. Minimum Scope of Insurance Coverage for Tenant.

15.1 General Liability. After the Substantial Completion Date, Tenant shall have the right to self-insure under Section 15.2 or, at its sole cost and expense, shall obtain and keep in force throughout the Term a Commercial General Liability insurance policy on an occurrence basis insuring Tenant against claims for injuries to persons and property damage liability. "Commercial General Liability" insurance shall mean Insurance Services Office form number (CG00 001) with a limit of not less than \$1,000,000 combined single limit per occurrence, \$5,000,000 aggregate. Tenant agrees to add Landlord and Trustee as additional insureds to any Commercial General Liability insurance policy.

15.2 Self-Insurance by Tenant. Notwithstanding anything herein to the contrary, Tenant may self-insure for general liability coverage. Upon request by Landlord or Trustee (the Trustee having no obligation to make such request) to Tenant's Risk Manager, Tenant shall provide Landlord and Trustee with at least thirty (30) days' prior written notice of any change in Tenant's self-insured status and will provide Landlord and Trustee with a certificate of self-insurance as adequate proof of insurance. If Tenant elects to self-insure as set forth in this Section, Tenant acknowledges and agrees that Landlord shall have no liability for

such losses or damage which would otherwise have been covered by the general liability insurance which Tenant could have provided in accordance with Section 15.1, nor shall Tenant's failure to obtain commercial general liability insurance have any effect on Tenant's obligations under this Lease.

15.3 Workers' Compensation. Tenant is self-insured for all of its workers' compensation liability exposure. Tenant shall, at its own expense, maintain through its self-insurance program coverage for its workers' compensation liability exposure for the duration of the Term. Tenant shall provide Landlord and Trustee with at least thirty (30) days' prior written notice of any change in the Tenant's self-insured status and will provide Landlord and Trustee with a certificate of self-insurance as adequate proof of insurance.

16. Property Insurance.

16.1 Coverage for Premises. From and after the Substantial Completion Date, Landlord shall cause the Premises to be insured for fire and other perils currently covered by a special causes of loss commercial property insurance form. Such coverage shall include twenty-four (24) months of rental interruption coverage for the costs of Base Rent and Additional Rent, with Extra Expense coverage and shall name Trustee and Tenant as loss payee as each of their interests may appear. Landlord shall further cause the Premises to be insured against the perils of earth movement, and flood, either as part of the aforementioned commercial property policy, or under a separate policy or policies. Such earth movement and flood insurance shall include twenty-four (24) months of rental interruption coverage and shall name Trustee as loss payee as its interests may appear. Landlord shall cause coverage to be maintained against loss arising from earth movement and flood so long as such coverage is available at a commercially reasonable cost and in coverage amounts which are commercially available, but shall not be in default under this Lease if coverage is no longer written, is unavailable for properties comparable to the Premises or is not available at commercially reasonable premium amounts. Landlord will provide Tenant and Trustee with thirty (30) days' prior written notification of material changes in coverage. Landlord will, upon request, furnish Tenant and Trustee with satisfactory evidence that such coverage is in effect.

16.2 Coverage for Tenant's Personal Property. Landlord shall have no obligation to insure any of Tenant's Personal Property.

17. Waiver of Subrogation. Landlord and Tenant shall cause their respective property insurance carriers to release and waive all rights of subrogation against the other to the extent a loss is covered by property insurance in force. Landlord and Tenant hereby mutually release each other from liability and waive all right of recovery against each other for any loss from perils insured against under their respective fire insurance policies, including any extended coverage endorsements hereto; provided, that this provision shall be inapplicable if it would have the effect of invalidating any insurance coverage of Landlord or Tenant.

18. Indemnity and Hold Harmless.

18.1 Indemnification by Landlord. Landlord shall indemnify, defend and hold harmless Tenant and its elected and appointed officers, officials, employees, and agents (the

“**Indemnified Tenant Parties**”) from and against any and all liability, demands, liens, damages, claims, causes of action, expenses, and fees (including reasonable attorneys’ fees and costs and expert witness fees) for bodily injury, property damage, and death (hereinafter collectively referred to as “**Liabilities**”), arising out of or relating to the negligence, acts, errors, or omissions of Landlord including, without limitation, any breach of this Lease except to the extent that such Liabilities are caused by the negligence or willful misconduct of Tenant.

Landlord shall require the Developer, the Office Project General Contractor, the Shatto Garage Project General Contractor, and all other Contractors to agree to and abide by the indemnification requirements set forth in this Section 18.1 in favor of Tenant, subject to the provisions of California Civil Code sections 2782 *et seq.*, as such may be applicable to the work and/or services being provided by Landlord’s contractors and consultants.

18.2 Indemnification by Tenant. Tenant shall indemnify, defend and hold harmless Landlord and its officers, representatives, employees, and agents (the “**Indemnified Landlord Parties**”) from and against any and all Liabilities arising out of or relating to the negligent acts, errors, or omissions of Tenant including, without limitation, any breach of this Lease except to the extent that such Liabilities are caused by the negligence or willful misconduct of Landlord, Developer, the Office Project General Contractor, the Shatto Garage Project General Contractor, or their consultants, agents or employees.

18.3 Survival. The indemnification provisions of this Section 18 shall remain in full force and effect and survive the termination and/or expiration of this Lease.

19. Destruction.

19.1 Insured Damage. If during the Term, the Premises are partially or totally destroyed by any casualty that is covered by insurance described in Section 16, rendering the Premises partially or totally inaccessible or unusable, Landlord shall restore the Premises to substantially the same condition as they were in immediately before such destruction, if (i) the insurance proceeds available to Landlord equal or exceed the cost of such restoration, (ii) such restoration can be completed within a period which is not longer than twenty-four (24) months from date of such destruction, and (iii) such restoration is permitted under then existing Applicable Laws to be done in such a manner as to return the Premises to substantially the same condition as it was immediately before the destruction. Landlord will advise Tenant and Trustee with respect to the preceding conditions and, accordingly, whether such restoration of the Premises can proceed, on or before that date which is ninety (90) days after the date of destruction. If the foregoing conditions cannot be met, such destruction shall be treated as “Underinsured Damage” in accordance with the provisions of Section 19.2. The insurance proceeds shall be retained by Trustee who shall disburse same to Landlord from time to time as the restoration work progresses; provided, however, that Landlord shall complete such restoration as soon as reasonably practical, but in any event not longer than that period which is twenty-four (24) months from the date of such destruction.

19.2 Underinsured Damage. If during the Term the Premises are partially or totally destroyed by any casualty and the conditions set forth in Section 19.1, captioned “Insured Damage” cannot be met, Landlord shall provide written notice to Tenant and Trustee within

ninety (90) days after the date of destruction. Such notice shall describe the extent of the destruction, which of the conditions(s) cannot be met, and the estimated time necessary for restoration of the Premises. Within thirty (30) days of Tenant's receipt of Landlord's notice, Tenant shall notify Landlord in writing whether Tenant will proceed to satisfy the conditions which cannot be met, including the deposit of funds with the Trustee sufficient to restore any Underinsured Damage.

(a) If Tenant so fulfills such conditions, then Landlord shall proceed to restore the Premises in accordance with the terms agreed between Landlord and Tenant. In that event, the insurance proceeds shall be retained by Trustee who shall disburse same to Landlord from time to time as the restoration work progresses.

(b) If Tenant elects not to fulfill such conditions and the Premises are totally destroyed, this Lease shall terminate and the entire amount of the insurance proceeds held by Trustee shall be used to repay, redeem or defease Bonds and to reimburse Trustee for any costs incurred by Trustee for which it is entitled to reimbursement under the Indenture.

(c) If Tenant elects not to fulfill such conditions and the Premises are partially destroyed, this Lease shall not terminate, Tenant shall continue to pay Rent subject to Abatement and the amount of the insurance proceeds held by Trustee shall be disbursed to Landlord to complete such restoration as Landlord reasonably determines to be practicable to allow for Tenant's partial use of the Premises for its intended purposes. Any insurance proceeds not disbursed for such restoration shall be used to repay, redeem or defease Bonds and to reimburse Trustee for any costs incurred by Trustee for which it is entitled to reimbursement under the Indenture.

(d) If any monies deposited by Tenant in connection with any restoration pursuant to this Section 19.2 remain after the Premises have been restored, those monies shall be returned to Tenant.

19.3 Extent of Landlord's Obligation to Restore. If Landlord is required or elects to restore the Premises or such portion thereof which has been destroyed as provided in this Section 19, Landlord shall not be required to restore Tenant's Personal Property, such excluded items being the sole responsibility of Tenant to restore.

19.4 Abatement of Rent. In the event that (i) the Premises are damaged or destroyed by fire or other casualty following the Rent Commencement Date (or after Tenant commences paying Base Rent in accordance with Section 4.6), or (ii) a defect in Landlord's title occurs, either of which results in substantial interference with Tenant's right to the use and occupancy of the Premises, this Lease shall not terminate (except as provided in Section 19.2), but the Rent otherwise payable by Tenant hereunder (other than Additional Rent for payment of Operating Costs) shall be subject to Abatement during the period of such interference.

19.5 Waiver of Certain Rights. In recognition of the specifically negotiated provisions in this Lease with respect to Tenant's rights in the event of damage, destruction or

condemnation of the Premises, Tenant hereby waives its rights pursuant to California Civil Code §§ 1932(1), 1932(2) and 1933(4).

20. Condemnation. The condemnations provisions in this Lease are in lieu of the provisions in Sections 1265.110-1285.160 of the California Code of Civil Procedure.

20.1 Total Condemnation. If there is a taking or damaging of all or any portion of the Premises by the exercise of any governmental power, whether by legal proceedings or otherwise, by a governmental agency with jurisdiction over the Premises (a “**Condemnation**”) such that there can be no reasonable use of the Premises by Tenant, as reasonably determined by Tenant, this Lease shall terminate on the date the condemnor has the right to possession of the Premises. The entire award with respect to a taking of the Premises (including Tenant’s leasehold estate under this Lease) shall be paid to Trustee and applied to repay, redeem or defease Bonds in accordance with the Indenture. Any Condemnation proceeds remaining after Bonds are no longer Outstanding shall be paid to Tenant.

20.2 Partial Condemnation. If, prior to Substantial Completion of the Project, there is a partial taking of the Premises by Condemnation but the Project can be completed substantially in accordance with the Project Requirements, such condemnation proceeds shall be paid to Trustee who shall deposit such condemnation proceeds into the Non-Bond Proceeds Account established under the Indenture for purposes of paying Project Costs, and any funds remaining in such account as of Substantial Completion shall be used to repay, redeem or defease Bonds in accordance with the Indenture.

20.2.2 If there is a partial taking of the Premises by Condemnation, and Tenant determines that restoration is possible or a reasonable use can be made of the Premises by Tenant without restoration, then the condemnation proceeds shall be paid to Trustee who shall, as applicable, (i) deposit such condemnation proceeds into the Capital Repairs Fund and shall disburse such condemnation proceeds to Landlord from time to time as restoration progresses, or (ii) apply such amounts to repay, redeem or defease Bonds in accordance with the Indenture.

20.2.3 Following any partial taking of the Premises by Condemnation in which Tenant determines that restoration is possible or a reasonable use can be made of the Premises by Tenant without restoration, Rent (other than Additional Rent for payment of Operating Costs) shall be subject to Abatement to the extent and during the period that the partial condemnation results in substantial interference with Tenant’s right to the use and occupancy of the Premises.

20.2.4 Following any partial taking of the Premises in which Tenant determines that restoration is not possible and no reasonable use can be made of the Premises by Tenant, this Lease shall terminate on the date the condemnor has the right to possession of the Premises. The entire award with respect to a taking of the Premises (including Tenant’s leasehold estate under this Lease) shall be paid to Trustee and applied to repay, redeem or defease Bonds in accordance with the Indenture. Any Condemnation proceeds remaining after Bonds are no longer Outstanding shall be paid to Tenant.

21. Assignment of Project; Subletting. Except as provided in the Indenture and allowed by the Ground Lease, Landlord shall not sell, transfer, convey, or assign all or any portion of its interest in this Lease or in the Premises (except to Trustee) without the prior written consent of Tenant (which may be granted or withheld at Tenant's sole and absolute discretion) and a Favorable Opinion of Bond Counsel shall have been delivered to Trustee. Tenant shall not sell, transfer, convey, or assign all or any portion of its interest in this Lease or in the Premises without the prior written consent of Landlord (which may be granted or withheld at Landlord's sole and absolute discretion) and a Favorable Opinion of Bond Counsel, which shall have been delivered to Trustee.

Any sale, transfer, conveyance, assignment, or sublease permitted under this Section 21 shall be in writing and shall require the purchaser, transferee, grantee, assignee, or subtenant to comply fully with the terms of this Lease and the Ground Lease, including, without limitation, the provisions of Section 7 regarding use of the Premises. Tenant shall provide Landlord and Trustee with written notice of any such sale, transfer, conveyance, or assignment and a copy of all documentation relating thereto. Any attempted sale, transfer, conveyance, assignment or sublease in material violation of the requirements set forth in this Section 21 shall be null and void and shall constitute an event of default under the Indenture.

22. Default by Tenant. The occurrence of any of the following shall constitute an "Event of Default" by Tenant under this Lease:

22.1 Payment. Failure to make any payment or any other payment due or required under this Lease, if the failure to pay is not cured within ten (10) days after written notice of such failure from Trustee or Landlord has been received by Tenant; provided, however, failure to pay the Base Rent at least one (1) Business Day prior to the Rent Payment Date shall be deemed an immediate default.

22.2 Other Failure to Perform. Failure to materially perform any other provision of this Lease if the failure to perform is not cured within thirty (30) days after written notice of such failure from Trustee or Landlord has been received by Tenant; provided, however, if the default cannot reasonably be cured within such thirty (30) days, then such default shall not constitute an Event of Default if Tenant commences to cure the default within thirty (30) days and diligently and in good faith continues to cure such default until cured.

22.3 Remedies for Tenant Default. If Tenant commits an Event of Default under this Section 22 and fails to cure such default within the time period provided in this Lease (in lieu of any statutory requirements), then Landlord shall have the right to pursue any and all remedies available at law or in equity, including without limitation, the right to (a) terminate this Lease or (b) so long as Landlord or its assignee does not terminate Tenant's right to possession, this Lease shall continue in effect and Landlord or its assignee shall have the right enforce all of its rights and remedies under this Lease, including the right to recover Base Rent payments as they become due hereunder pursuant to Section 1951.4 of the California Civil Code.

Notwithstanding the foregoing, in no event shall Landlord have the right to accelerate any payments owing by Tenant under this Lease.

Notwithstanding anything to the contrary herein, in the event Tenant commits an Event of Default under Section 5.11 and fails to cure such default within the time period provided herein, Landlord shall have no right to cancel and terminate this Lease or evict Tenant and re-enter the Premises through an unlawful detainer action or otherwise.

23. Default by Landlord. Landlord shall be in default if Landlord fails to perform its obligations (i) within five (5) Business Days after notice by Tenant specifying the obligation which Landlord has failed to perform if such failure occurs prior to the Substantial Completion Date and (ii) within thirty (30) days after notice by Tenant specifying the obligation which Landlord has failed to perform if such failure occurs after the Substantial Completion Date; provided, that if the nature of Landlord's obligation is such that more than five (5) Business Days or thirty (30) days, as applicable, are required for performance, Landlord shall not be in default if Landlord commences diligent performance within such period following Tenant's notice and thereafter completes performance within a reasonable time. In the event that Landlord fails to cure any such default within the time periods permitted, Tenant shall have the right to pursue any and all remedies available at law or in equity, or have the option to pursue such remedies after resort to the procedure in Exhibit F provided, however, that Tenant shall have (i) no right to offset against Rent payable under this Lease, and (ii) no right to terminate this Lease or the Ground Lease so long as the Bonds remain Outstanding.

24. Trustees Rights. For so long as the Leasehold Mortgage remains in force and effect the following provisions shall apply:

24.1 Notice of Default. Tenant upon serving Landlord any notice of default pursuant to the provisions of this Lease shall also serve a copy of such notice upon Trustee at the address set forth in Section 34.15 or as subsequently provided in writing by Trustee to Tenant pursuant to the notice provisions set forth in Section 34.15. No notice to Landlord under this Lease shall be deemed to have been duly given unless and until a copy thereof has been provided to Trustee in accordance with Section 34.15. From and after the date such notice has been given to Trustee, Trustee shall have the same period, after the giving of such notice upon it, for remedying any default or acts or omissions which are the subject matter of such notice, or causing the same to be remedied, as is given Landlord after the giving of such notice to Landlord under this Lease, plus in each instance the additional periods of time specified in this Section 24 to remedy, commence remedying or cause to be remedied, the defaults or acts or omissions which are specified in such notice.

24.2 Right to Cure. Trustee shall have the right, but not the obligation, to remedy such default or cause the same to be remedied for a period of ninety (90) days after the expiration of Landlord's cure period, if any, provided under this Lease, for Landlord to remedy same, and Tenant shall accept such performance by or at the instance of Trustee as if the same had been made by Landlord.

24.3 Extended Cure Period. If the default is reasonably susceptible of cure, but cannot reasonably be remedied within ninety (90) days, Tenant shall not terminate this lease, so long as (a) defaults in the payment of money under this Lease are cured, within ninety (90) days and (b) the cure for any non-monetary default under this Lease has commenced, and is thereafter diligently and in good faith continuously prosecuted to completion. Such cure period

shall include any time required to obtain possession of the Premises by foreclosure of the Leasehold Mortgage or by other appropriate means by reasonable diligence, or until such earlier time as all defaults of Landlord are cured. Nothing in this Section 24.3, however, shall be construed to extend this Lease beyond the Term, nor to require a Trustee to continue such foreclosure proceedings after all defaults are cured. Once all defaults are cured, this Lease, shall continue in full force and effect as if Landlord had not defaulted.

25. Waiver. In light of the specific agreements in this Lease with regard to Landlord's obligations to maintain the Premises, Tenant hereby waives its rights under California Civil Code §§ 1941 and 1942.

26. Signs. Tenant shall have the right to place identification signage, other signage, advertisements, awnings, banners or other exterior decorations on the exterior of the Premises without any further consent or approval from Landlord. Any sign that Tenant has the right to place, construct and maintain shall comply with all Applicable Laws, and Tenant shall obtain any approval required by such Applicable Laws. Landlord makes no representation with respect to Tenant's ability to obtain such approval.

27. Landlord's Right to Enter the Premises. Landlord shall have the right to enter the Premises with twenty-four (24) hour written notice times during Tenant's normal business hours for the purposes listed below (or upon less notice if necessary to perform emergency repairs); provided, however, Landlord acknowledges and agrees to comply with Tenant's requests regarding security. Landlord shall conduct its activities on the Premises as allowed in this Section in a manner that will cause the least possible inconvenience, annoyance or disturbance to Tenant. Landlord acknowledges that Tenant intends to provide mental health services and administration on the Premises and that Landlord may not be allowed to enter various areas of the Premises to the extent that such entry might be expected to jeopardize patient or client privacy. This does not affect Landlord's right to enter in case of emergency. Tenant shall not be entitled to an abatement or reduction of Rent if Landlord exercises any right reserved in this Section 27.

27.1 Condition. To determine whether the Premises are in good condition, whether Tenant is complying with its obligations under this Lease and to perform any maintenance, repair or replacement obligations of Landlord pursuant to Section 10.

27.2 Notices. To serve, post or keep posted any notices required or allowed under the provisions of this Lease.

28. No Encumbrances by Landlord. Except to the extent expressly authorized in Sections 11 and 21, Landlord shall not at any time during the Term sell, transfer, lease (other than to Tenant pursuant to this Lease), convey, encumber (other than to Trustee pursuant to the Leasehold Mortgage), pledge (other than to Trustee pursuant to the Indenture), hypothecate or otherwise grant a security interest in the Premises or any portion thereof.

29. Right to Estoppel Certificates. Each Party, within thirty (30) Business Days after notice from the other Party, shall, unless the other Party is in default hereunder, execute and deliver to the other Party, in recordable form, a certificate stating that this Lease is unmodified

and in full force and effect, or in full force and effect as modified and stating the modifications. Unless the Party requested to provide such a certificate is in default, failure to deliver the certificate within such thirty (30) Business Day period shall be conclusive upon the Party failing to deliver the certificate for the benefit of the party requesting the certificate and any successor to the party requesting the certificate, that this Lease is in full force and effect and has not been modified except as may be represented by the party requesting the certificate.

30. Limitation on Landlord's Liability. Notwithstanding any provision in this Lease to the contrary, Tenant shall look solely to the estate and property of Landlord in the Premises and buildings constituting the Project, any insurance proceeds or condemnation proceeds payable to Landlord under this Lease, any sums paid to Landlord under the Development Agreement and any amounts payable to Landlord under any warranty or other contract with respect to the Project for the collection of any judgment requiring the payment of money by Landlord or for the enforcement of any other judgment or remedy against Landlord and no other assets of Landlord shall be subject to levy, execution or other procedure for the satisfaction of Tenant's remedies.

31. Attorneys' Fees. In the event suit is brought by Landlord or Tenant relating to this Lease, including for the breach of any covenant or condition of this Lease, the Party prevailing on a majority of the issues shall be entitled to a sum for reasonable attorneys' fees, witness fees, and court costs, including costs of appeal.

32. Surrender. Tenant shall, on the Expiration Date, surrender and deliver up the Premises, including all improvements then located thereon and the appurtenances thereto, into the possession of Landlord, in good order, condition and repair, free and clear of all lettings and occupancies, and free and clear of all liens and encumbrances other than those existing on the date of this Lease and those, if any, created by Landlord, without any payment or allowance whatsoever by Landlord, unless Tenant exercises the Option to Purchase as set forth in Section 4.3 and 4.4. Tenant shall execute, acknowledge and deliver to Landlord such instruments of further assurance as in the opinion of Landlord are necessary or desirable to confirm or perfect Landlord's right, title and interest in and to all of the above-described property.

32.1 Conveyance of Premises. Notwithstanding Tenant's obligation to surrender the Premises on the Expiration Date, Landlord shall nonetheless be obligated to convey the Premises to Tenant pursuant to Sections 4.3 and 4.4.

32.2 Survival. The provisions of this Section 32 shall survive the expiration or termination of this Lease.

33. Broker. Landlord and Tenant each represent to the other that neither is represented by any broker, agent or finder with respect to this Lease in any manner.

34. Miscellaneous Provisions.

34.1 Entire Agreement. This Lease sets forth the entire agreement of the Parties as to the subject matter hereof and supersedes all prior discussions and understandings between them.

34.2 No Amendment of Development Agreement. Landlord shall not assign nor amend the Development Agreement without the Tenant's prior written approval, which approval shall not be unreasonably withheld.

34.3 No Joint Venture or Agency. Nothing contained in this Lease nor any of the acts of the Parties hereto shall be construed nor is it the intent of the Parties, to create a joint venture or partnership between Landlord and Tenant, nor is either Party the agent or representative of the other, and nothing in this Lease shall be construed to create any such agency relationship or to hold either Party liable to anyone for goods delivered or services performed at the request of the other Party.

34.4 Meanings of Words Not Specifically Defined/General Rules of Interpretation. Words and phrases contained herein shall be construed according to the context and the approved usage of the English language, but technical words and phrases, and such others as have acquired a peculiar and appropriate meaning by law, or are defined in Section 1, are to be construed according to such technical, peculiar, and appropriate meaning or definition. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. As used in this Lease, the word "includes or "including" means including without limitation, the word "or" is not exclusive and the words "herein," "hereof," "hereto" and hereunder refer to this Lease as a whole. Unless the context otherwise requires, references herein: (a) to articles, paragraphs, sections and exhibits mean the articles, paragraphs, sections and exhibits which are part of this Lease as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Lease, (b) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Lease, and (c) to a statute means such statute as amended, supplemented or replaced from time to time. The exhibits, schedules, addenda, and attachments which are attached to this Lease are made a part of this Lease.

34.5 Conflict of Interest; No Personal Liability. No official or employee of Tenant shall have any personal interest, direct or indirect, in this Lease, nor shall any official or employee of Tenant participate in any decision relating to this Lease which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of either Party shall be personally liable in the event of a breach of this Lease. Landlord shall within not less than ten (10) days after learning of any such conflict of interest or facts which reasonably indicate that a conflict of interest may exist, notify Tenant thereof; provided, however, the failure of Landlord to make any such notification shall not be a breach or default of this Lease.

34.6 No Third-Party Beneficiaries. The Trustee shall be a third party beneficiary of the rights conferred to it under this Lease. Except as expressly set forth in this Lease, no parties other than Tenant, the Trustee and Landlord, and their respective successors and assigns, shall be a beneficiary of the rights conferred in this Lease, and no other party shall be deemed a third-party beneficiary of such rights.

34.7 Exculpation of Certain Persons. No individual board member, trustee, officer, director, shareholder, member, constituent partner, employee, or agent of any Party, in his or her individual capacity as such, shall have any personal liability for the performance of any obligation of such Party under this Lease solely by reason of such status.

34.8 Performance Postponed. Any performance required under this Lease on a day that is not a Business Day shall be postponed until the next Business Day.

34.9 Quiet Enjoyment. Landlord covenants that Tenant shall at all times during the term of this Lease peaceably and quietly have, hold and enjoy the use of the Premises.

34.10 Governing Law. This Lease shall be governed by and construed and enforced in accordance with the laws of the State of California.

34.11 Severability/Construction of Lease. Should any of the provisions of this Lease be found to be invalid, illegal, unconstitutional or unenforceable by any court of competent jurisdiction, such provision shall be stricken and the remainder of this Lease shall nonetheless remain in full force and effect unless striking such provision shall materially alter the intention of the Parties. The Parties hereby acknowledge and agree that each was represented by counsel and this Lease was negotiated and drafted at arms' length. Accordingly, the judicial rule of construction that any ambiguities are to be construed against the drafting party shall be inapplicable in the interpretation of this Lease. The provisions of this Lease shall be construed as a whole according to their common meaning and consistent with the other provisions contained herein in order to achieve the objectives and purposes of this Lease.

34.12 Jurisdiction/Venue. In the event any action is brought to enforce any of the provisions of this Lease, the parties agree to be subject to exclusive in personam jurisdiction in the Los Angeles County Superior Court for the State of California and agree that in any such action venue shall lie exclusively in the County.

34.13 Waiver. No waiver of any right under this Lease shall be effective unless contained in writing signed by a duly authorized officer or representative of the party sought to be charged with the waiver and no waiver of any right arising from any breach or failure to perform shall be deemed to be a waiver of any future right or of any other right arising under this Lease.

34.14 Captions. Section captions contained in this Lease are included for convenience only and form no part of the agreement between the Parties.

34.15 Notices. All notices or requests required or permitted under this Lease shall be in writing, shall be (i) personally delivered, (ii) sent by certified or registered mail, return receipt requested, postage prepaid, (iii) by nationally recognized overnight courier and shall be deemed given when so delivered or received; or (iv) by electronic mail, provided that any notice of default must also be sent using one of the other forms of notice. All notices or requests to any Party shall be sent to all other Parties as follows:

If to Landlord:

Los Angeles County Facilities Inc.
c/o Public Facilities Group
1414 Fourth Avenue
Seattle, WA 98101
Attention: John Finke
Email: johnfinke@publicfacilitiesgroup.org

With a copy to:

Hillis Clark Martin & Peterson PS
999 Third Avenue, Suite 4600
Seattle, WA 98104
Attention: Michelle Gail
Email: michelle.gail@hcmp.com

If to Tenant:

County of Los Angeles
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012
Attention: Real Estate Division – Senior Manager

With copies to:

Office of the County Counsel
County of Los Angeles
500 West Temple St. 6th Floor
Los Angeles, CA 90012-2932

Chief Executive Office- Capital Projects
County of Los Angeles
500 West Temple St. Room 713
Los Angeles, CA 90012

Treasurer and Tax Collector- Public Finance
County of Los Angeles
500 West Temple St., Room 432
Los Angeles, CA 90012

If to Trustee:

Any Party may change the address to which notices shall be sent by notice to the other Party in the manner and with the effect set forth in this Section 34.15. Any notice provided to Tenant in connection with the ordinary course of the development of the Project, including any request for Tenant’s Concurrence, Landlord shall also send electronic notice to the following email addresses (in addition to the addressees listed above): leaseacquisitions@ceo.lacounty.gov.

34.16 Binding Effect. Subject to the provisions of Sections 11 and 21, this Lease shall be binding upon, and inure to the benefit of, the Parties and their respective successors and assigns. No permitted assignment of this Lease or Tenant's rights hereunder shall be effective against Landlord unless and until an executed counterpart of the instrument of assignment shall have been delivered to Landlord, and Landlord shall have been furnished with the name and address of the assignee. The term "Tenant" shall be deemed to include the assignee under any such permitted assignment. The term "Landlord" shall include any successors to or assigns of the Landlord's interest in the Premises following any foreclosure of the Leasehold Mortgage, including Trustee or any purchaser at a trustee's or sheriff's sale of the Premises.

34.17 Trustee. Notwithstanding anything to the contrary herein, Landlord and Tenant agree that Trustee, in acting under this Lease, acts not in its individual capacity but solely as Trustee under the Indenture and Trustee shall be entitled to the same rights, protections and immunities hereunder to which it is entitled as Trustee under the Indenture. In furtherance and not in limitation of the foregoing, the exercise of the rights of Trustee and the duties of Trustee hereunder, or under any assignment hereof to Trustee, shall be, in each and every case, subject to the express provisions of Articles VII and VIII of the Indenture; provided, that the Indenture shall not operate to limit Trustee's rights to compensation and indemnification provided hereunder.

34.18 Gender and Number. As used in this Lease, the masculine shall include the feminine and neuter, the feminine shall include the masculine and neuter, the neuter shall include the masculine and feminine, the singular shall include the plural and the plural shall include the singular, as the context may require.

34.19 Nondiscrimination. Tenant covenants by and for itself, its successors and assigns, and all persons claiming under or through it, and this Lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 1926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the Premises herein leased nor shall Tenant, or any person claiming under or through Tenant, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the Premises herein leased.

34.20 Recording; Memorandum of Lease. Neither Landlord nor Tenant shall record this Lease without the written consent of the other; provided, however, that a Memorandum of this Lease in the form attached hereto as Exhibit E shall be recorded upon the Effective Date.

34.21 Amendment of Lease. So long as the Bonds remain Outstanding, any amendment of this Lease must comply with applicable provisions of the Indenture. Without limitation, Landlord and Tenant may, from time to time, amend this Lease in writing (a) to exclude any surplus portion of the Premises in accordance with Section 9.06 of the Indenture or

(b) for any purpose permitted by the Indenture, the Leasehold Mortgage and the Ground Lease. Any amendment of this Lease must be in writing and executed by both Parties.

34.22 Time Is of the Essence. Time is of the essence in the performance of each Party's obligations under this Lease. Each Party shall carry out its obligations under this Lease diligently and in good faith.

34.23 Prevailing Wage. Landlord shall require that both the Office Project General Contractor and the Shatto Garage Project General Contractor and their respective subcontractors comply with the prevailing wage requirements and be subject to restrictions and penalties in accordance with Section 1770 of the California Labor Code which requires prevailing wages be paid to appropriate work classifications in all bid specifications and subcontracts. The Landlord shall require that both the Office Project General Contractor and the Shatto Garage Project General Contractor furnish all subcontractors/ employees a copy of the Department of Industrial Relations prevailing wage rates which Landlord will post at the job site. All prevailing wages shall be obtained by the Landlord/ Contractor from the California Department of Industrial Relations, Division of Labor Statistics and Research.

Landlord shall require that both the Office Project General Contractor and the Shatto Garage Project General Contractor comply with the payroll record keeping and availability requirement of Section 1776 of the Labor Code. In addition, Landlord shall require that both the Office Project General Contractor and the Shatto Garage Project General Contractor make travel and subsistence payments to workers needed for performance of work in accordance with Section 1773.8 of the Labor Code. Prior to commencement of work, Landlord shall require that both the Office Project General Contractor and the Shatto Garage Project General Contractor contact the Division of Apprenticeship Standards and comply with Sections 1777.5, 1777.6 and 1777.7 of the Labor Code and applicable regulations.

Landlord shall indemnify, hold harmless, and defend Tenant and shall be responsible for any fine, penalty or fee levied against the Premises arising out of any violations by Landlord of this Section 34.23.

34.24 Authority. Landlord and Tenant represent that they have authority to enter into this Lease. This Lease shall not be effective until approved of and signed by the Chairman of the County of Los Angeles Board of Supervisors.

34.25 Recitals. All Recitals set forth herein are hereby incorporated into this Lease. The Parties agree that the Recitals are true and correct and have the same force and effect as all other provisions contained Lease.

35. Force Majeure. Landlord and Tenant shall not be deemed in default with respect to the performance of any of the terms, conditions and covenants of this Lease (other than the payment of Rent or other amounts due hereunder) if Landlord's or Tenant's failure to perform shall be due to any Force Majeure event. In the event either Party is delayed or prevented from performing any of its respective obligations under this Lease (other than the payment of Rent or other amounts due hereunder) due to a Force Majeure event, then the time period for performance of such obligations shall be extended for the period of such delay. Nothing

contained in this Section 35 shall be deemed to extend the Rent Commencement Date nor to excuse Tenant's obligation to pay Rent as and when required by the terms of this Lease.

36. Failure to Achieve Substantial Completion of Project by Developer Obligation Date. In the event that Substantial Completion of the Project is not achieved by the Developer Obligation Date, the following provisions shall apply until such time as Substantial Completion is achieved.

36.1 Enforcement of Development Agreement. Landlord shall vigorously enforce the provisions of the Development Agreement, including, without limitation, Section 7.2(b) thereof, with regard to the failure of the Developer to cause Substantial Completion of the Project to occur by the Developer Obligation Date. Amounts received from Developer thereunder for the payment of debt service on the Bonds shall be deposited with the Trustee as provided under the Indenture.

36.2 Enforcement of the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract. Landlord shall vigorously enforce the respective provisions of both the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract including, without limitation, provisions requiring the payment of liquidated damages in the event that either of the Office Project General Contractor or the Shatto Garage Project General Contractor fails to achieve completion of construction of the Office Project or the Shatto Garage Project by the respective date set forth in the applicable Construction Contract. Amounts received from the Office Project General Contractor or the Shatto Garage Project General Contractor and available for payment of debt service on the Bonds shall be deposited with the Trustee as provided under the Indenture.

37. Occupancy of Garages.

37.1 Occupancy of Existing Garage. Tenant shall have the right to occupy the Existing Garage from the Effective Date until the Existing Garage Vacation Date in accordance with the Existing Garage License. Landlord shall determine the date on which Tenant must vacate the existing parking structure located at 523 Shatto Place to allow for its demolition as part of the Project (the "**Existing Garage Vacation Date**"), and Landlord shall deliver written notice to Tenant setting forth the Existing Garage Vacation Date at least thirty (30) days prior to the Existing Garage Vacation Date; provided, however, in no event shall the Existing Garage Vacation Date occur prior to the date of the Tower Garage Completion.

37.2 Early Occupancy of Tower Garage. Developer has advised Landlord and Tenant that the most efficient phasing for construction of the Project will be to first achieve Tower Garage Completion. Landlord shall give Tenant thirty (30) days' advance written notice, requesting Tenant to vacate the Existing Garage to allow for its demolition and reconstruction as part of the Project and Tenant shall vacate and cease using the Existing Garage. Landlord and Tenant have entered into the Tower Garage Occupancy Agreement for Tenant's use of the Tower Garage after Tower Garage Completion has occurred. In no event shall Tenant's early occupancy of the Tower Garage be deemed to alter or affect in any way the requirements for Substantial Completion of the Project.

38. County Policy Requirements. Landlord shall cause the County's policy requirement set forth on the attached Exhibit R to be incorporated into all Construction Contracts for the Project. The Parties shall not, in the implementation of this Lease and in design, development, operation, and use of the project, discriminate against any employee or applicant for employment on the basis of race, religion, sex, sexual orientation, age, physical handicap, or national origin and shall comply with all applicable provisions of federal, state and local law related to discrimination. Landlord shall take affirmative action to ensure that applicants are employed and that employees are treated during their employment without regard to their race, religion, sex, sexual orientation, age, physical handicap, or national origin, including without limitation employment, promotion, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

38.1 Rental or Sale. Landlord shall refrain from restricting the rental, sale, or lease of the Premises, or any portion thereof, on the basis of sex, age, handicap, marital status, race, color, religion, creed, ancestry, or national origin of any person. All leases and contracts affecting the Premises or any portion thereof shall contain clauses expressly giving effect to this Section 38.

[Signature pages follow]

DATED the date first above written.

LANDLORD:

LOS ANGELES COUNTY FACILITIES INC.,
a California nonprofit public benefit corporation

By: _____

Name: John Finke

Title: President

Date: _____

TENANT:

COUNTY OF LOS ANGELES,
a body corporate and politic

By: _____

Name: _____

Title: _____

ATTEST:

Clerk of the Board

By: _____

Name: _____

Title: _____

APPROVED AS TO FORM:

MARY C. WICKHAM
County Counsel

By: _____

Name: _____

Title: _____

California Certificate of Acknowledgment

[LANDLORD]

JURAT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

Subscribed and sworn to (or affirmed) before me on this ____ day of _____, 2018,
by _____, proved to me on the
basis of satisfactory evidence to be the person(s) who appeared before me.

Signature: _____ Seal

California Certificate of Acknowledgment

[TENANT]

JURAT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

Subscribed and sworn to (or affirmed) before me on this ____ day of _____, 2018,
by _____, proved to me on the
basis of satisfactory evidence to be the person(s) who appeared before me.

Signature: _____

Seal

EXHIBIT A

Land

EXHIBIT B

SCHEDULE OF BASE RENT

NOTE: Base Rent is based upon the attached pro forma Bond Debt Service Schedule.

Following the pricing of the Bonds and prior to execution of this Lease, a final Schedule of Base Rent as approved by Tenant will be attached hereto.

EXHIBIT C

PRELIMINARY PLANS

[See attached.]

EXHIBIT D-1

PROJECT SCHEDULE

[See attached.]

EXHIBIT D-2

PROJECT BUDGET

[See attached.]

EXHIBIT E

MEMORANDUM OF FACILITIES LEASE

RECORDING REQUESTED BY:

WHEN RECORDED MAIL TO:

Hillis Clark Martin & Peterson P.S.
Attention: Steven R. Rovig
999 Third Ave, Suite 4600
Seattle, WA 98104

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE ONLY.

Assessor's Parcel Nos.

This instrument is exempt from recording fees (California Government Code Section 27383) and from Documentary Transfer Tax (California Revenue and Tax Code Section 11922).

MEMORANDUM OF FACILITIES LEASE

THIS MEMORANDUM OF FACILITIES LEASE (this "**Memorandum**") is dated for reference purposes , 2018 and is made by and between **LOS ANGELES COUNTY FACILITIES INC.**, a California nonprofit public benefit corporation ("**Sublandlord**"), and **COUNTY OF LOS ANGELES**, a body corporate and politic ("**Subtenant**").

1. Ground Lease. Sublandlord is the lessee under that certain Ground Lease Agreement dated for reference purposes , 2018 (the "**Ground Lease**"), pursuant to which Sublandlord leases that certain real property located in the City of Los Angeles, County of Los Angeles, California ("**Land**"), more specifically described on the attached Exhibit A.

2. Facilities Lease. Sublandlord leases to Subtenant the Land including all improvements thereon (collectively, the "**Premises**"), at a rent and on the terms and conditions set forth in that certain Facilities Lease Agreement dated , 2018 (the "**Facilities Lease**") which is made part of this Memorandum as though fully set forth herein. The Facilities Lease is for a term commencing on the Effective Date and, unless such term is extended, shall expire on the earlier of (a) _____, 20__ [**Final maturity date of the Bonds**], (b) the date that the Bonds are no longer Outstanding (as defined in the Indenture) and the Premises have been conveyed by Landlord to Tenant as set forth in the applicable provisions of the Facilities Lease,

or (c) the date on which the Facilities Lease terminates in accordance with its terms (any, as applicable, the “**Expiration Date**”).

Notwithstanding the foregoing, if on the Expiration Date of the Facilities Lease, the total Base Rent (as defined in the Facilities Lease) otherwise payable has not been fully paid as a result of an Abatement of Rent (as defined in the Facilities Lease) and the Bonds remain Outstanding, then, as provided in the Facilities Lease, the term of the Facilities Lease shall be extended until the total Base Rent otherwise payable thereunder shall be fully paid or such earlier time as the Bonds are no longer Outstanding; provided, however, that such extension shall not exceed ten (10) years.

3. Option to Purchase. Subtenant has the option to purchase the Sublandlord’s leasehold interest in the Land and its feehold interest in the improvements thereon throughout the term of the Facilities Lease.

4. Definition of Terms. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Facilities Lease.

5. Purpose of Memorandum. This Memorandum is prepared for purposes of recordation only and to provide constructive notice of the rights of Sublandlord and Subtenant under the Facilities Lease to all third parties, and does not set forth all of the terms and conditions set forth in the Facilities Lease. In the event there is any conflict between the terms and conditions of the Facilities Lease and this Memorandum, the Facilities Lease shall control.

DATED the date first above written.

LANDLORD:

LOS ANGELES COUNTY FACILITIES INC.,
a California nonprofit public benefit corporation

By _____
Name: John Finke
Title: Vice President

SIGNER(S) OTHER THAN NAMED ABOVE:

TENANT:

COUNTY OF LOS ANGELES,
a body corporate and politic

By _____

Name: _____

Title: _____

ATTEST:

Clerk of the Board

By _____

Name: _____

Title: _____

APPROVED AS TO FORM:

MARY C. WICKHAM, County Counsel

By _____

Name: _____

Title: _____

California All-Purpose Acknowledgment

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

Subscribed and sworn to (or affirmed) before me on this ____ day of _____, 2018,
by _____, proved to me on the
basis of satisfactory evidence to be the person(s) who appeared before me.

Signature: _____ Seal

California All-Purpose Acknowledgment

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

Subscribed and sworn to (or affirmed) before me on this ____ day of _____, 2018,
by _____, proved to me on the
basis of satisfactory evidence to be the person(s) who appeared before me.

Signature: _____ Seal

California All-Purpose Acknowledgment

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

Subscribed and sworn to (or affirmed) before me on this ____ day of _____, 2018,
by _____, proved to me on the
basis of satisfactory evidence to be the person(s) who appeared before me.

Signature: _____ Seal

EXHIBIT A
LEGAL DESCRIPTION

EXHIBIT F

DISPUTE RESOLUTION PROCEDURE

In the event a dispute or claim in law or equity shall arise between the parties to this Lease, the parties have the option to participate in neutral, non-binding mediation prior to the filing of litigation or any other legal action or any other proceeding before a trier of fact. Landlord or Tenant shall provide 30 days written notice to the other party of the desire to mediate. The mediation shall be conducted in Los Angeles County, California. Landlord and Tenant shall choose a mutually agreeable mediator within fifteen (15) days of notice of the desire to mediate and shall thereafter attend the mediation in good faith. If the Parties cannot agree on the mediator, each party shall select a mediator with at least five (5) years-experience in lease and construction related mediation and the two mediators will in turn select the mediator. Agreements reached in mediation shall be enforceable as settlement agreements in any court having jurisdiction thereof. Mediation fees will be divided evenly between parties. By entering into this agreement, the parties are not waiving their right to a jury trial or to bypass the mediation process and directly pursue remedies in law or equity.

The parties recognize that mediation proceedings are settlement negotiations, and that all offers, promises, conduct and statements, whether written or oral, made in the course of the proceedings, are inadmissible in any arbitration or court proceeding, to the extent allowed by applicable state law. The parties agree to not subpoena or otherwise require the mediator to testify or produce records, notes or work product in any future proceedings, and no recording or stenographic record will be made of the mediation session. Evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation session. In the event the parties do reach a settlement agreement, the terms of that settlement will be admissible in any court or arbitration proceedings required to enforce it, unless the parties agree otherwise. Information disclosed to the mediator in a private caucus shall remain confidential unless the party authorizes disclosure.

If mediation is unsuccessful, either the Landlord or the Tenant may file litigation or any other legal action or proceeding pursuant to California law.

EXHIBIT G

**FORM OF NOTICE OF ELECTION
OF
OPTION TO PURCHASE**

To: Landlord

You are hereby notified that **COUNTY OF LOS ANGELES** (“**Tenant**”) has elected to exercise on _____, 20__ its option to purchase the Land and the Project to be constructed thereon (“**Premises**”) currently leased by Tenant pursuant to the Facilities Lease Agreement (“**Lease**”) by and between Tenant and Landlord dated _____, 2018. This purchase option is being exercised pursuant to Section 4.3 of the Lease. Tenant is now, and on the date set forth above for payment will be, in full compliance with all terms and conditions of the Lease. Pursuant to Section 4.3(b) of the Lease, within fifteen (15) days of this notice, Landlord is to provide Tenant with an accounting of the amounts necessary to complete the purchase on the exercise date set forth above.

TENANT:

COUNTY OF LOS ANGELES,
a body corporate and politic

By: _____
Name: _____
Title: _____

ATTEST:
Clerk of the Board

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:
County Counsel

By: _____
Name: _____
Title: _____

EXHIBIT H
**FORM OF NOTICE OF ELECTION
TO
PARTIALLY PREPAY BASE RENT**

To: Landlord

You are hereby notified that COUNTY OF LOS ANGELES (“**Tenant**”) has elected to exercise its option to prepay a portion of the Base Rent due under that certain Facilities Lease Agreement (the “**Lease**”) by and between Tenant and LOS ANGELES COUNTY FACILITIES INC., a California nonprofit public benefit corporation (“**Landlord**”) dated _____, 2018 by causing Bonds [to be redeemed in accordance with Section 3.01 of the Indenture][to be defeased in accordance with Article X of the Indenture]. In accordance with Section 4.3(c) of the Lease, the date of prepayment shall be _____, 20__ and the principal components of Base Rent to be prepaid on such date are _____, representing the maturities (or portions thereof) set forth below. By 10:00 a.m. Pacific Time on such date, Tenant shall pay to Trustee in cash or same-day available funds, an amount equal to the principal components of Base Rent to be prepaid, together with interest thereon sufficient to optionally redeem or defease such Bonds in accordance with the Indenture, together with any other amounts payable under the Lease on such date. In accordance with that certain Indenture of Trust dated _____, 2018 between Landlord and U.S Bank, N.A., as Trustee, Landlord shall direct Trustee to take all actions required to [cause an optional redemption of the Bonds][cause a defeasance of the Bonds] in principal amounts and maturities corresponding to the principal components of Base Rent set forth below.

TENANT:

COUNTY OF LOS ANGELES,
a body corporate and politic

By: _____
Name: _____
Title: _____

ATTEST:
Clerk of the Board

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:
County Counsel

By: _____
Name: _____
Title: _____

**Schedule of Principal Components of Base Rent
to Be Prepaid and Bonds to Be Redeemed or Defeased**

Date Principal Component (of Base Rent) Due	Amount of Principal Component to be Prepaid and Bonds to be Redeemed*	Amount of Principal Component to be Prepaid and Bonds to be Defeased*
--	--	--

*Principal may be prepaid only in increments of \$5,000.00.

EXHIBIT I

Site Plan – Shatto Garage Project

EXHIBIT J

Permitted Exceptions – Subleasehold Title Policy

EXHIBIT K

MINIMUM INSURANCE REQUIREMENTS FOR LANDLORD

[Under review by County's Risk Management Team.]

I. WAIVER

Both Landlord and Tenant agree to release the other and waive their rights of recovery against the other for damage to their respective property arising from perils insured in the Causes-of-Loss Special Form (ISO form CP 10 30).

II. GENERAL INSURANCE PROVISIONS - LANDLORD REQUIREMENTS

Without limiting Landlord's indemnification of Tenant, and during the Term and until all of Landlord's obligations pursuant to this Lease have been met, Landlord shall provide and maintain at its own expense insurance coverage satisfying the requirements specified in this Lease (the "**Required Insurance**"). Tenant in no way warrants that the Required Insurance is sufficient to protect Landlord for liabilities which may arise from or relate to this Lease.

1. Evidence of Coverage and Notice to Tenant. Certificate(s) of insurance coverage (each an "**Insurance Certificate**") satisfactory to Tenant and a copy of an Additional Insured endorsement confirming that the Indemnified Tenant Parties have been given Insured status under Landlord's General Liability policy, shall be delivered to Tenant at the address set forth in Section [] of this Exhibit K, prior to the Effective Date.

1.1. Renewal Insurance Certificates shall be provided to Tenant not less than ten (10) days prior to Landlord's policy expiration dates. Tenant reserves the right to obtain complete, certified copies of any Required Insurance policies at any time.

1.2. Each Insurance Certificate shall identify all Required Insurance coverage types and limits, reference this Lease by name or number, and be signed by an authorized representative of the insurer(s). The Insured party named on the Insurance Certificate shall be Landlord. Each Insurance Certificates shall provide the full name of each insurer providing coverage, its NAIC (National Association of Insurance Commissioners) identification number, its financial rating, the amounts of any policy deductibles or self-insured retentions exceeding twenty-five thousand (\$25,000.00) dollars, and list any Tenant required endorsement forms.

1.3. Neither Tenant's failure to obtain, nor Tenant's receipt of, or failure to object to a non-complying Insurance Certificate or endorsement, or any other insurance documentation or information provided by Landlord, its insurance broker(s) and/or insurer(s), shall be construed as a waiver of any of the Required Insurance provisions.

1.4. Insurance Certificates and copies of any required endorsements, notices of cancellation shall be delivered to:

County of Los Angeles
Chief Executive Office [or other department acting as Landlord, as applicable]
Real Estate Division
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012
Attention: Name of Lease Manager, Property Management

2. Claims Notice. Landlord shall promptly notify Tenant of any third party claim or suit filed against Landlord which arises from or relates to this Lease, and could result in the filing of a claim or lawsuit against Landlord and/or Tenant.

3. Additional Insured Status and Scope of Coverage. Indemnified Tenant Parties, shall be provided additional insured status under Landlord's General Liability policy with respect to liability arising from or connected with Landlord's acts, errors, and omissions arising from and/or relating to Landlord's operations on and/or its use of the Premises and/or Project. Indemnified Tenant Parties' additional insured status shall apply with respect to liability and defense of suits arising out of the Landlord's acts or omissions, whether such liability is attributable to Landlord or to Indemnified Tenant Parties. The full policy limits and scope of protection also shall apply to Indemnified Tenant Parties as an additional insured, even if they exceed the Landlord's minimum Required Insurance. Use of an automatic additional insured endorsement form is acceptable providing it satisfies the Required Insurance provisions.

4. Cancellation of or Changes in Insurance. Landlord shall provide Tenant with, or Landlord's insurance policies shall contain a provision that Tenant shall receive, written notice of cancellation or any change in Required Insurance, including insurer, limits of coverage, term of coverage or policy period. The written notice shall be provided to Tenant at least ten (10) days in advance of cancellation for non-payment of premium and thirty (30) days in advance for any other cancellation or policy change. Failure to provide written notice of cancellation or any change in Required Insurance shall an Event of Default by Landlord.

5. Failure to Maintain Required Insurance. Landlord's failure to maintain or to provide acceptable evidence that it maintains the Required Insurance shall constitute an Event of Default by Landlord. Tenant, at its sole discretion, may obtain damages from Landlord resulting from Landlord's failure to maintain Required Insurance, and/or Tenant may elect to purchase the Required Insurance without further notice to Landlord, and Landlord shall promptly reimburse Tenant's expense of such purchase.

6. Insurer Financial Ratings. Required Insurance is to be provided by an insurance company authorized to do business in the State of California and acceptable to Tenant, with an A.M. Best rating of not less than A:VII, unless otherwise approved by Tenant.

7. Landlord's Insurance Shall Be Primary. Landlord's insurance policies, with respect to any claims related to this Lease, shall be primary with respect to all other sources of

coverage available to Tenant. Any Tenant maintained insurance or self-insurance coverage shall be in excess of and not contribute to any Landlord coverage.

8. Waiver of Subrogation. To the fullest extent permitted by law, Landlord waives its and its insurer(s) rights of recovery against Tenant under all Required Insurance policies for any loss arising from or related to this Lease. Landlord shall require its insurers to execute any waiver of subrogation endorsements which may be necessary to affect such waiver.

9. Deductibles and Self-Insured Retentions. Landlord's policies shall not obligate Tenant to pay any portion of any Landlord's deductible or Self-Insured Retentions ("SIR"). Tenant retains the right to require Landlord to reduce or eliminate policy deductibles and SIRs with respect to Tenant, or to provide a bond guaranteeing Landlord's payment of all deductibles and SIRs, including all related claims investigation, administration and defense expenses. Such bond shall be executed by a corporate surety licensed to transact business in the State of California.

10. Claims Made Coverage. If any part of the Required Insurance is written on a claims made basis, any policy retroactive date shall precede the Effective Date, and Landlord shall maintain such coverage for a period of not less than three (3) years following the end of the Term.

11. Application of Excess Liability Coverage. Landlord may use a combination of primary and excess insurance policies that provide coverage as broad as ("follow form" over) the underlying primary policies, to satisfy the Required Insurance provisions.

12. Separation of Insureds. All liability policies shall provide cross-liability coverage as would be afforded by the standard ISO (Insurance Services Office, Inc.) separation of insureds provision with no insured versus insured exclusions or limitations.

13. Landlord Review and Approval of Required Insurance. Tenant reserves the right to review and adjust the Required Insurance provisions, conditioned upon Tenant's determination of changes in risk exposures.

III. INSURANCE COVERAGE TYPES AND LIMITS

1. Landlord Requirements (After Rent Commencement Date). After the Rent Commencement Date, Landlord shall provide and maintain the following programs of insurance coverage:

1.1. Commercial General Liability Insurance. Commercial General Liability Insurance providing scope of coverage equivalent to ISO policy form CG 00 01, naming Indemnified Tenant Parties as additional insureds, with limits of not less than:

General Aggregate:	\$ 10 million
Products/Completed Operations Aggregate:	\$ 10 million
Personal and Advertising Injury:	\$ 5 million
Each Occurrence:	\$ 5 million

1.2. Commercial Property Insurance. Such coverage shall:

1.2.1 Provide coverage for Landlord's property and any improvements and betterments; this coverage shall be at least as broad as that provided by the Causes-of-Loss Special Form (ISO form CP 10 30), excluding earthquake and including flood and ordinance or law coverage.

1.2.2 Be written for the full replacement cost of the Project, with a deductible no greater than two hundred fifty thousand dollars (\$250,000) or five percent (5%) of the Project's value, whichever is less. Insurance proceeds shall be payable to the Landlord and the Tenant as their interests may appear.

2. Landlord Requirements (Prior to the Rent Commencement Date). Prior to the Rent Commencement Date, Landlord shall provide and maintain the following programs of insurance coverage as specified in Exhibit G to the Development Agreement.

EXHIBIT L

PROPERTY MANAGEMENT CONTRACT REQUIREMENTS

NOTE: The property management contract for the Project shall be subject to such reasonable requirements as may be proposed by Tenant in a written notification to Landlord delivered not later than , 20, which requirements shall be subject to Landlord's approval, such approval shall not be unreasonably denied or delayed.

The property management agreement must automatically terminate when the Bonds are no longer Outstanding.

[Should be completed with Lease.]

EXHIBIT M

JANITORIAL SERVICES CONTRACT REQUIREMENTS

1. Background checks shall be performed, in a manner specified by Tenant, of all qualified permanent and temporary employees.
2. Provide all required services and supplies.
3. Perform (daily) services five days a week during the hours of 5:00 p.m. to 1:00 a.m. only.
4. Provide and replace all light tubes and light bulbs using only those types of tubes and bulbs that are energy efficient as indicated by manufacturer. Fixture reflectors shall be wiped clean with each relamping.
5. Landlord and custodial staff shall be responsible for key control. Issuing keys to workers, collecting said keys at shift end and retrieving keys at the end of custodian's employment.
6. Where Landlord is required to empty trash, such trash will be removed from the Building and deposited in the dumpster.
7. Graffiti expunged as needed but no later than two working days after notice to Landlord.
8. Sidewalks, driveway, parking area and all means of access and egress should at a minimum be maintained in good repair, clean and safe condition at all times.
9. All lawns, shrubbery and foliage on the grounds of the Project at a minimum should be maintained in good condition and neat in appearance. Grass and shrubbery must be planted as needed to maintain the grounds in good appearance and condition.
10. The contract must terminate immediately when the Bonds are no longer Outstanding.
11. **SPECIFIC SERVICES** – Frequency and coverage:

A. **Daily:**

1. Rest Rooms:

Empty all trash containers, refill dispensers, damp mop floors, clean, sanitize and polish all plumbing fixtures, chrome fittings, flush rings, drain and overflow outlets, clean and polish mirrors, clean wall adjacent to hand basins/urinals, dust metal partitions, remove finger prints from walls, switches, etc.

2. Lobby Area – Main Corridors – Stairways:

Remove trash, vacuum, vacuum/damp mop tile, clean lobby and entrance doors, clean and sanitize drinking fountains.

3. Employee Break Rooms/Kitchen:

Remove trash, vacuum rugs and carpet, wipe spills, mop tile floor, remove fingerprints from doors, light switches, etc., and refill dispensers.

4. General and Private Areas:

Remove trash, vacuum carpets, mop tile floors, spot clean interior partition glass (including removing finger prints), clean counter tops and blackboards, dust desks and desk accessories (papers and folders left on desks are not to be moved), conference tables, credenza/file cabinets, bookcases and other office furniture. Return chairs and waste baskets to proper position

5. Building Security:

- a. Turn off all lights (except security and night lights).
- b. Close windows.
- c. Reset alarms and lock all doors.

B. Weekly – All Areas:

Polish buff hard resilient floors in traffic areas, spot clean carpeted areas.

Dust all high and low horizontal surfaces, including sills, ledges, moldings, baseboards, shelves, locker tops, frames and file cabinets, damp wipe plastic and leather furniture.

Remove fingerprints from doors, elevator walls and controls, frames and light switches in office areas, clean and polish bright metal to 70” height, clean and sanitize waste containers in rest rooms and break rooms.

C. Monthly – All Areas:

Clean interior glass partitions/doors, dry dust wood paneling, remove dust/cobwebs from ceiling areas.

(Spray buff resilient/hard floor areas), detail vacuum carpet edges, under desk/office furniture.

Vacuum upholstered furniture, wipe plastic and leather furniture.

Dust picture moldings and frames.

Vacuum hall vents and ceiling vents

D. Quarterly – All Areas:

Spray buff resilient and hard surface floors and apply floor finish.

Clean interior/exterior windows, clean/polish office furniture, damp clean diffuser outlets in ceiling/wall, wash waste containers, clean/dust blinds, wash sanitize.

Light fixtures cleaned and dusted

E. Semi-Annually – All Areas:

1. All Areas:

- a. Clean and polish all baseboards.
- b. Damp clean lobby and reception chairs.
- c. Clean carpeted surfaces-use a water extraction method.

2. Wash windows as required inside and outside but not less frequently than twice annually

F. Annually – All Areas:

1. All resilient and hard surface floors:

- a. Move furniture, strip, seal and apply floor finish to all resilient and hard surface floors.
- b. Clean carpets

EXHIBIT N
FINANCED FF&E

EXHIBIT O
DEVELOPMENT AGREEMENT

DEVELOPMENT AGREEMENT

Between

**LOS ANGELES COUNTY FACILITIES INC.
a California nonprofit public benefit corporation**

and

**TC LA DEVELOPMENT, INC.
a Delaware corporation**

Dated as of _____, 2018

**VERMONT CORRIDOR COUNTY ADMINISTRATION BUILDING
Los Angeles, California**

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DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this “**Agreement**”) effective as of _____, 20__ (the “**Effective Date**”) is by and between LOS ANGELES COUNTY FACILITIES INC., a California nonprofit public benefit corporation (“**Owner**”), and TC LA DEVELOPMENT, INC., a Delaware corporation (“**Developer**”). Owner and Developer are each occasionally referred to herein as a “**Party**” or collectively as the “**Parties**.”

RECITALS

A. Owner is the tenant under that certain Ground Lease dated _____, 2018 (the “**Ground Lease**”), in which the County of Los Angeles a public body, corporate and politic (“**County**” or “**Tenant**”), a political subdivision of the State of California, is the landlord and pursuant to which Owner leases that certain real property in the City of Los Angeles, County of Los Angeles, California, the address of which is 510, 526 and 532 South Vermont Avenue and 523 Shatto Place and which is legally described on the attached Exhibit A (collectively, the “**Premises**”).

B. Pursuant to California Government Code Sections 25549.1 et seq., Owner desires to construct and equip on the Land (i) a new office building with (A) approximately 468,000 gross square feet of Class A office with ground floor retail space and public serving uses, and (B) approximately 965 structured parking spaces; and (ii) a separate 10-story garage structure containing approximately 768 parking spaces, all to serve as the headquarters and office space for the County’s Department of Mental Health, office space for the County’s Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff. Design, permitting, construction, and equipping of the overall project described in the immediately preceding sentence is referred to herein as the “**Project**” and is comprised of two components, the design, permitting, construction, and equipping of a parking garage located at 523 Shatto Place (defined as the Shatto Garage Project in Section 1) and the design, permitting, construction, and equipping of the DMH headquarters building and all ancillary facilities and services (including structured parking) (defined as the Office Project in Section 1). The Project shall be delivered to Tenant in Turnkey Condition as defined in Section 1.

C. Owner, as sublandlord, and County as subtenant are parties to that certain Facilities Lease Agreement of even date herewith (the “**Facilities Lease**”), whereby Owner has agreed to sublease the Premises (defined in Section 1) upon substantial completion of the Project, at the rent and subject to all of the terms, covenants and conditions set forth in the Facilities Lease, a copy of which is attached hereto as Exhibit B.

D. Owner desires to retain Developer to develop, oversee and manage the design, permitting, construction, and equipping phases of the Project in accordance with the terms and conditions of this Agreement. Developer desires to perform development and construction management services in connection with the construction of the Project in accordance with the terms and conditions of this Agreement. Subject to the terms and conditions of this Agreement, Developer warrants to achieve Substantial Completion (defined in Section 1) of the Project no

later than the Developer Obligation Date (defined in Section 1) and for a total price not to exceed the Fixed Price (defined in Section 1).

E. Developer will not perform design or construction services. The Parties intend for Owner to contract directly and separately with (i) the Office Project General Contractor and the Shatto Garage Project General Contractor to construct the Project utilizing a design-build approach and (ii) such other Contractors or consultants who may be engaged to perform discrete elements of design or construction work on the Project to the extent not covered by either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract. If, during the performance of this Agreement, additional construction service contractors are retained, the Owner will contract with them directly or Developer will contract with them on behalf of and acting as the Owner's authorized representative.

F. Owner anticipates that financing for the Project will be obtained through the issuance of Bonds (defined in Section 1). Upon payment in full of the Bonds (and/or other circumstances set forth in the Ground Lease), Owner will convey the Project to County for no additional consideration.

NOW, THEREFORE, in order to fulfill the foregoing objectives, Owner and Developer desire to enter into this Agreement and proceed in accordance with its terms.

1. Definitions. As used herein, the following terms shall have the following meanings:

"ADA" means the Americans with Disabilities Act of 1990, as amended from time to time.

"Agreement" has the meaning set forth in the Preamble.

"Architect" means M. Arthur Gensler Jr. & Associates, Inc., a California corporation, the architect for the Project with respect to the Office Project and Parking Design Solutions Inc., a California corporation, with respect to the Shatto Garage Project, or another qualified architect proposed by Developer and approved by Owner.

"Bond Closing" refers to the date the Bond proceeds are made available to the Trustee.

"Bonds" means those tax-exempt or taxable obligations to be issued by Owner for design, permitting, construction, and equipping of the Project pursuant to the Indenture. The tax-exempt Bonds shall satisfy the requirements of Internal Revenue Service Revenue Ruling 63-20, as amended and updated by Internal Revenue Service Revenue Procedure 82-26, and other regulations, interpretations and letter rulings issued by the Internal Revenue Service with respect to such financings. From the proceeds of such Bonds, Owner intends to pay all costs associated with the Ground Lease, the development of the Project for the Fixed Price, all costs of issuing the Bonds, and capitalized interest during the construction period.

"Commencement of Construction" means the date Developer or Owner executes and delivers to either one or both of the Office Project General Contractor or Shatto Garage Project General Contractor a Notice to Proceed.

“**Condemnation**” has the meaning set forth in Section 21.2(b).

“**Construction Contracts**” means (i) the Office Project General Construction Contract (ii) the Shatto Garage Project General Construction Contract, and (iii) all other contracts for construction services entered into between Owner, or Developer on behalf of and acting as authorized representative for Owner, and any Contractor, for construction of any portion of the Project not covered by either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract.

“**Construction Documents**” means the Construction Drawings and Detailed Specifications approved, in writing, by Owner with Tenant’s Concurrence, for the construction of the Project, including technical drawings, schedules, diagrams, plans and specifications setting forth in detail the requirements for construction of the Project and providing information customarily required for the use of the building trades.

“**Construction Drawings**” means, collectively, the drawings setting forth in detail the requirements for (i) the construction of the Office Project and (ii) the construction of the Shatto Garage Project. As used herein, “Construction Drawings” include all graphic and pictorial documents depicting the design, location and dimensions of the elements of the Project (including Tenant Improvements) and include plans, elevations, sections, details, schedules and diagrams for the Project, all of which shall be consistent with the Project Requirements. The general design and location of the improvements are based upon the general design and concepts presented to Tenant by Owner in Tenant’s “Request for Proposal” process.

“**Contract Documents**” means the Construction Documents, the Construction Contracts and the other documents identified as Contract Documents in either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract, copies of which shall be provided to Tenant.

“**Contractors**” means the Office Project General Contractor, the Shatto Garage Project General Contractor and any other construction contractors and design-builders with whom Owner enters into direct contracts upon the written recommendation of Developer, or with whom Developer on behalf of and acting as the Owner’s authorized representative, enters into contracts. The Office Project General Contractor and the Shatto Garage Project General Contractor shall be subject to Tenant’s Concurrence.

“**Costs Resulting from Owner-Caused Delay**” means any increase in costs of constructing the Project to the extent resulting from Owner-Caused Delay. Where additional costs are incurred as a result of a combination of Owner-Caused Delay and any other factor causing delay (whether caused by Developer, Contractor, a third-party, or by anyone or anything else), Costs Resulting From Owner-Caused Delay shall be only the portion of such costs fairly attributable to Owner-Caused Delay.

“**County**” has the meaning set forth in Recital A.

“**Deed of Trust**” has the meaning set forth in Section 16.4(b).

“Design Development Drawings” means drawings that are a consistent development of the Schematic Drawings and further define and describe all important aspects of the Project. The Design Development Drawings will serve as the basis for the Construction Drawings.

“Detailed Specifications” means all written detailed requirements for materials, equipment, construction systems, standards and workmanship for the construction of the Project.

“Developer” has the meaning set forth in the Preamble, together with any successors and assigns permitted under this Agreement.

“Developer Obligation Date” means _____, 20___. The Developer Obligation Date shall be extended for any delays resulting from the following: the extent (i) Bond Closing has not occurred on or before _____, 20___, (ii) Owner has not issued its Notice to Proceed on or before _____, 20___, (iii) of Owner-Caused Delays, or (iv) of Unavoidable Delays; provided, however, extensions due to Unavoidable Delays shall not exceed ninety (90) days. Notwithstanding the foregoing, if the Unavoidable Delay is a direct and unavoidable result of either (1) a casualty or condemnation subject to Section 21 or (2) the discovery of Hazardous Substances beneath the surface of the Premises, which existed but were unknown (or the location or extent of which were unknown based on the information in Developer’s possession as of the Effective Date) to Developer as of the Effective Date, then the ninety (90) day limitation set forth in the immediately preceding sentence shall not apply.

“Developer’s Fee” means the fee to be paid to Developer pursuant to Section 11.1 and subject to the terms and conditions set forth in Sections 7.2, 11 and 12.

“Effective Date” has the meaning set forth in the Preamble.

“Environmental Laws” means all federal, state, and local laws, statutes, rules, regulations, ordinances, and codes relating to the regulation or protection of human health, safety, the environment, and natural resources, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. §§ 9601 *et seq.*), the Hazardous Materials Transportation Act (49 U.S.C. §§ 5101 *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 *et seq.*), the Clean Air Act (42 U.S.C. §§ 7401 *et seq.*), the Clean Water Act (33 U.S.C. §§ 1251 *et seq.*), the Solid Waste Disposal Act (42 U.S.C. §§ 6901 *et seq.*), the Toxic Substances Control Act (15 U.S.C. §§ 2601 *et seq.*), the Emergency Planning and Community Right-To-Know Act (42 U.S.C. §§ 11001 *et seq.*), the Occupational Safety and Health Act (29 U.S.C. §§ 651 *et seq.*), and any similar or comparable state or local laws, including, without limitation, the California Hazardous Substance Account Act (California Health & Safety Code §§ 25300 *et seq.*), as such federal, state, and local laws exist as of the Effective Date and as amended in the future.

“Event of Default” has the meanings set forth in Sections 23.2 and 23.3.

“Excess Liquidated Damages” has the meaning set forth in Section 7.2(d).

“Existing Garage” means the existing garage structure located at 523 Shatto Place.

“Facilities Lease” means the Facilities Lease Agreement to be executed between Owner and Tenant for occupancy of the Premises, in the form attached hereto as Exhibit B.

“Final Acceptance” means the Owner’s written approval and concurrence that certain events, more fully defined in Section 12.5, have occurred prior to Final Payment being made.

“Final Payment” means payment to the Developer, the Architect, the Office Project General Contractor, the Shatto Garage Project General Contractor, and any other Contractors, by Owner following Final Acceptance of the Project pursuant to Section 12.

“Financed FF&E” means furniture, fixtures, equipment and movable property as set forth on Exhibit J, the costs of which will (i) be included in Project Costs, but only to the extent of the Financed FF&E Allowance set forth in the approved Project Budget, and (ii) financed through the Bonds. Any cost of furniture, fixtures, equipment, and movable property that is in excess of the Financed FF&E Allowance set forth in the approved Project Budget shall not be part of the Fixed Price. The Financed FF&E will be designed, provided and installed as set forth on Exhibit J.

“Financed FF&E Allowance” means the amount of \$ _____, as set forth in the Project Budget for the Financed FF&E. Any costs of Financed FF&E in excess of the Financed FF&E Allowance shall be deemed to be an Other Owner Cost.

“Financing Costs” means all financing costs approved by bond counsel and County in connection with the issuance of the Bonds.

“Fixed Price” means an amount not to exceed \$ _____, the total amount to be paid by Owner for Project Costs. A detailed description of Project Costs by line item and category is set forth in the Project Budget.

“Ground Lease” has the meaning set forth in Recital A.

“Guaranteed Maximum Construction Price” means (i) with respect to the Office Project, the maximum cost for construction of the Office Project, as guaranteed by the Office Project General Contractor pursuant to the terms of the Office Project General Construction Contract, and (ii) with respect to the Shatto Garage Project, the maximum cost for construction of the Shatto Garage Project, as guaranteed by the Shatto Garage Project General Contractor pursuant to the terms of the Shatto Garage Project General Construction Contract.

“Hazardous Substances” means the following: (a) petroleum, any petroleum by-products, waste oil, crude oil or natural gas; (b) any material, waste or substance that is or contains asbestos or polychlorinated biphenyls, or is radioactive; any medical waste; and (c) any substance, product, waste or other material of any nature whatsoever which is or becomes defined, listed or regulated as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “solid waste,” “radioactive material,” or similarly defined substance pursuant to any Applicable Laws, including the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, 42 U.S.C. §§ 9601 *et seq.*; the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1801 *et seq.*; the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 *et seq.*; the California Health & Safety Code and all other

analogous State of California and local statutes, ordinances and regulations, including, without limitation, any dealing with underground storage tanks; provided, however, “Hazardous Substances” shall not include any of the foregoing materials or substances described above that are of the types and in quantities customarily used in the ordinary course of construction, occupancy or operation of office buildings similar to the Project, including, without limitation, in the ordinary course of delivering medical care in accordance with generally accepted standard practices, consisting of (i) office, cleaning, building maintenance, and construction materials and supplies used in reasonable quantities and in the ordinary course of the construction, occupancy or operation of the Project, and (ii) gasoline or diesel fuel in the tanks of automobiles and other machines located on the Premises (whether during construction or otherwise); but only so long as, in the case of (i) and (ii), they are always stored, maintained, used and disposed of in compliance with all Applicable Laws.

“**Indemnification Claim Notice**” has the meaning set forth in Section 15.3.

“**Indemnified Party**” has the meaning set forth in Section 15.3.

“**Indemnifying Party**” has the meaning set forth in Section 15.3.

“**Indenture**” means the trust indenture pursuant to which Owner will cause the issuance of the Bonds.

“**Initial Draw**” means Developer’s first application for payment of Project Costs, which shall not occur before Bond Closing.

“**Laws**” means all of the following, even if unforeseen or extraordinary, to the extent affecting any of, (a) Owner, its members, owners, shareholders, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (b) Tenant, its board members, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (c) Developer, its members, owners, shareholders, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (d) Trustee, its members, owners, shareholders, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (e) all or any portion of the Premises, or (f) the use, occupancy, possession, construction, operation, maintenance, improvement, alteration, repair, or restoration of any portion of the Project: (x) all present and future laws, statutes, requirements, ordinances, orders, judgments, regulations, resolutions, covenants, restrictions, or administrative or judicial determinations of every governmental authority and of every court or agency claiming jurisdiction over Owner, Tenant, Developer, Trustee, the Project, or the Premises or matters set forth in clauses (a) through (f), above, whether enacted or in effect as of the Effective Date or thereafter, including, but not limited to, California Labor Code §§ 1720 *et seq.*, environmental laws, zoning laws, building codes and regulations and those laws relating to accessibility to, usability by, and discrimination against, disabled individuals; and (y) all covenants, restrictions, and conditions of record affecting the Premises from time to time.

“**LEED**” has the meaning set forth in Section 4.7.

“**Liabilities**” has the meaning set forth in Section 15.1.

“**LTWH**” has the meaning set forth in Section 7.4(e)(1).

“**Monthly Carrying Costs**” has the meaning set forth in Section 7.2(b).

“**Notice to Proceed**” means the notice to be delivered by Owner to Developer, at or following the Bond Closing and the execution of all Construction Contracts, whereby Owner authorizes the Commencement of Construction.

“**Office Project**” means the new office building with (a) approximately 468,000 gross square feet of Class A office with ground floor retail space and public service uses, and (b) the Tower Garage, all to serve as the headquarters and office space for the County’s Department of Mental Health, office space for the County’s Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff. The Office Project design shall be structured around a solid core and shell to ensure a functional and easily maintainable building foundation. The Office Project shall be designed to meet LEED Silver certification standards.

“**Office Project General Construction Contract**” means the agreement between Owner and the Office Project General Contractor for construction of the Office Project.

“**Office Project General Contractor**” means Hathaway Dinwiddie Construction Company, a California corporation, the anticipated general contractor for the Office Project, or another qualified general contractor proposed by Developer and approved by Owner.

“**Office Project Substantial Completion Date**” means the date of Substantial Completion of the Office Project.

“**Other Owner Costs**” means all costs that are explicitly stated in this Agreement to be the responsibility of Owner or Tenant or are stated not to be the responsibility of Developer. Other Owner Costs shall include, without limitation, Tenant’s Personal Property and any taxes thereon, any costs of Financed FF&E in excess of the Financed FF&E Allowance, Procured FF&E (if any), Relocation Services, the premium for the policy of builder’s risk insurance for the Project (and any deductible thereunder) that is procured by Owner, Financing Costs and any other costs associated with the Bonds, costs for the Ground Lease, title, escrow and recording costs), debt service on the Bonds, attorneys’ fees and costs incurred by Owner or Tenant, property taxes and assessments of any nature with respect to the Premises or any improvements located on the Premises, costs associated with any licensee, subtenant or other occupant of the Premises, expenses resulting from Owner-Caused Delays or Unavoidable Delays (including, without limitation, expenses incurred in connection with a casualty, and including, without limitation, environmental clean-up costs exceeding the line item allowance amount for environmental clean-up set forth in the Project Budget attached as Exhibit D) except as otherwise provided in Section 7.2, consulting fees for any consultants engaged by Owner, Tenant or Trustee as permitted under Section 9.3, costs associated with any lawsuit, claim or other action pending or threatened against Owner or Tenant, except as otherwise provided in Sections 13, 15 and 24. Other Owner Costs are not part of the Fixed Price; provided, however, the costs associated with Other Owner Costs that are managed by Developer shall be added to the Project Costs for purposes of calculating the Developer’s Fee.

“Overhead Allowance” means the overhead allowance to be paid to Developer in accordance with the provisions of Section 11.2.

“Owner” has the meaning set forth in the Preamble together with its successors and permitted assigns in accordance with the Ground Lease and Facilities Lease.

“Owner’s Representative” has the meaning set forth in Section 17.2.

“Owner’s Warranty Claim” has the meaning set forth in Section 13(h).

“Owner-Caused Delay” means any period of delay in the overall progress of design, construction, and completion of the Project, including Tenant Improvements, to the extent caused by (i) Owner-initiated change orders to either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract, (ii) Owner-initiated changes to the Construction Documents, (iii) Owner’s failure to approve, disapprove, decide, or otherwise respond to Developer with respect to a particular item for which Owner’s response is required hereunder or under either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract, or failure to deliver plans, information, specifications, or other information within the time frames required under this Agreement or either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract (if Owner’s failure to approve, disapprove, decide, or otherwise respond to Developer with respect to a particular item for which Owner’s response is required is not a deemed approval under this Agreement), (iv) Owner’s failure to timely fund Project Costs or Other Owner Costs, or (v) Tenant’s intentional interference with work being performed under the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract. However, Owner-Caused Delay shall not include: (a) delay to the extent caused by Developer’s failure to provide, within the time frames allowed hereunder, draw requests, architect’s certifications, progress completion certifications, copies of change orders and supporting documentation, shop drawings, schedules, costs, invoices, job progress reports, or other documents or information which Owner is entitled to receive hereunder or which is reasonably requested by Owner in connection with any such decision or response, or (b) delay to the extent caused by the existence of reasonable cause to suspect that construction of the Project or any other services provided by Developer have not been performed in accordance with Construction Documents and other requirements hereunder, in which case Owner-Caused Delay shall not include the amount of additional time reasonably needed by Owner to determine whether such construction or other services conform to all requirements hereunder, so long as Owner proceeds with all reasonable diligence to make such determination. To facilitate timeliness in Owner’s communications with Developer over matters relating to design or construction of the Project and to minimize the possibility of Owner-Caused Delay, Developer shall alert Owner to deadlines for approvals, decisions or other responses that Owner must provide hereunder, including, among other methods, attachment of “deadline cover sheets” on any submissions to Owner that require response by a particular deadline or distribution of weekly calendars that show deadlines imposed on Owner. If Developer at any time believes that an instance of Owner-Caused Delay has occurred that has directly caused or will directly cause an increase in Project Costs or extension of the Developer Obligation Date, Developer shall send a written notification to Owner and Tenant within five (5) business days of Developer’s discovery of the occurrence of such alleged Owner-Caused Delay setting forth in reasonable detail (w) a

detailed description of alleged event that constituted such Owner-Caused Delay, (x) the period of alleged Owner-Caused Delay, (y) how the alleged Owner-Caused Delay adversely impacted the Project Schedule, and (z) any incremental increase in Project Costs that are identifiable or reasonably foreseeable as a direct result of such Owner-Caused Delay. Any disputes between Developer and Owner over Project Costs attributable to Owner-Caused Delay shall not be a reason to stop or delay construction of the Project and shall be resolved by the Parties as expeditiously as possible, either by mutual agreement of the Parties or in accordance with the dispute resolution mechanisms described in Section 24.

“Owner Discretionary Costs” means certain costs to be paid by Owner, and shall include, audit, inspection, and other administrative costs incurred prior to Substantial Completion, as described under the heading “Owner Discretionary Costs” on the Project Budget attached hereto as Exhibit D. Owner Discretionary Costs may be incurred only at the discretion of the Owner, and therefore are not part of the Fixed Price; provided, however, the costs associated with Owner Discretionary Costs that are managed by Developer shall be added to the Project Costs for purposes of calculating the Developer’s Fee.

“Party” and **“Parties”** has the meaning set forth in the Preamble.

“Permits” means all land use approvals, permits and approvals required for construction and occupancy of the Project under any Law.

“Permitted Use” means use of the Premises by Tenant for office, retail, parking and/or any other lawful use consistent with the provisions of Section 7 and the Ground Lease.

“Preliminary Plans” means the initial renderings, program requirements, Schematic Design Drawings, Design Development Drawings, Plan Check Ready Drawings and specifications for the Project as approved by the Owner with Tenant Concurrence as a part of the pre-development deliverables. A detailed list of the Preliminary Plans is attached hereto as Exhibit E.

“Premises” means the real property described in Recital A and the entirety of the facilities and any other improvements located on such property from time to time.

“Procured FF&E” means furniture, fixtures, equipment, and movable property installed in the Project by Developer at Owner’s direction through an Owner initiated change order, the costs of which will be an Other Owner Cost and shall not be part of the Fixed Price; provided, however, the costs associated with the Procured FF&E shall be added to the Project Cost for purposes of calculating the Developer Fee.

“Project” has the meaning set forth in Recital B, inclusive of all design, permitting and construction, all design and other professional services, and all labor, materials and equipment used or incorporated in such design and construction of the (a) Office Project, (b) Tenant Improvements to be constructed within the Office Project, (c) the Financed FF&E and the Procured FF&E, and (d) the Shatto Garage Project. The Project shall be consistent with and reasonably inferable from the approved Project Requirements as being necessary to produce the intended results. Notwithstanding the foregoing or anything to the contrary contained in this

Agreement, the Financed FF&E will be designed, provided and installed in accordance the provisions of Exhibit J.

“Project Application for Payment” means the procedures by which requests for payment for Project Costs and other costs shall be made in accordance with Section 9.

“Project Budget” means the budget for development of the Project attached to this Agreement as Exhibit D, as revised from time to time by Developer and Owner with Tenant’s Concurrence in accordance with this Agreement.

“Project Contingency” means the contingency by that name set forth in the Project Budget together with all cost savings in all line items that are not required for allocation to other line items in which excess Project Costs were incurred.

“Project Costs” means all costs for the completion of the development, design, permitting, construction, and equipping of the Project, including, without limitation, all site work, including utility relocation and installation of utilities as required to serve the Project, all roadway improvements (if any), sidewalks and landscaping, all permit fees, all costs of the Office Project and the Shatto Garage Project, HVAC, electrical and other building systems, including but not limited to conduit rough-in for data, telephone, and security, all costs of Tenant Improvements including HVAC thermostats and operating controls, all costs of Financed FF&E (but only to the extent of the Financed FF&E Allowance set forth in the approved Project Budget), all costs of architectural services provided by the Architect, all other professional design services and other services provided by Contractors or other professionals engaged by Developer, the Office Project General Contractor or the Shatto Garage Project General Contractor, all amounts paid to the Office Project General Contractor and the Shatto Garage Project General Contractor, under either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract, including all labor, material, and equipment used or incorporated in such design and construction, all amounts paid to other Contractors and subcontractors, if any, under any other Construction Contract or subcontract entered into by Owner upon the written approval of Developer or by Developer on behalf of and acting as the Owner’s authorized representative in connection with the Project, including all labor, material, equipment used or incorporated in such design and construction, services provided by engineers, environmental consultants, surveyors and other professionals and consultants retained by Developer in connection with the Project, the Developer’s Overhead Allowance, Developer’s Fee, insurance (other than Bond insurance and other than builder’s risk insurance policy, which shall be purchased by Owner and not by Developer or General Contractor), payment and performance bonds, applicable state and local retail sales taxes, and the Project Contingency; provided, however, Project Costs shall not mean, except as specifically provided in Section 11 (relating to Developer’s Overhead Allowance and Developer’s Fee) or as set forth in the Project Budget, (i) salaries or other compensation of Developer’s personnel normally situated at Developer’s principal office or branch offices, (ii) except as otherwise provided in the Construction Contracts, salaries or other compensation for any Contractor’s personnel normally situated at such Contractor’s principal office or branch offices, (iii) salaries or other compensation for any officer of Developer or Contractor; (iv) expenses of Developer’s or any Contractor’s principal office; (v) overhead or general expenses, except as expressly provided in the definition of Project Costs; and (vi) Project Costs in excess of the Fixed Price.

Notwithstanding anything to the contrary herein, Project Costs do not include and Developer has no responsibility for (a) Tenant’s Personal Property and any taxes thereon (which shall be paid by Tenant at its sole cost and expense); (b) Owner Discretionary Costs; (c) Costs Resulting from Owner-Caused Delay; (d) any increase in the cost of the Project resulting from Owner-initiated change orders; (e) real property taxes and assessments with respect to the Premises and the improvements thereon; and (f) Other Owner Costs.

“Project Fund” means the fund of that name established under the Indenture for the purpose, among others, of paying Project Costs.

“Project Requirements” means the Preliminary Plans, Construction Documents, Requirements of Law, and any other requirements for the Project specifically agreed to by Owner and Developer with Tenant’s Concurrence.

“Project Schedule” means the schedule for development and construction of the Project as set forth on the attached Exhibit F, as revised from time to time by Developer and Owner with Tenant’s Concurrence in accordance with this Agreement; provided, however, that in no event shall the Project Schedule provide for Substantial Completion of the Project to occur later than the Developer Obligation Date.

“Punch List” means a list of items required to be completed prior to Final Acceptance that are minor items which do not affect Owner’s ability to lease the Premises to Tenant and do not affect Tenant’s ability to occupy and use the Premises for the Permitted Use. The Punch List shall be subject to Tenant’s Concurrence.

“Relocation Services” means the relocation and installation of Tenant’s furniture, fixtures, equipment and movable property from Tenant’s current buildings at 550 South Vermont Avenue and 3175 West 6th Street to the Office Project in conformance with plans, change orders and directions agreed by Owner and Developer with Tenant’s Concurrence, the cost of which shall not be part of the Bonds and shall be paid with other monies.

“Required Art” means art to be installed in accordance with the County’s arts policy and the Construction Documents.

“Requirements of Law” means all requirements relating to land and building construction, including those specifically applicable to Tenant’s contemplated use of the Premises for the Permitted Use, and planning, zoning, subdivision, environmental, air quality, flood hazard, fire safety, accessibility, and other governmental approvals, permits, licenses and/or certificates as may be necessary from time to time to comply with all the foregoing and other applicable statutes, rules, orders, regulations, laws, Laws, ordinances, and covenants, conditions and restrictions, which apply to and/or affect the design, construction, existence, intended use, operation and/or occupancy of the Premises or any part thereof.

“Sale of the Bonds” means execution and delivery by Owner and a responsible bond underwriter of an agreement providing for the purchase and sale of the Bonds on terms consistent with the terms of the Facilities Lease and with no conditions to the underwriter’s obligation to pay for and accept delivery of the Bonds other than those conditions contained in said agreement between Owner and the responsible bond underwriter.

“Schematic Drawings” means drawings establishing the general scope, conceptual design, design intent and scale and relationship among the components of the Project.

“Shatto Garage Project” means the new parking structure consisting of a 10-story garage structure containing approximately 768 parking spaces located at 523 Shatto Place, Los Angeles California, which is intended to provide parking for the Office Project. A site plan of the Project showing the Shatto Garage Project is attached hereto as Exhibit C.

“Shatto Garage Project General Construction Contract” means the agreement between Owner and the Shatto Garage Project General Contractor for construction of the Shatto Garage Project.

“Shatto Garage Project General Contractor” means Bomel Construction Company Inc., a California corporation, the anticipated general contractor for the Shatto Garage Project, or another qualified general contractor proposed by Developer and approved by Owner.

“Shatto Garage Project Substantial Completion Date” means the date of Substantial Completion of the Shatto Garage Project.

“Substantial Completion Date” means the date of Substantial Completion of the Project.

“Substantial Completion of the Office Project” has the meaning set forth in Section 12.2(a).

“Substantial Completion of the Project” has the meaning set forth in Section 12.2(c).

“Substantial Completion of the Shatto Garage Project” has the meaning set forth in Section 12.2(b).

“Substantially Complete” or “Substantially Completed” means

(a) with respect to the Project in its entirety, that the Project has been constructed in substantial accordance with the Contract Documents and: (i) all elements required for the functioning of the Project are operational and in good working order and condition including satisfying applicable ADA building requirements, as well as regulations adopted thereunder; (ii) the Office Project and, to the extent applicable, the Shatto Garage Project, is weather tight and waterproof; (iii) the fire and life safety systems within the Project are operational and in good working order and condition; (iv) the elevators within the Project operate and function in good working order and condition, but may still require minor touch up installation and cleaning; (v) the mechanical and electrical systems, including but not limited to the HVAC system, have been individually tested and verified that they are in good working order and able to support the Permitted Use of the Project by the Tenant, and have been tested to assure that the Project systems operate on an integrated basis; (vi) the finish work has been substantially completed, including, but not limited to, public lobby, elevator, HVAC, plumbing, fire and life safety, sprinkler and electrical systems, doors, partitions, cabinetry, carpet and base, including removal of all construction debris; and (vii) all roadway improvements, site utilities, sidewalks and landscaping have been substantially

completed and construction barricades and equipment have been removed; except, in each case, minor Punch List items which do not materially affect use and occupancy of the Project for its Permitted Use;

(b) with respect to the Office Project, that the Office Project has been constructed in substantial accordance with the Contract Documents and that the requirements of clauses (a)(i) through (vii) above have been satisfied to the extent that such requirements apply to the Office Project; and

(c) with respect to the Shatto Garage Project, that the Shatto Garage Project has been constructed in substantial accordance with the Contract Documents and that the requirements of clauses (a)(i) through (vii) above have been satisfied to the extent that such requirements apply to the Shatto Garage Project.

“**Tenant**” has the meaning set forth in Recital A together with any successors and assigns permitted under the Facilities Lease.

“**Tenant Improvements**” means improvements to the interior of the Office Project, including but not limited to HVAC thermostats, operating controls and conduit rough-in for data, telephone, and security wiring, as they are described in the Construction Documents.

“**Tenant’s Concurrence**” means, with respect to any Contract Documents or any action to be taken by Owner with respect to the Project for which Tenant’s Concurrence is specified, (a) the written approval of Tenant to such Contract Document or action following written notice to Tenant from Owner or Developer requesting such concurrence or (b) any deemed concurrence pursuant to this Agreement. Tenant’s Concurrence (whether written or deemed) is given solely as an expression of Tenant’s lack of objection to any Contract Documents or any action for which Tenant’s Concurrence is sought and shall under no circumstance be deemed or construed to constitute (x) Tenant’s endorsement of such Contract Document or action, (y) a professional opinion by Tenant regarding the effect, safety, legality, or construction worthiness of any improvement or work conducted in accordance with such Contract Document or action, or (z) Tenant’s acceptance or assumption of any liability arising from such Contract Document or action. Tenant’s written approval of such Contract Document or action shall be made within ten (10) Business Days following written notice to Tenant from Owner requesting such concurrence. Owner shall include in any such notice, printed in capital letters and boldface type, a legend to the following effect:

“THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN TEN (10) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE CONTRACT DOCUMENTS DESCRIBED HEREIN.”

If the foregoing legend is included by the Owner in its communication, then the submitted Contract Documents shall be deemed to have been approved if the Tenant fails to object with respect thereto within ten (10) Business Days of receipt of such notice. Tenant’s Concurrence shall not be unreasonably withheld, conditioned or delayed.

“Tenant’s Personal Property” means Tenant’s furniture, equipment, and movable personal property placed in the Premises. Tenant shall provide and install Tenant’s Personal Property at Tenant’s sole cost and expense. Tenant’s Personal Property does not include Financed FF&E or Procured FF&E otherwise purchased and installed by Developer.

“Title Policies” means the leasehold policy of title insurance issued to Owner upon its acquisition of a leasehold interest in the Premises pursuant to the Ground Lease and the lender’s policy of title insurance issued to the Trustee upon the recording of the mortgage or deed of trust in favor of the Trustee.

“Tower Garage” means that certain parking structure having approximately 965 parking spaces located in the podium of the Office Project.

“Tower Garage Completion” means that the Tower Garage has been constructed in substantial accordance with the Contract Documents and: (a) all elements required for the functioning of the Tower Garage are operational and in good working order and condition including satisfying applicable ADA building requirements, as well as regulations adopted thereunder; (b) the fire and life safety systems within the Tower Garage are operational and in good working order and condition; (c) the Tower Garage elevators operate and function in good working order and condition, but may still require minor touch up installation and cleaning; (d) the mechanical and electrical systems, including but not limited to the ventilation system, have been individually tested and verified that they are in good working order and able to support the use of the Tower Garage by Tenant, and have been tested to assure that the Tower Garage systems operate on an integrated basis; (e) the finish work has been substantially completed, including, but not limited to elevator, ventilation, plumbing, fire and life safety, sprinkler and electrical systems, doors, including removal of all construction debris; (f) Tenant has been provided ingress and egress access to and from the Tower Garage, (g) a temporary certificate of occupancy has been issued by County allowing for Tenant’s intended use of the Tower Garage, and (h) Tenant has accepted the Tower Garage as being available for its occupancy pursuant to the terms set forth above, except, in the case of (a) through (f) above, minor Punch List items which do not materially affect use and occupancy of the Tower Garage for its intended use by Tenant.

“Tower Garage Occupancy Agreement” means that certain occupancy agreement of even date herewith between Owner as licensor and Tenant as licensee, pursuant to which Tenant shall (a) have the right to occupy the Tower Garage from the date of the Tower Garage Completion to the Office Project Substantial Completion Date, and (b) pay the actual expenses attributable to its occupancy to Owner

“Trustee” means a national bank or other financial institution with trust powers selected by Owner to serve as the bond trustee under the Indenture or any duly authorized successor thereto appointed pursuant to the Indenture.

“Turnkey Condition” when used to describe the Office Project, means that Substantial Completion of the Office Project has been achieved, and all Financed FF&E and Procured FF&E has been installed in accordance with the Construction Documents, and the Office Project is fully

occupiable and usable for its intended purposes by Tenant and any agreed Relocation Services have been completed.

“Unavoidable Delays” means any delay in the performance by Developer, the Office Project General Contractor or the Shatto Garage Project General Contractor of its obligations with respect to construction of the Project caused by strikes or labor disputes (other than those caused by Developer’s acts, omissions or failure to negotiate in good faith), acts of God, unavoidable casualties, adverse weather conditions in excess of those usually encountered in the Los Angeles area which prevent or delay critical path construction activities as and when scheduled by the Contractors, acts of terrorists, governmental delays in issuing permits or conducting inspections (beyond the typical delays expected in a project of the size and type of the Project and provided that Developer has filed all applications and paid all required fees for such permits in a timely fashion), delays caused by Tenant (which does not include any period of time provided in the Facilities Lease or this Agreement for Tenant to review and respond to any submission), governmental embargo restrictions, subsurface and environmental conditions not reasonably identified by Developer prior to the Effective Date in the exercise of its commercially reasonable due diligence (including, without limitation, the location and extent of oil wells or other Hazardous Substances), or other causes beyond the reasonable control of Developer or the Office Project General Contractor or the Shatto Garage Project General Contractor, which, after the exercise of due diligence to mitigate the effects thereof, delay construction of the Project. Unavoidable Delays are not delays resulting from (a) Developer’s or the Office Project General Contractor” or the Shatto Garage Project General Contractor’s failure to comply with the terms and provisions of this Agreement, the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract (as applicable), (b) increased prices, or (c) unavailability of funds, provided the Fixed Price (and all other funds payable by Owner under this Agreement) is timely paid by Owner in accordance with Section 9. Unavoidable Delays will entitle Developer and the Office Project General Contractor or the Shatto Garage Project General Contractor to an extension of the Developer Obligation Date, but will in no way entitle Developer to additional compensation, except as otherwise provided in this Agreement. Nothing contained herein shall prevent Developer from allocating the Project Contingency to increased costs of constructing the Project caused by Unavoidable Delays. Notwithstanding the foregoing, in order for either Party to claim an Unavoidable Delay, the Unavoidable Delay must be described in reasonable detail a written notice given by the Party claiming such Unavoidable Delay to the other Party within ten (10) Business Days after the Party claiming such Unavoidable Delay obtained knowledge of the event or circumstances giving rise to the claim of Unavoidable Delay, which notice shall reasonably specify the nature of the event giving rise to the claim of Unavoidable Delay and the date of commencement of the Unavoidable Delay and the (i) estimated delay (if ongoing) or (ii) the actual delay (if not ongoing) caused by such event or circumstances.

Any disagreements with regard to Unavoidable Delays that cannot be resolved by Developer and Owner shall be resolved in accordance with Section 24, but (subject to Owner's continued funding of the Project Costs up to the amount of the Fixed Price) work shall continue pending resolution of such dispute.

“USGBC” has the meaning set forth in Section 4.7.

“**Warranty Period**” means that period commencing on the date of Substantial Completion of the applicable portion of the Project and expiring one (1) year thereafter.

2. Development of the Project.

2.1 Fixed Price. Owner hereby retains Developer and Developer shall, in accordance with the terms of this Agreement, develop, oversee and manage the design, permitting, construction, and equipping phases of the Project in accordance with the terms and conditions of this Agreement. Subject to the terms of this Agreement, and provided the Fixed Price is paid in accordance with Section 9 and Owner timely pays all other amounts payable by Owner under this Agreement, Developer warrants Substantial Completion of the Project (i) constructed in a good and workmanlike manner, (ii) in substantial accordance with the Contract Documents, (iii) on or before the Developer Obligation Date, (iv) for the Fixed Price (excluding any components of the Project that are not Project Costs), and (v) free and clear of all liens. Project Costs exceeding the Fixed Price shall be paid by Developer, with Developer depositing any required funds with Trustee pursuant to Section 9.6.

2.2 Owner Discretionary Costs. Owner Discretionary Costs shall not be considered Project Costs but shall be Owner's sole responsibility and shall not be Developer's responsibility.

2.3 Diligent Efforts; Relationship of the Parties. Developer accepts the relationship of trust and confidence established with Owner by this Agreement and agrees that in providing the services set forth in this Agreement, Developer shall use its diligent efforts and shall furnish its best skill and judgment and shall cooperate with, coordinate, manage, direct and oversee the Office Project General Contractor, the Shatto Garage Project General Contractor, all other Contractors, all other engineers, design consultants, managers and other persons retained in connection with the design, permitting, development and construction of the Project so as to cause Substantial Completion of the Project for the Fixed Price in an expeditious and economic manner consistent with the best interests of Owner, and otherwise in a good and workmanlike manner and in substantial accordance with the Contract Documents, on or before the Developer Obligation Date, free and clear of all liens (provided the Fixed Price is paid in accordance with Section 9). Developer shall perform its services in accordance with the terms of this Agreement, including, without limitation, all services to be provided by Developer as described in Section 5. Developer shall not perform any construction services in connection with this Agreement. By the terms of this Agreement, Developer (a) is not obligated to perform services for which Owner has contracted with a third party without Developer's prior written consent, and (b) except as set forth in Section 23.2, is not obligated to pay for such services for which Owner has contracted with third parties without Developer's prior written consent, and such services shall be paid for directly by Owner and shall not be considered Project Costs unless they are pre-approved by Developer in writing.

2.4 Mutual Cooperation; Liability of Owner. Developer and Owner shall fully and in good faith cooperate with each other to accomplish all of the activities contemplated in this Agreement. Owner shall have no liability or responsibility whatsoever with respect to the activities to be performed by Developer, except to timely pay the Fixed Price and to timely

perform all obligations of Owner set forth in this Agreement pursuant to the terms and conditions contained herein.

2.5 Term. The rights and obligations of the Developer and Owner hereunder shall commence on the Effective Date and shall continue until expiration of the Warranty Period.

3. Project Financing.

3.1 Issuance of Bonds. Owner intends to issue Bonds in a principal amount sufficient to pay the Project Costs, Financing Costs and other costs payable pursuant to the terms of the Indenture.

3.2 Disbursal of Proceeds. A portion of the proceeds from the sale of the Bonds in an amount sufficient to pay the Fixed Price shall be deposited into the Project Fund held by the Trustee and shall be used to pay Project Costs and other costs in accordance with the terms of the Indenture and this Agreement.

4. Project Design. Developer shall cause design services to be performed by qualified architects, engineers and other professionals recommended by Developer, approved by Owner and paid as part of the Project Costs. Developer shall provide to Tenant copies of any notices, plans, specifications, or other documents required to be delivered to Owner under this Agreement. In addition, Tenant shall have the right, but not the obligation, to attend design meetings with Developer, Architect, and other design professionals as appropriate in the course of development of Construction Documents. Tenant shall also have the right to simultaneously provide to Developer a copy of any notice Tenant issues to Owner.

4.1 Selection of Development Team for Project. In addition to the Architect, the Office Project General Contractor and the Shatto Garage Project General Contractor, the following entities have been approved by Owner and are intended to be retained in connection with the Project:

- (a) Utility Consultant: E4 Utility Design
- (b) Civil Engineers: KPFF
- (c) Landscape Architect: Brightview
- (d) Geotechnical Engineers: Geotechnologies
- (e) Environmental Consultants: Tetra Tech; Citadel Environmental
- (f) Commissioning Agent: Salas O'Brien South, LLC
- (g) B-Permit Signal Design: KOA Corporation, Inc.

In order to complete the Project, Developer shall have the right to select other professionals as necessary or desirable for the design, permitting, and development of the Project and shall have the obligation to recommend other Contractors for Owner's approval. Except as

otherwise provided in this Agreement, all amounts paid to the entities outlined above and any others hereinafter engaged by Developer in connection with the performance of its duties and responsibilities under this Agreement, or as authorized representative for Owner, shall be part of the Fixed Price.

4.2 Design-Build Contracts. As a design-build contract, the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract shall provide that the design professionals shall be engaged by either the Office Project General Contractor or the Shatto Garage Project General Contractor, as applicable.

4.3 Amendments of Design or Construction Contracts. Consistent with the terms and conditions of each of the Office Project General Construction Contract and the Shatto Garage Project General Construction Contract, there shall be no amendment to such Construction Contracts or the Architect agreement, without the prior written consent of Owner, Tenant's Concurrence and the concurrence of Developer. Developer shall provide Tenant a copy of all proposed changes to the Construction Documents requiring Owner's review and/or approval pursuant to this Agreement and Section 9.17 of the Facilities Lease, as and when such proposed changes are provided to Owner. All rights of Owner and Developer, respectively, under each of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract and any other contract designated by Trustee shall be assigned to Trustee. Developer shall obtain, at no cost to Owner, the consent of Office Project General Contractor or the Shatto Garage Project General Contractor and other design professionals and Contractors as necessary to each such assignment.

4.4 Project Budget. The Project Budget sets forth a detailed itemization by line item and category of all Project Costs, including the Project Contingency, Overhead Allowance and Developer's Fee. The Project Budget is attached hereto as Exhibit D.

4.5 Drawings. Prior to the execution of this Agreement, Developer caused the Schematic Drawings, the Design Development Drawings and the Construction Drawings and Detailed Specifications for the Office Project and the Shatto Garage Project to be prepared, in each case for Developer's review, Owner's approval and Tenant's Concurrence. All such approved drawings and specifications are included in the Preliminary Plans and listed on Exhibit E.

4.6 ADA Compliance. Each design contract shall include a provision requiring that upon "substantial completion" of that portion of the work covered by that design contract, the work and the portion of the Project so constructed shall comply with the applicable Americans with Disabilities Act requirements referenced herein.

4.7 LEED Certification. Developer shall use commercially reasonable efforts to obtain a Leadership in Energy and Environmental Design – NC 2009 ("LEED") Silver certification from the U.S. Green Building Council ("USGBC") with respect to the Office Project. Owner acknowledges that the design decisions made by it and by Tenant will have an impact on the LEED certifications received and will work in good faith with Developer when making those decisions to consider their potential impact on LEED certifications. Developer shall keep Owner and Tenant apprised throughout the design process of any design decisions that

may affect the LEED certifications of the Office Project and with respect to any preliminary determinations made by the USGBC with respect to the LEED certification of those improvements. It is anticipated that the final determination by the USGBC of the LEED certification of the Office Project will not occur until after Final Acceptance. Owner shall hold back 2.5% of the Developer's Fee until a LEED certification is obtained for the Office Project, and Developer shall diligently and continuously use commercially reasonable efforts to pursue such LEED certification for the Office Project. If Developer has diligently and continuously used commercially reasonable efforts to pursue such LEED certification for the Office Project, and the LEED certification for the Office Project has not been obtained within eighteen (18) months after Final Acceptance of the Office Project (subject to Unavoidable Delays), then Developer shall be entitled to payment of the remaining 2.5% of the Developer's fee being held by Owner. If the LEED certification for the Office Project has not been obtained within eighteen (18) months after Final Acceptance of the Office Project (subject to Unavoidable Delays), and Developer has not diligently and continuously used commercially reasonable efforts to pursue such LEED certification for the Office Project (beyond any applicable notice and cure period), and such failure to obtain LEED certification is not as a result of the acts or omissions of Owner or Tenant, then Owner shall be entitled, as Owner's sole remedy, to retain the 2.5% of the Developer's Fee held back as liquidated damages resulting from Developer's failure to use diligent and continuous efforts to achieve the LEED certification.

4.8 Owner's Review. Owner and Tenant may participate in all design meetings with Developer, Architect, and other design professionals as appropriate in the course of the development of the Schematic Drawings, the Design Development Drawings and all Construction Documents in order to facilitate the approval of such Construction Documents in accordance with the terms of this Agreement. Developer shall also provide Tenant a copy of all submittals requiring Owner's review and approval pursuant to this Agreement, as and when such submittals are provided to Owner. Owner shall promptly review the Project Budget and each of the Schematic Drawings, the Design Development Drawings and all Construction Drawings and Detailed Specifications submitted in accordance with this Agreement and shall give Developer written notice within ten (10) business days following its receipt of the Project Budget and/or Construction Drawings and Detailed Specifications of its approval or disapproval thereof, specifying in the case of its disapproval, its reason therefor. Owner shall have the right to disapprove Schematic Drawings, Design Development Drawings, Construction Drawings and Detailed Specifications which (i) do not meet the Project Requirements, (ii) do not comply with Requirements of Law, (iii) do not comply with previous iterations of the Construction Drawings and Detailed Specifications in all material respects, or (iv) propose changes in work or materials that would result in a material change in appearance or diminution in quality of the Project. If no objections or comments are received within such ten (10) business day period, then the submittals shall be deemed approved; provided that Developer shall include in the required notice to Owner and to Tenant, printed in capital letters and boldface type, a legend to the following effect:

“THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN TEN (10) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE SCHEMATIC DRAWINGS, DESIGN DEVELOPMENT DRAWINGS, CONSTRUCTION DRAWINGS OR DETAILED SPECIFICATIONS DESCRIBED HEREIN.”

If the foregoing legend is included by Developer in its communication, then the submitted drawings and/or specification shall be deemed to have been approved if the Owner fails to object with respect thereto within ten (10) Business Days of receipt of such notice.

4.9 Resubmittals. If objections or comments are submitted in writing within the time frame and in accordance with the requirements set forth in the preceding subsection, Developer shall cause the Architect to make changes to the Schematic Drawings, Design Development Drawings, Construction Drawings and/or Detailed Specifications consistent with reasonable objections or comments made by the Owner and shall resubmit the same to Owner in accordance with the foregoing schedule for further review. The process of resubmittal and review shall continue until the submittals have been approved by all the parties. The final Construction Drawings and Detailed Specifications setting forth in detail the requirements for the construction of the Project which have been approved by Owner are called the Construction Documents. There shall be no material change in the Construction Documents except as set forth in Section 8.

4.10 Permit and Construction Documents. Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to cause its design professionals to prepare Construction Documents as required for submittal of the building permit and other permit applications in accordance with Section 6, and as required for construction of the Project.

5. Construction Management Services. Developer shall provide Owner with all construction administration and construction management services necessary or desirable to cause Substantial Completion of the Project on or before the Developer Obligation Date, all in a good and workmanlike manner and in substantial accordance with the Contract Documents, including, without limitation, the following:

5.1 Preconstruction Phase.

(a) Developer shall oversee all design work done by Architect and other design professionals for the design and development of the Project. Developer shall expeditiously review design documents during their development and advise Owner on proposed site use and improvements, selection of materials, building systems and equipment and methods of Project delivery. Developer shall provide recommendations on relative feasibility of construction methods, availability of materials and labor, and time requirements for procurement, installation, construction and factors related to construction costs including, but not limited to, costs of alternative designs or materials, budgets and possible economics.

(b) Developer shall prepare and periodically update the Project Schedule for Owner's acceptance. Developer shall coordinate and integrate the services of Architect and other design professionals into the Project Schedule which shall also set forth Developer's and Owner's responsibilities with anticipated construction schedules, highlighting critical and long lead time items. Any changes to the Project Schedule that would extend the scheduled date for the Substantial Completion of the Project (other than as may be extended under this Agreement) will require Tenant's Concurrence.

(c) Developer shall consult with Owner and Tenant regarding the Construction Documents and make recommendations whenever design details adversely affect constructability, cost or schedules.

(d) Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to establish the assignment of responsibilities for temporary Project facilities and equipment, materials and services for common use of the Contractors. Developer shall verify that such requirements and assignment of responsibilities are included in the proposed Contract Documents.

(e) Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to determine the division of the Office Project and the Garage Project into individual contracts for various categories of work, including the method to be used for selecting Contractors and awarding Construction Contracts. Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to review the Construction Documents as required to provide that (1) the work of the Contractors is coordinated; (2) all requirements for the Project have been assigned to the appropriate Construction Contract; (3) the likelihood of jurisdictional disputes has been minimized; and (4) proper coordination has been provided for phased construction.

(f) Developer shall prepare a Project Schedule providing for the components of the work and shall consult with each of the Office Project General Contractor and the Shatto Garage Project General Contractor in connection with the preparation and updating of the Project Schedule, including phasing of construction, times of commencement and completion required of each Contractor, ordering and delivery of products requiring long lead time, and the occupancy requirements of Tenant. Developer shall provide the current Project Schedule to each of the Office Project General Contractor and the Shatto Garage Project General Contractor for each set of bidding documents.

(g) Developer shall work with each of the Office Project General Contractor and the Shatto Garage Project General Contractor to expedite and coordinate the ordering and delivery of materials requiring long lead times.

(h) Developer shall select and coordinate the professional services of surveyors, special consultants and testing laboratories required for the Project.

(i) Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to provide an analysis of the types and quantities of labor required for the Office Project and Shatto Garage Project, as applicable, and shall review with each of the Office Project General Contractor and the Shatto Garage Project General Contractor the availability of appropriate categories of labor required for critical phases. Developer shall make recommendations for actions designed to minimize adverse effects of labor shortages.

(j) Following Owner's approval of the Construction Documents, the Developer shall update and submit the latest estimate of Project Costs, Project Budget and the Project Schedule for Owner approval and Tenant's Concurrence.

(k) Developer shall direct each of the Office Project General Contractor and the Shatto Garage Project General Contractor to develop bidders' interest in the Office Project and Shatto Garage Project, as applicable, establish bidding procedures, issue bidding documents to bidders and conduct pre-bid conferences with prospective bidders. Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to submit the list of prospective bidders for Owner's review. Owner shall have the right to reject any bidder if there exists substantial and reasonable cause for such rejection. Developer shall assist each of the Office Project General Contractor and the Shatto Garage Project General Contractor with respect to questions from bidders and the issuance of addenda.

(l) Developer, working with each of the Office Project General Contractor and the Shatto Garage Project General Contractor, shall receive bids, prepare bid analyses and award contracts or reject bids.

5.2 Construction Phase.

(a) Developer shall administer all Construction Contracts for the Project.

(b) Developer shall provide administrative, management and related services to coordinate scheduled activities and responsibility of the Contractors with each other and with those of the Developer and Owner to manage the Project substantially in accordance with the Project Schedule and Contract Documents.

(c) Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to update the Project Schedule incorporating the activities of the Contractors on the Project, including activity sequences and duration, allocation of labor and materials, processing of shop drawings, product data and samples and delivery of products requiring long lead time and procurement. The Project Schedule shall include Owner's and Tenant's occupancy requirement showing portions of the Project having occupancy priority. Developer shall update and reissue the Project Schedule as required to show current conditions. If an update indicates that the previously approved Project Schedule may not be met, Developer shall direct each of the Office Project General Contractor and the Shatto Garage Project General Contractor to take corrective action so as to cause Substantial Completion of the Project to be achieved on or before the Developer Obligation Date.

(d) Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to schedule and coordinate the sequence of construction so as to cause Substantial Completion of the Project on or before the Developer Obligation Date.

(e) Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to dutifully administer and enforce all Construction Contracts with subcontractors. Developer shall notify Owner and Tenant of and shall consult with Owner regarding any material breaches or defaults by any party to a

Construction Contract relating to the Project. Developer shall, with respect to such breach or default by such contracting party, follow the instructions or directions of Owner so long as such instructions or directions do not, in the reasonable professional judgment of Developer, restrict, delay, impair or otherwise jeopardize the Substantial Completion of the Project by the Developer Obligation Date.

(f) Developer shall develop cash flow reports and forecasts for the Project (including variances between actual and budgeted costs) and provide Owner and Tenant with copies of same.

(g) Developer shall oversee the course of construction and shall conduct such inspections of the course of construction and testing of work to insure that the work of each Contractor is being performed in accordance with the requirements of the Contract Documents in a good and workmanlike manner, free of defects and deficiencies in work, and free and clear of all liens. Developer shall reject all work which does not conform to the requirements of the Contract Documents and cause corrective action to be taken.

(h) Developer shall transmit to Architect or any other appropriate design professional requests for interpretations of the meaning and intent of Construction Drawings and Detailed Specifications and assist in the resolution of questions that arise.

(i) Developer shall expedite the processing and approval of shop drawings, product data, samples and other submittals.

(j) Section 8 shall control with regard to changes in the work.

(k) Developer shall record the progress of the Project. Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to submit written monthly progress reports to Owner, Tenant and Developer, including information on each Contractor and each Contractor's work, as well as the entire Project, showing percentages of completion. Developer shall maintain or cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to maintain a daily log, containing a record of weather, each Contractor's work on the site, number of workers, identification of equipment, work accomplished, problems encountered and such other information as Owner may require.

(l) Developer shall maintain at the Project site or at Developer's offices in Los Angeles County, for Owner and Tenant one record copy of all Contract Documents, all drawings, specifications, addenda, change orders and other modifications, in good order and marked currently to record changes and selections made during construction together with approved shop drawings, product data, samples and similar required submittals. Developer shall maintain records, in duplicate, of principal building layout lines, elevations of the bottom of the footings, floor levels and key site elevations certified by a qualified surveyor or professional engineer. All such records shall be made available to Owner and/or Tenant upon request and, upon completion of the Project, duplicate originals or electronic copies shall be delivered to Owner and Tenant.

(m) Although Developer shall not be responsible for the purchase of materials, systems and/or equipment (except as set forth in Exhibit J with respect to the Financed FF&E), Developer shall assure that each of the Office Project General Contractor and the Shatto Garage Project General Contractor provides reasonable accommodation to Owner for the delivery and storage, protection and security of such materials, systems and equipment that are part of the Project until such items are incorporated into the Project, subject to each of the Office Project General Contractor's and the Shatto Garage Project General Contractor's reasonable determination concerning the status of construction and the availability of safe and secure portions of the Project for such purpose.

(n) Developer shall develop and implement procedures for the review and processing of applications by Contractors for progress and final payments.

(o) Based on the Developer's observations and evaluations of each Contractor's payment application, the Developer shall review and certify the amounts due the respective Contractors. The Developer shall prepare a Project Application for Payment based on the Contractors' payment application.

(p) Each Project Application for Payment and certification of the Contractor(s)' application for payment shall constitute a representation to Owner based on the Developer's overall supervision of the course of construction, inspections conducted at the site, and review of the data comprising the Contractors' application for payment that, to the best of Developer's knowledge, information and belief, the work has progressed to the point indicated and the quality of the work is in accordance with the Contract Documents (subject to minor deviations from the Contract Documents correctable prior to completion and to specific qualifications expressed by Developer in Developer's Project Application for Payment).

(q) Developer shall supervise the final testing and start-up of utilities, operational systems and equipment, in the presence of Owner's maintenance personnel if so requested by Owner.

(r) When Developer considers each Contractor's work or a designated portion thereof Substantially Complete, the Developer shall prepare for the Contractor a list of incomplete or unsatisfactory items (Punch List) and a schedule for their completion. The Developer shall assist Architect or any other design professional, as appropriate, in conducting inspections to determine whether the work or designated portion thereof is Substantially Complete.

(s) Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to coordinate the correction and completion of the work, including all Punch List items, and shall evaluate the completion of the work of the Contractors and make final recommendations to the Architect when the Project or any designated portion thereof has achieved Final Acceptance. Developer shall maintain a database of all Punch List items or otherwise unsatisfactory items observed and record the resolution of these items. Developer shall assist Architect in conducting final inspections of the work.

(t) Developer shall procure and install the Procured FF&E in accordance with the applicable authorizing change order.

(u) Developer shall provide the Relocation Services in accordance with the applicable authorizing change order.

(v) Developer shall procure and install the Required Art in accordance with County policies and the Construction Documents.

(w) Developer shall take such other and further action as may be necessary or desirable to cause Substantial Completion of the Project to be achieved on or before the Developer Obligation Date.

6. Permits.

6.1 Permits. Developer shall obtain all Permits necessary for the construction of the Project pursuant to Requirements of Law. For those Permits yet to be acquired as of the Effective Date, prior to submission of an application for such Permits, Developer shall provide written notice to Owner including the Permit application to be submitted and Owner shall have three (3) business days from receipt of such notice to review any Permit application Developer intends to submit. Owner's failure to object to terms or conditions of a Permit application within three (3) business days shall be deemed Owner's approval of such Permit application and Owner's authorization for Developer to submit such Permit application, provided that Developer shall include in the required notice to Owner, printed in capital letters and boldface type, a legend to the following effect:

“THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN THREE (3) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE PERMIT APPLICATION DESCRIBED HEREIN.”

For those Permit applications already submitted by Developer prior to the Effective Date, Owner and Tenant shall receive a copy upon either's request. Owner and/or Tenant shall join in any application for Permits as required; provided, however, neither Owner nor Tenant shall incur any expense or liability in connection therewith. Developer shall pursue issuance of such Permits with all due diligence.

6.2 Costs. All costs associated with issuance of the Permits, including the cost of any required off-site improvements, shall be Project Costs.

6.3 Schedule and Delays. Owner and Developer anticipate issuance of Permits and the Commencement of Construction within the time set forth in the Project Schedule set forth as Exhibit F. The Project Schedule shall be updated by Developer and Owner from time to time as reasonably required to reflect the current status of the Project. Except as otherwise provided in this Agreement, there shall be no increase in the Fixed Price as a result of any delay in issuance of the Permits or commencement or completion of construction of the Project unless due to Costs Resulting from Owner-Caused Delay.

7. Construction.

7.1 Commencement of Construction. Developer shall cause Substantial Completion of the Project in a good and workmanlike manner, free from defects in work or materials and in substantial accordance with the Contract Documents, on or before the Developer Obligation Date, free and clear of all liens, provided the Fixed Price and any other costs are paid in accordance with Section 9. As soon as reasonably practical following Bond Closing and issuance of the Permits but no later than ninety (90) days thereafter, Developer shall cause Commencement of Construction to occur and to diligently and continuously prosecute such work to Final Acceptance. Developer shall coordinate the sequencing of all construction and shall cause all Contractors to commence construction of that portion of the work covered under their respective Construction Contracts and diligently and continuously prosecute such work to Final Acceptance. Developer warrants to the Owner that materials and equipment incorporated into the Project shall be new unless otherwise agreed in writing by Owner with Tenant's Concurrence.

7.2 Delays.

(a) The Developer Obligation Date shall be extended to the extent of Unavoidable Delays, provided, however, that extensions due to Unavoidable Delays shall not exceed ninety (90) days, unless the Unavoidable Delay results from any of (i) a casualty or condemnation subject to Section 21; (ii) the discovery of Hazardous Substances beneath the surface of the Premises, which existed but were unknown to Developer as of the Effective Date; and (iii) Owner-Caused Delays. The existence of Unavoidable Delays of up to ninety (90) days (or longer if the Unavoidable Delay results from either (A) a casualty or condemnation subject to Section 21 or (B) the discovery of Hazardous Substances beneath the surface of the Premises, which existed but were unknown to Developer as of the Effective Date) shall excuse each of the Office Project General Contractor, the Shatto Garage Project General Contractor and Developer for directly and unavoidably resulting delays and changes in the Project Schedule.

(b) If Substantial Completion of the Project fails to occur by the Developer Obligation Date, then commencing on the Developer Obligation Date and continuing on the first day of each successive calendar month through the month in which Substantial Completion of the Project occurs, as Owner's sole remedy for such delay, Developer shall pay to Trustee an amount (the "**Monthly Carrying Costs**") equal to the amount that would be payable to the Trustee under the Indenture if Substantial Completion of the Project had occurred on the Developer Obligation Date; provided, however, the Monthly Carrying Costs shall be calculated on a daily basis so that if, by way of example, Substantial Completion of the Project is one day after the Developer Obligation Date, then the Monthly Carrying Costs shall equal 1/30th of the Monthly Carrying Cost for the subject month. The Monthly Carrying Cost is, in turn, equal to one-sixth (1/6th) of the Base Rent that would be payable by Tenant under the Facilities Lease if Substantial Completion of the Project had so occurred, but Developer's obligation to pay the Monthly Carrying Cost shall be offset by any amounts of Base Rent paid or payable by Tenant under the Facilities Lease. Prior to the due date, Owner shall provide and/or shall cause the Trustee to provide Developer with the amounts of such Monthly Carrying Costs. Such Monthly Carrying Costs shall be paid in advance by Developer on the first day of each calendar month or portion thereof, but any overpayment shall be refunded in arrears for the partial month in which

Substantial Completion of the Project occurs. Any overpayment of Monthly Carrying Costs in a particular month shall be credited against the amount due in the next month.

(c) Notwithstanding the foregoing, to the extent Owner receives insurance proceeds under the builder's risk insurance policy described in Section 16 to reimburse Owner for loss of income and rents, such sums shall be credited against Developer's obligation to pay Monthly Carrying Costs to the Trustee. Furthermore, notwithstanding anything to the contrary contained in this Agreement, in no event and under no circumstance shall Developer be obligated to make out-of-pocket payments for Monthly Carrying Costs in excess of that portion of Developer's Fee theretofore received by Developer under this Agreement plus any available insurance proceeds. However, any further obligation of Developer for Monthly Carrying Costs shall result in a forfeiture by Developer of that portion of the remainder of its Developer's Fee equal to the amount of Developer's remaining obligation (if any) for such Monthly Carrying Costs and Owner shall issue notice to Trustee to transfer any such forfeited amount of Developer's Fee to the appropriate account under the Indenture for payment of debt service on the Bonds.

(d) Any liquidated damages or similar amount paid by either of the Office Project General Contractor or the Shatto Garage Project General Contractor under either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract as a result of the failure to achieve Substantial Completion of the Office Project or Substantial Completion of the Shatto Garage Project, respectively, by the Developer Obligation Date shall be deposited with the Trustee and held for payment of Monthly Carrying Costs and related expenses through the month in which Substantial Completion of the Office Project or Substantial Completion of the Shatto Garage Project, respectively, occurs to the extent that the aggregate amount paid or forfeited by Developer pursuant to Section 7.2(b) is not sufficient to pay all Monthly Carrying Costs through the month in which Substantial Completion of the Office Project or Substantial Completion of the Shatto Garage Project, respectively, occurs. Upon Final Acceptance and the making of all Final Payments (including the funding of the 150% holdback for uncompleted Punch List items), if Substantial Completion of the Project failed to occur by the Developer Obligation Date, the Developer and the Owner with Tenant's Concurrence shall (i) determine the amount of any liquidated damages or similar amount paid by either of the Office Project General Contractor or the Shatto Garage Project General Contractor and deposited with Trustee as result of the failure of Substantial Completion to occur prior to the Developer Obligation Date and which has not been disbursed by Trustee to cover Monthly Carrying Costs and related expenses ("**Excess Liquidated Damages**") and (ii) direct the Trustee to disburse such Excess Liquidated Damages to Developer to the extent of any Monthly Carrying Costs paid by Developer or resulting in any forfeited Developer's Fee pursuant to Section 7.2(c).

(e) Upon Final Acceptance and the making of all Final Payments (including the funding of the 150% holdback for uncompleted Punch List items), if there are funds remaining in the Bond Proceeds Account in the Project Fund (as defined in the Indenture) prior to the final distribution of said Account (i.e., the sharing of contingency money), if Substantial Completion of the Project has failed to occur by the Developer Obligation Date and if Developer has made the payments it is required to make pursuant to this Section 7.2, the Developer and the Owner shall determine and direct Trustee to include within the Project Fund for sharing purposes any additional interest earnings that accrued on the undisbursed Bond

proceeds as a direct result of such delay in excess of interest that would have accrued absent such delay.

7.3 Guaranteed Maximum Construction Contract. As part of the Fixed Price, the Project shall be constructed pursuant to one General Construction Contract for the Office Project and one General Construction Contract for the Shatto Garage Project, each of which shall contain the applicable Guaranteed Maximum Construction Price. Each General Construction Contract shall contain a provision for payment and performance bonds issued by a surety reasonably acceptable to Owner pursuant to which Owner, Trustee and Tenant shall be named as obligees pursuant to a rider or riders reasonably acceptable to Owner.

7.4 Construction Contracts. Developer shall cause all Construction Contracts Developer enters into on behalf of Owner (and shall use commercially reasonable efforts to assure that all Construction Contracts entered into by Owner) to include recitations or provisions requiring the following:

(a) Both the Office Project General Contractor and the Shatto Garage Project General Contractor and their respective subcontractors comply with the prevailing wage requirements and be subject to restrictions and penalties in accordance with Section 1770 of the California Labor Code which requires prevailing wages be paid to appropriate work classifications in all bid specifications and subcontracts.

(b) Both the Office Project General Contractor and the Shatto Garage Project General Contractor furnish all subcontractors/ employees a copy of the Department of Industrial Relations prevailing wage rates which they will post at the job site. All prevailing wages shall be obtained by the Contractor from the California Department of Industrial Relations, Division of Labor Statistics and Research.

(c) Both the Office Project General Contractor and the Shatto Garage Project General Contractor comply with the payroll record keeping and availability requirement of Section 1776 of the Labor Code.

(d) Both the Office Project General Contractor and the Shatto Garage Project General Contractor make travel and subsistence payments to workers needed for performance of work in accordance with Section 1773.8 of the Labor Code.

(e) Both the Office Project General Contractor and the Shatto Garage Project General Contractor contact the Division of Apprenticeship Standards and comply with Sections 1777.5, 1777.6 and 1777.7 of the Labor Code and applicable regulations.

(1) Provisions requiring all Contractors and subcontractors employed on the Project to comply with all applicable provisions of the Countywide Local and Targeted Worker Hiring (“LTWH”) policy as adopted by the Board of Supervisors of the County of Los Angeles by a motion dated September 6, 2016 and any subsequent actions taken by the Board to implement the LTWH policy;

(2) Provisions for initiating, maintaining and providing supervision of safety precautions and programs in connection with the construction of the Project; and

(3) Provisions for indemnifying Owner, Tenant, Developer and Trustee for claims arising out of the negligence or willful misconduct of such Contractor and its employees, agents and subcontractors.

(4) Provisions causing each of the Office Project General Contractor and the Shatto Garage Project General Contractor to procure and maintain, at a minimum, for the duration of either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract, the insurance more particularly described in Facilities Lease Exhibit J against claims for injuries to persons or damages to property which may arise from, or in connection with the performance of work thereunder by each of the Office Project General Contractor and the Shatto Garage Project General Contractor and its agents, representatives, employees and/or subcontractors. The cost of such insurance shall be paid by each of the Office Project General Contractor and the Shatto Garage Project General Contractor.

In the event that Developer is unable to cause any of the foregoing provisions to be included in any Construction Contract and gives specific notice to Owner of that fact, Owner's execution of any such contract shall constitute Owner's waiver of such requirements.

7.5 Protection of Persons and Property.

(a) Developer shall (or shall cause the Office Project General Contractor or the Shatto Garage Project General Contractor to) be responsible for initiating, maintaining and providing supervision of safety precautions and programs in connection with the construction of the Office Project and Shatto Garage Project, as applicable.

(b) Developer shall (or shall cause the Office Project General Contractor and/or the Shatto Garage Project General Contractor to) take reasonable precautions for safety of, and shall provide reasonable protection to prevent damage, injury or loss to: (1) all persons working on the Office Project and Shatto Garage Project construction site, as applicable, and all other persons who may be affected thereby; (2) the Project and materials and equipment to be incorporated therein; and (3) other property at or adjacent to the site.

(c) Developer shall or shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor and all other Contractors to give notices and comply with all applicable laws, ordinances, rules, regulations, and orders of public authorities bearing on the safety of persons and property and their protection from damage, injury or loss.

(d) Developer shall be liable for all damage or loss to the Project to the extent set forth in Section 15.1.

7.6 Insurance during Construction. Insurance shall be provided by Developer, Owner, Architect and Contractors in accordance with the provisions of Section 16.

7.7 Use of Project Contingency. The amounts set forth in the various line items of the Project Budget are estimates only of Project Costs to be incurred. To the extent the actual Project Costs in any line item of the Project Budget exceed the amount shown for such line item, Developer shall first allocate amounts in other line items, in which the actual known Project Costs shall have been less than the amount in the Project Budget, to the line item in which the excess Project Cost(s) has occurred. Following the allocation by Developer as set forth in the preceding sentence with respect to all line items, except Project Contingency, Developer is entitled to draw upon the Project Contingency for such excess Project Costs. The allocation of the Project Contingency for such purposes is solely under Developer's control, subject to the provisions of Section 12.8, if there is any unused Project Contingency following Final Acceptance. If the Project Contingency is not sufficient to pay such excess Project Costs, Developer shall be responsible therefor in accordance with Section 9.6. If Developer determines that there are cost savings in any line item and such cost savings are not currently required for allocation to another line item in which excess Project Costs were incurred, Developer shall allocate such cost savings to the Project Contingency. The monthly reports provided to Owner and Tenant shall contain an explanation in reasonable detail of any allocation of cost savings and Project Contingency to other line items in the Project Budget.

7.8 Warranties. Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to secure for the benefit of Owner all warranties and guarantees of the work by Contractors, suppliers and manufacturers of components of the Office Project and Shatto Garage Project, as applicable. Upon Final Acceptance, Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to assign such warranties to Owner (provided that such warranties shall also be for the benefit of Developer). After Final Acceptance of the Project and during the Warranty Period, Developer shall assist Owner to enforce any warranties or guarantees with respect to the Project upon request. The General Construction Contract shall provide a minimum of a one (1) year warranty for workmanship with respect to the Office Project and the Shatto Garage Project. Without increasing the Fixed Price, Developer and Owner have agreed that Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to obtain warranties of equal or longer periods from Contractors and material suppliers for the fixtures, services, or subcontracts as set forth in Exhibit I; provided, however, that the Developer shall not be required to assist Owner to enforce any warranties or guarantees that extend beyond the Warranty Period.

7.9 Correction of Work. During the Warranty Period, Developer shall cause the applicable Contractor to promptly correct or cause to be corrected work properly rejected by Owner or known by Developer to be defective or failing to conform to the Contract Documents, whether observed before or after Substantial Completion of the Project and whether or not fabricated, installed or completed, and shall cause to be corrected work found to be defective or non-conforming within the Warranty Period. Such costs (to the extent not borne by insurance) shall be Project Costs. At Final Acceptance, there shall remain at least \$200,000 in the Bond Proceeds Account in the Project Fund to cover these items during the Warranty Period; said \$200,000 shall be held by Trustee in trust upon Final Acceptance to be applied toward warranty work, with any amounts not so expended to be treated as savings in accordance with, and subject to the limitations in, Section 12.7; however, if there are no funds left in the Bond Proceeds Account in the Project Fund (including the Project Contingency) to pay for the corrective action,

such costs shall be paid by Developer from its own funds. Notwithstanding anything to the contrary contained in this Agreement (including, without limitation, Sections 7.8, 7.9 and 13), the warranties to be provided or obtained by Developer or Contractors shall not include and shall not be applicable with respect to any of the Financed FF&E except for those items that are expressly set forth on Exhibit J to be the responsibility of Developer.

7.10 Stop Work by Owner. If either of the Office Project General Contractor or the Shatto Garage Project General Contractor fails to correct defective work as required, or persistently fails to carry out work in accordance with the Construction Documents, Owner, with Tenant's Concurrence, by written order, may order Developer and either the Office Project General Contractor or the Shatto Garage Project General Contractor (as applicable) to stop the work, or any portion thereof, until the cause for such order has been eliminated.

7.11 Developer Default. If Developer defaults or neglects to carry out the work in accordance with the Contract Documents and fails within ten (10) calendar days after receipt of written notice from Owner to commence and continue correction of such default or neglect with diligence and promptness, then Owner may, without prejudice to other remedies Owner may have, act to correct such deficiencies. In such case an appropriate change order shall be issued deducting from the Fixed Price the costs of correcting such deficiencies. If the payments then or thereafter due Developer are not sufficient to cover the amount of the deduction, Developer shall pay the difference to Owner. Such action by Owner shall be without prejudice to any other rights or remedies to which Owner may be entitled under this Agreement or applicable law.

8. Changes to the Work.

8.1 No Changes Without Owner Approval. Following approval of the Construction Documents by Owner with Tenant's Concurrence, there shall be no changes in the work except in accordance with this Section 8. Changes in the work covered by either of the Office Project General Construction Contract or the Shatto Garage Project General Construction Contract and approved by Owner shall be processed in accordance with such Construction Contract.

8.2 Developer Approved Changes in the Work. It is anticipated that there will be field orders and change orders which shall result in changes to the scope of work. Developer shall use its reasonable efforts to apprise Owner and Tenant of proposed changes in the work and its recommendations regarding them prior to any action being taken. It may not always be possible to receive Owner's prior approval to these changes in a timely manner. Therefore, field orders and change orders may be approved by the Developer, without prior Owner approval, but only if the changes authorized by these field orders and change orders shall not have the effect of extending the Developer Obligation Date or materially altering the work. As soon as practical, but no later than with the next Project Application for Payment, Developer shall provide Owner and Tenant with all field orders and/or change orders approved by Developer. For the purposes of this Section 8.2, an alteration shall be deemed to be "material" if it would reduce the intended quality of the Project, result in an increase of Owner's operational costs over time, or result in a substitution of any of the systems in the Project (including but not limited to HVAC, plumbing, electrical, elevators, roofing, fire and life safety, security systems,

and infrastructure components). In the case of either a material alteration or a change that would result in failure to achieve Substantial Completion of the Project by the Developer Obligation Date, prior written approval by the Owner with Tenant's Concurrence of the proposed change must be received.

8.3 Change in the Work Initiated by Owner. Owner with Tenant's Concurrence may initiate changes in the work if, and only if, Owner deposits additional funds in the Non-Bond Proceeds Account held by the Trustee to cover any additional cost of such change including the applicable Developer's Fee payable for any such change pursuant to Section 11.1. Such Owner requested change orders are expected to include change orders related to Procured FF&E; additional environmental remediation in excess of the amount set forth in the Project Budget; performance of the Relocation Services; and tenant improvements to the retail area.

9. Payment of Project Costs. Trustee will act as disbursing agent and hold and disburse money on deposit in the Project Fund to pay Project Costs and other costs in accordance with the Indenture and this Agreement. Monthly disbursements will be made from the Project Fund to the Contractors with whom Owner has contracted (or, at Owner's election, such disbursements may be made to Developer for Developer to then pay the Contractors, as applicable, from such disbursements) and to Developer in order that Developer is able to pay other Project Costs. So long as there has not occurred an Event of Default by Developer under this Agreement, such disbursements from the Project Fund shall continue until the Fixed Price has been disbursed (except as provided in Sections 11 and 12). Disbursements received by Developer from the Project Fund shall, except as otherwise expressly provided herein, be used solely to pay the Project Costs. Upon Developer's compliance with its obligations under this Agreement, Owner shall take all such action as is necessary and required to obtain such disbursements by the Trustee.

9.1 Applications for Payment. Developer shall submit to Owner and Tenant on or before the last business day of each calendar month a Project Application for Payment signed by Developer, which shall also include a payment application submitted by either of the Office Project General Contractor or the Shatto Garage Project General Contractor consistent with the terms of the applicable Construction Contract and consistent with the format set forth in Exhibit K. The Project Application for Payment shall request payment of a specified dollar amount, which shall constitute a portion of the Fixed Price, reasonably detailed to reflect the amount of the Project Costs expended in each category of the Project Budget. Such Project Application for Payment shall request the appropriate amount of hard or soft costs based on a percentage of completion basis with respect to such work as of the date of such Project Application for Payment, less retainage being withheld by either of the Office Project General Contractor or the Shatto Garage Project General Contractor, from any of the Contractors. When retainage that has been previously withheld from a payment application submitted by either of the Office Project General Contractor or the Shatto Garage Project General Contractor is to be paid by either of the Office Project General Contractor or the Shatto Garage Project General Contractor to a Contractor, it shall be added to the next payment application of such Contractor submitted to Developer.

Project Costs other than hard and soft construction costs that are incurred or paid on a schedule that is not related to percentage of completion (e.g., Project Contingency paid only as

allocated by Developer to specific costs incurred, Developer's Fee paid as described in Section 11.3, Developer's Overhead paid as described in Section 11.2, reserves for warranty work paid only after Substantial Completion of the Project, the 150% holdback for uncompleted Punch List items, payment of unutilized contingency accounts or construction savings to Owner and/or Developer, etc.) shall be included in the Project Application for Payment only when such items are to be paid in accordance with other provisions of this Agreement, without regard to the percentage completion of the Project.

Developer shall also provide a reconciliation between the total of all draw amounts requested (including such draw request) under a Project Application for Payment and the then-current Project Budget and include all the information and documentation required to be provided by either of the Office Project General Contractor or the Shatto Garage Project General Contractor to the Owner pursuant to the applicable Construction Contract, as well as a conditional partial lien release from either of the Office Project General Contractor or the Shatto Garage Project General Contractor and from such laborers, contractors and subcontractors performing work on site as Owner may require, to become effective upon payment to the Contractor or such other payees of the amount of the payment specified in said Contractor's payment application, and Endorsement No. 122 to the lender's title policy and a similar endorsement to the leasehold title policy showing no liens or claims of lien; provided, that if a lien has been filed, Developer and either of the Office Project General Contractor or the Shatto Garage Project General Contractor may resolve such lien in accordance with Section 19. Developer shall provide copies of all conditional partial lien releases to the title company issuing the Title Policies and shall execute or cause either of the Office Project General Contractor or the Shatto Garage Project General Contractor to execute an indemnity agreement with the title company in a form sufficient to enable the title company to issue the foregoing endorsements.

9.2 Payment Procedures. Architect shall certify each of the Office Project General Contractor's or the Shatto Garage Project General Contractor's payment application. Owner and Tenant shall have the opportunity to attend all meetings between Developer and Contractors at which Project Applications for Payment are to be discussed (e.g. Developer shall be available and shall require each of the Office Project General Contractor and the Shatto Garage Project General Contractor to be available for a monthly meeting for review of the current month's application for payment, if requested by Owner or Tenant). Owner shall receive with the Project Application for Payment any documentation submitted to Developer supporting such Contractor's payment application. So long as Owner shall have received the Project Application for Payment, including all required Developer certifications, Architect certifications, lien releases, and other required supporting documentation, on or before the last business day of a calendar month, Owner shall make any objections regarding such Project Application for Payment in writing prior to the twelfth (12th) day of the succeeding calendar month or the Owner shall be deemed to have waived its right to object to such Project Application for Payment. Notwithstanding Tenant's right to review applications for payment, nothing in this Agreement shall be construed as constituting any sort of responsibility or liability for the making of any such payment.

Owner shall be obligated to pay those portions of the Project Application for Payment as to which there was no objection in accordance with this Section 9.2 on or before the fifteenth (15th) day of the succeeding calendar month. If Owner fails to receive the Project

Application for Payment on or before the last business day of the month, Owner shall have a period of twelve (12) days from its receipt of such Project Application for Payment to review and approve such application, and a period of fifteen (15) days from its receipt of such Project Application for Payment to pay amounts as to which there is no objection. If Owner objects to any portion of a Project Application for Payment, Owner shall provide detailed written comments explaining the nature of the disapproval, whereupon (i) Project Costs which are approved by Owner shall be paid in accordance with Section 9.4 and (ii) Developer and Owner shall meet within two (2) business days to determine mutually acceptable revisions to the Project Application for Payment.

Failure of Developer and Owner to determine mutually acceptable revisions to the Project Application for Payment within the two (2) business day period shall entitle either Owner or Developer to commence the dispute resolution process described in Section 24 or, if necessary, litigation. Failure to reach agreement on an application for payment shall not relieve Developer from its duties and obligations under this Agreement.

9.3 Review and Inspections. Owner, Tenant and/or Trustee shall have the right, but not the obligation, to have such additional independent consulting architects, engineers or any other appropriate consultants retained and paid by such party (which shall be treated as Other Owner Costs), to inspect the construction work as it progresses and to review the Contract Documents. Such inspections shall be coordinated with Developer so as to not interfere with or delay construction of the Project or payment of any Project Application for Payment. If during the course of such construction Owner and/or Tenant shall determine that the construction is not proceeding in accordance with the Contract Documents, Owner on its behalf or on behalf of Tenant shall give notice in writing to Developer that includes Owner's best efforts to specify the particular deficiency or omission and Developer shall thereupon take, or cause to be taken, all steps necessary to correct same. The failure to give such notice shall not give rise to any liability for Owner or Tenant and shall not be considered a waiver of any right of Owner or Tenant under this Agreement, including, without limitation, the enforcement of the representations and warranties of Developer under this Agreement and the requirements with respect to construction of the Project in accordance with the Contract Documents.

9.4 Requisition to the Trustee. Owner shall execute and deliver the requisition to the Trustee for the amount of the Project Application for Payment, or such undisputed portion thereof under Section 9.2, on or before expiration of the 15-day period specified in Section 9.2. Owner shall undertake good faith efforts to cause Trustee to disburse the amount shown on such requisition to Developer for disbursement to applicable Contractors and others on the thirteenth (13th) day of each calendar month, but in any event shall cause such payment to be made no later than the fifteenth (15th) day of the month if the Project Application for Payment was received by the last business day of the previous month.

9.5 Initial Draw. The Initial Draw shall include a mutually agreed amount to reimburse Developer for Project Costs actually incurred or paid by those parties (including, without limitation, fees and costs incurred prior to this Agreement for the Office Project General Contractor, the Shatto Garage Project General Contractor, Architect and other design professionals) on and before the date of Bond Closing. Developer and Owner with Tenant's Concurrence shall agree on the maximum amount of the Initial Draw and shall notify Tenant of

that agreed maximum amount by no later than five (5) business days prior to the Sale of the Bonds; in addition, Developer and Owner with Tenant's Concurrence shall agree on the exact amount of the Initial Draw and shall notify Tenant of that agreed Initial Draw amount by no later than seven (7) business days prior to the Bond Closing.

9.6 Cost Overruns; Sufficiency of Funds to Complete Construction.

Owner shall have no obligation to request any disbursement of money on deposit in the Bond Proceeds Account in the Project Fund unless and until the Project is in balance (as set forth in the next sentence). The Project shall be deemed to be in balance only when the undisbursed portion of Bond proceeds allocable to payment of the Fixed Price (which Owner shall cause to contain an amount sufficient to pay the Fixed Price plus all other funds that are the responsibility of Owner under this Agreement) in the Project Fund together with funds deposited by Developer (if applicable) with Trustee and expected earnings on the Project Fund to the date of their anticipated disbursement after provision for all contingencies shall equal or exceed the amount reasonably estimated by Owner to pay for all Project Costs that are the responsibility of Developer under the terms of this Agreement. In the event Owner properly advises Developer that the Project is not in balance, Developer shall deposit into the Project Fund held by the Trustee the amount necessary to bring the Project into balance (i.e., the excess amount, if any, by which the Project Costs that are Developer's responsibility under the terms of this Agreement exceed the Fixed Price), and such funds shall be disbursed in their entirety prior to any further disbursement of Bond proceeds from the Bond Proceeds Account in the Project Fund; provided that if the shortfall in the Bond Proceeds Account in the Project Fund is due to Owner's failure to deposit funds as required in connection with any Owner-initiated change orders, Owner shall deposit the necessary funds into the Bond Proceeds Account in the Project Fund held by the Trustee.

9.7 Other Owner Costs. Notwithstanding anything to the contrary contained in this Agreement, all costs of every nature that constitute Other Owner Costs shall be the sole responsibility, cost and expense of Owner. Owner further agrees that Developer shall have no responsibility or liability for any of the Other Owner Costs and Owner shall timely fund all Other Owner Costs.

10. Other Services by Developer. Services may be performed by the Developer at the written request of Owner which are not included as part of the Project. Such services shall be performed pursuant to a separate written agreement between Owner and Developer.

11. Developer's Fee and Overhead Allowance.

11.1 Developer's Fee. The Fixed Price includes a fee payable to Developer in the amount equal two percent (2.0%) of the Project Costs, excluding the Developer's Fee, the Overhead Allowance and the Project Contingency (except to the extent that the Project Contingency is expended towards Project Costs). Any change in the work initiated by Owner in accordance with Section 8.3 shall (a) increase the Developer's Fee in an amount calculated as two percent (2.0%) of the cost of any such change in the work, and (b) to the extent that such change in the work extends the Project Schedule, increase the Overhead Allowance as may be appropriate due to such extension as mutually agreed to by Owner and Developer.

11.2 Overhead Allowance. Developer shall also be paid an Overhead Allowance in connection with the work in the amount of \$3,474,000, payable in installments of \$96,500 per month from March 2018 (the commencement of pre-construction activity for the Project) through the earlier to occur of (i) occupancy of the Project by Tenant or (ii) full payment of the amount of \$3,474,000 (which amount shall not be changed notwithstanding any change to the Fixed Price). Such amount shall be paid to Developer as follows:

(a) In the initial Project Application for Payment following Bond Closing, an amount equal to \$96,500 multiplied by the number of months elapsed from March 2018 to the date of the Bond Closing;

(b) With each monthly Project Application for Payment prior to Final Acceptance, \$96,500 (not to exceed in the aggregate, including the payment following Bond Closing, the sum of \$3,474,000, except as may be increased in accordance with Section 11.1(b)); and

(c) Any unpaid balance shall be paid with the Final Payment.

11.3 Payment of Developer’s Fee. As part of a Project Application for Payment, Developer shall be entitled to a portion of the Developer’s Fee based upon achievement of the Project milestones set forth below. If the hard costs incurred as of a date a milestone is achieved exceed the budgeted percentage of hard costs, as set forth below, after application of the Project Contingency, Developer shall not be entitled to draw that portion of its Developer’s Fee equal to such excess until the next milestone is achieved, and then only if the hard costs incurred as of such milestone do not exceed the budgeted percentage of hard costs to be incurred by such milestone date after application of the Project Contingency. Any unpaid portion of the Developer’s Fee shall be paid with the Final Payment.

Project Completion Milestones	Percentage of Developer’s Fee Payable
Upon commencement of construction	10.0%
25%*	20.0%
50%*	35.0%
75%*	50.0%
Substantial Completion of the Office Project	80.0%
Substantial Completion of the Project	90.0%
Final Acceptance	97.5%
LEED Certification	100.0%

* Percentage of Project completion to be calculated as the percentage of hard construction costs approved for disbursement divided by the total of all such hard construction costs as shown in the Project Budget; provided, however, that Developer shall be entitled to such payment only to the extent the hard costs incurred as of any such milestone dates do not exceed the hard costs budgeted (after application of the Project Contingency) to be

incurred as of such milestone dates. The final installment of the Developer's Fee shall be paid to Developer as provided in Section 4.7.

12. Completion of the Project.

12.1 Early Occupancy of Tower Garage. Developer has advised Owner and Tenant that the most efficient phasing for construction of the Project will be to first achieve Tower Garage Completion. Owner shall give Tenant thirty (30) days' advance written notice of the date it anticipates receiving a temporary certificate of occupancy for the Tower Garage, requesting Tenant to vacate the Existing Garage to allow for its demolition and reconstruction as part of the Project, and Tenant shall vacate and cease using the Existing Garage. Owner and Tenant have entered into the Tower Garage Occupancy Agreement for Tenant's use of the Tower Garage after Tower Garage Completion has occurred. In no event shall Tenant's early occupancy of the Tower Garage be deemed to alter or affect in any way the requirements for Substantial Completion of the Project.

12.2 Substantial Completion of the Project.

(a) **Substantial Completion of the Office Project.** "Substantial Completion of the Office Project" shall have occurred when all of the following events have occurred with respect to the Office Project:

(1) Developer has notified Owner and Tenant in writing that the Office Project, including all Tenant Improvements, is Substantially Complete in substantial accordance with the Contract Documents, subject only to the completion of normal Punch List items;

(2) Architect has issued its "Certificate of Substantial Completion" (AIA Document G704) stating that the work under the Construction Contracts is sufficiently complete in substantial accordance with the Contract Documents to permit Tenant to occupy or utilize the Office Project portion of the Premises for its Permitted Use;

(3) The County has issued a temporary or final certificate of occupancy or other approval sufficient for initial occupancy of the Office Project portion of the Premises and the City's Fire Department has also issued its approval for occupancy such that Tenant is permitted to and could, pursuant to such issued certificate of occupancy, physically occupy the Office Project portion of the Premises for its Permitted Use; provided, however, if (i) the certificate of occupancy is not issued solely because of Tenant's failure to install Tenant's Personal Property and/or any portion of the Financed FF&E to be installed by Tenant, in accordance with Exhibit N and the latest agreed upon schedule (but, if Tenant has not been provided with appropriate access rights to perform and complete the installation, then Tenant will be excused for every day it was not provided access) and (ii) Owner has given Tenant written notice of such failure, with enough detail for Tenant to reasonably understand the failure, at least ten (10) Business Days prior to the deemed Office Project Substantial Completion Date, then this condition shall be deemed satisfied;

(4) The Office Project General Contractor has issued its "Certificate of Substantial Completion" together with its "Affidavit of Payment of Debts and Claims" (AIA Forms 706 and 706A), together with partial waivers and releases of lien for work performed

prior to the date of its “Certificate of Substantial Completion” in form satisfactory to Owner, with Tenant’s Concurrence, from such materialmen, laborers, contractors and subcontractors as Owner, with Tenant’s Concurrence, may reasonably require;

(5) Access to the Office Project portion of the Premises has undergone inspection by a “Certified Access Specialist” and has been determined pursuant to such inspection to meet all applicable construction-related accessibility standards under California Civil Code Section 55.53, and Owner has so certified to Tenant pursuant to California Civil Code Section 1938;

(6) Owner, with Tenant’s Concurrence, has accepted the Office Project as Substantially Complete (which acceptance by Owner and concurrence by Tenant shall not be unreasonably withheld, conditioned or delayed and will presumptively be granted if items (a) through (e) have been satisfied), subject to completion of the Punch List items agreed upon by Owner, with Tenant’s Concurrence;

(7) Owner shall, or shall cause Developer to, have caused a Notice of Completion under California Civil Code Section 8190 to be recorded with respect to the Office Project.

(8) Notwithstanding that Substantial Completion of the Office Project shall have occurred, Owner shall be entitled to provide Developer with a Punch List.

Until Substantial Completion of the Project has occurred, Owner shall not occupy the Project and shall prohibit Tenant or any other party from occupying the Project; provided, however, that limited use of the Office Project (i) pursuant to Section 12.1 or (ii) for storage, move-in or installation of Tenant’s Personal Property by either Owner or Tenant when such use is approved by Developer, such approval not to be unreasonably withheld, shall not be deemed to be occupancy.

(b) **Substantial Completion of the Shatto Garage Project.** “Substantial Completion of the Shatto Garage Project” shall have occurred when all of the following events have occurred with respect to the Shatto Garage Project:

(1) Developer has notified Owner and Tenant in writing that the Shatto Garage Project is Substantially Complete in substantial accordance with the Contract Documents, subject only to the completion of normal Punch List items;

(2) Architect has issued its “Certificate of Substantial Completion” (AIA Document G704) stating that the work under the Construction Contracts is sufficiently complete in substantial accordance with the Contract Documents to permit Tenant to occupy or utilize the Shatto Garage Project portion Premises for its Permitted Use;

(3) The County has issued a temporary or final certificate of occupancy or other approval sufficient for initial occupancy of the Shatto Garage Project portion of the Premises and the City’s Fire Department has also issued its approval for occupancy such that Tenant is permitted to and could, pursuant to such issued certificate of occupancy, physically occupy the Shatto Garage Project portion of the Premises for its Permitted Use;

(4) The Shatto Garage Project General Contractor has issued its “Certificate of Substantial Completion” together with its “Affidavit of Payment of Debts and Claims” (AIA Forms 706 and 706A), together with partial waivers and releases of lien for work performed prior to the date of its “Certificate of Substantial Completion” in form satisfactory to Owner, with Tenant’s Concurrence, from such materialmen, laborers, contractors and subcontractors as Owner, with Tenant’s Concurrence, may reasonably require;

(5) Access to the Shatto Garage Project portion of the Premises has undergone inspection by a “Certified Access Specialist” and has been determined pursuant to such inspection to meet all applicable construction-related accessibility standards under California Civil Code Section 55.53, and Owner has so certified to Tenant pursuant to California Civil Code Section 1938;

(6) Owner, with Tenant’s Concurrence, has accepted the Shatto Garage Project as Substantially Complete (which acceptance by Owner and concurrence by Tenant shall not be unreasonably withheld, conditioned or delayed and will presumptively be granted if items (a) through (e) have been satisfied), subject to completion of the Punch List items agreed upon by Owner, with Tenant’s Concurrence;

(7) Owner shall, or shall cause Developer to, have caused a Notice of Completion under California Civil Code Section 8190 to be recorded.

(8) Notwithstanding that Substantial Completion of the Project shall have occurred, Owner shall be entitled to provide Developer with a Punch List.

(c) **Substantial Completion of the Project.** “Substantial Completion of the Project” shall have occurred when Substantial Completion of the Office Project and Substantial Completion of the Shatto Garage Project have been achieved, and when Developer has notified Owner and Tenant in writing that the Project, including all Tenant Improvements, are Substantially Complete in substantial accordance with the Contract Documents, subject only to the completion of normal Punch List items and activities required for LEED Silver certification (or as otherwise agreed by Owner and Tenant). Notwithstanding that Substantial Completion of the Project shall have occurred, Owner shall be entitled to provide Developer with a Punch List.

12.3 Notice of Substantial Completion. Developer shall give notice in writing to Owner and Tenant at least thirty (30) days prior to the date upon which Developer anticipates that Substantial Completion of the Project will be achieved. During the fifteen (15) business day period after the delivery of the estimated completion notice, Owner, Developer, the Office Project General Contractor, the Shatto Garage Project General Contractor and Tenant shall meet on one or more occasions, if necessary, and tour to inspect and review the Project to determine whether it is Substantially Complete. The parties shall prepare the Punch List to be completed prior to Final Acceptance. The completion of the Punch List shall not be required in order for the Project to be Substantially Complete.

12.4 Completion of Punch List Items. Following Substantial Completion of the Project, Developer shall cause all Punch List items to be completed promptly (and in all

events within sixty (60) days after Substantial Completion of the Project) in accordance with the Contract Documents. Developer shall coordinate the performance of any such Punch List work to avoid any unreasonable hindrance to Tenant's installation of Tenant's Personal Property and its occupancy of the Project.

12.5 Final Acceptance. Upon Final Acceptance, Developer shall be entitled to payment of the balance of Developer's Fee less the amount held back for LEED certification, as well as all other Project Costs incurred in connection with the work, but not to exceed the Fixed Price. Developer shall give notice in writing to Owner at least thirty (30) days prior to the date upon which the Project shall be ready for Final Acceptance. "Final Acceptance" means that all of the following items have occurred with respect to the Project:

(a) The County has issued all certificates of occupancy for the Project; provided, however, if issuance of a certificate of occupancy is subject to completion of installation of Tenant's Personal Property, then this condition shall be deemed satisfied; provided, further, that if the parties specifically agree that any element of the Financed FF&E will be installed by Tenant, that agreement shall be set forth in Exhibit J and this condition shall be deemed satisfied regardless of any delay in the issuance of any certificate of occupancy attributable to such installation.

(b) Each Contractor has issued its "Certificate of Substantial Completion" together with its "Affidavit of Payment of Debts and Claims" (AIA Forms 706 and 706A), together with final waivers and releases of lien, in form satisfactory to Owner with Tenant's Concurrence, from all Contractors and subcontractors who have performed work on site.

(c) All Punch List items for the Project have been completed to the reasonable satisfaction of Owner with Tenant's Concurrence; provided that Owner with Tenant's Concurrence, may consent to Final Acceptance prior to completion of all Punch List items, if (i) Owner and Developer have agreed upon the estimated cost of any Punch List items remaining to be completed and (ii) 150% of such estimated costs are withheld by the Trustee in the Project Fund until the Punch List items have been completed to the reasonable satisfaction of Landlord with Tenant's Concurrence. When the Punch List items have been completed, and Developer has so notified Owner, upon Owner's reasonable satisfaction (with Tenant's Concurrence) that such Punch List items have been completed, Owner shall deliver its requisition to the Trustee for payment of such funds being withheld by Trustee.

(d) Developer has submitted its application for Final Payment together with evidence reasonably satisfactory to Owner (with Tenant's Concurrence) that all construction costs for the Project have been paid in full including evidence of full payment for any personal property installed on the Premises as part of the Project Costs.

(e) The period for filing construction liens for the Project has expired and none have been filed or releases or discharges (as permitted under Section 19) of construction liens in form and substance satisfactory to Owner (with Tenant's Concurrence) have been obtained by Developer from all Contractors in accordance with all Construction Contracts

and from such laborers, Contractors and subcontractors performing work on site as Owner, with Tenant's Concurrence, may require.

(f) Architect has issued its "Certificate of Final Completion" for the Project and Owner has received the certificate of any other architect or engineer reasonably requested by Owner or Tenant.

(1) Both (i) the Office Project General Contractor has issued a certificate that the Office Project has been finally completed in substantial accordance with the Contract Documents and no Hazardous Substances were incorporated into the structure of the Office Project (other than as set forth in the Construction Documents), and (ii) the Shatto Garage Project General Contractor has issued a certificate that the Shatto Garage Project has been finally completed in accordance with the Contract Documents and no Hazardous Substances were incorporated into the structure of the Shatto Garage Project (other than as set forth in the Construction Documents).

(g) Developer has delivered to Owner a written report showing the allocation of Project Costs among the categories of the Project Budget and the remaining specified dollar amount of the Project Contingency and the undisbursed portion of the Developer's Fee.

(h) Owner, Tenant and Trustee have each received an endorsement to its title policy, each dated as of and issued on the date of Final Acceptance, which shall (i) insure Owner, Tenant and Trustee, respectively, against any liens for labor or materials, whether or not of record, which may have arisen in connection with the construction of the Project, and (ii) show no additional exceptions to such title policy other than those approved by or arising through Owner (with Tenant's Concurrence).

(i) Developer shall have delivered to Owner and Tenant its affidavit that the Construction Contracts for the Project required the Contractors under those contracts and their subcontractors to pay prevailing wage in accordance with Section 7.4.

(j) The Required Art has been installed.

(k) Developer shall have submitted the initial applications, supporting documents, and other materials needed to obtain LEED Silver certification (or as otherwise agreed by Owner and Tenant).

12.6 Approval of Final Project Application for Payment. Upon delivery of Developer's final Project Application for Payment and other materials set forth above, Owner with Tenant's Concurrence shall, acting reasonably and in good faith, review and approve the final Project Application for Payment on or before that period expiring fourteen (14) business days after receipt of the final Project Application for Payment, receipt of notice from Developer that the Punch List matters are complete (except those items permitted to remain outstanding pursuant to Section 12.4(c), and Owner's receipt of the materials set forth in Section 14. In the event no comments are received within said fourteen (14) business day period, Owner shall be deemed to have waived its right to comment on the final Project Application for Payment or to disapprove the completion of the Punch List, except those items permitted to remain outstanding

pursuant to Section 12.4 (c). If Owner disapproves the final Project Application for Payment or completion of the Punch List, or any portion thereof, Owner shall provide detailed written comments explaining the nature of the disapproval; whereupon, Developer and Owner shall meet within two (2) business days to determine mutually acceptable revisions to the final Project Application for Payment and the completion of the Punch List. Failure of Developer and Owner to determine mutually acceptable revisions to the final Project Application for Payment and the completion of the Punch List within the two (2) business day period, shall entitle either Owner or Developer to commence the dispute resolution process described in Section 24. Failure to reach agreement on the amount of the Developer’s final Project Application for Payment which is approved for payment shall in no way release Developer from its duties and obligations under this Agreement.

12.7 Requisition of Final Payment. Owner shall execute and deliver the requisition for Final Payment to the Trustee within one (1) business day following expiration of said fourteen (14) business day period, or if Owner disapproves of the final Project Application for Payment, then within one (1) business day after the date of approval of the mutually acceptable revisions to the final Project Application for Payment or the determination of the dispute resolution process, if applicable. Subject to the provisions for disbursement of unused contingency funds in Section 12.8, Owner shall take all steps to cause the Trustee to disburse the remaining money in the Bond Proceeds Account in the Project Fund, except for (1) any money withheld for completion of the Punch List items under Section 12.4(c), (2) the \$200,000 reserved for warranty work as provided for in Section 7.9, and (3) the installment of the Developer’s Fee that is reserved for payment only upon a LEED certification, but in any event not more than the Fixed Price, in the amount shown on such requisition within one (1) business day of Trustee’s receipt of such requisition. In addition, Owner shall in such requisition direct payment of the unexpended Project Contingency and of the remaining Developer’s Fee in accordance with the provisions of Sections 11.3 and 12.8.

12.8 Disbursement of Project Contingency; Incentive Fee. Subject to allocation of the Project Contingency by Developer to pay for Project Costs pursuant to Section 7.7, if all or some portion of the Project Contingency (as such amount may be increased or decreased in accordance with the terms of this Agreement) is not used for Project Costs, then a portion of the unused Project Contingency shall be paid as an incentive fee to Developer as part of the Final Payment, and the remainder shall be paid as set forth in the Indenture, as follows:

Amounts of Unused Project Contingency	% Payable to Developer	% Payable per Indenture
Amounts up to \$2,000,000	33.0%	67.0%
Amounts in excess of \$2,000,000	25.0%	75.0%

EXAMPLE: If unused Project Contingency is \$2,700,000, Developer would receive an incentive fee calculated on 33% of \$2,000,000 or \$660,000 plus 25% of \$700,000 or \$175,000 for a total of \$835,000. The balance would be applied in accordance with the Indenture.

NOTE: In no event shall Developer's Incentive Fee exceed Six Million Dollars (\$6,000,000).

13. Developer Representations; Warranties. Upon Substantial Completion of the Project, Developer shall represent and warrant to Owner in writing as follows:

(a) The Project has been completed in substantial accordance with the Contract Documents (as revised by Project change orders pursuant to Section 8) and is, and at all times during the Warranty Period shall be, free from defects in workmanship and materials in connection with the construction thereof.

(b) Developer has no knowledge of any structural defects, latent defects or building systems defects within the Project.

(c) The Project has been constructed in accordance with all Requirements of Law, all Permits and all insurance laws, regulations and requirements in effect at the time of construction of the Project.

(d) The Project is served by water, storm and sanitary sewage facilities, telephone, electricity, fire protection and other required public utilities adequate to serve the Project at the time of Substantial Completion of the Project.

(e) The Office Project General Contractor, the Shatto Garage Project General Contractor all other Contractors, suppliers, materialmen and consultants have (subject to Owner's payment of the Fixed Price and Owner's timely payment of all other amounts that are the responsibility of Owner) been paid in full for work related to construction of the Project billed to date (to the extent such costs are Project Costs) and there are no liens, encumbrances or other defects affecting title to the Premises which has been or will be filed against the Premises and/or the Project with respect thereto, or if any such lien has been filed, Developer, the Office Project General Contractor or the Shatto Garage Project General Contractor shall have arranged for a bond to remove such lien in accordance with Section 19.

(f) Developer is not aware of any physical defect in the Premises or the Project which would prevent Owner from leasing the Project to Tenant for the Permitted Use.

(g) The use and operation of the Project for the Permitted Use is permitted under applicable municipal codes.

(h) To the best of Developer's knowledge and except as disclosed in writing there are no condemnation, environmental, zoning or other land use regulation proceedings currently instituted which could detrimentally affect the use and operation of the Project for its intended purpose. If during the term of this Agreement any such proceedings have been instituted, Developer shall have used its best efforts and due diligence to resolve them prior to Substantial Completion of the Project.

(i) Developer has provided Owner with prompt notice of any special assessment proceedings affecting the Premises known by Developer.

(j) Except as disclosed to Owner in writing prior to the Bond Closing or as otherwise approved by Owner, the Project does not encroach onto adjoining land or onto any easements and there are no encroachments of improvements from adjoining land onto the Premises, except as otherwise provided in a reciprocal easement agreement to which the Premises and such adjoining land are subject. The location of the Project does not violate any applicable setback requirements. The Premises is not located in a flood zone.

(k) Except as disclosed to Owner in writing, there is no litigation pending, or to the best knowledge of Developer, threatened, with respect to the Project for matters undertaken by Developer under this Agreement.

(l) To the best of Developer's knowledge and except as disclosed in writing, (i) no Hazardous Substances have been released following the Effective Date in, on, under or affecting the Premises or the Project and any such Hazardous Substance which has been so released has been remediated in accordance with applicable law and (ii) no Hazardous Substances have been incorporated into the structure of the Project except as may be required in construction of the Project and only to the extent permitted by Laws.

(m) Prior to Substantial Completion of the Project, Developer has caused to be removed or remediated and properly disposed of all known Hazardous Substances requiring removal or remediation first existing on the Premises following the Commencement of Construction and if applicable, received a no further action letter from the appropriate governmental agency with respect to such Hazardous Substances.

(n) To the best of Developer's knowledge, all Permits necessary for the construction and occupancy of the Project have been obtained and are in full force and effect.

Each of the foregoing warranties with respect to the Project (and any other warranties, if any, from Developer) shall expire and be of no further force or effect, unless Owner shall have made a claim based upon an alleged breach of such warranties by Developer on or before the expiration of the Warranty Period. In the event Owner alleges a breach of any of the foregoing warranties, Owner shall give Developer written notice of any such allegation together with a detailed explanation of the alleged breach ("**Owner's Warranty Claim**"). Developer shall, within thirty (30) days after receipt of an Owner's Warranty Claim, proceed to commence to cure the circumstances specified in such Owner's Warranty Claim, or provide Owner with written notice of Developer's dispute of such Owner's Warranty Claim. If Developer commences a cure or correction of the matter alleged in Owner's Warranty Claim, Developer shall proceed reasonably diligently and promptly to complete such cure or correction, and the Warranty Period for the particular matter shall be extended for the period necessary to complete cure or correction. Notwithstanding anything to the contrary contained in this Agreement, Owner agrees that in no event shall Developer have any liability or responsibility with respect to any of the foregoing warranties that are not accurate as a result of any negligent act or omission of Owner or Tenant or based on information known by Owner as of the date of this Agreement, or with respect to any such untrue representation or warranty that becomes untrue due to new facts and circumstances not previously known to, Developer as of the Effective Date and not within the reasonable control of Developer; provided that such new facts and circumstances have been

disclosed in writing to Owner prior to the date of Substantial Completion, and do not prevent the occurrence of Substantial Completion.

Developer shall warrant neither artist-made materials included in the Project nor those recycled construction products which Owner has directed Developer to include in the Project over Developer's prior written objections.

14. Developer Obligations. On or before Final Acceptance of the Project, Developer shall obtain and submit to Owner, the following:

14.1 As-Built Plans. A complete set of final as-built plans and specifications prepared by each of the Office Project General Contractor and the Shatto Garage Project General Contractor for the Project. Tenant Improvements will be provided on CAD.

14.2 Manuals. All technical and service, instruction and procedure manuals relating to the operation and maintenance of all HVAC systems and other mechanical devices and equipment installed in the Project, except insofar as relating to Tenant's Personal Property.

14.3 Warranties. An assignment (on a non-exclusive basis) and delivery of all warranties, guarantees, maintenance contracts, and machinery and equipment warranties received by Developer from either of the Office Project General Contractor or the Shatto Garage Project General Contractor or any subcontractor thereof, or any supplier, materialmen or manufacturer relating to the Project; provided, however, that so long as Developer's warranty set forth in Section 13 remains in effect, Developer reserves the right, notwithstanding the assignment and delivery of such warranties hereunder to Owner, to fully enforce all such warranties in the place and stead of Owner.

14.4 Permits and Licenses. The originals (if not posted at the Project) of all Permits, licenses and other approvals necessary for the occupation, use and operation of the Project.

14.5 As-Built Survey. An as-built Survey of the Premises showing the location of all improvements constructed thereon.

15. Indemnification.

15.1 Developer's Indemnification. The Developer shall protect, defend, indemnify, and save harmless the Owner, Trustee, Tenant, and their respective officers, officials, employees, and agents, from and against any and all liability, demands, liens, damages, claims, causes of action, expenses, and fees (including reasonable attorneys' fees and costs and expert witness fees) for bodily injury, property damage, and death (hereinafter collectively referred to as "**Liabilities**"), to the extent arising out of or in any way resulting from the Developer's officers, employees and/or agents negligence, willful misconduct, or Event of Default under this Agreement, to the maximum extent permitted by law.

Developer's obligations under this Section 15 shall, except for third-party claims for personal injury, expire at the end of the Warranty Period. Developer's obligations under this Section 15 with respect to third-party claims for personal injury shall remain in full force and

effect and survive the termination and/or expiration of this Agreement. Such obligations shall include, but not be limited to:

(a) The duty to promptly accept tender of defense and provide defense to Owner, Trustee and Tenant at Developer's own expense.

(b) The duty to indemnify and defend Owner, Tenant and Trustee from any such claim, demand, and/or cause of action brought by or on behalf of any of Developer's employees, or agents, including attorneys' fees, expert costs and expenses. The foregoing duty is specifically and expressly intended to constitute a waiver of Developer's immunity under the Labor Code of the State of California, as respects the Owner, Trustee and Tenant only, with a full and complete indemnity and defense of claims made by Developer's employees. The parties acknowledge that these provisions were mutually negotiated and agreed upon by them.

(c) To the maximum extent permitted by law, Developer shall indemnify and defend Owner, Trustee and Tenant from and be liable for all damages and injury which shall be caused to owners of property on or in the vicinity of the construction of the Project or which shall occur to any person or persons or property whatsoever arising out of or in any way resulting from the Developer's officers, employees and/or agents of all tiers, negligence, willful misconduct or Event of Default under this Agreement.

(d) In the event the Owner, Tenant or Trustee incurs any judgment, award, and/or costs arising from any claim to which they are entitled to be indemnified hereunder, including attorneys' fees, to enforce the provisions of this Section, all such reasonable fees, expenses, and costs shall be recoverable from the Developer.

Notwithstanding the provisions contained in this subsection above, Developer's obligation to indemnify Owner, Tenant and Trustee shall not extend to any claim, demand or cause of action to the extent caused by or arising out of the negligence, intentional acts, willful misconduct, or breach of this Agreement by Owner, Trustee, Tenant or their respective agents or employees. Furthermore, Owner and Developer hereby mutually release each other from liability and waive all rights of recovery against each other for any loss from perils insured against under the builder's risk insurance policy to be carried by Owner pursuant to Exhibit G.

(e) Developer is not, and shall not act as, a design professional hereunder. However, Developer shall facilitate the negotiation of the contract(s) between Owner and any design professional retained in connection with the Project to contain a clause whereby the design professional shall indemnify, defend and hold harmless Owner, Tenant and Trustee from and against any and all Liabilities that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of such Design Professional for the performance of professional services pertaining to the Project.

15.2 Owner's Indemnification. Owner shall protect, defend, indemnify, and save harmless Developer, Trustee, Tenant and its respective officers, officials, employees, and agents, from and against any and all Liabilities to the extent arising out of or in any way resulting from the Owner's officers, employees and/or agents negligence, willful misconduct, or Event of

Default under this Agreement, to the maximum extent permitted by law. Owner's obligations under this Section 15 shall, except for third party claims for personal injury, expire at the end of the Warranty Period. Owner's obligations under this Section 15 with respect to third party claims for personal injury shall remain in full force and effect and survive the termination and/or expiration of this Agreement. Owner's indemnification obligations shall include, but not be limited to:

(a) The duty to promptly accept tender of defense and provide defense to Developer, Trustee and Tenant at Owner's own expense.

(b) The duty to indemnify and defend Developer, Trustee and Tenant from any such claim, demand, and/or cause of action brought by or on behalf of any of Owner's employees, or agents, including attorneys' fees, expert costs and expenses. The foregoing duty is specifically and expressly intended to constitute a waiver of Owner's immunity under the Labor Code of the State of California, as respects the Developer, Tenant and Trustee only, with a full and complete indemnity and defense of claims made by Owner's employees. The parties acknowledge that these provisions were mutually negotiated and agreed upon by them.

(c) To the maximum extent permitted by law, Owner shall indemnify and defend Developer, Trustee and Tenant from and be liable for all damages and injury which shall be caused to owners of property on or in the vicinity of the construction of the Project or which shall occur to any person or persons or property whatsoever arising out of or in any way resulting from the Owner's officers, employees and/or agents of all tiers, negligence, willful misconduct or Event of Default under this Agreement.

(d) In the event the Developer, Trustee or Tenant incurs any judgment, award, and/or costs arising from any claim to which they are entitled to be indemnified hereunder, including attorneys' fees, to enforce the provisions of this Section, all such reasonable fees, expenses, and costs shall be recoverable from the Owner.

Notwithstanding the foregoing, Owner's obligation to indemnify Developer, Trustee and Tenant shall not extend to any claim, demand or cause of action to the extent caused by Developer's negligence, intentional acts or breach of this Agreement.

15.3 Notice of Claim. Any party making a claim for indemnification pursuant to this Section 15 (an "**Indemnified Party**") must give the party from whom indemnification is sought (an "**Indemnifying Party**") written notice of such claim (an "**Indemnification Claim Notice**") promptly after the Indemnified Party receives any written notice of any action, lawsuit, proceeding, investigation or other claim against or involving the Indemnified Party by a government entity or other third party, or otherwise discovers the liability, obligation or facts giving rise to such claim for indemnification; provided that the failure to notify or delay in notifying an Indemnifying Party will not relieve the Indemnifying Party of its obligations pursuant to this Section 15 except to the extent that the Indemnifying Party's ability to defend against such claim is actually prejudiced thereby. Such notice shall contain a description of the claim and the nature and amount of such loss (to the extent that the nature and amount of such loss is known at such time).

16. Insurance Requirements.

16.1 Developer's Insurance. By the Effective Date, Developer shall procure and maintain, at a minimum, for the duration of this Agreement insurance against claims for injuries to persons or damages to the Project which may arise from, or in connection with the performance of work hereunder by the Developer, its agents, representatives and/or employees in accordance with the requirements of Exhibit G. The cost of such insurance shall be a Project Cost.

16.2 Owner's Insurance. By the Effective Date, Owner shall procure and maintain for the duration of this Agreement, insurance against claims for injuries to persons or damages to the Project which may arise from, or in connection with the performance of work hereunder by the Owner, its agents, representatives and/or employees. The cost of such insurance shall be paid by the Owner. Owner's insurance shall meet the minimum requirements set forth in Exhibit K of the Facilities Lease and will name Developer and affiliated companies as Additional Insureds on applicable policies for the Owners indemnification obligations to Developer in this agreement.

16.3 Verification of Coverage. Each Party shall furnish the other with certificates of insurance and endorsements required by this Agreement. The certificates and endorsements for each policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements are to be on forms reasonably approved by the other Party and are to be received and approved by such other Party prior to the commencement of activities associated with this Agreement. Each Party reserves the right to require complete certified copies of all required policies at any time.

16.4 Builder's Risk Insurance. Unless Owner, Developer and either of the Office Project General Contractor or the Shatto Garage Project General Contractor agree that such Contractor shall be responsible for procuring builder's risk insurance coverage for the Project, Owner shall be responsible therefor. Such insurance shall be written on an "all risk" or "open perils" basis. The premium for such insurance shall be an Other Owner Cost. The builder's risk insurance shall cover all work to be done on the Project for the full 100% replacement cost of all such improvements.

(a) Coverage shall be provided for (i) losses on an all-risk basis and shall include, without limitation, insurance against the perils of fire (with extended coverage) and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, boiler explosion, and sprinkler coverage; (ii) the perils of earth movement and flood so long as such coverage is available at commercially reasonable cost and in coverage amounts that are commercially available; (iii) resultant damage from errors in design, plans, specifications, faulty workmanship, materials and construction; (iv) "extra expense"; (v) all materials to be stored offsite and while in transit to the jobsite; (vi) "cold testing" of all building systems; (vii) Owner's, Tenant's and Developer's loss of use of the Project due to delays in Project completion caused by covered peril losses to the Project, including loss of income and rents (for at least twenty-four (24) months) and soft costs such as interest on the Bonds, real estate taxes and insurance premiums; (viii) the increased cost of construction, debris removal and

demolition due to the operation of building laws and code upgrades; and (ix) direct physical damage to the Project and loss of use caused by an off premises power interruption.

(b) Coverage shall also meet the requirements of Section ____ of the Construction Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing (“**Deed of Trust**”) dated ____, 20__ in which Owner is the trustor and Trustee is the beneficiary and which Deed of Trust provides security for the Bonds

(c) Coverage shall not be provided for Tenant’s Personal Property.

(d) The policy shall include a waiver of subrogation provision, shall grant permission for partial occupancy of the facilities without having a detrimental effect on the coverage provided, and shall contain a separate debris removal limit of liability which is separate from, in addition to, and not part of the overall policy limit of liability.

(e) Owner shall have the required builder’s risk insurance coverage in place no later than commencement of construction of the Project. The policy shall include Developer, either of the Office Project General Contractor or the Shatto Garage Project General Contractor and its subcontractors, Owner, Tenant as insureds in an amount equal to their interest with a loss payable clause in favor of Trustee. Owner shall keep the builder’s risk policy in place from commencement of construction to the Substantial Completion Date.

17. Representatives.

17.1 Developer Representatives. Developer shall consult with Owner on initial assignments of personnel assigned to the Project. Owner agrees that the persons with overall responsibility for the work for the Project for the Developer shall be _____. The Project Manager shall be _____. Owner shall have the right to approve any changes in the personnel named above, such approval not to be unreasonably withheld.

17.2 Owner Representative. Owner designates John Finke as the “**Owner’s Representative**” authorized to act on the Owner’s behalf with respect to the Project. Owner shall promptly render decisions to avoid delay in the orderly process of design and construction of the Project. Owner shall communicate with the Contractor only through Developer. Owner’s Representative may be changed by Owner from time to time.

17.3 Tenant Representative. Owner hereby confirms that Tenant’s Construction Representative (as defined in the Facilities Lease) is authorized to act on the Tenant’s behalf with respect to the Project. Owner shall cause Tenant to promptly render any decisions required of Tenant to avoid delay in the orderly process of design and construction of the Project.

18. Accounting, Inspection and Audit.

18.1 Accounts. Developer shall keep such full and detailed accounts as may be necessary for proper financial management under this Agreement.

18.2 Inspection and Audit. Owner and/or Tenant may, each at their sole discretion or by request of Tenant, from time to time whether before or after Final Acceptance or termination of this Agreement, inspect all books and records of Developer or any Contractor relating to the Project and/or elect to have an audit conducted to verify Project Costs through the date of the latest progress payment. If Owner and/or Tenant so elects to conduct such an audit, it shall give notice to Developer, and such audit shall be conducted as soon as is reasonably feasible thereafter, but progress payments to Developer shall not be delayed pending the outcome of the audit. Such audit shall be conducted by an auditor selected by Owner and Tenant, and Owner and/or Tenant shall, except as hereinafter provided, pay the cost of such audit. Developer agrees to cooperate with the auditor and make available for examination at its principal office all of its books, records, correspondence and other documents deemed necessary to conduct the audit by the auditor. If the audit reveals a variation of one percent (1%) or more of the then Project Costs, Developer shall pay the cost of the audit, not to exceed Ten Thousand Dollars (\$10,000).

18.3 Preservation of Records. Developer shall preserve all records for a period of six (6) years after Final Payment hereunder; provided, however, if at any time prior to the expiration of ten (10) years after Final Payment, Developer proposes to dispose of any Contract Documents related to the Project, Developer shall deliver the same to Owner for disposition by Owner.

19. Construction Liens. Upon Final Acceptance of the Project and upon Owner's request during the progress of the Project, Developer shall submit evidence that all payrolls, material bills and other indebtedness relating to the work have been paid (subject to Owner's timely funding the Fixed Price and all other costs that are the responsibility of Owner). If at any time there shall be appropriate evidence of any lien or claim for which, if established, Owner shall be liable, or which would constitute a lien on the Project, and which is chargeable to and the responsibility of Developer, then provided that Owner has timely funded the Fixed Price and all other costs that are the responsibility of Owner under this Agreement, upon written request by Owner, Developer or Contractor shall furnish a bond or other assurance in form and amount satisfactory to remove such lien from the public records. If any potential lien claimant gives notice to Trustee in accordance with the provisions of applicable law that it has filed a mechanics' lien against the Project and such lien is the responsibility of Developer in accordance with the previous provisions of this Section 19, there shall be no further disbursement of Bond proceeds until Developer shall have provided Trustee and Owner with a bond or other security in accordance with applicable law, to the amount claimed under the lien or notice until resolution of such dispute and payment of such lien, agreement with such potential lien claimant that such notice is withdrawn, or a court declaration that such notice is void in accordance with the provisions of applicable law. Developer shall notify Owner, Tenant and Trustee upon Developer's knowledge of the filing of any lien or the service of any notice in connection with the Project.

20. Priority Agreements. To the extent permissible under California law, Developer shall require each of the Office Project General Contractor and the Shatto Garage Project General Contractor to subordinate its lien rights, by agreement in form and substance satisfactory to Owner, to the lien of mortgage(s) securing the Bonds in favor of Trustee and its respective successors or assigns, and shall use its best efforts to obtain a similar subordination from all

subcontractors under this Agreement. Any subcontractor which refuses to so subordinate its lien rights must be specifically approved in writing by Owner.

21. Damage and Destruction; Condemnation.

21.1 Damage and Destruction. After the happening of any casualty to the Project, Developer shall give Owner, Tenant and Trustee prompt written notice thereof generally describing the nature and cause of such casualty and the extent of the damage or destruction to the Project. Developer and Owner acknowledge, agree and assign all insurance proceeds which Developer or Owner may be entitled to receive prior to Final Acceptance of the Project with respect to damage or destruction to the Project to Trustee for deposit into the Non-Bond Proceeds Account, pursuant to Section 4.01 of the Indenture held by Trustee under the Indenture, and the insurance carrier is hereby irrevocably instructed in accordance herewith. Such insurance proceeds shall be used to pay Project Costs, including increases in the Project Costs caused by such casualty so long as such use is permitted by the Indenture. If, prior to the Substantial Completion of the Project, damage or destruction occurs to the Project, Developer shall proceed diligently to reconstruct and restore the Project in accordance with the Contract Documents and the provisions of this Agreement. Insurance proceeds deposited in the Non-Bond Proceeds Account, pursuant to Section 4.02 of Indenture shall be disbursed to Developer in accordance with the provisions of Section 9 for payment of progress payments for payment of the costs to repair and restore the Project. All costs of such repair or restoration of the Project exceeding the amount of the insurance proceeds shall be paid in accordance with the Facilities Lease, and Developer shall not be responsible for any such costs.

21.2 Condemnation.

(a) If, prior to Substantial Completion of the Project, there is a partial taking of the Premises by Condemnation but the Project can be completed substantially in accordance with the Project Requirements, such condemnation proceeds shall be paid to Trustee who shall deposit such condemnation proceeds into the Non-Bond Proceeds Account established under Section 4.02 the Indenture for purposes of paying Project Costs. Following Substantial Completion of the Project, if there is a partial taking of the Premises by Condemnation, and Tenant determines that restoration is possible or a reasonable use can be made of the Premises without restoration, then the condemnation proceeds shall be paid to Trustee who shall, as applicable, (i) deposit such condemnation proceeds into the Capital Repairs Fund (as defined in the Indenture) and shall disburse such condemnation proceeds to Owner from time to time as restoration progresses, or (ii) deposit such condemnation proceeds in the Bond Fund (as defined in the Indenture) to be used to repay or defease Bonds.

(b) If there is a taking or damaging of all or any portion of the Premises by the exercise of any governmental power, whether by legal proceedings or otherwise, by a governmental agency with jurisdiction over the Premises or a transfer by Owner either under threat of condemnation or while legal proceedings for condemnation are pending (a “**Condemnation**”) such that there can be no reasonable use of the Premises by Tenant, as reasonably determined by Tenant, the entire award with respect to a taking of the Premises (including Tenant’s leasehold estate under the Facilities Lease) shall be paid to Trustee and applied at Tenant’s direction to repay or defease Bonds or to reimburse Trustee for any costs

incurred by Trustee for which it is entitled to reimbursement under the Indenture. Any Condemnation proceeds remaining after Bonds have been paid in full shall be paid to Tenant.

22. Payment of Taxes/Assessments.

22.1 Real Property Taxes. Any and all real property taxes and assessments (including leasehold excise tax) levied against the Premises and the Project or any portion thereof shall be paid by Owner. Notwithstanding anything to the contrary contained in this Agreement, Developer shall have no liability whatsoever for any real property taxes or assessments (including any leasehold excise tax).

22.2 Other State and Local Taxes. Except as otherwise provided in Section 22.1, Developer shall pay any and all state and local taxes assessed in connection with the Project, including, but not limited to, state and local retail sales taxes as part of the Fixed Price. Developer shall complete all necessary tax returns relating to such taxes and file the same with the applicable state or local governmental agency and remit, on or before the date such tax payment is due, payment of such state and local taxes to the proper taxing authority.

23. Default.

23.1 Developer Default. The following events shall constitute an “**Event of Default**” by Developer if the same shall continue uncured after expiration of the applicable notice and cure period set forth in Section 23.2:

(a) If Developer shall fail to perform any material obligation under this Agreement;

(b) If Developer persistently or repeatedly refuses or fails to cause to be supplied to the Project enough properly skilled workers or proper materials to complete the Project, including Tenant Improvements, or if Developer ceases work on the Project for a period of fourteen (14) consecutive days (subject to Unavoidable Delays);

(c) If Developer misappropriates any funds received by Developer pursuant to the provisions of this Agreement;

(d) If Developer persistently disregards and fails to comply with laws, ordinances or rules, regulations or orders of a public authority having jurisdiction over the Project;

(e) If, due to the wrongful actions of Developer, any Permit required for construction of the Project shall be revoked or canceled;

(f) If there shall occur any lien or other encumbrance on the Premises or the Project caused by Developer which is not bonded and removed in accordance with Section 19 above;

(g) If there shall have occurred defective workmanship or materials within the Project which is not cured within the time period provided in Section 7.11;

(h) If Developer shall have assigned, pledged or encumbered its rights, duties or obligations under this Agreement in violation of Section 25.6;

(i) If any warranty made by Developer as set forth in Section 13 shall be untrue or breached in any material respect;

(j) If Developer abandons the Project during the term of this Agreement; or

(k) If Developer files a petition for bankruptcy or if it makes a general assignment for the benefit of Developer's creditors, or if a receiver is appointed on account of Developer's insolvency and any such petition or appointment is not dismissed within sixty (60) days.

23.2 Owner Remedies upon Developer Event of Default. Upon any Event of Default by Developer, Owner shall give Developer written notice of the same, whereupon following receipt of such written notice Developer shall have thirty (30) days within which to commence all necessary action to cure any such Event of Default, (and if such cure is commenced, proceed to diligently complete such cure within a reasonable period of time), except with respect to Events of Default set forth in Section 23.1(h) for which the cure period shall be ten (10) business days, or Section 23.1(k) for which no cure period exists beyond the time period stated therein; provided however, that such cure period shall not apply to failure of Developer to achieve Substantial Completion of the Project on or before the Developer Obligation Date for the Project. In the event Developer fails to cure such Event of Default within the time period set forth above, Owner shall be entitled to the following remedies:

(a) To take over and complete the Project. Owner is hereby irrevocably appointed attorney-in-fact (the appointment being coupled with an interest) to enforce contracts or agreements theretofore made by Developer and to do any and all things that are necessary and proper to complete the Project and be entitled to use the undisbursed Project Fund proceeds to pay Project Costs;

(b) In addition to a claim for damages for such breach or default, and in addition to and without prejudice to any other right or remedy available under this Agreement or at law or in equity, to commence an action for specific performance of this Agreement;

(c) To withhold approval of further disbursement of Bond proceeds;

(d) To bring an action for damages; or

(e) To terminate this Agreement without liability upon ten (10) days written notice.

23.3 Owner Default. The following shall constitute an "Event of Default" by Owner:

(a) Owner fails to cause Trustee to make disbursements to Developer of any sum of money owed to Developer pursuant to this Agreement as and when due, including

without limitation, all monies due and owing from the Bond Proceeds Account in the Project Fund unless Developer shall have committed an Event of Default as set forth in Section 23.1;

(b) Owner shall have assigned, pledged or encumbered its rights, duties or obligations under this Agreement in violation of Section 25.6; or

(c) Owner shall have failed to perform any other material obligation under this Agreement.

23.4 Developer Remedies upon Owner Event of Default. Upon any Event of Default by Owner, Developer shall give Owner written notice of the same. Upon receipt of such written notice Owner shall have ten (10) business days to cure any such Event of Default. In the event Owner fails to cure such Event of Default within said ten (10) business day period, Developer shall be entitled to stop all work relating to the Project, if Developer so desires and shall further be entitled to pursue its rights and remedies at law and in equity under this Agreement, including without limitation, specific performance of Owner's obligations hereunder.

23.5 Remedies Not Exclusive. No remedy conferred upon either Party in this Agreement is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

23.6 Limitation on Liability. Notwithstanding anything to the contrary contained in this Agreement, in no event and under no circumstances shall Developer's liability under this Agreement or in connection with the Project exceed the cumulative amount of (a) the Developer's Fee and (b) any and all available insurance coverage; provided, however, to the extent that such liability is caused by Developer's gross negligence, abandonment of the Project, or willful misconduct, the limitation of liability set forth in this Section 23.6 shall not apply.

24. Disputes. Owner and Developer agree to follow the independent resolution process set forth in this Section 24 to resolve disputes regarding preparation of the Construction Drawings and Detailed Specifications and changes to Construction Documents in an economic and time efficient manner so that such documents conform to the requirements of this Agreement, the Project Schedule is not adversely impacted, and the Project as constructed will satisfy the Project Requirements. In the event that a dispute arises between Owner and Developer during the design or construction of the Project regarding the adequacy of any Drawings or Specifications or the responsibility for any costs associated with any design development, addition or change (e.g., whether any design development is consistent with and reasonably inferable from the Project Requirements), the Parties shall attempt to resolve such dispute as expeditiously as possible and shall cooperate so that the progress of the design and construction of the Project is not delayed. If, however, the Parties are unable to resolve the dispute within three (3) business days, either Party may, by delivering written notice to the other and the Trustee, refer the matter to a dispute resolution mediation as set forth on the attached Exhibit H. In the event that either Party to this Agreement brings an action to enforce the terms hereof or declare rights hereunder, the prevailing Party in any such action or dispute shall be entitled to recover its reasonable attorneys' fees from the non-prevailing Party.

25. Miscellaneous.

25.1 Waiver. Any waiver by either of the Parties of any breach of any covenant herein contained to be kept and performed by the other Party shall not be deemed or considered as a continuing waiver, and shall not operate to bar or prevent the damaged Party from declaring a forfeiture for any succeeding breach, either of the same condition or covenant or otherwise.

25.2 Neutral Authorship. In connection with the execution and delivery hereof, each Party has been represented by counsel. Each of the provisions of this Agreement has been reviewed and negotiated, and represents the combined work product of both Parties. No presumption or other rules of construction which would interpret the provisions of this Agreement in favor of or against the Party preparing the same shall be applicable in connection with the construction or interpretation of any of the provisions of this Agreement.

25.3 Severability. If any portion or portions of this Agreement is declared void or unenforceable, it shall not affect the other provisions of this Agreement.

25.4 Relationship of Parties. Developer and Owner shall not be construed as joint venturers or general partners, and neither shall have the power to bind or obligate the other party except as set forth in this Agreement. Nothing herein shall be construed as reserving to Owner the right to control Developer's business.

25.5 Third Party Rights. The provisions of this Agreement are intended for the benefit of, and may only be enforced by the Parties hereto and their respective successors and assigns, including, as to Owner, the Trustee and/or Tenant (as applicable). None of the rights or obligations of the Parties herein set forth (or implied) is intended to confer any claim, cause of action, remedy, defense, legal justification, indemnity, contribution claim, set-off, or other right whatsoever upon or otherwise inure to the benefit of any Contractor, Architect, subcontractor, worker, supplier, mechanic, architect, insurer, surety, guest, member of the public, or other third parties having dealings with either of the parties hereto or involved, in any manner, in the Project. Notwithstanding the foregoing, (i) if Developer fails to cause Substantial Completion of the Project to be achieved by the date set forth in the Project Schedule (subject to adjustment for Unavoidable Delays and Owner-Caused Delays as provided herein), or (ii) if Developer otherwise suffers an Event of Default which Developer does not cure within the allotted cure period, then Tenant shall be deemed a third party beneficiary of this Agreement and may enforce the performance by Developer of its obligations under this Agreement.

25.6 Assignment; Encumbrance or Pledge. Neither this Agreement nor any rights or duties hereunder nor any benefits derived from this Agreement may be assigned, delegated, pledged or encumbered to any other person or entity by either Party hereto without the express written consent of the other and Tenant, which consent may be withheld by either Party or Tenant in the exercise of its absolute discretion, except that Owner may assign its rights under this Agreement to the Trustee pursuant to the Indenture as security in connection with the financing described in Section 3.

25.7 Notices. All notices or requests required or permitted under this Lease shall be in writing, shall be (i) personally delivered, (ii) sent by certified or registered mail, return receipt requested, postage prepaid, or (iii) by nationally recognized overnight courier and shall be deemed given when so delivered or received. All notices or requests to any Party shall be sent to the other Party as follows:

Owner: Los Angeles County Facilities Inc.
c/o Public Facilities Group
1414 Fourth Avenue
Seattle, WA 98101
Attn: John Finke

With a copy to:

Hillis Clark Martin & Peterson, P.S.
999 Third Ave, Suite 4600
Seattle, WA 98104
Attn: Steven R. Rovig

Developer: TC LA Development, Inc.
2221 Rosecrans Ave, Suite 200
El Segundo, CA 90245
Attn: Greg Ames

Either Party may change its address for the purposes of this section by giving written notice of such change to the other party in the manner provided in this Section 25.7.

A copy of all notices, plans and specifications, change orders, invoices, documents or other agreements required to be delivered by one party to the other pursuant to this Agreement shall be simultaneously sent to Tenant at its address set forth below.

Tenant: County of Los Angeles
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012
Attention: Real Estate Division – Senior Manager

With copies to:

Office of County Counsel
County of Los Angeles
500 West Temple St. 6th Floor
Los Angeles, CA 90012-2932

Chief Executive Office – Capital Projects
County of Los Angeles
500 West Temple St. Room 713
Los Angeles, CA 90012

Treasurer and Tax Collector – Public Finance
County of Los Angeles
500 West Temple St., Room 432
Los Angeles, CA 90012

Anything contained in this Section 25.7 to the contrary notwithstanding, copies of notices (other than notices of default), plans and specifications, change orders, invoices, documents or other agreements required to be delivered by one Party to the other pursuant to this Agreement and any requests for approval or concurrence that may be required by this Agreement may be given to the Parties and Tenant by email to the email addresses set forth below or such other email addresses as a Party or Tenant may specify from time to time by notice to the other Party and Tenant as provided herein. Unless the sender receives an email delivery failure notification, an email communication sent in accordance with this Section 25.7 shall be deemed delivered on the business day sent by the sender, unless sent after 6:00 p.m. Pacific Time or on a non-business day, in which case such email communication shall be deemed delivered on the following business day. The email addresses for the Parties and Tenant as of the Effective Date are:

Owner: johnfinke@publicfacilitiesgroup.org
Developer: games@trammellcrow.com
Tenant: leaseacquisitions@ceo.lacounty.gov

25.8 Entire Agreement. This Agreement (and the Exhibits referred to herein) constitute the entire agreement between the Parties with respect to the subject matter hereof and may be amended only in writing signed by both Parties.

25.9 Time Is of the Essence. Time is of the essence of this Agreement.

25.10 Employees of Developer. Developer is acting under this Agreement as an independent contractor and nothing herein contained, or any acts of Developer or Owner, nor any other circumstances, shall be construed to establish Developer as an agent of Owner. Developer shall be responsible for each of Developer’s employees or other persons performing services to be performed by Developer hereunder and for determining the manner and time of performance of all acts to be performed by Developer hereunder. Developer shall maintain all required industrial and worker’s compensation insurance for all employees of Developer and shall cause all Contractors, Architect and all design professionals and other persons, firms and corporations employed to perform services in connection with the Project to provide worker’s compensation and similar insurance with respect to their respective employees.

25.11 Exhibits. The Exhibits to this Agreement are:

Exhibit	Description	Partial Section Reference
A	Legal Description of Premises	Recitals; Section 1
B	Facilities Lease Agreement	Recitals; Section 1
C	Site Plan	Recitals; Section 1
D	Project Budget	Sections 1, 4.4
E	Schedule of Preliminary Plans and	Section 1

	Specifications	
F	Project Schedule	Sections 1, 6.3
G	Developer’s Insurance Requirements	Section 16
H	Dispute Resolution Procedure	Section 24
I	List of Additional Warranties	Section 7.9
J	Financed FF&E	Section 1
K	Form of Payment Requisition	Section 9.1

25.12 Compliance with Civil Rights Laws. During the performance of this Agreement, Developer shall comply with all federal and applicable state nondiscrimination laws, including but not limited to: Title VII of the Civil Rights Act, 42 U.S.C. §§ 12101 *et seq.*; the Americans with Disabilities Act (ADA); and the provisions of Section 32.11 of the Facilities Lease that are applicable to Developer’s performance of this Agreement.

25.13 Governing Law; Venue. This Agreement and all provisions hereof shall be interpreted in accordance with the laws of the State of California in effect on the date of execution of this Agreement. The Superior Court of Los Angeles County, State of California shall have exclusive jurisdiction and venue over any legal action arising under this Agreement.

25.14 Recitals. All Recitals set forth herein are hereby incorporated into this Agreement. The Parties agree that the Recitals are true and correct and have the same force and effect as all other provisions contained in this Agreement.

25.15 Meanings of Words Not Specifically Defined/General Rules of Interpretation. Words and phrases contained herein shall be construed according to the context and the approved usage of the English language, but technical words and phrases, and such others as have acquired a peculiar and appropriate meaning by law, or are defined in Section 1, are to be construed according to such technical, peculiar, and appropriate meaning or definition. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. As used in this Agreement, the word “includes or “including” means including without limitation, the word “or” is not exclusive and the words “herein,” “hereof,” “hereto” and hereunder refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (a) to articles, paragraphs, sections and exhibits mean the articles, paragraphs, sections and exhibits which are part of this Agreement as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Agreement, (b) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Agreement, and (c) to a statute means such statute as amended, supplemented or replaced from time to time. The exhibits, schedules, addenda, and attachments which are attached to this Lease are made a part of this Lease.

[Signatures appear on next page.]

DATED the day and year first above written.

OWNER: LOS ANGELES COUNTY FACILITIES INC.,
a California nonprofit public benefit corporation

By: _____
Name: John Finke
Its: Vice President

DEVELOPER: TC LA DEVELOPMENT, INC.,
a Delaware corporation

By: _____
Name: _____
Its: _____

EXHIBIT A

Legal Description of Premises

EXHIBIT B

Facilities Lease Agreement

EXHIBIT C

Site Plan

EXHIBIT D
Project Budget

EXHIBIT E

Schedule of Preliminary Plans

EXHIBIT F
Project Schedule

EXHIBIT G

MINIMUM INSURANCE REQUIREMENTS FOR DEVELOPER

I. GENERAL INSURANCE PROVISIONS.

Without limiting the Developer's indemnification of Owner, and in the performance of this Agreement and until all of its obligations pursuant to this Agreement have been met, Developer shall provide and maintain as a Project Cost insurance coverage satisfying the requirements specified in this Exhibit G and elsewhere in the Agreement (the "**Required Insurance**"). Owner in no way warrants that the Required Insurance is sufficient to protect the Developer for liabilities which may arise from or relate to this Agreement.

A. **Evidence of Coverage and Notice to Owner.** Certificate(s) of insurance coverage (each an "**Insurance Certificate**") or other evidence of coverage satisfactory to Owner shall be delivered to Owner prior to the Effective Date. Such Insurance Certificates or other evidence shall:

(1) Specifically identify this Agreement by name or number.

(2) Clearly identify all insurance coverage types and limits required in this Agreement and be signed by an authorized representative of the insurer(s). The Insured party named on the Certificate shall match the name of Developer or its parent company. Certificates shall provide the full name of each insurer providing coverage, and list any Owner required endorsement forms.

(3) Include a copy of the additional insured endorsement to the commercial general liability policy, adding (a) Owner, its officers, directors, employees and agents (collectively, the "**Indemnified Owner Parties**," and (b) County and its Special Districts, Elected Officials, Officers, Agents, Employees and Volunteers (collectively, the "**Indemnified County Parties**") as additional insureds for the indemnification obligation of the Developer. The full limits and scope of protection of Developer's policy shall apply to Owner and County as additional insureds, even if they exceed Owner's minimum insurance requirements set forth herein. Use of an automatic additional insured endorsement form is acceptable providing it satisfies this and the other insurance requirement provisions herein.

(4) Show Developer's insurance policies, with respect to any claims related to this Agreement, are primary with respect to all other sources of coverage available to Developer. Any Owner insurance and self-insurance coverage shall be excess of and not contribute to any Developer coverage, which may be evidenced by adding a statement to the additional insured endorsement required in item (3) above, stating "It is further agreed that the insurance afforded by this policy is primary to any insurance or self-insurance programs maintained by

Owner and County's insurance and self-insurance coverage are in excess of and non-contributing to the Named Insureds' coverage for Named Insureds indemnity obligations in this agreement.

(5) Insurance Certificates and copies of any required endorsements, notices of cancellation shall be delivered to:

Owner

Project Manager

Owner's Address

Attention: Project Manager's Name

Renewal Insurance Certificates shall be provided to Owner prior to Developer's policy expiration dates.

(6) Neither Owner's failure to obtain, nor Owner's receipt of, or failure to object to a non-complying insurance certificate or endorsement, or any other insurance documentation or information provided by the Developer, its insurance broker(s) and/or insurer(s), shall be construed as a waiver of any of the Required Insurance provisions.

(7) Developer also shall promptly report to Owner any injury or property damage accident or incident, including any injury to a Developer employee occurring on Owner property, and any loss, disappearance, destruction, misuse, or theft of Owner property, monies or securities entrusted to Developer. Developer also shall promptly notify Owner of any third party claim or suit filed against Developer which arises from or relates to this Agreement, and could result in the filing of a claim or lawsuit against Developer and/or Owner.

B. Insurer Financial Ratings. Insurance is to be provided by an insurance company authorized to do business in the State of California, with an A.M. Best rating of not less than A:VII, unless otherwise approved by Owner.

C. Waiver of Subrogation. To the fullest extent permitted by law, Owner and Developer waives its and its insurer(s) rights of recovery against each other under all required insurance policies for any loss arising from or related to this Agreement. Both Parties shall require its insurers to execute any waiver of subrogation endorsements which may be necessary to effect such waiver.

D. Cancellation of or Changes in Insurance. Developer shall provide Owner with, or Developer's insurance policies shall contain a provision that Owner shall receive, written notice of cancellation or any change in Required Insurance, including insurer, limits of coverage, term of coverage or policy period. The written notice shall be provided to Owner at least ten (10) days in advance of cancellation for non-payment of premium and thirty (30) days in advance for any other cancellation or policy change. Failure to provide written notice of cancellation or any change in Required Insurance shall constitute an Event of Default by Developer, upon which

Owner may suspend or terminate this Agreement.

E. **Failure to Maintain Insurance:** Developer's failure to maintain or to provide acceptable evidence that it maintains the Required Insurance shall constitute an Event of Default by Developer, upon which Owner immediately may withhold payments due to Developer, and/or suspend or terminate this Agreement. Owner, at its sole discretion, may obtain damages from Developer resulting from such Event of Default by Developer. Alternatively, Owner may purchase the Required Insurance, and without further notice to Developer, deduct the premium cost from sums due to Developer or pursue Developer reimbursement.

F. **Deductibles and Self-Insured Retentions.** Developer shall identify any deductibles or self-insured retention ("SIR") exceeding \$25,000. Developer's policies shall not obligate Owner to pay any portion of any Developer deductible or SIR.

G. **Claims Made Coverage.** If any part of the Required Insurance is written on a claims made basis, any policy retroactive date shall precede the Effective Date. Developer shall maintain such coverage for a period of not less than three (3) years following the expiration, termination or cancellation of this Agreement.

H. **Application of Excess Liability Coverage.** Developer may use a combination of primary, and excess insurance policies which provide coverage as broad as ("follow form" over) the underlying primary policies, to satisfy the Required Insurance provisions.

I. **Separation of Insureds.** All liability policies shall provide cross-liability coverage as would be afforded by the standard ISO (Insurance Services Office, Inc.) separation of insureds provision with no insured versus insured exclusions or limitations.

J. **Alternative Risk Financing Programs.** Owner reserves the right to review, and then approve, Developer use of self-insurance, risk retention groups, risk purchasing groups, pooling arrangements and captive insurance to satisfy the Required Insurance provisions. Owner and its agents shall be designated as an Additional Covered Party under any approved program, as they would under required insurance.

J. **Owner Review and Approval of Insurance Requirements.** Owner reserves the right to review and reasonably adjust the Required Insurance provisions, conditioned upon Owner's reasonable determination of changes in risk exposures.

II. INSURANCE COVERAGE REQUIREMENTS FOR DEVELOPER — TYPES AND LIMITS

A. **Commercial General Liability Commercial General Liability** insurance (providing scope of coverage equivalent to ISO policy form CG 2010 and CG 2037 (10/01 edition) or its equivalent), naming the Indemnified Owner Parties and the Indemnified County Parties as an additional insured in accordance with the requirements of this Agreement, ISO policy form, with limits of not less than:

General Aggregate:	\$10 million
Products/Completed Operations Aggregate:	\$10 million
Personal and Advertising Injury:	\$ 5 million
Each Occurrence:	\$ 5 million

The Products/Completed Operations coverage shall continue to be maintained in the amount indicated above for at least three (3) years after the date of Substantial Completion of the Project. Such insurance policies shall be endorsed with the CG 2404 (05/09 edition) Waiver of Transfer of Rights of Recovery Against Others to Us Endorsement and shall include a Per Project Aggregate Endorsement per form CG 2503 (03/97 edition). Such insurance shall be Primary and Non-Contributory in accordance with the requirements of this agreement.

B. **Automobile Liability** insurance (providing scope of coverage equivalent to ISO policy form CA 00 01) with limits of not less than \$1 million for bodily injury and property damage, in combined or equivalent split limits, for each single accident. Insurance shall cover liability arising out of Developer’s use of autos pursuant to this Agreement, including owned, leased, hired, and/or non-owned autos, as each may be applicable.

C. **Workers Compensation and Employers’ Liability** insurance or qualified self-insurance satisfying statutory requirements, which includes Employers’ Liability coverage with limits of not less than \$1 million per accident. If Developer will provide leased employees, or, is an employee leasing or temporary staffing firm or a professional employer organization (“PEO”), coverage also shall include an Alternate Employer Endorsement (providing scope of coverage equivalent to ISO policy form WC 00 03 01 A) naming County as the Alternate Employer, and the endorsement form shall be modified to provide that County will receive not less than thirty (30) days advance written notice of cancellation of this coverage provision. If applicable to Developer’s operations, coverage also shall be arranged to satisfy the requirements of any federal workers or workmen’s compensation law or any federal occupational disease law.

III. INSURANCE COVERAGE REQUIREMENTS FOR CONSTRUCTION PHASE — TYPES AND LIMITS

A. **Builder’s Risk Course of Construction Insurance.** Such coverage shall:

(1) Insure against damage from perils covered by the Causes-of-Loss Special Form (ISO policy form CP 10 30), and be endorsed to include earthquake, flood, ordinance or law coverage, coverage for temporary offsite storage, debris removal, pollutant cleanup and removal, preservation of property, excavation costs, landscaping, shrubs and plants and full collapse coverage during construction (without restricting collapse coverage to specified perils). Such insurance shall be extended to include boiler & machinery coverage for air conditioning, heating and other equipment during testing.

(2) Be written on a completed-value basis and cover the entire value of the construction project, including \$(Insert the replacement value of Owner-furnished materials and equipment here) in Owner-furnished materials and equipment, against loss or damage until completion and acceptance by Owner.

Developer shall cause each of the Office Project General Contractor and the Shatto Garage Project General Contractor to provide the requisite insurance coverage listed below:

The Office Project General Contractor Required Insurance Types and Limits are outlined in subparagraphs B(1) through D(1) and E:

B(1). General Liability Insurance. Such coverage shall be written on ISO policy form CG 2010 and CG 2037 (10/01 edition) or its equivalent, naming Owner, its officers, directors, employees and agents as an additional insured, with limits of not less than:

General Aggregate:	\$50,000,000
Products/Completed Operations Aggregate:	\$50,000,000
Personal and Advertising Injury:	\$25,000,000
Each Occurrence:	\$25,000,000

The Products/Completed Operations coverage shall continue to be maintained in the amount indicated above for at least three (3) years after the date of Substantial Completion of the Project. Such insurance policies shall be endorsed with the CG 2404 (05/09 edition) Waiver of Transfer of Rights of Recovery Against Others to Us Endorsement and shall include a Per Project Aggregate Endorsement per form CG 2503 (03/97 edition). Such insurance shall be Primary and Non-Contributory.

C(1). Automobile Liability insurance. Such coverage shall be written on ISO policy form CA 00 01 or its equivalent with a limit of liability of not less than \$5,000,000 for bodily injury and property damage, in combined or equivalent split limits, for each single accident. Such insurance shall cover liability arising out of Developer's use of autos pursuant to this Agreement, including owned, leased, hired, and/or non-owned autos, as each may be applicable.

D(1). Professional Liability/Errors and Omissions insurance. Such insurance shall cover liability arising from any error, omission, negligent or wrongful act of Contractor, its officers or employees arising from or related to this Agreement with limits of not less than \$3,000,000 per occurrence and \$6,000,000 aggregate. The coverage shall remain in place for a period of not less than six (6) years following completion of the Project and shall provide an extended two-year reporting period commencing upon expiration, termination or cancellation of this Agreement.

The Shatto Garage Project General Contractor Required Insurance Types and Limits are

outlined in subparagraphs B(2) through D(2) and E:

B(2). General Liability Insurance. Such coverage shall be written on ISO policy form CG 2010 and CG 2037 (10/01edition) or its equivalent, naming Owner, its officers, directors, employees and agents as an additional insured, with limits of not less than:

General Aggregate:	\$20,000,000
Products/Completed Operations Aggregate:	\$20,000,000
Personal and Advertising Injury:	\$10,000,000
Each Occurrence:	\$10,000,000

The Products/Completed Operations coverage shall continue to be maintained in the amount indicated above for at least three (3) years after the date of Substantial Completion of the Project. Such insurance policies shall be endorsed with the CG 2404 (05/09 edition) Waiver of Transfer of Rights of Recovery Against Others to Us Endorsement and shall include a Per Project Aggregate Endorsement per form CG 2503 (03/97 edition). Such insurance shall be Primary and Non-Contributory.

C(2). Automobile Liability insurance. Such coverage shall be written on ISO policy form CA 00 01 or its equivalent with a limit of liability of not less than \$3,000,000 for bodily injury and property damage, in combined or equivalent split limits, for each single accident. Such insurance shall cover liability arising out of Developer's use of autos pursuant to this Agreement, including owned, leased, hired, and/or non- owned autos, as each may be applicable.

D(2). Professional Liability/Errors and Omissions insurance. Such insurance shall cover liability arising from any error, omission, negligent or wrongful act of Contractor, its officers or employees arising from or related to this Agreement with limits of not less than \$2,000,000 per occurrence and \$4,000,000 aggregate. The coverage shall remain in place for a period of not less than six (6) years following completion of the Project and shall provide an extended two-year reporting period commencing upon expiration, termination or cancellation of this Agreement.

E. Workers Compensation and Employers' Liability Insurance or qualified self-insurance satisfying statutory requirements. Such coverage shall provide Employers' Liability coverage with limits of not less than \$1 million per accident. Such policy shall be endorsed to waive subrogation against Owner for injury to Contractor's employees. If the Contractor's employees will be engaged in maritime employment, the coverage shall provide the benefits required by the *U.S. Longshore and Harbor Workers Compensation Act, Jones Act* or any other federal law to which Contractor is subject. If Contractor will provide PEO, coverage also shall include an Alternate Employer Endorsement (providing scope of coverage equivalent to ISO policy form WC 00 03 01 A) naming Owner as the Alternate

Employer, and the endorsement form shall be modified to provide that Owner will receive not less than thirty (30) days advance written notice of cancellation of this coverage provision.

The insurance coverage described in Sections III.F and III.G below should be required only as applicable to the Projects. In the event operations performed by or on behalf of the Contractor result in pollution conditions (sudden/accidental or gradual) or release, discharge, escape, dispersal or emission of asbestos, whether gradual or sudden, Contractor's Pollution Liability Insurance or Asbestos Liability Insurance should be requested, respectively.

F. Contractor's Pollution Liability Insurance. Such insurance shall cover liability arising from the release, discharge, escape, dispersal or emission of pollutants, whether gradual or sudden, and include coverage for the costs and expenses associated with voluntary clean-up, testing, monitoring and treatment of pollutants in compliance with governmental mandate or requests. Motor vehicle pollution liability will be required under the Automobile Liability Insurance indicated above under section C above for removal of pollutant from the work site. Contractor shall maintain limits not less than \$3,000,000 per occurrence and \$6,000,000 aggregate.

G. Asbestos Liability Insurance. Such insurance shall cover liability for personal injury and property damage arising from the release, discharge, escape, dispersal or emission of asbestos, whether gradual or sudden, and include coverage for the costs and expenses associated with voluntary clean-up, testing, monitoring and treatment of asbestos in compliance with governmental mandate or requests. Motor vehicle asbestos liability will be required under the Automobile Liability Insurance indicated above under section C above if asbestos will be removed from the work site. Contractor shall maintain limits not less than \$3,000,000 per occurrence and \$6,000,000 aggregate.

H. Performance Security Requirements. Prior to the Effective Date, each Contractor shall file surety bonds with Owner in the amounts and for the purposes noted below. All bonds issued in compliance with this Agreement shall be duly executed by a solvent surety company that is authorized by the State of California, is listed in the United States Department of the Treasury's Listing of Approved Sureties Treasury (Circular 570) (see www.fms.treas.gov/c570/) and is satisfactory to Owner, and Contractor shall pay all premiums and costs thereof and incidental thereto. =

Each bond shall be signed by both Contractor (as Principal) and the Surety.

The Office Project Contractor shall give two surety bonds with good and sufficient sureties, as explained in subparagraphs III.H.1. and III.H.2. below: the first in the sum of not less than 100% of the sum of the Office Project General Construction Contract price to assure the payment of claims of material men supplying materials to the Office Project General Contractor, Subcontractors and mechanics and laborers employed by the Office Project General Contractor or Subcontractors on the Project, and the second in the sum of not less than 100% of the sum of the Office Project General Construction Contract price to assure the faithful performance of the Office Project General Construction Contract.

The Shatto Garage Project Contractor shall give two surety bonds with good and sufficient

sureties, as explained in subparagraphs III.H.1. and III.H.2. below: the first in the sum of not less than 100% of the sum of the Shatto Garage Project General Construction Contract price to assure the payment of claims of material men supplying materials to the Shatto Garage Project General Contractor, Subcontractors and mechanics and laborers employed by the Shatto Garage Project General Contractor or Subcontractors on the Project and the second in the sum of not less than 100% of the sum of the Shatto Garage Project General Construction Contract price to assure the faithful performance of the Shatto Garage Project General Construction Contract.

(1) The “Materials and Labor Bond” shall be so conditioned as to insure to the benefit of persons furnishing materials for or performing labor upon the Project. This bond shall be maintained by Contractor in full force and effect until (a) Substantial Completion and (b) payment of all claims for materials, labor and subcontracts.

(2) The “Bond for Faithful Performance” shall be so conditioned as to assure the faithful performance by the Contractor of all work under the Project General Construction Contract, within the time limits prescribed, including any maintenance and warranty provisions, in a manner that is satisfactory and acceptable to Owner, that all materials and workmanship supplied by the Contractor will be free from original or developed defects, and that should original or developed defects or failures appear within a period of one year from the date of Substantial Completion of the Project, Contractor shall, at Contractor’s own expense, make good such defects and failures and make all replacements and adjustments required, within a reasonable time after being notified by the Owner to do so, and to the approval of County. This bond shall be maintained by the General Contractor in full force and effect during the performance of the work under the Project General Construction Contract and for a period of one year after the date of Substantial Completion of the Project.

Should any surety or sureties upon said bonds or any of them become insufficient or be deemed unsatisfactory by Owner, Contractor shall replace said bond or bonds with good and sufficient sureties within ten (10) days after receiving notice from the Owner that the surety or sureties are insufficient or unsatisfactory. No further payment shall be deemed due or will be made under this Agreement until the new sureties shall qualify and be accepted by Owner.

EXHIBIT H

Dispute Resolution Procedure

Owner and Developer shall act in good faith and deal fairly in performing their respective duties under this Agreement in order to accomplish their mutual objectives and avoid disputes. If a dispute arises with respect to design or construction of the Project, the Parties agree to utilize the dispute resolution process contained herein, which will be non-binding but a condition precedent to having said dispute decided in court by a judge or jury.

1. Mediation. Pursuant to Section 24, in the event a dispute arises between Developer and Owner with respect to design and/or construction of the Project the Parties shall proceed in good faith to resolve such dispute as expeditiously as possible and shall cooperate so that the progress of the design and construction of the Project is not delayed. If, however, the Parties are unable to resolve the dispute within three (3) business days, either Party may refer the dispute to the Mediator named below.

1.1 Mediator. For any dispute which cannot be resolved by the Parties, a qualified, independent mediator (“**Mediator**”) shall be mutually designated by Owner and Developer to resolve such dispute. If the Parties cannot agree on the Mediator, each party shall select a mediator with at least five (5) years-experience in construction related mediation and the two mediators will in turn select the Mediator. The Mediator is to act impartially and independently in the consideration of facts and conditions surrounding any dispute presented by Developer and Owner; however, the Mediator’s recommendations concerning any such dispute are advisory only. The Mediator’s recommendations shall be based on the pertinent provisions of this Agreement, and the facts and circumstances involved in the dispute. The Mediator’s recommendations shall be furnished in writing to the parties.

1.2 Developer Responsibility. Developer shall furnish the Mediator one copy of all documents it might have, other than those furnished by the Owner, which are pertinent to the performance of the Mediator’s duties hereunder.

1.3 Owner Responsibility. Owner shall furnish the Mediator one copy of all Contract Documents, including but not limited to the building design guidelines, applicable contracts, interpretative reports, progress schedule and updates, monthly progress reports, and other documents pertinent to the performance of this Agreement and necessary to the performance of the Mediator’s duties hereunder.

1.4 Term. Following execution of this Agreement, the Mediator shall have authority to act hereunder upon written request from either Owner or Developer and such authority shall terminate upon Final Acceptance, after Final Payment has been made.

1.5 Payment. The fees charged by the Mediator shall be shared equally by the Parties. The Mediator’s compensation shall include compensation for all materials, supplies, travel, office assistance and support and incidentals necessary to provide the services described herein. Payment for services rendered by the Mediator will be at the Mediator’s standard hourly

rate as approved by Owner and Developer prior to commencement of the dispute resolution proceeding.

1.6 Legal Relationship. The Mediator, in the performance of the duties described herein, is acting in the capacity of an independent agent and not as an employee of either Developer or Owner. The Mediator is absolved of any personal or professional liability arising from the recommendations made hereunder, unless due to gross negligence or willful malfeasance.

EXHIBIT I

List of Additional Warranties

EXHIBIT J
Financed FF&E

EXHIBIT K
Form of Payment Requisition

EXHIBIT P

GARAGE LICENSE (SHATTO PLACE)

EXHIBIT Q

EARLY OCCUPANCY AGREEMENT (TOWER GARAGE)

EXHIBIT R

COUNTY'S POLICY REQUIREMENTS

1. **Employment.** The Parties shall not, in the implementation of this Lease and in design, development, operation, and use of the project, discriminate against any employee or applicant for employment on the basis of race, religion, sex, sexual orientation, age, physical handicap, or national origin and shall comply with all applicable provisions of federal, state and local law related to discrimination. Landlord shall take affirmative action to ensure that applicants are employed and that employees are treated during their employment without regard to their race, religion, sex, sexual orientation, age, physical handicap, or national origin, including without limitation employment, promotion, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

2. **Rental or Sale.** Landlord shall refrain from restricting the rental, sale, or lease of the premises or project, or any portion thereof, on the basis of sex, age, handicap, marital status, race, color, religion, creed, ancestry, or national origin of any person. All leases and contracts affecting the premises or any portion thereof shall contain clauses expressly giving effect to this restriction.

3. **Local Hiring; Compliance with County Policy.** The construction of any improvements having an estimated cost greater than Two Million Five Hundred Thousand Dollars (\$2,500,000) shall be subject to county's countywide local and target worker hire policy, as that policy is described in the motion made by Supervisor Mark Ridley-Thomas and Board Chair Hilda Solis and adopted by the board on September 6, 2016, as that policy may be finally adopted and/or later amended by the board (the "local hiring policy"). Subject to amendment by the board, the local hiring policy has the following general terms and conditions:

3.1. **Local Resident.** A "**Local Resident**" means an individual living within Tier 1 or Tier 2 (as defined below).

3.2. **Tier 1.** "**Tier 1**" means the area covered by all ZIP Codes (a) of which a portion of such ZIP Code is within five (5) miles of the Premises and (b) in which the average percentage of households living below two hundred percent (200%) of the Federal Poverty Level ("FPL") is greater than the County average for such households.

3.3. **Tier 2.** "**Tier 2**" means the area covered by all ZIP Codes within the County in which the average **percentage** of households living below two hundred percent (200%) FPL is greater than the County average for such households.

3.4. **Local Residents.** At least thirty **percent** (30%) of total California construction labor hours worked on each work of improvement must be performed by a qualified Local Resident. Where allowable, contractors shall be encouraged to achieve higher participation levels for Local Residents.

3.5. **Priority.** Before employing worker(s) from Tier 2, the available pool of **local** residents whose primary place of residence is within Tier 1 must first be exhausted.

3.6. **Targeted Workers.** At least ten percent (10%) of total California hours worked on each work of Improvement subject to the Local Hiring Policy shall be worked by Targeted Worker(s) as defined below.

3.7. **Inclusive.** Hours worked by a Targeted Worker who is also a Local Resident may **be** applied towards the thirty percent (30%) Local Resident hiring goal.

3.8. **Definition of a Target Worker.** “**Target Worker**” means a resident of County who **has**, or is, one or more of the indicia of career-limiting circumstances set forth in this Section 15.25.8:

- (A) a documented annual income at or below one hundred percent (100%) of the FPL;
- (B) no high school diploma or GED;
- (C) a history of involvement with the criminal justice system;
- (D) a history of protracted unemployment;
- (E) is a current recipient of government cash or food assistance benefits;
- (F) is homeless or has been homeless within the last year;
- (G) is a custodial single parent;
- (H) is a former foster youth; or
- (I) is a veteran, or is the eligible spouse of a veteran of the United States armed forces, under Section 2(a) of the Jobs for Veterans Act (38 U.S.C.4215[a]).

EXHIBIT S
INDENTURE

INDENTURE OF TRUST

between

LOS ANGELES COUNTY FACILITIES INC.

and

U.S. BANK NATIONAL ASSOCIATION

Dated as of _____, 2018

LOS ANGELES COUNTY FACILITIES INC.

**Lease Revenue Bonds, Series 2018A
(Vermont Corridor County
Administration Building)
(Tax-Exempt)**

**Lease Revenue Bonds, Series 2018B
(Vermont Corridor County
Administration Building)
(Federally Taxable)**

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and dated as of _____ 1, 2018, by and between **LOS ANGELES COUNTY FACILITIES INC.**, a California nonprofit public benefit corporation (“LACF”), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association duly organized, existing and authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the United States of America, with a corporate trust office at Los Angeles, California, not in its individual capacity but solely as trustee, as Trustee (the “Trustee”);

WITNESSETH:

WHEREAS, LACF is a California nonprofit public benefit corporation and an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”); and

WHEREAS, the County of Los Angeles, California (the “County”), desires to have LACF finance or refinance costs of designing, developing, permitting, and constructing improvements and installing furniture, fixtures and equipment on a site (consisting of 510, 526 and 532 South Vermont Avenue and 523 Shatto Place) owned by the County in the City of Los Angeles, California (the “Land”) consisting of (i) a new office building with (A) approximately 468,000 gross square feet of Class A office space with ground floor retail space and public serving uses, and (B) approximately 965 structured parking spaces, and (ii) a separate 10-story garage structure containing approximately 768 parking spaces, all to serve as the headquarters and office space for the County’s Department of Mental Health, office space for the County’s Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions or staff (collectively, the “Project”); and

WHEREAS, LACF and the County have entered into a Ground Lease Agreement, dated as of _____ 1, 2018 (the “Ground Lease”), under which the County is leasing the Land to LACF; and

WHEREAS, LACF and the County have entered into a Facilities Lease Agreement, dated as of _____ 1, 2018 (the “Facilities Lease”), under which LACF will undertake the Project and lease the Land, the Project and such other improvements as may be located on the Land from time to time (collectively, the “Premises”) to the County; and

WHEREAS, by Ordinance No. _____, adopted on _____, 2018, and by subsequent actions, the Board of Supervisors of the County has approved the Ground Lease, the Facilities Lease, the Project, the issuance of the Bonds (hereinafter defined) and the future acceptance of the title to the Premises; and

WHEREAS, LACF and the County have determined that the most cost-effective method of financing the Project is through the issuance of a series of tax-exempt bonds pursuant to Rev. Rul. 63-20 of the U.S. Treasury, as further amended and updated by Rev. Proc. 82-26 (together, the “Ruling”) under the Code and a series of taxable bonds as hereinafter described; and

WHEREAS, on _____, 2018, the Board of Directors of LACF adopted its resolution approving the issuance by LACF of the Bonds and providing that unencumbered title to the Premises shall be delivered to the County at the time that all Bonds are paid or defeased (the “Resolution”); and

WHEREAS, to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest thereon, LACF has authorized the execution and delivery of this Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by LACF, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special, limited obligations of LACF, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE

WITNESSETH:

GRANTING CLAUSES

LACF, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Owners thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, to secure the payment of the principal of and interest on the Bonds and any Additional Bonds according to their tenor and effect and the performance and observance by LACF of all the covenants expressed or implied herein and in the Bonds and any Additional Bonds, does hereby bargain, sell, convey, mortgage, assign, pledge and grant, without recourse, the Trust Estate in trust to the Trustee and its successors and assigns forever:

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, to the Trustee and its respective successors and assigns in trust forever:

I.

All right, title and interest of LACF in and to all rents, issues, income, revenues and receipts derived by LACF from all sources, including the Facilities Lease (except for payments under the Facilities Lease for deposit into the Capital Repairs Fund), with respect to the use of the Premises, including all right, title and interest and security interest, if any of LACF, in and to all money, earnings, revenues, rights to the payment of money, receivables, accounts, contract rights, whether now owned or hereafter acquired, including, without limitation, all rents, issues, profits, income, revenues and receipts derived by LACF in any fashion from the Premises;

II.

The Premises pursuant to the Deed of Trust, the Assignment of Construction Documents and the Assignment of Leases, including all proceeds thereof;

III.

Any and all other property of every kind and nature from time to time hereafter conveyed, pledged, assigned or transferred by delivery or by writing of any kind, as and for additional security hereunder by LACF, the County or by anyone on its or their behalf to the Trustee, which is hereby authorized to receive the same at any time as additional security hereunder; provided, however, that any real property may be conveyed to the Trustee only with its prior written consent, which consent shall not be unreasonably withheld;

IV.

All Revenues;

V.

All choses in action and all choses in possession now or hereafter existing to the benefit of or arising for the benefit of LACF with respect to the Bonds, including all proceeds of all the foregoing;

VI.

All funds and accounts established under this Indenture and the investments thereof, if any, and money, securities and obligations therein (subject to disbursements from any such fund or account upon the conditions set forth in this Indenture), except for money held in the Rebate Fund and Capital Repairs Fund; and

VII.

To the extent not covered hereinabove, all proceeds of all of the foregoing;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of Bonds and any Additional Bonds issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds or Additional Bonds over any other Bonds or Additional Bonds;

PROVIDED, HOWEVER, that if LACF, its successors or its assigns shall well and truly pay, or cause to be paid, the principal of and interest on all outstanding Bonds and any Additional Bonds due or to become due thereon, at the times and in the manner mentioned in the Bonds and any Additional Bonds and as provided in Article II hereof according to the true intent and meaning thereof, and shall cause the payments to be made as required under Article IV hereof, or shall provide, as permitted hereby, for the payment thereof in accordance with Article X hereof, and shall well and truly keep, perform and observe all the covenants and

conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as provided in Article X hereof, this Indenture and the rights hereby granted shall cease, terminate and be void, and the Trustee shall thereupon cancel and discharge this Indenture and execute and deliver to LACF such instruments in writing as shall be requisite to evidence the discharge hereof.

THIS INDENTURE FURTHER WITNESSETH, that LACF does hereby covenant to and agree with the Trustee, for the benefit of the Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

“Account” means any of the Accounts created in Article IV.

“Additional Bonds” means any revenue bonds of LACF issued pursuant to Section 2.08 hereof after the issuance of the Bonds having a lien and charge on the Trust Estate equal to the lien thereon of the Bonds.

“Additional Rent” has the meaning given such term in the Facilities Lease.

“Administrative Fees and Expenses” means all acceptance, service, administrative or similar fees charged, or reimbursement for administrative or other expenses incurred, by LACF or the Trustee.

“Allocable Percentage of Series 2018A Bonds” means (a) with respect to the period commencing on the Closing Date and ending on the first Project Component Completion Date, 100% of the Series 2018A Bonds, (b) with respect to the period commencing on the day immediately following the first Project Component Completion Date and ending on the second Project Component Completion Date, the fraction of the Series 2018A Bonds, the numerator of which is the sum of the actual costs of the two Project Components for which no Project Component Completion Dates have occurred as of the first Project Component Completion Date plus the remaining estimated costs of such Project Components as of the first Project Component Completion Date and the denominator of which is the total budget of all three Project Components (taking into account costs to date and estimated remaining costs) as of the first Project Component Completion Date, and (c) with respect to the period commencing on the day immediately following the second Project Component Completion Date and ending on the final Project Component Completion Date, the fraction of the Series 2018A Bonds, the numerator of which is the sum of the actual costs of the remaining Project Component for which no Project Component Completion Date has occurred as of the second Project Component Completion Date

plus the remaining estimated costs of such Project Component as of the second Project Component Completion Date and the denominator of which is the total budget of all three Project Components (taking into account costs to date and estimated remaining costs) as of the second Project Component Completion Date.

“Allocable Tower Garage Percentage of Series 2018A Bonds” means (a) with respect to the period commencing on the Closing Date and ending on the first Project Component Completion Date, 0%, (b) with respect to the period commencing on the day immediately following the first Project Component Completion Date and ending on the second Project Component Completion Date, the fraction of the Series 2018A Bonds, the numerator of which is the sum of the actual costs of the Project Component constituting the Tower Garage Project as of the first Project Component Completion Date plus any remaining estimated costs of such Project Component as of the first Project Component Completion Date and the denominator of which is the total budget of all three Project Components (taking into account costs to date and estimated remaining costs) as of the first Project Component Completion Date, and (c) with respect to the period commencing on the day immediately following the second Project Component Completion Date and ending on the final Project Component Completion Date, the fraction of the Series 2018A Bonds, the numerator of which is the sum of the actual costs of the Project Component constituting the Tower Garage Project as of the second Project Component Completion Date plus any remaining estimated costs of such Project Component as of the second Project Component Completion Date and the denominator of which is the total budget of all three Project Components (taking into account costs to date and estimated remaining costs) as of the second Project Component Completion Date.

“Architect” has the meaning set forth in the Development Agreement.

“Architect’s Agreement” has the meaning set forth in the Development Agreement.

“Assignment of Construction Documents” means the document of that name, dated as of _____ 1, 2018, pursuant to which LACF assigns the General Construction Contract (when executed), the Development Agreement, the Architect’s Agreement, and all other documents executed in connection with the design, development or construction of the Project to the Trustee for security purposes.

“Assignment of Leases” means the Assignment of Leases and Cash Collateral, dated as of _____ 1, 2018, from LACF to the Trustee.

“Authorized Denomination” means \$5,000 or any integral multiple thereof within a maturity.

“Authorized Officer” means (i) with respect to LACF, its President, Vice President or any other person or persons designated as an Authorized Officer of LACF by a resolution of the Board of Directors of LACF and filed with the Trustee, and (ii) with respect to the County, the Treasurer and Tax Collector of the County, the Chief Executive Officer of the County, the Executive Director of the Community Development Commission of the County or any other person or persons designated by the Treasurer and Tax Collector of the County, the Chief

Executive Officer of the County or the Executive Director of the Community Development Commission of the County in writing and filed with the Trustee.

“Base Rent” has the meaning given such term in the Facilities Lease.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond, including persons holding Bonds through nominees or depositories, while the Bonds are held in fully immobilized (book-entry) form.

“Board” means the Board of Supervisors of the County.

“Bond” or **“Bonds”** means the Series 2018A Bonds and the Series 2018B Bonds issued pursuant to Section 2.01 of this Indenture.

“Bond Fund” means the fund of that name established pursuant to Section 4.06 hereof.

“Bond Proceeds Account” means the account of that name created within the Project Fund pursuant to Section 4.02(a) of this Indenture

“Bond Purchase Contract” means the Bond Purchase Contract between LACF, the County and the Underwriter.

“Bond Register” means the books for registration of Bonds kept for LACF by the Trustee as provided in Section 2.06 hereof.

“Bond Year” has the meaning given such term in the Tax Certificate.

“Business Day” means a day (i) other than a day on which banks located in the State of California, the City of New York, New York, or the city in which the Corporate Trust Office of the Trustee is located are required or authorized to close and (ii) on which the New York Stock Exchange is not closed.

“Capital Repairs Fund” means the fund of that name created pursuant to Section 4.15 hereof.

“Capitalized Interest Fund” means the fund of that name created pursuant to Section 4.03 hereof.

“County” means the County of Los Angeles and its successors and permitted assigns as “Tenant” under the Facilities Lease.

“Code” means the Internal Revenue Code of 1986, as it may be amended, if applicable. Any reference to a provision of the Code shall include the applicable regulations of the Department of the Treasury promulgated or proposed with respect to such provision.

“Corporate Trust Office” means, with respect to the Trustee, the office of the Trustee located in Los Angeles, California, as described in Section 11.06 hereof, and solely for purposes

of the presentation of Bonds for transfer, payment or exchanges, the corporate trust operations or agency office designated by the Trustee, or such other or additional offices, as may be specified by the Trustee in writing to LACF.

“Cost” or “Costs” means any cost in respect of the Project, including without limiting the generality of the foregoing: (i) labor and materials and related costs; (ii) contract bonds and insurance of all kinds that may be required or necessary during the course of acquisition, construction, manufacture or fabrication that are not paid by the contractors, suppliers or manufacturers thereof; (iii) surveys, estimates, plans and specifications and preliminary investigations therefor, supervision of manufacture, fabrication or construction, and the performance of all other duties required by or reasonably necessary for the acquisition of the Project; (iv) Costs of Issuance; (v) all other actual costs that LACF shall be required to pay under the terms of any contract or contracts for the Project including Project Costs as defined in the Facilities Lease and any increase in the cost of the Project resulting from Owner-initiated change orders in accordance with Section 8.3 of the Development Agreement; (vi) interest on the Bonds to the extent permitted by the Code and the Tax Certificate; (vii) the costs of clearing title to the Premises; and (viii) any other actual costs incurred by LACF, including but not limited to Administrative Fees and Expenses, professional fees and real estate taxes (if any) prior to the Rent Commencement Date, which are properly chargeable to a capital account with respect to the acquisition or construction of the Project and the financing thereof (or would be so chargeable with a proper election) under general federal income tax principles.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to LACF, the County, or the Trustee and related to the authorization, execution, issuance, sale and delivery of the Bonds, including (without limitation) costs of preparation and reproduction of documents, filing and recording fees, fees and charges of LACF, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of financial or other consultants and professionals, fees and charges for preparation, execution and safekeeping of the Bonds, and any other cost, charge or fee in connection with the issuance of the Bonds.

“Cost of Issuance Fund” means the fund of that name created pursuant to Section 4.01 hereof.

“Date of Issue” means the date the Bonds are issued and delivered to the Underwriter for redelivery to the initial purchasers thereof.

“Deed of Trust” means the Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Fixture Filing, dated as of _____ 1, 2018 executed by LACF, as trustor, to [_____ Title Insurance Company], as trustee, for the benefit of the Trustee as beneficiary, as originally executed and as the same may be supplemented, modified or amended from time to time in accordance with the provisions thereof and this Indenture.

“Development Agreement” means the Development Agreement between LACF and the Developer, dated as of _____ 1, 2018, as originally executed and as the same may be supplemented, modified or amended from time to time in accordance with the provisions thereof and this Indenture.

“Developer” means TC LA Development, Inc. a Delaware corporation, and its successors and permitted assigns under the Development Agreement.

“DTC” means The Depository Trust Company, New York, New York.

“Environmental Claim” shall mean, with respect to any person, any action, suit, proceeding, investigation, notice, claim, complaint, demand, request for information or other communication (written or oral) by any other person (including any governmental authority, citizens group or employee or former employee of such person) alleging, asserting or claiming any actual or potential: (a) violation of any Environmental Law, (b) liability under any Environmental Law or (c) liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, fines or penalties arising out of, based on, or resulting from, the presence or release into the environment of any Hazardous Substance at any location, whether or not owned by such person.

“Environmental Laws” has the meaning given such term in the Facilities Lease.

“Event of Bankruptcy” means the filing of a petition in bankruptcy or the commencement of a proceeding under Title 11 of the United States Code, as amended (or any successor federal statutory provisions) or under any other applicable law concerning insolvency, reorganization or bankruptcy by or against LACF, as debtor, other than any involuntary proceeding that has been finally dismissed without entry of an order for relief or similar order and without effect on any amounts held in the Bond Fund or the Project Fund and as to which dismissal all appeal periods have expired.

“Event of Default” means any of the events specified in Section 7.01 hereof.

“Facilities Lease” means that certain Facilities Lease Agreement, dated as of _____ 1, 2018, by and between LACF and the County, as originally executed and as the same may be supplemented, modified or amended from time to time in accordance with the provisions thereof, the Deed of Trust, and this Indenture.

“Facilities Lease Default Event” means any of the events specified in Section 22 of the Facilities Lease as “Events of Default,” other than an Event of Default for failure to provide the notices required under Section 5.11 of the Facilities Lease.

“Favorable Opinion of Bond Counsel” means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Bond Counsel, to the effect that such action is permitted under the Indenture (if applicable) and will not, in and of itself, result in the inclusion of interest on the Series 2018A Bonds in gross income for federal income tax purposes.

“Fitch” means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody’s) designated in writing to the Trustee by LACF.

“Fund” means any of the Funds created in Article IV of this Indenture.

“General Contractor” has the meaning set forth in the Development Agreement.

“General Construction Contract” has the meaning set forth in the Development Agreement.

“Government Obligations” means direct, non-callable (a) United States Treasury Obligations, (b) United States Treasury Obligations — State and Local Government Series, (c) non-prepayable obligations that are fully and unconditionally guaranteed as to full and timely payment of principal and interest by the United States of America or (d) REFCORP debt obligations unconditionally guaranteed by the United States.

“Ground Lease” means the Ground Lease Agreement, dated as of _____ 1, 2018, by and between the County and LACF, as originally executed and as the same may be supplemented, modified or amended from time to time in accordance with the provisions thereof, the Deed of Trust, and this Indenture.

“Hazardous Substance” has the meaning given such term in the Facilities Lease.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

“Indenture Act” means the Trust Indenture Act of 1939 (Act of August 3, 1939, 53 Stat. 1149, 15 U.S.C., §§ 77aaa-77bbb), as amended.

“Interest Account” means the account of that name created within the Bond Fund pursuant to Section 4.06 hereof.

“Interest Payment Date” means each June 1 and December 1, commencing on [December 1, 2018], and each date on which a Bond is redeemed or accelerated for maturity in accordance with the terms hereof.

“Investment Securities” means (i) obligations of the U.S. government fully and unconditionally guaranteed by the U.S. government as to timely payment; obligations of U.S. government agencies or of corporations wholly owned by the U.S. government; and obligations of government-sponsored corporations that are, or may become, eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve; (ii) repurchase agreements utilizing any of the securities identified in clause (i); (iii) money market mutual funds registered with the Securities and Exchange Commission under Rule 2a-7 of the Investment Company Act of 1940 that invest in any of the securities identified in clause (i); (iv) banker’s acceptances that are eligible for purchase by the Federal Reserve System and having a maturity period no greater than 180 days; (v) time deposits with collateral equal to at least 102% of principal and accrued interest on each time deposit and having a maturity period no greater than three years; (vi) commercial paper having, at the time of investment or contractual commitment to invest therein, a rating from Moody’s and S&P of A1 and P1, respectively; (vii) repurchase and reverse repurchase agreements collateralized with Government Obligations, including those of the Trustee or any of its affiliate; (viii) investment in

money market mutual funds having a rating in the highest investment category granted thereby from S&P or Moody's, including, without limitation any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (a) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (b) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (c) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee; (ix) demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, and certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and LACF, or bankers acceptances of depository institutions, including the Trustee or any of its affiliates, rated in the A long-term ratings category or higher by S&P or Moody's or that are fully FDIC-insured, and (x) the Los Angeles County Treasury Pool. The term **Investment Securities** shall not include any guaranteed investment contract.

"LACF" means Los Angeles County Facilities Inc., a California nonprofit public benefit corporation formed pursuant to Sections 5110 *et seq.* of the California Corporations Code.

"Letter of Representations" means the Blanket Issuer Letter of Representations from LACF to DTC.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, **"Moody's"** shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Fitch) designated in writing to the Trustee by LACF.

"MSRB" means the Municipal Securities Rulemaking Board or any successors to its functions. Until otherwise designated by the MSRB or the SEC, any information, reports or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org.

"Non-Bond Proceeds Account" means the account of that name created within the Project Fund pursuant to Section 4.02 of this Indenture.

"Official Statement" means the Preliminary Official Statement dated _____, 2018, and the Official Statement dated _____, 2018, including any amendment or supplement thereto, pursuant to which the Bonds are initially sold.

"Opinion of Bond Counsel" means a written opinion of nationally recognized bond counsel selected by LACF, acceptable to the Trustee and, so long as no Facilities Lease Default Event has occurred and is continuing, the County.

"Other Document" means any or all of the Ground Lease, Facilities Lease, the Deed of Trust, the Development Agreement, the applicable Uniform Commercial Code financing

statements, the Assignment of Construction Documents, the Subordination, Non-Disturbance and Attornment Agreement and the Assignment of Leases.

“Outstanding”, when used as of any particular time with reference to the Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except (1) the Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) the Bonds with respect to which all liability of LACF shall have been discharged in accordance with Section 10.01 hereof; (3) the Bonds paid pursuant to Section 2.07 hereof; and (4) the Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to Sections 2.04 and 2.05 hereof.

“Owner or Bond Owner”, whenever used herein with respect to a Bond, means the person in whose name such Bond is registered on the Bond Register.

“Person” or **“person”** means an individual, corporation, firm, association, partnership, limited liability company, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Premises” has the meaning given such term in the Facilities Lease.

“Principal Account” means the account of that name created within the Bond Fund pursuant to Section 4.06 hereof.

“Principal Payment Date” means December 1 of each year in which principal is due on any Bonds.

“Project” has the meaning set forth in the Facilities Lease.

“Project Component” means each of the Tower Garage Project, the Office Project and the Shatto Garage Project, as applicable.

“Project Component Completion Date” means the date a temporary or final certificate of occupancy is issued for a Project Component or there is substantial completion of a Project Component.

“Project Costs” has the meaning given such term in the Facilities Lease.

“Project Fund” means the fund of that name established pursuant to Section 4.02 hereof.

“Rating Agency” means S&P if the Bonds are then rated by S&P, Moody’s if the Bonds are then rated by Moody’s and Fitch if the Bonds are then rated by Fitch.

“Rebatable Arbitrage” means the rebate amount calculated as provided in the Tax Certificate and Section 4.13 of this Indenture.

“Rebate Analyst” means the firm of independent certified public accountants or other rebate service provider selected by LACF to perform the rebate calculations as provided pursuant to Sections 4.12 and 4.13 hereof.

“Rebate Fund” means the fund of that name created pursuant to Section 4.13 hereof.

“Record Date” means the 15th calendar day of the month preceding of each Interest Payment Date, whether or not such day is a Business Day.

“Redemption Account” means the account of that name created within the Bond Fund pursuant to Section 4.06 hereof.

“Rent” means the sum of Base Rent and Additional Rent paid pursuant to the Facilities Lease and rental payments made pursuant to any other lease by LACF of the Premises.

“Rent Commencement Date” has the meaning given that term in the Facilities Lease.

“Rent Payment Date” has the meaning given that term in the Facilities Lease.

“Resolution” means the resolution adopted by LACF’s Board of Directors on _____, 2018.

“Revenue Fund” means the fund of that name created pursuant to Section 4.05 hereof.

“Revenues” means all amounts received by LACF or by the Trustee for the account of LACF pursuant to the Facilities Lease (or any other lease by LACF of the Premises) or otherwise with respect to the Premises, including, without limiting the generality of the foregoing, all Rent (including both timely and delinquent payments and any late charges, paid from any source), prepayments, any payments received under any policy of title insurance with respect to the Premises, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Indenture (except as otherwise provided herein), but not including (i) Administrative Fees and Expenses, (ii) Rebateable Arbitrage, (iii) money deposited in the Capital Repairs Fund; and (iv) any and all revenue, income and receipts of LACF not derived from or received with respect to the Facilities Lease, the Premises, or any fund or account established pursuant to this Indenture.

“Rule” means United States Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, a New York corporation, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s or Fitch) designated in writing to the Trustee by LACF.

“SEC” means the United States Securities and Exchange Commission.

“**Series 2018A Bonds**” means the Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt), in the aggregate principal amount of \$ _____, issued pursuant to Section 2.01 of this Indenture.

“**Series 2018B Bonds**” means the Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable), in the aggregate principal amount of \$ _____, issued pursuant to Section 2.01 of this Indenture.

“**State**” means the State of California.

“**Subordination, Non-Disturbance and Attornment Agreement**” means the agreement of that name, between the County, LACF, and the Trustee, as originally executed and as the same may be supplemented, modified or amended from time to time in accordance with the provisions thereof and this Indenture.

“**Substantial Completion**” has the meaning given such term in the Facilities Lease.

“**Supplemental Indenture**” means any indenture hereafter duly authorized and entered into between LACF and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“**Tax Certificate**” means the Tax Certificate executed by LACF and the County as of the date of issuance of the Bonds, setting forth certain expectations of LACF and the County regarding the use of the Series 2018A Bond proceeds.

“**Tax-Exempt Capitalized Interest Period**” means the period commencing on the Closing Date and ending on the final Project Component Completion date.

“**Trust Estate**” means the trust estate pledged by LACF and described in the Granting Clauses of this Indenture.

“**Trustee**” means U.S. Bank National Association, or its successor, as Trustee hereunder as provided in Section 8.01 hereof.

“**Underwriter**” means _____.

Section 1.02. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

(d) Certain terms are defined in Section 1.01 of this Indenture by reference to the meaning given such terms in other documents, e.g., the Facilities Lease and the Development Agreement. To the extent that the meaning of any term thus defined is amended through an amendment to the respective document, the meaning of such defined term herein or for purposes of this Indenture shall be construed as amended upon receipt by the Trustee of written notice of any such amendment.

Section 1.03. Indenture and Bonds Constitute a Contract; Pledge. With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under this Indenture by the Owners from time to time: (a) this Indenture shall be deemed to be and shall constitute a contract among LACF, the Trustee, and the Owners, from time to time, of such Bonds; (b) the pledge made herein and duties, covenants, obligations and agreements set forth herein to be observed and performed by or on behalf of LACF shall be for the equal and ratable benefit, protection and security of the Owners of any and all of such Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction as to lien or otherwise, except as expressly provided herein or permitted hereby; (c) LACF, as security for the payment of the principal of, premium, if any, and interest on, the Bonds and as security for the observance and performance of any other duty, covenant, obligation or agreement of LACF under this Indenture, all in accordance with the provisions thereof and hereof, does hereby grant, bargain, sell, convey, pledge, assign and confirm to the Trustee the Trust Estate; (d) the pledge made hereby is valid and binding from the time when the pledge is made, the Trust Estate shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against LACF irrespective of whether such parties have notice thereof; (e) the Bonds shall be special, limited obligations of LACF payable solely from and secured solely by a pledge of the Trust Estate as provided hereby; (f) no revenue, income, receipts, donations, earnings, property or assets of LACF other than the Trust Estate shall ever be subject to any lien or claim for the payment of the Bonds or the performance of any other obligation of LACF under this Indenture; and (g) wherever in this Indenture provision is made that LACF shall pay or cause to be paid any amount necessary to pay the principal of, premium, if any, or interest on the Bonds or any other amounts required to be paid under this Indenture or the Deed of Trust, such amounts shall be payable solely from and be secured by the Trust Estate, and LACF shall have no legal, moral or other obligation to pay such amounts from any other source whatsoever.

Section 1.04. General Provisions Regarding the County and LACF. Whenever in this Indenture the County is entitled to direct the Trustee in a particular matter or to approve acts of LACF, such entitlement of the County is predicated upon the Facilities Lease being in effect and the County not then being in default under the Facilities Lease. With respect to such respective entitlements, if the Facilities Lease is no longer in effect or if a Facilities Lease Default Event has occurred and is continuing, then LACF shall be entitled to direct the Trustee in

a particular matter and the County's approval of acts of LACF shall not be required, whether or not the applicable provision of this Indenture so provides.

ARTICLE II

THE BONDS; ADDITIONAL BONDS

Section 2.01. Authorization of Bonds. LACF hereby authorizes the issuance of the Series 2018A Bonds to be issued hereunder in the principal amount of \$_____. The Series 2018A Bonds shall be issued and designated as "Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018A (Vermont Corridor County Administration Building) (Tax-Exempt)." LACF hereby authorizes the issuance of the Series 2018B Bonds to be issued hereunder in the principal amount of \$_____. The Series 2018B Bonds shall be issued and designated as "Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018B (Vermont Corridor County Administration Building) (Federally Taxable)." No Additional Bonds may be issued under the terms set forth in Section 2.08 of this Indenture unless the County authorizes their issuance and LACF authorizes their issuance and executes a Supplemental Indenture for that purpose. This Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds to secure the full payment of the principal of and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

At any time after the execution of this Indenture, LACF may execute and, upon satisfaction of the conditions set forth in this Section, the Trustee shall authenticate and, upon request of LACF, deliver the Bonds. Prior to the authentication and delivery of any Bonds by the Trustee, the Trustee shall have received the purchase price therefor and there shall have been filed with the Trustee each of the following:

- (a) This Indenture, duly executed;
- (b) A conformed copy of the duly executed Ground Lease;
- (c) A conformed copy of the duly executed Facilities Lease;
- (d) A conformed copy of the duly executed Memorandum of Facilities Lease and Memorandum of Ground Lease, together with evidence that they have been delivered to [_____ Title Insurance Company] for recordation;
- (e) A conformed copy of the duly executed Development Agreement;
- (f) The original or conformed copy of the duly executed Deed of Trust, together with evidence that it has been delivered to [_____ Title Insurance Company] for recordation;
- (g) The original or conformed copy of the duly executed Assignment of Leases, together with evidence that it has been delivered to [_____ Title Insurance Company] for recordation;
- (h) The duly executed Ground Lessor Consent, Estoppel, Recognition and Non-Disturbance Agreement and Subordination, Non-Disturbance and Attornment Agreement with

respect to the Facilities Lease, together with evidence that they have been delivered to [_____ Title Insurance Company] for recordation;

- (i) The Assignment of Construction Documents, executed by LACF;
- (j) Evidence of filing and a copy of the UCC financing statements;
- (k) Evidence of an irrevocable commitment by [_____ Title Insurance Company] to issue the mortgagee's policy of title insurance with liability in the principal amount of the Bonds for the benefit of the Trustee;
- (l) Evidence of Developer's general liability insurance in accordance with the Development Agreement, and evidence of LACF's builder's risk and general liability insurance in accordance with the Facilities Lease; and
- (m) The final approving opinion of Bond Counsel, duly executed.

The Trustee shall be authorized to rely upon the fact of such delivery in authenticating and delivering the Bonds, but shall not be required to make any independent investigation of the contents or underlying facts of any such agreements, policies, opinions or other documents.

Section 2.02. Terms of the Bonds.

(a) Dated Date, Maturity, Interest Rates of the Bonds. The Series 2018A Bonds shall be issued in the aggregate principal amount of \$_____. The Series 2018A Bonds shall be dated as of the date of their delivery to the Underwriter, shall be fully registered as to both principal and interest, shall be in Authorized Denominations, provided that no Series 2018A Bond shall represent more than one maturity, shall be numbered separately for purposes of identification, shall bear interest from their date payable on each Interest Payment Date, at the following per annum interest rates, and shall mature on the Principal Payment Dates of the following years in the following principal amounts:

<u>Maturity Years (December 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
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The Series 2018B Bonds shall be issued in the aggregate principal amount of \$ _____. The Series 2018B Bonds shall be dated as of the date of their delivery to the Underwriter, shall be fully registered as to both principal and interest, shall be in Authorized Denominations, provided that no Series 2018B Bond shall represent more than one maturity, shall be numbered separately for purposes of identification, shall bear interest from their date payable on each Interest Payment Date, at the following per annum interest rates, and shall mature on the Principal Payment Dates of the following years in the following principal amounts:

Maturity Years (December 1)	Principal Amounts	Interest Rates
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(b) Interest Accrual. Each Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid in full or duly provided for (provided, however, that, initially the Bonds shall bear interest from the dated date of the Bonds), until payment of the principal or redemption price thereof shall have been made or provided for in accordance with the provisions hereof, whether at maturity, upon redemption or otherwise. Interest on the Bonds shall be computed on the basis of a year of 360 days and twelve 30-day months. Each Bond shall bear interest on overdue principal and interest at the rate or rates borne by the Bonds during such time.

(c) Bonds Held in Book-Entry Form. Notwithstanding anything herein to the contrary, the Bonds initially shall be held in book-entry form by DTC acting as depository pursuant to the terms and conditions set forth in the Letter of Representations. To induce DTC to accept the Bonds as eligible for deposit at DTC, LACF has authorized execution and delivery to DTC of the Letter of Representations. Neither LACF nor the Trustee shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal or redemption price of or interest on the Bonds, any notice that is permitted or required to be given to Owners hereunder (except such notice as is required to be given by LACF to the Trustee or to DTC), the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of the Bonds, or any consent given or other action taken by DTC as Owner of the Bonds. For so long as any Bonds are held in fully immobilized form hereunder, DTC, its successor or any substitute depository appointed by LACF, as applicable, shall be deemed to be the Owner for all purposes hereunder, and all references to Owners or Bond Owners shall mean DTC or its nominee or its successor and shall not mean any Beneficial Owners of the Bonds.

(d) Use of Depository.

(1) The Bonds shall be registered initially in the name of CEDE & Co., as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by LACF pursuant to subsection (2) below or such substitute depository's successor; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by LACF to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), LACF may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Trustee shall, upon receipt of all outstanding Bonds, together with a written request on behalf of LACF, issue a single new Bond for each maturity then outstanding, registered in the name of such successor or such substitute depository, or its nominee, as the case may be, all as specified in such written request of LACF.

(4) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) LACF determines that it is in the best interest of the Beneficial Owners of the Bonds that such owners be able to obtain such Bonds in certificated form, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully immobilized form. LACF shall deliver a written request to the Trustee, together with a supply of definitive Bonds in certificated form, to issue Bonds as herein provided in any Authorized Denomination. Upon receipt by the Trustee of all then outstanding Bonds together with a written request on behalf of LACF to the Trustee, new Bonds shall be issued in the appropriate denominations and maturities and registered in the names of such persons as are requested in such written request.

(e) Payments of Principal and Interest. Principal and interest with respect to the Bonds shall be payable in lawful money of the United States of America. For so long as all Bonds are in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by the Trustee by check mailed on the applicable Interest Payment Date to the Owner as of close of business on the applicable Record Date, at his address as it appears on the Bond Register or at such other address as is furnished in writing by such Owner to the Trustee (provided, however, that the Trustee shall, at the request of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds, make payments of interest on such Bonds by wire transfer to the account at any bank in the United States designated by such Owner in writing on

or before the Record Date), and the principal of the Bonds shall be payable in lawful money of the United States of America upon surrender thereof at the Corporate Trust Office of the Trustee. No payment of principal shall be made on any certificated Bond unless and until such Bond is surrendered to the Trustee for payment.

(f) Special, Limited Obligations. The Bonds are special, limited obligations of LACF payable solely from and secured solely by a pledge of the Trust Estate, including amounts payable under the Facilities Lease assigned by LACF and to be received by the Trustee from the County pursuant to the Facilities Lease. The Trustee is only obligated to pass-through such payments to Bond Owners in accordance with their relative interests; the Bonds shall not be obligations of the Trustee.

(g) Form of Bonds. The Bonds shall be in substantially the form set forth in Exhibit A hereto, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

Section 2.03. Execution of Bonds. The Bonds shall be executed in the name and on behalf of LACF with the manual or facsimile signature of its President, attested by the manual or facsimile signature of its Secretary. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officials who shall have signed or attested any of the Bonds shall cease to be such official or officials of LACF before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee or issued by LACF, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon LACF as though those who signed and attested the same had continued to be such officials of LACF, and also any Bond may be signed and attested on behalf of LACF by such persons as at the actual date of execution of such Bond shall be the proper officials of LACF although at the nominal date of such Bond any such person shall not have been such officer of LACF.

Only those Bonds that bear thereon a certificate of authentication substantially in the form as that set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.04. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.06 hereof, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such registered Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Beneficial Owners shall not have any right to cause a transfer of Bonds as provided in this Section 2.04.

Whenever any Bond or Bonds shall be surrendered for transfer, LACF shall execute and the Trustee shall authenticate and date the Bond or Bonds and shall deliver a new Bond or Bonds of a like aggregate principal amount and of the same maturity and interest rate. The Trustee shall require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer, and may in addition require the payment of a

reasonable sum to cover expenses incurred by LACF or the Trustee in connection with such transfer.

Section 2.05. Exchange of Bonds. If the Bonds are no longer held in fully immobilized form, Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other Authorized Denominations and of the same maturity and interest rate. The Trustee shall require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange, and may in addition require the payment of a reasonable sum to cover expenses incurred by LACF or the Trustee in connection with such exchange.

Section 2.06. Bond Register. The Trustee will keep or cause to be kept, at the Corporate Trust Office of the Trustee, sufficient books for the registration and transfer of the Bonds (the “Bond Register”), which shall at all times be open to inspection during regular business hours by LACF; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided. Records of beneficial ownership of the Bonds shall not be maintained by the Trustee.

Section 2.07. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, LACF, at the expense of the Owner of that Bond, shall execute, and the Trustee thereupon shall authenticate and deliver, a new Bond of like tenor and amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and delivered to, or upon the order of, LACF. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to LACF and the Trustee and, if such evidence is satisfactory to them and indemnity satisfactory to them is given, LACF, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and amount in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond, LACF may pay the same without surrender thereof). LACF may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses that may be incurred by LACF and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of LACF whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

Section 2.08. Additional Bonds. LACF shall not issue any series of obligations payable from or secured by a pledge of the Trust Estate other than the Bonds, except that LACF reserves the right, at the direction of an Authorized Officer of the County, to issue future obligations only for the purpose of refunding all or a portion of the Bonds or for the purpose of financing the repair or replacement of tenant improvements to the Premises, with a lien and charge on the Trust Estate equal to the lien thereon of the Bonds (“Additional Bonds”) upon compliance with the following conditions:

(a) the Ground Lease and the Facilities Lease are in effect and no Facilities Lease Default Event has occurred and is then continuing as evidenced to the Trustee by a certificate of the County;

(b) the County and LACF enter into and approve an amendment to or restatement of the Facilities Lease providing for Base Rent payments sufficient to pay all payments of principal of, interest and premium, if any, on all Outstanding Bonds and Additional Bonds;

(c) the amendment or restatement of the Facilities Lease or a memorandum thereof must be recorded;

(d) appropriate title insurance endorsements, as necessary, are delivered to the Trustee; provided, that the Trustee has no duty to request or examine any such endorsements or to determine the adequacy or sufficiency of any such endorsements;

(e) LACF and the Trustee enter into a Supplemental Indenture pursuant to Section 9.02(h) providing for the creation of a bond fund for the payment of principal of and interest on the Additional Bonds and other funds required to effect the refunding of all or a portion of the Bonds;

(f) the Other Documents, as applicable, are amended as necessary to provide that such Other Documents secure the principal of and interest on all Outstanding Bonds and Additional Bonds; and

(g) LACF and the Trustee receive an opinion of Bond Counsel to the effect that the issuance of such Additional Bonds is authorized under this Indenture, shall not adversely affect the tax-exempt status of other Bonds originally issued on a tax-exempt basis, and that all conditions to the issuance of such Additional Bonds set forth in this Indenture and the Other Documents have been complied with.

ARTICLE III

REDEMPTION OF BONDS

Section 3.01. Terms of Redemption.

(a) Optional Redemption. The Series 2018A Bonds are subject to redemption prior to their stated maturity as described below (i) upon the written direction of the County given to LACF and the Trustee at least 30 days prior to the date fixed for redemption; and (ii) otherwise upon the written direction of LACF given to the Trustee at least 30 days prior to the date fixed for redemption, in either case as a whole or in part (and if in part with maturities to be selected by the County, so long as no Facilities Lease Default Event has occurred and is continuing, and otherwise by LACF).

[The Series 2018A Bonds maturing on and prior to December 1, 20__ are not subject to optional redemption prior to their scheduled maturity. The Series 2018A Bonds maturing on and after December 1, 20__, are subject to redemption, in whole or in part, in Authorized Denominations, on any date on and after December 1, 20__, from (i) prepaid Base Rent paid

pursuant to Section 4.3 of the Facilities Lease, or (ii) any other source of available funds, at a price of par plus accrued interest to the date of redemption.]

The selection of Series 2018A Bonds to be redeemed within a maturity shall be made as provided in Section 3.03 of this Indenture.

The Series 2018B Bonds are not subject to optional redemption prior to their scheduled maturity.

(b) Mandatory Sinking Fund Redemption. The Series 2018A Bonds maturing in 20__, 20__ and 20__ are Term Series 2018A Bonds subject to mandatory sinking fund redemption (in such a manner as DTC or the Trustee, as applicable, shall determine) at a price of 100% of the principal amount of the Series 2018A Bonds to be redeemed plus accrued interest to the date of redemption on December 1 in years and amounts as follows:

20__ Term Series 2018A Bonds Redemption Years (December 1)	Redemption Amounts
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20__ *

* Final maturity

20__ Term Series 2018A Bonds Redemption Years (December 1)	Redemption Amounts
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20__ *

* Final maturity

20__ Term Series 2018A Bonds Redemption Years (December 1)	Redemption Amounts
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20__ *

* Final maturity

The principal amount of any term Series 2018A Bonds optionally redeemed pursuant to Section 3.01(a) shall be credited against the scheduled redemptions of such Series 2018A Bonds in the manner designated by an Authorized Officer of the County or LACF, as applicable.

(c) Extraordinary Optional Redemption. The Bonds are subject to extraordinary optional redemption in whole, and not in part, on any date (and will be redeemed on the first practical date for which notice may reasonably be given by the Trustee), at a price of par plus accrued interest to the date of redemption, upon the receipt by the Trustee of (i) insurance proceeds under the circumstances described in Section 19.2(b) of the Facilities Lease or (ii) condemnation proceeds under the circumstances described in Section 20 of the Facilities Lease. Upon receipt of notice from the County of the occurrence of circumstances described in Section 19.2(b) or Section 20 of the Facilities Lease and setting a redemption date, the Trustee will call Bonds for extraordinary redemption on the first practical date for which notice may reasonably be given and on which the redemption price is or will be available.

Section 3.02. Notice of Redemption. As long as the Bonds are held in book-entry only form, notice of redemption (which may be conditional) shall be given by DTC solely in accordance with the operational arrangements of DTC as then set forth. If the Bonds are no longer held in book-entry form, notice of redemption shall be given as provided hereinafter. The Trustee shall give notice of redemption by first class mail, postage prepaid, mailed no fewer than 20 nor more than 60 days prior to the redemption date to each Owner of Bonds to be redeemed at the address of such Owner appearing in the Bond Register. Any notice of redemption may be conditional and may be revocable at any time prior to the conditions set forth therein being satisfied in full.

Neither the failure of any Owner to receive notice mailed as provided herein nor any defect in notice so mailed shall affect the validity of the proceedings for redemption in accordance herewith.

All notices of redemption shall state:

- (a) the redemption date and the conditions, if any, of redemption;
- (b) the redemption price;
- (c) the amount of accrued interest payable on the redemption date (if such amount can be calculated at the time the notice is mailed);
- (d) the designation of the Bonds to be redeemed, the principal amount of Bonds to be redeemed, and, if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the Bonds to be redeemed;
- (e) that (unless the notice of redemption is a conditional notice, in which case the notice shall state that interest shall cease to accrue from the date fixed for redemption if and to the extent that funds have been provided to the Trustee for the redemption of Bonds) on the

redemption date the redemption price of each such Bond will become due and payable and that interest on each such Bond shall cease to accrue on and after such date;

(f) the place or places where such Bonds must be surrendered for payment of the redemption price thereof; and

(g) such additional information as LACF shall deem appropriate.

Notice of redemption having been given to the Owners as aforesaid and if the notice of redemption is conditional and the conditions stated in the notice of redemption have been met, such Bonds to be redeemed shall become due and payable on the redemption date at the redemption price specified, and on and after such date (unless LACF shall default in the payment of the redemption price) such Bonds shall cease to bear interest. Upon surrender of any such Bond for redemption in accordance with such notice, such Bond shall be paid at the redemption price thereof, to the extent of funds on deposit with the Trustee and available therefor. To the extent possible, each check or other transfer of funds issued for the payment of the redemption price of Bonds being redeemed shall bear the CUSIP number identifying, by maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

If any Bond called for redemption shall not be so paid upon surrender thereof for redemption, the redemption price and, to the extent lawful, interest thereon shall, until paid, bear interest from the redemption date at the rate borne by the Bond immediately before the redemption date.

Section 3.03. Partial Redemption of Bonds. For so long as the Bonds are held in fully immobilized form, the selection of particular Bonds within a maturity to be redeemed, whether by optional or mandatory redemption, will be made in accordance with the operational arrangements then in effect at DTC.

If less than all of the Bonds of a particular maturity shall be called for any optional redemption or mandatory sinking fund redemption: (1) if the Bonds are not registered in book-entry only form, the Trustee will select by lot the Bonds to be redeemed; and (2) if the Bonds are in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, Bonds to be redeemed will be selected in accordance with DTC's procedures in effect at such time.

Upon surrender of any Bond redeemed in part only, LACF shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at no expense to the Owner, a new Bond or Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered. Costs of printing and/or authentication of new Bonds shall be paid by LACF.

Section 3.04. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and money for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue on the redemption date, said Bonds (or portions thereof)

shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of said principal and interest accrued to the date fixed for redemption.

All Bonds redeemed pursuant to the provisions of this Article shall be cancelled by the Trustee upon surrender thereof.

Section 3.05. Purchase of Bonds. At the written direction of an Authorized Officer of the County, so long as no Facilities Lease Default Event has occurred and is continuing, and otherwise at the written direction of LACF and with the sources of funds specified by the County and/or LACF, the Trustee shall purchase Bonds offered to the County or LACF at prices deemed acceptable to the County or LACF, as applicable. The principal amount of any term Bonds purchased pursuant to this Section 3.05 shall be credited against the scheduled redemptions of such Bonds in the manner designated by an Authorized Officer of the County or LACF, as applicable, in accordance with the provisions of Section 3.01(b) hereof.

ARTICLE IV

CREATION OF FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL OF AND INTEREST ON BONDS

Section 4.01. Cost of Issuance Fund. The Trustee shall establish and maintain a separate fund designated the “Cost of Issuance Fund” for the purpose of paying Costs of Issuance. On the Date of Issue, proceeds of the Bonds in the amount of \$_____ shall be deposited in the Cost of Issuance Fund. On or after the Date of Issue, the Trustee shall make payments from the Cost of Issuance Fund upon receipt of a requisition from LACF in substantially the form attached hereto as Exhibit B. On the earlier of (i) six months from the Date of Issue, or (ii) the date the Trustee receives written direction from an Authorized Officer of LACF that LACF has determined that all Costs of Issuance have been paid, the Trustee shall transfer the balance on hand in the Cost of Issuance Fund to the Project Fund, and the Cost of Issuance Fund shall then be closed. All payments made from the Cost of Issuance Fund pursuant to a requisition in proper form shall be presumed to be made properly and the Trustee shall not be required to see to the application of any such payments or to make any investigation or inquiry into the purposes for which withdrawals are being made from the Cost of Issuance Fund. The Trustee shall be fully protected in relying upon any such requisitions.

Section 4.02. Project Fund.

(a) Establishment. The Trustee shall establish and maintain a separate fund designated the “Project Fund” for the purpose of paying Costs of the Project (other than Costs of Issuance and the capitalized interest described in (viii) of the definition of Costs), and shall establish therein (i) a Bond Proceeds Account, into which shall be deposited \$_____ from proceeds of the Bonds, and (ii) a Non-Bond Proceeds Account, into which may be deposited, from time to time, certain funds pursuant to Section 4.04 hereof.

All amounts in the Project Fund, until applied as hereinafter provided, shall be held for the security of all Bonds Outstanding hereunder.

The Trustee shall maintain records sufficient to permit calculation of the income on investments and interest earned on deposit of amounts held in the Project Fund and in each account therein separately. Copies of such records shall be made available monthly to LACF, the County and the Developer. The income and interest from the Accounts within the Project Fund shall be retained in the respective Accounts within the Project Fund.

(b) Payments From Accounts Within Project Fund. The Trustee shall disburse money from the Accounts within the Project Fund to pay Costs of the Project (other than Costs of Issuance and the capitalized interest described in (viii) of the definition of Costs (which capitalized interest will be paid from the Capitalized Interest Fund)) upon receipt of requisitions from LACF, signed by its Authorized Officer, in the form attached hereto as Exhibit B and incorporated herein by this reference. In the event that any portion of the Developer's Fee is forfeited pursuant to the terms of the Development Agreement, all or a portion of such amount may, at the direction of the Authorized Officer of LACF, be transferred to the Interest Account and/or the Principal Account and applied to pay debt service on the Bonds subject to the limitations described in the Tax Certificate. Amounts deposited to the Non-Bond Proceeds Account under Section 4.04 may also be used to pay costs to repair or restore the Project as provided therein. All payments made from Accounts within the Project Fund pursuant to such requisitions shall be presumed to be made properly, and the Trustee shall not be required to see to the application of any payments made from the Accounts within the Project Fund, to determine the propriety of any such requisition, including without limitation pursuant to the Development Agreement (except that the Trustee shall be required to determine that any such requisition has been signed by the Authorized Officer of LACF as set forth on Exhibit B to this Indenture) or otherwise to make any investigation or inquiry into the purposes for which disbursements are made from the Accounts within the Project Fund.

Any requisition received by the Trustee by 1:00 p.m., Pacific time, on any Business Day shall be paid by the Trustee in immediately available funds no later than 1:00 p.m. Pacific time on the next succeeding Business Day. Any requisition received by the Trustee after 1:00 p.m., Pacific time, on any Business Day shall be paid by the Trustee in immediately available funds no later than 1:00 p.m., Pacific time, on the second succeeding Business Day. The Trustee shall retain copies or records of each requisition and shall not destroy such records for a period of at least seven years after receipt without the prior consent of LACF and the County, which consent will not unreasonably be withheld.

(c) Final Payment. Upon "Final Acceptance," as defined in the Facilities Lease, LACF shall promptly deliver to the County and the Trustee a final completion certificate in the form attached hereto as Exhibit C. Upon receipt of such completion certificate, and after making any transfer to the Rebate Fund, the Trustee shall retain certain funds in the Accounts within the Project Fund as may be indicated on such completion certificate, and at the written direction of LACF (consented to in writing by the County so long as no Facilities Lease Default Event has occurred and is continuing), the Trustee shall transfer any funds remaining in the Project Fund in excess of the amounts specified to the Trustee by LACF in the completion certificate to the Principal Account promptly upon receipt of such direction. Any such funds transferred to the Principal Account shall be applied to pay principal of the Bonds as described and permitted in the Tax Certificate. The balance remaining in the Project Fund shall be retained by the Trustee and applied as directed in writing by LACF, and any amount remaining after receipt by the

Trustee of written notice from LACF that all conditions for paying retained funds have been satisfied or waived shall be transferred to the Principal Account promptly upon receipt of such notice, and the Bond Proceeds Account within the Project Fund shall then be closed. Any such funds transferred to the Principal Account shall be applied to pay principal of the Bonds as described and permitted in the Tax Certificate. The Non-Bond Proceeds Account shall remain open for the purpose of receiving, from time to time, certain funds pursuant to Section 4.04 hereof. LACF shall promptly send a copy to the County of any such written directions to the Trustee.

(d) Notices to Trustee. LACF shall provide written notice to the Trustee and the County promptly upon its actual knowledge of the occurrence of the following:

- (1) Final completion of the Project (through delivery of notice in the form of Exhibit C); and
- (2) Any Facilities Lease Default Event.

(e) Disclaimer of LACF. LACF makes no representation that the amounts deposited or to be deposited in the Project Fund or any Account therein will be sufficient to complete the Project, and LACF has no obligation to deposit any funds in the Project Fund or any Account therein except from proceeds of the Bonds, from other funds and accounts under this Indenture, and from such other sources as may be provided for under the Facilities Lease.

Section 4.03. Capitalized Interest Fund.

(a) Creation of Fund and Accounts Therein. The Trustee shall establish and maintain a separate fund designated the "Capitalized Interest Fund," and shall establish therein, the Series 2018A Account and the Series 2018B Account.

(b) Deposit of Proceeds. The Trustee shall deposit \$_____ into the Series 2018A Account from the proceeds of the Series 2018A Bonds. The Trustee shall deposit \$_____ into the Series 2018B Account from the proceeds of the Series 2018B Bonds.

(c) Notice of Project Component Completion Dates, Allocable Percentage of Series 2018A Bonds and Allocable Tower Garage Percentage of Series 2018A Bonds. LACF agrees to provide the Trustee with written notice of each Project Component Completion Date and, upon the first and second Project Completion Date, the Allocable Percentage of Series 2018A Bonds and the Allocable Tower Garage Percentage of Series 2018A Bonds applicable as of such dates as soon as practicable after such dates.

(d) Series 2018A Account.

(1) The Trustee shall use the moneys deposited in the Series 2018A Account to make transfers to the Interest Account to pay interest accrued on the Allocable Percentage of Series 2018A Bonds until the end of the Tax-Exempt Capitalized Interest Period.

(2) Upon providing the Trustee with notice of a Project Component Completion Date, LACF shall direct the Trustee as to the amount that can be transferred to the Interest Account to pay interest accrued but unpaid on the Allocable Percentage of the Series 2018A Bonds until such Project Component Completion Date.

(e) Series 2018B Account. The Trustee shall use the moneys deposited in the Series 2018B Account to make transfers to the Interest Account to pay interest accrued on all of the Series 2018B Bonds until the Rent Commencement Date. The Trustee shall also use the moneys deposited in the Series 2018B Account to pay interest accrued on the Allocable Tower Garage Percentage of Series 2018A Bonds until the Rent Commencement Date.

(f) Application of Amounts in Capitalized Interest Fund. To the extent of funds on deposit therein and available therefor, transfers from the Accounts of the Capitalized Interest Fund to the Interest Account shall be made without requisition in accordance with Section 4.06(c) hereof. All amounts in the Capitalized Interest Fund and Accounts therein, until applied as hereinafter provided, shall be held for the security of all Bonds Outstanding hereunder. All investment earnings on money in each Account of the Capitalized Interest Fund shall be credited to such Account.

(g) Use of Funds in Capitalized Interest Fund After Rent Commencement Date. Effective on the Rent Commencement Date, the balance on hand in the Series 2018A Account, at the written direction of the County, with a copy to LACF, shall be transferred to the Bond Proceeds Account of the Project Fund to be disbursed to pay any unpaid Costs of the Project or shall be transferred to the Principal Account or the Redemption Account to be applied to pay principal of the Bonds as described and permitted in the Tax Certificate. Effective on the Rent Commencement Date, the balance on hand in the Series 2018B Account, at the written direction of the County, with a copy to LACF, shall be transferred to the Interest Account to be applied to pay interest on the Bonds indicated in such direction, or transferred to the Bond Proceeds Account of the Project Fund to be disbursed to pay any unpaid Costs of the Project or shall be transferred to the Principal Account or the Redemption Account to be applied to pay principal of the Bonds. At the time when all amounts in the Capitalized Interest Fund and Accounts therein are expended, the Trustee shall then close the Capitalized Interest Fund and all Accounts therein.

Section 4.04. Deposits of Funds Other Than Bond Proceeds Into the Project Fund and Capitalized Interest Fund.

(a) Insurance Proceeds.

(1) *To Non-Bond Proceeds Account.* If the Trustee receives (A) any payments from LACF or the County with written direction to the Trustee, with a copy to LACF or the County, as applicable, that such payments be deposited in the Non-Bond Proceeds Account or (B) proceeds of insurance for damage to the Project, including proceeds of the “Builder’s Risk” insurance, the Trustee shall deposit such funds in the Non-Bond Proceeds Account and LACF shall direct the Trustee to apply such funds in accordance with Section 19 of the Facilities Lease either (i) to pay the costs to repair and restore the Project or to pay Costs of the Project, pursuant to written requisitions in accordance with

Section 4.02(b) hereof submitted to the Trustee, or (ii) to redemption of the Bonds pursuant to Section 3.01(c).

(2) *To Interest Account.* If the Trustee receives (A) any insurance proceeds attributable to delays in completing the Project under the “Builder’s Risk” insurance required pursuant to Exhibit ___ of the Development Agreement, and such proceeds are designated for such purpose by LACF in writing to the Trustee, with a copy to the County, such funds shall be deposited in the Interest Account to be used (before using funds in the Capitalized Interest Fund) to pay interest on the Bonds, in accordance with Section 4.06(c) hereof or (B) any insurance proceeds in connection with partial destruction of the Premises and such funds are not disbursed from the Non-Bond Proceeds Account to pay costs of restoration, pursuant to Section 19.2(c) of the Facilities Lease, such funds shall be transferred from the Non-Bond Proceeds Account to the Interest Account to be used to pay interest on the Bonds.

(b) Condemnation Proceeds.

(1) If prior to completion of the Project, LACF receives condemnation proceeds with respect to the Premises pursuant to Section 20 of the Facilities Lease, it shall pay those condemnation proceeds over to the Trustee, with written instructions, with a copy to the County, to apply them as follows:

(A) *Project Cannot Be Completed.* If the Project cannot be completed, LACF shall give the Trustee written notice that all or a portion of such condemnation proceeds shall be deposited into the Non-Bond Proceeds Account in the specified amount necessary to pay the parties entitled thereto for all Costs of the Project incurred as of the date of such condemnation (provided, however, that upon the written direction of LACF the Trustee shall first apply for such purpose any funds then available in the Bond Proceeds Account), and the balance shall be applied by the Trustee at the direction of LACF, with a copy to the County, to defease such Bonds as are directed by LACF pursuant to Section 10.02 hereof and to reimburse the Trustee for any costs incurred by the Trustee for which it is entitled under the Indenture for reimbursement.

(B) *Project Can Be Completed.* If the Trustee receives written notice from LACF that the Project can be completed, such condemnation proceeds shall be deposited into the Non-Bond Proceeds Account to pay Costs of the Project, as directed by LACF in writing, with a copy to the County (provided, however, that upon the written direction of LACF, with a copy to the County, the Trustee shall first apply for such purpose any funds then available in the Bond Proceeds Account).

(2) If after completion of the Project, LACF receives condemnation proceeds with respect to the Premises pursuant to Section 20 of the Facilities Lease, it shall pay those condemnation proceeds over to the Trustee, with written instructions, with a copy to the County, for deposit into the Capital Repairs Fund and application by the Trustee as follows: (A) to pay costs of restoring the Premises and/or (B) for transfer of a specified amount to a specified account in the Bond Fund.

(c) LACF Deposits to Non-Bond Proceeds Account. If the Trustee receives any payment from LACF or the County for any additional Costs of the Project that the County is obligated to pay under the Facilities Lease, then upon written instructions from LACF, with a copy to the County, the Trustee shall deposit any such funds into the Non-Bond Proceeds Account. Upon the written direction of LACF, with a copy to the County, the Trustee shall (i) apply such funds to pay Costs of the Project and/or (ii) shall transfer a specified amount to a specified account in the Bond Fund.

Section 4.05. Revenue Fund.

(a) The Trustee shall establish and maintain a separate fund designated the “Revenue Fund” into which the Trustee shall deposit:

- (1) the Base Rent described in Section 4 of the Facilities Lease;
- (2) all net earnings on investments of money in the Revenue Fund; and
- (3) all other money (including without limitation Additional Rent received for deposit to the Revenue Fund) received by the Trustee with written instructions by LACF, with a copy to the County, to deposit it in the Revenue Fund.

All Base Rent determined in accordance with Section 4 of the Facilities Lease shall be paid directly to the Trustee for deposit in the Revenue Fund. Following the Rent Commencement Date, the Trustee shall notify LACF and the County by the close of business on each Rent Payment Date if Base Rent due on such Rent Payment Date has not been received.

(b) The money and investments in the Revenue Fund are irrevocably pledged and shall be used and transferred by the Trustee, as follows and in the following order of priority:

- (1) On or prior to each Interest Payment Date, the amount necessary to pay the interest on the Bonds coming due on the Interest Payment Date to the Interest Account;
- (2) On or prior to each Principal Payment Date, the amount necessary to pay the regularly scheduled principal (including mandatory redemption amounts pursuant to Section 3.01(b) hereof) of Bonds maturing on such Principal Payment Date to the Principal Account;
- (3) On or prior to each day on which Bonds shall be subject to redemption prior to scheduled maturity, the redemption price of Bonds to be redeemed to the Redemption Account; and
- (4) To pay Administrative Fees and Expenses, but only upon the written direction of an Authorized Officer of LACF; provided, that such written direction shall not be required if an Event of Default has occurred and is continuing.

Upon the occurrence and continuation of an Event of Default and acceleration of all Bonds for maturity pursuant to Section 7.02 hereof, and subject to the lien of all Bonds, all

money in the Revenue Fund and all funds that are then on deposit with the Trustee pursuant to this Indenture (other than funds on deposit in the Rebate Fund and the Capital Repairs Fund) shall be transferred to the Principal Account.

Section 4.06. Bond Fund.

(a) Establishment. The Trustee shall establish and maintain a separate fund designated the “Bond Fund” for purposes of paying the principal of and interest on the Bonds as the same shall become due and payable, and shall establish therein (i) an Interest Account, (ii) a Principal Account, and (iii) a Redemption Account.

(b) Deposits Into Bond Fund. The Trustee shall deposit the following sums into the Bond Fund:

(1) On each Interest Payment Date, to the Interest Account an amount that, together with any other money then available therefor in the Interest Account, will be equal to the interest on all of the Bonds then Outstanding to become due and payable on that Interest Payment Date;

(2) On each Principal Payment Date for as long as any of the Bonds are Outstanding and unpaid, to the Principal Account an amount that, together with any other money available therefor in the Principal Account, will be equal to the principal (including mandatory redemption amounts pursuant to Section 3.01(b) hereof) of the Bonds to become due and payable on that Principal Payment Date;

(3) On each date on which the Bonds are subject to redemption prior to maturity, whether by optional redemption or acceleration prior to maturity, to the Redemption Account the redemption price of the Bonds to be redeemed;

(4) As received, all investment earnings on the Bond Fund to the respective account; and

(5) All other money directed in writing by LACF or the County, with a copy to LACF or the County, as applicable, to be deposited therein.

(c) Source of Funds for Deposits to Bond Fund. Following the Date of Issue and until the Rent Commencement Date, the deposits to the Interest Account referred to in Section 4.06(b)(1) shall be made from funds on hand in the Capitalized Interest Fund.

Following the Rent Commencement Date, the deposits to the Bond Fund are expected to be made from the following sources (not identified in order of priority) (i) transfers made pursuant to Section 4.02(c) from the Bond Proceeds Account and/or the Non-Bond Proceeds Account in the Project Fund, (ii) transfers made pursuant to Section 4.03 from the Capitalized Interest Fund; and (iii) money on hand in the Revenue Fund. Notwithstanding the foregoing, the Trustee may accept deposits from any source, with written instructions from LACF or the County, as applicable, with a copy to the other, to deposit the same into the Bond Fund.

(d) Balance in Bond Fund. The Trustee shall provide LACF and the County with monthly reports regarding balances on hand in the Project Fund, Revenue Fund and the Bond Fund from time to time. In the event that monthly statements from the Trustee reflect balances on hand in the Revenue Fund and the Bond Fund available to pay upcoming maturities of debt service, the County and LACF, with written notice to the Trustee from LACF, may adjust upcoming payments of Base Rent.

(e) Use of Money in Bond Fund. Except as otherwise provided in Sections 4.09, 4.11, 4.12, 4.13, 7.03 and Article X hereof, money in the Bond Fund shall be used solely for the payment of the principal of and interest on the Bonds as the same shall become due and payable at maturity, upon redemption or acceleration or otherwise, and the lien of the Owners of Bonds on such money shall be first and prior to the lien of any other Person thereon.

Section 4.07. Liens. LACF shall not create any lien upon the Bond Fund or upon the Revenues other than the lien hereby created or permitted to be created hereby for the benefit of Additional Bonds, by the Deed of Trust or by the Assignment of Leases.

Section 4.08. Bonds Not Presented for Payment. In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or at the date fixed for redemption thereof or otherwise, if money sufficient to pay such Bonds is held by the Trustee for the benefit of the Owners thereof, the Trustee shall segregate and hold such money in trust, without investing such money and without liability for interest thereon, for the benefit of Owners of such Bonds, who shall, except as provided in the following paragraph, thereafter be restricted exclusively to such fund or funds for the satisfaction of any claim of whatever nature on their part under this Indenture or relating to said Bonds.

Any money that the Trustee shall segregate and hold in trust for the payment of the principal of or interest on any Bond and remaining unclaimed for five years after such principal or interest shall have become due and payable shall be remitted by the Trustee in accordance with applicable escheat authority, as identified by the Trustee in its sole discretion, pursuant to and in accordance with applicable unclaimed property laws, rules or regulations, and thereafter Owners of Bonds shall be entitled to look only to such Owners' rights provided under the laws of the jurisdiction of any such pertinent escheat authority, as applicable, and all liability of the Trustee with respect to such money shall thereupon cease; provided, however, that before such money is remitted as aforesaid, the Trustee may at the written request of the County (at the cost of the County), so long as no Facilities Lease Default Event has occurred and is continuing, and otherwise at the written request of LACF (at the cost of LACF), first mail to the Owners of Bonds that have not yet been paid, at the addresses shown on the Bond Register, a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to such Owners' rights under applicable law. Any such delivery to any such escheat authority shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. Any money held by the Trustee pursuant to this Section shall be held uninvested and without any liability for interest.

Section 4.09. Money Held in Trust. All money required to be deposited with or paid to the Trustee for deposit into any fund or account under any provisions hereof, and all money held by the Trustee hereunder, shall be held by the Trustee (or any of its affiliates satisfying the

requirements of Section 8.01(e) hereof) in trust, and such money (other than money held pursuant to Sections 4.08, 4.13 and 4.15 hereof) shall, while so held, constitute part of the Trust Estate and be subject to the lien hereof.

Section 4.10. Payment to the County. Any money remaining in the Bond Fund after the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of LACF under this Indenture shall have ceased, terminated and become void and shall have been satisfied and discharged in accordance with Article X hereof, shall be paid to the County as a rebate of or credit to Rent under the Facilities Lease.

Section 4.11. Investment of Money. All money held in the Project Fund, the Cost of Issuance Fund, the Capitalized Interest Fund, the Bond Fund, the Capital Repairs Fund and the Revenue Fund shall be invested by the Trustee at the written direction of an Authorized Officer of LACF, with the written consent of the County, solely in Investment Securities which shall mature not later than the date when the amounts will foreseeably be needed for purposes set forth in this Indenture. Upon completion of the Project, LACF shall not direct the investment of Bond proceeds in any manner inconsistent with the limitations set forth in Section ___ of the Tax Certificate (which outlines certain yield limitations). The Trustee shall have no obligation to determine whether any such directed investment is authorized under the definition of Investment Securities, to determine whether any such direction is in compliance, or has become noncompliant, with the Tax Certificate, or to otherwise approve or disapprove of any such direction and shall suffer no liability whatsoever in following any such direction. The Trustee may rely conclusively on the written direction of an Authorized Officer of LACF as to the suitability and legality of the directed investments. In the event that the Trustee shall not have received written direction as to the investment of such funds, the Trustee shall hold such funds uninvested pending its receipt of investment instruction from an Authorized Officer of LACF.

Investment Securities acquired as an investment of money in any fund or account established under this Indenture and earnings thereon shall be credited to such fund or account, except as otherwise provided herein. Investments in any and all funds and accounts may be commingled for purposes of making, holding, and disposing of investments, notwithstanding provisions herein for transfer to or holding in particular funds and accounts amounts received or held by the Trustee hereunder, provided that the Trustee shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Indenture. The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee may sell or present for redemption any Investment Securities so purchased whenever it shall be necessary to provide money to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited. The Trustee may make any and all such investments through its own trust or investment department, or through any of its affiliates or subsidiaries. LACF acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the right to receive brokerage confirmations of security transactions, at no additional cost, LACF waives receipt of such confirmations. The Trustee shall furnish to the County and LACF periodic statements of account which include detail of all investment transactions made by the Trustee.

Section 4.12. Arbitrage Rebate. LACF shall perform or cause to be performed the rebate calculations and will direct the Trustee to pay any required amounts to the United States of America in accordance with the provisions of the Tax Certificate. The Trustee shall not be responsible for performing rebate calculations and shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken by LACF in performing such calculations or making any necessary payments.

Section 4.13. Rebate Fund.

(a) Establishment. The Trustee shall establish and maintain a separate fund designated the “Rebate Fund,” into which the Trustee shall deposit amounts received as provided in this Section 4.13. Notwithstanding any provision hereof to the contrary, funds deposited in the Rebate Fund shall be free and clear of any lien hereunder, but shall be held in trust for the purposes described in this Section 4.13. At the direction of LACF, the Trustee shall apply funds on deposit in the Rebate Fund to make the payments of Rebatable Arbitrage required pursuant to Section 4.12 hereof.

(b) Rebate Calculations and Deposits. LACF will, at its cost, hire a Rebate Analyst, which shall calculate (i) by no later than [December 31] of each year, commencing [December 31, 20__], the Rebatable Arbitrage as of [June 30] of the preceding fiscal year for each year following the Date of Issue, and (ii) within 15 days of final completion, the Rebatable Arbitrage as of the date of final completion. Based on each such calculation, the Trustee shall deposit into the Rebate Fund the amount, if any, from such fund or account as directed by LACF, with the written approval of the County, promptly upon receipt of each such calculation from the Rebate Analyst.

After the Rent Commencement Date, the Rebate Analyst shall continue to make periodic rebate calculations by no later than each [December 1] for the immediately preceding fiscal year. Based on such calculations, and promptly upon receipt of each such calculation from the Rebate Analyst, LACF shall direct the County to pay to the Trustee as Additional Rent pursuant to Paragraph 5.2(n) of the Facilities Lease amounts sufficient to make payments of any Rebatable Arbitrage, as determined by the Rebate Analyst. The Trustee shall deposit any such amounts into the Rebate Fund.

(c) Investment of Money in the Rebate Fund. Money in the Rebate Fund shall be invested by the Trustee, upon written direction of an Authorized Officer of LACF in Investment Securities that mature no later than a date that is earlier than the date any payment of Rebatable Arbitrage is due.

(d) Rebate Withdrawals. If the annual calculation of Rebatable Arbitrage under subsection (b) of this Section 4.13 hereof indicates that the balance in the Rebate Fund exceeds the Rebatable Arbitrage as of the date thereof, then the Trustee shall, if directed in writing by LACF, transfer all or any portion of such excess, (i) if prior to the Rent Commencement Date, to the fund or account from which it came, and (ii) if following the Rent Commencement Date, to the Revenue Fund.

(e) Remaining Balance. Any funds remaining in the Rebate Fund after the Bonds are no longer Outstanding and after the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of LACF under this Indenture shall have ceased, terminated and become void and shall have been satisfied and discharged in accordance with Article X hereof, shall be paid to the County, so long as no Facilities Lease Default Event has occurred and is continuing, and otherwise to LACF.

(f) Amendment. The intent of this Section 4.13 is to require funding of the Rebate Fund so that money in that account will be available to pay Rebateable Arbitrage when it is required to be paid under Section 148 of the Code. Notwithstanding anything stated to the contrary in this Indenture, LACF shall not be required to retain a Rebate Analyst or continue to perform arbitrage rebate calculations as provided in this Section 4.13 if LACF provides the Trustee with an Opinion of Bond Counsel to the effect that LACF has met one of the permitted exceptions from the payment of Rebateable Arbitrage, no Rebateable Arbitrage is due and owing and/or rebate computations are no longer required (which opinion may rely upon the mathematical computations of a Rebate Analyst).

Section 4.14. Additional Accounts and Subaccounts. The Trustee may, in its discretion, establish such additional accounts within the Project Fund, the Capital Repairs Fund, the Capitalized Interest Fund, and the Bond Fund, and subaccounts within any of the accounts within those funds, as the Trustee may deem necessary or useful for the purpose of identifying more precisely the sources of payments into and disbursements from the Project Fund and Bond Fund and their accounts, respectively, or for the purpose of complying with the requirements of the Code relating to arbitrage, but the establishment of any such account or subaccount shall not alter or modify any of the requirements of this Indenture with respect to a deposit or use of money in the Project Fund or the Bond Fund, or result in commingling of funds not permitted hereunder. In establishing such accounts or subaccounts, the Trustee may at any time request, receive and rely with full acquittance upon an Opinion of Bond Counsel, addressed to the Trustee and LACF, that the establishment of such accounts or subaccounts will not cause any part of the Bonds to become arbitrage bonds within the meaning of the Code.

Section 4.15. Capital Repairs Fund. The Trustee shall establish and maintain a separate fund designated the “Capital Repairs Fund,” for purposes of holding and disbursing certain funds under the Facilities Lease for capital repairs under to Section 5.11 of the Facilities Lease. Notwithstanding any provision hereof to the contrary, funds deposited in the Capital Repairs Fund shall be free and clear of any lien hereunder, but shall be held in trust for the purposes described in this Section 4.15.

If LACF receives payments with a direction that they are to be used to fund a capital replacement reserve pursuant to Section 5.11 of the Facilities Lease, such payments shall be delivered to the Trustee for deposit to the Capital Repairs Fund. Such proceeds shall be disbursed at the written direction of LACF, with the written consent of the County, to pay the costs of capital improvements and major maintenance of the Premises. The Trustee shall have no duty to monitor or determine the necessity, adequacy or propriety of any funding of the Capital Repairs Fund or the use of any disbursements therefrom, whether or not a Facilities Lease Default Event has occurred and is then continuing.

Any funds remaining in the Capital Repairs Fund upon the final payment or defeasance of Bonds shall be disbursed to the County. The Bondholders shall have no right to direct the use and application of the proceeds of the Capital Repairs Fund. The Capital Repairs Fund is not a part of the Trust Estate, and the Bondholders shall not have any rights or obligations with respect to money in the Capital Repairs Fund.

Section 4.16. Funds and Accounts. Any fund required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

ARTICLE V

GENERAL COVENANTS

Section 5.01. Not General Obligations. Each and every covenant herein made, including all covenants made in the various sections of this Article V, is predicated upon the condition that the Bonds shall not be general obligations of LACF, but shall be special, limited obligations of LACF payable solely from and secured solely by the Trust Estate pledged under this Indenture. LACF is a single-purpose entity, is not a governmental entity and does not have taxing power.

LACF shall execute and deliver the Deed of Trust and the Assignment of Leases and authorize the filing of the UCC Financing Statements related thereto and related to the Trust Estate in favor of the Trustee as the beneficiary on behalf of the Owners. LACF shall record the Deed of Trust and Assignment of Leases with the County Recorder of Los Angeles County and shall file a central UCC Financing Statement with the California Secretary of State's Office, and the Trustee shall file continuation statements as described herein to maintain the security interests granted therein. At the expense of LACF, the Trustee shall prepare and file in a timely manner in such places as the initial filings (copies of which shall be provided to the Trustee by LACF) were made a continuation statement with respect to each UCC Financing Statement on which the Trustee is listed as a secured party filed by LACF under this Section 5.01 on the Date of Issue; provided that the Trustee shall not be responsible for any initial filings of any financing statements or the information contained therein (including the exhibits thereto), the perfection of any such security interests or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any modifications or amendments to the initial filings required by amendments of the UCC; and provided further, that unless the Trustee shall have been notified by the County or LACF that any such initial filing or description of collateral was or has become defective, including without limitation because of any amendment of the UCC, the Trustee shall be fully protected in relying on such initial filing in filing continuation statement(s) or modifications thereto pursuant to this Section and in filing any continuation statements in the same filing offices as the initial filings were made.

LACF shall promptly cause to be paid, solely from the sources stated herein, the principal of and interest on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in the Bonds according to the true intent and meaning thereof.

Section 5.02. Performance of Covenants of LACF; Representations. LACF shall faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder, and in all proceedings pertaining thereto. LACF represents that it is authorized under the laws of the State to issue the Bonds authorized hereby, to enter into this Indenture, the Development Agreement, the Deed of Trust, the Assignment of Leases and the Facilities Lease, and to pledge and assign to the Trustee the Trust Estate, and that the Bonds in the hands of the Owners thereof are and will be valid and binding obligations of LACF except as their enforceability may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other applicable laws in effect from time to time affecting the rights of creditors generally and (ii) the application of general principles of equity. LACF shall also comply with all of its covenants, warranties and representations under the Deed of Trust, the Assignment of Leases, the Development Agreement and the Facilities Lease.

Section 5.03. Maintenance of Corporate Existence; Compliance With Laws. LACF shall at all times while any Bonds remain Outstanding maintain its existence as a California nonprofit public benefit corporation and an organization exempt from taxation under Section 501(c)(3) of the Code, and it shall comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body known to it to be applicable to its obligations under the Development Agreement, the Facilities Lease, the Deed of Trust, the Assignment of Leases and this Indenture.

Section 5.04. Enforcement of Obligations of Third Parties to LACF. LACF shall monitor the Project and shall enforce (i) the obligations of the Developer under the Development Agreement; (ii) the obligations of the Architect and the General Contractor under LACF's contracts therewith; (iii) the obligations of the County under the Facilities Lease, including specifically, but without limitation, the County's obligation to maintain insurance under the Facilities Lease, and (iv) the obligations of any other tenant under any other lease by LACF of the Premises. The Trustee shall cooperate with LACF in enforcing the foregoing obligations; provided, however, that the Trustee shall have no independent duty to enforce the foregoing obligations.

Section 5.05. Further Instruments. LACF shall execute, and the Trustee shall accept, assignment of LACF's rights (except for LACF's rights of approval or consent), but none of its obligations, under the Development Agreement, the Architect's Agreement, the General Construction Contract (as or when the same become available) and any other construction-related agreements, as additional security for the performance of its obligations hereunder. LACF shall, upon the reasonable request of the Trustee, from time to time execute and deliver such further instruments as may be reasonable and as may be required to carry out the purposes of this Indenture; provided, however, that the Trustee shall have no responsibility for the adequacy or sufficiency of any such security or assignments thereof.

Section 5.06. Duty to Reconvey. LACF will convey to the County title to the Premises (unencumbered by management contracts or any leases by LACF of the Premises), and, upon receipt of an executed deed from LACF, the Trustee is authorized and directed to (i) request a full reconveyance of the Deed of Trust, and (ii) release such other liens and security interests of record in the Premises that it may hold without recourse, representation or warranty, then LACF shall record the grant deed with the County Recorder for Los Angeles County, without recourse or warranty and in its then condition, with any costs associated with such reconveyance and releases to be borne by LACF and with such recording to be borne by the County, upon the full payment and retirement or defeasance of all the Outstanding Bonds pursuant to the terms of this Indenture (including but not limited to the provisions of Article VI and Section 7.10 hereof), unless such payment and retirement of the Bonds occurs upon foreclosure on the Deed of Trust and a Facilities Lease Default Event has occurred and is continuing.

The Trustee shall be fully protected in relying upon any such direction to convey and grant the Premises by LACF, and upon any such grant deed delivered to it by LACF.

Section 5.07. Amendments to the Other Documents; Assignment of Facilities Lease. Any amendment of the Other Documents or assignment of the Facilities Lease by either LACF or the County shall be in accordance therewith and with this Indenture. LACF shall provide a copy of any such amendment or assignment to the Trustee.

Section 5.08. Disposition of Project; Insurance of Premises. LACF and the Trustee shall not sell, mortgage, lease or otherwise dispose of the Premises if prohibited by the Deed of Trust. If the Facilities Lease terminates by its terms at any time that Bonds remain Outstanding hereunder, LACF covenants to obtain and maintain, or cause the County to obtain and maintain liability and property insurance substantially as described in Sections 15 and 16 and Exhibit K of the Facilities Lease.

Section 5.09. Tax Covenants.

(a) LACF shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series 2018A Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, LACF shall comply with the requirements of the Tax Certificate, which is incorporated herein as if fully set forth herein. This covenant shall survive payment in full or defeasance of the Series 2018A Bonds.

(b) In the event that at any time LACF is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established hereunder, LACF shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions

(c) Notwithstanding any provisions of this Section, if LACF shall provide to the Trustee an Opinion of Bond Counsel to the effect that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series 2018A Bonds, the Trustee may

conclusively rely on such opinion in complying with the requirements of this Section and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

ARTICLE VI

OPTIONS TO PREPAY FACILITIES LEASE AND PURCHASE PROJECT

Section 6.01. Option to Purchase. The County shall have the option to purchase the Premises and thereby terminate the Facilities Lease pursuant to and subject to the limitations set forth in the Facilities Lease. On or after the date the Bonds are subject to optional redemption, the purchase price of the Premises shall be an amount sufficient to pay all Outstanding Bonds, plus interest accrued thereon to the date of redemption. Prior to the date the Bonds are subject to optional redemption, the purchase price of the Premises shall be an amount sufficient to pay all Outstanding Bonds, plus interest accrued thereon to the date of redemption, plus the additional amount, if any, required to fully defease the Outstanding Bonds in accordance with Article X.

Section 6.02. Exercise of Option. The County shall give the Trustee not less than forty-five (45) days prior written notice of its irrevocable election to exercise its option to purchase under Section 6.01 hereof. The notice and direction shall include a direction to deposit funds with the Trustee at a time and in a manner sufficient to redeem and defease the Bonds as provided in Article X. The purchase price shall be paid to the Trustee in cash or same-day available funds timely paid to the Trustee on the closing date specified in such notice (or such other date as the County and the Trustee may mutually agree).

Section 6.03. Conveyance of Premises. On the closing date specified in the notice of election to exercise purchase option, or such other date as the County, LACF and the Trustee may mutually agree and if the purchase price has been paid by the County in immediately available funds, LACF shall convey the Premises to the County by grant deed, free and clear of all liens and encumbrances, except those liens and encumbrances approved by the County, but without recourse against the Trustee, and this Indenture, the Ground Lease, and the Facilities Lease shall automatically terminate. Neither LACF nor the Trustee shall be required to make any representations or warranties regarding the conditions of the Premises and the County shall agree to accept the Premises in an “as is” condition. Nothing herein shall be construed to require the County to exercise the purchase option herein granted.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 7.01. Events of Default. The following events shall be Events of Default hereunder:

(a) default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise;

(c) default by LACF in the observance of any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to LACF and the County by the Trustee, or to LACF, the County and the Trustee by the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding;

(d) except with respect to matters constituting Events of Default as set forth in subsections (a), (b) and (c) above, any failure by LACF to observe or perform any covenant, condition, agreement or provision in the Deed of Trust on its part to be observed or performed which failure continues at least for a period of 30 days following written notice given by the Trustee to LACF and the County specifying such failure and requesting that such failure be remedied by LACF or the County; or

(e) the occurrence of an Event of Bankruptcy.

Section 7.02. Acceleration of Maturity; Remedies. If any Event of Default identified in (a) or (b) of Section 7.01 occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall be entitled and upon notice in writing to LACF, the Trustee and the County, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding, and interest on the Bonds shall cease to accrue on the date of such declaration. The Trustee shall give notice of such declaration by mail to the respective Owners of the Bonds at their addresses appearing on the Bond Register. Notwithstanding the foregoing, payments of Base Rent under the Facilities Lease are not subject to acceleration.

Upon the occurrence and continuance of an Event of Default, then and in every such case the Trustee in its discretion may, or upon written demand of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and receipt of indemnity against anticipated expenses and liability to its satisfaction (which indemnity is a condition precedent to its duties hereunder), shall, in its own name and as the Trustee of an express trust take any or all of the following actions if the Bonds are not fully paid:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require LACF or the County to carry out any agreements with or for the benefit of the Owners of Bonds and to perform its or their duties under the Facilities Lease and this Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Facilities Lease or this Indenture, as the case may be;

(b) bring suit upon the Bonds (as provided in Section 7.04 hereof);

(c) by action or suit in equity require LACF to account as if it were the trustee of an express trust for the Owners of Bonds;

(d) upon the occurrence of Event of Default described in (a) or (b) of Section 7.01, foreclose the Deed of Trust or exercise any other remedies thereunder, including the reletting of the Premises for any commercial purpose;

(e) exercise any remedy under the Facilities Lease by LACF of the Premises or any other lease by LACF of the Premises;

(f) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of Bonds; or

(g) take any action or exercise any remedy under the Construction Contracts (as such term is defined in the Development Agreement) and the Development Agreement, if such contracts and agreement remain in effect.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Anything in this Indenture to the contrary notwithstanding, the Trustee shall not be required to enter, take possession of, or take any other action whatsoever with respect to the Premises unless the Trustee is satisfied that the Trustee will not be subject to any liability under Environmental Laws or from any circumstances present at the Premises relating to the presence, use, management, disposal or contamination by any environmentally hazardous materials or substances of any kind whatsoever.

Section 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees and charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel and agents) incurred in and in connection with the performance of its powers and duties under this Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Indenture, as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on any overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference;

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon those Bonds, with interest on the overdue principal at the rate borne by the Bonds and to the payment of the principal of and interest due on other Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference; and

(c) All other amounts due to any other Person legally entitled thereto.

Section 7.04. Trustee to Represent Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture, the Facilities Lease and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified against anticipated expenses and liabilities to its satisfaction therefor (which indemnity is a condition precedent to its duties hereunder, except that Trustee may not seek indemnification as a condition precedent to accelerating the Bonds or making payments on Bonds when due to the extent of funds available therefor), shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement

of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under this Indenture, the Facilities Lease or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Trust Estate, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

Section 7.05. Owners' Direction of Proceedings. Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, upon indemnification satisfactory to the Trustee, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction that in the sole discretion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction (the Trustee having no obligation to make such determination).

Section 7.06. Limitation on Bond Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Development Agreement, the Facilities Lease or any other applicable law with respect to such Bond, unless (1) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under this Indenture, the Facilities Lease or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

Section 7.07. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Owners of Bonds on account of any Event of Default are discontinued or abandoned for any reason or are determined adversely to the Trustee or the

Owners, then in every such case LACF, the Trustee and the Owners, subject to any determination in such proceedings, will be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of LACF, the Trustee and the Owners will continue as though no such proceedings had been taken.

Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.09. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Section 7.10. Notice of Default; County's Right to Retire Bonds. The Trustee shall, within 30 days after the occurrence of an Event of Default, give written notice by first class mail to Owners of Bonds of all Events of Default actually known to the Trustee and, unless such Event of Default has been remedied, shall send a copy of such notice to LACF, the County and, until the Project Fund is closed pursuant to Section 4.02(d) hereof, the Developer. Upon the occurrence of an Event of Default, the County has the right to acquire the Premises by defeasing all of the Bonds then Outstanding in accordance with Section 10.02 hereof and/or purchasing Bonds in accordance with Section 3.05 hereof.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Duties, Immunities and Liabilities of Trustee. The Trustee hereby accepts the trusts imposed upon it by this Indenture, represents and covenants that it is fully empowered to accept said trusts, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture, the Other Documents or any other documents related to the transactions contemplated hereunder against the Trustee:

(a) The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default that may have occurred, perform such duties and only such duties as are specifically imposed upon it as set forth in this Indenture. The Trustee shall, during the existence of any Event of Default (which has not been cured) except in accordance with directions of the Owners in accordance with this Indenture and subject to Section 8.04(f) of this Indenture, exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Indenture that occurs prior to the date the Trustee formally executes this Indenture and commences acting as Trustee hereunder.

(b) Upon 30 days' advance written notice to the Trustee, LACF may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or, without the necessity of advance written notice, if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon LACF shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to LACF and the County and by giving the Owners notice of such resignation by mail at the addresses shown on the Bond Register. Upon receiving such notice of resignation, LACF shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bond Owner (on behalf of himself and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to LACF and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the money, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the request of LACF or the request of the successor Trustee, such predecessor Trustee shall, at the expense of the County and upon prior payment or full assurance therefor, execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the rights, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, LACF shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such money, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor

Trustee shall mail a notice of the succession of such Trustee to the trusts hereunder to the Rating Agency and to the Bond Owners at the addresses shown on the Bond Register.

(e) It is the intention that there shall at all times be one or more trustees under this Indenture qualified under the Indenture Act, at least one of whom shall at all times be a bank, banking association, or corporation organized and doing business under the laws of the United States or of any state or of the District of Columbia or a bank, banking association, corporation or other person permitted to act as trustee by the SEC (herein and in the Indenture Act referred to as the “institutional trustee”), which (A) is authorized under such laws to exercise corporate trust powers, and (B) is subject to supervision or examination by federal, state or District of Columbia authorities. Any Trustee appointed under the provisions of this Section in succession to U.S. Bank National Association, as the initial Trustee, shall be a trust company, bank, or banking association having the powers of a trust company qualified under the Indenture Act to act as trustee, having a combined capital, surplus and undivided profits of at least \$50,000,000, subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section. Any co-trustee shall be subject to the same qualification limitations imposed upon the Trustee. Upon any appointment of a co-trustee in addition to the institutional trustee, the rights, powers, duties, and obligations conferred or imposed upon any trustee shall be deemed to be conferred or imposed upon and exercised or performed by such institutional trustee or the institutional trustee and co-trustees jointly, except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed, the institutional trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties, and obligations shall be exercised and performed by such co-trustee(s). In no event shall the County serve as trustee under this Indenture.

(f) Notwithstanding anything to the contrary herein, the Trustee shall not be responsible for the preliminary or final official statement or any other offering materials relating to the Bonds (except for statements prepared or approved by the Trustee under the caption “The Trustee” in any such offering materials), or for any recital or statement herein or in the Bonds, the Other Documents or any assignments to the Trustee hereunder or under any instrument or any supplemental instrument by LACF, the County or the Developer, as appropriate. The Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds, for the validity of the execution by LACF of this Indenture, or for the validity of the execution of the Deed of Trust, the Assignment of Leases or any other assignments to the Trustee hereunder or under any instrument or any supplemental instrument by LACF, the County or the Developer, as appropriate, or for the validity or sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the value of or title to the Trust Estate, or otherwise as to the maintenance of the security hereof, or for the creditworthiness of LACF, the Developer or any other party to any Bond Document. The Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenant, condition or agreement on the part of the County, the Developer or LACF, as

appropriate and shall have no duty to collect, preserve, exercise or enforce rights in the property or assets pledged hereunder to the Bonds (against prior parties or otherwise), except as set forth herein, but the Trustee may require of LACF, the Developer and the County full information and advice as to the performance of the covenants, conditions and agreements aforesaid and of the condition of the physical property included in the Trust Estate. The Trustee shall not be accountable for the use of any Bonds, or the proceeds thereof, authenticated or delivered hereunder.

The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by LACF, the County or the Developer of the Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Other Documents, this Indenture or any other document related hereto or thereto for the existence, furnishing or use of the Premises.

(g) The Trustee's rights to indemnity, immunities and protection from liability hereunder and its rights to payment of fees and expenses shall survive its resignation or removal and the final payment or defeasance of the Bonds or the discharge of this Indenture. The Trustee's rights, protections, immunities and indemnities hereunder shall also be afforded to the Trustee, in acting or omitting to act under the Other Documents.

(h) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any money that is released or withdrawn in accordance with the provisions hereof.

Section 8.02. Conflicting Interests. If the Trustee has or shall acquire any "conflicting interest" as such term is defined in the Indenture Act, then, within 90 days after ascertaining that it has such conflicting interest, and if the Event of Default to which such conflicting interest relates has not been cured or duly waived or otherwise eliminated before the end of such 90-day period, the Trustee shall either eliminate such conflicting interest or LACF shall take prompt steps to have a successor appointed as provided by Section 8.01(b) of this Indenture.

In the event that LACF shall fail to cause appointment of a successor, the Trustee shall, within 10 days after the expiration of such 90-day period, transmit notice of such failure to the Owners; and any Owner who has been a bona fide owner of Bonds for at least six months may, on behalf of him/her/itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee, and the appointment of a successor, if LACF fails, after written request thereof by such Owner, to cause appointment of a successor.

Section 8.03. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its municipal corporate trust business, provided such company shall be eligible under subsection (e) of Section 8.01, shall be the successor to such Trustee without the executing or filing of any paper or any further act, anything herein to the contrary notwithstanding. Notice of such merger or consolidation shall be

given to LACF, the County, and, until the Project Fund is closed pursuant to Section 4.02(c), the Developer.

Section 8.04. Liability of Trustee.

(a) The recitals of facts herein, in the Bonds and in the Other Documents shall be taken as statements of LACF or the other parties thereto, as applicable, and the Trustee shall have no responsibility for the correctness of the same or for the validity or sufficiency of this Indenture, or any representations therein. Whether or not therein expressly so provided, every provision of this Indenture, the Bonds, and the Other Documents or related documents relating to the conduct of or affording protection to the Trustee shall be subject to the provisions of this Article VIII. The Trustee shall incur no responsibility in respect of any such documents, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable for following any instruction that it is directed to follow hereunder, and shall not be liable otherwise in connection with the performance of its duties or exercise of discretion hereunder, except for its own negligence or willful misconduct and except as otherwise provided in this Indenture. The Trustee may become the Owner of Bonds as principal with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. Notwithstanding anything to the contrary contained herein, the Trustee shall have no duty, and nothing herein shall be read to confer or imply that the Trustee has standing, to assert any claims under the federal securities laws on behalf of any Owners, or Beneficial Owners, or any class thereof.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) Notwithstanding anything to the contrary contained herein or in the Other Documents, the Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder or Facilities Lease Default Event or Event of Default under the Deed of Trust or any duty to give notice of any such event, unless and until a trust officer of the Trustee responsible for the administration of the Trust Estate at the Corporate Trust Office shall have actual knowledge thereof or shall have received written notice thereof, at its Corporate Trust Office, and in the absence of that notice so received, the Trustee may conclusively assume that there is no such Event of Default or Facilities Lease Default Event. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the

performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of a default or event of default (however defined) thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

(e) No provision of this Indenture shall require the Trustee to expend, advance or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, or take any action (including but not limited to the institution or defense of legal proceedings or the institution of foreclosure proceedings), and if in the reasonable opinion of the Trustee any such action may tend to invoke expense or liability to the Trustee, it shall not be obligated to take such action unless it is first furnished with funds for payment of such expense or with indemnity therefor satisfactory to it including without limitation indemnity for Environmental Claims, which indemnity shall include payment of its fees, extraordinary expenses, outlays and reasonable attorneys' fees and expenses (whether incurred before trial, at trial or appeal and in any arbitration or bankruptcy proceeding), and other reasonable disbursements in connection therewith, and satisfactory indemnity against all risk and liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct in connection with any such action. The Trustee shall not be required to take any foreclosure action if the approval of a government regulator is a condition precedent to taking the action and such approval cannot be obtained. However, the Trustee may, but shall have no obligation to, begin suit, or appear in and defend any suit, or intervene, or do anything else in its judgment proper to be done by it as such Trustee, without assurance of reimbursement or indemnity. In all such cases the Trustee shall be reimbursed or indemnified for all fees and expenses, liabilities, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith, unless such liability or disbursement is adjudicated to have resulted from the negligence or willful default of the Trustee. If the Owners shall fail to make such reimbursement or indemnification, the Trustee may reimburse itself from any money in its possession under the provisions of this Indenture prior to making any payments to Owners of the Bonds, subject only to the provisions of this Indenture. Notwithstanding the above, the Trustee shall not seek indemnity before (1) making payments on the Bonds when due to the extent funds are available therefor, or (2) causing an acceleration when required by the Indenture.

(f) Except as provided in Sections 5.01 and 5.06 hereof, the Trustee shall have no responsibility for the recording or filing of this Indenture or any financing statements or any other document or instrument whatsoever. The Trustee shall not be responsible for the sufficiency or form of any insurance maintained with respect to the Project and shall not be required to obtain, maintain or review any policy of insurance.

(g) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through affiliates, attorneys, accountants and other experts, agents, servicers, receivers, officers or employees and shall not be answerable for the conduct of attorneys, accountants, experts, agents, servicers and receivers appointed by it with due care. All reasonable costs incurred by the Trustee and all reasonable compensation to all such attorneys, accountants and other experts, agents and receivers as may reasonably be employed in connection with the trusts hereof shall be paid by LACF.

(h) The Trustee shall not be required to enter into any Supplemental Indenture or other supplement or amendment contemplated under Article VIII hereof that in the sole discretion of the Trustee may tend to involve it in liability or expense, or enlarge its duties hereunder or under any other instrument or agreement to which the Trustee is a party.

(i) Notwithstanding any provision of this Indenture to the contrary, under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds. In accepting the trust hereby created, the Trustee acts solely as trustee for the Owners and not in its individual capacity and, except as otherwise expressly provided herein, all Persons, including the Owners, the County, LACF and the Developer, having any claim against the Trustee arising from this Indenture shall look for payment only to the Funds held by the Trustee hereunder.

(j) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty of the Trustee, and the Trustee shall be answerable only for its own negligence or willful misconduct in accordance with the provisions of this Article. The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers hereunder or otherwise in respect of the premises. The Trustee shall have no liability in respect of any investment advice rendered to any Owner or for the management of the Project.

(k) Notwithstanding any other provision herein or in the Deed of Trust, the Trustee shall not be required to acquire possession of or take any action with respect to the Project or other security hereunder that could cause it to be considered an “owner” or “operator” within the meaning of the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended from time to time, or which could result in personal liability, expense, or loss under any other law dealing with environmental matters or hazardous substances. It is acknowledged and agreed that the Trustee has no authority to manage or operate the Project, or any portion thereof, except as necessary to exercise remedies upon default.

Section 8.05. Right to Rely on Documents. The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee must have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of those designated persons, which incumbency certificate must be amended and replaced whenever a person is to be added or deleted from the listing. If LACF elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee’s understanding of such instructions shall control. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. LACF agrees: (i) to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting instructions to the Trustee and that there may be more secure methods of transmitting instructions than the method(s) selected by LACF; and (iii) that the security procedures (if any) to be followed in connection with its transmission of instructions

provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

The Trustee shall be protected in acting upon any notice, resolution, request, requisition, consent, order, certificate, direction, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. At the expense of LACF, the Trustee may consult with counsel, who may be counsel of or to LACF, and the advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith; provided, however, that with respect to legal questions concerning interpretation of this Indenture, the Trustee shall be entitled to rely only on the advice of a firm of nationally recognized bond counsel selected by LACF and, so long as no Facilities Lease Default Event has occurred and is continuing, acceptable to the County.

The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of LACF, and such certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable. In furtherance and not in limitation of the foregoing, the Trustee may in any instance where the Trustee determines that it lacks or is uncertain as to its authority to take or refrain from taking certain action, or as to the requirements of this Indenture, any Other Document, or any other documents related to the transactions contemplated hereunder under any circumstance before it, delay or refrain from taking action unless and until it has received such certificate from LACF, or if the Trustee deems necessary, further instructions from LACF or, at the expense of LACF, advice from legal counsel (or other appropriate advisor), satisfactory to it in its sole discretion, as the case may be, subject to the requirements of the preceding paragraph concerning interpretations of the Indenture.

LACF shall annually prepare a certificate of insurance coverage (“Insurance Coverage Certificate”) affirming that, to the best of LACF’s knowledge, (1) all insurance coverage, each as required under the Indenture, the Deed of Trust, the Ground Lease, the Facilities Lease and the Development Agreement, has been obtained from eligible insurers, or, in the case of self-insurance permitted under any such document, has been provided for by the responsible party; (2) the required coverage is then in effect; and (3) no event of default has occurred under the Indenture, the Deed of Trust, the Facilities Lease and the Development Agreement with respect to required insurance coverage, or if such an event has occurred, how and when the event of default has been addressed. LACF shall submit the Insurance Coverage Certificate to County and shall seek the written concurrence of County that, to the best of County’s knowledge, the statements made therein by LACF are true and correct (the “Concurrence”). Not later than January 30, 2019, and each January 30 thereafter, the Insurance Coverage Certificate and

Concurrence shall be provided to the Trustee by LACF, and the Trustee shall be entitled to rely on the statements set forth therein without independent investigation or verification. Receipt of the Insurance Coverage Certificate and Concurrence in the form required hereunder shall further suffice to satisfy any requirement under any such documents that the Trustee consent to or approve certain matters with respect to insurers or insurance, including without limitation, the requirements of Section 1.06 of the Deed of Trust.

Section 8.06. Preservation and Inspection of Documents. All documents maintained by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of LACF and its agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 8.07. Compensation and Indemnification. LACF shall pay the Trustee as compensation for its ordinary services hereunder the fees set forth in the written fee schedule of the Trustee in effect as of the Date of Issue based upon its proposal, payable semiannually in advance, or as of the date of appointment of any successor Trustee, and also all reasonable fees, expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Indenture. In the event that it should become necessary that the Trustee perform extraordinary services, it shall be entitled to reasonable extra compensation by LACF therefor, and to reimbursement for reasonable and necessary extraordinary expenses in connection therewith; provided, that if such extraordinary services are due to the willful misconduct or negligence of the Trustee it shall not be entitled to compensation or reimbursement therefor. The Trustee's rights to receive compensation under this Section shall be secured by, and there is hereby granted, a lien on the Trust Estate, which lien shall be subordinate to the lien in favor of the Owners for payment of the principal of and premium, if any, and interest on the Bonds, except that, upon an Event of Default, but only upon an Event of Default, the Trustee shall have a prior lien upon the Trust Estate for its extraordinary fees, charges and attorney fees (whether incurred before trial, at trial, on appeal or in any bankruptcy or arbitration proceeding) costs incurred in enforcing the provisions of the Indenture or any other agreement referred to herein.

LACF covenants and agrees to indemnify and hold the Trustee and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Trustee is authorized to rely pursuant to the terms of this Indenture, or for loss, or damage to any property, or injury to or death of any person, asserted by or on behalf of any Person arising out of, resulting from, or in any way connected with (1) the Project or the Premises, or the conditions, occupancy, use, possession, conduct, environmental condition or management of, or any work done in or about the Project or the Premises, including any use, presence, storage, disposal, or release of any substance (whether solid, liquid, or gaseous) which is or may be hazardous or toxic to the environment or to the health or safety of persons on the Premises, including without limitation Environmental Claims arising therefrom or related thereto, or from the planning, design, acquisition or construction of any Project facilities or any

part thereof; (2) except those statements provided by the Trustee for inclusion therein, any untrue statement or alleged untrue statement of any material fact or the omission or alleged omission to state a material fact necessary to make the statements made not misleading in any statement, information or material furnished by LACF or the County, including, but not limited to, the official statement utilized in connection with the sale of the Bonds. In addition to and not in limitation of the immediately preceding sentence, LACF also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Trustee's performance under this Indenture or under the Other Documents, provided the Trustee has not acted with negligence or engaged in willful misconduct. The provisions of this Section shall survive the termination of this Indenture and the resignation or removal of the Trustee for any reason.

ARTICLE IX

MODIFICATION OF THIS INDENTURE AND OTHER DOCUMENTS

Section 9.01. Limitations. Neither this Indenture nor the Other Documents shall be modified or amended in any respect subsequent to the initial issuance of the Bonds, except as may be expressly provided therein and in accordance with and subject to the provisions of this Article IX. The Trustee shall not be obligated to enter into or consent to any Supplemental Indenture or any modification, alteration, amendment or supplement to an Other Document that affects the duties, liabilities and immunities of the Trustee hereunder or the rights of the Trustee under Article VIII hereof. Notice of any Supplemental Indenture or any modification, alteration, amendment or supplement to an Other Document shall be given in writing to each Rating Agency, the County and, until the Project Fund is closed, pursuant to Section 4.02(c), the Developer.

Section 9.02. Supplemental Indentures Without Consent of Owners. LACF may, and, subject to the provisions of Section 9.01 hereof, the Trustee shall, from time to time and at any time (without the consent of or, except as provided below, notice to the Owners of the Bonds) enter into Supplemental Indentures as follows:

- (a) to cure any formal defect, omission, inconsistency or ambiguity in this Indenture;
- (b) to grant to or confer or impose upon the Trustee for the benefit of the Owners of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with this Indenture as theretofore in effect;
- (c) to add to the covenants and agreement of, and limitations and restrictions upon, LACF in this Indenture other covenants, agreements, limitations and restrictions to be observed by LACF that are not contrary to or inconsistent with this Indenture as theretofore in effect;
- (d) to confirm, as further assurance, any pledge under, and the subjection of the Trust Estate to any claim, lien or pledge created or to be created by, this Indenture;

(e) to modify, alter, supplement or amend this Indenture in such manner as shall permit the qualification hereof under the Indenture Act, as from time to time amended;

(f) to provide for the procedures required to permit Bonds to be held in certificated form;

(g) to modify, alter, amend or supplement this Indenture in such manner as shall preserve the tax-exempt status of interest on the Series 2018A Bonds; and

(h) to provide for the issuance of Additional Bonds, and to provide the terms and conditions under which such Additional Bonds may be issued, subject to and in accordance with the provisions of Section 2.08 hereof; and

(i) to modify, alter, amend or supplement this Indenture in any other respect which is not materially adverse to the Owners, as evidenced by the Opinion of Bond Counsel delivered pursuant to this Section 9.02 hereof, and which does not involve a change described in the provisions of Section 9.03(a) hereof.

Before LACF and the Trustee shall enter into any Supplemental Indenture pursuant to this Section 9.02, there shall have been delivered to the Trustee an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and complies with its terms, that it will, upon the execution and delivery thereof, be valid and binding upon LACF in accordance with its terms and that it will not adversely affect the exemption from federal income taxation of interest on the Series 2018A Bonds.

Section 9.03. Supplemental Indentures With Consent of Owners.

(a) Except for any Supplemental Indenture entered into pursuant to Section 9.02 hereof, subject to the terms and provisions contained in this Section 9.03, the Owners of not less than a majority in aggregate principal amount of Bonds shall have the right from time to time to consent to and approve the execution and delivery by LACF and the Trustee of any Supplemental Indenture deemed necessary or desirable by LACF for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this Indenture; provided, however, that, unless approved in writing by the Owners of all Bonds affected by such change, nothing herein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of or interest on any Bond, or a reduction in the principal amount or redemption price of any Bond or a change in the method of determining the rate of interest thereon, or (ii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (iii) a reduction in the aggregate principal amount of Bonds the consent of the Owners of which is required for any such Supplemental Indenture or which is required, under Section 9.07 hereof, for any modification, alteration, amendment, or supplement to the Deed of Trust.

(b) If at any time LACF shall request the Trustee to enter into any Supplemental Indenture for any of the purposes of this Section 9.03, the Trustee shall cause notice of the proposed Supplemental Indenture to be given to the County (so long as the Facilities Lease shall be in effect and no Facilities Lease Default Event has occurred and is continuing), all Owners of Bonds, and, until the Project Fund is closed pursuant to Section 4.02(c), the Developer. Such

notice (which shall be prepared by or on behalf of LACF but not by the Trustee) shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by the County (if applicable), all Owners of Bonds and the Developer (if applicable).

(c) Within four months after the date of the giving of such notice, LACF and the Trustee may enter into such Supplemental Indenture in substantially the form described in such notice, but only if there shall have first been delivered to the Trustee (i) the required consents, in writing, of the Owners of Bonds, and, if applicable, the County, in accordance with Section 9.05 hereof, and (ii) an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and complies with its terms, and, upon the execution and delivery thereof, will be valid and binding upon LACF and the County in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Series 2018A Bonds.

(d) If Owners of not less than the percentage of Bonds required by this Section 9.03 shall have consented to and approved the execution and delivery thereof as herein provided, no Owner shall have any right to object to the execution and delivery of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain LACF or the Trustee from executing and delivering the same or from taking any action pursuant to the provisions thereof.

Section 9.04. Effect of Supplemental Indenture. Upon the execution and delivery of any Supplemental Indenture pursuant to the provisions of this Article IX, this Indenture shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of LACF, the Trustee and all Owners of Bonds shall thereafter be determined, exercised and enforced under this Indenture subject in all respects to such modifications and amendments.

Section 9.05. Consent for Supplemental Indentures. Notwithstanding any other provision of this Indenture to the contrary, no Supplemental Indenture shall become effective unless and until the Trustee, LACF and the County (so long as the Facilities Lease shall be in effect and no Facilities Lease Default Event (as evidenced to the Trustee by a written certificate of LACF) has occurred and is continuing) shall have consented thereto in writing.

Section 9.06. Amendment of Other Documents Without Consent of Owners.

(a) General. Without the consent of or notice to the Owners of the Bonds, but with the written consent of the Trustee, LACF may modify, alter, amend, or supplement the Other Documents (a) as may be permitted under the terms of the Other Documents, respectively, and this Indenture, (b) for the purpose of curing any formal defect, omission, inconsistency or ambiguity therein, (c) in connection with the issuance of Additional Bonds, (d) as provided in the following paragraph, or (e) in connection with any other change therein which, as evidenced by the Opinion of Bond Counsel delivered pursuant to the last paragraph of this Section 9.06, is not materially adverse to the Owners of Bonds. For avoidance of doubt, any change to the Other Documents that does not reduce or otherwise limit the County's obligation to pay Base Rent under the Facilities Lease or reconvey the lien of the Deed of Trust on the Premises shall be deemed not materially adverse.

(b) Exclusion of Surplus Property. LACF and the County shall have the right to amend the Ground Lease, Facilities Lease and the Deed of Trust from time to time to exclude portions of the real property from the Premises originally demised thereunder:

(1) as may be necessary to comply with permitting requirements or to complete the Project as long as such amendment does not reduce or otherwise adversely affect the County's obligation to pay Base Rent under the Facilities Lease; or

(2) except as provided in subsection (1) above, upon satisfaction of the following conditions: (i) LACF and the County shall receive, and shall provide to the Trustee a copy of, a survey certified by a licensed California surveyor delineating the boundaries and legal description of the remaining Premises that will continue to be demised thereunder; (ii) LACF, the Trustee, and the County shall receive an opinion of counsel or other evidence reasonably satisfactory to LACF that the remaining Premises (A) is assessed as a separate tax parcel, and (B) will be in compliance with, and not in violation of, any applicable covenants, restrictions, statutes, laws, ordinances, rules and/or regulations pertaining to the use and development of the remaining Premises, including but not limited to those pertaining to subdivision and platting; (iii) the County as the owner of the remaining Premises shall provide such easements and reciprocal agreements as may be necessary to provide comparable pedestrian, vehicular access and other uses, amenities and operations to the Premises (including public utilities) as existed prior to the release of such property from the Premises originally demised thereunder; (iv) LACF shall receive an appraisal prepared by a disinterested appraiser that the remaining Premises has a fair market value which is not less than the principal balance outstanding under the Bonds; (v) such exclusion will not affect payment to LACF of Base Rent required under the Facilities Lease; and (vi) LACF and the Trustee shall receive an Opinion of Bond Counsel satisfactory to LACF and County and the Trustee that such exclusion shall not adversely affect the tax-exempt status of interest payable on the Series 2018A Bonds and that all conditions to any amendment of the Ground Lease, Facilities Lease or the Deed of Trust to exclude portions of the real property from the Premises set forth herein and in the document to be amended have been complied with.

Upon satisfaction of the conditions set forth under subsection (1) or (2) of this paragraph, the Trustee shall be fully protected in consenting to any such amendment of the Ground Lease or Facilities Lease and executing any partial reconveyance of, or amendment to, the Deed of Trust, if required under the terms of the Facilities Lease or the Deed of Trust.

Before LACF shall enter into any other modification, alteration, amendment or supplement to the Other Documents pursuant to this Section 9.06, there shall have been delivered to LACF and the Trustee (i) a Favorable Opinion of Bond Counsel, and (ii) any title insurance endorsements required by the Deed of Trust.

Section 9.07. Amendment of Other Documents With Consent of Owners. The Trustee shall not consent to, any amendment change or modification of any Other Document that would reduce or otherwise limit the County's obligation to pay Base Rent or would not be permitted under Section 9.06 without the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, given and procured as provided in Section 9.03 hereof; provided, however, that, unless approved in writing by the Owners of all Bonds then Outstanding, nothing in this Section 9.07 contained shall permit, or be construed as permitting, a material and adverse change in the obligations of LACF. If at any time LACF shall request the consent of the Trustee to any such proposed modification, alteration, amendment or supplement, the Trustee shall cause notice thereof to be given in the same manner as provided by Section 9.03 hereof with respect to Supplemental Indentures. Such notice shall (which shall be prepared by or on behalf of LACF but not by the Trustee) briefly set forth the nature of such proposed modification, alteration, amendment or supplement and shall state that copies of the instrument embodying the same are on file at the Corporate Trust Office of the Trustee for inspection by all Owners. LACF may enter into, and the Trustee may consent to, any such proposed modification, alteration, amendment or supplement subject to the same conditions and with the same effect as provided in Section 9.03 hereof with respect to Supplemental Indentures.

ARTICLE X

DISCHARGE AND DEFEASANCE

Section 10.01. Discharge of Indenture. Bonds may be paid by LACF in any of the following ways, provided that LACF also pays or causes to be paid any other sums payable hereunder:

- (a) by paying or causing to be paid the principal of and interest on the Bonds, as and when the same become due and payable;
- (b) by defeasance (as provided in Section 10.02 hereof); or
- (c) by delivering to the Trustee, for cancellation by it, the Bonds then Outstanding pursuant to the terms of this Indenture.

The Trustee shall give written notice to the Rating Agency when the principal of and interest on all Outstanding Bonds are fully paid.

If LACF shall also pay or cause to be paid all other sums payable hereunder, then and in that case, at the election of LACF (evidenced by a certificate of LACF filed with the Trustee, signifying the intention of LACF to discharge all such indebtedness and this Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of the Trust Estate, Revenues and other assets made under this Indenture and all covenants, agreements and other obligations of LACF under this Indenture shall cease, terminate, become void and be completely discharged and satisfied, except for LACF's duties under Section 8.07 hereof, which shall survive. In such event, upon the request of LACF, the Trustee shall cause an accounting for such period or periods as may be requested by LACF to be prepared and filed with LACF and shall execute and deliver to LACF all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all money or securities or other property held by it pursuant to this Indenture that are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption to the County.

Section 10.02. Defeasance. If LACF (1) issues refunding bonds (a) to pay the principal of, premium, if any, and interest on all or a portion of the Bonds as the same become due and payable and (b) to refund or defease such then Outstanding Bonds and to pay the costs of refunding or defeasance; or (2) sets aside irrevocably in a special fund for and pledged to such payment, refunding or defeasance, money (which shall remain uninvested) and/or Government Obligations, that are not subject to redemption prior to maturity sufficient in amount (as verified in a report from a firm of certified public accountants or nationally recognized arbitrage consultants), together with known earned income from the investments thereof, to make such payments and to accomplish the refunding or defeasance as scheduled (hereinafter called the "trust account"); and (3) makes irrevocable provisions for redemption of such Bonds, then in that case all right and interest of the Owners of the Bonds to be so retired, refunded or defeased (hereinafter collectively called the "defeased Bonds") in the covenants of this Indenture, in the Trust Estate, and in the funds and accounts obligated to the payment of such defeased Bonds, other than the right to receive the funds so set aside and pledged, thereupon shall cease and become void, except that those Owners will have the right to receive payment of the principal of and premium, if any, and interest on the defeased Bonds from the trust account (except such rights as exist with respect to payment, exchange and transfer of such Bonds under the pertinent provisions of this Indenture). After the establishing and full funding of such trust account, the defeased Bonds shall be deemed to be discharged, the Trustee shall cancel the defeased Bonds as paid, and LACF then may, at the direction of the County, so long as the Facilities Lease is in effect and no Facilities Lease Default Event has occurred and is continuing, and otherwise in LACF's sole discretion, apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the Owners of any other Bonds then Outstanding. Money held in any defeasance trust account shall be held solely for the benefit of the Owners of said Bonds.

It is a condition of any such defeasance of the Bonds that LACF has obtained and delivered to the Trustee: (i) an Opinion of Bond Counsel that such Bonds have been legally defeased under this Indenture and that such refunding or defeasance will not affect the tax-exempt status of the Series 2018A Bonds; and (ii) if any Government Obligations are set aside in the special fund described in clause (2) above, the verification report of independent certified

public accountants or nationally recognized arbitrage consultants, as described in clause (2) above.

On the date of defeasance or full payment of Bonds LACF shall convey the Premises to the County as set forth in Section 5.06.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Successor Is Deemed Included in All References to Predecessor.

Whenever in this Indenture either LACF or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of LACF and the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.02. Limitation of Rights to Parties and Bond Owners. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than LACF, the Trustee, the County, the Developer and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of LACF, the Trustee, the County, the Developer and the Owners of the Bonds.

Section 11.03. Waiver of Notice. Except as otherwise provided herein, whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 11.04. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to LACF of any Bonds, in lieu of such cancellation and delivery and unless otherwise directed by LACF prior to the destruction of cancelled Bonds, the Trustee may treat such Bonds in accordance with its document retention and destruction policies and procedures or as may be directed by applicable law.

Section 11.05. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Trustee and LACF hereby declare that they would have entered into this Indenture and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 11.06. Notices. Any notice to or demand upon the following parties shall be given by first class mail, return receipt requested, as set forth below, or to such other addresses as may from time to time be furnished by one notice party to the other notice parties in writing.

If to LACF: Los Angeles County Facilities Inc.
1218 Third Avenue, Suite 1403
Seattle, Washington 98101-3088
Attention: John Finke

If to the County: County of Los Angeles
500 West Temple Street, Room 432
Los Angeles, California 90012
Attention: Treasurer and Tax Collector

County of Los Angeles
500 West Temple Street, Room 713
Los Angeles, California 90012
Attention: Chief Executive Office – Capital Projects

Community Development Commission
County of Los Angeles
700 West Main Street
Alhambra, California 91801
Attention: Executive Director

If to the Trustee: U.S. Bank National Association
Corporate Trust Services
U.S Bank Tower
633 West 5th Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Services

Section 11.07. Notice to Rating Agencies. The Trustee shall provide each Rating Agency with written notice prior to the effective date of such event of (i) any successor Trustee, (ii) any amendments to this Indenture or the Facilities Lease, and (iii) the redemption in whole of the Bonds.

Section 11.08. Evidence of Rights of Bond Owners. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and LACF if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of

any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of registered Bonds shall be proved by the Bond Register.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or LACF in accordance therewith or reliance thereon.

Section 11.09. Applicable Provisions of Law. This Indenture shall be governed by and construed in accordance with the laws of the State.

Section 11.10. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts, or as many of them as LACF and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.11. No Recourse on Bonds. No recourse shall be had for the payment of the principal of or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in the Indenture, against any past, present or future officer, employee or agent, or member of LACF, or any successor to LACF, as such, either directly or through LACF, or any past, present, or future officer, employee or agent, or member of any successor to LACF under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officer, employee or agent, or member of LACF or any successor to LACF, as such, is expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of the Bonds.

Section 11.12. LACF's Compliance With Continuing Disclosure Requirements of the SEC.

(a) Contract/Undertaking. This Section constitutes LACF's written undertaking for the benefit of the Owners and Beneficial Owners of the Bonds as required by Section (b)(5) of the Rule.

(b) Financial Statements/Operating Data. LACF agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB"), the following annual financial information and operating data for the prior fiscal year:

(1) Annual financial statements showing ending fund balances for LACF prepared in accordance with generally accepted accounting principles; and

(2) Information regarding material changes to the Facilities Lease, Rent delinquencies, changes in tenancy of the Premises and any change in Trustee, presented in substantially the form set forth on Exhibit D hereof.

Such information and data described above shall be provided on or before nine months after the end of LACF's fiscal year, commencing with the report for LACF's June 30, 2018, fiscal year (which is due no later than April 1, 2019). LACF's current fiscal year ends June 30. LACF may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, LACF may cross-reference to other documents available to the public on the MSRB's internet website or filed with the SEC.

If not provided as part of the annual financial information discussed above, LACF shall provide LACF's audited annual financial statement prepared in accordance with generally accepted accounting principles, when and if available, to the MSRB.

(c) Enumerated Events. LACF agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten Business Days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2018A Bonds, or other material events affecting the tax status of the Series 2018A Bonds;
7. Modifications to the rights of Bond Owners, if material;
8. Bond calls, if material, and tender offers for the Bonds;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of LACF;
13. The consummation of a merger, consolidation, or acquisition of the LACF or the sale of all or substantially all of the assets of LACF, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement to undertake such an actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.

(d) Notification Upon Failure to Provide Financial Data. LACF agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of its failure to provide the annual financial information and operating data described in subsection (b) above on or prior to the date set forth in subsection (b) above.

(e) Additional Information. In addition to the information required to be provided under the Rule, LACF agrees to provide in a timely manner to the MSRB, notice (i) if the County ceases to be the lessee of the Premises, and (ii) if the Facilities Lease expires or terminates.

(f) EMMA; Format for Filings With the MSRB. Until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org. All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(g) Termination/Modification. LACF's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. This section, or any provision hereof, shall be null and void if LACF (1) obtains an Opinion of Bond Counsel to the effect that those portions of the Rule that require this section, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (2) notifies the MSRB of such opinion and the cancellation of this section.

Notwithstanding any other provision of this Indenture including without limitation the provisions of Article IX, LACF may amend this Section 11.12, and any provision of this Section 11.12 may be waived, with an Opinion of Bond Counsel to the effect that such amendment or waiver is consistent with and does not violate the Rule.

In the event of any amendment or waiver of a provision of this Section 11.12, LACF shall describe such amendment or waiver in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by LACF. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under subsection (c) of this Section 11.12, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 11.13. Continuing Disclosure by County. Pursuant to its Undertaking for Ongoing Disclosure, dated _____, 2018 (the "County Undertaking"), the County has undertaken responsibility to comply with the continuing disclosure requirements of an "Obligated Person" with respect to the Bonds as set forth in Section (b)(5)(i) of the Rule. Neither the Trustee nor LACF shall have any liability to the Owners or Beneficial Owners of the Bonds or any other Person with respect to such disclosure matters, and failure by the County to comply with the County Undertaking will constitute neither an Event of Default nor a Facilities Lease Default Event.

Section 11.14. Force Majeure. Notwithstanding any other provision of this Indenture, the Trustee shall not be obligated to perform any obligation hereunder and shall not incur any liability for the nonperformance or breach of any obligations hereunder to the extent that the Trustee is delayed in performing, unable to perform or breaches such obligation because of acts of God, it being understood that the Trustee shall use commercially reasonable efforts consistent with accepted practices for corporate trustees to maintain performance without delay or resume performance as soon as reasonably practicable under the circumstances.

Section 11.15. Non-Business Day. If the date for making any payment or the last day for performance of any act or the exercising of any right, as provided in this Indenture, is on a Saturday, Sunday or any other day that is not a Business Day, such payment (or performance) with no interest accruing for the period after such nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided for in this Indenture.

IN WITNESS WHEREOF, Los Angeles County Facilities Inc. has caused this Indenture to be signed in its name by its President, and U.S. Bank National Association, in accepting the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunder duly authorized, all as of the day and year first above written.

**LOS ANGELES COUNTY FACILITIES
INC.**

By: _____
President

U.S. BANK NATIONAL ASSOCIATION

By: _____
[Title]

EXHIBIT A
FORM OF BONDS

R- _____

\$ _____

LOS ANGELES COUNTY FACILITIES INC.
LEASE REVENUE BONDS, SERIES 2018[A/B]
(VERMONT CORRIDOR COUNTY ADMINISTRATION BUILDING)
[(Tax-Exempt)/(Federally Taxable)]

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
%	December 1, 20__	_____, 20__	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

Los Angeles County Facilities Inc., a California nonprofit public benefit corporation (“LACF”), for value received, hereby promises to pay (but only out of the Trust Estate pledged therefor as hereinafter mentioned) to the Registered Owner identified above, or registered assigns, on the Maturity Date (subject to any right of prior redemption hereinafter mentioned), the Principal Amount identified above in lawful money of the United States of America; and to pay interest on the Principal Amount in like lawful money from the date hereof until payment of the Principal Amount discharged as provided in the Indenture hereinafter mentioned, at the Interest Rate set forth above, payable on the first day of each June and December (an “Interest Payment Date”) commencing [December 1, 2018]. For so long as this bond is in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. If this bond is no longer in fully immobilized form, the principal (or redemption price) hereof is payable upon presentation hereof at maturity or redemption date at the designated corporate trust office of U.S. Bank National Association (together with any successor as trustee under the Indenture, the “Trustee”).

This bond is one of a duly authorized issue of bonds of LACF designated as “Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018[A/B] (Vermont Corridor County Administration Building) [(Tax-Exempt)/(Federally Taxable)]” (the “[Series 2018A/B] Bonds”), issued in the aggregate principal amount of \$_____, pursuant to that certain Indenture of Trust, dated as of _____ 1, 2018, between LACF and the Trustee (the “Indenture”). Simultaneously with the issuance of the [Series 2018A/B] Bonds, LACF is issuing its Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018[A/B] (Vermont Corridor County Administration Building) [(Tax-Exempt)/(Federally Taxable)] (the “[Series 2018A/B] Bonds”), in the aggregate principal amount of \$_____. The [Series 2018A/B] Bonds are on a parity with the [Series 2018A/B] Bonds. The Series 2018A Bonds and the Series 2018B Bonds are collectively referred to as the “Bonds.” Pursuant to and as more particularly

provided in the Indenture, Additional Bonds may be issued by LACF on a parity with the Series 2018A Bonds and the Series 2018B Bonds. Capitalized terms used in this bond and not otherwise defined herein have the meanings given such terms in the Indenture.

The Bonds are issued for the purpose of financing an office building, ancillary improvements and parking on the Premises, which shall be leased to the County of Los Angeles (the “County”), pursuant to a Facilities Lease Agreement, dated as of _____ 1, 2018, between LACF, as landlord, and the County, as tenant (the “Facilities Lease”), for the purposes and on the terms and conditions set forth therein.

Reference is hereby made to the Indenture (copies of which are on file at the corporate trust office of the Trustee in Los Angeles, California) and all indentures supplemental thereto and to the Resolution for a description of the rights thereunder of the Registered Owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of LACF thereunder, to all the provisions of which Indenture and Resolution the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds and the interest thereon are payable from Revenues (as defined in the Indenture), as and to the extent provided in the Indenture, and are secured by a pledge and assignment of said Revenues, a Deed of Trust, and of amounts held in certain funds and accounts established under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Bonds are further secured by an assignment of the rights, title and interest of LACF in the Ground Lease and Facilities Lease (to the extent and as more particularly described in the Indenture).

The Bonds of this issue are subject to optional, extraordinary optional and mandatory redemption at the times, in the manner, at the redemption prices and upon notice as specified in the Indenture.

If an Event of Default (as that term is defined in the Indenture) shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond

do exist, have happened and have been performed in due time, form and manner as required by the Indenture and applicable law and that the amount of this Bond is not in excess of the amount of Bonds permitted to be issued under the Indenture.

IN WITNESS WHEREOF, Los Angeles County Facilities Inc. has caused this Bond to be executed in its name and in its behalf by the manual or facsimile signature of its _____ and _____ initially all as of the date of original issuance, _____, 2018, and thereafter as provided in the Indenture.

**LOS ANGELES COUNTY FACILITIES
INC.**

By: _____

ATTESTED BY:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018 (Vermont Corridor County Administration Building), as described in the within-mentioned Indenture.

Date of Authentication: _____

**U.S. BANK NATIONAL
ASSOCIATION, as Trustee**

By: _____
Authorized Officer

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

REQUISITION CERTIFICATE

TO: U.S. Bank National Association, as Trustee

FROM: Los Angeles County Facilities Inc.

SUBJECT: Indenture of Trust, dated as of _____ 1, 2018 (the “Indenture”) regarding Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018 (Vermont Corridor County Administration Building) (the “Bonds”)

This represents Requisition Certificate No. _____ in the total amount of \$_____ for payment of Costs of Issuance of the Bonds or Costs of the Project. You are requested to make the disbursement(s) to pay this requisition from the following funds, accounts or subaccounts under the Indenture:

- Cost of Issuance Fund
Payee/Account No:
Payee/Account No:
Payee/Account No:
Payee/Account No:

- Project Fund— Non-Bond Proceeds Subaccount
Payee/Account No:
Payee/Account No:
Payee/Account No:
Payee/Account No:

- Project Fund— Bond Proceeds Subaccount
Payee/Account No:
Payee/Account No:
Payee/Account No:
Payee/Account No:

The undersigned does hereby represent, warrant and certify under the Indenture that:

1. The expenditures for which money is requested hereby represent proper Costs of Issuance of the Bonds or Costs of the Project, do not represent Costs of Issuance or Costs of the Project allocated on the Date of Issue to costs of acquiring the Premises (as described in Sections 4.01 and 4.02 of the Indenture), and have not been included in a previous Requisition Certificate.

2. The money requested hereby is not greater than that necessary to meet obligations due and payable. The money requested does not include retention or other money not yet due or earned under construction contracts.

3. If any portion of the draw under this requisition is to be paid to the General Contractor, all payment and performance bonds required by the Development Agreement have been delivered to the Developer.

Terms capitalized herein have the meanings specified in the Indenture.

Executed this ___ day of _____, 20__.

**LOS ANGELES COUNTY FACILITIES
INC.**

By: _____
Authorized Officer

EXHIBIT C

FINAL COMPLETION CERTIFICATE

TO: U.S. Bank National Association, as Trustee

FROM: Los Angeles County Facilities Inc.

SUBJECT: Indenture of Trust, dated as of _____ 1, 2018 (the "Indenture") regarding Los Angeles County Facilities Inc. Lease Revenue Bonds, Series 2018 (Vermont Corridor County Administration Building) (the "Bonds")

The undersigned does hereby represent, warrant and certify under the Indenture:

1. Final completion of the Project has occurred and the Costs of the Project have been paid in full except for those not yet due and payable, which are described below:

(a) Costs of the Project not yet due and payable:

<u>Description</u>	<u>Amount</u>
	\$ _____
TOTAL	\$ _____

(b) Payments being contested:

<u>Description</u>	<u>Amount</u>
	\$ _____
TOTAL	\$ _____

(c) Holdback Amounts

Amount (not exceeding \$ _____) reserved for warranty work to be retained in the Project Fund until _____, 20____.

\$ _____

\$ _____

2. The Rebate Analyst has made the rebate calculation required pursuant to Section 4.13 of the Indenture. Based on this calculation, the Trustee is hereby directed to transfer \$ _____ from funds available in the Bond-Proceeds Subaccount in the Project Fund to the Rebate Fund.

3. No Facilities Lease Default has occurred. LACF hereby directs the Trustee to pay \$ _____ from the Project Fund to the County to be used for additional Costs of the Project.

4. [No Facilities Lease Default Event has occurred.] The money remaining in the Project Fund in excess of the amounts set forth in 1(a), (b), (c), 2, and 3 above is no longer

needed to pay Costs of the Project, and the Trustee is hereby authorized and directed to transfer \$ _____ of such money to the Principal Account, to be used to pay principal of the Bonds and until such payment is made to be invested at a yield not in excess of the yield on the Bonds.

Executed this ____ day of _____, 20__.

**LOS ANGELES COUNTY FACILITIES
INC.**

By: _____
Authorized Officer

cc:

EXHIBIT D

FORM OF LACF'S ANNUAL DISCLOSURE REPORT

Los Angeles County Facilities Inc. ("LACF")

Lease Revenue Bonds, Series 2018 (Vermont Corridor County Administration Building)

Report for Period Ending June 30, _____ (the "Reporting Period")

Annual Financial Statements

Attached is a copy of LACF's annual financial statements for the Reporting Period described above showing ending fund balances for LACF prepared in accordance with generally accepted accounting principles.

Operating Data

1. Following are descriptions of any material changes made in the Facilities Lease during the Reporting Period:
2. The following Rent delinquencies occurred during the Reporting Period:
3. The following change(s) in tenancy of the Premises occurred during the Reporting Period:
4. The following change(s) in the Trustee occurred during the Reporting Period:

EXHIBIT T
TAX AGREEMENT

EXHIBIT U
ISSUER FEE AND GOVERNANCE AGREEMENT

Vermont Corridor Project Approval and Related Actions – Attachment

Ordinance



COUNTY OF LOS ANGELES
OFFICE OF THE COUNTY COUNSEL

648 KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012-2713

TELEPHONE
(213) 808-8772
FACSIMILE
(213) 613-4904
TDD
(213) 633-0901

MARY C. WICKHAM
County Counsel

May 11, 2018

Ms. Sachi A. Hamai
Chief Executive Officer
Chief Executive Office
713 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Attention: Bradford M. Bolger, Senior Manager
Chief Executive Office

**Re: Ordinance Authorizing Public Leaseback
of Vermont Corridor Project**

Dear Ms. Hamai:

Enclosed find the analysis and ordinance authorizing the public leaseback of certain property to serve as the headquarters, offices, and clinic space for the County's Department of Mental Health; office space for the County's Department of Workforce Development, Aging and Community; and office space for other County departments, divisions, or staff.

The analysis and ordinance may be presented to the Board of Supervisors for consideration.

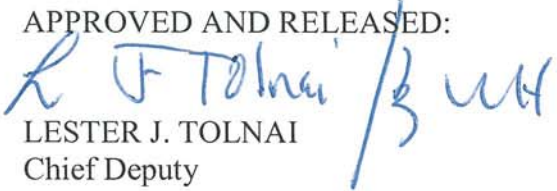
Very truly yours,

MARY C. WICKHAM
County Counsel

By

BEHNAZ TASHAKORIAN
Senior Deputy County Counsel
Contracts Division

APPROVED AND RELEASED:


LESTER J. TOLNAI
Chief Deputy


BT/gjh

HOA.102168046.1

ANALYSIS

This ordinance authorizes a public leaseback pursuant to California Government Code section 54241 of certain real property in the City of Los Angeles, County of Los Angeles, the addresses of which are 510, 526, and 532 South Vermont Avenue and 523 Shatto Place, and improvements, furniture, fixtures and equipment on such property consisting of (1) a new Class A office building with ancillary ground floor retail, other public serving uses, and parking, and (2) a new stand-alone 10-story parking structure, all to serve as the headquarters and office space for the County's Department of Mental Health, office space for the County's Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions, or staff.

MARY C. WICKHAM
County Counsel

By 

BEHNAZ TASHAKORIAN
Senior Deputy County Counsel
Contracts Division

BT:gjh

Requested: 3/23/18
Revised: 5/10/18

ORDINANCE NO. _____

An ordinance authorizing a public leaseback to Los Angeles County Facilities Inc., a California nonprofit public benefit corporation, pursuant to the requirements of California Government Code section 54241.

The Board of Supervisors of the County of Los Angeles ordains as follows:

SECTION 1. Findings. The Board of Supervisors finds that:

A. The County of Los Angeles ("County") is the owner of certain real property within the County, in the City of Los Angeles, the street addresses of which are 510, 526, and 532 South Vermont Avenue and 523 Shatto Place (collectively, "Premises").

B. Los Angeles County Facilities Inc. ("LACF"), is a California nonprofit public benefit corporation formed for the purposes of:

1. Assisting in the erection and maintenance of public buildings, monuments, facilities, housing, or works;
2. Combatting community deterioration and carrying out neighborhood revitalization and community economic development by receiving and administering funds exclusively for educational and charitable purposes;
3. Promoting social welfare and education through cooperative programs with governmental entities; and
4. Undertaking activities which lessen the burdens of government, and
5. Carrying on other charitable activities associated with the foregoing purposes as allowed by law.

C. LACF's powers include entering into lease agreements and issuing bonds consistent with such purposes on behalf of the County.

D. In accordance with Article 9 (commencing with section 54240) of Chapter 5 of Part 1 of Division 2 of Title 5 of the California Government Code ("Government Code") authorizing public leasebacks, the County desires to lease the Premises to LACF pursuant to a Ground Lease Agreement, by and between the County and LACF ("Ground Lease"), in order for LACF to design, develop, permit, and construct improvements and install furniture, fixtures and equipment on the Premises consisting of:

1. A new office building with:
 - (a) Approximately 468,000 gross square feet of Class A office with ground floor retail space and public serving uses; and
 - (b) Approximately 965 structured parking spaces.
2. A separate 10-story garage structure containing approximately 768 parking spaces, all to serve as the headquarters and office space for the County's Department of Mental Health, office space for the County's Department of Workforce Development, Aging and Community Services, and office space for other County departments, divisions, or staff (collectively, "Project").

E. The County will sublease the Premises and the Project to be constructed thereon back from LACF pursuant to a Facilities Lease Agreement, between LACF, as sublandlord, and the County, as subtenant ("Facilities Lease").

F. The purpose of this ordinance is to authorize a public leaseback pursuant to Government Code section 54241.

G. Government Code section 54241 requires the adoption of this ordinance prior to entering into a formal agreement with the public leaseback corporation for a term that exceeds five years.

SECTION 2. Authorization of Public Leaseback.

A. The form of the Ground Lease, by and between the County and LACF, submitted to and on file with the Acting Executive Officer-Clerk of the Board of Supervisors, is hereby approved, and the Chair of the Board of Supervisors, and such other member of the Board of Supervisors as the Chair may designate, the Treasurer and Tax Collector of the County, the Chief Executive Officer of the County, or the Executive Director of the Community Development Commission of the County, or any other person or persons designated by the Treasurer and Tax Collector of the County, the Chief Executive Officer of the County or the Executive Director of the Community Development Commission of the County (collectively, "Authorized Officers"), are each hereby authorized and directed, for and in the name and on behalf of the County, to execute and deliver the Ground Lease in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

B. The form of the Facilities Lease, by and between LACF and the County, submitted to and on file with the Acting Executive Officer-Clerk of the Board of Supervisors, is hereby approved, and the Authorized Officers are each hereby

authorized and directed, for and in the name and on behalf of the County, to execute and deliver the Facilities Lease in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate amount of the principal portions of the base rent payable under the Facilities Lease shall not exceed \$350,000,000, the term of the Facilities Lease shall not exceed 40 years (provided that such term may be extended as provided therein) and the true interest cost applicable to the interest portions of the base rent shall not exceed 6.00 percent per annum.

SECTION 3. Subject to Referendum.

The Ground Lease and the Facilities Lease herein approved are subject to referendum as provided by Article 2 (commencing with section 9140) of Chapter 2 of Division 9 of the California Elections Code.

SECTION 4. Publishing Requirement.

This ordinance shall be published before the expiration of fifteen (15) days after its passage and adoption pursuant to Government Code section 25124.

[VERMCORRBTC]

Vermont Corridor Project Approval and Related Actions – Attachment

Site 3 – Option to Lease

OPTION TO LEASE AGREEMENT

dated _____, 2018
by and between

THE COUNTY OF LOS ANGELES

and

**WESTERN COMMUNITY HOUSING, INC.,
a California nonprofit public benefit corporation**

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OPTION TO LEASE AGREEMENT

THIS OPTION TO LEASE AGREEMENT (this “**Agreement**”) is effective as of this _____ day of _____, 2018 (the “**Effective Date**”), by and between the COUNTY OF LOS ANGELES (“**County**”), and WESTERN COMMUNITY HOUSING, INC., a California nonprofit public benefit corporation, or its permitted assignee (“**Optionee**”). County and Optionee are each sometimes referred to individually as a “**Party**” and collectively as the “**Parties.**”

RECITALS

A. County is the fee owner of certain land and the improvements thereon, located in the City of Los Angeles (the “**City**”), State of California at (i) 550 South Vermont Avenue and 3175 West 6th Street (the “**6th St. Site**”) and (ii) 433 South Vermont Avenue, as more particularly described on Exhibit A (the “**Premises,**” and collectively with the 6th St. Site, the “**Properties**”).

B. Pursuant to a County solicitation issued on August 18, 2015, TC LA Development, Inc., a Delaware corporation (“**TCLA**”) was the highest ranked proposer for development of the Properties (the “**TCLA Response**”). In order to support the removal of blight, and maximize the highest and best use to the community on the Premises, County and TCLA entered into that certain Vermont Corridor Exclusive Negotiating Agreement dated as of August 18, 2016 (the “**ENA**”).

C. TCLA assigned to Western Community Housing, Inc., a California nonprofit public benefit corporation (“**WCH**”), and WCH assumed, TCLA’s right under the ENA to construct the Project pursuant to that certain Assignment and Assumption of Certain Rights under Exclusive Negotiating Agreement effective as of October 26, 2016, by and between TCLA and WCH.

D. Pursuant to the TCLA Response and the ENA, TCLA has proposed to construct the following on the Premises (the “**Project**”): seventy-one (71) senior, Affordable for-rent housing units, with one unrestricted manager’s unit (the “**Housing Project**”); a community center approximately thirteen thousand two hundred (13,200) square feet in size (the “**Community Center**”); and an underground parking structure containing approximately one hundred sixteen (116) parking spaces. “**Affordable**” means affordable to persons and families of low or moderate income pursuant to California Health and Safety Code Section 50093.

E. Optionee intends to enter into a sublease agreement with the Young Men’s Christian Association of Metropolitan Los Angeles, a California nonprofit public benefit corporation, or such other nonprofit organization approved by County, for the use, occupancy, operation and management of the Community Center and related parking spaces.

F. County and Optionee desire to enter into this Agreement, pursuant to which Optionee shall have an option to enter into that certain Vermont Corridor Affordable Housing

Ground Lease, the form of which is attached as Exhibit B (the “**Ground Lease**”), for the construction of the Project.

AGREEMENT

NOW THEREFORE, for and in consideration of the mutual covenants and conditions contained herein, the sufficiency of which consideration is acknowledged by the Parties, it is hereby agreed as follows:

1. **Incorporation of Recitals.** The terms set forth in the Recitals above are hereby incorporated by this reference as if set forth in full herein.

2. **Grant of Option; Memorandum Provisions; Quitclaim Deed.**

2.1 **Grant of Option.** County hereby grants to Optionee, and Optionee hereby accepts, an exclusive option to enter into the Ground Lease on the terms and conditions set forth in this Agreement (the “**Option**”).

2.2 **Option Period.** The term of the Option (the “**Option Period**”) shall commence on the Effective Date and automatically and uncontestably terminate, and be of no further force or effect, on the Expiration Date, if not earlier terminated pursuant to the terms of this Agreement. Notwithstanding the foregoing, the Option cannot be exercised until the later of (a) the date that is sixty (60) days after the date of a written notice to vacate that is provided by Optionee to County, and (b) the date on which each of the Option Conditions have been satisfied (the “**Satisfaction Date**”), and in no event earlier than March 1, 2019.

2.3 **Expiration Date.** “**Expiration Date**” means the earlier of (a) the date that is six (6) months after the Satisfaction Date or (b) June 30, 2020 (the “**Outside Date**”).

2.4 **Establishment of Escrow; Memorandum of Option.** Within five (5) Business Days after the Effective Date, County shall sign and acknowledge a Memorandum of Option, in the form attached hereto as Exhibit C (the “**Memorandum of Option**”). Optionee shall open an escrow (the “**Escrow**”) with Escrow Holder by depositing this Agreement, an originally signed and acknowledged Memorandum of Option, and an originally signed and acknowledged Quitclaim Deed with Escrow Holder. Escrow Holder shall be authorized to record the Memorandum of Option in the Official Records of Los Angeles County (the “**Official Records**”) immediately following receipt. As used herein, the terms “**Escrow Holder**” and “**Title Company**” shall each mean Commonwealth Land Title Insurance Company at the address provided in Section 12.1.

2.5 **Quitclaim Deed.** Within five (5) Business Days after the Effective Date, Optionee shall sign and acknowledge a Quitclaim Deed in the form attached hereto as Exhibit D (the “**Quitclaim Deed**”), with all blanks accurately completed, and shall deposit the original, signed and acknowledged Quitclaim Deed into the Escrow concurrently with the deposit of the Memorandum of Option with Escrow Holder in accordance with Section 2.4. Upon the failure of Optionee to exercise the Option in accordance with this Agreement, or if the Option or this Agreement shall terminate in accordance with the provisions herein, or if Optionee shall exercise the Option but default in the closing obligation created as a result of such exercise, subject to the

terms of this Section 2.5, County shall be entitled to instruct Escrow Holder to record the Quitclaim Deed together with any other instruments necessary to expunge the Memorandum of Option from the Official Records; provided, however, that County shall first deliver to Optionee at least five (5) days' prior written notice of its intention to authorize Escrow Holder to record the Quitclaim Deed.

3. **Option Conditions.** In addition to any other conditions set forth in this Agreement, the exercise by Optionee of the Option shall be subject to the satisfaction of each of the following conditions (collectively, the "**Option Conditions**") set forth in Sections 3.1, 3.2, 3.3, and 3.4. Each Party shall use its commercially reasonable efforts to satisfy the Option Conditions before the date that is three (3) years after the Effective Date.

3.1 **Plans and Specifications for Project.** The Project shall be constructed by Optionee in accordance with and subject to the terms and provisions of Article 7 of the Ground Lease (which terms and provisions are hereby incorporated into this Agreement by reference), including, without limitation, the obligation of Optionee to prepare and submit to County for County's approval certain plans, specifications, construction cost estimates and other materials pertaining to the Project, in accordance with the schedule set forth in Sections 7.1 and 7.2 of the Ground Lease. Notwithstanding the foregoing, Optionee shall have prepared and submitted to County for County's approval the Final Construction Documents (as defined in the Ground Lease) for the Initial Improvements (as defined in the Ground Lease), pursuant to the process set forth in Article 7 of the Ground Lease, and shall have received County's written approval thereof. The Approved Construction Documents (as defined in the Ground Lease) for the Initial Improvements shall be attached as Exhibit E-1 to the Ground Lease.

3.2 **Permits Ready to Issue.** Optionee shall have obtained all required approvals and building permits (the "**Permits**") from all applicable Governmental Authorities (as defined in the Ground Lease), for the construction of the Initial Improvements. This condition shall be deemed complete if Optionee delivers evidence reasonably acceptable to County that the applicable Governmental Authority is ready to issue the Permits in favor of Optionee upon payment of applicable fees by Optionee.

3.3 **Project Financing Condition.** Optionee shall have obtained Project Financing for the Project (the "**Project Financing Condition**"). For purposes of this Agreement, "**Project Financing**" means a construction loan from an institutional lender or lenders, which construction loan shall be at an interest rate and on other terms that are commercially reasonable, in amounts that when combined with Optionee's, equity of at least twenty percent (20%) of the total estimated cost to complete the Project (or such lesser amount as may be approved by County in its reasonable discretion) is reasonably expected to provide sufficient funds to complete the Project, all as approved by County in accordance with the terms and provisions of Section 9.1 of the form of Ground Lease, which approval shall not be unreasonably withheld, conditioned or delayed. If Optionee desires to fund the cost of the Project entirely from such party's equity, then upon demonstration by Optionee to the reasonable satisfaction of County of the availability of adequate equity funds, Optionee, shall be considered to have satisfied the Project Financing Condition. County shall not be required to fund, subsidize or otherwise financially contribute to the construction of the Project; provided, however, Optionee may seek funds available through a Notice of Funding Availability for

Affordable Multifamily Rental Housing managed by County's Community Development Commission for the Housing Project.

3.4 **Environmental Review.** The County's Board of Supervisors shall have completed all required review and made any required determinations in compliance with the California Environmental Quality Act, Cal. Pub. Res. Code § 21000 *et seq.* ("CEQA"), and any environmental document required by CEQA shall have been reviewed and approved by the Board, in the Board's sole and absolute discretion.

4. **Option Payment.** By not later than 5:00 p.m. (California Time) on the second (2nd) Business Day following the Effective Date, Optionee shall pay to County, by wire transfer per the wire instructions set forth on Exhibit E attached hereto, the sum of One Hundred Dollars (\$100.00) (the "**Option Payment**"). The Option Payment is nonrefundable to Optionee except as expressly provided to the contrary in this Agreement. County and Optionee acknowledge and agree that the Option Payment is being paid in consideration for County maintaining its grant to Optionee of the Option for the duration of the Option Period.

5. **Escrow.**

5.1 **Duties of Escrow Holder.** The duties of Escrow Holder shall be as follows: (a) retain and safely keep all funds, documents and instruments deposited with it pursuant to this Agreement; (b) upon the Close of Escrow, deliver to the parties entitled thereto all documents and instruments to be delivered through Escrow pursuant to this Agreement; and (c) comply with the terms of this Agreement which specifically apply to Escrow Holder and comply with the terms of any additional instructions jointly executed by Optionee and County. The Parties shall execute, deliver and be bound by any reasonable and customary supplemental escrow instructions of Escrow Holder or other instruments as may reasonably be required by Escrow Holder in order to close Escrow as contemplated by this Agreement. As between the Parties, if there is a conflict between any such supplemental escrow instructions or other instruments and this Agreement, this Agreement shall control.

5.2 **Reporting.** To the extent the transactions of this Agreement involve a real estate transaction within the purview of Section 6045 of the Internal Revenue Code of 1986 (the "**IRC**"), Escrow Holder shall have sole responsibility to comply with the requirements of Section 6045 of the IRC (and any similar requirements imposed by state or local law), which in part requires Escrow Holder to report real estate transactions closing after December 31, 1986 by, among other things, preparing and causing to be filed Internal Revenue Service Form 1099-B and any applicable additional statements in connection therewith. Escrow Holder shall hold Optionee, County and their counsel free and harmless from and against any and all liability, claims, demands, damages and costs (including, without limitation, reasonable attorneys' fees and expenses) arising or resulting from the failure or refusal of Escrow Holder to comply with such reporting requirements.

6. **Title and Survey; Access.**

6.1 **Title Order.** As of the Effective Date, County has provided to Optionee, and Optionee has approved, a preliminary title report issued by the Title Company with respect

to the Premises, together with copies of all exceptions and matters referred to therein (“**Preliminary Report**”).

6.2 Survey. During the Option Period, Optionee may obtain, at its sole cost and expense, an ALTA survey of the Premises, prepared by a surveyor or civil engineer selected by Optionee and licensed in the State of California (the “**Survey**”). The Survey shall be certified to Optionee, County and the Title Company and such other persons as Optionee may direct.

6.3 Leasehold Title Policy. If Optionee timely and properly exercises the Option, Optionee shall obtain from Title Company an extended coverage ALTA policy of title insurance with leasehold endorsements and any other endorsements required by Optionee in its reasonable discretion (the “**Leasehold Title Policy**”) with liability in an amount to be specified by Optionee upon exercise of the Option (which such amount shall be subject to the reasonable approval of County), covering the Premises and showing leasehold title to the Premises vested in Optionee, subject only to the following (collectively, the “**Permitted Exceptions**”): (i) all prior encumbrances, reservations, licenses, easements and rights of way existing as of the Effective Date; (ii) the lien of all ad valorem real estate taxes and assessments not yet due and payable as of the date of Closing (if any), subject to adjustment as herein provided; (iii) local, state and federal laws, ordinances or governmental regulations, including but not limited to, building and zoning laws, ordinances and regulations, now or hereafter in effect relating to the Premises; (iv) such statement of facts as may be shown on the final Survey obtained by Optionee as provided above in Section 6.2 above; and (v) such other exceptions as may be reasonably approved by County and Optionee in writing prior to the issuance of the Leasehold Title Policy. Notwithstanding the foregoing, County agrees to cooperate with Optionee, at Optionee’s sole cost and expense, in Optionee’s efforts to address title matters, if any, that would prevent Optionee from proceeding with the development of the Premises in accordance with the Project, as long as such efforts do not materially adversely affect County (e.g., cooperating with Optionee in the relocation at Optionee’s cost of any easements or reservations that interfere with the Project, to the extent such relocation is reasonably acceptable to County). This Section 6.3 is intended to address only title matters that arise in connection with the voluntary exercise by County of its proprietary rights as owner of the Premises, and this Section 6.3 shall not pertain to zoning, entitlement, land use or other matters involuntarily imposed against the Premises or imposed against the Premises by County in its governmental or regulatory capacity.

6.4 Optionee Access. Optionee and its agents and consultants shall have access to the Premises during the Option Term for the purposes of soliciting bids from potential contractors, engineers, or other consultants for the construction of the Project, on the terms and conditions to be set forth in a written right of entry permit, to be executed by County and Optionee, which right of entry permit shall (a) provide County with a minimum of twenty-four (24) hours’ notice prior to any entry on the Premises by Optionee, and (b) provide that Optionee’s activities shall be at reasonable times during ordinary business hours and coordinated with County and its tenants so as to minimize any disturbance of County’s or its tenants’ use of, or interference with County’s operation of, the Premises. County shall have the right to have a representative present during any entry onto the Premises by Optionee or Optionee’s agents and consultants. Optionee shall protect, indemnify, defend, and hold harmless County from and against any and all Claims (as hereinafter defined) suffered or incurred by County arising out of or as a consequence of Optionee’s or Optionee’s agents’ or consultants’ entry on to the Premises.

6.5 Copies of Premises Information. In the event of termination of this Agreement, Optionee shall promptly return to County all due diligence materials delivered by County with respect to the Premises to Optionee and shall provide copies to County of all non-proprietary reports and studies prepared by third parties for Optionee with respect to the Premises, at no cost to County, but without representation or warranty as to the quality, accuracy or completeness of any of such materials.

7. **Representations and Warranties, and Covenants of County.**

7.1 Representations and Warranties. County represents and warrants to Optionee as follows:

7.1.1 Authority. County has the power and authority to enter into and perform all of County's obligations pursuant to this Agreement, and to lease the Premises on the terms and conditions set forth in the Ground Lease. No consent of any third party is required in order for County to perform any of its obligations hereunder, other than any consent that has been obtained prior to or concurrently with the execution of this Agreement by County.

7.1.2 No Conflict. This Agreement and County's lease of the Premises pursuant to the Ground Lease do not violate any material terms or provisions of any contract to which County is a party.

7.1.3 Threatened Actions. There are no actions, suits, arbitrations, claims or proceedings, at law, in equity or otherwise, pending or threatened in written notice to County that would adversely affect County's ability to perform its obligations under this Agreement or the Ground Lease.

7.2 Representations and Warranties of County at Close of Escrow. Subject to the provisions of Section 7.3 below, the representations and warranties of County set forth in this Agreement shall be deemed to be remade and restated by County upon execution of the Ground Lease.

7.3 Material Change. County shall, promptly upon obtaining knowledge of any such occurrence, notify Optionee of any material change in any condition with respect to the Premises or of any event or circumstance which makes any representation or warranty of County to Optionee under this Agreement materially untrue or misleading (a "**Materially Changed Condition**"). If County notifies Optionee of any Materially Changed Condition, Optionee shall have ten (10) Business Days following receipt of written notice from County of such Materially Changed Condition to review the events and circumstances giving rise to such Materially Changed Condition and, if such ten (10) Business Day period extends past the expiration of the Option Period, then the Option Period shall be extended for the number of days required to afford Optionee such ten (10) Business Day review period. If Optionee disapproves the Materially Changed Condition (as determined in Optionee's sole and absolute discretion), then Optionee shall deliver a written notice to County of such disapproval, and County will have ten (10) Business Days to attempt to cure such Materially Changed Condition. If County fails to effectuate a cure within such ten (10) Business Day period, then Optionee may terminate this Agreement. If Optionee does not elect to terminate this Agreement and elects rather to exercise

the Option, then (a) Optionee shall be deemed to have accepted leasehold title to and possession of the Premises subject to the Materially Changed Condition and (b) the representations and warranties set forth herein, which are to be remade and reaffirmed by County at the Close of Escrow, shall be made subject to such new information, and the same shall not be deemed a breach of County's representation or warranty. County shall be deemed to have obtained knowledge of any such occurrence when _____ (or any successor _____ of County) has obtained actual knowledge of the same. For the avoidance of doubt, the demolition and removal of structures or other improvements existing on the Premises as of the Effective Date shall not be deemed to be a "Materially Changed Condition."

7.4 Service Agreements. Prior to the Close of Escrow, County shall terminate all service contracts outstanding that relate to the Premises, if any, unless otherwise requested by Optionee.

7.5 No Transfers; Preservation of Title. After the Effective Date and during the Option Period, County shall not take any action (or fail to take any action) that would result in a material adverse change to the condition of title to the Premises existing upon the Effective Date (other than the imposition of new encumbrances for then current, non-delinquent taxes and assessments), nor shall County alienate, lien, encumber or otherwise transfer all or any portion of or interest in the Premises. Notwithstanding the foregoing, none of the Construction License, the demolition or removal of structures or other improvements existing on the Premises as of the Effective Date, or use of the Premises as a staging area shall be deemed a "material adverse change" to the condition of title to the Premises.

7.6 Financing Liens. County shall not create any deeds of trust, mortgages or financing statements encumbering all or any portion of the Premises prior to expiration of the Option Period that will survive the Close of Escrow.

7.7 County Cooperation. In its proprietary capacity, County shall cooperate with and assist Optionee, to the extent reasonably requested by Optionee, in Optionee's efforts to obtain the Permits, provided such cooperation does not encumber the County's fee interest. Such cooperative efforts may include County's joinder in any application for the Permits, where joinder therein by County is required or helpful; provided, however, that Optionee shall reimburse County for the Actual Costs (as defined in the Ground Lease) incurred by County in connection with such joinder or cooperative efforts. Notwithstanding the foregoing, Optionee and County acknowledge that the approvals given by County under this Agreement and/or the Ground Lease shall be approvals pursuant to its authority under Section 25536 or 25907 of the California Government Code and given in its proprietary capacity; that approvals given under this Agreement and/or the Ground Lease in no way release Optionee from obtaining, at Optionee's expense, all permits, licenses and other approvals required by law for the construction of the Project and operation and other use of the Premises, and that County's duty to cooperate and County's approvals under this Agreement and/or the Ground Lease do not in any way modify or limit the exercise of County's governmental functions or decisions as distinct from its proprietary functions pursuant to this Agreement and/or the Ground Lease.

7.8 Free of Tenancies. Within five (5) Business Days after the Exercise Date, County shall terminate or cause the termination of any leases currently outstanding that relate to

or cover any portion of the Premises, including, without limitation, access rights of any tenants, subtenants, licensees, concessionaires or employees to any buildings and all other improvements occupied by such persons on the Premises, and the rights of any person to park on any portion of the Premises.

8. Representations and Warranties, and Covenants of Optionee.

8.1 Representations and Warranties. Optionee hereby represents, warrants, and acknowledges to County and covenants with County as follows:

8.1.1 Organization. WCH is a nonprofit public benefit corporation organized, validly existing and in good standing under the laws of the State of California. “**Affiliate**” means, with respect to a specified person or entity, any person or entity that directly or indirectly controls, is controlled by, or is under common control with, such specified person or entity. As used in the foregoing definition, the term “**control**” means the possession, directly or indirectly, of the power to direct or cause the direction of certain management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.

8.1.2 Authority. WCH has the power and authority to enter into and perform all of WCH’s obligations pursuant to this Agreement, and Optionee will have the power and authority to lease the Premises on the terms and conditions set forth in the Ground Lease. No consent of any third party is required in order for WCH to perform any of its obligations hereunder, other than any consent that has been obtained prior to or concurrently with the execution of this Agreement by WCH.

8.1.3 No Conflict. This Agreement and Optionee’s lease of the Premises pursuant to the Ground Lease do not violate any material terms or provisions of any contract to which Optionee is a party.

8.1.4 Threatened Actions. There are no pending, and to Optionee’s knowledge, none threatened in written notice to Optionee, actions, suits, arbitrations, claims or proceedings, at law, in equity or otherwise, that would adversely affect Optionee’s ability to perform its obligations under this Agreement or the Ground Lease.

8.2 Representations and Warranties of Optionee at Close of Escrow. The representations and warranties of Optionee set forth in this Agreement shall be deemed to be remade and restated by Optionee upon execution of the Ground Lease.

8.3 Option Conditions Covenant. During the Option Period, Optionee shall use its diligent efforts to satisfy the Option Conditions as soon as possible. Such efforts shall include Optionee’s expenditure of such funds, including, without limitation, application fees, travel costs, architectural fees and consulting and lobbying fees, as reasonably necessary to expedite the Permit, license and other approval processes.

8.4 “AS-IS”; RELEASE. Optionee acknowledges and agrees that Optionee is experienced in the leasing and development of land similar to the Premises and Optionee has inspected or will, prior to the Close of Escrow, inspect to its satisfaction (a) the Premises, and (b) all due diligence information with respect to the Premises, and that Optionee and/or its

representatives are qualified to make such inspections. Except as expressly provided in this Agreement, Optionee acknowledges that it is fully relying on Optionee's inspections of the Premises and the due diligence information obtained by Optionee with respect to the Premises, and not upon any statements (oral or written) which may have been made or may be made (or purportedly made) by County, or any of its representatives or consultants, unless such written statements are set forth in this Agreement. Subject to the foregoing, Optionee's exercise of the Option shall evidence Optionee's agreement to accept the Premises as of the Close of Escrow in their "AS IS, WHERE IS" condition and with all faults, and without representations and warranties of any kind, express or implied, or arising by operation of law, except as expressly set forth in this Agreement, and further agrees that County has no obligation to make repairs, replacements or improvements to the Premises. Subject to the express covenants, representations and warranties of County in this Agreement and/or in the Ground Lease and the documents delivered at the Close of Escrow, except for the Excluded Matters (as hereinafter defined) Optionee releases County and its members, officers, directors, trustees, beneficiaries, partners, employees and their respective heirs, successors, representatives, agents and assigns (collectively, the "**County Parties**") from, and waives any and all liability, claims, demands, damages and costs (including, without limitation, reasonable attorneys' fees and expenses) of any and every kind or character, known or unknown, for or attributable to, any latent or patent issue or condition at the Premises, including without limitation, claims, liabilities and contribution rights relating to the presence, discovery or removal of any Hazardous Substances in, at, about or under the Premises, or for, connected with or arising out of any and all claims or causes of action based thereon. The term "**Excluded Matters**" means: (i) a material breach by County Parties of any County's representation and warranties, covenants and obligations under this Agreement; and (ii) acts of willful misconduct, intentional concealment or fraud of County or their respective agents, officers and employees. It is the intention of the parties that the foregoing release shall be effective with respect to all matters, past and present, known and unknown, suspected and unsuspected. Optionee realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to losses, damages, liabilities, costs and expenses which are presently unknown, unanticipated and unsuspected, and Optionee further agrees that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that Optionee nevertheless hereby intends to release, discharge and acquit County and the County Parties from any such unknown losses, damages, liabilities, costs and expenses. In furtherance of this intention, Optionee hereby expressly waives any and all rights and benefits conferred upon it by the provisions of California Civil Code Section 1542, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Optionee acknowledges that the foregoing acknowledgments, releases and waivers including, without limitation, the waiver of the provisions of California Civil Code Section 1542 were expressly bargained for. The provisions of this Section 8.5 shall survive the Close of Escrow and the Ground Lease.

Optionee Initials

9. **Exercise of Option.**

9.1 **Exercise Notice.** No later than 5:00 p.m. (California time) on the Expiration Date, Optionee shall exercise the Option by delivering the following (the “**Exercise Deliveries**”) to Escrow Holder, with a copy to County (the date on which all of the Exercise Deliveries are made shall be the “**Exercise Date**”):

9.1.1 one (1) original Option Exercise Notice in the form attached hereto as Exhibit F (the “**Option Exercise Notice**”), executed by Optionee, with all blanks completed, confirming that all Option Conditions have been satisfied;

9.1.2 three (3) originals of the Ground Lease, each executed in counterpart by Optionee as “Lessee” with all exhibits and blanks (other than the date thereof) completed; and

9.1.3 two (2) originals of the Memorandum of Lease in the form attached as Exhibit D to the Ground Lease (the “**Memorandum of Lease**”), each executed by Optionee as “Lessee” and notarized, with all exhibits and blanks (other than the date thereof) completed.

9.2 **Preparation for Closing of Option Exercise.** No later than five (5) Business Days following the Exercise Date, Escrow Holder shall perform the following:

9.2.1 Promptly prepare and submit to County and Optionee an estimated closing statement identifying all of the following: (a) escrow fees and costs for the “Close of Escrow” as defined below; (b) title charges for the Leasehold Title Policy; and (c) proration, as of the estimated Closing Date, of all current general and special real property taxes and assessments for the Premises previously paid or payable for the current fiscal tax period; and

9.2.2 Update the Preliminary Report, and identify to County and Optionee any further documents, funds or instruments required to issue the Leasehold Title Policy.

9.3 **Review and Approval of Exercise Deliveries.** County shall have fifteen (15) Business Days following the Exercise Date to review the blanks appearing in the forms of Ground Lease and Memorandum of Lease attached hereto that have been completed by Optionee, to confirm that they are consistent with the requirements of this Agreement, and shall notify Optionee and Escrow Holder in writing (“**County Notice**”) of either (a) County’s approval of the Exercise Deliveries, as presented by Optionee; or (b) any revisions to any of the Exercise Deliveries that County believes are required to conform such instruments to the terms of this Agreement. In the event County believes that the Exercise Deliveries fail to conform to the requirements of this Agreement, then County’s Notice shall so state and identify the specific revisions which County believes are required for its approval. Otherwise, the County Notice shall confirm County’s approval of the form of the Exercise Deliveries. In the event the County Notice requests revisions, County and Optionee shall negotiate in good faith to determine whether such revisions should be included in whole or in part, within fifteen (15) Business Days

following the Exercise Date, and shall confirm in writing any changes to be made to the Exercise Deliveries upon such resolution, which writing (or an County Notice approving the Exercise Deliveries without change) is referred to herein as the “**Approval Notice.**” All references in this Agreement to “Ground Lease” and “Memorandum of Lease,” after delivery of the Approval Notice shall refer to the form of such instruments identified in the Approval Notice.

9.4 County Closing Deliveries. County shall deliver to Escrow Holder, within five (5) Business Days following delivery of the Approval Notice, all of the following, each duly executed by County, and if applicable, acknowledged:

9.4.1 three (3) original counterparts of the Ground Lease;

9.4.2 two (2) original counterparts of the Memorandum of Lease;

9.4.3 one (1) Certificate of Non-Foreign Status in the form of Exhibit G attached hereto, originally executed by County;

9.4.4 any additional documents or instruments reasonably required by Title Company for the issuance of the Leasehold Title Policy; and

9.4.5 County’s written approval of the estimated closing statement.

9.5 Additional Optionee Closing Deliveries. If not sooner delivered, Optionee shall deliver to Escrow Holder, within five (5) Business Days after delivery of the Approval Notice, all of the following, each duly executed by Optionee, and if applicable, acknowledged:

9.5.1 three (3) original counterparts of the Ground Lease and/or two (2) original counterparts of the Memorandum of Lease, if and to the extent revised in the Approval Notice, which revised instruments, if any, shall replace those delivered on the Exercise Date;

9.5.2 such evidence of Optionee’s authority as the Title Company may reasonably require; and

9.5.3 Optionee’s approval of the estimated closing statement.

9.6 Deliveries Outside of Escrow. County and Optionee shall each deliver to the other outside of Escrow such items as are necessary to consummate the Ground Lease of the Premises pursuant to this Agreement and the terms and provisions of the Ground Lease.

9.7 Closing of Option Exercise. Upon receipt of the deliveries described in Sections 9.4 and 9.5 above, Escrow Holder shall perform the following:

9.7.1 Assemble three (3) fully executed originals of the Ground Lease and two (2) fully executed originals of the Memorandum of Lease, and date each of the executed originals of the Ground Lease and the Memorandum of Lease as of the date the Memorandum of Lease is submitted for recording;

9.7.2 When Escrow Holder is in receipt of the Title Company's commitment to issue to Optionee the Leasehold Title Policy in accordance with this Agreement, Escrow Holder shall record the Memorandum of Lease in the Official Records;

9.7.3 Deliver one (1) fully executed original of the Ground Lease, a conformed copy of the recorded Memorandum of Lease, and the unrecorded originally executed Quitclaim Deed to Optionee; and

9.7.4 Deliver one (1) fully executed original of the Ground Lease and a conformed copy of the recorded Memorandum of Lease.

9.8 Close of Escrow and Closing Costs.

9.8.1 The term "**Close of Escrow**" as used in this Agreement shall mean the recordation in the Official Records of the Memorandum of Lease, and the completion of the deliveries by Escrow Holder described in Section 9.7 above, which shall occur at a time and on a date mutually acceptable to Optionee and County, but in no event later than 10:00 a.m., California time, on the date that is ninety (90) Business Days after the date of the Approval Notice, unless extended by mutual written agreement of County and Optionee. The date on which the Close of Escrow shall occur is referred to as the "**Closing Date.**" The Close of Escrow shall occur through Escrow as herein provided.

9.8.2 County shall pay for the portion of the premium of the Leasehold Title Policy attributable to the CLTA standard title insurance policy, and Optionee shall pay for the incremental premium to obtain an ALTA extended title insurance policy and the cost of any endorsements requested by Optionee or its lender. The escrow fee and any other fees and charges of Escrow Holder, the documentary and other transfer taxes, and all recording charges payable in connection with the recordation of the Memorandum of Lease shall be paid for by Optionee. Optionee shall further pay for the Escrow Holder's customary charges to both landlords and tenants under long-term ground leases for document drafting and miscellaneous charges. Notwithstanding anything contained in this Section 9.8.2 to the contrary, (a) if this Agreement is terminated on account of the default by any Party, then the defaulting Party shall pay any cancellation or termination fees chargeable by Escrow Holder or the Title Company; (b) if this Agreement is terminated by Optionee pursuant to any provision of this Agreement giving Optionee the right to terminate, other than County's default, Optionee shall pay any cancellation or termination fees chargeable by the Escrow Holder or Title Company; and (c) if this Agreement is terminated by County pursuant to any provision of this Agreement giving County the right to terminate, other than Optionee's default, County shall pay any cancellation or termination fees chargeable by the Escrow Holder or Title Company. Optionee shall also pay all title, escrow, recording and other fees and costs in connection with any loan being funded to Optionee for construction of the Project. This Section 9.8.2 shall survive any termination of this Agreement.

9.9 Prorations and Deposits. The following shall be apportioned as of 12:01 a.m. (California time) on the Closing Date (with Optionee being deemed to own the Premises for the entire day of the Closing Date), with the Optionee and County being credited or charged, as the case may be, as follows:

9.9.1 Deposits. At the Close of Escrow, County shall be entitled to receive and retain (but shall not receive a credit or other payment from Optionee) for all refundable cash or other deposits posted with utility companies serving the Premises, if any.

9.9.2 Utility Charges. County shall use reasonable efforts to cause any applicable utility meters with respect to the Premises to be read on the day prior to the Closing Date, and will be responsible for the cost of any utilities used through the Close of Escrow. If the meters are not read, as herein set forth, such cost shall be prorated as of the Closing Date.

9.9.3 Impositions. All real property taxes, real property assessments, and all taxes, fees or excises, however described, as a direct substitution in whole or in part for, in lieu of or in addition to, any real property taxes, imposed by the State of California or any political subdivision thereof, which are or have been assessed or imposed on the Premises or any interest therein (collectively, “**Impositions**”), shall be prorated on the basis that County is responsible for (a) all such Impositions for the fiscal year of the applicable taxing authorities occurring before the fiscal year of the applicable taxing authority during which the Closing Date occurs (the “**Current Tax Period**”), and (b) that portion of the Impositions for the Current Tax Period determined on the basis of the number of days which have elapsed from the first day of the Current Tax Period to the Closing Date, including, whether or not the same shall be payable before the Closing Date. If, as of the Closing Date, the actual tax bills for the year or years in question are not available and the amount of such Impositions to be prorated cannot be ascertained, then rates and assessed valuation of the previous year, with known changes, shall be used, and when the actual amount of Impositions for the year or years in question shall be determinable, then such Impositions will be re-prorated between the Parties to reflect the actual amount of such Impositions.

9.9.4 Other Apportionments. Any other recurring costs and any other revenues attributable to the Premises shall be apportioned as of the Closing Date.

9.9.5 Preliminary Closing Adjustments. County and Optionee shall jointly prepare and approve a preliminary closing adjustment on the basis of the applicable sources of income and expenses, and shall deliver such computation to Escrow Holder prior to the Close of Escrow.

9.9.6 Post-Closing Reconciliation. If any of the aforesaid prorations cannot be definitely calculated on the Closing Date, then they shall be estimated as of the Closing Date and definitely calculated as soon after the Closing Date as feasible. As soon as the necessary information is available, Optionee and County shall conduct a post-closing review to determine the accuracy of all prorations. Either Party owing the other Party a sum of money based on such subsequent proration(s) or post-closing review shall promptly pay said sum to the other Party, together with interest thereon at the lesser of two percent (2%) over the “prime rate” (as announced from time to time in *The Wall Street Journal*) per annum or the maximum rate allowed by law, from the date of demand to the date of payment, if payment is not made within ten (10) days after delivery of a written demand therefor, together with documentation to support such demand. The provisions of this Section 9.9.6 shall survive the Close of Escrow for a period of nine (9) months.

10. **Termination of Option.**

10.1 **Automatic Termination.** The Option shall automatically terminate under any of the following circumstances: (a) if County has not received the Option Payment within three (3) Business Days after the date such payment is due under this Agreement or (b) if Optionee has not timely exercised the Option by the Expiration Date in accordance with Section 9.1.

10.2 **Optionee's Termination Rights after Exercise of Option.** Notwithstanding any provision of this Agreement to the contrary, Optionee may, provided Optionee is not then in default of its obligations hereunder, terminate this Agreement during the period from the Exercise Date until the Close of Escrow if any of the following conditions for Optionee's benefit are not either fully performed, satisfied or waived in writing on or before the dates designated below for the satisfaction of such conditions:

10.2.1 **Performance by County.** County shall have performed, observed and complied with all material covenants, agreements and conditions required by this Agreement to be performed, observed and complied with by County prior to or as of the Close of Escrow;

10.2.2 **Title Condition.** The Title Company must be prepared to issue on the Close of Escrow, upon payment of its regularly scheduled premium therefor, the Leasehold Title Policy, subject only to Permitted Exceptions; and

10.2.3 **Representations and Warranties of County.** County's representations and warranties in Section 7.1 hereof shall be true and correct as of the Close of Escrow in all material respects.

If any one or more of the conditions to Optionee's obligations as set forth herein are not either fully performed, satisfied or waived in writing on or before the respective dates designated herein for the satisfaction of such condition, then Optionee may elect, by written notice to County and Escrow Holder, to terminate this Agreement, each party shall bear one-half (1/2) of all Escrow cancellation and similar fees (except to the extent expressly provided in this Agreement to the contrary), and the parties shall have no further rights or obligations under this Agreement, except for any obligations that specifically state that they survive any termination of this Agreement. Nothing in this Section shall be construed to limit any of Optionee's rights or remedies in the event of a default by County hereunder.

10.3 **County's Termination Rights after Exercise of Option.** Notwithstanding any provision of this Agreement to the contrary, County may, provided County is not then in default of its obligations hereunder, terminate this Agreement during the period from the Exercise Date until the Close of Escrow if any of the following conditions for County's benefits are not either fully performed, satisfied or waived in writing on or before the dates designated below for the satisfaction of such conditions:

10.3.1 **Obligations of Optionee.** Optionee shall have performed all of the covenants, undertakings and obligations, and complied with all conditions required by this Agreement to be performed or complied with by Optionee on or before the Close of Escrow; and

10.3.2 Representations and Warranties of Optionee. Optionee's representations and warranties in Section 8.1 hereof shall be true and correct as of the Closing Date in all material respects.

If any one or more of the conditions to County's obligations set forth herein is not either fully performed, satisfied or waived in writing on or before the respective dates designated therein for the satisfaction of such conditions, then County may elect, by written notice to Optionee and Escrow Holder, to terminate this Agreement, in which event each party shall bear one-half (1/2) of all Escrow cancellation and similar fees (except to the extent expressly provided in this Agreement to the contrary), and the parties shall have no further rights or obligations under this Agreement, except for any obligations that specifically state that they survive any termination of this Agreement. Nothing in this Section shall be construed to limit any of County's right or remedies in the event of a default by Optionee hereunder.

10.4 Recordation of Quitclaim. If the Memorandum of Option has previously recorded, Escrow Holder is hereby authorized and instructed to record the Quitclaim Deed in accordance with Section 2.5 above following the termination of the Option under Section 10.1 above or the termination of this Agreement under Section 10.2 or Section 10.3 above.

10.5 Default; Remedies. The term "**County Default**" shall mean the failure of County to perform in any material respect, any material act to be performed by County or to refrain from performing in any material respect, any material act prohibited hereby, if such failure has not been remedied by County within fifteen (15) Business Days following receipt of written notice from Optionee identifying such failure. The term "**Optionee Default**" shall mean the failure of Optionee to perform in any material respect any material act to be performed by Optionee or to refrain from performing in any material respect any material act prohibited hereby if such failure has not been remedied by Optionee within fifteen (15) Business Days following receipt of written notice from County identifying such failure. In the event of a County Default or a Optionee Default, the non-defaulting Party may exercise all remedies available both at law and in equity. Without limiting the foregoing, in the event of a County Default, Optionee may terminate this Agreement, in which event Optionee shall be entitled to a return of the Option Payment, or so much thereof as has been disbursed to County. The Parties agree that Optionee or County may elect, in each of their respective sole and absolute discretions, not to extend the Option Period (if not required under the terms of this Agreement), and that such an election not to extend does not constitute a default, and Optionee has no obligation whatsoever to exercise the Option, and that Optionee's to exercise the Option is not a Optionee Default.

10.6 Waiver of Damages. Notwithstanding any provision in this Agreement to the contrary, in no event shall Optionee, County or any of their respective affiliates, managers, members, shareholders or representatives, be liable under this Agreement to the other Party, or its respective affiliates, managers, members, shareholders or representatives, for consequential, indirect, special or punitive losses or damages.

11. Indemnity

11.1 General Indemnity. Optionee shall indemnify, defend (by counsel reasonably acceptable to County), protect, and hold harmless, without any requirement that

County first pay any amounts (“**Indemnify**”), County Indemnified Parties from and against all claims, loss, demand, action, liability, penalty, fine, judgment, lien, forfeiture, cost, expense, damage, or collection cost (including reasonable fees of attorneys, consultants, and experts related to any such claim) (collectively, “**Claims**”) caused by or arising directly or indirectly from (a) any acts or omissions of any Optionee Party that constitute (i) a material breach of any Optionee obligation under this Agreement, (ii) negligence by a Optionee Party or (iii) willful misconduct by a Optionee Party, including Claims that accrue or are discovered before or after termination of this Agreement; (b) any dispute among the Optionee Parties; and (c) Optionee’s or any Optionee Party’s willful misconduct or negligence in connection with the pursuit of Permits, entitlements and/or approvals of the Project issued by County or the City. Optionee shall not be liable to any County Indemnified Party for any Claim to the extent that such Claim is caused by the negligence or willful misconduct of any County Indemnified Party. In the event any dispute as to the nature of County’s conduct with respect to any Claim, Optionee shall defend County until such dispute is resolved by final judgment. “**County Indemnified Parties**” means collectively, for purposes of indemnification only, County and its affiliates, including the Community Development Commission and any nonprofit corporation or other entity in which County is a member, and its and their respective subsidiaries, members, shareholders, beneficiaries, attorneys, agents, trustees, successors, assigns, and any individual (employee, officer, partner, director, member, commissioner or board member) employed by or acting on behalf of any of the above entities. “**Optionee Party**” means, for purposes of indemnification only, Optionee, or any entity or person acting on Optionee behalf or anyone employed by or contracted with Optionee in the course of such employment or contracted work.

11.2 Third Party Challenges. Without limiting the generality of the indemnity set forth in Section 11.1, Optionee shall Indemnify County from and against any and all Claims arising from or connected with any challenges by third parties to (a) County’s approvals of this Agreement, or of any Permit, entitlement or plan for the Premises, (b) County’s certification of any California Environmental Quality Act, Cal. Pub. Res. Code §2100 *et seq.* (“**CEQA**”) document as the “Lead Agency” (with regard to any aspect of the planned development of the Premises), (c) the City’s approval of any Permit, entitlement or plan for the Premises, or (d) the City’s certification of any CEQA document as a “Responsible Agency” (with regard to any aspect of the planned development of the Premises). The indemnity obligations set forth in this Section 11.2 shall exclude County’s own consequential losses. For indemnity obligations arising under this Section 11.2, Tenant shall have the right to select counsel and to direct the defense of any such claim or suit, provided that any settlement shall require the prior written consent of County, with such consent to be granted or withheld in County’s reasonable discretion.

12. Miscellaneous.

12.1 Notices. All notices and other communications provided for herein shall be in writing and shall be sent to the address set forth below (or such other address as a party may hereafter designate for itself by notice to the other parties as required hereby) of the party for whom such notice or communication is intended:

If to County:

County of Los Angeles

Attention: David Howard

With a copies to: County of Los Angeles
Real Estate Division
222 S. Hill Street, 3rd Floor
Los Angeles, California 90012
Attention: Joyce L. Chang
Phone: (213) 974-3078
E-mail: jchang@ceo.lacounty.gov

County of Los Angeles
Office of County Counsel
500 West Temple Street
Los Angeles, California 90012
Attention: County Counsel
FAX: (213) 617-7182
Phone: (213) 974-1801

If to Optionee: Western Community Housing
151 Kalmus Drive, Suite J-5
Costa Mesa, California 92626
Attention: Graham Espley-Jones
Facsimile: (714) 597-8320
E-mail: _____

With a copy to: _____

Attention: _____
Phone: _____
E-mail: _____

If to Escrow Holder/
Title Company: Commonwealth Land Title Insurance Company
888 S. Figueroa Street, Suite 2100
Los Angeles, California 90017
Attention: Barbara Laffer
Phone: (213) 330-3100
E-mail: barbara.laffer@cltic.com

Such notice or communication shall be sufficient if sent by registered or certified mail, return receipt requested, postage prepaid; by facsimile, by hand delivery, by overnight courier service or by electronic mail, provided a copy is sent by regular mail or overnight delivery within three (3) Business Days following the electronic transmission. Any such notice or communication shall be effective upon delivery to the addressee; or if by facsimile, upon

receipt of written notification of successful transmission, if prior to 5:00 p.m. (California time) of any given Business Day (or prior to 12:00 p.m. (California time) on any Friday), otherwise such facsimile will be deemed received the following Business Day.

12.2 Broker's Fee. Each Party represents to the other that it has not dealt with any broker, agent, or finder for which a commission or fee is payable in connection with this Agreement or the Ground Lease. Each Party shall indemnify, defend, and hold harmless the other party from any claims, demands, or judgments for commissions or fees based on the claimant's representation or alleged representation of the indemnifying Party in this transaction.

12.3 Assignment. Except as expressly set forth herein, neither County nor Optionee shall assign or transfer all or any portion of its rights or obligations under this Agreement or in the Premises, whether by assignment, sublease, license agreement, concession agreement, management agreement, mortgage, deed of trust, pledge, encumbrance or any other agreement or instrument, as applicable, without the consent thereto by the other Party, which may be granted or withheld in such Party's sole and absolute discretion. Any such permitted assignment of this Agreement shall be in writing, in form and substance reasonably satisfactory to County, and shall be executed by the assignee who shall therein and thereby assume this Agreement and all of the agreements, terms, obligations, liabilities, covenants and conditions hereof on the part of Optionee to be performed after the effective date of such assignment. Optionee shall deliver to County a duplicate original of such assignment and assumption, in recordable form, before the same shall be effective. This Section 12.3 shall apply to each assignee of this Agreement, and each assignee shall have the right to assign this Agreement only in accordance with the provisions of this Section 12.3.

12.4 Binding on Successors and Assigns. Subject to the limitations set forth in Section 12.3 above, this Agreement shall be binding upon and inure to the benefit of the heirs, personal representatives, successors and assigns of the respective Parties.

12.5 Entire Agreement. This Agreement contains the entire agreement of the Parties with respect to the matters covered hereby, and all negotiations and agreements, statements or promises between the Parties or their agents with respect to this transaction are merged in this Agreement, which alone expresses the Parties' rights and obligations and if not contained herein shall not be binding or valid against either of the Parties. To the extent that the terms of the ENA are inconsistent with the terms in this Agreement, the terms of this Agreement shall prevail and supersede the terms of the ENA.

12.6 Modification. Any amendments or modifications to this Agreement or the attached Sublease must be in writing and executed by all the Parties.

12.7 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both Parties. This Agreement shall be construed in accordance with the laws of the State of California in effect at the time of the execution of this Agreement. Titles and captions are for convenience only and shall not constitute a portion of this Agreement. As used in this Agreement, masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others wherever and whenever the context so dictates. As used in this Agreement, the word "includes or

“including” means including without limitation, the word “or” is not exclusive and the words “herein,” “hereof,” “hereto” and hereunder refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (i) to articles, paragraphs, sections and exhibits mean the articles, paragraphs, sections and exhibits that are part of this Agreement as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Agreement, (ii) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Agreement, and (iii) to a statute means such statute as amended, supplemented or replaced from time to time. The exhibits, schedules, addenda, and attachments that are attached to this Agreement are made a part of this Agreement.

12.8 No Waiver. No delay or omission by either Party in exercising any right or power accruing upon the compliance or failure of performance by the other Party under the provisions of this Agreement shall impair any such right or power or be construed to be a waiver thereof. A waiver by either Party of a breach of any of the covenants, conditions or agreements hereof to be performed by the other Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions thereof.

12.9 Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any party or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of this instrument, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

12.10 Business Day. “**Business Day**” means any day which is not a Saturday, Sunday or legal holiday on which offices of the County of Los Angeles are closed for business.

12.11 Counterparts. This Agreement, including any exhibits attached hereto, may be executed by the Parties in several counterparts, each of which shall be deemed to be an original copy.

12.12 Exculpation of Certain Persons. No individual trustee, officer, director, shareholder, member, constituent partner, employee or agent of any Party, in his or her individual capacity as such, shall have any personal liability for the performance of any obligation of such Party under this Agreement solely by reason of such status.

[SIGNATURES ON FOLLOWING PAGE.]

IN WITNESS WHEREOF, the parties hereto have executed this Option to Lease Agreement as of the day and year first written above.

COUNTY:

THE COUNTY OF LOS ANGELES

By: _____
Name: _____
Its: _____

ATTEST:

Executive Officer of the Board of Supervisors

By: _____
Deputy

APPROVED AS TO FORM:

COUNTY COUNSEL

By: _____
Deputy

WCH:

WESTERN COMMUNITY HOUSING, INC.,
a California nonprofit public benefit corporation

By: _____
Name: _____
Its: _____

ACCEPTANCE BY ESCROW HOLDER

_____ hereby acknowledges that it has received originally executed counterparts or a fully executed original of the foregoing Option to Lease Agreement and agrees to act as Escrow Holder thereunder and to be bound by and perform the terms thereof as such terms apply to Escrow Holder. The escrow number is _____.

Dated: _____, 2018 [_____]

By: _____

Name: _____

Its: _____

EXHIBIT A

LEGAL DESCRIPTION OF PREMISES

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

APN:

EXHIBIT B
GROUND LEASE

EXHIBIT C

MEMORANDUM OF OPTION

Recording Requested by:

COUNTY OF LOS ANGELES

When Recorded Return to:

Attn: _____

(Space above line for Recorder's Use Only)

MEMORANDUM OF OPTION TO LEASE

This MEMORANDUM OF OPTION TO LEASE (this "**Memorandum**") is effective as of this __ day of _____, 201__, (the "**Effective Date**") by and between COUNTY OF LOS ANGELES ("**County**"), as optionor, and WESTERN COMMUNITY HOUSING, INC., a California nonprofit public benefit corporation, or its permitted assignee ("**Optionee**"), as optionee.

RECITALS

A. County and Optionee entered into that certain unrecorded Option to Lease Agreement dated _____, 2018 (the "**Option Agreement**"), pursuant to which County granted Optionee an option (the "**Option**") to lease that certain real property located in the County of Los Angeles, State of California, more particularly described in Exhibit A attached hereto and by this reference made a part hereof (the "**Premises**") pursuant to the terms and conditions set forth in the Option Agreement.

B. County and Optionee have agreed to execute this Memorandum for the purpose of providing record notice of the Option Agreement and certain provisions thereof.

AGREEMENT

In consideration of the rights and obligations of the parties under the Option Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, County and Optionee hereby promise and agree as follows:

1.1 Grant of Option. County has granted to Optionee an option to lease the Premises pursuant to the terms and conditions set forth in the Option Agreement.

1.2 Term. The term of the Option commences on the Effective Date and automatically and uncontestably terminates and is of no further force or effect as of _____, 20__, if not earlier terminated pursuant to the terms of the Option Agreement.

1.3 Execution. This Memorandum may be executed in counterparts and, when counterparts of this Memorandum have been executed and delivered by all parties hereto, this Memorandum shall be fully binding and effective, just as if all parties hereto have executed and delivered a single counterpart hereof.

1.4 Incorporation by Reference. The terms, covenants and conditions of the Option Agreement are incorporated by reference into this Memorandum as if set forth fully herein.

1.5 Effect. This Memorandum is intended to provide record notice of the Option Agreement. In the event of any conflict or inconsistency between the provisions of the Option Agreement and the provisions of this Memorandum, the provisions of the Option Agreement shall control.

[SIGNATURES ON FOLLOWING PAGE.]

IN WITNESS WHEREOF, this Memorandum has been executed by the parties on the date and year first written above.

Optionor:

THE COUNTY OF LOS ANGELES

By: _____

Name: _____

Its: _____

ATTEST:

_____,
Executive Officer of the Board of Supervisors

By: _____
Deputy

APPROVED AS TO FORM:

_____,
COUNTY COUNSEL

By: _____
Deputy

Optionee:

WESTERN COMMUNITY HOUSING, INC.,
a California nonprofit public benefit corporation

By: _____

Name: _____

Its: _____

OPTTIONEER ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss:
COUNTY OF LOS ANGELES)

On _____, 201__ before me, _____
Notary Public (insert name and title of the officer),

personally appeared _____, who proved to me 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

[Seal]

EXHIBIT A (TO MEMORANDUM OF OPTION TO LEASE)

LEGAL DESCRIPTION OF PREMISES

[SEE ATTACHED]

EXHIBIT D

QUITCLAIM DEED

Recording Requested by:

COUNTY OF LOS ANGELES

When Recorded Return to:

Attn: _____

(Space above line for Recorder's Use Only)

QUITCLAIM DEED

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, _____ (“**Optionee**”), hereby remises, releases and forever quitclaims to the COUNTY OF LOS ANGELES (“**County**”), any and all rights to that certain real property located in the County of Los Angeles, State of California, as more particularly described on Exhibit A attached hereto and incorporated herein by this reference, granted to Optionee by County as described in and evidenced by that certain Memorandum of Option Agreement entered into by and between Optionee and County, recorded on _____, 20__, as Instrument No. _____ in the Official Records of the County of Los Angeles.

Optionee:

By: _____
Name: _____
Its: _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss:
COUNTY OF _____)

On _____ before me, _____
(insert name and title of the officer),

personally appeared _____, who proved to me 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

[Seal]

EXHIBIT A (TO QUITCLAIM DEED)

LEGAL DESCRIPTION

EXHIBIT E
WIRE INSTRUCTIONS

EXHIBIT F

OPTION EXERCISE NOTICE

_____, 20__

VIA OVERNIGHT DELIVERY

Attention: _____

Re: Notice of Exercise of Option to Lease

To Whom It May Concern:

Reference is hereby made to that certain Option to Lease Agreement dated _____, 2018 (the "**Option Agreement**"), by and between the County of Los Angeles ("**County**"), and _____ ("**Optionee**"). Terms used herein and not otherwise defined shall have the meanings given such terms in the Option Agreement.

All Option Conditions set forth in Section 3 of the Option Agreement have been satisfied. This notice shall constitute Optionee's notice to County of Optionee's election to exercise the Option pursuant to Section 9.1.1 of the Option Agreement.

[SIGNATURES ON FOLLOWING PAGE.]

Very truly yours,

By: _____
Name: _____
Its: _____

cc:

EXHIBIT G

CERTIFICATE OF NON-FOREIGN STATUS

TRANSFEROR'S CERTIFICATION OF NON-FOREIGN STATUS

To inform _____ (“**Transferee**”), that withholding of tax under Section 1445 of the Internal Revenue Code of 1986, as amended (the “**Code**”), will not be required upon the transfer of certain real property, located in the County of Los Angeles, State of California to Transferee, by the COUNTY OF LOS ANGELES (“**Transferor**”), Transferor hereby certifies to Transferee:

1. Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Code and the Income Tax Regulations promulgated thereunder);
2. Transferor's U.S. tax identification number is _____;
3. Transferor's office address is _____; and
4. Transferor is not a disregarded entity as defined in Section 1445-2(b)(2)(iii) of the Code.

Transferor understands that this Certification may be disclosed to the Internal Revenue Service by Transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Transferor understands that Transferee is relying on this Certification in determining whether withholding is required upon said transfer.

Under penalty of perjury the undersigned declare that they have examined this Certification and to the best of their knowledge and belief it is true, correct and complete, and they further declare that they have authority to sign this Certification on behalf of Transferor.

THE COUNTY OF LOS ANGELES

By: _____

Name: _____

Its: _____

ATTEST:

_____,
Executive Officer of the Board of Supervisors

By: _____
Deputy

APPROVED AS TO FORM:

_____,
COUNTY COUNSEL

By: _____
Deputy

EXHIBIT H
RIGHT OF ENTRY PERMIT

Vermont Corridor Project Approval and Related Actions – Attachment

Site 3 – Ground Lease Agreement

VERMONT CORRIDOR AFFORDABLE HOUSING GROUND LEASE

433 South Vermont Avenue, Los Angeles, California

Dated as of _____, 2018,

by and between

The County of Los Angeles

and

**Western Community Housing, Inc.,
a California nonprofit public benefit corporation**

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VERMONT CORRIDOR AFFORDABLE HOUSING GROUND LEASE

THIS VERMONT CORRIDOR AFFORDABLE HOUSING GROUND LEASE (this "**Lease**"), dated as of _____, 20__ (the "**Commencement Date**"), is made by and between THE COUNTY OF LOS ANGELES, a body corporate and politic ("**County**"), and WESTERN COMMUNITY HOUSING, INC., a California nonprofit public benefit corporation ("**Tenant**"). Each of County and Tenant are occasionally referred to herein as a "**Party**" or, collectively, as the "**Parties.**"

RECITALS

A. County is the fee owner of that certain property located at 433 South Vermont Avenue, in the City of Los Angeles (the "**City**"), State of California, as more particularly described on Exhibit A (the "**Premises**").

B. County and TC LA Development, Inc., a Delaware corporation ("**TCLA**") are parties to that certain Vermont Corridor Exclusive Negotiating Agreement effective as of August 18, 2016 (the "**ENA**"), pursuant to which County and TCLA contemplate that TCLA will serve as the initial master developer for the Proposed Master Project (as defined therein).

C. At the Premises, the ENA contemplates the construction of (i) a residential development (the "**Housing Project**"), including seventy-one (71) Affordable for-rent housing units and one (1) unrestricted manager's unit, (ii) a community center (the "**Community Center**") approximately thirteen thousand two hundred (13,200) square feet in size, and (iii) an underground parking structure containing approximately one hundred sixteen (116) parking spaces (the "**Parking Structure**" and together with the Housing Project and the Community Center, the "**Project**").

D. Pursuant to that certain Assignment and Assumption of Certain Rights under Exclusive Negotiating Agreement effective as of October 26, 2016, by and between TCLA and Tenant, TCLA assigned, and Tenant assumed, TCLA's rights under the ENA to enter into this Lease and to construct the Project.

E. The Parties intend that the right to use, occupy, operate, and maintain the Community Center be granted to the Young Men's Christian Association of Metropolitan Los Angeles, a California nonprofit public benefit corporation, or such other nonprofit organization approved by County, in order to provide public benefits to the residents of the Housing Project and the community at large.

F. County and Tenant entered into that certain Option to Lease Agreement dated as of _____, 2018 (the "**Option Agreement**"), pursuant to which Tenant has an option (the "**Option**") to lease the Premises pursuant to the terms and conditions set forth in this Lease.

G. Pursuant to the Option Agreement, and the exercise of the Option, County desires to lease the Premises to Tenant, and Tenant desires to lease the Premises from County.

H. In furtherance of the development, operation and management of the Project, County and Tenant now desire to enter into this Lease.

AGREEMENT

NOW, THEREFORE, in consideration of the above Recitals and the representations, warranties, covenants and conditions contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, County and Tenant agree as follows:

Article 1

INCORPORATION OF RECITALS AND DEFINITIONS

1.1 Incorporation of Recitals. The terms set forth in the Recitals above are hereby incorporated by this reference as if set forth in full herein.

1.2 Definitions. Capitalized terms as used in this Lease shall have the meanings set forth in Article 30 of this Lease.

Article 2

DEMISE AND ACCEPTANCE OF PREMISES

2.1 Demise. County hereby leases to Tenant, and Tenant hereby leases from County, the Premises for the Term at the Rent and upon and subject to all of the covenants and conditions set forth in this Lease. County covenants that Tenant shall have quiet and peaceful possession of the Premises pursuant to Article 26. County and Tenant acknowledge and agree that during the entire Term, Tenant shall be the owner of the Improvements, and as such, Tenant shall have all rights of ownership thereof and shall be entitled to all rights pertaining to depreciation deductions, low-income housing tax credits and other benefits for income tax purposes relating to the Improvements.

2.2 Delivery of the Premises. County shall deliver possession of the Premises to Tenant concurrently with the execution and delivery of this Lease.

2.3 Condition of Premises. Tenant has made such inspection of the Premises as it deems necessary and, except as otherwise explicitly provided in this Lease, Tenant accepts possession of the Premises in its "as is" with all faults condition existing as of the Commencement Date, and subject to the following retentions, exceptions, impositions and conditions:

2.3.1 The Permitted Exceptions as shown on Exhibit B and as defined in Article 30;

2.3.2 All Impositions that may be levied, assessed, charged or imposed against the Premises with respect to periods occurring from and after the Commencement Date, whether accrued or unaccrued, fixed or not fixed;

2.3.3 All Legal Requirements, and violations of Legal Requirements existing as of the Commencement Date that would be disclosed by an examination, inspection, search or survey of the Premises, a review of the Official Records or inquiry at the office of the municipal and county government having jurisdiction over the Premises or that have been disclosed to Tenant in writing by County; and

2.3.4 Tenant's obligation to develop and construct the Initial Improvements in accordance with the Approved Construction Documents pursuant to the terms of this Lease.

2.4 Memorandum of Ground Lease. This Lease shall not be recorded; however, Tenant and County agree to execute and acknowledge, contemporaneously with the execution of this Lease, a short form Memorandum of Ground Lease, in the form attached hereto as Exhibit C ("**Memorandum of Ground Lease**") which shall be recorded in the Official Records by Escrow Holder after the execution of this Lease. Tenant shall provide County with a conformed copy of the recorded short form Memorandum of Ground Lease within ten (10) days after its recordation in the Official Records.

Article 3

TERM

3.1 Term. The term of this Lease (the "**Term**") shall commence on the Commencement Date and shall expire on the day preceding the seventy-fifth (75th) Anniversary of the Commencement Date unless sooner terminated as provided in this Lease.

Article 4

RENT

4.1 Payment. Annual base rent (the "**Base Rent**") in the amount of one dollar (\$1.00) per year for the Term shall be paid by Tenant to County, beginning on the Commencement Date and on every Anniversary thereafter. All Rent shall be paid by Tenant to County without demand, abatement, offset, or deduction in lawful money of the United States of America, in immediately available funds, as directed in Section 22.2.

4.2 Net Lease. Except as specifically set forth in this Lease, Tenant shall be solely responsible for (a) all capital costs arising from or associated with the Project (including without limitation those capital costs arising from or associated with the construction, reconstruction, replacement, or rehabilitation) and (b) all non-capital costs (such as operating expenses) arising from or associated with the Project (including without limitation all repairs, maintenance, management, utilities, taxes, or any other costs).

4.3 Interest. Tenant shall pay interest at the Default Rate, compounded monthly, on all amounts which become due and payable under this Lease, accruing from and after the date when such amounts first become due and payable. Such amounts shall include all Rent and all other identified monetary deficiencies (whether identified by examination, audit or otherwise) not received by County when due and payable.

Article 5

PAYMENT OF TAXES AND OTHER CHARGES

5.1 Payment of Impositions.

5.1.1 Payment. Tenant shall (except as specifically otherwise provided in Section 5.1.4) pay and discharge, or cause to be paid and discharged, all Impositions, promptly before delinquency and before any fine, interest or penalty shall be assessed for non-payment.

5.1.2 Possessory Interest Taxes. The Parties acknowledge that the possessory interest created by this Lease may be subject to property taxes and the Premises may be subject to property taxes attributable to Tenant's possessory interest, all of which taxes are Impositions and shall be paid by Tenant. The statement set forth in the previous sentence is intended to comply with Section 107.6 of the Revenue and Taxation Code of the State of California. Tenant shall include a similar statement in all Subleases indicating that the interests created therein may also be subject to possessory interest taxes, and that the Subtenant under such Sublease shall be responsible for any and all possessory interest taxes imposed on such Subtenant's interest. Notwithstanding the foregoing, as between County and Tenant, Tenant acknowledges that the payment of any such possessory interest taxes is the ultimate responsibility of Tenant.

5.1.3 Installment Payments; New Impositions. If applicable law expressly permits the payment of any Imposition in installments, Tenant may use such permitted installment method, paying each installment together with any interest thereon, prior to delinquency.

5.1.4 Contesting Impositions. In the event that Tenant intends to contest or otherwise review by appropriate legal or administrative proceeding any Imposition ("**Imposition Contest**"), Tenant shall give County notice of such intention; and after giving such notice to County, may pursue such Imposition Contest, provided (a) that (i) neither the non-payment of such Imposition nor such Imposition Contest shall be reasonably expected by County to subject County to any liability, civil or criminal, of whatsoever nature or result in a lien, charge or liability against any part of the County Estate and (ii) Tenant proceeds with the Imposition Contest and attempts to resolve or settle the same with due diligence; or (b) if such Imposition Contest could potentially, in County's

reasonable opinion, result in such a lien, charge or liability against any part of the County Estate, then (i) Tenant establishes reserves sufficient to pay any unpaid contested Imposition and all related penalties and interests which would not be covered by the bond or other security described in clause (ii) below, (ii) Tenant obtains and furnishes to (1) the applicable taxing authority (other than County), a bond or other security to the extent required by the taxing authority or (2) County, security or other assurances in a form and amount acceptable to County, at its sole and absolute discretion, and (iii) Tenant proceeds with the Imposition Contest and attempts to resolve or settle the same with due diligence. Any such Imposition Contest or other proceeding shall be conducted solely at Tenant's expense and free of expense to County. Upon settlement or final resolution of the Imposition Contest, Tenant shall promptly pay the amount so determined to be due for the unpaid Imposition pursuant to such settlement or final resolution, together with all costs, expenses, interest, and penalties related thereto.

5.1.5 Payment by County. County may (at its sole and absolute discretion) pay a delinquent Imposition at any time after the date payment of such Imposition becomes delinquent (except to the extent of Impositions being contested by Tenant pursuant to Section 5.1.4), provided County gives Tenant at least ten (10) days' prior notice of County's intention to pay such delinquent Imposition (except that such notice requirement shall not apply if immediate payment is required to avoid imminent consequences to County). County may (at its sole and absolute discretion) pay an Imposition resulting in a lien at any time after such lien for non-payment of an Imposition has been levied against the Premises, provided County gives Tenant at least ten (10) days' prior notice of County's intention to pay such Imposition resulting in a lien (except that such notice requirement shall not apply if immediate payment is required to avoid imminent consequences to County). Tenant hereby covenants to reimburse County, upon demand therefor, for any amounts paid or expended by County pursuant to this Section 5.1.5, with interest thereon at the Default Rate compounded monthly from the date of such payment by County until fully repaid by Tenant. The remedy set forth in this Section 5.1.5 is in addition to those remedies available to County under Article 18, at law or at equity.

5.2 Utilities. Tenant shall promptly pay prior to delinquency all utility and service charges for furnishing water, gas, electrical, sewage disposal, light, telephone, garbage and trash collection and all other utility services to the Project and all other charges related thereto.

5.3 Operating Expenses. Tenant shall pay, or shall cause to be paid, all costs of operating the Project.

5.4 Insurance. Tenant shall pay, or shall cause to be paid, all costs of the insurance that Tenant is required to carry under Article 12.

Article 6

INITIAL IMPROVEMENTS, USE, COMPLIANCE WITH LAWS AND MAINTENANCE

6.1 Initial Improvements. In consideration of the Lease of the Premises to Tenant and in accordance with the provisions of this Lease, Tenant shall construct, maintain and operate at its sole cost and expense the Initial Improvements, consisting of (a) not less than seventy-one (71) Affordable for-rent residential units and one (1) manager's unit, (b) a community center approximately thirteen thousand two hundred (13,200) square feet in size, and (c) a subsurface residential parking garage containing not less than (i) one hundred sixteen (116) parking spaces or (ii) the number of parking spaces required for the Housing Project and Community Center under all Legal Requirements. The Initial Improvements are further described in the Approved Construction Documents. Except as specifically set forth in this Lease, Tenant shall be solely responsible for all capital costs associated with the Project and all operating expenses attributable to the operation and maintenance of the Project. **[PROJECT DESCRIPTION TO BE CONFIRMED]**

6.2 Use. All uses of the Premises shall be in compliance with all Legal Requirements including applicable zoning laws.

6.2.1 Residential Use. Subject to Articles 15 and 16, and except as otherwise set forth herein, Tenant shall, at all times during the Term, provide not less than seventy-one (71) Affordable for-rent residential units and one (1) unrestricted manager's unit on the Premises. Except for the one (1) unrestricted manager's unit, Tenant shall use the residential units on the Premises only for Affordable for-rent residential purposes.

6.2.1 Community Center Use. Subject to Articles 15 and 16, and except as otherwise set forth herein, Tenant shall, at all times during the Term, provide a community center not less than thirteen thousand two hundred (13,200) square feet in size on the Premises.

6.2.2 Prohibited Uses. Under no circumstance may any portion of the Premises be used for any industrial use, any use that involves an "Adult Entertainment Business" (as defined in Section 12.70B of the Los Angeles Municipal Code as of the date hereof), any use that involves the sale of firearms or ammunition or any "off-site sign" (as defined in Section 14.4.2 of the Los Angeles Municipal Code as of the date hereof) or in any way which violates any Legal Requirement.

6.3 Compliance With Laws. Tenant shall comply with all Legal Requirements in the use, occupation, control and enjoyment of the Premises and in the prosecution and conduct of its business thereon. Tenant shall have the right, at its own cost and expense, to contest or review the validity or legality of any Legal Requirement by appropriate legal or administrative proceeding, and, during such contest, Tenant may refrain from complying with such Legal Requirement provided that:

6.3.1 No lien, charge or liability against the Tenant Estate or the County Estate will be incurred as a result of such failure to comply, or Tenant obtains and furnishes to the applicable legal authority a bond or other security to the extent required by the legal authority;

6.3.2 Compliance with such Legal Requirement may legally be held in abeyance without subjecting County to any liability, civil or criminal, of whatsoever nature; and

6.3.3 All such proceedings are prosecuted by Tenant with due diligence.

6.4 Maintenance and Repair. Tenant shall keep, maintain and repair the Project (including all exterior portions of the Project) in compliance with all Legal Requirements and in good order, repair and appearance (reasonable wear and tear excepted) and shall allow no nuisance to exist or be maintained thereon. The maintenance and repair of the Project shall be performed in a manner and to a standard commensurate with Customary real estate industry practices for well-managed Affordable multi-family residential projects and community centers constructed after January 1, 2019 in Los Angeles County. Except as otherwise explicitly provided in this Lease, County shall not be obligated to make any repairs, replacements, or renewals of any kind, nature, or description whatsoever to the Project. Tenant expressly waives all rights to make repairs at County's expense under the provisions of Sections 1941 and 1942 of the California Civil Code or any similar or successor statute now in force or hereinafter enacted.

6.5 Professional Management. Tenant shall be permitted to hire one or more management companies of its choosing for property management of the Premises and the Project, or may conduct such property management activities using its own staff. Any management company hired by Tenant to perform property management of the Premises and the Project shall have (a) if hired with respect to Affordable multi-family rental apartments on the Premises, at least five (5) years of varied experience in the operation and management of at least one thousand five hundred (1,500) residential units of Affordable multi-family rental apartments, or (b) if hired with respect to the Community Center on the Premises, at least five (5) years of varied experience in the operation and management of community centers or other public facilities similar in size to the Community Center, in each case without any record during such five (5) year period of material violations of law or discrimination. To the extent Tenant uses Tenant's own staff for property management of the Premises and the Project, the head or manager of Tenant's own staff shall have (x) at least five (5) years of varied experience in the operation and management of at least one thousand five hundred (1,500) residential units of Affordable multi-family, rental apartments if such tenant staff is managing the portion of the Project comprised of Affordable, multi-family rental apartments, or (y) at least five (5) years of varied experience in the operation and management of community centers or other public facilities similar in size to the Community Center, if such tenant staff is managing the Community Center portion of

the Project, in each case without any record during such five (5) year period of material violations of law or discrimination.

6.6 Public Relations. Tenant shall work cooperatively with County on public relations activities, press events, press releases, press advisories, and media outreach activities related to the Project throughout the construction of the Initial Improvements and thereafter, including with respect to any news releases, ceremonies or events related to groundbreaking activities, key construction milestones, grand openings, and key anniversaries.

6.6.1 Press Events. Tenant shall work cooperatively with County to select press event dates on which key County staff and board members are available to attend. Tenant shall coordinate event logistics cooperatively with County, including the location of the press event, audio-visual requirements, security, speaking order, and event agenda. Tenant shall work cooperatively with County to assure that speakers representing County (such as key staff or members of the County Board) are included in any such press events.

6.6.2 Press Releases and Press Advisories. When reasonably possible, Tenant shall provide County with a copy of any press release or advisory related to the Project several days in advance of Tenant's intended distribution date so that County may review the draft release or advisory to determine that the release or advisory contains the public transportation messages required under this Section 6.6.2. Tenant shall work cooperatively with County and shall reasonably consider (a) County's suggested edits and additions (including quotations from County staff or Board members) to any such press release or advisory and (b) any request by County to issue a joint press release or advisory.

6.6.3 Media Outreach. Tenant and/or its designated public relations agency shall work cooperatively with County to coordinate media relations outreach functions with respect to the Project to ensure that Tenant and County (and the public transportation opportunities available to the subtenants) receive the maximum intended publicity value with respect to such media outreach.

6.7 Security. County shall not be obligated to provide security services or similar or related protective, prophylactic or response-driven measures in, on or about the Premises or the Project, whether to abate a nuisance or otherwise.

Article 7 DESIGN AND CONSTRUCTION OF IMPROVEMENTS

7.1 Design and Improvements Generally.

7.1.1 Tenant's Design and Construction of Improvements. All Improvements (including, among other things, the Initial Improvements and all Improvements Requiring Approval) shall be designed, constructed, installed and

performed at Tenant's sole cost and expense, and shall be designed, constructed, installed and performed in coordination with County in accordance with this Article 7 and all Legal Requirements.

7.1.2 Improvements Requiring Approval. The construction and installation of all Improvements Requiring Approval (including the Initial Improvements) shall be pursuant to and substantially in accordance with Approved Construction Documents. The approval process for each Improvement Requiring Approval shall commence with Tenant's submission of a Conceptual Plan to County. All work related to Improvements Requiring Approval that does not involve construction or installation shall be performed in accordance with a Conceptual Plan (only) approved by County pursuant to this Article 7. County shall have the right to review and approve, disapprove, or request changes to any Improvement Requiring Approval proposed by Tenant, including the Plans and Specifications and construction schedule therefore, in accordance with this Article 7. Tenant shall submit a Conceptual Plan for each Improvement Requiring Approval, in the number of copies reasonably specified by County. County shall review and approve or disapprove each such Conceptual Plan in writing in accordance with and subject to the time limits set forth in Section 7.2.

7.1.3 Submittal of Further Plans and Specifications. With respect to any Improvement Requiring Approval that involves construction on the Premises (but not for an Improvement Requiring Approval that does not involve construction), at such time as the Conceptual Plan is approved in writing by County, Tenant shall prepare and submit to County, for County's further review and approval or disapproval, additional Plans and Specifications respecting such Improvement Requiring Approval, in the following sequence: (a) Schematic Design Drawings, (b) Design Development Drawings and (c) Final Construction Documents. The Plans and Specifications submitted to County, including the Conceptual Plan, shall describe the proposed Improvement Requiring Approval in such detail and form as is Customary for the applicable Level of Design Development, and, to the extent necessary or appropriate, include site plans and renderings showing the proposed Improvement Requiring Approval in reasonable detail. Tenant shall provide County at each such submittal with the number of copies of such Plans and Specifications reasonably specified by County. County shall review and approve or disapprove each such set of further Plans and Specifications in writing in accordance with and subject to the time limits set forth in Section 7.2.

7.1.4 County Approval of Plans and Specifications. If County approves Plans and Specifications at a particular Level of Design Development, County shall notify Tenant of such approval in writing (subject to the provisions of Section 7.2.2.4). The Final Construction Documents (approved by County in writing (or deemed approved by County pursuant to Section 7.2.2.4, as applicable) in conformance with this Article 7), as such Final Construction Documents may be subsequently modified, amended or revised as a result of Tenant Changes approved by County in writing pursuant to Section 7.1.7 (or

deemed approved by County pursuant to Section 7.2.2.4), shall be the **“Approved Construction Documents.”**

7.1.5 County Requests for Changes or Disapproval of Plans and Specifications. If County disapproves any proposal for an Improvement Requiring Approval or the Plans and Specifications therefore, or requests that changes be made at any Level of Design Development, such disapproval or request for changes shall be set forth in a written notice to Tenant, which notice shall include, as applicable, the reasons for the disapproval or a description of the requested changes. If the written disapproval notice or request for changes is timely received in accordance with Section 7.2, then upon receipt of such a disapproval notice or a request for changes, Tenant may (a) withdraw its request respecting such Improvement Requiring Approval, (b) prepare and submit for County’s review a new proposal, (c) prepare and submit for County’s review revised Plans and Specifications at the same Level of Design Development as previously submitted (which Plans and Specifications shall address all of the previously disapproved elements and all requested changes) or (d) contest the reasonableness or validity of County’s disapproval or request for such changes. County shall not be required to review any Plans and Specifications for any Improvement Requiring Approval at a particular Level of Design Development, until County’s written approval has been provided with respect to Plans and Specifications for such Improvement Requiring Approval at the preceding Level of Design Development.

7.1.6 Approval of Construction Documents and Issuance of Governmental Approvals for the Initial Improvements. Notwithstanding anything to the contrary set forth in this Lease, the Final Construction Documents for the Initial Improvements listed on Exhibit D-1, are conditionally approved by County as of the Commencement Date, subject to the conditions to approval set forth in Exhibit D-2, and the Final Construction Documents listed on Exhibit D-1, as conditioned in Exhibit D-2, shall be the Approved Construction Documents for the Initial Improvements.

7.1.7 Tenant Changes to Approved Construction Documents. In the event Tenant or a Foreclosure Transferee (who, for purposes of this Section 7.1.7 shall also be deemed **“Tenant”**) desires to construct the Initial Improvements or any Improvements Requiring Approval other than as set forth on any then-current set of Approved Construction Documents (each, a **“Tenant Change”**), then, prior to performing any work with respect to such Tenant Change, Tenant shall prepare and submit to County for County’s review and approval a revised set of Plans and Specifications reflecting such Tenant Change (**“Revised Construction Documents”**) and clearly highlighting and detailing such Tenant Change; and County shall review, approve, disapprove or request changes to such Revised Construction Documents pursuant to the procedures, process, standards, and time periods set forth in this Lease for the review of any other Plans and Specifications.

7.1.7.1 Notwithstanding Section 7.1.7, Tenant shall not be required to submit Revised Construction Documents or otherwise obtain County consent for any Tenant Change, that is not reasonably expected to affect (a) the structure of the Project, or (b) the programmatic usage (e.g. the number, type or Affordable status of residential units) of the Project; provided that any such Tenant Change is not reasonably expected to cost more than two hundred fifty thousand (\$250,000) Constant Dollars and does not affect anything other than (w) the interior of the residential units or residential accessory space that is not visible from any public street or sidewalk, (x) the external material of any building (including, without limitation, windows and paint) that is not visible from any public street or sidewalk, (y) plumbing, electrical, heating and air conditioning, or mechanical systems or associated equipment that are not visible from any public street or sidewalk, but only to the extent that any such change satisfies all Legal Requirements (including, without limitation, all building and safety codes then in effect), or (z) landscaping improvements that are not visible from any public street or sidewalk.

7.1.8 Licensed Architect or Engineer. All Plans and Specifications shall be prepared by a qualified architect working together with qualified engineers, each of which shall be licensed in the State of California to practice the design or engineering activity (including any specialty) they have performed or are to perform.

7.1.9 Exculpation. County's review, approval, disapproval or requests for changes of any plans and specifications, including the Plans and Specifications shall not constitute the assumption of any responsibility by, or impose any liability upon, County as to the accuracy, efficacy, sufficiency or legality thereof, or the constructability of the improvements detailed therein and shall not affect County's rights or remedies in the event of any loss, damage, claim, cost or expense resulting from any construction performed by or on behalf of Tenant or any Subtenant.

7.1.10 LEED Standards; Green Building Program. Tenant shall comply with the requirements of the City's Green Building Code, as set forth in Chapter IX, Article 9 of the Los Angeles Municipal Code on the Commencement Date, as may be amended from time to time.

7.2 County's Review Rights and Limitations.

7.2.1 County's Review Rights. Subject to Section 7.1.7.1, County shall have the right to review, approve, disapprove, and request changes to all Plans and Specifications, construction schedules and proposed methods of construction for all Improvements Requiring Approval. All determinations shall be made in County's reasonable discretion and such approvals shall not be unreasonably, withheld, conditioned or delayed..

7.2.2 Additional Limitations on County's Review Rights.

7.2.2.1 Previously Approved Elements. Subject to Section 7.2.2.2, County shall not have the right to disapprove or request changes to those elements of any submitted Plans and Specifications that were clearly depicted, described or specified on Plans and Specifications previously approved by County (or deemed approved by County pursuant to Section 7.2.2.4) at the immediately Preceding Level of Design Development or which are a Logical Evolution of such previously depicted, described or specified elements; provided that such disapproval or request for changes could have been made, but was not made, during County's prior review of such previously approved (or deemed approved) Plans and Specifications.

7.2.2.2 Change Consequences. Notwithstanding anything to the contrary in this Lease, County shall have the right to disapprove and request changes to any submitted Plans and Specifications, even if (a) such elements were clearly depicted, described or specified on Plans and Specifications previously approved by County at the immediately Preceding Level of Design Development and (b) such elements as depicted, described or specified on the current set of Plans and Specifications represent a Logical Evolution of such elements clearly depicted, described or specified in such previously approved Plans and Specifications and (c) a disapproval or request for changes could have been made by County, but was not made by County, during County's prior review of such previously approved Plans and Specifications (individually and collectively, a "**Late Change**"); provided that (x) County shall be responsible for any incremental increase in the cost of the design of the Improvements Requiring Approval resulting from such Late Change, not to exceed the incremental cost increase reasonably estimated by Tenant as provided below in this Section 7.2.2.2, (y) County shall not have the right to require a Late Change if the imposition of such Late Change could reasonably be expected to result in a breach by Tenant of a contract or agreement with an unaffiliated third party, unless County agrees in writing to Indemnify Tenant against all losses resulting from such breach, and (z) the Initial Improvements Outside Date (with respect to the Initial Improvements) and the anticipated completion date set forth in the relevant County-Approved Construction Schedule (for all other Improvements Requiring Approval) shall be extended by the duration of the actual reasonable delay, if any, resulting from the imposition of such Late Change. As a condition to the application of this Section 7.2.2.2, within twenty (20) days after written notice from County of a proposed Late Change, Tenant shall notify County in writing of: (i) Tenant's reasonable estimate of any incremental increase in the cost of the design of the Improvements Requiring Approval resulting directly, solely and not consequentially from such proposed Late Change, (ii) whether such proposed Late Change is reasonably expected to result in a breach by Tenant of a contract or agreement with an unaffiliated third party, and if so, the specifics regarding such breach and the projected losses from such breach and (iii) Tenant's reasonable estimate of the projected delay in the Completion Date (with respect to the Initial Improvements) and the anticipated completion date set forth in the relevant County-Approved Construction Schedule (for all other Improvements Requiring Approval) resulting from such proposed Late Change. After receipt of such Tenant notice, County shall have fifteen (15) days to notify Tenant in writing as to whether County agrees with or disputes one or more of

Tenant's assertions in Tenant's notice, and if so whether County withdraws or reaffirms its desire to proceed with the proposed Late Change. Notwithstanding the foregoing, such fifteen (15) day time limitation shall not apply if County determines in its good faith discretion that a decision regarding whether County should proceed with or withdraw a proposed Late Change requires consideration and action by the County Board, in which case County shall use its good faith efforts to present promptly all such matters to the County Board as soon as reasonably possible in accordance with County policy and procedures and the County Board meeting schedule. In the event that County disputes some or all of Tenant's representations made in its notice to County, Tenant shall not engage in any construction which would preclude the subsequent implementation of the Late Change until such time as the dispute has been resolved.

7.2.2.3 Timing of Review. With respect to the initial submittal of Plans and Specifications at each Level of Design Development for each Improvement Requiring Approval, County shall use reasonable efforts to complete its review and notify Tenant of its approval, disapproval or request for changes within thirty (30) days after Tenant's submission of such Plans and Specifications to County. If County disapproves or requests changes to any Plans and Specifications and Tenant resubmits revised Plans and Specifications to County, County shall use reasonable efforts to complete its review and notify Tenant of its approval or disapproval thereof, or request for further changes thereto, within fifteen (15) days after Tenant's resubmittal of revised Plans and Specifications. The review process described above shall continue with respect to each submittal of Plans and Specifications at each Level of Design Development until (a) Tenant fails to resubmit Plans and Specifications at that Level of Design Development or (b) County either (i) waives the right to further review of such Plans and Specifications or (ii) approves such Plans and Specifications in writing (or is deemed to have approved such Plans and Specifications pursuant to Section 7.2.2.4). Any resubmitted Plans and Specifications (whether prepared to address an County requested change or in response to an County disapproval) shall be prepared at the same Level of Design Development as the previously submitted Plans and Specifications. County shall not be required to review any Plans and Specifications for any Improvements Requiring Approval at a particular Level of Design Development, unless and until it has provided its written approval of Plans and Specifications (or is deemed to have approved such Plans and Specifications pursuant to Section 7.2.2.4) for such Improvements Requiring Approval at the immediately Preceding Level of Design Development.

7.2.2.4 Deemed Approval of Plans and Specifications. This Section 7.2.2.4 shall be applicable only to Plans and Specifications for Improvements Requiring Approval (including the Initial Improvements) submitted by Tenant at a Level of Design Development subsequent to County's approval of a Conceptual Plan for such Improvements Requiring Approval, provided that such Plans and Specifications do not contain modifications to the Plans and Specifications approved by County at the previous Level of Design Development (other than modifications that represent a Logical Evolution of the elements depicted, described or specified in the previous Level of Design Development that are clearly highlighted on the Plans and Specifications then under review). If a Tenant submittal of Plans and Specifications to which this

Section 7.2.2.4 applies is accompanied by a transmittal letter that includes an Initial Reminder and County fails to provide an County Response within the applicable time period set forth in Section 7.2.2.3 and (y) County continues to fail to provide an County Response within an additional fifteen (15) Business Days after receipt of a letter containing a Second Reminder from Tenant that is received by County at least thirty (30) days after County's receipt of the transmittal letter containing the Initial Reminder, then at the end of such additional fifteen (15) Business Day period, such Plans and Specifications shall be deemed to have been approved by County.

For purposes of this Section 7.2.2.4, an “**Initial Reminder**” means the following text prominently displayed in bold faced capital letters in at least fourteen (14) point font:

“PURSUANT TO SECTION 7.2.2.4 OF THE GROUND LEASE, IF COUNTY FAILS TO NOTIFY TENANT AS TO ITS DISAPPROVAL OR REQUIRED CHANGES TO THE ENCLOSED PLANS AND SPECIFICATIONS WITHIN THIRTY (30) DAYS OR FIFTEEN (15) DAYS (WHICHEVER IS APPLICABLE) AFTER COUNTY'S RECEIPT OF SUCH PLANS AND SPECIFICATIONS, AND CONTINUES TO FAIL TO NOTIFY TENANT AS TO SUCH DISAPPROVAL OR REQUIRED CHANGES WITHIN AN ADDITIONAL FIFTEEN (15) BUSINESS DAYS AFTER A SECOND REMINDER FROM TENANT, THEN THE ENCLOSED PLANS AND SPECIFICATIONS WILL BE DEEMED APPROVED BY COUNTY.”

For purposes of this Section 7.2.2.4, a “**Second Reminder**” means the following text prominently displayed in bold faced capital letters in at least fourteen (14) point font:

“PURSUANT TO SECTION 7.2.2.4 OF THE GROUND LEASE, THIS IS A SECOND REMINDER REGARDING THE PLANS AND SPECIFICATIONS REFERENCED IN THIS LETTER. IF COUNTY DOES NOT NOTIFY TENANT OF ITS DISAPPROVAL OR REQUIRED CHANGES TO SUCH PLANS AND SPECIFICATIONS WITHIN FIFTEEN (15) BUSINESS DAYS AFTER COUNTY'S RECEIPT OF THIS LETTER, THEN SUCH PLANS AND SPECIFICATIONS WILL BE DEEMED APPROVED BY COUNTY.”

7.2.3 Assignment of Plans and Specifications. Tenant shall require each contractor or consultant with whom Tenant has entered into an agreement for the preparation of any Plans and Specifications to permit the assignment of such Plans and Specifications to County.

7.3 Entitlements and Governmental Approvals. Tenant shall obtain all Governmental Approvals necessary to lawfully develop any Improvement on the Premises (including the Initial Improvements) and to perform any Work of Improvement in accordance with the Legal Requirements, and shall be solely responsible for all related fees and costs. In the event the Project is not constructed to completion on or before the Completion Date, then, County may, in County's sole and absolute discretion, seek removal of any Governmental Approvals obtained by Tenant for the

Premises and Tenant shall cooperate with County in County's efforts to remove such Governmental Approvals.

7.4 Design and Construction Coordination.

7.4.1 Construction Coordinators. Upon County's approval of the Conceptual Plan for any Improvement Requiring Approval, County and Tenant shall each select a representative of such Party to be responsible for coordinating design, development and construction-related activities and issues with respect to the Improvement Requiring Approval (in each case, such party's "**Construction Coordinator**") and shall thereafter promptly notify the other Party in writing of such selection. Either Party may designate a new or replacement Construction Coordinator from time to time by delivery of written notice to the other Party.

7.4.2 Progress Meetings. The Construction Coordinators shall hold progress meetings as reasonably requested by either Party for any of the following purposes, and for any other reasonable purpose: (a) to facilitate design, development and construction of the Improvements Requiring Approval, (b) to ensure compliance with the terms and conditions of this Lease, any Approved Construction Documents and any Legal Requirement.

7.4.3 Construction Schedule for Initial Improvements. Tenant shall obtain all required approvals and building permits, from all applicable Governmental Authorities, for the construction of the Initial Improvements and shall commence construction of the Initial Improvements within one hundred eighty (180) days after the Commencement Date. Tenant shall use commercially reasonable efforts to prosecute and complete the construction of the Initial Improvements by the date that is nine hundred (900) days after the Commencement Date (the "**Initial Improvements Outside Date**"), subject only to (a) Unavoidable Delay and (b) Control Delays. In the event of an Unavoidable Delay or a Control Delay, the Initial Improvements Outside Date shall be extended by the number of days in the applicable Unavoidable Delay or Control Delay. Tenant shall provide County with accurate and up to date construction schedules for the construction of the Initial Improvements on a regular basis as requested by County. Such construction schedules shall be prepared to a level of detail as reasonably requested by County.

7.4.3.1 "**Control Delay**" means a delay (a) affecting (i) a Foreclosure Transferee or (ii) a Tax Credit Investor, (b) occurring before (i) the Foreclosure Transfer pursuant to which the Foreclosure Transferee became the Tenant (in the event of a delay affecting a Foreclosure Transferee) or (ii) the completion of the Removal for Cause pursuant to which the Tax Credit Investor (or its Affiliate) became the general partner of Tenant (in the event of a delay affecting a Tax Credit Investor), (c) which is reasonably expected to result in a delay in the completion of the Initial Improvements beyond the Initial Improvements Outside Date due to a delay in the Foreclosure Transferee or Tax Credit Investor (as applicable) being reasonably able to

undertake the construction of the Initial Improvements due to (i) such Foreclosure Transferee's lack of title to the Tenant Estate and legal access to the Premises or (ii) such Tax Credit Investor's inability to complete the Removal for Cause, become general partner of Tenant and gain legal access to the Premises, (d) detailed in a written notice given to County by (as applicable) (i) the Encumbrance Holder which became the Foreclosure Transferee or (ii) the Tax Credit Investor that became the general partner of Tenant, within fifteen (15) days after such Encumbrance Holder or Tax Credit Investor became a Foreclosure Transferee or completed the Removal for Cause (as applicable), which notice shall, at a minimum, reasonably specify (1) the nature of the delay, (2) the date the delay commenced and (if not ongoing) the date the delay ended and (3) the reason(s) such delay is a Control Delay. Notwithstanding the foregoing, a Control Delay shall not exceed twenty-four (24) months.

7.4.4 Construction Schedule for Other Improvements Requiring Approval. With respect to any Improvement Requiring Approval that is not part of the Initial Improvements, Tenant shall prepare a construction schedule setting forth milestones for the completion of such Improvement Requiring Approval in such detail as may be reasonably requested by County, and such construction schedule shall be submitted to County for its review and approval, disapproval or conditional approval concurrently with Tenant's submission of its Conceptual Plan for such Improvement Requiring Approval. Tenant shall submit updated construction schedules for such Improvement Requiring Approval with Tenant's submittal of Plans and Specifications for each such Improvement Requiring Approval at each Level of Design Development. Tenant shall not commence construction of any Improvement Requiring Approval (except for the Initial Improvements), unless and until it has received County approval of that construction schedule that is submitted with the Approved Construction Documents for such Improvement Requiring Approval (the "**County-Approved Construction Schedule**"). Tenant shall use commercially reasonable efforts to diligently prosecute the construction of each such Improvement Requiring Approval to completion in compliance with the County-Approved Construction Schedule (as it may be amended from time to time by mutual agreement of the Parties), subject only to Unavoidable Delay. County may not unreasonably withhold, condition or delay its approval of any construction schedule; provided, however, the Parties agree that it is not unreasonable for County to condition its approval of any construction schedule for an Improvement Requiring Approval that County determines may affect any County Concerns on Tenant's agreement to pay liquidated damages and Actual Costs arising from or related to Tenant's failure to perform (including all attorneys' fees, costs and expenses incurred in connection with amendments of this Lease), if Tenant does not complete such Improvement Requiring Approval in accordance with the County-Approved Construction Schedule, subject only to Unavoidable Delays.

7.5 Work of Improvement.

7.5.1 Generally. Prior to commencing any Work of Improvement (other than routine maintenance, repairs or restoration of ordinary wear and tear

that does not involve construction), Tenant shall provide County with at least ten (10) days prior written notice of the proposed commencement date of such Work of Improvement. All Work of Improvement, and any work which might be performed by or on behalf of Tenant or any Subtenant on the Premises or property adjacent thereto, shall be carried out in accordance with all applicable Legal Requirements, Governmental Approvals and this Lease. All Work of Improvement shall be performed in a good and workmanlike manner and so as not to adversely affect or materially impair any County Concerns.

7.5.2 Work Stoppage. After commencing any Work of Improvement in, on or around the Premises, in the event Tenant or any Subtenant anticipates a work stoppage having a duration in excess of three (3) days, Tenant shall clear all such areas in which such Work of Improvement was being performed and leave such area cleared for the duration of such work stoppage.

7.5.3 Compliance with California Labor Code Sections 1720-1780. Tenant shall cause any contractors and other permittees performing any Work of Improvement on behalf of Tenant or a Subtenant to comply with the requirements of California Labor Code Sections 1720-1780, if applicable to the Work.

7.6 Emergency Work. Notwithstanding any other notice requirement contained in this Lease, in the event of an emergency that threatens or endangers (a) human life or safety, (b) the Project, (c) the Premises or any County Parties, or (d) County operations, Tenant or County may undertake such measures on or from the Premises as are reasonably necessary to remedy the emergency ("**Emergency Work**"), provided that any such Party (w) acts in good faith, (x) gives prior notice thereof to the other Party upon the occurrence of the emergency (or as soon thereafter as reasonably possible, if such prior notice is not reasonably possible), (y) uses its best efforts to remedy and cure the emergency condition and complete the Emergency Work as promptly as possible, and (z) otherwise conforms, to the extent practicable, to the applicable provisions of this Lease.

7.7 Performance and Payment Bonds. Tenant shall, at its own cost and expense, furnish County with the Payment Bond, Performance Bond and written certifications defined and detailed in Sections 7.7.1 and 7.7.2 not less than ten (10) days prior to the commencement of any Improvement Requiring Approval that costs in excess of two hundred thousand Constant Dollars (\$200,000) (including, without limitation, the Initial Improvements). The Payment Bond and Performance Bond must (a) be in form and content reasonably satisfactory to County and (b) have a General Policyholders Rating (as defined in the A.M. Best's Key Ratings Guide) equal to or better than A-VII; provided, however, in connection with any Improvement Requiring Approval other than the Initial Improvements, Tenant may provide, or cause to be provided, a letter of credit in form and amount acceptable to County, at its sole and absolute discretion (excepting that County may not require that a letter of credit be in a

form that is not permitted under the Uniform Commercial Code), in lieu of the Performance Bond and Payment Bond.

7.7.1 Performance Bond. Tenant or its general contractor shall have delivered to County (a) a corporate surety performance bond (“**Performance Bond**”) issued by a surety company licensed to transact business as such in the State of California, with Tenant’s general contractor as principal, said issuer as surety and Tenant and County as dual obligees, in an amount not less than one hundred percent (100%) of the projected cost to complete such Improvement Requiring Approval and (b) a written certification from Tenant that all contracts for labor and materials related to such Improvement Requiring Approval shall be provided by the general contractor that is providing such Performance Bond. The written certification, Performance Bond and its issuer shall be in all material respects reasonably satisfactory to County. The Performance Bond shall assure full and satisfactory completion by Tenant’s general contractor of such Improvement Requiring Approval.

7.7.2 Payment Bond. Tenant or its general contractor shall have delivered to County (a) a corporate surety payment bond (“**Payment Bond**”), issued by a surety company licensed to transact business as such in the State of California, with Tenant’s general contractor as principal, said issuer as surety, Tenant and County as dual obligees, in a sum equal to one hundred percent (100%) of the total construction cost anticipated to be incurred in connection with completion of such Improvement Requiring Approval, and (b) a written certification from Tenant that all contracts for labor and materials related to such Improvement Requiring Approval shall be provided by the general contractor that is providing such Payment Bond. The Payment Bond shall guarantee payment for all materials, provisions, supplies and equipment used in, upon, for or about the completion of such Improvement Requiring Approval or for labor done thereon of any kind whatsoever and shall protect County from any and all liability, loss or damages arising out of or in connection with any failure to make any such payments. The written certification, Payment Bond and its issuer shall be in all material respects reasonably satisfactory to County.

7.8 Notice of Completion. Upon completion of any Work of Improvement, including the construction of the Initial Improvements, Tenant shall promptly record a valid notice of completion in accordance with California Civil Code Sections 8182 and 8184 and shall promptly provide County with a certified copy of such recorded notice of completion.

7.9 Liens on County’s Interests.

7.9.1 Construction Liens. County’s interest in the County Estate shall not be subjected to liens or stop notices of any nature by reason of any Work of Improvement or by reason of any other act or omission of Tenant (or of any Person claiming by, through or under Tenant) including, but not limited to,

mechanics' and materialman's liens, and Tenant hereby waives the right to file for its own benefit, any such liens and stop notices.

7.9.2 Payment by Tenant. In the event County's fee interest in the Premises becomes subject to any lien or stop notice described in Section 7.9.1, Tenant shall either (a) pay or cause to be paid all related claims and demands (including all associated attorneys' and other fees) within thirty (30) days after receipt by Tenant from County of written notice of such lien or (b) Tenant may contest any such lien, claim, demand or stop notice by furnishing a statutory mechanic's lien bond (or such other assurances as may be acceptable to County in its sole and absolute discretion) to County in compliance with applicable California law. Tenant shall furnish evidence of its payment of any amount required to be paid hereunder promptly upon the request of County.

7.9.3 Tenant Indemnity. Tenant shall Indemnify County and County's interest in the County Estate, from all obligations and Claims made against County or such property or interests arising from any Work of Improvement, without requirement that County first pay such Claims.

7.9.4 Survival. The provisions of this Section 7.9 shall survive the termination of the Lease.

7.10 As-Built Plans.

7.10.1 Delivery. Tenant shall deliver to County complete as-built plans and specifications for each Improvement Requiring Approval within six (6) months after substantial completion of each Improvement Requiring Approval (and for the Initial Improvements, within six (6) months after the Completion Date of the Initial Improvements). The as-built plans and specifications shall be delivered in electronic and paper format as directed by County. County shall review the as-built plans and specifications upon receipt to confirm that they properly (a) detail and describe the as-built condition and (b) indicate that the as-built condition is substantially consistent with the Approved Construction Documents.

7.10.2 Review by County. If, after completion of its review, County determines that the as-built plans and specifications for a particular Improvement Requiring Approval do not meet the requirements of this Section 7.10, County shall provide notice to Tenant, specifically identifying the deficiencies, and Tenant shall thereafter make amendments to the as-built plans and specifications necessary to correct the noted deficiencies.

7.10.3 Timing. County shall use reasonable efforts to complete its review and provide Tenant with the notice provided for under Section 7.10.2 within sixty (60) days after receipt of the as-built plans and specifications, and Tenant shall have sixty (60) days after receipt of such notice to amend the as-built plans and specifications. Such process shall continue until County provides

Tenant with notice that the as-built plans and specifications meet the requirements of this Section 7.10. The provisions of Section 7.2.2.4 regarding deemed approval shall not apply to the as-built plans and specifications.

7.11 Required Notifications. The Parties shall promptly notify each other in writing after obtaining knowledge of any of the following:

7.11.1 Any actual or threatened litigation affecting the Project;

7.11.2 Other than as set forth during a routine building inspection performed during the course of construction, any communication, whether written or oral, received from any Governmental Authority claiming or asserting that any aspect of the Improvements fails in any respect to comply with any applicable Legal Requirements, or threatening to suspend or revoke any approval by a Governmental Authority;

7.11.3 With respect to County only, any change in the physical condition of the Premises that may have a material adverse impact upon the Project;

7.11.4 With respect to Tenant only, any change in the physical condition of the Project, or the Initial Improvements that may require remediation or may have a material adverse impact on any County Concerns;

7.11.5 With respect to Tenant only, any material adverse change in the financial condition or operations of Tenant that affect Tenant's ability to perform its obligations under this Lease;

7.11.6 With respect to Tenant only, any cessation of work, related to any Work of Improvement, exceeding thirty (30) days; and/or

7.11.7 With respect to Tenant only, any material default or breach of any contractor under any contract that has total value in excess of Two Hundred Fifty Thousand Constant Dollars (\$250,000) relating to the Project, including any failure of any such contractor to perform any of its obligations under any such contract that may impact Tenant's ability to perform its covenants and obligations under this Lease.

7.12 County Inspections of Improvements Requiring Approval. Notwithstanding any other County inspection rights set forth elsewhere in this Lease, during the period in which Tenant is conducting any work related to the construction of any Improvement Requiring Approval, County shall have the right for itself and its employees, contractors and consultants to enter onto the portion of Premises upon which such work is occurring upon such advance notice to Tenant as may be reasonable under the circumstances and otherwise in accordance with Tenant's reasonable safety and site control procedures, for the purpose of (x) inspecting construction and (y) monitoring compliance with the terms and conditions of this Lease or any Approved Construction Documents.

7.13 Local Hiring; Compliance with County Policy. The construction of any Improvements having an estimated cost greater than two million five hundred thousand dollars (\$2,500,000) shall be subject to County's Countywide Local and Target Worker Hire Policy, as that policy is described in the Motion made by Supervisor Mark Ridley-Thomas and Board Chair Hilda Solis and adopted by the Board on September 6, 2016, as that policy may be finally adopted and/or later amended by the Board (the "**Local Hiring Policy**"). Subject to amendment by the Board, the Local Hiring Policy has the following general terms and conditions:

7.13.1 Local Resident. A "**Local Resident**" means an individual living within Tier 1 or Tier 2 (as defined below).

7.13.1.1 Tier 1. "**Tier 1**" means the area covered by all ZIP Codes (a) of which a portion of such ZIP Code is within five (5) miles of the Premises and (b) in which the average percentage of households living below two hundred percent (200%) of the Federal Poverty Level ("**FPL**") is greater than the County average for such households.

7.13.1.2 Tier 2. "**Tier 2**" means the area covered by all ZIP Codes within the County in which the average percentage of households living below two hundred percent (200%) FPL is greater than the County average for such households.

7.13.2 Local Residents. At least thirty percent (30%) of total California construction labor hours worked on each work of Improvement must be performed by a qualified Local Resident. Where allowable, contractors shall be encouraged to achieve higher participation levels for Local Residents.

7.13.3 Priority. Before employing worker(s) from Tier 2, the available pool of local residents whose primary place of residence is within Tier 1 must first be exhausted.

7.13.4 Targeted Workers. At least ten percent (10%) of total California hours worked on each work of Improvement subject to the Local Hiring Policy shall be worked by Targeted Worker(s) As defined in Subsection 7.13.6.

7.13.5 Inclusive. Hours worked by a Targeted Worker who is also a Local Resident may be applied towards the thirty percent (30%) Local Resident hiring goal.

7.13.6 Definition of a Target Worker. "**Target Worker**" means a resident of County who has, or is, one or more of the indicia of career-limiting circumstances set forth in this Subsection 7.13.6:

7.13.6.1 a documented annual income at or below one hundred percent (100%) of the FPL;

7.13.6.2 no high school diploma or GED;

7.13.6.3 a history of involvement with the criminal justice system;

7.13.6.4 a history of protracted unemployment;

7.13.6.5 is a current recipient of government cash or food assistance benefits;

7.13.6.6 is homeless or has been homeless within the last year;

7.13.6.7 is a custodial single parent;

7.13.6.8 is a former foster youth; or

7.13.6.9 is a veteran, or is the eligible spouse of a veteran of the United States armed forces, under Section 2(a) of the Jobs for Veterans Act (38

Article 8

RESTRICTIONS ON TRANSFERS

8.1 Background.

8.1.1 Tenant Identity. Tenant acknowledges that the restrictions on Transfers contained in this Article 8 are imposed because County has entered into this Lease in reliance upon the intentions, qualifications and identity of Tenant and on Tenant's commitment to be the developer of the Initial Improvements and owner and operator of the Project from the Commencement Date until at least the Completion Date.

8.1.2 County Benefits. Tenant further acknowledges that the magnitude and quality of certain anticipated benefits to County from this Lease depend upon the timely development, competent completion and competent operation of the Project, and the unique character, reputation and method of development and operation provided by Tenant with respect to the Project.

8.1.3 Transfer. "**Transfer**" means (a) any direct or indirect gift, sale, conveyance, assignment, sublease, hypothecation, encumbrance, or other transfer of all or any part of Tenant's interest in or rights under this Lease, or any part of its interest in or rights to the Premises, the Tenant Estate or the Project; (b) any grant of control over this Lease or any interest, right, or privilege herein (including the right, without limitation, to manage or otherwise operate the Project); (c) any lease, Sublease or license covering the use of more than ten percent (10%) of the Premises (as set forth in Section 14.3); (d) the addition, removal or replacement of one or more general partners in Tenant, if Tenant is a limited partnership, except for additions, removals and replacements that do not constitute a Change of Control; (e) the addition, removal or replacement of one or more managing members in Tenant, if Tenant is a limited liability company,

except for additions, removals and replacements that do not constitute a Change of Control; (f) any sales, assignments, or transfers aggregating fifty percent (50%) or more of the stock in a corporation which owns or is a general partner or managing member of a partnership or limited liability entity owning an interest in this Lease. Notwithstanding the foregoing, "Transfer" shall not include: (v) a Sublease that meets the requirements of Article 14; (w) Encumbrances that are approved by County or otherwise permitted pursuant to Article 9; (x) Foreclosure Transfers permitted pursuant to Article 9; (y) a Permitted Transfer as set forth in Section 8.5; or (z) a property management contract in compliance with Section 6.5.

8.2 Restrictions. Tenant shall not consummate a Transfer without County's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Because the Parties hereby acknowledge and agree that County was induced to enter this Lease based in part on Tenant's unique qualifications to construct the Project and Tenant's commitment to provide ongoing continuity throughout the development process, and because the successful completion and operation of the Project in accordance with this Lease is expected to positively affect public the community, it shall be reasonable for County to withhold its consent to any Transfer if County reasonably determines that (a) the proposed Transfer will occur prior to the Completion Date; (b) a proposed transferee's anticipated use of the Premises would be in violation of the terms of this Lease or any Legal Requirement; (c) any of the Assignment Standards set forth in Exhibit E ("Assignment Standards") attached hereto will not be satisfied by the proposed Transfer, Tenant or transferee; (d) any of the terms, conditions or restrictions governing Transfers set forth in this Lease will not be satisfied by the proposed Transfer, Tenant or transferee; or (e) the proposed Transfer would violate any Legal Requirement. Any purported Transfer that is not approved by County in accordance with this Lease shall not be enforceable against County, and shall be null and void as a Transfer at the written election of County. No voluntary or involuntary successor to any interest of Tenant under such a proscribed Transfer shall acquire any rights whatsoever to or pursuant to this Lease.

8.3 Release.

8.3.1 No Release. Except as expressly provided in this Section 8.3, the transferor Tenant shall not be released or relieved of any of its duties, obligations or liabilities under this Lease as a result of or in connection with any Transfer, including without limitation, any Permitted Transfer, and hereby waives any and all surety rights, defenses, exonerations and protections under the California Civil Code.

8.3.2 Release. In the case of a Transfer after the Completion Date that is expressly approved by County in writing and that constitutes a full and complete assignment by a transferor Tenant of all of its right, title and interest in and to this Lease and the Tenant Estate, the transferor Tenant may (at County's sole discretion) be relieved and released from its duties and obligations as Tenant under the Lease that arise after the effective date of the Transfer if,

but only if, the transferee is approved by County and expressly and without reservation assumes all of the duties, obligations and liabilities of Tenant under this Lease and all other related agreements, in writing, in form and substance acceptable to County and County expressly releases the transferring Tenant.

8.3.3 Permitted Transfer Release. The release set forth in Section 8.3.2 shall not be applicable to any Permitted Transfer unless (a) the Permitted Transfer occurs after the Completion Date, (b) Tenant obtains the express written consent of County to such Permitted Transfer and (c) such Permitted Transfer otherwise complies with all of the other applicable release requirements set forth in Section 8.3.2.

8.4 Assumption by Transferee. Notwithstanding anything apparently to the contrary in Section 8.2, or elsewhere in this Lease, the terms of any Transfer (whether or not such Transfer has been approved by County) shall be deemed to include and incorporate the terms of this Lease, and any putative, attempted or actual Tenant transferee shall have assumed joint and several liability with Tenant for Tenant's obligations under this Lease and for contract damages under California Civil Code § 1995.330. Such assumption of obligations shall be binding upon any putative, attempted or actual transferee acquiring or attempting to acquire rights under this Lease, and shall inure to the benefit of County and its successors and assigns.

8.5 Permitted Transfers. Tenant may make any of the following Transfers (each a "**Permitted Transfer**") without County's consent; provided that (a) Tenant provides written notice to County of Tenant's intent to effectuate a Permitted Transfer at least ten (10) Business Days in advance of such Transfer and such notice describes the intended Transfer in sufficient detail for County to reasonably determine that the intended Transfer is a Permitted Transfer under this Section 8.5, (b) any such Transfer complies fully with all applicable provisions of this Lease, (c) no Permitted Transfer shall release Tenant from any part of its obligations under this Lease except as expressly set forth in Section 8.3, and (d) no such Transfer shall result in a Change of Control except as expressly provided in Sections 8.5.5 and 8.5.8:

8.5.1 The transfer of ownership of any Beneficial Ownership Interest in Tenant to one or more Affiliates of Tenant or Person already holding a Beneficial Ownership Interest in Tenant;

8.5.2 The transfer to any Person or Persons of a cumulative total (from one or more Transfers) equaling less than twenty-five (25%) of the Beneficial Ownership Interest in Tenant;

8.5.3 A transfer to a spouse in connection with a property settlement agreement or decree of dissolution of marriage or legal separation;

8.5.4 A transfer of Beneficial Ownership Interest in Tenant (a) to a member of the immediate family of the transferor (which for purposes of this Lease shall be limited to the transferor's spouse, children, parents, siblings and

grandchildren), (b) to a trust for the benefit of a member or members of the immediate family of the transferor or (c) from such a trust or any trust to the settler or beneficiaries of such trust or to one or more other trusts created by or for the benefit of any of the Persons listed in Clause (a) of this Section 8.5.4, whether any such transfer described in this Clause (c) is the result of gift, devise, intestate succession or operation of law;

8.5.5 A transfer of a Beneficial Ownership Interest in Tenant resulting from public trading in the stock or securities of an entity, where such entity is a corporation or other entity whose stock or securities is/are traded publicly on a national stock exchange or is traded in the over-the-counter market and the price for which is regularly quoted in a recognized national quotation services. Such transfers may result in a Change of Control but shall nevertheless be Permitted Transfers and not require notice or the delivery of information to County;

8.5.6 A pledge of partnership and/or membership interests in Tenant to an Encumbrance Holder as security for an Encumbrance and any foreclosure or transfer in lieu of foreclosure in connection therewith;

8.5.7 A transfer of any limited partnership interest in Tenant;

8.5.8 The removal of a general partner of Tenant for cause by a limited partner of Tenant in accordance with the terms of the Tenant's partnership agreement and replacement of such general partner with an Affiliate of a limited partner of Tenant or such other entity approved by County, which approval shall not be unreasonably withheld, conditioned or delayed; provided, however, that any such replacement general partner shall have at least five (5) years' experience in the development (if the Transfer occurs prior to the Completion Date), operation and management of Affordable housing developments of approximately comparable size to the Project and situated in similar urban settings as the Project. Notwithstanding any apparently contrary provisions elsewhere in this Lease, any Transfer made pursuant to this Section 8.5.8 shall be a Permitted Transfer whether or not such Transfer results in a Change of Control; and

8.6 Conditions Precedent to Transfer. Tenant shall satisfy all of the following conditions prior to completion of a Transfer (including a Permitted Transfer, except as expressly provided in this Section 8.6):

8.6.1 Except for a Permitted Transfer, Tenant shall comply with all transfer consent procedures set forth in this Article 8 and shall have received County's written consent to such Transfer;

8.6.2 In the case of an assignment of this Lease, the proposed transferee shall expressly and unconditionally assume all the duties, obligations, covenants and conditions to be performed by Tenant pursuant to this Lease and

all other related agreements, by execution of an instrument in form and substance reasonably satisfactory to County;

8.6.3 Except for a Permitted Transfer, no uncured Tenant Breach or Tenant Default (or any condition which with the passage of time or the provision of notice may reasonably be expected to become a Tenant Breach or Tenant Default) shall exist hereunder on the date of Transfer; and

8.6.4 Tenant shall have paid, or shall have caused to have been paid, to County all actual and reasonable costs and expenses incurred by County in connection with the Transfer, if any, including without limitation all Actual Costs incurred by County, recording fees, transfer and other taxes, attorneys' fees, escrow fees and fees for title insurance and similar charges.

8.7 Transfer Consent Procedures.

8.7.1 Application of Assignment Standards. In the case of a Transfer after the Completion Date (or in the case of County's consent to a Permitted Transfer that is an assignment of this Lease and for which a transferring Tenant has requested to be released), when exercising its discretion to approve Transfers as provided in this Article 8 (after receipt of the information described in Section 8.7.3.4) the procedure in Section 8.7.3 shall be followed and County will apply the Assignment Standards together with the standards, conditions and requirements set forth elsewhere in this Lease. If County reasonably determines that such Assignment Standards, together with the standards, conditions and requirements set forth elsewhere in this Lease, are satisfied, County shall not withhold, condition or delay its consent to any proposed post-Completion Date Transfer.

8.7.2 Involuntary Transfers Prohibited. Except as otherwise expressly provided in this Lease, neither this Lease nor any interest in this Lease shall be assignable or transferable in proceedings in attachment, garnishment or execution against Tenant or in voluntary or involuntary proceedings in bankruptcy or insolvency or receivership taken by or against Tenant, or by any process of law or equity.

8.7.3 Procedure. Requests for approval of any proposed Transfer shall be processed in accordance with the following procedures:

8.7.3.1 Tenant shall provide prior written notice to County requesting County's approval of a proposed Transfer ("**Transfer Approval Request**"), which notice shall include all information reasonably required for County to evaluate the proposed Transfer, including without limitation any term sheets, letters of intent, draft assignments or subleases, and any other document that sets forth any information regarding the proposed Transfer and specifically including the information required under Section 8.7.3.4. County will evaluate the information provided to it in the Transfer Approval Request, and County may request additional information as may be

reasonably necessary. County shall use its good faith efforts to provide such evaluation regarding completeness promptly. If requested by Tenant, County shall use its good faith efforts to meet with Tenant in order for Tenant to learn what specific information is required to be submitted to County so that Tenant's Transfer Approval Request will be considered to be complete by County. County shall not contact any proposed transferee without prior written notice to Tenant and providing Tenant with an opportunity to attend or participate in any meeting with the proposed transferee.

8.7.3.2 Tenant acknowledges that the time needed for County to review a Transfer Approval Request depends on many factors, including the complexity of the proposed transaction, the financial and other information submitted for review, and the workload of County's personnel. Notwithstanding the foregoing, County shall deliver to Tenant a written consent or refusal to consent stating the specific reasons for disapproval to a proposed Transfer no later than thirty (30) days after the date County receives all of the information required by Sections 8.7.3.1 and 8.7.3.4; provided, however, if County Board approval of the Transfer Approval Request is necessary pursuant to County's then-effective policies, the foregoing thirty (30) day period shall be extended to comply with the County Board meeting schedule as needed, and the County Board may further extend the time for approval as it requires. If County Board approval is required for the subject Transfer, (i) County shall inform Tenant of the same when known by County and provide Tenant with an estimated response date, and (ii) County shall use its good faith efforts to present promptly all such matters requiring County Board approval to the County Board and to process the consideration of such approval as soon as reasonably possible in accordance with the County Board meeting schedule, but in no event shall such presentation be made later than ninety (90) days after the date County receives all of the information required by Sections 8.7.3.1 and 8.7.3.4.

8.7.3.3 Tenant shall reimburse County for County's Actual Costs incurred in connection with its consideration and approval of any proposed Transfer, regardless of whether or not County ultimately grants its approval of such proposed Transfer.

8.7.3.4 Tenant shall provide County with sufficient information for County to determine whether a proposed Transfer is acceptable to County under the Assignment Standards, together with the standards, conditions and requirements set forth elsewhere in this Lease. At a minimum, Tenant shall in conjunction with any Transfer Approval Request provide County with the following:

- (a) A full description of the transferee, including:
 - (i) Reasonably detailed information regarding the proposed transferee's experience in the development and construction of improvements similar to any Improvements proposed to be constructed on the Premises after the proposed Transfer;

(ii) Sufficient information to enable County to determine whether the proposed transferee and/or its proposed management company meets the requirements of Sections 2 and 3 of the Assignment Standards as applicable;

(iii) A flowchart identifying the chain of ownership of the proposed transferee and its decision-making authority (together with a flowchart identifying the then-existing chain of ownership of the Tenant and its decision-making authority); and

(iv) A statement whether the proposed transferee or its Affiliates, or any other Person for whom disclosure is required, have had any leasehold or concessionaire's interest canceled or terminated due to a breach or default thereunder by any of them.

(b) Current, certified financial statements, including balance sheets and profit and loss statements, demonstrating the proposed transferee's financial condition for the preceding three (3) years, or such shorter period that the proposed transferee has been in existence. The requirement set forth in the preceding sentence shall also apply to any related Person who will be responsible for or guarantee the obligations of the proposed transferee;

(c) The proposed transferee's financing plan for the operation of the Premises and for any contemplated Improvements, demonstrating such proposed transferee's financial capability to operate the Premises and construct any proposed Improvements. Such financing plan and related information shall include:

(i) Information detailing (A) equity capital; (B) sources and uses of funds; (C) terms of financing; (D) debt service coverage and ratio; and (E) loan to value ratio (if applicable);

(ii) If the transferee is relying on third party financing in connection with the Transfer, documentation demonstrating such proposed transferee's financial viability beyond the above described certified financial statements, such as letters of commitment from financial institutions that demonstrate the availability of sufficient funds to complete and operate any proposed Improvements; and

(iii) Authorization of each financial institution holding funds for the proposed transferee to release financial information to County relating to the proposed transferee's financial viability or any other information supplied in support of the proposed Transfer.

(d) Proposed transferee's specific plans to cure any and all Tenant Defaults and Tenant Breaches under this Lease that are identified by Tenant or County;

(e) Any salient non-confidential materials relating to the business of the proposed transferee to be conducted on, from or relating to the Premises or the Project;

(f) A clear description of the terms and conditions of the proposed Transfer, including a description of the proposed use of the Premises and the Project after the proposed Transfer, and a reasonably detailed description of any construction (including Plans and Specifications, if available) proposed for the Premises or the Project after the proposed Transfer; and

(g) Any and all other information which County reasonably requests of Tenant or the proposed transferee in connection with County's review of the proposed Transfer, including materials reasonably related to the requirements of this Section 8.7.3.4.

8.7.4 Final Documents. Tenant shall provide County with four (4) originals of any assignment and assumption agreement executed by Tenant and transferee, in form and content as reasonably approved by County ("**Assignment Agreement**"). Upon receipt of the Assignment Agreement, if County determines in its reasonable discretion that Tenant has satisfied all Transfer provisions of this Lease, County will indicate its acceptance of such assignment and assumption by executing and causing to be acknowledged the Assignment Agreement and providing one (1) fully executed original to Tenant and one (1) fully executed original to transferee. Tenant and transferee shall each execute and have acknowledged a memorandum of the Assignment Agreement in a form reasonably acceptable to County which Tenant shall cause to be recorded in the Official Records.

8.7.5 Recordation. Upon consummation of any Transfer, the transferee shall cause to be recorded in the Official Records a memorandum of such Assignment Agreement, in a form acceptable to County.

8.8 No Transfer Upon Breach or Default. Notwithstanding anything in this Lease to the contrary, in addition to any other rights County may have with respect to Transfers under this Lease, County shall have the right to refuse to consent to any Transfer (other than a Permitted Transfer) if any uncured Tenant Breach or any Tenant Default has occurred and is continuing; provided that if Tenant or the transferee covenants to cure the Tenant Default or Tenant Breach on terms acceptable to County by or after the date of the Transfer, County may condition its consent upon the complete cure of such Tenant Default or Tenant Breach and on such other terms as are acceptable to County. County's waiver of this restriction for any Transfer shall not be construed as a waiver of any other restriction or of any Tenant Breach or Tenant Default or of any of County's remedies arising therefrom, nor shall any Transfer in any way restrict or limit County's rights and remedies arising from any Tenant Breach or Tenant Default hereunder, whether such Tenant Breach or Tenant Default occurred before or after such Transfer.

8.9 Transfer for Cause Pursuant to Operating Agreement or Encumbrance. Notwithstanding any other terms of this Article 8 apparently to the contrary (a) a managing member or general partner of Tenant or of Tenant's managing member may be removed and replaced for cause by a non-managing member, a limited partner, an

Encumbrance Holder, or a Tax Credit Investor (as the case may be) pursuant to the terms of the applicable formation documents and/or operating agreement (if Tenant, its general partner and/or its managing member is a limited liability company), the partnership agreement (if Tenant, its general partner and/or its managing member is a partnership) or any Encumbrance and (b) a managing member or general partner of Tenant or of Tenant's managing member or general partner (as applicable) who is a natural person may be succeeded by a non-managing member, limited partner or heir or trust beneficiary if such natural person should die (each, a "**Removal for Cause**"), and notwithstanding any other provision of this Article 8, in the event of such Removal for Cause, the Person replacing the removed or deceased managing member or general partner shall be subject to review and approval by County, at County's reasonable discretion, but such review shall be limited to reviewing such Person's experience pursuant to Section 2 of the Assignment Standards and good character and reputation pursuant to Section 3 of the Assignment Standards.

8.10 Successive Transfers. The provisions of this Article 8 shall apply to each successive Transfer, Tenant and any transferee in the same manner as initially applicable.

Article 9

ENCUMBRANCES

9.1 County Approval Required for Financing Event. Tenant shall not consummate a Financing Event without the prior written consent of County, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, that County's consent shall not be required for any Permitted Financing Event.

9.1.1 Submission to County. Tenant shall submit to County a preliminary loan package and thereafter a complete set of all proposed transaction documents in connection with each proposed Financing Event. The preliminary loan package shall include the loan commitment and any other documents, materials or other information reasonably requested by County. Tenant shall have the right, but not the obligation, to include draft loan documents in the preliminary loan package.

9.1.2 Time to Review. County shall have forty-five (45) days to grant or withhold approval of the preliminary loan package. County shall have forty-five (45) days after receipt of substantially complete loan documents conforming to the approved preliminary loan package in which to grant or withhold final approval of the Financing Event; provided, however, that if the preliminary loan package included draft loan documents that are not materially changed in the substantially complete loan documents, then the foregoing forty-five (45)-day period for County's final approval of the Financing Event shall be reduced to fifteen (15) days.

9.1.3 Reimbursement of Costs. Tenant shall reimburse County for Actual Costs incurred in connection with County's review of the proposed Financing Event.

9.1.3.1 Executed Documents. Tenant shall provide County one (1) copy of any and all security devices or instruments as finally executed or recorded by the parties in connection with any approved Encumbrance within ten (10) days after the recording date of such Encumbrance.

9.2 Consent Requirements in the Event of a Foreclosure Transfer.

9.2.1 Foreclosure Transfer. Notwithstanding any apparently contrary provision of Article 8, the consent of County shall not be required with respect to any Foreclosure Transfer or a subsequent Transfer permitted under Section 9.2.2.

9.2.2 Subsequent Transfer By Encumbrance Holder. If the Foreclosure Transferee in a Foreclosure Transfer is an Encumbrance Holder or if the Equity Foreclosure Transferee in a Foreclosure Transfer is an Equity Encumbrance Holder, then such Foreclosure Transferee or Equity Foreclosure Transferee may make one (1) subsequent Transfer of this Lease and/or the Beneficial Ownership Interests in Tenant (as applicable) to a third party without County's consent if such transferee (a) satisfies the net worth standard set forth in the Assignment Standards and has sufficient resources to satisfy any then-existing Tenant Default or Tenant Breach other than any Excluded Breaches and Defaults and (b) (other than a transferee of Beneficial Ownership Interests in Tenant) expressly agrees in writing to assume and to perform all of the obligations under this Lease, other than Excluded Breaches and Defaults. The right to a single Transfer under this Section 9.2.2 ("**Single Subsequent Transfer**") shall apply to each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder or the Equity Foreclosure Transferee is an Equity Encumbrance Holder, so that there may be more than one (1) Single Subsequent Transfer under this Section 9.2.2. Prior to a Single Subsequent Transfer described in this Section 9.2.2, County shall be provided with evidence reasonably satisfactory to County that the transferee meets the requirements of this Section 9.2.2.

9.3 Effect of Foreclosure. Within fifteen (15) days after a Foreclosure Transfer, the Encumbrance Holder shall give notice to County of such Foreclosure Transfer setting forth the name and address of the Foreclosure Transferee or the Equity Foreclosure Transferee (as applicable) and the effective date of such Foreclosure Transfer, together with a copy of the document by which such Foreclosure Transfer was made.

9.3.1 Assumption of Liability; Institutional Lender. Any Institutional Lender shall, upon becoming a Foreclosure Transferee (other than an Equity Foreclosure Transferee), become liable to perform the full obligations

of Tenant under this Lease (other than Excluded Breaches and Defaults) accruing from the date on which the Foreclosure Transfer occurred until the date of a subsequent Transfer by such Institutional Lender. Upon a Single Subsequent Transfer by an Institutional Lender (that is a Foreclosure Transferee or an Equity Foreclosure Transferee) in accordance with Section 9.2.2, such Institutional Lender shall be automatically released from any further liability with respect to this Lease, other than for (a) Rent payments, property tax payments, reserve account payments and other monetary obligations arising under explicit terms of this Lease and accruing during such Institutional Lender's period of ownership of the leasehold and (b) Tenant's indemnification obligations under this Lease with respect to matters pertaining to or arising during such Institutional Lender's period of ownership of the leasehold.

9.3.2 Assumption of Liability. Any Foreclosure Transferee other than an Institutional Lender as provided in Section 9.3.1 shall, upon becoming a Foreclosure Transferee, become liable to perform the full obligations of Tenant under this Lease (other than Excluded Breaches and Defaults).

9.3.3 Foreclosure Transferee. Following any Foreclosure Transfer that is a Transfer of the leasehold interest under this Lease, County shall recognize the Foreclosure Transferee as the Tenant under this Lease and shall not disturb its use and enjoyment of the Premises, and the Foreclosure Transferee shall succeed to all rights of Tenant under this Lease and this Lease shall be a direct lease between County and such Foreclosure Transferee, provided that the Foreclosure Transferee cures any pre-existing Tenant Breaches and Tenant Defaults (to the extent that such Tenant Breaches and Tenant Defaults have occurred during the Term) other than any Excluded Breaches and Defaults and from and after the Foreclosure Transfer performs the full obligations of Tenant under this Lease. Pursuant to Section 9.3.6, following any Foreclosure Transfer, which is a Transfer of Beneficial Ownership Interest in Tenant, the foregoing rights under this Section 9.3.3 shall also inure to the benefit of the Equity Foreclosure Transferee.

9.3.4 Encumbrance Holder Liability. No Encumbrance Holder shall become liable to County for any of Tenant's obligations under this Lease unless and until such Encumbrance Holder becomes a Foreclosure Transferee with respect to Tenant's Estate.

9.3.5 No Right to Terminate. Notwithstanding the terms of this Article 9 apparently to the contrary, no Foreclosure Transfer and no Single Subsequent Transfer shall trigger any termination right under this Lease.

9.3.6 Foreclosure of Beneficial Ownership Interest. Following a Foreclosure Transfer with respect to all of the Beneficial Ownership Interests in Tenant:

9.3.6.1 Any and all rights, privileges and/or liability limitations afforded to Foreclosure Transferees in this Article 9 or any other provision of this Lease shall also be afforded to Tenant from and after such Foreclosure Transfer, to the same extent as if the Foreclosure Transferee had acquired Tenant's Estate directly and became the Tenant under this Lease; and

9.3.6.2 If such a Foreclosure Transfer is to an Equity Foreclosure Transferee, then any and all rights, privileges and/or liability limitations afforded to Foreclosure Transferees who are Encumbrance Holders or Equity Encumbrance Holders in this Article 9, including, but not limited to Section 9.2.2, or any other provision of this Lease shall also be afforded to the Equity Foreclosure Transferee from and after such Equity Foreclosure Transfer, to the same extent as if the Equity Foreclosure Transferee had acquired Tenant's Estate directly and became the Tenant under this Lease.

9.4 No Subordination. County's rights in the Premises and this Lease, including without limitation County's right to receive Rent, shall not be subordinated to the rights of any Encumbrance Holder. Notwithstanding the foregoing, an Encumbrance Holder shall have all of the rights set forth in the security instrument creating the Encumbrance, as approved by County in accordance with Section 9.1 (if such approval was required and, if not required, then as set forth in the Encumbrance), to the extent that such rights are not inconsistent with the terms of this Lease. Such rights include, but are not limited to, the right to commence an action against Tenant for the appointment of a receiver and to obtain possession of the Premises under and in accordance with the terms of said Encumbrance, provided that all obligations of Tenant hereunder shall be kept current, including but not limited to payment of Rent, maintenance of the Project and the cure of all Tenant Breaches or Tenant Defaults hereunder (except Excluded Breaches and Defaults).

9.5 Modification of Lease. No modification or amendment of this Lease made without the prior written consent of a then-existing Encumbrance Holder or Tax Credit Investor shall be binding on any such Encumbrance Holder or Tax Credit Investor or other Person who acquires title to this Lease through such Encumbrance Holder or Tax Credit Investor.

9.6 Notice and Cure Rights of Encumbrance Holders. In the event of a conflict between the provisions set forth in this Section 9.6 and the provisions set forth in any other section of this Lease, including the Recitals and Exhibits, the provisions of this Section 9.6 shall prevail.

9.6.1 Right to Cure. Each Encumbrance Holder and Tax Credit Investor shall have the right, but not the obligation, at any time during the term of its Encumbrance or Beneficial Ownership Interest in Tenant (as applicable) and in accordance with the provisions of this Article 9, to do any act or thing required of Tenant in order to prevent termination of Tenant's rights hereunder, and all such acts or things so done hereunder shall be treated by County the same as if performed by Tenant.

9.6.2 Notice of Default. County shall not exercise its right to terminate this Lease or dispossess the Tenant unless and until (a) Encumbrance Holder Notice has been provided and (b) such Tenant Default or Tenant Breach remains uncured after the expiration of the applicable Encumbrance Holder Cure Period set forth in Section 9.6.3. The Encumbrance Holder Notice shall be sent simultaneously with any similar notice or notices of a Tenant Breach or a Tenant Default that County may be required to provide to Tenant pursuant to Article 18.

9.6.3 Manner of Curing Default. An Encumbrance Holder or a Tax Credit Investor shall have the right and the power to cure any Tenant Breach or Tenant Default specified in an Encumbrance Holder Notice within the periods set forth in this Section 9.6.3 subject to County's right to cure Tenant Breaches and Defaults pursuant to Sections 18.1.4 or 18.3.4, and, if such Tenant Breach or Tenant Default is so cured, this Lease shall remain in full force and effect. Tenant Breaches and Tenant Defaults may be cured by any Encumbrance Holder or any Tax Credit Investor in the following manner within the time frames set forth below:

9.6.3.1 For Tenant Breaches and Tenant Defaults under Section 18.1.1, an Encumbrance Holder or a Tax Credit Investor shall have thirty (30) days after its receipt of the earliest Encumbrance Holder Notice issued by County setting forth such Tenant Breach or Tenant Default to cure such Tenant Breach or Tenant Default by paying all of the unpaid amount causing such Tenant Breach or Tenant Default, together with any late fee or accrued interest payable thereon (if such late fee or accrued interest are set forth in the Encumbrance Holder Notice) to County or other applicable payee.

9.6.3.2 For Tenant Breaches and Tenant Defaults under Section 18.1.2, an Encumbrance Holder or a Tax Credit Investor shall have thirty (30) days after the later of (a) its receipt of the earliest Encumbrance Holder Notice setting forth such Tenant Breach or Tenant Default and (b) expiration of the Cure Period set forth in Section 18.1.2, to cure such Tenant Breach or Tenant Default by paying the unpaid amount causing such Tenant Breach or Tenant Default, together with any late fee or accrued interest payable thereon (if such late fee or accrued interest are set forth in the Encumbrance Holder Notice) to County, or such other applicable payee.

9.6.3.3 For Tenant Breaches and Tenant Defaults under any of Sections 18.1.3, or 18.1.4, an Encumbrance Holder or a Tax Credit Investor shall have thirty (30) days (as extended by Unavoidable Delay) after the later of (a) its receipt of the earliest Encumbrance Holder Notice setting forth such Tenant Breach or Tenant Default or (b) expiration of the applicable Cure Period set forth respectively in Sections 18.1.3, or 18.1.4, to cure such Tenant Breach or Tenant Default, if such Tenant Breach or Tenant Default can reasonably be cured within such thirty (30) day period; or, if an Encumbrance Holder or a Tax Credit Investor has promptly commenced to cure such Tenant Breach or Tenant Default within such thirty (30) day period and has been diligently prosecuting the same, but such Tenant Breach or Tenant Default cannot reasonably be cured within such thirty (30) day period, then such Encumbrance Holder

or Tax Credit Investor shall be provided with such reasonable additional time as is necessary to complete the cure, provided such Encumbrance Holder or Tax Credit Investor continues to diligently pursue such cure to completion.

9.6.3.4 For Tenant Breaches and Tenant Defaults under Section 18.1.5, an Encumbrance Holder or a Tax Credit Investor shall have (a) thirty (30) days (as extended by Unavoidable Delay) after the later of (i) its receipt of the earliest Encumbrance Holder Notice setting forth such Tenant Breach or Tenant Default or (ii) expiration of the Cure Period set forth in Section 18.1.5, to cure such Tenant Default, if such Tenant Default can reasonably be cured within such thirty (30) day period or (b) if an Encumbrance Holder or a Tax Credit Investor has promptly commenced to cure such Tenant Breach or Tenant Default within such applicable period and has been diligently prosecuting the same, but such Tenant Breach or Tenant Default cannot reasonably be cured within such period, then such Encumbrance Holder or Tax Credit Investor shall be provided with such reasonable additional time as is necessary to complete the cure, provided such Encumbrance Holder or Tax Credit Investor continues to diligently pursue such cure to completion.

9.6.3.5 For Tenant Defaults under Section 18.1.8 an Encumbrance Holder or a Tax Credit Investor shall have fifteen (15) days after the later of (a) its receipt of the earliest Encumbrance Holder Notice setting forth such Tenant Breach or Tenant Default or (b) expiration of the Cure Period set forth in Section 18.1.8 to cure such Tenant Default.

9.6.3.6 For all Tenant Breaches and Tenant Defaults other than as set forth in Sections 9.6.3.1 through 9.6.3.5, an Encumbrance Holder or a Tax Credit Investor shall have thirty (30) days after the later of (a) its receipt of the earliest Encumbrance Holder Notice setting forth such Tenant Breach or Tenant Default or (b) expiration of the applicable Cure Period set forth in Section 18.1 to cure such Tenant Breach or Tenant Default, if such Tenant Breach or Tenant Default can reasonably be cured by an Encumbrance Holder or a Tax Credit Investor within such thirty (30) day period; provided that if an Encumbrance Holder or a Tax Credit Investor has promptly commenced to cure such Tenant Breach or Tenant Default within the applicable period and has been diligently prosecuting the same, but such Tenant Breach or Tenant Default cannot reasonably be cured within the applicable period, then the Encumbrance Holder or Tax Credit Investor shall be provided with such reasonable additional time as is necessary to complete the cure, provided the Encumbrance Holder or Tax Credit Investor continues to diligently pursue such cure to completion.

9.6.3.7 If a non-monetary Tenant Breach or Tenant Default cannot practicably be cured by an Encumbrance Holder or a Tax Credit Investor without the need for such Encumbrance Holder to obtain possession of Tenant's leasehold interest in this Lease or for such Tax Credit Investor to complete a Removal for Cause, or if a Tenant Breach or Tenant Default cannot be cured by an Encumbrance Holder or a Tax Credit Investor (for example, the insolvency of Tenant), then, in each case, if at least one (1) Encumbrance Holder or Tax Credit Investor has delivered to County within thirty (30) days after its receipt of an Encumbrance Holder Notice a written undertaking

wherein such Encumbrance Holder or Tax Credit Investor agrees (a) that it will commence foreclosure proceedings, or a Removal for Cause, forthwith, and (b) will cure, or will ensure that the Foreclosure Transferee cures, all Tenant Breaches or Tenant Defaults that can be cured, upon completion of the foreclosure and the resultant Foreclosure Transfer or Removal for Cause, and if thereafter any such Encumbrance Holder actually commences foreclosure proceedings and prosecutes the same thereafter with due diligence or any such Tax Credit Investor actually commences a Removal for Cause and prosecutes the same thereafter with due diligence, then the Encumbrance Holder Cure Period shall not commence until completion of such foreclosure proceedings or such Removal for Cause and the resultant Foreclosure Transfer or replacement of the general partner in Tenant; provided, that if such Encumbrance Holder or Tax Credit Investor is prevented from commencing or continuing foreclosure proceedings or Removal for Cause by any bankruptcy stay, or any order, judgment or decree of any court or regulatory body of competent jurisdiction, and such Encumbrance Holder or Tax Credit Investor diligently seeks release from or reversal of such stay, order, judgment or decree, then the Encumbrance Holder Cure Period shall not commence until such stay, order, judgment or decree is released or reversed, and such foreclosure proceedings and the resultant Foreclosure Transfer are thereafter actually commenced and prosecuted thereafter with due diligence to completion. Upon completion of any such Foreclosure Transfer or Removal for Cause, the Foreclosure Transferee or Tax Credit Investor shall have until the expiration of the applicable Encumbrance Holder Cure Periods set forth in this Article 9 to cure the Tenant Breach or Tenant Default giving rise to such Foreclosure Transfer or Removal for Cause, to the extent curable by such Foreclosure Transferee or Tax Credit Investor (unless such Tenant Breach or Tenant Default has already been cured), and any other Tenant Breaches or Tenant Defaults that may then exist and be curable by such Foreclosure Transferee or Tax Credit Investor. The Encumbrance Holder or Tax Credit Investor shall have the right to terminate its foreclosure proceedings hereunder or Removal for Cause, in the event of a cure of a Tenant Breach or Tenant Default giving rise to such foreclosure proceedings or Removal for Cause.

9.6.3.8 In the event that (a) pursuant to any of Sections 9.6.3.3 through 9.6.3.6, an Encumbrance Holder or a Tax Credit Investor has promptly commenced to cure a Tenant Breach or Tenant Default within the applicable cure period, such Tenant Breach or Tenant Default cannot reasonably be cured by such Encumbrance Holder or Tax Credit Investor within such applicable cure period, such Encumbrance Holder or Tax Credit Investor has been diligently prosecuting a cure, and such Encumbrance Holder or Tax Credit Investor has been provided with such reasonable additional time as is necessary to complete the cure and (b) at any time thereafter County reasonably determines that such Encumbrance Holder or Tax Credit Investor has not continued to act diligently to prosecute such cure to completion, then (x) County may issue an Encumbrance Holder Notice to each then-existing Encumbrance Holder or Tax Credit Investor that falls within the Encumbrance Holder Notice definition and (y) each such Encumbrance Holder or Tax Credit Investor shall have ten (10) Business Days after its receipt of such Encumbrance Holder Notice to commence to cure such Tenant Breach or Tenant Default and for so long as such Encumbrance Holder or Tax Credit Investor continues to diligently prosecute such cure

to completion, such Encumbrance Holder or Tax Credit Investor shall be provided with such reasonable additional time as is necessary to complete the cure; provided, however, this Section 9.6.3.8 shall apply only once for any specific cure of any Tenant Breach or Tenant Default and shall not otherwise limit County's remedies under this Lease.

9.6.3.9 In the event that (a) pursuant to Section 9.6.3.7, an Encumbrance Holder or a Tax Credit Investor has delivered to County within thirty (30) days after its receipt of an Encumbrance Holder Notice a written undertaking wherein (i) such Encumbrance Holder agreed that it would commence foreclosure proceedings forthwith and would cure, or would ensure that the Foreclosure Transferee would cure, all Tenant Breaches or Tenant Defaults, if curable, upon completion of the foreclosure and the resultant Foreclosure Transfer, and if such Encumbrance Holder has been provided with such reasonable additional time as is necessary to complete such foreclosure proceedings (or, if such Foreclosure Transfer has occurred and the Foreclosure Transferee has been provided with the applicable Encumbrance Holder Cure Periods within which to cure the Tenant Breach or Tenant Default to the extent curable by such Foreclosure Transferee); or (ii) such Tax Credit Investor agreed that it would commence a Removal for Cause forthwith and would cure all Tenant Breaches or Tenant Defaults, if curable, upon completion of the Removal for Cause, and if such Tax Credit Investor has been provided with such reasonable additional time as is necessary to complete such Removal for Cause (or, if such Removal for Cause has occurred and the Tax Credit Investor acting as general partner of the Tenant has been provided with the applicable Encumbrance Holder Cure Periods within which to cure the Tenant Breach or Tenant Default to the extent curable by such Tax Credit Investor) and (b) at any time thereafter County reasonably determines that (i) such Encumbrance Holder has not continued to act diligently to prosecute such foreclosure proceedings to completion or that such Foreclosure Transferee has not cured the Tenant Breach or Tenant Default to the extent curable by such Foreclosure Transferee or (ii) such Tax Credit Investor has not continued to act diligently to prosecute such Removal for Cause to completion or that such Tax Credit Investor has not cured the Tenant Breach or Tenant Default to the extent curable by such Tax Credit Investor, then (x) County may issue an Encumbrance Holder Notice to all other then-existing Encumbrance Holders or Tax Credit Investors that fall within the Encumbrance Holder Notice definition and (y) each such other Encumbrance Holder or Tax Credit Investor shall have ten (10) Business Days after its receipt of such Encumbrance Holder Notice (i) to deliver to County a written undertaking wherein (1) such other Encumbrance Holder agrees that it will commence foreclosure proceedings forthwith and will diligently prosecute the same to completion, and if thereafter any such other Encumbrance Holder or Tax Credit Investor actually commences foreclosure proceedings and prosecutes the same thereafter with due diligence to completion, then the Encumbrance Holder Cure Period shall not commence until completion of such foreclosure proceedings and the resultant Foreclosure Transfer or (2) such other Tax Credit Investor agrees that it will commence Removal for Cause forthwith and will diligently prosecute same to completion, and if thereafter any such other Tax Credit Investor actually commences Removal for Cause proceedings and prosecutes the same thereafter with due diligence to completion, then the Encumbrance Holder Cure Period shall not commence until completion of such

Removal for Cause proceedings and the resultant transfer of the general partnership interest in Tenant to such Tax Credit Investor or (ii) to commence to cure (or to cause the Foreclosure Transferee to cure) such Tenant Breach or Tenant Default, and for so long as such Encumbrance Holder or Tax Credit Investor (or Foreclosure Transferee or Equity Foreclosure Transferee) continues to diligently prosecute such cure to completion, such Encumbrance Holder or Tax Credit Investor shall be provided with such reasonable additional time as is necessary to complete the cure; provided, however, this Section 9.6.3.9 shall be applicable only once during any specific (1) foreclosure proceeding or post-foreclosure prosecution of a cure of any specific Tenant Breach or Tenant Default or (2) Removal for Cause (or subsequent prosecution of a cure of any specific Tenant Breach or Tenant Default following transfer of the general partnership interest in Tenant to a Tax Credit Investor as a result of such Removal for Cause), and, in each case, shall not otherwise limit County's remedies under this Lease.

9.7 Obligation to Enter Into New Lease. In the event that this Lease is terminated by reasons of bankruptcy, assignment for the benefit of creditors, insolvency or any similar proceedings or by operation of law, County shall, upon the written request of the senior-most Encumbrance Holder holding an Encumbrance on Tenant's entire leasehold estate under this Lease enter into a new lease (which shall be effective as of the date of termination of this Lease) with the Encumbrance Holder that (a) is designated in the written request of the senior-most Encumbrance Holder that has a Security Interest in this Lease and (b) provides written notice of its desire to enter into a new lease (the "**Designated Encumbrance Holder**"), for the then-remaining Term of this Lease on the same terms and conditions as are then contained in this Lease ("**New Lease**"), provided that the Designated Encumbrance Holder (i) makes its request for a New Lease within thirty (30) days after the date it receives the notice set forth in the following sentence from County, (ii) promptly cures all then-existing monetary Tenant Breaches and Tenant Defaults other than the Excluded Breaches or Defaults and (iii) agrees to cure all then-existing non-monetary Tenant Breaches and Tenant Defaults within the applicable Encumbrance Holder Cure Periods set forth above in Section 9.6.3, and thereafter diligently pursues such cure until completion. County shall notify all of the Encumbrance Holders and Tax Credit Investors (which have provided their addresses to, and have requested such notice from, County in writing) holding an Encumbrance on either Tenant's entire leasehold estate under this Lease or all of the Beneficial Ownership Interests in Tenant of any Lease termination described in this Section 9.7 within thirty (30) days after the occurrence of such termination, which notice shall state (x) that this Lease has terminated in accordance with this Section 9.7 and (y) that such Encumbrance Holders or Tax Credit Investors have thirty (30) days following receipt of such notice within which to exercise their rights to a New Lease under this Section 9.7, or else they will lose such right. The Designated Encumbrance Holder's election to enter into a New Lease with County pursuant to this Section 9.7 shall be made by giving County written notice of such election within thirty (30) days after the Designated Encumbrance Holder's receipt of the above-described notice from County. Within a reasonable period after request therefor, County and the Designated Encumbrance Holder shall execute the New Lease, and from and after the effective date of the New Lease, the Designated Encumbrance Holder shall have the same rights

provided to a Foreclosure Transferee under Section 9.2.2 to a Single Subsequent Transfer that are provided in Section 9.2.2, and shall enjoy all of the other rights and protections that are provided to a Foreclosure Transferee in this Article 9. Any other subsequent transfer or assignment of the Designated Encumbrance Holder's rights and obligations under the New Lease shall be subject to all of the requirements of Article 8. If there are multiple Encumbrance Holders or Tax Credit Investors, then, upon execution of the New Lease, the lien priority of each of the more senior Encumbrance Holders or Tax Credit Investors shall be maintained in accordance with all terms and conditions of such Encumbrances, and the rights of the more junior Encumbrances Holders shall cease and terminate.

9.8 Participation in Certain Proceedings and Decisions. Any Encumbrance Holder or Tax Credit Investor shall have the right to intervene and become a party in any Arbitration, litigation, Condemnation or other proceeding affecting this Lease to the extent of its security interest herein or in Tenant. Tenant's right to make any election or decision under this Lease with respect to any Condemnation settlement, insurance settlement or restoration of the Premises following a casualty or Condemnation shall be subject to the prior written approval of each then-existing Encumbrance Holder and Tax Credit Investor.

9.9 Fee Mortgages and Encumbrances. Any mortgage, deed of trust or other similar encumbrance granted by County upon its fee interest in the Premises after the Commencement Date shall be subject and subordinate to all of the provisions of this Lease and to all Encumbrances.

9.10 No Merger. Without the written consent of each Encumbrance Holder and Tax Credit Investor, the leasehold interest created by this Lease shall not merge with the fee interest in all or any portion of the Premises, notwithstanding that the fee interests and the leasehold interests are held at any time by the same Person. This Section 9.10 shall have no effect upon the right of County to terminate the Tenant's leasehold interest by a termination of this Lease in accordance with the terms and provisions of this Lease, including without limitation, this Article 9.

9.11 Encumbrances Generally. Except for Encumbrances created in Permitted Financing Events, and Encumbrances approved by County in writing, Tenant shall not encumber the Tenant Estate or any portion thereof or interest therein with any lien, servitude, covenant or other Encumbrance, and Tenant shall promptly remove any such lien, servitude, covenant or other Encumbrance from title, in the event the Tenant Estate becomes burdened with the same. Notwithstanding the forgoing, Tenant shall not encumber or purport to encumber, by means of an Encumbrance or otherwise, (a) any portion of the Premises that is not part of the Tenant Estate or (b) any portion of the County Estate.

9.12 Notice of Default Under an Encumbrance. Tenant shall promptly deliver to County a true and correct copy of any notice of default, notice of acceleration or other notice regarding a Tenant default under an Encumbrance after Tenant's receipt of the same.

Article 10

AUTHORIZED REPRESENTATIVES

10.1 Designation. Each Party may designate one or more authorized representatives (each an “**Authorized Representative**”) who may be any Person authorized or empowered by a Party in writing to act for, on behalf of, or in place of, that Party. The authority of each Authorized Representative shall be limited to the subject matter stated in the written authorization.

10.2 County’s Authorized Representative. County’s Authorized Representative for the purposes of this Lease is **David Howard, Assistant Chief Executive Officer**. Notwithstanding the foregoing, the [REDACTED] may, by providing notice to Tenant, from time to time, authorize and empower other County employees to act as County’s Authorized Representative either for all or limited purposes under this Lease, and such Authorized Representative may by notice to Tenant re-delegate their authority for limited purposes under this Lease.

10.3 Tenant’s Authorized Representatives. Tenant’s Authorized Representative for the purposes of this Lease is, as of the Commencement Date, [REDACTED]. Notwithstanding the foregoing, Tenant may, by providing notice to County, from time to time authorize and empower other Tenant employees or representatives to act as the Tenant’s Authorized Representatives either for all or for certain limited purposes under this Lease.

Article 11

ENVIRONMENTAL MATTERS

11.1 Environmental Compliance. Tenant shall at all times comply, and require all Subtenants to comply, with all applicable Environmental Laws affecting the Premises at Tenant’s or Subtenants’ expense. Tenant shall maintain, at its own expense, and require each Subtenant to maintain, in effect all permits, licenses and other Governmental Approvals relating to Hazardous Substances required for Tenant’s and Subtenants’ use of the Premises. Tenant shall make, and require each Subtenant to make, all disclosures required by any Environmental Law and shall comply with all orders issued by any Governmental Authority having jurisdiction over the Premises with respect to Tenant’s or Subtenants’ use of the Premises, and take all action required by such Governmental Authorities to bring Tenant’s or its Subtenants’ activities on the Premises into compliance with all applicable Environmental Laws.

11.2 Environmental Conditions, Releases and Remediation.

11.2.1 Subject to the terms of this Article 11 (including Section 11.2.2), Tenant shall, at its sole cost and expense (except to the extent of County’s indemnity obligations under Section 11.3.1), promptly take all actions necessary to investigate any actual, threatened or suspected presence of

Hazardous Substances on the Premises or a Release and shall, to the extent necessary to comply with all applicable Environmental Laws, Remediate any actionable level of Hazardous Substances discovered or Released and all portions of the Premises affected by such Hazardous Substances and all other property affected by such Hazardous Substances, whether such property is part of the Premises or not, if such Hazardous Substances are emanating from the Premises), in compliance with all applicable Environmental Laws, and shall take all reasonable action necessary to stop any threatened or suspected Releases from becoming actual Releases.

11.2.2 Migratory Condition. If an actual or suspected Migratory Condition exists, neither County nor Tenant shall be obligated by this Lease to Investigate or Remediate such actual or suspected Migratory Condition. Tenant and County shall cooperate with one another and with the Persons legally responsible for such Migratory Condition to Investigate and Remediate such Migratory Condition.

11.2.3 Investigations & Remediation. Any Investigation and/or Remediation required under this Lease shall be completed to the satisfaction of any Environmental Agency asserting jurisdiction or acting as lead agency with respect to that Release or those Hazardous Substances giving rise to such Investigation and/or Remediation, which satisfaction may be evidenced by a “no further action” letter, certificate of completion or their legal equivalent, issued by such Environmental Agency asserting jurisdiction or acting as lead agency. Tenant, when undertaking a Remediation, shall provide those bonds or financial assurances reasonably required by County to assure completion of such Remediation; provided, however, County may not require a bond or other financial assurances for Remediation work reasonably estimated to cost less than two-hundred thousand Constant Dollars (\$200,000) to complete. Notwithstanding anything to the contrary set forth herein in this Lease, Tenant may delay commencement of an Investigation or Remediation pending resolution of any related contest it may have with any Environmental Agency, as long as (a) the Investigation or Remediation is not necessary to address an emergency relating to Hazardous Substances on or about the Premises, and (b) such delay in commencement does not pose a threat to health or safety.

11.2.3.1 Good Faith Efforts. When performing any Investigation or Remediation with respect to an emergency situation, (a) Tenant shall use its reasonable good faith efforts to conform, to the extent practicable, to the applicable provisions of this Lease relating to any work performed by or on behalf of Tenant on or from the Premises, including, any provisions relating to Work of Construction and (b) County shall use its reasonable good faith efforts to conform, to the extent practicable, to the applicable provisions of this Lease relating to any work performed by or on behalf of County on or from the Premises.

11.2.3.2 Remediation Contract. Any Environmental Work, performed after the Commencement Date, shall be performed (a) by licensed

contractors contracting with Tenant pursuant to written contracts (each such contract, as it may be amended in writing from time to time, a “**Remediation Contract**”) approved in writing by County (pursuant to this Section 11.2.3.2), (b) under the supervision of a qualified consulting environmental engineer, (c) in compliance with all applicable Environmental Laws, (d) to commercially reasonable engineering and environmental science industry standards for similar projects located in Southern California and (e) in accordance with an Approved Work Plan. County shall have ten (10) business days after receipt of a Remediation Contract from Tenant to reasonably approve or disapprove such Remediation Contract. Any disapproval shall be in writing, be provided to Tenant within the ten (10) business day period described in the preceding sentence and set forth County’s reasonable grounds for such disapproval.

11.2.3.3 Coordination. No contractor shall enter upon the Premises to conduct any Environmental Work thereon until Tenant has (a) received County’s written approval of a work plan and a site-specific health and safety plan for such Environmental Work and County’s written authorization to perform such work and (b) provided County with evidence of all insurance coverages required under this Lease. County shall not be required to provide written authorization to proceed with any Environmental Work on the Premises until it has reviewed and approved in writing a work plan and a site-specific health and safety plan for such Environmental Work, which plan shall have been approved in writing by each Environmental Agency asserting jurisdiction or acting as lead agency with respect to any such Investigation or Remediation, and reviewed a copy of the applicable Remediation Contract. Each work plan and site-specific health and safety plan for Environmental Work that has been approved in writing by County shall be an “**Approved Work Plan**” for such Environmental Work. Tenant shall notify County in writing of the date on which Tenant intends to commence any Environmental Work, at least three (3) days prior to the intended start date.

11.2.3.4 Costs and Expenses. Except as set forth in Sections 11.2.2 and 11.3.1, all costs and expenses of any Investigation or Remediation (including any reasonable attorneys’ fees, reasonable consultant and experts’ fees, reasonable laboratory costs, and taxes assessed in connection with any Investigation or Remediation) shall be paid by Tenant; provided, however, nothing herein shall be deemed a waiver of any right, reimbursement or claim Tenant may have against any party (other than County) in connection with any Investigation and/or Remediation and County shall reasonably cooperate with Tenant in connection with any such right or claim.

11.2.3.5 Approved Work Plan. All Remediation, Investigation and Environmental Work on the Premises shall be performed in compliance with an Approved Work Plan, which Tenant shall warrant has been approved in writing by all Environmental Agencies asserting jurisdiction or acting as lead agency with respect to any Remediation or Environmental Work. Tenant shall not perform any Remediation, Investigation or Environmental Work on the Premises that is not set forth in an Approved Work Plan. Tenant shall not make any changes to an Approved Work Plan, or perform any Remediation, Investigation removal, testing, monitoring or other work

described therein, without (a) County's prior written consent, which consent may be withheld in County's reasonable discretion and (b) the prior written consent of all Environmental Agencies asserting jurisdiction or acting as lead agency with respect to that phase of Environmental Work.

11.2.3.6 County Non-Responsibility. County's review, approval, disapproval or request for changes or failure to review, approve, disapprove or request changes to an Approved Work Plan shall not constitute the assumption of any responsibility by, or impose any liability upon County as to the accuracy, efficacy, sufficiency or legality thereof (including compliance with any Legal Requirements or Governmental Approvals), and shall not affect County's rights and remedies in the event of any loss, damage, claim, cost, or expense resulting from any Environmental Work or other work performed by or on behalf of Tenant or any of Tenant's agents, affiliates, contractors or Subtenants.

11.2.3.7 Notification of Test Results. Promptly after receipt, Tenant shall provide County with copies of all results (including all technical data and laboratory reports) of any sampling and any analytical tests performed in Tenant's performance of any Environmental Work or other Investigation or Remediation.

11.2.3.8 Documentation of Ownership. Tenant shall ensure that all documentation for transportation or disposal of any Hazardous Substance removed from the Premises is (a) in accordance with an Approved Work Plan, (b) prepared and executed in the name of the owner of such Hazardous Substance as determined pursuant to Section 11.2.3.9 and (c) completed in compliance with all Legal Requirements. Tenant shall secure the originals of such documentation and shall provide such documents to County. Tenant shall pay all permits and fees arising from the transfer and storage of any Hazardous Substance removed from the Premises in accordance with an Approved Work Plan (including any manifest fees and generator fees charged to County or Tenant by the California Environmental Protection Agency, Department of Toxic Substances Control).

11.2.3.9 Ownership of Hazardous Substances.

(a) By County. As between County and Tenant (but not with respect to any third party as set forth in Section 11.3.4.9(c) and subject to Section 11.3.4.9(b)), there shall be a presumption, only rebuttable by substantial evidence, that the following Hazardous Substances shall be owned by County: any Hazardous Substance (i) discovered and removed during any excavation, grading or Remediation activities undertaken prior to the Completion Date as part of Tenant's construction of the Initial Improvements, provided that such Hazardous Substance was present on the Premises prior to the Commencement Date, and (ii) arising out of or relating to a Release of a Hazardous Substance on or adjacent to the Premises after the Commencement Date, to the extent such Release was caused by the negligence or willful misconduct of County or any County Indemnitor.

(b) By Tenant. As between County and Tenant (but not with respect to any third party as set forth in Section 11.3.4.9(c) and subject to Section 11.3.4.9(a)), there shall be a presumption, only rebuttable by substantial evidence, that the following Hazardous Substances shall be owned by Tenant: any Hazardous Substance (i) on or within the Premises or the Project discovered after the Completion Date and (ii) arising out of or relating to a Release of a Hazardous Substance on or adjacent to the Premises after the Commencement Date, to the extent such Release was caused by the negligence or willful misconduct of Tenant or any Tenant Indemnitor.

(c) By Third Parties. Nothing in Sections 11.3.4.9(a) and (b) shall constitute an admission of ownership that prevents County or Tenant from (i) asserting any rights either or both may have against any third party as a result of any Migratory Condition or Release for which such third party is or may be responsible or liable and (ii) establishing that any such third party is the owner of such Hazardous Substance.

11.2.3.10 Waste and Debris. Any drill cuttings, soils, wastewater, or other waste or debris resulting from an Excavation Condition, an Investigation, a Remediation, or any Environmental Work or subsequent testing that are determined to contain Hazardous Substances shall be properly disposed of by Tenant in accordance with all Legal Requirements.

11.2.3.11 Post-Remediation Plans and Reports. Within thirty (30) days after Tenant has completed all Environmental Work described in an Approved Work Plan, or an Investigation or Remediation, Tenant shall furnish County copies of: (a) all results (including all technical data and laboratory reports) of any sampling and any analytical tests completed as part of Tenant's performance of the Environmental Work, Investigation or Remediation, (b) all evaluations, technical data and analyses, reports, copies of manifests, and weigh tickets from a landfill, or other repository for any removed contaminated soil or other Hazardous Substances, and recommendations of Tenant, its agents or contractors relating to environmental conditions in, on, or under the Premises and (c) all plans, permits, registrations, approvals, orders, notices (including notices of violation and notices to comply), inquiries, directives, guidelines, standards, reports (routine and non-routine), and other correspondence submitted to or received from, any federal, state, or local governmental authority regarding the Environmental Work, Investigation or Remediation; provided, however, if any such material has not been prepared and delivered to Tenant within such thirty (30) day period, Tenant may have up to sixty (60) days to comply with all provisions of this Section 11.2.3.11. This Section 11.2.3.11 shall survive the expiration or termination of this Lease.

11.3 Environmental Indemnity.

11.3.1 By County. County shall Indemnify Tenant Indemnified Parties from and against all Claims (except Claims for business interruption, loss of profit, consequential, or punitive damages) arising out of or relating to a

Release of a Hazardous Substance on or adjacent to the Premises after the Commencement Date, to the extent such Release was caused by the gross, active negligence or willful misconduct of County or any County Indemnitor during the Term of this Lease.

11.3.2 By Tenant. Except to the extent set forth in Sections 11.2.2 and 11.3.1, Tenant shall Indemnify County Indemnified Parties from and against all Claims (except Claims for business interruption, loss of profit, consequential, or punitive damages) arising as a result of or relating to (a) the existence, from time to time of any Hazardous Substances on or within the Premises or the Project (excluding Migratory Conditions), (b) any actual, threatened or suspected Release of Hazardous Substances, and (c) CEQA violations with respect to the Premises or the Project. Notwithstanding the foregoing, Tenant shall have no obligation to Indemnify any County Indemnified Party to the extent that any Claim arises from any action or event occurring after the termination of this Lease, and the cessation of any responsibilities or obligations under this Lease.

11.3.3 Costs Included; Survival. The Indemnity obligations created hereunder shall include, without limitation, whether foreseeable or unforeseeable, any and all costs incurred in connection with any Investigation, and any and all costs incurred in connection with any Remediation of the Premises, together with reasonable attorneys' fees and costs. Notwithstanding the foregoing, an indemnified party shall not incur any costs (except in connection with an emergency) or settle any Claims related to any matters for which such Party seeks indemnification from the other Party without first delivering to the indemnifying Party notice of such costs and Claims and providing the indemnifying Party the reasonable opportunity to reduce, eliminate or incur such costs and dispute any such Claim or other matter. The obligations of the Parties hereunder shall survive the expiration or earlier termination of this Lease.

11.3.4 Cooperation. Tenant and County shall cooperate with one another to allow the responsible Party to Investigate and Remediate any Release, Migratory Condition, or Excavation Condition, as the case may be.

11.4 Acknowledgment by Tenant. Tenant acknowledges it has been informed, pursuant to the provisions of the California Health & Safety Code § 25359.7, that Hazardous Substances may be located in, on, under or around the Premises, and that it has also been notified, pursuant to the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health and Safety Code §§ 25249.5 *et seq.*, that detectable amounts of chemicals known to the State of California to cause cancer, birth defects or other reproductive harm may be found in, on, under, or around the Premises.

11.5 Use of Hazardous Substances. None of Tenant nor any of its Subtenants or their respective permittees shall generate, use, store, release, dump, transport, handle or dispose of any Hazardous Substances on the Premises or the Premises;

provided, however, that Tenant, its Subtenants and their respective permittees may use, store, handle and transport Permitted Hazardous Substances on the Premises. Tenant, its Subtenants and their respective permittees shall: (a) use, store, handle and transport such Permitted Hazardous Substances in accordance with all Environmental Laws; and (b) not construct, operate or use disposal facilities for Permitted Hazardous Substances on the Premises or within any Improvements located thereon.

11.6 Notices. If at any time Tenant or County shall become aware, or have reasonable cause to believe, that any actionable level of Hazardous Substance has been Released or has otherwise come to be located on, beneath or adjacent to the Premises, such Party shall, as soon as reasonably possible, upon discovering the Release or the presence or suspected presence of the Hazardous Substance, give oral and written notices, as soon as reasonably possible, of that condition to the other Party. In addition, the Party first learning of any of the following, shall, as soon as reasonably possible, give notice to the other Party of: (a) any enforcement, cleanup, removal, or other governmental or regulatory action instituted, completed, or threatened pursuant to any Environmental Laws with respect to the Premises; (b) any claim made or threatened by any Person against County, Tenant or the Premises arising out of or resulting from any asserted actionable level of Hazardous Substances; and (c) any reports made to any Environmental Agency arising out of or in connection with any asserted actionable level of Hazardous Substance with respect to the Premises.

11.7 Release of Certain Claims. Excepting only those matters for which County is specifically made responsible under this Lease (including as set forth in Section 11.3.1), Tenant and any Person claiming by, through or under Tenant, hereby waives its rights to recover from and fully and irrevocably releases County, and its officers, directors, employees, agents, attorneys, affiliated parties, representatives, contractors, successors and assigns (collectively, "**Released Parties**") from any and all Claims that Tenant may now have or hereafter acquire with respect to any costs, losses, liabilities, damages, expenses, demands, actions or causes of action by any Environmental Agency, any Governmental Authority or any other third party arising from or related to (a) any actual, threatened, or suspected Release of Hazardous Substances on or from the Premises as of the Commencement Date, (except to the extent of those caused by the gross, active negligence or willful misconduct of County), (b) any Hazardous Substances that come to be on the Premises after the Commencement Date through passive migration from a source located outside of the Premises (except to the extent of those caused by the gross, active negligence or willful misconduct of County), or (c) the presence of any Hazardous Substances on the Premises as of the Commencement Date. The foregoing release includes Claims of which Tenant is presently unaware or which Tenant does not presently suspect to exist which, if known by Tenant, would materially affect Tenant's release of the Released Parties. Tenant specifically waives the provision of California Civil Code § 1542, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF

KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED THIS SETTLEMENT WITH THE DEBTOR.”

Tenant’s Initials

Article 12

INSURANCE

12.1 Tenant’s Insurance. Without limiting Tenant’s indemnification of County, during the Term of this Lease Tenant shall provide and maintain (or cause such other entity to provide and maintain as set forth below) the following insurance issued by companies authorized to transact business in the State of California by the Insurance Commissioner and having a “general policyholders rating” of at least A:VII (or such higher rating as may be required by an Encumbrance Holder) as set forth in the most current issue of “A.M. Best’s Key Rating Guide” or an equivalent rating from another industry-accepted rating agency.

12.1.1 General Liability insurance (written on ISO policy form CG 00 01 or its equivalent, or such other form as acceptable to County) and endorsed to name County as an additional insured, with limits of not less than the following:

General Aggregate:	\$10,000,000
Products/Completed Operations Aggregate:	\$10,000,000
Personal and Advertising Injury:	\$5,000,000
Each Occurrence:	\$5,000,000

Tenant may satisfy the above coverage limits with a combination of primary coverage (“**Primary Coverage**”) and excess liability coverage (“**Umbrella Coverage**”) (as long as (a) Tenant’s Primary Coverage is at least Two Million Dollars (\$2,000,000) per occurrence, Two Million Dollars (\$2,000,000) annual aggregate, and (b) the combination of such Primary Coverage and Umbrella Coverage provides County with the same protection as if Tenant had carried primary coverage for the entire limits and coverages required under this Subsection 12.1.1.

12.1.2 Auto Liability. A policy of auto liability coverage (ISO form number CA 00 01 or equivalent) covering Automobile Liability, code 1 (any auto) with coverage in the amount of one million dollars (\$1,000,000) and a deductible of not more than ten thousand dollars (\$10,000) per accident, insuring against claims (including bodily injury and property damage) arising out of ownership, maintenance, or use of any owned, hired or non-owned automobiles. If Hazardous Substances (other than in de minimis amounts) are to be transported off the Premises by Tenant and such coverage is not provided by the insurance obtained pursuant to Sections 12.1.5, or 12.3.2, an MCS 90 endorsement and a CA 99 48 endorsement shall be attached, at full

policy limits, to such Tenant automobile liability insurance policy. During any period of operation of valet parking facilities, Tenant also shall provide Garage keeper's Legal Liability coverage, (written on ISO form CA 99 37 or its equivalent) with limits of not less than Two Million Dollars (\$2,000,000) for this location. The coverage in this Subsection **Error! Reference source not found.** shall be carried by Tenant, its property manager and/or parking contractor (as applicable).

12.1.3 Workers' Compensation and Employer's Liability Insurance. Provided Tenant has any employees, a policy of worker's compensation insurance having limits not less than those required by state statute and federal statute, if applicable, and covering all Persons employed by Tenant that provide work or services on or from the Premises or any portion of the Project, including work or services related to design, construction and management of construction and the conduct of Tenant's operations on the Premises (including the "all states" and volunteers endorsements, if applicable), together with employer's liability insurance coverage in the amount of at least one million dollars (\$1,000,000) per accident for bodily injury or disease.

12.2 Property Insurance. Beginning on the Completion Date and continuing thereafter throughout the Term, Tenant shall obtain and keep in full force and effect at all times an "all risk" policy of property insurance or equivalent (including boiler and machinery comprehensive form, if applicable) covering the Project and all other Improvements, fixtures and property of Tenant located on the Premises or within the Project, in an amount equal to the full replacement cost thereof (including costs attributable to a change in laws), without deduction for depreciation (the "**Full Replacement Cost**"), with such reasonable deductible amounts as may be customary from time to time in other institutional investment grade properties similar to the Project. Such "all risk" policy of insurance or equivalent shall insure against all risks, including loss or damage by earthquake (provided that such earthquake coverage is available at commercially reasonable rates, and subject to a commercially reasonable sublimit of liability reasonably acceptable to County), fire, windstorm, aircraft, vehicle, smoke, water, flood, sprinkler leakage, riot, civil commotion and terrorist acts. Tenant may satisfy its obligations under this Section 12.2 by having such obligations fulfilled by a Subtenant or operating agent. Notwithstanding the preceding sentence, the Parties acknowledge and agree that as of the Commencement Date, earthquake insurance is not available at commercially reasonable rates and Tenant's initial "all risk" policy of property insurance will not include earthquake coverage.

12.2.2 For construction projects on the Premises, including the Development Work, any other Alterations or restoration of the Improvements, Tenant or Tenant's contractor or subcontractors will provide the following insurance (County reserves the right to determine the coverage and coverage limit required on a project by project basis.):

12.2.3 Builder's Risk Course of Construction to insure against damage from perils covered by the Causes-of-Loss Special Form (ISO form CP 10 30) or equivalent. This insurance shall be endorsed to

include ordinance or law coverage, coverage for temporary offsite storage, debris removal, pollutant cleanup and removal, testing, preservation of property, excavation costs, landscaping, shrubs and plants with agreed upon sub limits and full collapse coverage during construction (without restricting collapse coverage to specified perils. This insurance shall be written on a completed-value basis and cover the entire value of the construction project, against loss or damage until completion and acceptance by Tenant. General Liability. Such insurance shall be written on ISO policy form CG 00 01 or its equivalent with limits as reasonably required by the County for the Development Work or other Alterations. The products/completed operations coverage shall continue to be maintained for the following periods: (a) in the case of the Development Work, three (3) years after the date the Development Work is completed and accepted by the Tenant, or (b) in the case of Alterations after the completion of the Development Work, such period after the date such Alterations are completed and accepted by Tenant as reasonably determined by County, but not to exceed three (3) years after such completion and acceptance.

12.2.4 Automobile Liability. Such coverage shall be written on ISO policy form CA 00 01 or its equivalent with a limit of liability as reasonably required by the County for the Development Work or other Alterations. Such insurance shall include coverage for all “owned,” “hired” and “non-owned” automobiles, or coverage for “any auto.”

12.2.5 Professional Liability. Such insurance, which may be provided by the provider of professional services, shall cover liability arising from error, omission, negligent or wrongful act of the contractor and/or licensed professional (i.e. architects, engineers, surveyors, etc.). This coverage shall also provide an extended two-year reporting period commencing upon termination or cancellation of the construction project. The limits of the coverage required under this Subsection 9.1.5.4 shall be no less than (a) Three Million Dollars (\$3,000,000) with respect to the prime architect for the Development Work (or such lesser amount as required by County for the prime architect in connection with any subsequent Alterations), and (b) One Million Dollars (\$1,000,000) with respect to each other contractor, subcontractor, architect, engineer, surveyor or other licensed professional rendering services in connection with the design or construction of the Development Work or subsequent Alterations, provided that County shall have the discretion to revise the coverage limits under this clause (b) if appropriate in the judgment of County based on the nature and scope of the services being provided.

12.2.6 Asbestos Liability or Contractors Pollution Liability insurance, if construction requires remediation of asbestos or pollutants, and if such insurance is available. Such insurance shall cover liability for personal injury and property damage arising from the release, discharge, escape, dispersal or emission of asbestos or pollutants, whether gradual or

sudden, and include coverage for the costs and expenses associated with testing, monitoring and treatment of asbestos in compliance with governmental mandate or order, if insurable and available at commercially reasonable rates. If the asbestos or pollutant will be removed from the construction site, asbestos or pollution liability is also required under the contractor's or subcontractor's Automobile Liability Insurance. Contractor shall maintain limits as reasonably required by the County for the Development Work or other Alterations.

12.3 Other Insurance Requirements.

12.3.1 Named Insureds. County, its directors, officers and employees, shall be named as additional insureds under the commercial general liability insurance policies (utilizing ISO Additional Insured Endorsement Form CG 20 10 11 85 or equivalent, such as CG 20 33 7 04 and CG 20 37 10 01 (if attached to the policy together) or CG 20 10 10 93 and CG 20 37 10 01 (if attached to the policy together)) required to be maintained hereunder pursuant to Section 12.1.1 or 12.1.5, the excess liability insurance policy required to be maintained hereunder pursuant to Section 12.1.4, the Environmental Impairment Liability Site Coverage insurance policy required to be maintained hereunder pursuant to Sections 12.1.5 and 12.3.2, the Contractor's Pollution Liability insurance policies required to be maintained hereunder pursuant to Section 12.3.3, and each such policy shall provide for severability of interests.

12.3.2 No Cancellation. Each insurance policy and certificate required under this Article 12 (other than as required under Section 12.4) shall expressly provide that the insurer shall provide to County as least thirty (30) days' prior notice before such policy is cancelled, non-renewed or otherwise modified (except in the case of cancellation for nonpayment of premium in which case cancellation shall not take effect until after at least ten (10) days' prior notice has been given to County and each other additional insured). Notices under this provision shall comply with Section 22.1.

12.3.3 Primary Coverage. Other than for policies required pursuant to Sections 12.1.3 and 12.4, each insurance policy required hereunder shall expressly provide that for any claims made thereunder, Tenant's insurance coverage (or its contractor's or subcontractor's insurance coverage, if applicable) shall constitute primary insurance with respect to County, its directors, officers and employees. Any insurance or self-insurance maintained by County, its subsidiaries, officials and employees shall be excess of Tenant's insurance coverage, and that of its contractors and subcontractors, and any other valid and collectable insurance, and shall not contribute with any of the same.

12.3.4 Separate Application. The Commercial General Liability insurance coverage, Automobile Liability insurance coverage, Excess Liability insurance coverage, the Contractor's Pollution Liability insurance coverage, and the Environmental Impairment Liability Site insurance coverage required to be maintained by Tenant and/or its contractors or subcontractors hereunder shall apply separately to each party named as an additional insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

12.3.5 Notification of Incidents. Tenant shall provide notice to County within three (3) Business Days after Tenant obtains knowledge of the occurrence of any accidents or incidents in connection with the Premises or the Project that could give rise to a claim in excess of one hundred thousand (\$100,000), in Constant Dollars, under any of the insurance policies required under this Article 12.

12.3.6 Compliance. Tenant shall reasonably comply with the requirements of any insurance carrier providing insurance pursuant to this Lease; provided that such provisions do not conflict with the provisions of this Lease.

12.3.7 Acceptability of Insurers. Insurance required to be maintained pursuant to this Article 12 shall be written by companies approved to do business in California by the California Department of Insurance and having a "**General Policyholders Rating**" (as that term is defined in the "A.M. Best's Key Ratings Guide") of at least than A,VII (or such higher rating as may be required by an Encumbrance Holder or a Tax Credit Investor) as set forth in the most current issue of "A.M. Best's Key Rating Guide" or an equivalent rating from another industry-accepted rating agency. Notwithstanding the foregoing, Tenant shall be permitted to utilize non-California admitted carriers with respect to any coverages required hereunder that are not available at commercially reasonable rates from California admitted carriers.

12.3.8 Certificates, Cancellation and Modifications. Tenant shall deliver to County certificates of insurance with original endorsements on forms reasonably acceptable to the parties evidencing all coverages required of Tenant by this Article 12. Any endorsements shall be signed by a Person authorized by the insurer to bind coverage on its behalf. All certificates for coverages related to construction shall be delivered to County prior to and as a condition precedent to the commencement of such construction work. Tenant shall use its best efforts to furnish County with original certificates of renewal or "binders" thereof at least ten (10) days prior to expiration of any policy of insurance required hereunder, but in all events shall furnish the same prior to the expiration of any such policy. Each certificate of insurance required hereunder shall expressly provide that the insurer shall provide to County at least thirty (30)

days' prior written notice before insurance policies evidenced thereby shall be cancelled, non-renewed or otherwise modified, except in the case of cancellation for nonpayment of premium, in which case cancellation shall not take effect until after at least ten (10) days' prior written notice has been given to County and each additional insured thereunder. Tenant shall deliver to County all supporting documentation (including copies of policies) for any insurance coverage required under this Article 12 reasonably requested by County.

12.3.9 Self Insurance. Other than the deductibles allowed hereunder, neither Tenant nor its contractors or subcontractors shall self insure any of its insurance obligations hereunder.

12.3.10 No Blanket Coverage without Site Specific Limits. None of the insurance coverage required under this Article 12 may be satisfied by a blanket coverage policy that covers property or projects other than the Premises or the Project, except that (a) the insurance coverage required under Section 12.1.4 may be satisfied by a blanket coverage policy if such policy contains provisions or comes with an endorsement that in each case (i) is reasonably acceptable to County and (ii) sets forth a separate, site-specific, general aggregate annual coverage limit for the Premises of at least ten million dollars (\$10,000,000) on a following form basis, excess of the insurance coverage described in Sections 12.1.1 and 12.1.2, (b) the insurance coverage required under Section 12.2 may be satisfied by a blanket coverage policy if (i) the Full Replacement Cost under such blanket coverage policy is not less than twenty percent (20%) of the total insurable value of all property covered under such blanket coverage policy and (ii) the total insurable value of all property covered under such blanket coverage policy is not less than the Full Replacement Cost of all property covered under such blanket coverage policy, and (c) the Environmental Impairment Liability Site Coverage Insurance and the Contractor's Pollution Liability Insurance may be satisfied by a combined Environmental Impairment Liability Site Coverage/Contractor's Pollution Liability policy having blanket coverage, if the total combined coverage limit under such policy is not less than ten million dollars (\$10,000,000).

12.4 Waiver of Subrogation. Tenant hereby waives any right it may have against County with respect to claims covered by the insurance required under this Lease. Tenant, on behalf of its insurance companies, waives any right of subrogation that such companies and Tenant may have against County or its insurers. All such insurance policies obtained by Tenant (whether or not required hereunder) shall be required to contain a waiver of subrogation against County and any insurance carried by County.

12.5 Modification of Insurance Requirements. The requirement to obtain and maintain any particular insurance in accordance with this Article 12 may be modified or waived if the Parties agree to such modification or waiver in writing and if

such waiver or modification would not violate the terms of any Encumbrance. The Parties acknowledge that over the Term of this Lease, it is likely that the insurance market will change such that certain coverage set forth herein will no longer be available, other coverage not set forth herein will become prudent business practice, and/or the limits of liability and deductibles set forth herein will no longer provide County with adequate protection. As such, the parties hereto agree to modify the insurance coverage hereunder at any time either Party deems such coverage to no longer be consistent with prudent risk management practices utilized in other similar development projects, taking into account then-existing insurance market conditions and utilizing reasonable business judgment. Each Party agrees to act reasonably with respect to any request from the other Party to alter the insurance obligations set forth in this Article 12. In the event that a Party requests that the insurance obligations set forth in this Article 12 be altered, but the Parties cannot agree to the terms of such an alteration, then, after ninety (90) days have elapsed from the date of the request for alteration, either Party may initiate Arbitration pursuant to Article 28 of this Lease. The Parties acknowledge that in the absence of any evidence suggesting that any insurance requirement set forth herein is no longer available at commercially reasonable rates, Tenant's mere inability to pay shall not be deemed good cause to alter any such insurance requirement. Notwithstanding the forgoing, County shall never be required to provide insurance coverage under this Lease.

12.6 No County Obligation; No Limitation on Remedies. County shall not be obligated to maintain any insurance hereunder, including with respect to any matters involving any interest in property retained by County. Notwithstanding the foregoing, with respect to all losses incurred by any Tenant Indemnified Party as a result of any negligent act or omission of an County Indemnitor, such Tenant Indemnified Party shall have all rights and remedies available under this Lease.

12.7 Commercially Reasonable Standard. Where Tenant's requirement to obtain insurance coverage under this Article 12 is subject to such coverage being available at commercially reasonable rates, and in the event such coverage is deemed by Tenant to be unavailable at such commercially reasonable rates, Tenant shall promptly notify County and all Encumbrance Holders or Tax Credit Investors of the same. The Parties and such Encumbrance Holders or Tax Credit Investors shall meet as soon as is reasonably practicable thereafter to discuss (i) such insurance requirement, (ii) the efforts taken by Tenant in an attempt to procure such insurance at commercially reasonable rates, and (iii) possible solutions. If the Parties and all such Encumbrance Holders or Tax Credit Investors agree that such insurance is not available at commercially reasonable rates, then before waiving such coverage requirement, they shall attempt to do one or more of the following in an effort to reduce the cost of such insurance to commercially reasonable levels: (a) reduce the required coverage limit; (b) increase the deductible amount; (c) alter other requirements with respect to such coverage (e.g.; reducing the required General Policyholders Rating); and (d) switch to other, similar insurance coverage. The Parties and all Encumbrance Holders or Tax Credit Investors agree to act in good faith in such endeavors.

12.8 No Representation of Coverage Adequacy. The coverages required under this Article 12 are not a representation by County as to the adequacy of such coverages to protect Tenant's interests in the Project or Tenant Estate and such coverage limits shall not limit any liabilities or indemnities of Tenant under this Lease.

12.9 Adjustment to Amount of Liability Coverage. The amounts of liability insurance required under Subsections 12.1.1, 12.1.2 and 12.1.3 shall be subject to adjustment as of each fifth (5th) anniversary of the Effective Date (each, an "Insurance Renegotiation Date"), consistent with the amounts of such liability insurance then being required by County under similar ground leases for comparable developments, including any adjustments then being approved by County (if any), based on differences in size, scope, uses or risks between the Premises and such other developments. If County and Tenant cannot agree upon the amount of insurance by the sixtieth (60th) day preceding an Insurance Renegotiation Date, the matter shall be resolved by binding arbitration in accordance with Article 16 where the arbitrator shall be charged with determining whether the insurance amounts, coverage, or terms should be modified or changed in order for the Premises to have the coverage typically maintained by other first-class mixed-use developments containing a high-rise for-rent residential component in the Los Angeles metropolitan area, as applicable. In no event shall the amounts of liability insurance be decreased as a result of such renegotiation or arbitration. Following such renegotiation or arbitration, the parties shall execute an amendment to this Lease setting forth the renegotiated insurance provisions or the arbitration judgment, as appropriate.

Article 13

INDEMNITY

13.1 Tenant Indemnity

13.1.1 General Indemnity. Tenant shall Indemnify County Indemnified Parties from and against all Claims caused by or arising directly or indirectly from (a) Tenant's or Tenant Indemnitor's or any Subtenant's use, occupancy or operation of the Premises or the Project and (b) any act or omission of any Tenant Party which constitutes (i) a breach of any Tenant obligation under this Lease, (ii) negligence by a Tenant Indemnitor or Subtenant, or (iii) willful misconduct by a Tenant Indemnitor or Subtenant, including acts or omissions related to the design, construction, use, operation, repair, or maintenance of the Premises and the Project and Claims, in each case without requirement that such Claims be paid first by any County Indemnified Party. Tenant shall not be liable to any County Indemnified Party for property damage or bodily injury to the extent that such damage or injury is caused by the gross negligence or intentional misconduct of any County Indemnified Party.

13.1.2 Third Party Challenges. Without limiting the generality of the indemnity set forth in Section 13.1, Tenant shall Indemnify County from and against any and all liability, loss, injury or damage including (but not limited to)

demands, claims, actions, fees, costs and expenses (including attorneys' and expert witness fees), arising from or connected with any challenges by third parties to (a) County's approvals of this Lease, or of any entitlement or plan for the Premises, (b) County's certification of any CEQA document as the "Lead Agency" (with regard to any aspect of the planned development of the Premises), (c) the City's approval of any entitlement or plan for the Premises, or (d) the City's certification of any CEQA document as a "Responsible Agency" (with regard to any aspect of the planned development of the Premises). The indemnity obligations set forth in this Section 13.1.2 shall exclude County's own consequential losses. For indemnity obligations arising under this Section 13.1.2, Tenant shall have the right to select counsel and to direct the defense of any such claim or suit, provided that any settlement shall require the prior written consent of County, with such consent to be granted or withheld in County's reasonable discretion.

13.1.3 No Protected Contractor or Construction Contract. Tenant acknowledges and agrees that it has entered into this Lease and shall perform any actions under it in furtherance of Tenant's interests and not for the benefit of, or as a contractor, subcontractor or supplier of goods or services (each a "**Protected Contractor**") for or to County. Consequently, it is the intention of County and Tenant that this Lease not be construed as containing provisions, clauses, covenants, or agreements contained in, collateral to, or affecting any construction contract with a public agency (each a "**Construction Contract**") pursuant to California Civil Code Sections 2782 et seq., as it may be amended ("**Section 2782**"), or that Tenant be considered a Protected Contractor under Section 2782.

13.1.3.1 Protected Contractor Indemnity. If, despite the explicit terms and conditions of this Lease, Tenant is determined by a court of competent jurisdiction to be a Protected Contractor when fulfilling certain of its rights or duties under this Lease, then, solely with regard to indemnities for Claims arising from such rights or duties that such court has determined to be the rights or duties of a Protected Contractor, Tenant shall not be subject to any indemnities set forth elsewhere in this Lease and shall be subject only to the following indemnities: Tenant shall Indemnify the County Indemnified Parties from and against all Claims caused by or arising directly or indirectly from any act or omission by any Tenant Indemnitor, related to the construction or maintenance of the Premises, and the Project; provided, however, Tenant shall not be responsible for indemnifying the County Indemnified Parties for (a) liability resulting from the County Indemnified Parties' sole negligence, willful misconduct or active negligence or (b) any other liability for which Tenant is not permitted to Indemnify County under Section 2782.

13.1.4 No Design Professional Contract. Tenant acknowledges and agrees that it has entered into this Lease and shall perform any actions under it in furtherance of Tenant's interests and that this Lease is not a contract for the provision of design professional services to a public agency (a "**Design Professional Contract**") and that Tenant is not a "design professional" as

defined in California Civil Code Section 2782.8, as it may be amended (“**Section 2782.8**”). Consequently, it is the intention of County and Tenant that this Lease not be construed as containing provisions, clauses, covenants, or agreements contained in, collateral to or affecting a Design Professional Contract.

13.1.4.1 Design Professional Contract Indemnity. If, despite the explicit terms and conditions of this Lease, it is determined by a court of competent jurisdiction to be a contract for design professional services, then, solely with regard to indemnities for Claims arising from the rights or duties that the presiding court has determined to be rights or duties associated with the provision of design professional services, Tenant shall not be subject to any indemnities set forth elsewhere in this Lease and shall be subject only to the following indemnities: Tenant shall Indemnify the County Indemnified Parties from and against all Claims (a) that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Tenant Indemnitor that is determined to be a design professional in connection with or related to design professional work for the Premises and the Project or (b) for which Tenant is permitted to Indemnify County under Section 2782.8.

13.1.5 Survival. The Indemnity obligations under this Lease shall survive any expiration, termination or assignment of this Lease.

Article 14

PERMITTED SUBLEASES

14.1 Tenant’s Right to Sublease. This Lease was entered into, in part, (a) to allow Tenant to improve and develop the Premises with the Housing Project and to derive profit from the subleasing of Affordable residential units, and (b) to provide for a Community Center that will provide public benefits to the residents of the Housing Project and to the community at large. Therefore, Tenant may, without prior written consent of County, enter into the following subleases for terms not exceeding the Term of this Lease: (x) month-to-month rental agreements or other occupancy or usage agreements (each, a “**Sublease**”) for any individual apartment in the Housing Project in the ordinary course with a respective subtenant or renter (a “**Residential Subtenant**”) who will physically occupy the Subleased unit; and (y) a Sublease of the Community Center portion of the Premises with the Young Men’s Christian Association of Metropolitan Los Angeles, a California nonprofit public benefit corporation, or such other nonprofit organization that will use, occupy, operate and maintain the Community Center to provide public benefits to the community, approved by County, in County’s sole and absolute discretion (a “**Permitted Community Center Subtenant**” and together with Residential Subtenant, a “**Subtenant**”).

14.2 Required Sublease Terms. Each Sublease shall be in writing and shall contain the provisions set forth in Exhibit F, Sublease Required Provisions, attached hereto.

14.3 Deemed Transfers. Notwithstanding anything to the contrary set forth in this Lease, except with respect to a Sublease with a Permitted Community Center Subtenant, Tenant's subleasing of more than ten percent (10%) of the Premises or the Project, including the Housing Project, to any one Person shall instead be deemed a Transfer, and shall be governed by the terms of Article 8.

14.4 Indemnity for Relocation Assistance Waiver. In the event Tenant fails to include a waiver of any Relocation Assistance in substantially the form set forth in the Sublease Required Provisions attached hereto as Exhibit F in any Sublease or other agreement by which Tenant grants a Person occupancy rights to any portion of the Premises, and a Residential Subtenant or such other Person with occupancy rights to any portion of the Premises asserts or threatens any Claim against County and/or County Indemnified Parties arising from, connected with, relating to, resulting from, or based on a Sublease or other agreement granting occupancy to any portion of the Premises, then Tenant shall Indemnify County and County Indemnified Parties and hold them harmless from and against such Claim without requirement that such Claim be paid first by any County Indemnified Parties. The terms and indemnities included in this Section 14.4 shall survive the expiration or termination of this Lease.

14.5 Indemnity for Signage Sublease Waiver. Signage subleases are not permitted; however, if this Lease is ever amended to allow a signage sublease or a signage sublease is entered into in violation of this Lease and the signage sublease fails to include a waiver of rights under California Business and Professions Code Section 5412 or any successor or equivalent statute in any signage sublease or other agreement described in this Article 14 and a Subtenant or user asserts or threatens any Claim against County and/or County Indemnified Parties arising from, connected with, relating to, resulting from, or based on a signage sublease or other such agreement alleged to have granted a Subtenant, other licensee or user signage rights, then Tenant shall Indemnify County and County Indemnified Parties and hold them harmless from and against such Claim without requirement that such Claim be paid first by any County Indemnified Parties. The terms and indemnities included in this Section 14.5 shall survive the expiration or termination of this Lease.

14.6 Assignment and Collection of Sublease Rents. Subject to the provisions of any Encumbrance and the rights of any Encumbrance Holders and Tax Credit Investors, Tenant hereby collaterally assigns all Sublease rents to County as security for the performance of Tenant's obligations under this Lease. This assignment of Sublease rents shall be effective upon the occurrence of a Tenant Default. County may, by notice to Subtenant (with a copy to Tenant), instruct a Subtenant to pay its rent directly to County, and upon receipt of such notice, the Subtenant shall pay all rent due under its Sublease directly to County until the Subtenant receives notice from County to resume paying rent to Tenant.

14.7 Copies of Subleases. Upon written request by County, Tenant shall promptly deliver to County complete copies of any and all Subleases entered into by Tenant with all Subtenants.

Article 15

DAMAGE OR DESTRUCTION

15.1 Damage; Notice; Application for Insurance Proceeds; Restoration of Access. If any damage to or destruction of the Project, or any part thereof, resulting from any cause whatsoever (“**Damage**” and its semantic derivations including “**Damaged**”), occurs during the Term, Tenant shall:

15.1.1 Give prompt notice thereof to County;

15.1.2 At its sole cost and expense, regardless of the availability of Insurance Proceeds (but without waiving any claim of indemnification or contribution), promptly (subject to Unavoidable Delay) take all actions reasonably necessary to assure that the damaged improvements do not constitute a nuisance or otherwise present a health or safety hazard. The obligations set forth in this Section 15.1 shall not be contingent upon the availability of Insurance Proceeds; and

15.1.3 As soon as is reasonably practicable thereafter, submit a claim to its insurer(s), if such Damage is required to be covered by insurance under this Lease.

15.2 Obligation to Restore; Limited Right of Termination.

15.2.1 Obligation to Reconstruct. Except as set forth in Section 15.2.2, Tenant shall expeditiously repair, reconstruct and restore (“**Restore**” or “**Restoration**”) Damage to the Improvements to bring them to a condition and design that is as near as reasonably possible to the condition and design of such Improvements prior to the event that caused the Damage, all in accordance with all applicable Legal Requirements and the provisions and requirements of this Lease.

15.2.2 Limited Right of Termination. Provided Tenant has met all of its obligations under Sections 15.1.2 and Article 19, Tenant may, with the written approval of each Encumbrance Holder and Tax Credit Investor that has provided its name and notice information to County, terminate this Lease if either one of (a) or (b) below occurs:

(a) If material Damage to the Improvements occurs during the last five (5) years of the Term; or

(b) Subject to Section 15.6, if the Improvements have been subject to Damage caused by a casualty that was not required to be insured against by Tenant or the cost to Restore exceeds the sum of the available Insurance Proceeds actually received by Tenant plus the allowed deductible amount.

15.2.3 Termination. Tenant may terminate this Lease pursuant to Section 15.2.2 by giving County notice within ninety (90) days after the occurrence of such Damage, and this Lease shall terminate ninety (90) days after County's receipt of such notice. If Tenant elects to terminate the Lease pursuant to Section 15.2.2, Tenant shall be entitled to retain (subject to Sections 15.4 and 15.6) the Insurance Proceeds applicable to the Damage in excess of any amount required to fully fund the Demolition Security and pay any outstanding amounts due County.

15.2.4 Effect of Termination. Notwithstanding the terms of any Sublease, upon a termination of this Lease pursuant to Sections 15.2.2 and 15.2.3, all Subleases shall terminate.

15.3 Restoration. If this Lease is not terminated as provided in Section 15.2.2, subject to Section 15.4, Tenant shall, diligently proceed to Restore the Damaged portions of the Improvements. Tenant shall commence such Restoration no later than three-hundred sixty five (365) days following the occurrence of the Damage, subject to Unavoidable Delay; provided that if greater than fifty percent (50%) of the estimated cost of such Restoration is to be covered by Insurance Proceeds and such Insurance Proceeds are not available within that period or if such Insurance Proceeds are required to be paid to an Encumbrance Holder permitted by the terms of this Lease and Tenant is seeking third party financing to fund Restoration costs which such Insurance Proceeds would have funded, such work may commence promptly after the date the Insurance Proceeds or such financing becomes available but in no event more than three (3) years following the occurrence of the Damage, subject to Unavoidable Delay. Once Tenant commences such Restoration, Tenant shall diligently prosecute it to completion. County shall have no liability to Tenant, and Tenant shall not be entitled to terminate this Lease, as a result of any delays in completion of any Restoration caused by County; provided, however, that if Tenant submits notice of a delay caused by County, to County, within fifteen (15) days after the commencement of such delay, and County agrees in its reasonable discretion that such a delay exists, then from the date of such notice to County until the date upon which County reasonably determines such delay has ended, all deadlines for Tenant's commencement and completion of the Restoration shall be extended by the number of days County determines that such delays exist.

15.4 Rights of Encumbrance Holders. The disbursement of Insurance Proceeds shall be subject to the rights of the Encumbrance Holders, as set forth in their respective Encumbrances and as permitted by law, to control the disbursement of any such Insurance Proceeds. If any Encumbrance Holders exercise their rights to retain any Insurance Proceeds pursuant to this Section 15.4, but other Insurance Proceeds remain, those Insurance Proceeds shall be prioritized as set forth in Section 15.6.

15.5 Obsolete Improvements. Notwithstanding any other provision of this Article 15 that requires Tenant to Restore Damaged Improvements, if any Damaged Improvements are reasonably determined by Tenant to have been functionally obsolete immediately prior to such Damage, Tenant shall not be required to Restore them to their

prior condition, but rather, the Parties shall meet and confer in order to reach a good faith resolution as to: (a) whether and how alternative Improvements can be built and operated in a useful and viable manner and (b) in the case of Damage (but not full destruction), the most appropriate and cost effective way to deal with the remaining undamaged portion of the Improvements. Any material changes Tenant proposes to make to the design of the Restored Improvements shall be subject to all applicable provisions of this Lease.

15.6 Insurance Proceeds. Subject to Section 15.4, all Insurance Proceeds shall be used to first meet the requirements of Section 15.1.2, and then to pay the cost of Restoration of the remainder of the Improvements, as required under this Lease. Tenant's failure to pay any portion of any deductible under an insurance policy required under Article 12 toward the cost of Tenant's obligations under this Article 15 shall be a Tenant Breach, which, if uncured within the applicable Cure Period, shall be a Tenant Default. If Insurance Proceeds, together with any related deductible, are insufficient to meet Tenant's obligations under this Article 15 due to a Tenant Default for failure to comply with Article 12, Tenant shall pay all costs necessary to meet its obligations.

15.7 Waivers. Tenant hereby waives any rights now or hereafter conferred upon it by statute or other law to surrender this Lease or to quit or surrender the Premises or any part thereof, or to receive any suspension, diminution, abatement or reduction of the Rent or other sums and charges payable by Tenant hereunder on account of any Damage to the Premises or the Improvements, other than as expressly provided in this Article 15. Tenant hereby waives the provisions of Section 1932, Subdivision 2, and Section 1933, Subdivision 4, of the California Civil Code, and the provisions of any similar law hereinafter enacted, as each may be amended from time to time.

15.8 Restoration Standard. All Restoration of Damaged Improvements shall be: (a) in strict compliance with all then applicable Legal Requirements relating to such restoration and the terms and conditions of this Lease, and in particular the applicable terms and conditions relating to design and construction set forth in Article 7; and (b) subject to clause (a), of at least the same quality and condition and to at least the same standards, specifications and design as that existing immediately prior to the Damage.

15.9 Clearing of Premises. If any Improvements are Damaged and Tenant exercises the right under Section 15.2 to terminate this Lease, Tenant shall comply with Section 15.1.2 and shall surrender the Premises to County in accordance with the terms and provisions of Article 19, including the performance of any Demolition Work.

Article 16

EMINENT DOMAIN

16.1 Condemnation of the Tenant Estate.

16.1.1 Right of Cancellation. Tenant may terminate this Lease, with the written approval of each Encumbrance Holder and Tax Credit Investor that has provided its name and notice information to County, in its entirety on the date that any Governmental Authority or other entity having the power of condemnation under any Federal, State or local laws (“**Condemning Authority**”), by the exercise of the power of eminent domain or by purchase under threat of condemnation (“**Condemnation**” or “**Condemned**”), actually completes the Condemnation of (a) the whole of the Premises or Improvements or (b) a substantial portion of the Premises or Improvements to the extent that (i) Tenant cannot reasonably adapt and economically operate the remaining portion of the Project in a substantially similar manner as it was operated prior to the Condemnation, (ii) Tenant cannot reasonably adapt and economically operate the remaining portion of the Project in compliance with any applicable Encumbrance or other restriction upon the Tenant Estate, as it was operated prior to the Condemnation, or (iii) access to the Premises is so materially impaired as a result of the Condemnation that no reasonable alternate access can be provided.

16.1.2 Claims. Each Party may make its own claim for an award of Condemnation proceeds in accord with its respective interest in the Condemned property, but will cooperate with the other Party, to the extent possible, in an attempt to ensure just compensation is received by each Party.

16.1.3 Distribution of Condemnation Proceeds. To the extent that any Condemnation proceeds are attributable to (a) the County Estate, they shall be delivered to County and (b) the Tenant Estate, they shall be distributed to Tenant subject to the rights of the Encumbrance Holders (as set forth in the Encumbrances) to (i) retain all or any portion of such Condemnation proceeds for themselves to the extent that their security interest in the Premises or the Project has been impaired or (ii) control the disbursement of the Condemnation proceeds.

16.2 Partial Condemnation. If less than substantially all of the Tenant Estate is Condemned such that the remaining portion of the Tenant Estate can reasonably be adapted and economically operated for the purposes, and in substantially the same manner as, it was operated prior to the Condemnation, this Lease shall continue in full force and effect subject to the following:

16.2.1 Claims. Each Party may make its own claim for an award of Condemnation proceeds in accord with its respective interest in the

Condemned property, but will cooperate with the other Party, to the extent possible, in an attempt to ensure just compensation is received by each Party;

16.2.2 Distribution of Condemnation Proceeds. To the extent that any Condemnation proceeds are attributable to (a) the County Estate, they shall be delivered to County and (b) the Tenant Estate, they shall be distributed to Tenant subject to the rights of the Encumbrance Holders (as set forth in the Encumbrances) to (i) retain all or any portion of such Condemnation proceeds for themselves to the extent that their security interest in the Premises or the Project has been impaired or (ii) control the disbursement of the Condemnation proceeds.

16.2.3 Repairs and Restoration. Tenant shall proceed, with reasonable diligence, to perform any necessary repairs and to restore the Premises and the Project to an economically viable condition and to a condition and design that is as nearly as reasonably possible, considering the portion of the Premises or the Project taken, to the condition and design the Premises and the Project were in immediately prior to such Condemnation, all in accordance with all applicable Legal Requirements and the requirements of this Lease.

16.3 Condemnation of Temporary Use of Premises. If a temporary use of the whole or any part of the Premises shall be Condemned, this Lease shall not be affected in any way and Tenant shall continue to pay all Rent due hereunder. In such event, Condemnation proceeds attributable to the Condemnation of such temporary use of the Premises shall be paid to Tenant, except to the extent attributable to the County Estate.

16.4 Proceedings. The Parties shall have the right to appear in and defend against any Condemnation proceeding affecting the Premises or their respective interests as they deem proper. Issues between County and Tenant required to be resolved pursuant to this Article 16 shall be joined in any such Condemnation proceeding to the extent permissible under then-applicable rules of court for the purpose of avoiding multiplicity of actions and minimizing the expenses of the Parties.

16.5 Notice. Tenant shall provide prompt notice to County of any Condemnation affecting the Premises.

Article 17

REPRESENTATIONS AND WARRANTIES

17.1 Representations and Warranties of Tenant. Whenever a statement concerning factual matters herein is qualified by the phrase “to Tenant’s knowledge” or similar words, it is intended to indicate that no information has come to the attention of Tony Salazar (who shall have no duty of investigation or inquiry) that would give such Person current actual knowledge of the inaccuracy of such factual statements. Tenant shall immediately notify County in writing of any representation or warranty made herein that it becomes aware of being or claimed to be false or misleading. Tenant hereby

represents and warrants to County that the following is true and correct as of the Commencement Date:

17.1.1 Legal Power. Tenant has the legal power, right and authority to enter into this Lease and the Lease Documents, and to consummate the transactions contemplated hereby and thereby and described herein and therein;

17.1.2 Binding Obligation of Lease and Lease Documents. This Lease and the Lease Documents are valid and legally binding obligations of and enforceable against Tenant in accordance with their terms, subject only to applicable bankruptcy, insolvency, reorganization and moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally;

17.1.3 Compliance with Charter. There is no charter, bylaw, or capital stock provision of Tenant, and no provision of any indenture, instrument, or agreement, written or oral, to which Tenant is a party or which governs the actions of Tenant or which is otherwise binding upon Tenant, nor to Tenant's knowledge is there any judgment, decree or order of any Governmental Authority or court binding on Tenant which would be contravened by the execution, delivery or performance of this Lease;

17.1.4 Litigation Pending. To Tenant's knowledge, there is no action, suit, or proceeding at law or in equity or by or before any Governmental Authority, now pending, or threatened against or affecting Tenant, which, if adversely determined, would materially impair Tenant's right or ability to execute or perform its obligations under this Lease;

17.1.5 No Breach of Indebtedness Requirements. Neither the execution and delivery of this Lease nor the incurrence of the obligations set forth herein or therein, nor the consummation of the transactions herein or therein contemplated, nor compliance with the terms of this Lease conflict with or result in a material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, Encumbrance, deed of trust, loan, partnership agreement, lease or other agreement or instrument to which Tenant is a party;

17.1.6 No Insolvency. To Tenant's knowledge, no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or threatened against Tenant, nor are any of such proceedings contemplated by Tenant;

17.1.7 Accuracy of Materials. To Tenant's knowledge, all reports, documents, instruments, information and forms of evidence delivered to County by Tenant, in writing, concerning or required by this Lease are accurate, correct and sufficiently complete to give County true and accurate knowledge of their

subject matter, and do not contain any material misrepresentation or material omission;

17.1.8 No Gratuity. Neither Tenant, nor its directors, officers, employees or Affiliates, nor any individual representing Tenant, nor anyone holding an interest in Tenant has offered or given to any official or employee of County any gratuity (in any form) for the intent or purpose of securing favorable treatment under this Lease or the approval or execution hereof;

17.1.9 No Solicitation. Tenant has not employed or retained any company or person, other than a bona fide employee working solely for Tenant, to solicit or secure this Lease and it has not paid or agreed to pay any company or person, other than a bona fide employee working solely for Tenant, any fee, commission, percentage, brokerage fee, gifts or any other consideration, contingent upon or resulting from the award or making of this Lease;

17.1.10 Authority to Execute. The individual(s) signing this Lease on behalf of Tenant is or are (a) authorized to execute this Lease and bind Tenant to its terms and conditions, and, upon such execution, this Lease shall be legally binding on Tenant and (b) if Tenant is a corporation for which a single individual is signing, have provided County with a corporate resolution stating that such individual is duly empowered to by such corporation to enter into this Lease.

17.2 Representations and Warranties of County. Whenever a statement concerning factual matters herein is qualified by the phrase “to County’s knowledge” or similar words, it is intended to indicate that no information has come to the attention of [REDACTED] (who shall have no duty of investigation or inquiry), that would give such Person current actual knowledge of the inaccuracy of such factual statements. County shall immediately notify Tenant in writing of any representation or warranty made herein that it becomes aware of being or claimed to be false or misleading. County hereby represents and warrants to Tenant that the following representations and warranties are true and correct as of the Commencement Date:

17.2.1 Legal Power. County has the legal power, right and authority to enter into this Lease and the Lease Documents, and to consummate the transactions contemplated hereby and thereby and described herein and therein;

17.2.2 Binding Obligations of Lease and Lease Documents. This Lease and the other Lease Documents are valid and legally binding obligations of and enforceable against County in accordance with their terms, subject only to applicable bankruptcy, insolvency, reorganization and moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally;

17.2.3 Compliance with Charter. There is no provision of any indenture, instrument, or agreement, written or oral, to which County is a party or which governs the actions of County or which is otherwise binding upon County, nor is there any judgment, decree or order of any Governmental Authority or court binding on County which would be contravened by the execution, delivery or performance of this Lease;

17.2.4 Litigation Pending. To County's knowledge, there is no action, suit, or proceeding at law or in equity or by or before any Governmental Authority now pending, or threatened against or affecting County, which, if adversely determined, would materially impair County's right or ability to execute or perform its obligations under this Lease;

17.2.5 No Breach of Indebtedness Requirements. Neither the execution and delivery of this Lease, nor the incurrence of the obligations set forth herein or therein, nor the consummation of the transactions herein or therein contemplated, nor compliance with the terms of this Lease conflict with or result in a material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, encumbrance, deed of trust, loan, lease or other instrument to which County is a party;

17.2.6 No Insolvency. To County's knowledge, no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or are threatened against County, nor are any of such proceedings contemplated by County; and

17.2.7 Authority to Execute. The individual(s) signing this Lease on behalf of County are authorized to execute this Lease and bind County to its terms and conditions, and, upon such execution, this Lease shall be legally binding on County.

Article 18

DEFAULT

18.1 Tenant Breaches and Defaults. Each of the events set forth in this Section 18.1 shall constitute either (a) a default by Tenant under this Lease ("**Tenant Default**"), or (b) a breach by Tenant ("**Tenant Breach**") under this Lease, which, if not cured within the time periods set forth in this Section 18.1 (each, a "**Cure Period**"), shall constitute a Tenant Default.

18.1.1 Failure to Pay Rent or Impositions. It shall be a Tenant Default when Tenant fails to make any payment of Rent, or, subject to Section 5.1.4, any Imposition when due.

18.1.2 Failure to Pay Other Amounts. It shall be a Tenant Breach if Tenant fails to pay any Rent, charge or obligation of Tenant requiring the

payment of money to County under the terms of this Lease, not covered under Section 18.1.1, when due. The Tenant Breach will become a Tenant Default if payment is not made within fifteen (15) days after Tenant has received notice of non-payment from County.

18.1.3 Abandonment. If Tenant vacates or discontinues its use of the Premises, or a substantial portion thereof, for a period of forty-five (45) consecutive days or more, and does not provide notice to County within that forty-five (45) consecutive day period stating its intention not to abandon this Lease and providing in the notice a full explanation of the reasons for the vacation or discontinuance, the vacation or discontinuance shall be deemed to be an abandonment of this Lease and a Tenant Default. If Tenant provides the notice within the forty-five (45) consecutive days, County may, in its reasonable discretion, accept or reject Tenant's explanation. If County rejects the explanation and so notifies Tenant, the vacation or discontinuance will be a Tenant Breach and Tenant shall cure the Tenant Breach within a forty-five (45) day Cure Period, thereafter. If Tenant does not cure the Tenant Breach within the forty-five (45) day Cure Period, Tenant's failure shall constitute an abandonment of this Lease and a Tenant Default. If County accepts the explanation, County may, by notice to Tenant, require Tenant to meet a reasonable schedule for the continuance of its use of the Premises in accordance with this Lease and to meet other reasonable requirements and time limits. If Tenant does not comply with the schedule or other requirements, or provide County with notice that it will not comply, Tenant's failure to comply shall constitute a Tenant Default.

18.1.4 Failure to Comply with Section 15.1.2. It shall be a Tenant Breach and considered an emergency under Section 7.7 if Tenant fails to comply with the terms and conditions of Section 15.1.2. The Tenant Breach shall become a Tenant Default if Tenant fails to comply with the terms and conditions within twenty-four (24) hours after occurrence of the event; provided, however, that if the Tenant Breach cannot reasonably be cured within such twenty-four (24)-hour period, and Tenant promptly commences the cure and provides notice to County of such commencement, Tenant shall have such additional time as County determines is reasonably necessary to complete the cure so long as Tenant diligently pursues the cure to completion. If Tenant fails to start to promptly comply with the terms and conditions of Section 15.1.2 after occurrence of the event, County may immediately take action to comply with the terms and conditions on Tenant's behalf and at Tenant's cost, without regard to any cure period or notice requirement that may be set forth in this Section 18.1.4.

18.1.5 Performance; Failure to Cure. It shall be a Tenant Breach if Tenant fails to perform any other obligation, term, covenant, or condition of this Lease to be performed by Tenant or has breached any other provision of this Lease not addressed elsewhere in this Article 18. Subject to Unavoidable Delay, the Tenant Breach shall become a Tenant Default if Tenant fails to cure the Tenant Breach within thirty (30) days after Tenant's receipt of notice from County

respecting the Tenant Breach. Notwithstanding the foregoing, if the Tenant Breach cannot reasonably be cured within such thirty (30) day period, and Tenant promptly commences the cure and provides notice to County of such commencement, Tenant shall have such additional time as County determines is reasonably necessary to complete the cure so long as Tenant diligently pursues the cure to completion; provided, however, that if Tenant fails to make diligent and reasonable efforts to cure the Tenant Breach to completion, County may immediately declare a Tenant Default, without regard to any cure period or notice requirement that may be set forth in this Section 18.1.5.

18.1.6 Appointment of a Receiver. It shall be a Tenant Breach if a receiver is appointed, for whatever reason, to take possession of the Premises or to operate the Project, including, any appointment for the benefit of creditors or pursuant to any voluntary or involuntary bankruptcy proceedings; provided, however, a receivership (a) pursuant to administration of the estate of any deceased or incompetent Tenant or of any deceased or incompetent individual partner of Tenant, or (b) pursuant to an Encumbrance, shall not constitute a Tenant Breach. Any Tenant Breach described in this Section 18.1.6 shall become a Tenant Default if not discharged within ninety (90) days after the appointment of the receiver.

18.1.7 Bankruptcy; Assignment for the Benefit of Creditors. It shall be a Tenant Breach if an assignment is made by Tenant for the benefit of creditors, or a voluntary or involuntary petition by or against Tenant is filed under any law for the purpose of adjudicating Tenant as bankrupt; or for the purpose of extending time for payment, adjustment or satisfaction of Tenant's liabilities to creditors generally; or for the purpose of reorganization, dissolution, or arrangement on account of or to prevent bankruptcy or insolvency. Any Tenant Breach described in this Section 18.1.7 shall become a Tenant Default if the assignment or proceeding, and all consequent orders, adjudications, custodies, and supervisions are not dismissed, vacated, or otherwise permanently stayed or terminated within ninety (90) days after the assignment, filing, or other initial event.

18.1.8 Failure to Maintain Insurance. Notwithstanding the provisions of Section 18.1.5, it shall be a Tenant Breach if Tenant (a) fails to maintain and keep in full force the insurance Tenant is required to maintain pursuant to Article 12, (b) fails to cause its contractors to maintain and keep in force the insurance they are required to maintained pursuant to Article 12, or (c) fails to cause any professional required to provide Professional Liability Insurance to maintain and keep in force the insurance required under Article 12. Any such Tenant Breach shall become a Tenant Default if Tenant fails to cure such Tenant Breach within five (5) Business Days after County delivers notice of the Tenant Breach to Tenant; provided, however if Tenant fails to comply with the insurance requirements, County may immediately procure the required insurance on Tenant's behalf at Tenant's cost, without regard to such five (5) Business Day

Cure Period or any other Cure Period or notice requirement that may be set forth in this Lease.

18.2 Notice of Breach or Default. Any notice which County is required to give pursuant to Section 18.1 as a condition to County's exercise of any right to terminate this Lease shall be in addition to, and not in lieu of, any notice required under Section 1161 of the California Code of Civil Procedure.

18.3 County's Remedies. In the event of a Tenant Default, subject to the rights of Encumbrance Holders and Tax Credit Investors under Article 9, County shall have cumulatively, or in the alternative, all rights and remedies provided by law or equity and, in addition, all of the following contractual remedies:

18.3.1 Termination. County may, at its election, terminate this Lease by giving Tenant notice of termination. On the giving of such notice: (a) all of Tenant's rights under this Lease, and in the Premises and the Project shall terminate and be of no further force and effect; (b) Tenant shall promptly surrender and vacate the Premises and the Project; and (c) County may reenter and take possession of the Premises and the Project, and eject all parties in possession from the Premises and the Project or eject some and not others or eject none. Termination shall not relieve Tenant from its obligation to pay any sums, including Rent, then due to County, plus interest thereon from the date due at the Default Rate, compounded monthly, or from any claim for damages previously accrued or then-accruing against Tenant up to the date of termination.

18.3.2 Damages Upon Lease Termination. If County terminates this Lease pursuant to the provisions of this Article 18, in addition to any other rights or remedies available to County at law or in equity, County may recover Rent from Tenant in the sum of:

18.3.2.1 The worth at the time of award of the unpaid Rent which had been earned at the time of termination;

18.3.2.2 The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss, if any, that the Tenant proves could have been reasonably avoided;

18.3.2.3 The worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such rental loss, if any, that the Tenant proves could have been reasonably avoided;

18.3.2.4 All other actual amounts necessary to compensate County for all the detriment actually caused by Tenant's failure to perform its obligations under this Lease, but excluding consequential or punitive damages; and

18.3.2.5 All other amounts in addition to or in lieu of those previously stated as may be permitted from time to time by California law, including, but

not limited to: (1) those amounts of unpaid taxes, insurance premiums and utilities for the time preceding surrender of possession; (2) the cost of removal of rubble, debris and any Improvements which County, at its sole discretion, elects to have removed; (3) if not completely constructed, the cost of completing the construction of the Project as required of Tenant under this Lease; (4) reasonable attorneys' fees and court costs; and (5) any and all other unpaid amounts hereunder, all of which shall be deemed to be Rent hereunder.

As used in Sections 18.3.2.1 and 18.3.2.2, the "worth at the time of award" shall be computed by allowing interest at the Default Rate. As used in Section 18.3.2.3, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award, plus one percent (1%).

18.3.3 Keep Lease in Effect. Subject only to any duty to mitigate imposed by law, without terminating this Lease, so long as County does not deprive Tenant of legal possession of the Premises and allows Tenant to assign or sublet subject only to County's rights set forth herein, County may continue this Lease in effect and either (a) recover all Rent and other amounts payable as they become due, or (b) relet the Premises or any part of the Premises on behalf of Tenant for any term, at any rent, and pursuant to any other provisions as County deems advisable, all with the right, at Tenant's cost, to make alterations and repairs to the Premises.

18.3.3.1 No act by or on behalf of County under this Section 18.3.3 shall constitute a termination of this Lease unless County gives Tenant notice of termination pursuant to Section 18.3.1.

18.3.3.2 It is the intention of the Parties to incorporate the provisions of California Civil Code Section 1951.4 by means of this provision.

18.3.3.3 Even though it may have kept this Lease in effect pursuant to Section 18.3.3, County may thereafter, if a Tenant Default remains uncured and after the expiration of any cure period to which an Encumbrance Holder or a Tax Credit Investor may be entitled pursuant to Section 9.6, elect to terminate this Lease and all of Tenant's rights in or to the Premises and the Project pursuant to Section 18.3.1, unless prior to such termination, Tenant (or Encumbrance Holder or Tax Credit Investor, after having received notice pursuant to Section 9.6) has cured all Tenant Defaults giving rise to County's right to terminate the Lease.

18.3.4 County's Right to Cure Default.

18.3.4.1 County may cure any Tenant Default. No such cure shall constitute a cure of the Tenant Breach or Tenant Default as between County and Tenant, and such cure shall not waive or release Tenant from any obligations under this Lease. In exercising this right, County may perform all acts and make all payments it

deems desirable to achieve the cure, including the payment of any necessary expenses and the employment of legal counsel.

18.3.4.2 Tenant shall reimburse County for all Actual Costs incurred by County in connection with achieving the cure, plus interest at the Default Rate, compounded monthly, from the date any such amounts or expenses are actually expended or incurred. Such reimbursement shall be due and payable by Tenant to County within ten (10) days after County's written demand for payment. Tenant's failure to reimburse County, whether or not County's payment cured the Tenant Breach or Tenant Default, shall constitute a separate Tenant Default.

18.3.5 Tenant's Personal Property Located in the Premises. County may at its election use Tenant's personal property and trade fixtures located on and used in connection with the management and operation of the Premises and the Project, or any of such property and fixtures without compensation and without liability for use or damage, or store them for the account and at the cost of Tenant. The election of one remedy for any one item of personal property or any one trade fixture shall not foreclose an election of any other remedy for another item of personal property or another trade fixture, or for the same item of personal property or the same trade fixture at a later time. This Section 18.3.5 shall not apply to the personal property of any Subtenants.

18.3.6 Injunctive Relief. Unless otherwise provided herein, in addition to other remedies specifically provided in this Lease or at law or in equity, County shall be authorized and entitled wherever there is otherwise a right to equitable or injunctive relief to bring any proceedings in the nature of specific performance or injunction, or to obtain any equitable remedy.

18.3.7 Costs. If County incurs any cost or expense occasioned by a Tenant Breach or a Tenant Default (including but not limited to internal staff costs and reasonable attorneys' fees and costs), then County shall be entitled to receive such costs, including Actual Costs, together with interest on all funds County expends with interest at the Default Rate, compounded monthly, including without limitation, that portion of any brokers' fees relating to the remaining term of this Lease which are incurred by County in connection with re-letting the whole or any part of the Premises or the Project; the costs of removing and storing Tenant's or other occupant's property; the costs of repairing, altering, remodeling or otherwise putting the Premises and the Project into a condition meeting the requirements of this Lease; and all other reasonable expenses incurred by County in enforcing or defending County's rights and/or remedies, including reasonable attorneys' fees and expenses, whether or not suit is actually filed.

18.4 Cumulative Remedies. The remedies given to County herein shall not be exclusive but shall be cumulative with and in addition to all remedies now or hereafter allowed by law or equity, or elsewhere provided in this Lease.

18.5 Waiver of Breach or Default. No waiver by a Party of any Breach or Default by the other Party shall constitute a waiver of any other Breach or Default by such Party, whether of the same or any other covenant or condition hereunder. Except as otherwise provided in this Article 18, no waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual right by custom, estoppel, or otherwise. The acceptance of Rent or any other payment by County after the occurrence of a Tenant Breach or Tenant Default shall not constitute a waiver of such Tenant Breach or Tenant Default or any other Tenant Breach or Tenant Default that may exist at such time, regardless of County's knowledge of any such Tenant Breach or Tenant Default at the time of accepting such Rent, nor shall the acceptance of Rent or any other payment by County after termination or expiration of this Lease constitute a reinstatement, extension, or renewal of this Lease or a revocation of any notice or other act by County.

18.6 County Breach and County Default. County's failure to perform or observe any of the covenants, provisions or conditions contained in this Lease to be performed or observed on its part shall constitute a "**County Breach.**" Each County Breach shall become a default under this Lease ("**County Default**") if:

18.6.1 such County Breach has a material impact upon the Tenant's or any Subtenant's access to the Project or their respective quiet enjoyment and use of any portion of the Project and (a) such County Breach (i) can be cured using commercially reasonable efforts within seventy-two (72) hours after County's receipt of written notice from Tenant describing the nature of such County Breach in detail and (ii) such County Breach is not cured within such seventy-two (72) hour period or (b) such County Breach (i) cannot reasonably be cured within a seventy-two (72) hour period and (ii) County fails to commence to cure such County Breach reasonably promptly upon receipt of written notice from Tenant describing the nature of such County Breach in detail or thereafter fails to continue to make diligent and reasonable efforts to cure such County Breach;

18.6.2 such County Breach arises as a result of County's failure to comply with the time periods set forth in Section 8.7.3 and (a) such County Breach (i) can be cured using commercially reasonable efforts within thirty (30) days after County's receipt of written notice from Tenant describing the nature of such County Breach in detail and (ii) such County Breach is not cured within such thirty (30) day period or (b) such County Breach (i) cannot reasonably be cured within a thirty (30) day period and (ii) County fails to commence to cure such County Breach reasonably promptly upon receipt of written notice from Tenant describing the nature of such County Breach in detail or thereafter fails to continue to make diligent and reasonable efforts to cure such County Breach; or

18.6.3 such County Breach does not have a material impact upon the Tenant's or any Subtenant's access to the Project or their respective quiet enjoyment and use of a substantial portion of the Project and does not arise as a result of County's failure to comply with the time periods set forth in Section 8.7.3

and (a) such County Breach (i) can be cured using commercially reasonable efforts within sixty (60) days after County's receipt of written notice from Tenant describing the nature of such County Breach in detail and (ii) such County Breach is not cured within such sixty (60) day period or (b) such County Breach (i) cannot reasonably be cured within a sixty (60) day period and (ii) County fails to commence to cure such County Breach reasonably promptly upon receipt of written notice from Tenant describing the nature of such County Breach in detail or thereafter fails to continue to make diligent and reasonable efforts to cure such County Breach.

18.7 County Default and Tenant Remedies. In the event of a County Default, Tenant shall have any and all remedies available at law and in equity (including, without limitation, the right to seek injunctive relief), but County's liability hereunder shall be limited to actual damages sustained by Tenant as a direct result of the County Default and shall not include any consequential, indirect or punitive damages.

Article 19

SURRENDER OF THE PREMISES

19.1 Surrender. On the expiration or earlier termination of this Lease, for any reason, Tenant shall, at no cost to County, quit and surrender the Premises and the Project to County without delay.

19.2 Condition of Premises upon Surrender. Subject to Section 19.3, Tenant shall quit and surrender the Premises and the Project to County (a) in the event of a Tenant termination of this Lease pursuant to Section 15.2, in its then-damaged or destroyed condition, (b) in the event of a termination pursuant to Section 16.1, as affected by the Condemnation, or (c) in all other cases, in good order, condition and repair, ordinary wear and tear excepted. Except as otherwise expressly provided in Section 19.3, Tenant shall have no right to demolish or remove any Improvements from the Premises at the expiration or earlier termination of this Lease.

19.3 Demolition Work and Transfer.

19.3.1 Demolition. Notwithstanding the provisions of Section 19.2, upon notice from County ("**Demolition Notice**"), Tenant shall, following the expiration or earlier termination of this Lease, perform the following demolition (collectively, the "**Demolition Work**"):

19.3.1.1 Raze the then-existing Improvements;

19.3.1.2 Clear the Premises, including removal of all rubble, debris and Hazardous Substances placed on the Premises between the Commencement Date and the date upon which the Premises are surrendered to County by Tenant; and

19.3.1.3 Fill all holes, excavations and indentations resulting from any such razing and removal activities, with properly compacted backfill material containing no Hazardous Substances.

19.3.2 Demolition Notice. County shall have the right to deliver a Demolition Notice with respect to:

19.3.2.1 Expiration of the Term, at any time not later than ninety (90) days prior to the expiration; or

19.3.2.2 Any earlier termination of this Lease, at any time up to ninety (90) days after the earlier termination.

19.3.3 Demolition Work. Subject to any plan approved under Section 19.3.5, Tenant shall commence the Demolition Work within forty-five (45) days after the date of the Demolition Notice, and diligently pursue the Demolition Work to completion as soon as reasonably practical.

19.3.4 Grading of Surface. Promptly after completion of the Demolition Work, Tenant shall grade the surface of the Premises to provide a clean and level appearance, and shall cover such area with level, one-half inch thick asphalt or similar material (but not at materially greater cost than asphalt), as directed by County.

19.3.5 Plan Approval. Prior to commencing any Demolition, Tenant shall submit Plans and Specifications and a schedule of performance (setting fixed milestones for completion) for Tenant's Demolition Work to County for its review and approval. County shall review such plans in accordance with the requirements of Article 7.

19.4 Access. Tenant shall perform all Demolition Work in a manner that maintains access between and among the public streets, sidewalks and rights-of-way adjacent to the Project, the Premises and all other access points.

19.5 Work Satisfactory to County. All work done pursuant to Section 19.3 shall be to the reasonable satisfaction of County.

19.6 Lease Continues During Demolition Work. If Tenant does not complete the Demolition Work prior to the expiration or earlier termination of this Lease, then all of the Tenant's obligations under this Lease (including Tenant's indemnification and insurance obligations) and Tenant's right to enter onto the Premises and perform the Demolition Work shall continue in full force and effect during the period between the expiration or earlier termination of this Lease and the date upon which Tenant completes the Demolition Work and surrenders the Premises to County as required under this Lease.

19.7 Default. If Tenant fails to complete the Demolition Work as required and in strict accordance with the Plans and Specifications and performance schedule

approved by County, then upon the failure of Tenant to commence to cure within fifteen (15) days after County provides notice to Tenant regarding such failure, a Tenant Default shall have occurred and County may, but shall not have the obligation to, perform the Demolition Work, or portions thereof, on Tenant's behalf, and Tenant shall reimburse County for its costs associated with the Demolition Work, including its Actual Cost of performing the Demolition Work.

19.8 Survival of Obligations. Tenant's obligations under this Article 19 shall survive the expiration or earlier termination of this Lease.

19.9 Title Upon Surrender. Although Tenant shall have title to the Improvements located on the Premises during the Term of this Lease, upon expiration or earlier termination of this Lease for any reason, title to all of Tenant's interest in the Premises and the Project shall automatically vest in County, without the execution of any further instrument. Tenant covenants and agrees to execute and deliver (at no cost or expense to County) a quitclaim deed or such other appropriate documentation requested by County to confirm transfer to County of such title, which covenant shall survive the expiration or earlier termination of this Lease.

19.10 Subleases. Upon the early termination of this Lease for any reason, the Subleases not extinguished by the early termination which County elects to assume, in its sole and absolute discretion, shall be automatically assigned to County, without the need for any further written documentation.

19.11 Liens and Encumbrances. No lien or Encumbrance of the Tenant Estate shall survive the expiration or the earlier termination of this Lease, and all such liens and Encumbrances shall be cleared from title by Tenant upon such expiration or earlier termination, except where County has specifically agreed to the survival of an Encumbrance in its approval in accordance with Article 9.

19.12 Security For Cost of Demolition Work. No later than the fifty-seventh (57th) Anniversary of the Commencement Date, Tenant shall deliver to County a report (a) prepared by a construction and demolition expert reasonably approved by County, (b) completed within ninety (90) days before the fifty-seventh (57th) Anniversary of the Commencement Date, and (c) which estimates (in detail) the projected cost at the end of the Term of the demolition and razing of all Improvements on the Premises in accordance with the standards set forth in Sections 19.3, 19.4 and 19.5 ("**Demolition Report**"). If the funds then available to the Tenant for the purpose of demolition and razing of the all Improvements on the Premises is less than the projected cost stipulated in the Demolition Report (the "**Demolition Security**"), then, within ninety (90) days after delivering the Demolition Report to County, Tenant shall deliver a written plan (the "**Tenant Security Plan**") that sets forth Tenant's proposed method of securing the additional sums needed to discharge Tenant's obligations with respect to the Demolition Work at the expiration of this Lease. The Tenant Security Plan shall detail (a) the form of Demolition Security proposed by Tenant, which Demolition Security shall be a deposit of funds, a letter of credit, bond or other form of security, in form and amount, and from an issuer, reasonably satisfactory to County, and (b) a schedule reasonably satisfactory

to County for the delivery by Tenant of the Demolition Security, which schedule shall in all events provide for a full funding of the Demolition Security not later than five (5) years prior to the expiration of the Term. The amount of the Demolition Security shall be no less than the estimated cost of the Demolition Work as set forth in the Demolition Report, adjusted annually to reflect the increase, if any, in the CPI between the date of the Demolition Report and the date that the Term of this Lease expires. Any failure by Tenant to deliver the Demolition Security in accordance with this Lease shall constitute a Tenant Breach. If County does not elect to require Tenant to perform Demolition Work upon expiration of the time in which County may give a Demolition Notice under Section 19.3.2, then upon the expiration of the Term, or upon earlier termination of this Lease and the performance by Tenant of all of its obligations under this Lease, subject to set off by County for any amounts payable by Tenant to County pursuant to this Lease or other agreement to which Tenant and County are parties, County shall return the Demolition Security to Tenant.

19.13 Holding Over. If Tenant holds over after the expiration of the Term for any cause, with or without the express or implied consent of County, such holding over shall be deemed to be a tenancy from month-to-month only, and shall not constitute a renewal or extension of the Term. During any such holdover period, Rent shall be paid monthly in advance by Tenant in an amount equaling one and one-half percent (1.5%) of the then-current Market Value of the Project. Such holdover shall otherwise be subject to the same terms, conditions, restrictions and provisions as herein contained. Such holding over shall include any time employed by Tenant to perform the Demolition Work.

19.13.1 Nothing contained herein shall be construed as consent by County to any holding over by Tenant, other than as is permitted under Section 19.6 to diligently complete the Demolition Work, and County expressly reserves the right to require Tenant to surrender possession of the Premises to County as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Section 19.13 shall not be deemed to limit or constitute a waiver of any other rights or remedies of County provided at law or in equity. If Tenant fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to County accruing therefrom, Tenant shall protect, defend, Indemnify County from all losses, costs (including reasonable attorneys' fees), damages, claims and liabilities resulting from such failure, including, without limitation, any claims made by any succeeding tenant (or subtenant) arising from such failure to surrender, and any lost profits to County resulting therefrom.

Article 20

RELOCATION ASSISTANCE WAIVERS

20.1 Relocation Assistance Waiver. Tenant acknowledges that after this Lease has expired or terminated, County may develop the Premises for public projects and other public or private uses and programs that may be implemented by County or other

public or private agencies or entities. Accordingly, as a condition to entering into this Lease, Tenant acknowledges and agrees that: (a) upon the termination or expiration of this Lease, Tenant, and its Affiliates shall not be entitled to receive, and hereby release and waive, (i) any relocation assistance, moving expenses, goodwill or other payments under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, 42 U.S.C. §§ 4601 *et seq.*, 49 CFR 24 and/or the California Relocation Assistance Law, as amended, California Government Code §§ 7260 *et seq.*, or any successor or equivalent statutes and (ii) any compensation under Business and Professions Code Section 5412 regarding signage as a result of such termination and vacation of the Premises (collectively, “**Relocation Assistance**”) and (b) Tenant shall require each Subtenant or Person to which Tenant has granted occupancy rights to any portion of the Premises to release and waive any rights such Subtenant or Person might have to Relocation Assistance, to the fullest extent allowed by Federal, State and local law, as a condition of each Sublease or other agreement granting occupancy rights to any portion of the Premises. Tenant acknowledges that this Lease shall be considered full advance compensation for such release and waiver of the Relocation Assistance. In the event of any assertion or Claim by Tenant or a Subtenant or Affiliate that such Tenant, Subtenant or Affiliate has not waived all Relocation Assistance or is entitled to Relocation Assistance, then Tenant shall Indemnify County and County Indemnified Parties against such Claims in accordance with Article 13 hereof, provided, however that Tenant shall have no obligation to Indemnify County or any County Indemnified Party against such Claim to the extent such Claim arises for a Subtenant or other Person to which Tenant has granted occupancy rights to any portion of the Premises and such Claim could not have been validly waived in accordance with Federal, State or local law and/or regulation at the commencement of such tenancy or occupancy. The terms and indemnities included in this Article 20 shall survive the expiration or termination of this Lease.

20.2 Release. In connection with and to the extent of the Tenant’s release and waiver of any Relocation Assistance, Tenant waives the benefit of California Civil Code § 1542, which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

Tenant’s Initials

The release and waiver set forth in this Article 20 shall survive the termination of this Lease.

Article 21

TRANSFERS BY County

21.1 County Transfers. County may sell, assign, convey, or otherwise transfer all or any portion of the County Estate at any time (“**County Transfer**”). County shall be released from any ongoing obligations hereunder from and after the date of any such County Transfer; provided the transferee under any such County Transfer assumes in writing all obligations of County hereunder arising after the date of such County Transfer. In addition, County shall have the right to encumber the County Estate pursuant to one or more deeds of trust, mortgages, security instruments or other encumbrances (“**County Encumbrance**”); provided, however, that any County Encumbrance shall be subject and subordinate to any then-existing rights of (a) Tenant in the Tenant Estate, including, without limitation, Tenant’s interest in this Lease (including any then-existing amendments or modifications hereof) and the Premises and (b) any Encumbrance Holder. Any assignment of the County Estate shall not affect Tenant’s obligations or responsibilities hereunder in any manner whatsoever as the same may exist at the time of such assignment. County’s successors and assigns in the County Estate shall be bound by this Lease.

Article 22

NOTICES AND PAYMENTS

22.1 Notices. All notices shall be in writing and either (a) personally served at the appropriate address (including by means of professional messenger service or recognized overnight delivery service, provided that any such delivery is confirmed by written receipts signed on behalf of the receiving Party or by adequate proof of service) or (b) deposited in the United States mail, postage prepaid, certified or registered mail, return receipt requested, addressed to the appropriate addressee and shall be deemed received and effective on the day such notice is actually received if received before 5:00 p.m. on a regular Business Day, or on the following Business Day if received at any other time. All addresses of the Parties for receipt of any notice to be given pursuant to this Lease are as follows:

If to County:

Los Angeles County

[Redacted address lines]

Attention: David Howard, Assistant Chief Executive Officer

With a copy to:

County of Los Angeles

Real Estate Division
222 S. Hill Street, 3rd Floor
Los Angeles, California 90012
Attention: Joyce L. Chang
Phone: (213) 974-3078
E-mail: jchang@ceo.lacounty.gov

Office of the County Counsel
500 West Temple Street
Los Angeles, California 90012
Attention: County Counsel
FAX: (213) 617-7182
Phone: (213) 974-1801

If to Tenant:

Western Community Housing, Inc.

Attention: _____

With a copy to:

Attention: _____

If to Tax Credit Investor:

Attention: _____

Either County or Tenant may change any of the above information by giving notice to the other Party of such change in accordance with the provisions of this Section 22.1.

22.2 Payments. Any and all payments to be made to County hereunder (including any and all Rent due pursuant to Article 4 hereunder) shall be made by either: (a) wire transfer or Automated Clearing House Electronic Funds Transfer as directed by

County in writing; or (b) check, deposited in the United States mail and addressed as follows:

[Redacted]
[Redacted]
[Redacted]
[Redacted]
Attention: [Redacted]

County may change its payment instructions at any time by giving notice to Tenant of such change in accordance with the provisions of Section 22.1.

Article 23

ESTOPPEL CERTIFICATES

23.1 Tenant's Estoppel Certificate. Upon the request of County or the holder or prospective holder of any deed of trust, mortgage or other encumbrance on the County Estate, Tenant shall deliver an Estoppel Certificate to County and such requesting Party within thirty (30) days after having received such request.

23.2 County's Estoppel Certificate. Upon the request of Tenant or a prospective or existing Encumbrance Holder or Tax Credit Investor, County shall promptly deliver an Estoppel Certificate to Tenant and such requesting Party within thirty (30) days after having received such request.

Article 24

ENFORCEMENT

In any action in court or Arbitration by one Party against the other Party arising out of this Lease or a claimed or actual Default hereunder, the Prevailing Party shall be entitled to recover from the other Party all reasonable costs, but not including attorneys' fees or costs, incurred by the Prevailing Party with respect to such action or Arbitration, including, but not limited to such Prevailing Party's actual Arbitration expenses and/or court costs, and the fees, expenses, and costs of and associated with such Prevailing Party's appraisers, experts, and other professionals (as used in this Article 24, "**Dispute-Related Costs**"). The court or Arbitrator shall determine (in the same proceeding in which judgment on the merits of the claim is made) the issue of whether a party was a "**Prevailing Party**" with respect to the totality of the final judgment (and not on the basis of individual elements of the claim), and if a Party is determined to be a Prevailing Party, the other Party shall pay the Prevailing Party's Dispute-Related Costs incurred in connection therewith. Any award of Dispute-Related Costs shall not be computed in accordance with any court schedule, but shall be as necessary to fully reimburse all Dispute-Related Costs actually incurred in good faith by the Prevailing Party, regardless of the size of the judgment, it being the intention of the Parties to fully compensate the Prevailing Party for all such Dispute-Related Costs. For the avoidance of doubt, "**Dispute-Related Costs**" shall not include a Prevailing Party's attorneys' fees.

Article 25

NON-DISCRIMINATION

25.1 Employment. The Parties shall not, in the implementation of this Lease and in design, development, operation, and use of the Project, discriminate against any employee or applicant for employment on the basis of race, religion, sex, sexual orientation, age, physical handicap, or national origin and shall comply with all applicable provisions of federal, state and local law related to discrimination. Tenant shall take affirmative action to ensure that applicants are employed and that employees are treated during their employment without regard to their race, religion, sex, sexual orientation, age, physical handicap, or national origin, including without limitation employment, promotion, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

25.2 Rental or Sale. Tenant shall refrain from restricting the rental, sale, or lease of the Premises or Project, or any portion thereof, on the basis of sex, age, handicap, marital status, race, color, religion, creed, ancestry, or national origin of any Person. All leases and contracts affecting the Premises or any portion thereof shall contain clauses expressly giving effect to this Section 25.2.

Article 26

QUIET ENJOYMENT

County covenants that, subject to the exercise of County's rights and remedies set forth in this Lease or arising under law or in equity, Tenant shall have quiet and peaceful possession of the Premises as against County and any Person claiming the same by, through or under County, subject to other rights of County set forth in this Lease.

Article 27

CONFIDENTIALITY AND PUBLIC RECORDS

27.1 Confidentiality. The Parties anticipate that during the Term each shall from time to time disclose and provide to the other Party certain confidential and proprietary reports, correspondence and other information related to the Project, this Lease and the Subleases. Unless otherwise required by any Legal Requirement, no Party shall disclose (except to its own and to the other Party's employees, officers, directors, agents, advisors, existing and prospective lenders, existing and prospective investors, existing and prospective partners, existing and prospective direct or indirect financing sources (including, without limitation, the California Tax Credit Allocation Committee) legal counsel and consultants) information regarding or related to the Project, this Lease or the Subleases that is not already public and that has been delivered to such Party pursuant to the terms hereof.

27.2 County Public Obligations. Notwithstanding the foregoing Section 27.1, Tenant acknowledges and agrees that County, as a public body, (a) is subject to broad disclosure obligations under applicable law, including, but not limited to the Public Records Act (Cal. Gov. Code §§ 6250 *et seq.*) and (b) holds board of directors meetings that are open to the public and at which information concerning the Project, this Lease and the Subleases may be disclosed. Nothing in this Lease shall prohibit any disclosure required under any Legal Requirement.

27.3 Documents Marked Confidential. Any written document marked “CONFIDENTIAL AND RESTRICTED DISCLOSURE UNDER SECTION 27.1 OF GROUND LEASE” in capital letters (“**Confidential Mark**”) shall be deemed to provide all recipients thereof with actual knowledge that Tenant deems such document to be confidential and proprietary pursuant to Section 27.1. If County receives a request under the Public Records Act (Cal. Gov. Code §§ 6250 *et seq.*) concerning the disclosure of any document with a Confidential Mark, County shall provide notice to Tenant of such request. If required under any Legal Requirement, County shall disclose such document with a Confidential Mark pursuant to applicable law, unless otherwise ordered by a court. If Tenant does not want such document with a Confidential Mark to be disclosed, Tenant, at its sole cost and expense, may prosecute or defend any action concerning such document and shall Indemnify County from all costs and expenses, including attorneys’ fees, in connection with such action. In the event of any breach of this Article 27, the injured Party will be entitled, in addition to any other remedies that it may have at law or in equity, to injunctive relief or an order of specific performance.

27.3.1 Survival. The provisions of this Article 27 and the obligations of Tenant and County hereunder shall survive the expiration or earlier termination of this Lease.

Article 28

ARBITRATION OF DISPUTES

28.1 Arbitration. Except as otherwise provided by this Article 28, in the event that for any reason the Parties fail to agree on the insurance to be carried by Tenant under Article 12 (a “**Dispute**”), the resulting Dispute shall be settled by binding arbitration (“**Arbitration**”) in accordance with the then-existing provisions of the California Arbitration Act, which as of the date hereof is contained in Title 9 of Part III of the California Code of Civil Procedure, commencing with Section 1280.

28.1.1 Initiation. Either Party (“**Initiating Party**”) may initiate the Arbitration by sending notice (“**Request for Arbitration**”) to the other Party (“**Responding Party**”) requesting initiation of Arbitration, setting forth a brief description of the Dispute, the contention(s) of the Initiating Party. Within thirty (30) days after service of the Request for Arbitration, the Responding Party shall provide the Initiating Party with notice of the Responding Party’s response setting forth a brief description of the Dispute, and the contention(s) of the Responding Party (with all supporting material) (“**Response**”).

28.1.2 Procedure. Notwithstanding anything to the contrary which may now or hereafter be contained in the California Arbitration Act, the Parties agree that the following provisions shall apply to any and all arbitration proceedings conducted pursuant to Disputes subject to this Article 28:

28.1.3 Selection of Arbitrator. The Parties shall attempt to agree upon an arbitrator who shall decide the matter. If, for any reason, the Parties are unable to agree upon the arbitrator within ten (10) days of the date the Responding Party provides notice of its Response to the Initiating Party, then at any time on or after such date either Party may petition for the appointment of the arbitrator as provided in California Code of Civil Procedure Section 1281.6.

28.1.4 Arbitrator. The arbitrator shall be a retired judge of the California Superior Court, Court of Appeal or Supreme Court, or any United States District Court or Court of Appeals located within the State, who has agreed to resolve civil disputes, or an attorney with not less than twenty (20) years of experience in Los Angeles County representing clients in real estate transactions comparable in size and complexity to the transaction underlying this Lease.

28.2 Scope of Arbitration. County and Tenant affirm that the mutual objective of such arbitration is to resolve the Dispute as expeditiously as possible. Absent mutual agreement of the Parties, arbitration shall not apply to or be used to determine issues other than: a Dispute arising pursuant to insurance to be carried by Tenant under Article 12, and such related preliminary or procedural issues as are necessary to resolve such matter. The arbitrator shall render an award. Either Party may, at its sole cost and expense, request a statement of decision explaining the arbitrator's reasoning which shall be in such detail as the arbitrator may determine. Unless otherwise expressly agreed by the Parties in writing, the award shall be made by the arbitrator no later than the sooner of six (6) months after the date on which the arbitrator is selected by mutual agreement or court order, whichever is applicable, or five (5) months after the date of a denial of a petition to disqualify a potential arbitrator for cause. County and Tenant hereby instruct the arbitrator to take any and all actions deemed reasonably necessary, appropriate or prudent to ensure the issuance of an award within such period. Notwithstanding the foregoing, failure to complete Arbitration within such period shall not render such Arbitration or any determination made therein void or voidable; however, at any time after the expiration of the foregoing five (5) or six (6) month periods, as applicable, either Party may deliver written notice to the arbitrator and the other Party declaring such Party's intent to terminate the Arbitration if the award is not issued within thirty (30) days after delivery of such notice. If the arbitrator's award is not issued prior to the expiration of such period of thirty (30) days, the Arbitration shall be terminated and the Parties shall recommence Arbitration proceedings pursuant to this Section 28.2.

28.3 Immunity. The Parties hereto agree that the arbitrator shall have the immunity of a judicial officer from civil liability when acting in the capacity of arbitrator pursuant to this Lease.

28.4 Exceptions to Section 1282.2. The provisions of California Code of Civil Procedure § 1282.2 shall apply to the Arbitration except to the extent they are inconsistent with Section 28.3 above or the following:

28.4.1 Unless the Parties otherwise agree, the arbitrator shall appoint a time and place for the hearing and shall cause notice thereof to be served as provided in California Code of Civil Procedure § 1282.2 not less than ninety (90) days before the date set for the hearing, regardless of the aggregate amount in controversy.

28.4.2 No later than sixty (60) days prior to the date set for the hearing (unless, upon a showing of good cause by either Party, the arbitrator establishes a different period), in lieu of the exchange and inspection authorized by California Code of Civil Procedure § 1282.2(a)(2)(A), (B) and (C), each Party shall provide the other Party and the arbitrator with the following documents via simultaneous exchange made by personal messenger:

(a) A written Statement of Position (“**Statement of Position**”) setting forth in detail that Party’s final position regarding the Dispute;

(b) A written list of witnesses that Party intends to call at the hearing, designating which witnesses will be called as expert witnesses and a summary of each witness’s testimony; and

(c) A written list of the documents that Party intends to introduce at the hearing, together with complete and correct copies of all of such documents.

28.4.3 Reply. No later than thirty (30) days prior to the date set for the hearing, each Party may file a reply to the other Party’s Statement of Position (“**Reply**”). The Reply shall contain the following information:

(a) A written statement, limited to that Party’s rebuttal to the matters set forth in the other Party’s Statement of Position;

(b) A written list of witnesses that Party intends to call at the hearing to rebut the evidence to be presented by the other Party, designating which witnesses will be called as expert witnesses; and

(c) A written list of the documents that Party intends to introduce at the hearing to rebut the evidence to be presented by the other Party, together with complete and correct copies of all of such documents (unless, upon a showing of good cause by either Party, the arbitrator establishes a different deadline for delivering true and correct copies of such documents).

28.4.4 No list of any kind need be produced setting forth witnesses or documents to be used solely for the purpose of impeaching another Party’s witness.

28.4.5 The arbitrator is not bound by the rules of evidence, but may not consider any evidence not presented at the hearing. The arbitrator may exclude evidence for any reason a court may exclude evidence or as provided in this Lease.

28.5 Evidence. The provisions of California Code of Civil Procedure § 1282.2(a)(2)(E) shall not apply to the Arbitration. The arbitrator shall have no discretion to allow a Party to introduce witnesses or documents (other than impeachment testimony) unless such information was previously delivered to the other Party in accordance with Section 28.4.2, or such evidence consists of a transcript of a deposition of an expert witness. Notwithstanding the preceding sentence, the arbitrator may allow a Party to introduce evidence which, in the exercise of reasonable diligence, could not have been delivered to the other Party in accordance with Section 28.4.2, provided such evidence is otherwise permissible hereunder.

28.6 Discovery. The provisions of California Code of Civil Procedure § 1283.05 shall not apply to an Arbitration except to the extent incorporated by other sections of the California Arbitration Act. There shall be no pre-arbitration discovery except as provided in Section 28.4.2; provided, however, each Party shall have the right, no later than fifteen (15) days prior to the date first set for the hearing, to conduct a deposition, not to exceed three (3) hours in duration unless the arbitrator otherwise determines that good cause exists to justify a longer period, of any person identified by the other Party as an expert witness pursuant to Section 28.4.2.

28.7 Awards of Arbitrator.

28.7.1 Disputes Regarding Insurance Matters. For disputes as to insurance, the arbitrator shall render an arbitral decision based on the arbitrator's determination of what insurance products are available, whether procurement is a prudent business practice and what limits of liability or deductibles provide adequate protection to County, as well as any other Dispute pertaining to insurance required to be obtained and maintained by Tenant under Article 12 of this Lease.

28.7.2 Upon the arbitrator's making of an arbitral award or arbitral decision, such arbitral award or arbitral decision shall be final and finding upon the Parties, absent Gross Error.

28.8 Powers of Arbitrator. In rendering an arbitral award or arbitral decision, the arbitrator shall have the power to consult or examine experts or authorities not disclosed by a Party pursuant to Section 28.4.2 hereof, provided that each Party is afforded the right to cross-examine such expert or rebut such authority.

28.9 Costs of Arbitration. Prior to the date on which an arbitral award or arbitral decision is made, Tenant and County shall equally pay all reasonable expenses and fees of the arbitrator, together with other expenses of arbitration incurred or approved by the arbitrator, within thirty (30) days after receiving an invoice from the arbitrator or

other third-party provider of services selected by the arbitrator. Failure of either Party to pay its share of expenses and fees constitutes a material breach of such Party's obligations under this Lease. From the date on which an arbitral award, or arbitral decision is rendered all expenses and fees set forth in this Section 28.9 shall be paid in accordance with Article 24 and the Prevailing Party shall be reimbursed by the other Party pursuant to Article 24.

28.10 Amendment to Implement Judgment. Within seven (7) days after the issuance of, and in accordance with an arbitral award or arbitral decision. County will draft a proposed amendment to this Lease that is mutually acceptable to the Parties. Within seven (7) days after delivery of a copy of the amendment to Tenant, Tenant will sign the amendment and return the executed copy to County, which shall thereafter be executed by County as soon as reasonably practicable.

28.11 Impact of Gross Error Allegations. Where either Party has charged the arbitrator with Gross Error:

28.11.1 Disqualification Judgment. The arbitral award shall not be implemented if the Party alleging Gross Error obtains a judgment of a court of competent jurisdiction stating that the arbitrator was guilty of Gross Error and vacating the arbitral award ("**Disqualification Judgment**"). In the event of a Disqualification Judgment, the arbitration process shall begin over immediately in accordance with this Article 28, which arbitration shall be conducted (with a different arbitrator) as expeditiously as reasonably possible.

28.11.2 Gross Error. The Party alleging Gross Error shall have the burden of proof. For the purposes of this Section 28.11, the term "**Gross Error**" shall mean that the arbitral award is subject to vacation pursuant to California Code of Civil Procedure Section 1286.2 or any successor provision.

28.12 NOTICE. BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISIONS OF THIS ARTICLE 28 DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THIS ARTICLE 28. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISIONS OF THIS ARTICLE 28 TO NEUTRAL ARBITRATION.

Tenant' Initials

County's Initials

Article 29

GENERAL

29.1 Compliance With Laws. During the performance of this Lease, Tenant and County shall each be responsible for the work of its own Authorized Representatives, employees, contractors and consultants and shall comply with all applicable federal, state and local laws, ordinances, codes, regulations, judicial decrees, and administrative orders and regulations. In the event any of the provisions of this Lease conflict with federal, state or local laws or requirements, the provisions of such laws and requirements shall prevail.

29.2 Counterparts. Any fully executed copy of this Lease shall be deemed an original for all purposes. This Lease may be fully executed in one or more counterparts, each of which shall be an original, and all of which together shall constitute a single instrument.

29.3 Time of Essence. Time is of the essence for the performance of each covenant and term of this Lease. Notwithstanding the foregoing, if any non-monetary obligation of Tenant or County cannot be satisfied within the time requirements of this Lease due to an Unavoidable Delay, the time for performance of such obligation shall be extended on a day to day basis until such time as the Unavoidable Delay has ended, subject to the affected Party's duty to mitigate and to any other requirements or limitations in this Lease. Any Unavoidable Delay in construction shall be calculated using the critical path method of calculating delays as such method is typically used in the construction industry. As a condition to any extension of time for the performance of any obligation under this Lease due to an Unavoidable Delay, the Party seeking such extension shall notify the other Party in writing, within ten (10) Business Days after the event or events giving rise to such Unavoidable Delay, of the need for the extension and the specific event or events giving rise to such Unavoidable Delay. Notwithstanding the foregoing, the period for compliance with monetary obligations shall not be extended hereunder for any reason, unless agreed to in writing by the Party to whom such monetary obligation is due.

29.4 Successors and Assigns. The terms, obligations, covenants and agreements of this Lease shall run with the land and inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, and, except as otherwise provided herein, may not be assigned independent of sale of all of

the Premises. Sale, conveyance or other Transfer of the Tenant Estate shall be subject to the terms and conditions of this Lease.

29.5 Remedies. All remedies herein conferred shall be deemed cumulative and no one remedy shall be exclusive of any other remedy herein conferred or created by law.

29.6 Waivers.

29.6.1 Limitations. The waiver by one Party of any Breach or Default under this Lease by the other Party shall be limited to the specific terms of a written waiver executed by the Party granting such waiver, and shall not invalidate this Lease, or any part hereof, and shall not constitute: (a) a general waiver of the breached or defaulted term, covenant, condition or promise, (b) a waiver of any other term, covenant, condition or promise under this Lease, or (c) a waiver of any subsequent Breach or Default of the same or any other term, covenant, condition or promise of this Lease. The extension by one Party of the time for performance of any act under this Lease shall not constitute a similar extension of the time for performance of any other act, nor shall it constitute a subsequent extension for an identical act required to be performed at a later time.

29.6.2 Requirement for Writing. All waivers of Breaches and Defaults under this Lease shall be in writing, executed by the Party granting such waiver, and except as expressly set forth in this Lease, no claim of waiver or acquiescence with respect to any of the provisions of this Lease shall be made against any Party, except on the basis of such a written instrument.

29.6.3 Rights and Remedies Under Law. Except as otherwise expressly set forth in this Lease, nothing in this Lease shall constitute a waiver of any rights or remedies available to any Party at law or in equity.

29.6.4 Default. A failure or delay by a Party to exercise any right it may have by reason of a Default of the other Party shall not (a) operate as a waiver of the Default or any subsequent or other Default under this Lease, (b) constitute or be deemed a modification of this Lease, or (c) prevent the exercise of any right by the Party not in Default.

29.7 Good Faith. Except where a Party hereto is specifically permitted to act in its sole and absolute discretion, each Party hereto agrees to act reasonably and in good faith with respect to approvals required under this Lease and the performance and fulfillment of the terms of each and every covenant and condition contained in this Lease.

29.8 No Partnership. Nothing in this Lease shall be deemed or construed as creating a partnership, joint venture, or association between County and Tenant, or cause either Party to be responsible in any way for the debts or obligations of the other Party, and neither the obligation to pay Rent nor the method of computing Rent nor any

other provision contained in this Lease nor any acts of the Parties hereto shall be deemed to create any relationship between County and Tenant other than the relationship of County, as landlord, and Tenant, as tenant, under this Lease.

29.9 Integration. The executed Lease Documents, this Lease and the exhibits and addenda, if any, attached hereto, constitute the entire agreement between the Parties with respect to the Premises and the subject matter contained herein, and there are no agreements or representations between the Parties with respect to the same except as expressed herein. This Lease shall supersede the ENA, and each of the terms, covenants, conditions, representations and warranties set forth therein with respect to the Premises, and all prior negotiations and other agreements between County and Tenant with respect to the Premises and the subject matter of this Lease, except to the extent explicitly set forth in this Lease.

29.10 Commissions. County and Tenant each represent and warrant to the other that it has employed no broker, finder or other Person in connection with this Lease or the transactions contemplated hereunder which might result in the other Party being held liable for all or any portion of a commission or finders' fee. County and Tenant each hereby agree to Indemnify one another against Claims, without requiring prior payment of such Claims by either of the Parties, arising by reason of the incorrectness of the representations and warranties made by such Party in this Section 29.10, including, without limitation, reasonable attorneys' fees and litigation costs. Tenant shall be fully responsible and liable for all commissions or finder's fees resulting from the Subleasing of the Premises, and will Indemnify County for any Claims whatsoever incurred by County with respect to the same without requirement that County first pay such Claims.

29.11 Survival. Notwithstanding anything to the contrary contained in this Lease, the provisions of this Lease (including, without limitation, the covenants, agreements, representations, warranties, obligations and liabilities described herein) which from their sense and context are intended to survive the expiration or earlier termination of this Lease, whether or not such provision expressly so provides, shall survive expiration or earlier termination of this Lease and shall continue to be binding upon the applicable Party.

29.12 Modification. This Lease may be changed, modified or discharged only by an agreement in writing signed by all Parties and consented to by any then-existing Encumbrance Holders.

29.13 Governing Law and Jurisdiction. This Lease shall be governed by and construed in accordance with the laws of the State of California (excepting those laws regarding conflicts of law or removal to another jurisdiction), and the courts of California shall have exclusive jurisdiction in respect of all disputes concerning or arising out of this Lease. Any Arbitration or other alternate dispute resolution procedure as may be agreed by the Parties, and any litigation concerning the subject of this Lease shall be carried out and adjudicated in Los Angeles County.

29.14 Interpretation.

29.14.1 Construction. This Lease shall be construed in accordance with its fair meaning, and not strictly for or against either Party hereto.

29.14.2 No Evidence. No drafts of this Lease or language proposed by any Party and not incorporated herein shall be used in interpreting this Lease.

29.14.3 Exhibits. All references in this Lease to exhibits shall be construed as though the words “hereby made a part hereof and incorporated herein by this reference” were, in each case, appended thereto. In the event of a conflict between this Lease and any of the exhibits attached hereto, the terms of this Lease shall govern.

29.14.4 Articles and Section Headings and References. The heading of the Articles and Sections of this Lease are provided solely for convenience of reference and are not intended to govern, limit or aid in the interpretation or construction of any term or provision of this Lease. Unless otherwise explicitly provided, all references to “Articles” or “Sections” are respectively to Articles or Sections of this Lease.

29.14.5 Interpretation. When the context of this Lease requires, (a) the plural and singular numbers shall be deemed to include the other; (b) the masculine, feminine and neuter genders shall be deemed to include the others and a partnership, corporation, joint venture or other entity; (c) “or” is not exclusive; (d) “includes” and “including” are not limiting; and (e) all things that in law or usage are considered as incidental to this contract, or as necessary to carry it into effect, are implied, even if some of them and not others are expressly mentioned herein.

29.15 Water, Oil and Mineral Rights. County reserves all right, title and interest in all water, oil, gas or other hydrocarbons located on, under or within the Premises, and all other mineral rights with respect to the Premises, together with the sole and exclusive right to sell, lease, assign or otherwise transfer the same, but without any right of County or any such transferee to enter upon the surface of the Premises for the purpose of exercising such rights during the Term, except as otherwise provided herein.

29.16 No Third-Party Beneficiaries. Except as expressly set forth in this Lease, no parties other than County, and its successors and assigns, and Tenant, and its successors and assigns, shall be a beneficiary of the rights conferred in this Lease, and no other party shall be deemed a third-party beneficiary of such rights.

29.17 Exculpation of Certain Persons. No individual trustee, officer, director, shareholder, member, constituent partner, employee or agent of any Party, in his or her individual capacity as such, shall have any personal liability for the performance of any obligation of such Party under this Lease solely by reason of such status.

29.18 Performance Postponed. Any performance required under this Lease on a day that is not a Business Day shall be postponed until the next Business Day.

29.19 Severability. If (a) any provision of this Lease is held by a court of competent jurisdiction (or by an arbitrator in an Arbitration pursuant to Article 28) to be invalid, void or unenforceable (including any indemnity provision determined to be invalid, void or unenforceable under Section 2782) and (b) the invalidity or unenforceability of such a provision does not deny a Party the material benefit of this Lease, then the remainder of this Lease which can be given effect without the invalid provision shall continue in full force and effect and shall in no way be impaired or invalidated.

29.20 Legal Counsel Retained by Tenant. Tenant acknowledges that it has retained legal counsel in connection with the review and negotiation of this Lease.

Article 30

DEFINED TERMS

“Actual Costs” means, with respect to a particular activity or procedure: (a) the out of-pocket costs and expenses incurred by County, including without limitation, expenditures for legal counsel, consultants, engineers, architects, and advisors; (b) costs incurred in connection with appraisals; and (c) the reasonable value of services provided by County’s in-house staff (including in-house counsel), including a reasonable allocation of County’s overhead and administrative costs.

“Affiliate” means any Person that (a) directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, Tenant or (b) owns (directly or indirectly) twenty-five (25%) or more of the Beneficial Ownership Interest of Tenant.

“Affordable” means affordable to persons and families of low or moderate income pursuant to California Health & Safety Code § 50093.

“Anniversary” means the date exactly one (1) year after the date on which an event occurred in a previous calendar year.

“Approved Construction Documents” has the meaning set forth in Section 7.1.4.

“Approved Work Plan” has the meaning set forth in Section 11.2.3.3.

“Arbitration” has the meaning set forth in Section 28.1.

“Assignment Agreement” has the meaning set forth in Section 8.7.4.

“Assignment Standards” has the meaning set forth in Section 8.2.

“Authorized Representative(s)” has the meaning set forth in Section 10.1.

“Base Rent” has the meaning set forth in Section 4.1.

“Beneficial Ownership Interest in Tenant” means and refers to the ultimate direct or indirect ownership interests, regardless of the form of ownership and regardless of whether such interests are owned directly or indirectly, or through one or more layers of constituent partnerships, corporations, limited liability companies, trusts, or other entities.

“Breach” means a Tenant Breach when referring to Tenant and an County Breach when referring to County.

“Business Day” means any day other than (a) a Saturday or Sunday or (b) a holiday observed by County and as specified in its adopted Holiday Policy, as amended from time to time. Any performance required under this agreement on a day that is not a Business Day shall be postponed until the next Business Day.

“CERCLA” means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601, *et seq.*, as amended from time to time.

“CEQA” means the California Environment Quality Act, California Public Resources Code §§ 21000 *et seq.*, as amended from time to time.

“Change of Control” means a transaction whereby the transferee acquires a Beneficial Ownership Interest in Tenant such that after such transaction (a) there is a change in the identity of the Person who has the power to direct or cause the direction of the management and policies of Tenant, whether through the ownership of voting securities, by contract or otherwise or (b) the transferee acquires, directly or indirectly, fifty percent (50%) or more of the Beneficial Ownership Interest in Tenant; provided, however, that the transfer in the majority of the Beneficial Ownership Interest in Tenant to one or more passive limited partners or non-managing members directly or indirectly receiving tax credits for the provision of Affordable housing pursuant to United States Internal Revenue Code Section 42 and California Revenue and Taxation Code Section 23610.5 (as either may be amended or renumbered from time to time) in connection with the Project shall not constitute a Change of Control, so long as no portion of the general partnership interest is Transferred and there is no change in the identity of the Person who has the power to direct or cause the direction of the management and policies of Tenant.

“City” means the City of Los Angeles.

“Claim” means any claim (including but not limited to workers compensation claims), loss, demand, action, liability, penalty, fine, judgment, lien, forfeiture, cost, expense, damage, or collection cost (including reasonable fees of attorneys, consultants, and experts related to any Claim).

“Commencement Date” has the meaning set forth in the Preamble.

“Community Center” has the meaning set forth in Recital C.

“Completion Date” means the date Tenant obtains a temporary certificate of occupancy for substantially all of the Initial Improvements.

“Conceptual Plan” means that plan Customarily associated with the “conceptual level” of design development, containing details as would be reasonably necessary to allow County to assess, at a “conceptual level,” the impacts of a proposed Improvement Requiring Approval in accordance with County’s rights under this Lease, which details shall include, without limitation, conceptual drawings, color and material samples, and plans and sketches of the proposed Improvement.

“Condemnation” or **“Condemned”** has the meaning set forth in Section 16.1.1.

“Condemning Authority” has the meaning set forth in Section 16.1.1.

“Confidential Mark” has the meaning set forth in Section 27.3.

“Constant Dollars” means the expressed dollar amount increased by the percentage increase of the CPI between the last day of calendar year 2017 and the last day of the calendar year preceding the calendar year in which such calculation is being made.

“Construction Contract” has the meaning set forth in Section 13.1.3.

“Construction Coordinator” has the meaning set forth in Section 7.4.1.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, family or trustee.

“Control Delay” has the meaning set forth in Section 7.4.3.1.

“County” means the County of Los Angeles.

“County-Approved Construction Schedule” has the meaning set forth in Section 7.4.4.

“County Board” means County’s Board of Supervisors.

“County Breach” has the meaning set forth in Section 18.6.

“County Concerns” has the meaning set forth in Section 7.2.1.

“County Default” has the meaning set forth in Section 18.6.

“County Encumbrance” has the meaning set forth in Section 21.1.

“County Estate” means all of County’s right, title, and interest in and to: (a) its fee estate in the Premises, subject to this Lease; (b) its reversionary interest in the Project, if any; (c) all Rent; and (d) other benefits due County hereunder.

“County Indemnified Parties” means collectively, for purposes of indemnification only, County, the Community Development Commission and their respective Boards, officers, agents, consultants, counsel, employees, volunteers, attorneys, agents, trustees, successors, and assigns.

“County Indemnitor” means, for purposes of environmental indemnification only, County, or any Person acting on County’s behalf or by anyone employed by or contracted with County in the course of such employment or contracted work.

“County Parties” means County and its board members, officers, directors, employees, agents, consultants, contractors, affiliated parties (including corporations), invitees, and guests.

“County Response” means County’s written notification of its approval, disapproval or request for changes to any Plans and Specifications.

“County Transfer” has the meaning set forth in Section 21.1.

“CPI” means the Consumer Price Index for Urban Wage Earners and Clerical Workers, Los Angeles/Riverside/Orange County, all items (1982-84 = 100), published by the U.S. Department of Labor, Bureau of Labor Statistics, or if such index is no longer published, the U.S. Department of Labor’s most comprehensive official index then in use that most nearly corresponds to the index named above. If, at any time, the U.S. Department of Labor calculates the CPI using a base period that is different from the 1982-84 = 100 base period, then the CPI figures used for calculating any adjustment pursuant to this Lease shall first be converted to the appropriate base period using a conversion formula supplied by the U.S. Department of Labor. If during the Term of this Lease the U.S. Department of Labor no longer publishes the Consumer Price Index, then another index generally recognized as authoritative shall be substituted.

“Cure Period” has the meaning set forth in Section 18.1.

“Customary” or **“Customarily”** means features, levels of detail, standards, practices and other matters which are in accordance with code and governmental requirements and custom and practice in the field of architecture and engineering design or the construction industry or the real estate industry (as the case may be) in Los Angeles, California with respect to the design and construction of similar improvements or the operation and management of similar real property (as the case may be).

“Damage” and **“Damaged”** have the meanings set forth in Section 15.1.

“Day” or **“day”** means a calendar day, unless otherwise specified.

“Default” means a Tenant Default when referring to Tenant and an County Default when referring to County.

“Default Rate” means the lesser of (a) five (5) percentage points in excess of the then existing Prime Rate, and (b) the highest interest rate then permitted by law at the time such interest rate is applied.

“Demolition Notice” has the meaning set forth in Section 19.3.1.

“Demolition Report” has the meaning set forth in Section 19.12.

“Demolition Security” has the meaning set forth in Section 19.12.

“Demolition Work” has the meaning set forth in Section 19.3.1.

“Design Development Drawings” means those plans and specifications Customarily associated with the design development level of the design development process. Such plans and specifications shall contain details as would be reasonably necessary to allow County to assess, at such Level of Design Development, the impacts of any proposed construction in accordance with County’s rights under this Lease; such details shall include, among other things, structural dimensions, delineation of site features and elevations, building core, materials and colors, public art, landscaping and signage plan, a description of all primary design features and sizes, character and quality of the architectural and structural systems of the construction, with key details provided in preliminary form.

“Design Professional Contract” has the meaning set forth in Section 13.1.4.

“Designated Encumbrance Holder” has the meaning set forth in Section 9.7.

“Dispute” has the meaning set forth in Section 28.1.

“Dispute-Related Costs” has the meaning set forth in Article 24.

“Disqualification Judgment” has the meaning set forth in Section 28.11.1.

“Emergency Work” has the meaning set forth in Section 7.6.

“ENA” has the meaning set forth in Recital B.

“Encumbrance” means any direct or indirect grant, pledge, assignment, transfer, mortgage, hypothecation, grant of control, grant of security interest, or other encumbrance to an Encumbrance Holder, as security for a loan, of or in: (a) all or any portion of Tenant’s Estate (including without limitation a direct or indirect assignment of Tenant’s right to receive rents from Subtenants); or (b) a Beneficial Ownership Interest in Tenant (if an absolute assignment from the holder of such Beneficial Ownership Interest in Tenant to the holder of the Encumbrance would have required County’s consent under this Lease).

“Encumbrance Holder” means, a lender that is the holder of an Encumbrance that has been approved by County (or which was exempted from such approval as part of a

Permitted Financing Event), including any and all Affiliates of such Encumbrance Holder which have succeeded by assignment or otherwise to any rights, interests or liabilities of the Encumbrance Holder with respect to the Encumbrance or which have been designated by the Encumbrance Holder to exercise any rights or remedies under the Encumbrance or to take title to the Tenant Estate or to Beneficial Ownership Interests in Tenant and such Affiliates shall enjoy all of the rights and protections given to an Encumbrance Holder under this Lease. Encumbrance Holders and Tax Credit Investors shall be deemed to include any Affiliates of such Encumbrance Holders or Tax Credit Investors which have succeeded by assignment or otherwise to any rights, interests or liabilities of the Encumbrance Holder or Tax Credit Investor (as applicable) with respect to the respective Encumbrance or Beneficial Ownership Interest, or which have been designated by the Encumbrance Holder or Tax Credit Investor to exercise any rights or remedies under the Encumbrance or Beneficial Ownership Interest or to take title to the Tenant Estate or to Beneficial Ownership Interest in Tenant, and such Affiliates shall enjoy all of the rights and protections given to an Encumbrance Holder or Tax Credit Investor under this Lease.

“Encumbrance Holder Cure Period” means, such period as may be set forth in this Lease in which an Encumbrance Holder or Tax Credit Investor may cure a Tenant Breach or Tenant Default; provided that, as applicable, (a) the Encumbrance held by such Encumbrance Holder has received County’s approval (unless such an Encumbrance was exempted from County’s approval as part of a Permitted Financing Event) or (b) the Beneficial Ownership Interest in Tenant held by such Tax Credit Investor has received County’s approval (unless such Beneficial Ownership Interest was exempted from County’s approval as part of a Permitted Transfer).

“Encumbrance Holder Notice” means a notice issued by County to an Encumbrance Holder and Tax Credit Investor (that has provided notice to County in writing of (a) its interest in receiving such a notice, and (b) its address for the receipt of such notice) of a Tenant Breach or Tenant Default, describing the Tenant Breach or Tenant Default, and identifying the type and duration of the Encumbrance Holder Cure Period.

“Environmental Agency” means (a) the United States Environmental Protection Agency; (b) the California Environmental Protection Agency and all of its sub-entities having jurisdiction over the Premises, including any Regional Water Quality Control Board, the State Water Resources Control Board, the Department of Toxic Substances Control, the South Coast Air Quality Management District, and the California Air Resources Board; (c) the City; (d) any Fire Department or Health Department with jurisdiction over the Premises; and (e) any other federal, state or local Governmental Authority that has or asserts jurisdiction over Releases or the presence, use, storage, transfer, manufacture, licensing, reporting, permitting, analysis, disposal or treatment of Hazardous Substances.

“Environmental Law(s)” means any federal, state, or local laws, ordinances, rules, regulations, requirements, orders, directives, formal guidelines, or permit conditions (including those of an Environmental Agency), in existence as of the Commencement Date or as later enacted, promulgated, issued, modified or adopted, regulating or

relating to Hazardous Substances, and all applicable judicial, administrative and regulatory, decrees, judgments and orders and common law, including those relating to industrial hygiene, public safety, human health, or protection of the environment, or the reporting, licensing, permitting, use, presence, transfer, treatment, analysis, generation, manufacture, storage, discharge, Release, disposal, transportation, Investigation or Remediation of Hazardous Substances. Environmental Laws shall include, without limitation, all of the laws listed under the definition of Hazardous Substances.

“Environmental Work” means all Remediation or Investigation work described in an Approved Work Plan in compliance with all applicable Environmental Laws.

“Equity Encumbrance Holder” means an Encumbrance Holder holding an Encumbrance with respect to a Beneficial Ownership Interest in Tenant.

“Equity Foreclosure Transferee” means an Equity Encumbrance Holder that acquires an interest consisting of all or a portion of the Beneficial Ownership Interests in Tenant and which has replaced the previous general partner of Tenant pursuant to Section 8.9.

“Escrow Holder” means Barbara Laffer, Senior Commercial Escrow Officer, Commonwealth Land Title Insurance Company, 888 S. Figueroa Street, Suite 2100, Los Angeles, California 90017, Tel: (213) 330-3100, Email: barbara.laffer@cltic.com.

“Estoppel Certificate” means a certificate executed by a Party in the form attached hereto as Exhibit I.

“Excavation Condition” means any soils excavated from the Premises by Tenant for the construction of the Project that are contaminated by Hazardous Substances.

“Excluded Breaches and Defaults” means Tenant Breaches and Tenant Defaults which (a) existed prior to a Foreclosure Transfer, and (b) are (i) incurable non-monetary Tenant Breaches or Tenant Defaults or (ii) are non-monetary Tenant Breaches or Tenant Defaults that can only be cured by a previous tenant no longer in possession of the Premises.

“Final Construction Documents” means final plans and specifications required by the City or County for the issuance of all building permits with respect to construction and containing details as would be reasonably necessary to allow County to assess all impacts of such proposed construction in accordance with County’s rights under this Lease.

“Financing Event” means any financing or refinancing consummated by Tenant or by the holder of a Beneficial Ownership Interest in Tenant, where such financing or refinancing is secured by an Encumbrance.

“Force Majeure Event” means: (a) a strike or labor dispute; (b) inclement weather (that causes a suspension of work) in excess of the ten (10) year average for Metropolitan Los Angeles during the month or months when work was suspended; (c) an earthquake or other natural disaster resulting in suspension of work; (d) inability to procure or

general shortage of labor, equipment, materials, or supplies in the open market, or failure of transportation (but, in each case, not attributable to a mere increase in price or Tenant's acts or failure to act); (e) acts of a public enemy, insurrections, riots, mob violence, sabotage, acts of terrorism, and malicious mischief; or (f) casualty (including earthquake) causing material damage to previously constructed Improvements.

"Foreclosure Transfer" means any transfer of (a) the entire Tenant Estate, (b) all of the Beneficial Ownership Interest in (i) Tenant or (ii) a general partner of Tenant pursuant to any judicial or non-judicial foreclosure or other enforcement of remedies under or with respect to an Encumbrance that was approved by County (or that was a Permitted Financing Event), or by voluntary deed or other transfer in lieu thereof.

"Foreclosure Transferee" means any transferee (including an Encumbrance Holder) that acquires title to the entire Tenant Estate or to all of the Beneficial Ownership Interest in Tenant pursuant to a Foreclosure Transfer.

"Full Replacement Cost" has the meaning set forth in Section 12.2.

"General Policyholders Rating" has the meaning set forth in Section 12.5.7.

"Governmental Approval" means any entitlement, license, permit, approval, declaration, certification, designation or other ministerial or discretionary approval required from any Governmental Authority for the development, construction and operation of the Project, including any CEQA document, development agreement, tract map, zone change, zoning variance, density bonus, or conditional use permit that may be required in connection with the Project.

"Governmental Authority" or **"Governmental Authorities"** mean(s) any federal, state, county, municipal or local governmental, or any quasi-governmental body or authority having or exercising jurisdiction over any Party, Subtenant, or all or a portion of the Project, but excluding County.

"Gross Error" has the meaning set forth in Section 28.12.2.

"Hazardous Substances" or **"Hazardous Substance"** means all of the following, but not including "Permitted Hazardous Substances":

1. Any substance, product, waste or other material of any nature whatsoever which is or becomes defined, listed or regulated as a "hazardous substance," "hazardous material," "hazardous waste," "toxic substance," "solid waste" or similarly defined substance pursuant to any Environmental Law (which Environmental Law shall include any and all regulations either in the Code of Federal Regulations or the California Code of Regulations or any other regulations implemented under the authority of such Environmental Law), including all of the following:

The Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601, *et seq.*;

The Hazardous Materials Transportation Act, 49 U.S.C. §§ 5101, *et seq.*;

Those substances listed on the United States Department of Transportation Table (49 C.F.R. 172.101 and amendments thereto);

The Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 *et seq.*;

The Toxic Substances Control Act, 15 U.S.C. §§ 2601 *et seq.*;

The Clean Water Act, 33 U.S.C. §§ 1251 *et seq.*;

The Clean Air Act, 42 U.S.C. §§ 7401 *et seq.*;

The California Hazardous Waste Control Act, Health and Safety Code §§ 25100 *et seq.* (including without limitation “Hazardous Waste” as defined in § 25117);

The California Underground Storage of Hazardous Substances Act, Health and Safety Code §§ 25280, *et seq.*;

The California Hazardous Substance Account Act, Health and Safety Code §§ 25300 *et seq.* (with particular reference to the definition contained in Health and Safety Code § 25316);

The California Safe Drinking Water and Toxic Enforcement Act, Health and Safety Code §§ 25249.5 *et seq.*;

The California Hazardous Waste Treatment Reform Act, Health and Safety Code §§ 25179.1 *et seq.*;

The California Health and Safety Code §§ 25500 *et seq.* (Hazardous Materials Response Plans and Inventory);

The California Hazardous Substances Information and Training Act, Labor Code §§ 6360 *et seq.*;

The California Porter-Cologne Water Quality Control Act, Water Code §§ 13000 *et seq.*; and

Any other federal, state or local law, regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic or dangerous waste, substance or material of any nature whatsoever, as now or at any time hereafter in effect, or under any statutory or common law theory based on negligence, trespass, intentional tort, nuisance or strict liability or under any reported decisions of a state or federal court;

2. Notwithstanding Health and Safety Code § 25317, or any successor or later enacted Environmental Law, petroleum, any petroleum by-products, waste oil, crude oil or natural gas;

3. Any material, waste or substance that is or contains asbestos or polychlorinated biphenyls, is radioactive, flammable or explosive; and

4. Any other substance, product, waste or material of any nature whatsoever defined or to be treated or handled as a Hazardous Substance pursuant to the provisions of this Lease, the Lease Documents or the ENA.

“Housing Project” has the meaning set forth in Recital C.

“Imposition” means any tax (including possessory interest tax, real property tax, ad valorem tax and personal property tax), duty, assessment, charge, license fee, municipal lien, levy, fee, excise tax, impact fee, or impost, whether general or special, ordinary or extraordinary, levied, assessed, charged or imposed from time to time by any Governmental Authority pursuant to then-existing law against (a) the Premises, (b) the Project, (c) the Tenant Estate, (d) Tenant’s possessory rights or the possessory rights of any Subtenant, or (e) goods, merchandise, fixtures, appliances, equipment, and property owned by Tenant, or any Subtenant, located in, on or about the Premises or Project, including, but not limited to taxes and/or assessments, or increases in taxes and/or assessments arising as a result of Tenant’s development of the Project or any commercial Subtenant’s tenant improvements. If, at any time during the Term of this Lease the methods of taxation prevailing at the Commencement Date are altered so that in lieu of any Imposition described herein there is levied, assessed or imposed an alternate or substitute tax or payment, however designated, such alternate or substitute tax or payment shall be deemed an Imposition for the purpose of this Lease.

“Imposition Contest” has the meaning set forth in Section 5.1.4.

“Improvements” means all buildings, structures, fixtures, fences, fountains, walls, paving, parking areas, driveways, walkways, plazas, landscaping, permanently affixed utility systems and other improvements existing, located on or attached to the Premises from time to time, including the Initial Improvements and any other improvements constructed by Tenant or a Subtenant as part of the Project pursuant to the terms of this Lease.

“Improvements Requiring Approval” means the Initial Improvements and all other Improvements to be constructed, installed, maintained, repaired, or replaced for or by Tenant or any Subtenant within, from or about the Project, except those Improvements that (a) are constructed, installed, maintained, repaired, or replaced from or are contained entirely within then-existing Improvements that do not materially adversely affect (i) County operations, or (ii) public health and safety or the health and safety of County Parties; (b) result from regular maintenance or repair (and that do not materially adversely affect (a)(i) through (iii) above), or (c) involve the replacement of an existing Improvement with a new improvement that uses the same materials and results in the same height, density, location and appearance as the Improvement that existed prior to such work, provided that such existing Improvement was installed in accordance with this Lease and such replacement can be completed for less than one hundred thousand

Constant Dollars (\$100,000) and does not materially adversely affect (a)(i) through (iii) above.

“Indemnify” means collectively indemnify, defend (by counsel reasonably acceptable to indemnified Party), protect, and hold harmless, without requirement that the Indemnified Party first pay any amounts.

“Initial Improvements” means the Improvements that Tenant is initially required to construct on the Premises, pursuant to this Lease, which Improvements or improvements are further described in Section 6.1.

“Initial Improvements Outside Date” has the meaning set forth in Section 7.4.3.

“Initial Reminder” has the meaning set forth in Section 7.2.2.4.

“Initiating Party” has the meaning set forth in Section 28.1.1.

“Institutional Lender” means any Encumbrance Holder or Equity Encumbrance Holder, which is, or is an Affiliate of, a commercial bank, savings bank, savings and loan institution, insurance company, pension fund, investment bank, opportunity fund, mortgage conduit, real estate investment trust, commercial finance lender or other similar financial institution which ordinarily engages in the business of making, holding or servicing commercial (including multi-family residential) real estate loans.

“Insurance Proceeds” means any amount received by a Party from an insurance carrier.

“Investigate” or **“Investigation”** means those observations, inquiries and examinations, and that sampling, monitoring, analysis, exploration, research, inspection and surveying reasonably necessary to characterize and/or evaluate the nature, extent and/or impact of Hazardous Substances on, or Releases from, the Premises, the Project and/or any adjacent or affected properties, including the air, soil, surface water, and/or groundwater contained therein.

“ISO” has the meaning set forth in Section 12.1.1.

“Late Change” has the meaning set forth in Section 7.2.2.2.

“Lease” has the meaning set forth in the Preamble.

“Lease Documents” means all documents and instruments attached hereto or referenced herein which one or the other Party, or both, are required to execute pursuant to this Lease.

“LEED” means Leadership in Engineering and Environmental Design.

“Legal Requirements” means all of the following, even if unforeseen or extraordinary, to the extent affecting, (a) Tenant, its Subtenants, or their respective members, owners,

shareholders, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (b) County and County Parties, (c) all or any portion of the Premises, or (d) the use, occupancy, possession, construction, operation, maintenance, improvement, alteration, repair, or restoration of any of the Project: (i) all present and future laws, statutes, requirements, ordinances, orders, judgments, regulations, resolutions, covenants, restrictions, administrative or judicial determinations, of every Governmental Authority and of every court or agency claiming jurisdiction over the Tenant, Subtenants, County Parties, the Project or the Premises, whether enacted or in effect as of the Commencement Date or thereafter, including, but not limited to, California Labor Code §§ 1720 *et seq.*, all Federal Regulations referenced in Section 25.3, Environmental Laws, zoning laws, building codes and regulations and those laws relating to accessibility to, usability by, and discrimination against, disabled individuals; (ii) all covenants, restrictions, and conditions now or hereafter of record; and (iii) the Permitted Exceptions, all such Legal Requirements shall apply even if compliance therewith necessitates structural changes to the Improvements or the making of additional Improvements, or results in interference with the use or enjoyment of any of the Project.

“Level of Design Development” means one of the following Customary levels of the design development process in the following order: (a) the Conceptual Plan level; (b) the Schematic Design Drawings level; (c) the Design Development Drawings level; and (d) the Final Construction Documents level.

“Logical Evolution” or **“Logically Evolve”** means, beginning with the submission of the Schematic Design Drawings, the further development, refinement or amplification of the Preceding Level of Design Development as approved in writing by County pursuant to Article 7, to the extent such further development, refinement or amplification flows logically, naturally and foreseeably from the Preceding Level of Design Development, and reflects, among other things, good architectural and engineering design, and is in compliance with the terms of this Lease and all Legal Requirements.

“Market Value” means the most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming neither is under duress, as determined by County.

“Memorandum of Ground Lease” has the meaning set forth in Section 2.4.

“Migratory Condition” means any Hazardous Substances that come to be on the Premises after the Commencement Date through passive migration from a source located outside of the Premises.

“New Lease” has the meaning set forth in Section 9.7.

“Official Records” means the Official Records of the County Recorder of Los Angeles County, California.

“**Option**” has the meaning set forth in Recital F.

“**Option Agreement**” has the meaning set forth in Recital F.

“**Parking Structure**” has the meaning set forth in Recital C.

“**Party**” and “**Parties**” have the meaning set forth in the Preamble.

“**Payment Bond**” has the meaning set forth in Section 7.7.2.

“**Performance Bond**” has the meaning set forth in Section 7.7.1.

“**Permitted Community Center Subtenant**” has the meaning set forth in Section 14.1.

“**Permitted Exceptions**” means those matters set forth on Exhibit B to the extent affecting the Premises as of the Commencement Date, together with: (a) any lien of any non-delinquent property taxes and assessments; (b) all applicable building and zoning laws and regulations; (c) other matters created by, through or under Tenant; and (d) such other exceptions to title as County and Tenant may hereafter mutually approve.

“**Permitted Financing Event**” means any Financing Event in which an Institutional Lender, a governmental entity or a quasi-governmental entity becomes an Encumbrance Holder and (a) in the case of any Financing Event secured by an Encumbrance of the Tenant Estate, (i) the aggregate amount of the debt secured by all such Encumbrances of the Tenant Estate does not exceed eighty percent (80%) of the appraised value of the Project as of the date of the Financing Event (or, as to construction loans, eighty percent (80%) of the pro forma stabilized value) and (ii) the debt service coverage ratio with respect to all debt secured by all Encumbrances of the Tenant Estate is not less than 1.15 based on the net operating income of the Project (or, for construction loans, based on the pro forma stabilized net operating income) and (b) in the case of any Financing Event involving an Encumbrance of any Beneficial Ownership Interests in Tenant, (i) the aggregate amount of the debt secured by all Encumbrances of the Tenant Estate and all Encumbrances of any Beneficial Ownership Interests in Tenant does not exceed ninety percent (90%) of the appraised value of the Project as of the date of the Financing Event (or, as to construction loans, ninety percent (90%) of the pro forma stabilized value) and (ii) the debt service coverage ratio with respect to all debt secured by all Encumbrances of the Tenant Estate and all Encumbrances of any Beneficial Ownership Interests in Tenant is not less than 1.15 based on the net operating income of the Project (or, for construction loans, based on the pro forma stabilized net operating income). Not less than thirty (30) days prior to the consummation of a Permitted Financing Event, Tenant shall provide County with notice of the Permitted Financing Event, which notice shall include (w) the loan commitment, application and term sheet for such Permitted Financing Event, (x) all statements of net operating income and all statements of pro forma stabilized net operating income presented to the proposed Encumbrance Holder as part of such Permitted Financing Event, (y) all appraisals performed in conjunction with such Permitted Financing Event, and (z) such other materials as may be reasonably requested by County and as are

necessary for County to confirm that the proposed Financing Event qualifies as a Permitted Financing Event.

“Permitted Hazardous Substances” means: all (a) construction supplies, (b) gardening supplies, (c) gasoline, motor oil, or lubricants contained within vehicles or machinery operated on the Premises or within the Project, and (d) general office supplies and products, cleaning supplies and products, and other commonly used supplies and products; in each case to the extent the same are (i) used in a regular and customary manner or in the manner for which they were designed, (ii) used in compliance with all applicable Environmental Laws and product labeling and handling instructions, (iii) customarily used in the ordinary course of business by Tenant or Subtenants, (iv) used, stored and handled in such amounts as is normal and prudent for the user’s business conducted on the Premises, and (v) used, handled, stored and disposed of in compliance with all applicable Environmental Laws and product liability and handling instructions.

“Permitted Transfer” has the meaning set forth in Section 8.5.

“Person” or **“Persons”** means any individual, partnership, joint venture, corporation, limited liability company, limited liability partnership, trust or other private or public entity, with the power and authority to act and conduct business on its own behalf.

“Plans and Specifications” means, individually and collectively, depending on the context, the Conceptual Plan, the Schematic Design Drawings, the Design Development Drawings, the Final Construction Documents, the Approved Construction Documents, and the Revised Construction Documents for any Improvement Requiring Approval.

“Preceding Level of Design Development” means (a) the Conceptual Plan with respect to the Schematic Design Drawings; (b) the Conceptual Plan and the Schematic Design Drawings with respect to the Design Development Drawings; and (c) the Conceptual Plans, Schematic Design Drawings and the Design Development Drawings with respect to the Final Construction Documents.

“Premises” has the meaning set forth in Recital A.

“Prevailing Party” has the meaning set forth in Article 24.

“Project” has the meaning set forth in Recital C.

“Protected Contractor” has the meaning set forth in Section 13.1.3.

“Recitals” means all of the recitals commencing on page 1 and incorporated into this Lease in Section 1.1.

“Release” means any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, migrating, disposing, or dumping of Hazardous Substances onto or from the Premises or the Project.

“Released Parties” has the meaning set forth in Section 11.7.

“Relocation Assistance” has the meaning set forth in Section 20.1.

“Remediate” or **“Remediation”** means any response or remedial action as defined under 42 U.S.C. §9601(24) of CERCLA, and similar actions with respect to Hazardous Substances as defined under comparable state and local laws, and any other clean-up, removal, containment, abatement, monitoring, treatment, disposal, closure, restoration or other mitigation or remediation of Hazardous Substances or Releases required by any Environmental Agency or within the purview of any Environmental Law.

“Remediation Contract” has the meaning set forth in Section 11.2.3.2.

“Removal for Cause” has the meaning set forth in Section 8.9.

“Rent” means Base Rent, and any other kind or type of rent, as the context dictates, and all other sums due and payable to County by Tenant.

“Reply” has the meaning set forth in Section 28.4.3.

“Request for Arbitration” has the meaning set forth in Section 28.1.1.

“Residential Subtenant” has the meaning set forth in Section 14.1.

“Responding Party” has the meaning set forth in Section 28.1.1.

“Response” has the meaning set forth in Section 28.1.1.

“Restore” or **“Restoration”** has the meaning set forth in Section 15.2.1.

“Revised Construction Documents” has the meaning set forth in Section 7.1.7.

“Schematic Design Drawings” mean those plans and specifications Customarily associated with the “schematic level” of design development, containing details as would be reasonably necessary to allow County to assess, at a “schematic level,” the impacts of any proposed construction in accordance with County’s rights under this Lease, which details shall include, without limitation, site plans, elevations, general landscaping, floor plans, features in public areas, locations and sizes of signs, public art elements, parking facilities, and exterior materials.

“Second Reminder” has the meaning set forth in Section 7.2.2.4.

“Section 2782” has the meaning set forth in Section 13.1.3.

“Section 2782.8” has the meaning set forth in Section 13.1.4.

“Single Subsequent Transfer” has the meaning set forth in Section 9.2.2.

“Statement of Position” has the meaning set forth in Section 28.4.2(a).

“**Sublease**” has the meaning set forth in Section 14.1.

“**Subtenant**” has the meaning set forth in Section 14.1.

“**Tax Credit Investor**” means any entity holding a Beneficial Ownership Interest in Tenant, consisting of a limited partnership interest, and investing in Tenant for purposes of obtaining federal low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code of 1986, as amended and California Revenue and Taxation Code Section 23610.5, as amended.

“**TCLA**” means TC LA Development, Inc., a Delaware corporation.

“**Tenant**” has the meaning set forth in the Preamble.

“**Tenant Breach**” has the meaning set forth in Section 18.1.

“**Tenant Change**” has the meaning set forth in Section 7.1.7.

“**Tenant Default**” has the meaning set forth in Section 18.1.

“**Tenant Estate**” or “**Tenant’s Estate**” means all of Tenant’s right, title and interest in its leasehold estate in the Premises, its ownership interest in the Project, and all of its other interests under this Lease.

“**Tenant Indemnified Parties**” means collectively, for purposes of environmental indemnification only, Tenant and its Affiliates, and their respective partners, members, managers, shareholders, trustees, beneficiaries, attorneys, agents, heirs, representatives, successors and assigns, and any individual (employee, officer, partner, director, manager, member, commissioner or board member), employed by or acting on behalf of any of the above entities, as applicable.

“**Tenant Indemnitor**” means, for purposes of indemnification only, Tenant, or any Person acting on Tenant’s behalf or by anyone employed by or contracted with Tenant in the course of such employment or contracted work.

“**Tenant Security Plan**” has the meaning set forth in Section 19.12.

“**Term**” has the meaning set forth in Section 3.1.

“**Transfer**” has the meaning set forth in Section 8.1.3.

“**Transfer Approval Request**” has the meaning set forth in Section 8.7.3.1.

“**Unavoidable Delay**” means a delay beyond the control of the Party claiming the delay which satisfies each of the following requirements:

a. The delay would prevent or hinder the performance or satisfaction of an obligation under this Lease by any reasonable Person similarly situated and shall

not apply to a delay peculiar to the Party claiming the delay (such as the failure to order materials in a timely fashion).

b. The delay must arise out of:

i) A Force Majeure Event;

ii) Governmental restrictions or a delay in the issuance of any Governmental Approval that could not be reasonably anticipated (including without limitation any unusual or uncommon delay by the City or County in processing or approving any application made by Tenant in connection with the Project); provided, however, any delay in the issuance of a Governmental Approval pertaining to the Initial Improvements of a scope materially different from that described in any Plans and Specifications approved by County pursuant to this Lease shall not constitute an Unavoidable Delay;

iii) Delay in performance of any term, covenant, condition or obligation under this Lease as a result of a Breach, Default or delay of the other Party, whether in rendering approvals or otherwise; or

iv) Any lawsuit, action or other proceeding by any Person (other than by or at the direction of Tenant or any of its Affiliates) that is filed after the Commencement Date that challenges (1) any Governmental Approval or (2) any action taken by or the ability of any Party to take any action, all under or in connection with this Lease; provided, however, that any lawsuit, action or other proceeding pertaining to or arising out of a Governmental Approval pertaining to Initial Improvements of a scope materially different than that described in any Plans and Specifications approved by County pursuant to this Lease shall not constitute an Unavoidable Delay.

c. The delay is detailed in a written notice given by the Party claiming such delay to the other Party within fifteen (15) days after the Party claiming such delay reasonably should have known of the event giving rise to the claim of delay, which notice shall, at a minimum, reasonably specify the (i) nature of the delay, (ii) the date the delay commenced and (if not ongoing) ended and (iii) the reason(s) such delay is an Unavoidable Delay.

“Work of Construction” means the construction of Improvements Requiring Approval on the Premises for or by Tenant or any Subtenant.

“Work of Improvement” means any and all work related to any improvement, including any Improvement, conducted on or from the Premises by or on behalf of Tenant or any Subtenant, including the creation, installation, addition, alteration, modification, surfacing, painting or construction of any such improvement.

“YMCA” means the Young Men’s Christian Association of Metropolitan Los Angeles, a California nonprofit public benefit corporation.

“YMCA Sublease” has the meaning set forth in Recital E.

[Signatures on next page]

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the Commencement Date.

APPROVED AS TO FORM

“COUNTY”

COUNTY COUNSEL

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

“TENANT”

Western Community Housing, Inc.,
a California nonprofit public benefit
corporation

By: _____
Name: _____
Title: _____

EXHIBIT A
LEGAL DESCRIPTION

EXHIBIT B

PERMITTED EXCEPTIONS

The following permitted title exceptions from that certain Preliminary Title Report issued by _____, order number _____ dated as of _____.

EXHIBIT C

MEMORANDUM OF GROUND LEASE

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

(Space above for Recorder)
This document is exempt from
the payment of a recording
fee pursuant to Government
Code §§ 6103 and 27383

MEMORANDUM OF LEASE

This Memorandum of Lease ("**Memorandum**"), dated for reference purposes as of _____, 20__, is entered by and between THE COUNTY OF LOS ANGELES, a body corporate and politic ("**County**") and WESTERN COMMUNITY HOUSING, INC., a California nonprofit public benefit corporation ("**Tenant**"), in reference to and consideration of that certain VERMONT CORRIDOR AFFORDABLE HOUSING GROUND LEASE dated _____, 20__ between County and Tenant ("**Lease**").

1. County is the fee owner of certain real property ("**Premises**") located in the City of Los Angeles, County of Los Angeles, State of California, more particularly described on Exhibit A attached hereto and incorporated herein.

2. County hereby leases to Tenant, and Tenant hereby leases from County, the Premises on and subject to all of the terms and conditions set forth in the Lease, which Lease is incorporated herein by this reference.

3. The original term of the Lease is for fifty-five (5) years commencing on the date of this Memorandum.

4. The purpose of this Memorandum is to provide notice of the existence of the Lease.

5. This Memorandum may be executed in counterparts, each of which shall constitute an original of this Memorandum and all of which shall constitute one fully-executed Memorandum.

IN WITNESS WHEREOF, the parties have entered into this Memorandum as of the date first set forth above.

APPROVED AS TO FORM

“COUNTY”

COUNTY COUNSEL

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

“TENANT”

WESTERN COMMUNITY HOUSING, INC.,
a California nonprofit public benefit
corporaiton

By: _____
Name: _____
Title: _____

EXHIBIT A TO MEMORANDUM OF GROUND LEASE

LEGAL DESCRIPTION OF PREMISES

EXHIBIT D-1

LIST OF FINAL CONSTRUCTION DOCUMENTS

The Final Construction Documents for the Initial Improvements are _____

EXHIBIT D-2

CONDITIONS TO COUNTY APPROVAL OF FINAL CONSTRUCTION DOCUMENTS

Notwithstanding anything to the contrary set forth in the Lease, the Final Construction Documents for the Initial Improvements listed on Exhibit E-2 are approved by County subject to the following:

EXHIBIT E

ASSIGNMENT STANDARDS

These standards shall apply to any proposed Transfers requiring County's consent pursuant to Article 8 of the Lease. These Assignments Standards are not to apply to the following, except to the extent specifically set forth in the Lease, (a) an Encumbrance, (b) any Foreclosure Transfer, (c) any transfer by a Foreclosure Transferee that does not require County's consent, or (d) any Permitted Transfer.

1. The proposed transferee must have a net worth, calculated in accordance with generally accepted accounting principles, that is reasonably determined by County to be sufficient in relation to the financial obligations of the Tenant under the Lease (however, after the Completion Date, a transferee's net worth in cash, cash equivalents or marketable securities of at least five (5) times the reasonably expected net operating income, before debt service, for the year following the date of the proposed Transfer shall be presumed to be sufficient). A letter of credit, cash deposit, guarantee from a parent entity or participating individual(s) having sufficient net worth, or similar security satisfactory to County may be substituted for the net worth requirement.

2. The proposed transferee must have adequate experience in the development and construction of any Improvements proposed to be constructed on the Premises after the proposed Transfer (if contemplated), and the operation and management of real estate developments similar in type and character to the Project (as then-existing or proposed after consummation of the proposed Transfer), or provide evidence of contractual arrangements for these services with providers which meet the requirements of Section 6.5 of the Lease. If County's approval of the transaction is based on the identity of third-party service providers, then subsequent changes in such service providers or material changes to the scope of services under such contractual arrangements must be approved by County, which approvals shall not be unreasonably withheld, conditioned or delayed.

3. The entity(ies) and individual(s) who will acquire Tenant's interest in this Lease or the Premises, or who own the entity which will so acquire Tenant's interest, irrespective of the tier at which such ownership is held, must be of good character and reputation and, in any event, shall have neither a history of, nor a reputation for: (a) discriminatory employment practices which violate any federal, state or local law, (b) non-compliance with environmental laws, or any other Legal Requirements or formally adopted ordinances or policies of County, (c) having filed suit against County, or (d) having conducted any activities contrary to the then-current policies of County.

4. The price to be paid for the acquired interest shall not result in a total financing obligation of the proposed transferee that (a) exceeds 80% of the appraised value of Tenant's Project at the time of the financing in the case of financing secured by Tenant's Project or 90% of such appraised value if such financing also includes

mezzanine financing, or (b) has a debt service coverage ratio of less than 1.20 for any financing secured by Tenant's Project.

5. The terms of the proposed Transfer will not detrimentally affect the Project.

EXHIBIT F

SUBLEASE REQUIRED PROVISIONS

1. Ground Lease. This sublease (this “**Sublease**”) pursuant to which _____, a _____ (“**Subtenant**”), is subletting _____ (the “**Sub-Premises**”) is subject and subordinate to that certain Vermont Corridor Affordable Housing Ground Lease by and between the County of Los Angeles, a body corporate and politic, and its successors and assigns (“**County**”) and Western Community Housing, Inc., a California nonprofit public benefit corporation (“**Sublessor**”) dated _____ (the “**Ground Lease**”) and to any extension, modifications or amendments of the Ground Lease pursuant to which Sublessor has the right to occupy the Sub-Premises, which form a certain portion of the premises under the Ground Lease (the “**Premises**”). A memorandum of the Ground Lease (“**Memorandum of Ground Lease**”) has been recorded with the Los Angeles County Recorder on _____ as document number _____. The term of this Sublease shall not extend, and shall not allow an extension, beyond the existing term of the Ground Lease as set forth in the Memorandum of Ground Lease.

2. Non-discrimination.

2.1 Employment. The parties shall not, in the implementation of this Sublease and in design, development, operation and use of the Sub-Premises, discriminate against any employee or applicant for employment on the basis of race, religion, sex, sexual orientation, age, physical handicap or national origin and shall comply with all applicable provisions of federal, state and local law related to discrimination. Subtenant shall take affirmative action to ensure that applicants are employed and that employees are treated during their employment without regard to their race, religion, sex, sexual orientation, age, physical handicap or national origin, including without limitation employment, promotion, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation, and selection for training, including apprenticeship.

2.2 Rental or Sale. Subtenant shall refrain from restricting the rental, sub-lease or license of the Sub-Premises or any portion thereof, on the basis of sex, age, handicap, marital status, race, color, religion, creed, ancestry, or national origin of any person. All subleases or sub-subleases, licenses, and contracts affecting the Sub-Premises or any portion thereof shall contain clauses expressly giving effect to this Section 2.2.

3. Rent. Subtenant shall pay rent under this Sublease monthly and shall not pay such Sublease rent more than one (1) month in advance (exclusive of any security deposit provided by Subtenant).

4. Use. The Subtenant’s use of the Premises and Sub-Premises and its conduct of business shall be consistent with the uses permitted in the Ground Lease and shall be in compliance with the terms, conditions and restrictions in the Ground Lease.

5. Additional Definitions. The following terms shall have the following meanings for the purposes of this Sublease Required Provisions:

“Governmental Authority” or **“Governmental Authorities”** mean(s) any federal, state, county, municipal or local governmental, or any quasi-governmental body or authority having or exercising jurisdiction over any County, Sublessor or Subtenant, or all or a portion of the Premises or Sub-Premises, but excluding County.

“County Parties” means County and its board members, officers, directors, employees, agents, consultants, contractors, affiliated parties (including corporations), invitees, and guests.

“Legal Requirements” means all of the following, even if unforeseen or extraordinary, to the extent affecting, (a) Sublessor, Subtenant, or their respective members, owners, shareholders, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (b) County and County Parties, (c) all or any portion of the Premises or Sub-Premises, or (d) the use, occupancy, possession, construction, operation, maintenance, improvement, alteration, repair, or restoration of any of the Premises or Sub-Premises: (i) all present and future laws, statutes, requirements, ordinances, orders, judgments, regulations, resolutions, covenants, restrictions, administrative or judicial determinations, of every Governmental Authority and of every court or agency claiming jurisdiction over the Sublessor, Subtenant, County Parties, the Premises or Sub-Premises, whether enacted or in effect as of the date of this Sublease or thereafter, including, but not limited to, California Labor Code §§ 1720 et seq. all federal regulations referenced in Section 2.3, Environmental Laws (as defined in the Ground Lease), zoning laws, building codes and regulations and those laws relating to accessibility to, usability by, and discrimination against, disabled individuals; (ii) all covenants, restrictions, and conditions now or hereafter of record; and (iii) the Permitted Exceptions (as defined in the Ground Lease), all such Legal Requirements shall apply even if compliance therewith necessitates structural changes to the Improvements or the making of additional Improvements, or results in interference with the use or enjoyment of any of the Project.

6. Acknowledgement and Relocation Waiver. Subtenant acknowledges that after the Ground Lease has expired or terminated, County may develop the Sub-Premises for public projects, which may be implemented by other public agencies or entities or may enter into joint development agreements for private improvement of the Sub-Premises. Accordingly, as a material inducement to Sublessor and a condition to entering into this Sublease, Subtenant acknowledges and agrees that (a) upon the termination or expiration of this Sublease, Subtenant shall not be entitled to receive, and shall release and waive, any relocation assistance, moving expenses, goodwill or other payments under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, 42 U.S.C. § 4601 et seq., 49 CFR 24 and/or the California Relocation Assistance Law, as amended, California Government Code § 7260 et seq. or any successor or equivalent statutes, (collectively, **“Relocation Assistance”**). Subtenant or user acknowledges that its right to locate signage on the Premises is subject to and contingent upon this Sublease or agreement.

6.1 Relocation Release. As a further material inducement to Sublessor and also for the benefit of County, Subtenant or user releases and waives any claim it might have with respect to Relocation Assistance and releases Sublessor and County from any claim or action brought or which could be brought thereunder.

In connection with the foregoing release and waiver, Subtenant, or occupier, waives the benefit of California Civil Code § 1542, which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

Initials

6.2 Survival. The provisions of this Section 6 shall survive the termination of this Sublease or agreement.

7. Rent Payable to County on Sublessor’s Default. Subtenant acknowledges and agrees that it shall pay rent under this Sublease directly to County upon Subtenant’s receipt of notice from County stating that Sublessor is in default under the Ground Lease and for Subtenant to pay rent under the Sublease directly to County. Such payment to County shall continue until the Sublessor receives notice from County that Subtenant shall resume paying rent to Sublessor.

8. Construction Work.

8.1 Generally. All construction related work, including all demolition, excavation and any construction performed by or on behalf of Sublessor or Subtenant or its sub-subtenant, on or from the Premises (“**Construction Work**”), shall comply with all Legal Requirements and the provisions of the Ground Lease.

8.2 Emergency Work. Notwithstanding any other notice requirement contained in this Sublease, in the event of an emergency that threatens or endangers (a) human life or safety, (b) the Premises or Sub-Premises, (c) the property owned or controlled by County or any County Parties, or (d) County operations, Tenant or County may undertake such measures on or from the Premises that are reasonably necessary to remedy the emergency (the “**Emergency Work**”), provided that any such party (w) acts in good faith, (x) gives prior notice thereof to the Sublessor and the County Parties (as applicable) upon the occurrence of the emergency (or as soon thereafter as reasonably possible, if such prior notice is not reasonably possible), (y) uses its best efforts to remedy and cure the emergency condition and complete the Emergency Work as promptly as possible, and (z) otherwise conforms, to the extent practicable, to the applicable provisions of the Ground Lease.

8.3 Legal Requirements. All Construction Work, including those contained and constructed, added, altered, modified or installed entirely within an existing

Improvement and that are not visible from the exterior of such Improvement, performed by or on behalf of Sublessor, Subtenant or its sub-subtenant or any other subtenant or sub-subtenant on the Premises or property adjacent thereto, shall be carried out in accordance with all applicable Legal Requirements and the Ground Lease.

8.4 Workmanlike Manner. All Construction Work shall be performed in a good and workmanlike manner without impairing, damaging or compromising the integrity of public health and safety and the health and safety of County Parties. During and immediately after the performance of a Construction Work, items or materials Customarily used in connection with such a Construction Work present on the property owned or controlled by County shall be presumed to be the Subtenant's and any damage caused or clean-up necessitated thereby shall be presumed to be caused by and be the responsibility of Subtenant.

8.5 Compliance with California Labor Code Sections 1720-1780. If applicable, Subtenant shall cause any contractors and other permittees performing Construction Work on behalf of Subtenant to comply with the requirements of California Labor Code Sections 1720-1780.

9. Attornment. If Subtenant receives a non-disturbance agreement from County, then in the event of the cancellation or termination of this Sublease prior to the end of its term, Subtenant shall make full and complete attornment to County for the balance of the term of the Sublease with the same force and effect as though the Sublease were originally made directly from County to the Subtenant.

10. Conflict. In the event of a conflict between the terms of the Sublease and the terms set forth in the Sublease Required Provisions, the terms set forth in the Sublease Required provisions shall prevail.

EXHIBIT G

ESTOPPEL CERTIFICATE

To: _____

Re: That certain Vermont Corridor Affordable Housing Ground Lease (the "**Ground Lease**"), by and between the County of Los Angeles, a body corporate and politic ("**County**"), and Western Community Housing, Inc., a California nonprofit public benefit corporation ("**Tenant**").

All capitalized terms used but not defined herein shall have the meaning ascribed to them in the Ground Lease.

1. (a) [Use the following if Tenant is providing the Estoppel Certificate. Tenant is the present owner and holder of the lessee's interest under the Ground Lease.] [Use the following if County is providing the Estoppel Certificate: County is the present owner and holder of the lessor's interest under the Ground Lease.] The Ground Lease covers the premises described in Exhibit A attached hereto (the "**Premises**").

(b) [Use the following if Tenant is providing the Estoppel Certificate: Tenant holds title to the improvements located on the Premises. [Use the following if County is providing the Estoppel Certificate: County does not hold any interest in the improvements located on the Premises.]

2. (a) The attached Exhibit B includes a true and complete copy of the Ground Lease and all modifications, amendments, supplements, side letters, addenda, assignments, and riders of and to the Ground Lease.

(b) The Term of the Ground Lease commenced on _____, and will expire on _____, 20__.

(c) [The annual base rent currently payable under the Ground Lease is one dollar (\$1.00) and rent has been paid through _____, 20__; or

(d) Base Rent has been paid for the entire Term of the Ground Lease and no additional Base Rent is due until the expiration of the Term.]

(e) Except for _____, no additional rent is payable to County under the Ground Lease.

(f) Except as set forth in the Ground Lease, County and Tenant have made no agreement concerning free rent, partial rent, rebate of rental payments or any other similar rent concession.

(g) County currently holds no security deposit with respect to the Ground Lease.

3. The Ground Lease has not been modified, changed altered or amended, except as indicated on Exhibit B, attached hereto, and the Ground Lease is in full force and effect in the form attached hereto as Exhibit B. Except for the Ground Lease, there are no agreements other than _____, between County and Tenant, written or oral, that affect Tenant's occupancy of the Premises.

4. To the actual knowledge of the certifying party, no party is in default under the Ground Lease. To the actual knowledge of the certifying party, no event has occurred that, with the giving of notice or passage of time, or both, would constitute a default under the Ground Lease.

5. The interest of the certifying party in the Ground Lease has not been assigned or encumbered except _____. Tenant is not entitled to any credit against any rent or other charge or rent concession under the Ground Lease except as set forth in the Ground Lease.

6. Tenant has accepted the Premises, subject to no conditions other than those set forth in the Ground Lease.

7. [Status of approval of plans and specifications for the Initial Improvements or a subsequent Improvement and/or status of such construction, if applicable.]

8. The certifying party is not the subject of any bankruptcy or other voluntary or involuntary proceeding, in or out of court, for the adjustment of debtor-creditor relationships.

9. [Such other factual matters concerning the Ground Lease as the requesting Party may reasonably request.]

The certifying party acknowledges the right of [County]/[Tenant], its present and future lenders, its successor and assigns and any other parties in interest to rely upon the statements and representations of the certifying party contained in this Estoppel Certificate.

By: _____
Name: _____
Title: _____

EXHIBIT A TO ESTOPPEL CERTIFICATE

LEGAL DESCRIPTION OF THE PREMISES

EXHIBIT B TO ESTOPPEL CERTIFICATE

GROUND LEASE

Vermont Corridor Project Approval and Related Actions – Attachment

Appropriation Adjustment

February 13, 2018
DEPT NO: 060

COUNTY OF LOS ANGELES

REQUEST FOR APPROPRIATION ADJUSTMENT

DEPARTMENT OF CHIEF EXECUTIVE OFFICER

AUDITOR-CONTROLLER:

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. PLEASE CONFIRM THE ACCOUNTING ENTRIES AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF EXECUTIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

**ADJUSTMENT REQUESTED AND REASONS THEREFOR
FY 2017-18
3 - VOTES**

SOURCES		USES	
VARIOUS CAPITAL PROJECTS VARIOUS-RFURB-MITIGATION/REMEDICATION A01-CP-6014-65099-86612 CAPITAL ASSETS - B & I DECREASE APPROPRIATION	2,125,000	VARIOUS CAPITAL PROJECTS VERMONT CORRIDOR COUNTY ADMINISTRATION BUILDING A01-CP-6014-65099-69950 CAPITAL ASSETS - B & I INCREASE APPROPRIATION	4,143,000
PROJECT AND FACILITY DEVELOPMENT A01-CF-2000-10190 SERVICES & SUPPLIES DECREASE APPROPRIATION	2,018,000		
SOURCES TOTAL	\$ 4,143,000	USES TOTAL	\$ 4,143,000

JUSTIFICATION

Reflects a transfer of appropriation from Various-Rfurb-Mitigation/Remediation and Project and Facility Development to fund Vermont Corridor County Administration Building, Capital Project No. 69950 costs including environmental contingency reserve, owners representative/project management services, and legal services during the construction phase of Site 1.

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

James Yun
AUTHORIZED SIGNATURE JAMES YUN, MANAGER, CEO

BOARD OF SUPERVISOR'S APPROVAL (AS REQUESTED/REVISED)
18 MAY 22 2018

CELIA ZAVALA
CELIA ZAVALA

REFERRED TO THE CHIEF EXECUTIVE OFFICER FOR--
 RECOMMENDATION
BY *Papain*
DATE *May 11, 2018*
AUDITOR-CONTROLLER
B.A. NO. *225*

APPROVED AS REQUESTED
 APPROVED AS REVISED
CHIEF EXECUTIVE OFFICER
BY *[Signature]*
DATE *5/11/18*