County of Los Angeles
CHIEF EXECUTIVE OFFICE
713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
http://ceo.lacounty.gov

WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

December 18, 2007

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

Dear Supervisors:

FIVE-YEAR LEASE
TREASURER AND TAX COLLECTOR
16610 CHESTNUT STREET, CITY OF INDUSTRY
(FIRST DISTRICT) (3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chair to sign both the five-year lease (Lease) and the option to purchase (Exhibit J of the Lease) with PHD Property, Inc. (Landlord) for the Treasurer and Tax Collector (TTC) to occupy a 120,000 square foot warehouse at 16610 Chestnut Street, City of Industry (Property), at a maximum annual rental cost of $1,720,758, which is 100 percent net County cost.

2. Authorize the Internal Services Department (ISD) and/or the Landlord to acquire telephone, data, and low voltage systems. The telephone, data, and low voltage costs shall be paid using the Tenant Improvement Allowance provided in the Lease.

3. Consider the Negative Declaration, together with the fact that no comments were received during the public review process, find that the project will not have a significant effect on the environment, find that the Negative Declaration reflects the independent judgment of the County, find that the project will have no adverse effect on wildlife resources, and authorize the CEO to complete and file a Certificate of Fee Exemption for the project.

4. Approve the project and authorize the CEO, TTC, and ISD to implement the project. The Lease will be effective upon approval by your Board, but the term and rent will commence on January 1, 2008.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of this recommended action is to relocate TTC's Public Administrator decedent personal property warehousing program and the Department of Mental Health's Public Guardian (DMH) conservatee personal property warehousing program from a leased facility at 4821 Gregg Road, Pico Rivera. Personal property warehousing services are provided for decedent estates referred to the Public Administrator and conservatees being provided care by the Public Guardian, as prescribed by the California Probate Code for the storage, protection, and/or sale of personal property. TTC warehouses the storage crates containing the personal property (as well as vehicles, boats, etc.) until the personal property is sold at auction or transferred to an heir in accordance with court instructions. These programs have been housed at the 75,000 square foot Gregg Road facility since August 1972, but storage capacity at this location has reached maximum limits. Additionally, the lease for the Gregg Road facility expires on January 31, 2008, and the landlord has indicated it wants the County to vacate the premises by the expiration date. The landlord owns and occupies an adjacent warehouse and they intend to backfill the subject facility when the County relocates.

After evaluating all available options, the CEO has determined that purchasing an existing warehouse is the best long-term solution for meeting this TTC/DMH permanent space requirement. After engaging in the site selection process for several months, the subject warehouse at 16610 East Chestnut Street, City of Industry was identified as the most viable solution to satisfy TTC's large parking and storage requirements. Due to the time constraint imposed by the current landlord in Pico Rivera, a lease with an option to purchase was considered the most expeditious way to consummate a transaction and relocate the TTC program by January 31, 2008. Accordingly, a five-year lease has been negotiated with an option to purchase the Property within the initial twelve months at a predetermined price of $13,650,000, plus the unpaid balance of any reimbursable Tenant Improvement (TI) costs.

The "Option Agreement for Transfer of Real Property" (Exhibit J of the Lease) binds the Landlord, subject to a waiver of the pre-payment penalty on his Deed of Trust, for up to one year after Board approval of the lease to sell the Property to the County, if the County chooses to purchase it. If the County determines, after completion of all due diligence activities related to the acquisition, that purchase of the property is in the County's best interest, then we will return to your Board for approval of the purchase.

This strategy of entering into a Lease with an option to purchase will permit the timely relocation of the TTC/DMH program prior to the expiration of the current lease, and allow the CEO sufficient time to complete all due diligence activities.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we provide the public with easy access to quality information and services that are both beneficial and responsive (Goal1); and that we enhance the quality and productivity of the County workforce (Goal 2). The proposed lease supports these goals by providing a new storage facility that provides room for growth and a quality and efficient work environment for TTC's employees, which is conducive to maximizing employee productivity. Compliance with the County's Strategic Asset Management Principles is outlined in Attachment A.

FISCAL IMPACT/FINANCING

The maximum annual cost will be $1,720,758 if all of the reimbursable TI funds are used, and the maximum total cost will be $15,913,334 if the purchase option is exercised at the end of the first year. The maximum amount of $15,913,334 is comprised of 12 months of rent at $648,000, TI reimbursement payments of $1,072,758, TI payoff of $522,576, the purchase price of $13,650,000, title insurance and escrow fees of $20,000. The total cost is expected to be less than $15,913,334 because the purchase option is anticipated to be exercised within six months of the Lease's commencement and the tenant improvement costs may be less than $1,500,000.

16610 Chestnut Street, City of Industry	Proposed Lease
Term	5 Years
Total Area	120,000 square feet (sq. ft.)
Annual Base Rent	$648,000 ($5.40 per sq. ft.)
Unreimbursable Tenant Improvement (TI) Allowance	$300,000
Reimbursable Tenant Improvement (TI) Allowance	$1,500,000 ($12.50 per sq. ft.)
Change Order Allowance	$0
Annual TI Reimbursement*	$1,072,758 ($8.94 per sq. ft.)
Maximum Annual Rent**	$1,720,758 ($14.34 per sq. ft.)
Cancellation	None
Parking (included in Rent)	142 spaces
Option to Purchase	In First Year at Price of $13,650,000
Title Insurance / Escrow Fees	$20,000
Rental Adjustment	Annually, fixed at 3%

* $1,500,000 represents the maximum amount of reimbursable TI funds available for this project. If this entire amount is expended and amortized over 18 months at the proposed rate of 9 percent, the annual TI reimbursement amount will be $1,072,758.

** Maximum annual rent is the sum of annual base rent and annual TI reimbursement.

Sufficient funding for all proposed Lease costs is included in the 2007-08 Rent Expense Budget and will be billed back to TTC. TTC has allocated sufficient funds in its 2007-08 operating budget to cover the projected Lease costs. The costs associated with the proposed Lease will be 100 percent net County cost. In the event the option to purchase is exercised, sufficient funds will be allocated to cover the purchase price. The TTC has $8.4 million set aside for the purchase, and it anticipates additional savings in its 2007-08 operating budget to fund all of the purchase price.

Based upon a survey of similar properties within the search area, staff has determined that the rental range for similar warehouse space is between $5.40 and $12.00 per square foot per year. Thus, the proposed base annual rental rate of $5.40 per square foot is within the rental range for the area. The sales price for similar warehouse space is between $95.00 and $147.00 per square foot, and the proposed price of $113.75 per square foot is within the range.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed five-year Lease comprises the entire building at 120,000 square feet along with 142 parking spaces within the 5.7 acre parcel. The proposed Lease contains the following provisions:

- The term commences on January 1, 2008, and expires five years thereafter.

- The County has the option to purchase the entire Property within the initial twelve months from the effective date of the Lease at a predetermined price of $13,650,000, which has been determined to be fair market value based on a review of applicable sales data by the staff appraiser from CEO's Real Estate Division. The County's option to purchase is conditioned upon the Landlord obtaining a waiver from its lender of a pre-payment provision contained in its underlying financing loan for the Property and can only be exercised by the County Board of Supervisors. The option will be processed as a supplemental transaction to the proposed Lease, and is expected to be exercised within the initial twelve months of the term of the Lease.

- A reimbursable TI allowance totaling $1,500,000 is included in the proposed Lease and it is payable after substantial completion of the TI work, via monthly payments at an amortization rate of 9 percent over 18 months of the lease term or via lump sum payment. All tenant improvement work will be done by the Landlord's contractor in accordance with plans and specifications prepared by this office in close coordination with TTC.

- This is a triple net lease whereby the County is responsible for all operating expenses.

- The base rent is subject to annual fixed increases of 3 percent throughout the term.

- The Landlord will provide up to $300,000 to install necessary upgrades, including a new roof, replacement of the landscaping and irrigation, and any other needed upgrades to electrical, mechanical or other building systems.

CEO Real Estate staff surveyed the area within 10 miles of the current Pico Rivera location, based on the search area parameters provided by TTC, to determine the availability of comparable and more economical sites. Staff was unable to identify any sites in the surveyed areas that could accommodate this requirement more economically. Attachment B shows all County-owned and leased facilities within the search areas for these programs. There are no County-owned or leased facilities available for this program.

The building was seismically retrofitted by the Landlord. The Department of Public Works has completed a seismic inspection of the facility and found it suitable for the County's occupancy.

The facility is not suitable to support an on-site child care facility.

ENVIRONMENTAL DOCUMENTATION

The CEO has made an initial study of environmental factors and has concluded that this project will have no significant impact on the environment and no adverse effect on the wildlife resources. Accordingly, a Negative Declaration has been prepared and a notice posted at the site as required by the California Environmental Quality Act (CEQA) and the CEQA Guidelines Section 15072. Copies of the completed initial study, the resulting Negative Declaration, and the Notice of Preparation of Negative Declaration as posted are attached. No comments to the Negative Declaration were received during the public review period. A fee must be paid to the State Department of Fish and Game when certain notices are filed with the Registrar-Recorder/County Clerk. The County is exempt from paying this fee when your Board finds that a project will have no impact on wildlife resources.

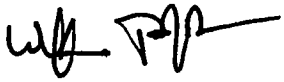
IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed Lease will provide the necessary office and warehouse storage space for this County requirement. TTC concurs with the proposed Lease.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors, return two originals of the executed lease agreement and the adopted, stamped Board letter, and two certified copies of the Minute Order to the CEO, Real Estate Division at 222 South Hill Street, 4th Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:DL:JSE
CB:CM:KW:hd

Attachments (3)

c: County Counsel
Treasurer and Tax Collector
Internal Services Department

16610ChestnutBrdltr

ATTACHMENT A

TREASURER AND TAX COLLECTOR
16610 CHESTNUT STREET, CITY OF INDUSTRY

Asset Management Principles Compliance Form[1]

			Yes	No	N/A
1.		**Occupancy**			
	A	Does lease consolidate administrative functions?[2]			X
	B	Does lease co-locate with other functions to better serve clients?[2] **Clients attend auctions only about one per month.**		X	
	C	Does this lease centralize business support functions?[2]			X
	D	Does this lease meet the guideline of 200 sf of space per person?[2]			X
2.		**Capital**			
	A	Should program be in leased space to maximize State/Federal funding?		X	
	B	If not, is this a long term County program?	X		
	C	Is it a net County cost (NCC) program? **100.00%**	X		
	D	If yes to 2 B or C; capital lease or operating lease with option to purchase?	X		
	E	If no, are there any suitable County-owned facilities available?			X
	F	If yes, why is lease being recommended over occupancy in County-owned?			X
	G	Is Building Description Report attached as Attachment B?	X		
	H	Was build-to-suit or capital project considered? **Due to time constraints, a lease with a purchase option is the best solution.**		X	
3.		**Portfolio Management**			
	A	Did department utilize CAO Space Request Evaluation (SRE)?	X		
	B	Was the space need justified?	X		
	C	If a renewal, was co-location with other County departments considered?			X
	D	Why was this program not co-located?			
		1. The program clientele requires a "stand alone" facility.			
		2. X No suitable County occupied properties in project area.			
		3. No County-owned facilities available for the project.			
		4. Could not get City clearance or approval.			
		5. The Program is being co-located.			
	E	Is lease a full service lease? **Landlord refuses to pay for operating expenses.**		X	
	F	Has growth projection been considered in space request?	X		
	G	Has the Dept. of Public Works completed seismic review/approval?	X		
		[1]As approved by the Board of Supervisors 11/17/98			
		[2]If not, why not? Please **bold** any written responses			

Attachment B

SPACE SEARCH WITHIN TEN MILE RADIUS
TREASURER AND TAX COLLECTOR WAREHOUSE
4821 GREGG ROAD, PICO RIVERA
(ALL STORAGE SPACE LARGER THAN 25,000 SQ. FT.)

LACO	FACILITY NAME	ADDRESS	SQ. FT. GROSS	SQ. FT. NET	OWNERSHIP	SQ. FT. AVAIL.
X538	RR/CC - SERVICE CENTER COMPLEX (WAREHOUSE)	12680 CORRAL PLACE, SANTA FE SPRINGS 90650	99494	94519	OWNED	NONE
A257	MED CTR-SUPPLIES WAREHOUSE/ MEDICAL RECORDS	2011 N SOTO ST, LOS ANGELES 90032	83665	75300	LEASED	NONE
A945	DPSS-DISTRIBUTION CENTER/ MULTI-USE WAREHOUSE	2700 GARFIELD AVE, COMMERCE 90040	60140	58537	LEASED	NONE
5458	PW CENTRAL YARD-MAIN WAREHOUSE	1537 ALCAZAR ST, LOS ANGELES 90033	59594	53646	OWNED	NONE
Y201	SHERIFF-CENTRAL PROPERTY WAREHOUSE	14201 TELEGRAPH RD, SOUTH WHITTIER 90604	55000	54044	FINANCED	NONE
A391	DA-CRIMINAL FILE STORAGE/ FRAUD INVESTIGATORS	5300 HARBOR ST, CITY OF COMMERCE 90040	52300	49685	LEASED	NONE
A562	HEALTH-COUNTY EMERGENCY MEDICAL SERVICES(EMS)	10430 SLUSHER DR, SANTA FE SPRINGS 90670	45290	44264	LEASED	NONE
Y202	SHERIFF-CENTRAL SUPPLY WAREHOUSE	14205 TELEGRAPH RD, SOUTH WHITTIER 90604	45000	43714	FINANCED	NONE
B050	REGISTRAR-RECORDER-SUPPLIES WAREHOUSE	1050 S MAPLE AVE, MONTEBELLO 90640	44000	23966	LEASED	NONE
1202	RANCHO-BLDG 305 (UNUSED)/BLDG 306 MED RECORDS	7601 E IMPERIAL HWY, DOWNEY 90242	42306	25502	OWNED	NONE
0146	RANCHO-MATERIALS MANAGEMENT WAREHOUSE	7601 E IMPERIAL HWY, DOWNEY 90242	29795	28578	OWNED	NONE
Y803	MED CTR-GENERAL HOSPITAL MINI WAREHOUSE	1900 ZONAL AVE, LOS ANGELES 90033	27899	20024	OWNED	NONE
1204	PUB DEF-RANCHO COURT RECORDS STORAGE BUILDING	12817 DAHLIA AVE, DOWNEY 90242	26475	21453	OWNED	NONE
Y798	MED CTR-OFFICE EQUIPMENT & SALVAGE WAREHOUSE	1808 GRIFFIN AVE, LOS ANGELES 90031	25114	24511	OWNED	NONE

COUNTY OF LOS ANGELES

CHIEF EXECUTIVE OFFICE

LEASE AGREEMENT

DEPARTMENT: Treasurer and Tax Collector, as Tenant

LANDLORD: PHD Property Inc, a California Corporation

[16610 Chestnut Street, City of Industry]

December 4, 2007
LA1 156271v16

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COUNTY OF LOS ANGELES
CHIEF EXECUTIVE OFFICE
LEASE AGREEMENT

THIS LEASE AND AGREEMENT (the "Lease"), is made and entered into in duplicate original as of the 18th day of December, 2007 by and between PHD Property, Inc, a California corporation ("Landlord"), and COUNTY OF LOS ANGELES, a body politic and corporate ("Tenant").

Landlord and Tenant agree:

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

1.1 Defined Terms Relating to the Lease.

(a) Landlord's Address for Notice:

Dianne O'Brien
48900 Milmont Drive
Fremont, CA 94538

With a copy to:

Astor and Phillips
Attention: Eric LaBounty, Esq.
800 Wilshire Boulevard, 15th Floor
Los Angeles, CA 90017

With a copy to:

Lee and Associates
Attention: Chris Bonney
13181 Crossroads Parkway North #300
City of Industry, CA 91746

(b) Tenant's Address for Notice:

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

With a copy to:

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

29415

(c) Premises:	Approximately 120,000 square feet comprising the entire Building (defined below) as shown on Exhibit A attached hereto.
(d) Building:	The building located at 16610 Chestnut Street, City of Industry which is located upon the real property described more particularly in Exhibit B attached hereto (the "Property");
(e) Term:	Five years commencing upon the "Commencement Date"; and terminating at midnight on the day before the Fifth anniversary of the Commencement Date (the "Termination Date"), subject to earlier termination by Tenant as provided herein. The phrase "Term of this Lease" or "the Term hereof" as used in this Lease, or words of similar import, shall refer to the initial Term of this Lease together with any additional Extension Term for which an option has been validly exercised.
(f) Projected Commencement Date:	January 1, 2008
(g) Commencement Date:	January 1, 2008
(h) Irrevocable Offer Expiration Date:	December 31, 2007
(i) Base Rent:	$54,000.00 per month (which is based upon a rental rate of $0.45 per rentable square foot), adjustable only as provided in Section 5(b) hereof.
(j) Early Termination Notice Date:	N/A
(k) Rentable Square Feet in the Premises:	120,000

(l)	Use:	General warehouse use or for any other lawful purposes subject to Landlord's prior written consent, which shall not be unreasonably withheld.
(m)	Initial Departmental Use:	Treasurer and Tax Collector
(n)	Parking Spaces:	142
(o)	Asbestos Report:	N/A

1.2 Defined Terms Relating to Tenant Improvements (TIs).

(a)	Base Tenant Improvement Allowance:	$0.00
(b)	Tenant Improvement Allowance:	$1,500,000, to be reimbursed to Landlord monthly over the initial 18 months of the Term at an amortization rate of 9% per annum (beginning upon release of funds by Landlord) or to be reimbursed to Landlord via lump sum payment(s), provide that in no event shall full repayment of the Tenant Improvement Allowance occur later than 18 months after Lease Commencement or upon Tenant's purchase of the Property, whichever is earlier.
(c)	Maximum Change Order Allowance:	$0.00

1.3 Exhibits to Lease:

Exhibit A – Floor Plan
Exhibit B - Legal Description of Property
Exhibit C - Memorandum of Tenant Improvement Costs
Exhibit D - Tenant Estoppel Certificate
Exhibit E – Subordination, Non-disturbance and Attornment Agreement
Exhibit F – Nondisturbance Agreement
Exhibit G - Request for Notice
Exhibit H - Community Business Enterprises Form
Exhibit I – Memorandum of Lease
Exhibit J – Option Agreement

2. PREMISES.

Landlord does hereby lease to Tenant, and Tenant does hereby lease from Landlord, upon the terms and conditions herein set forth, the Premises described in Section 1 and Exhibit A attached hereto.

3. COMMON AREAS.N/A.

4. COMMENCEMENT AND EXPIRATION DATES.

(a) Term. The term of this Lease shall commence upon the Commencement Date and terminate on the Termination Date.

(b) Termination Right. If a delay in the Completion Date (as defined herein below) is caused by the Landlord's failure to make payment(s) as required under any proposal or contract with the architect and/or contractor retained by Landlord to perform the Tenant Improvements, Tenant's termination rights shall be as set forth under Section 24(h) hereof.

5. RENT. (a) The first full calendar month's rent shall be due and payable within 30 days of the Commencement Date in the total amount shown in Section 1(i) hereof. A monthly installment in the same amount, subject to the adjustments described herein below, shall be due and payable without demand on or before the first day of each calendar month succeeding the Commencement Date during the Term, except that Rent for any fractional calendar month at the commencement or end of the Term shall be prorated on a daily basis, provided that Landlord shall file a payment voucher with the Auditor of the County of Los Angeles (the "County") for the monthly Rent prior to the Commencement Date for the initial month(s) of the Term up to and including June, and annually thereafter in June for the ensuing 12 months.

(b) From and after the first one year anniversary of the Commencement Date, on the first full day of the first full calendar month thereafter (the "Adjustment Date") and on every anniversary date thereafter, including holdover periods, Base Rent shall be increased by three percent (3%) over the prior year's Base Rent.

5. USES. The Premises are to be used only for the uses set forth in Section 1 and for no other business or purpose; however, Landlord shall not unreasonably withhold its consent to a change of use.

6. HOLDOVER. If Tenant remains in possession of the Premises or any part thereof after the expiration of the Term of this Lease, such occupancy shall be a tenancy which is terminable only upon 90 days written notice from Landlord or 90 days written notice from the Chief Executive Officer of Tenant at the last monthly Base Rent payable under this Lease (as such Base Rent may be adjusted from time to time in accordance with this Lease) plus all other charges payable under this Lease, and subject to all of the terms, covenants and conditions of this Lease.

7. COMPLIANCE WITH LAW. Tenant shall, at Tenant's expense, comply promptly with all applicable statutes, ordinances, rules, regulations, orders and requirements in effect during the term hereof, regulating the use, occupancy or improvement of the Premises by Tenant. Landlord, not Tenant, shall, at its sole cost, at all times cause the Premises and the Building to comply with all applicable statutes, ordinances, rules, regulations, orders and requirements in effect and binding upon Tenant or Landlord during the term hereof, including without limitation, the Americans with Disabilities Act, except to the extent such compliance is made necessary as a result of Tenant's particular use of or alterations or improvements to the Premises.

8. DAMAGE OR DESTRUCTION.

(a) Damage. In the event any portion of the Premises is damaged by fire or any other cause rendering the Premises totally or partially inaccessible or unusable and the Premises may be restored to a complete architectural unit of the same value, condition and character that existed immediately prior to such casualty in less than 180 days, then Landlord shall promptly, at Landlord's expense, repair such damage and this Lease shall continue in full force and effect. If all or any portion of the Premises shall be made untenantable by fire or other casualty, Landlord shall immediately secure the area to prevent injury to persons and/or vandalism to the improvements. Landlord shall promptly, but in any event within 10 days, cause an architect or general contractor selected by Landlord to provide Landlord and Tenant with a written estimate of the amount of time required to substantially complete the repair and restoration of the Premises and make the Premises tenantable again using standard working methods. The failure to do so shall be a material Default hereunder. Base Rent shall abate to the extent that the Premises are unusable by Tenant. Tenant waives the provisions of California Civil Code Sections 1932(2) and 1933(4) with respect to any partial or total destruction of the Premises.

(b) Tenant Termination Right. In the event any portion of the Premises is damaged by fire or any other cause rendering the Premises totally or partially inaccessible or unusable and the Premises will not be restored to a complete architectural unit of the same value, condition and character that existed immediately prior to such casualty in less than 180 days for any reason, then Tenant may terminate this Lease by giving written notice within 10 days after notice from Landlord specifying such time period of repair; and this Lease shall terminate and the Base Rent shall be abated from the date the Premises became untenantable. In the event that Tenant does not elect to terminate this Lease, Landlord shall promptly commence and diligently prosecute to completion the repairs to the Building or Premises, provided insurance proceeds are available to repair the damages.

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

(d) Default By Landlord. If Landlord is required to repair and restore the Premises as provided for in this Section and Landlord should fail to thereafter pursue said repair and restoration work with reasonable diligence to completion, Tenant may (a) declare a default hereunder or (b) perform or cause to be performed the restoration work and deduct the cost thereof plus interest thereon at 10% per annum, from the Base Rent next due as a charge against the Landlord.

9. REPAIRS AND MAINTENANCE.

(a) Landlord Representations. Landlord represents that, as set forth under Paragraph 24(b), Landlord shall provide Tenant with a non-reimbursable discretionary allowance of $300,000 ("Non-Reimbursable Allowance"), to allow Tenant to assure itself, in its sole and absolute discretion, that the Premises and the Building (including but not limited to electrical, heating, ventilating and air conditioning ("HVAC"), mechanical, plumbing, gas and fire/life safety systems in the Building and similar building service systems, roof, landscaping and irrigation systems) comply with all current laws, codes, and ordinances, including without limitation the Americans With Disabilities Act; and are in reasonably good working order and condition. Tenant agrees that it is familiar with the condition of the Building and Premises at the time of execution of the Lease and that Tenant shall be responsible for any costs and expenses in excess of the $300,000 Non-Reimbursable Allowance that Tenant deems necessary to bring the Building and Premises into reasonably good working order and condition. Landlord further represents that, to the best of its knowledge, (i) the Building and Premises comply with all covenants, conditions, restrictions, if applicable, and underwriter's requirements; (ii) the Premises and Building are free of the presence of any Hazardous Materials (as hereinafter defined) and (iii) Landlord has not received any notice from any governmental agency that the Building or the Premises are in violation of any law or regulation.

(b) Landlord Obligations. N/A.

(c) Tenant Obligations. Tenant shall keep and maintain in good repair and working order and promptly make repairs to and perform maintenance upon and replace as needed all elements and systems of the Building, parking lot, finishes and flooring materials. Tenant shall also be responsible for the repair of low voltage electronic, phone and data cabling and related equipment that is installed by or for the exclusive benefit of Tenant.

10. SERVICES AND UTILITIES.

Tenant shall be responsible for all utility charges, janitorial and trash removal services.

12. OPERATING EXPENSES.

In addition to the Base Rent provided in Section 1.1(i) hereinabove, Tenant shall pay to Landlord as additional rent, the total cost of the following Direct Expenses and Tax Expenses (herein collectively called "Operating Expenses"):

(1) All Tax Expenses as defined below. "Tax Expenses" shall mean all federal, state, county, or local governmental or municipal taxes, fees, charges or other impositions of every kind and nature, whether general, special, ordinary or extraordinary (including, without limitation, real estate taxes, general and special assessments, special assessment district payments, transit taxes, leasehold taxes or taxes based upon the receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, unless required to be paid by Tenant, personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and equipment, appurtenances, furniture and other personal property used in connection with the Building), which Landlord shall pay because of or in connection with the ownership, leasing and operation of the real property on which the Building is located ("Real Property") or Landlord's interest therein. Tax Expenses shall include, without limitation: (a) any tax on Landlord's rent, right to rent or other income from the Building and Real Property or as against Landlord's business of leasing any of the Building and Real Property; (b) any assessment, tax, fee, levy or charge in addition to, or in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included within the definition of real property tax, it being acknowledged by Tenant and Landlord that Proposition 13 was adopted by the voters of the State of California in the June 1978 election ("Proposition 13") and that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants. It is the intention of Tenant and Landlord that all such new and increased assessments, taxes, fees, levies, and charges and all similar assessments, taxes, fees, levies and charges be included within the definition of Tax Expenses for purposes of this Lease; (c) any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the rent payable hereunder, including, without limitation, any gross income tax with respect to the receipt of such rent, or upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, or any portion thereof; and (d) any assessment, tax, fee, levy or charge, upon this transaction or any document to which Tenant is a party, creating or transferring an interest or an estate in the Premises.

(2) All Direct Expenses for the Building and Real Property. "Direct Expenses" means all expenses, costs, and amounts of every kind that Landlord pays or incurs because of or in connection with the ownership, operation, management, maintenance, repair, replacement, or restoration of the Building and Real Property, including but not limited to any amounts paid or incurred for: (a) the cost of supplying any utilities, (b) the cost of operating, managing, maintaining, and repairing all Building systems, including the following systems: utility, mechanical, sanitary, storm drainage, escalator, and elevator, (c) the cost of supplies and tools and of equipment, maintenance, and service contracts in connection with those systems, (d) the cost of licenses, certificates, permits, and inspections, (e) the cost of contesting the validity or applicability of any government enactments that may affect the Direct Expenses, (f) the costs incurred in connection with the implementation and operation of a transportation system management program or similar program, (g) the cost of insurance carried by Landlord, in amounts reasonably determined by Landlord, (h) fees, charges, and other costs including management fees (or amounts in lieu of such fees), consulting fees, legal fees, and accounting fees of all persons engaged by Landlord or otherwise reasonably incurred by Landlord in connection with the operation, management, maintenance, and repair of the Real Property, (i) the cost of parking area maintenance, repair, and restoration, including resurfacing, repainting, restriping, and cleaning, (j) wages, salaries, and other compensation and benefits of all persons engaged in the operation, maintenance, or security of the Building plus employer's Social Security taxes, unemployment taxes, insurance, and any other taxes imposed on Landlord that may be levied on those wages, salaries, and other compensation and benefits. If any of Landlord's employees provide services for more than one building of Landlord, only the prorated portion of those employees' wages, salaries, other compensation and benefits, and taxes reflecting the percentage of their working time devoted to the Real Property shall be included in Direct Expenses, (k) payments under any easement, license, operating agreement, declaration, restrictive covenant, or instrument relating to the sharing of costs by the Building, including without limitation costs relating to Common Areas of the Building, (l) amortization of the cost of acquiring or renting personal property used in the maintenance, repair, and operation of the Building and Real Property.

(3) Direct Expenses shall not include: (a) depreciation, interest, or amortization on mortgages or ground lease payments, except as otherwise stated in this Section 12, (b) legal fees incurred in negotiating and enforcing tenant leases, (c) real estate brokers' leasing commissions, (d) initial improvements or alterations to tenant spaces, (e) the cost of providing any service directly to and paid directly by any tenant, (f) costs of capital improvements, except as expressly provided above, and (g) costs of any items for which Landlord receives reimbursement from insurance proceeds or a third party. Insurance proceeds shall be excluded from Direct Expenses in the year in which they are received, except that any deductible amount under any insurance policy shall be included within Direct Expenses.

(4) Upon the Sixth Month Anniversary of the Lease Commencement Date and every six months thereafter, Landlord shall submit to Tenant a statement of the Operating Expenses for the previous six month period, and Tenant shall pay these Operating Expenses as a lump sum payment within 30 days of receipt of said statement. Tenant shall have the right, at Tenant's sole cost and expense, to audit Landlord's books with respect to any annual statement of Operating Expenses within one year after receipt of that statement upon, upon reasonable prior written notice given to Landlord. In the event that such audit discloses an overpayment by Tenant, Tenant shall submit to Landlord the results of said audit in writing and, in the event that Landlord agrees with the results of said audit and reasonably determines that Tenant has overpaid said reimbursements, Landlord shall refund such overpayment to Tenant.

13. LANDLORD ACCESS. Tenant shall permit Landlord and its agents to enter the Premises upon prior written notice for the purpose of inspecting the Premises for any reasonable purpose. If Landlord temporarily closes any portion of the Building or Premises, Base Rent shall be prorated based upon the percentage of the Premises or Building rendered untenantable and not used by Tenant. Landlord shall have the right at any and all times to enter the Premises in the event of an emergency.

14. TENANT DEFAULT.

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

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

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

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

(d) No Effect on Indemnity. Nothing in this Section 13 shall be deemed to affect either Landlord or Tenant's right to indemnification under any indemnification clause or clauses set forth in this Lease.

15. LANDLORD DEFAULT.

(a) Remedies. In addition to the provisions for Landlord's default provided by Sections 9(d) and 19(b) and 20(b), Landlord shall be in default ("Landlord Default") in the performance of any obligation required to be performed by Landlord under this Lease if Landlord has failed to perform such obligation within 15 days after the giving of written notice with respect thereto by Tenant ; provided, however, that if the nature of such default is such that the same cannot reasonably be cured within such 15 day period, Landlord shall not be deemed to be in Landlord Default if Landlord shall within such period commence such cure and thereafter diligently prosecute the same to completion. If the Landlord Default by Landlord is of such a nature that it materially and substantially interferes with Tenant's occupancy and use of the Premises and if such Landlord Default is not cured within the foregoing cure period, then Tenant shall have the right, at its option, with or without further notice or demand of any kind to Landlord or any other person, to any one or more of the following described remedies in addition to all other rights and remedies provided at law or in equity or elsewhere herein: (i) to remedy such default or breach and deduct the costs thereof (including but not limited to reasonable attorneys' fees) plus interest at the rate of 10% per annum from the installments of Base Rent next falling due; (ii) to pursue the remedy of specific performance; (iii) to seek money damages for loss arising from Landlord's failure to discharge its obligations under this Lease or offset such damages against Base Rent next coming due; or (iv) to terminate this Lease.

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

(c) Emergency. Notwithstanding the foregoing cure period, Tenant may cure any default without notice where the failure promptly to cure such default would, in the reasonable opinion of Tenant, create or allow to persist an emergency condition or materially and adversely affect the operation of Tenant's business in the Premises.

16. TENANT ASSIGNMENT. Tenant may not assign, or otherwise transfer this Lease.

17. ALTERATIONS AND ADDITIONS.

(a) Landlord Consent. Tenant shall not make any structural alterations, improvements, additions, or utility installations in or about the Premises (collectively, "Alterations") without first obtaining the written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. If Landlord fails to respond in writing within 30 days of such request, Landlord shall be deemed to approve the Alterations.

(b) End of Term. Any Alterations not removed by Tenant shall become the property of Landlord and remain upon and be surrendered with the Premises at the expiration of the Term.

18. CONDEMNATION.

(a) Controlling Terms.If during the Term, or during the period of time between the execution of this Lease and the Commencement Date, there is any taking of all or any part of the Premises or any interest in this Lease by Condemnation (as defined below), this Section shall determine the rights and obligations of Tenant and Landlord. "Condemnation" shall mean the exercise of any governmental power to take title to any portion of the Premises, whether by legal proceedings or otherwise, by a Condemnor (as defined below) or a voluntary sale or transfer by Landlord to any Condemnor, either under threat of a Condemnor's exercise of such power or while legal proceedings are pending for the exercise of such power. "Condemnor" shall mean any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

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

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

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

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

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

19. INDEMNIFICATION.

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

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

20. INSURANCE.

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

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

(ii) General liability insurance (written on ISO policy form CG 00 01 or its equivalent) with limits of not less than the following: (1) per occurrence and general aggregate amount of $5,000,000; (2) products/completed operations aggregate of $2,000,000 and (3) personal and advertising injury of $1,000,000.

(iii) Failure by Landlord to maintain the insurance required by this Section and deliver evidence thereof as required by this Lease shall constitute a material breach of this Lease.

(b) Insurance Requirements.All insurance policies required to be maintained by Landlord under this Lease shall be issued by insurance companies which have a Best's Rating of "AVII" or better and which are qualified to do business in the State of California.

(c) Certificates.Landlord shall deliver to Tenant on the Commencement Date of this Lease and thereafter at least 15 days prior to expiration of any insurance required to be carried hereunder, certificates of insurance evidencing this coverage with limits not less than those specified above. Certificates must document that Landlord has named Tenant as an additional insured (or its equivalent) on its general liability and property insurance policy, and that Tenant has been named a loss payee on Landlord's commercial property insurance policy, as required.

Further, all certificates shall expressly provide that no less than 30 days' prior written notice shall be given to Tenant in the event of material change to, expiration or cancellation of the coverages or policies evidenced by the certificates.

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

21. PARKING.

As set forth in Section 1.1(n) hereinabove, Landlord shall provide Tenant with 142 parking spaces at the Building.

22. ENVIRONMENTAL MATTERS.

(a) Hazardous Materials. Tenant shall indemnify, protect, defend (by counsel acceptable to Landlord) and hold harmless Landlord from and against any and all claims, judgments, causes of action, damage, penalties, fine, taxes, costs, liabilities, losses and expenses arising at any time during or after the Term as a result (directly or indirectly) of or in connection with the presence of Hazardous Materials at the Building or the Premises, caused by the Tenant or any of Tenant's employees, agents, customers, visitors, invitees, licensees, contractors, assignees or subtenants and related to Tenant's occupancy of the Building and Premises. This indemnity shall include, without

limitation, the cost of any required or necessary repair, cleanup or detoxification, and the preparation and implementation of any closure, monitoring or other required plans, as such action is required by local or state laws or any governmental agency. Tenant shall promptly deliver to Landlord a copy of any notice received from any governmental agency during the Term of this Lease concerning the presence of Hazardous Materials on the Building or the Premises. Tenant's obligations pursuant to the foregoing indemnity shall survive the expiration or termination of this Lease. A default by Tenant under this Section shall constitute a material default under this Lease. Tenant shall not cause, permit, or allow to cause or permit, any Hazardous Materials to be brought upon, stored, manufactured, generated, blended, handled, recycled, treated, disposed or used on, under or about the Premises and the Building, except for routine office and janitorial supplies in usual and customary quantities stored, used and disposed of in accordance with all applicable Environmental Laws. As used herein, "Hazardous Materials" means any chemical, substance, material, controlled substance, object, condition, waste, living organism or combination thereof, whether solid, semi solid, liquid or gaseous, which is or may be hazardous to human health or safety or to the environment due to its radioactivity, ignitability, corrosivity, reactivity, explosivity, toxicity, carcinogenicity, mutagenicity, phytotoxicity, infectiousness or other harmful or potentially harmful properties or effects, including, without limitation, molds, toxic levels of bacteria, tobacco smoke within the Premises, petroleum and petroleum products, asbestos, radon, polychlorinated biphenyls (PCBs), refrigerants (including those substances defined in the Environmental Protection Agency's "Refrigerant Recycling Rule," as amended from time to time) and all of those chemicals, substances, materials, controlled substances, objects, conditions, wastes, living organisms or combinations thereof which are now or become in the future listed, defined or regulated in any manner by any Environmental Law based upon, directly or indirectly, such properties or effects. As used herein, "Environmental Laws" means any and all federal, state or local environmental, health and/or safety-related laws, regulations, standards, decisions of courts, ordinances, rules, codes, orders, decrees, directives, guidelines, permits or permit conditions, currently existing and as amended, enacted, issued or adopted in the future which are or become applicable to Tenant, the Premises, the Building or the Common Areas.

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

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

24. TENANT IMPROVEMENTS. Upon receipt of a duly executed copy of this Lease, Landlord shall construct or cause to be constructed the Tenant Improvements set forth in Exhibit "A" attached hereto and incorporated herein by this reference (collectively the "Tenant Improvements") in the following manner:

(a) Tenant Improvement Allowance.

Landlord shall provide a reimbursable Tenant Improvement Allowance of one million five hundred thousand dollars ($1,500,000) (the "TI Allowance") to be used for the completion of the proposed Tenant Improvements. Tenant shall reimburse Landlord, no later than 18 months after Lease Commencement, the total amount of the TI Allowance funds actually expended. Tenant may make lump sum payments at any time and/or monthly reimbursement payments over a period of 18 months at an amortization rate of 9%. In the event Tenant elects to exercise its option to purchase the Property pursuant to Section 30 hereof, the unamortized outstanding balance of the TI Allowance shall be due and payable concurrent with the close of escrow.

For purposes of ascertaining the actual costs of said Tenant Improvements, Landlord shall provide to Tenant, upon the issuance of a Certificate of Occupancy, or a final sign-off by the applicable jurisdiction, a detailed breakdown of the total costs of constructing the Tenant Improvements and execute a summarized breakdown of the total costs of the Tenant Improvements in the form of Exhibit C, Memorandum of Tenant Improvement Costs, attached hereto and incorporated herein by this reference. Tenant shall have the right to audit said costs for a period of 12 months from the Completion Date, as that term is defined herein.

(b) Tenant Improvement Process.

Upon execution of this Lease and after consideration of at least three bids for each position, the Tenant shall provide the Landlord with the names and contact information of the Tenant-recommended architect ("Architect") and Tenant-recommended general contractor ("Contractor") for the Tenant Improvement work. Landlord shall promptly, after receipt of the County-approved Preliminary Plans (as defined herein) to be provided by the Tenant, request a proposal from the Architect, which shall set forth the cost and construction schedule to perform the architectural work for the Tenant Improvements delineated by the Preliminary Plans. Upon review of the Architect's proposal and upon consultation with the Tenant, Landlord shall enter into a contract with the Architect and the Architect shall commence preparation of the working drawings which are to be prepared in accordance with Preliminary Plans No. 28-07 dated November 7, 2007 (the

"Preliminary Plans") relating to the structural, mechanical, electrical, plumbing, HVAC, roof, parking and life safety work outlined herein in Exhibit "A" attached hereto and incorporated herein by this reference (the "Working Drawings"). The Preliminary Plans shall also be on file with the County's Chief Executive Office and are identified as Exhibit "A" attached hereto and incorporated herein by this reference, and Landlord has a duplicate copy.

Pursuant to the schedule set forth in the Architect's proposal, the Architect shall deliver the Working Drawings to Tenant for Tenant's review and reasonable approval. Tenant shall provide changes to the Working Drawings or reasonably approve the Working Drawings within five (5) business days after receipt thereof. All work, construction and materials shall be in the final approved Working Drawings. All circuit breakers, fire sprinklers, and plumbing shut off valves shall be labeled as to areas controlled both on the Working Drawings and on the breaker panels and valves. After the Landlord and Tenant approve the Working Drawings, the Architect shall promptly proceed (with Landlord's cooperation) with obtaining the necessary building permits and governmental approvals having jurisdiction over such approvals and permits for the Tenant Improvements.

Concurrent with obtaining the permits and in accordance with the approved Working Drawings, the Contractor shall provide Landlord and Tenant with a cost proposal that includes all of the cost of the construction of the Tenant Improvements and a detailed construction schedule, which shall include a Completion Date, as defined herein (the "TI Construction Proposal"). Tenant shall provide changes to or approve the TI Construction Proposal within five (5) business days of the receipt thereof. After Landlord, Tenant and Contractor agree upon and approve the TI Construction Proposal, Landlord shall enter into a contract with the Contractor. After all permits and approvals have been obtained, and the Contractor shall commence construction of the Tenant Improvements, and Landlord and Tenant shall meet with the Contractor on a weekly basis to review the progress of the construction.

At its sole expense and separate from the TI Allowance, Landlord shall provide the Tenant the Non-Reimbursable Allowance of $300,000, to perform the work the Tenant deems necessary to bring the Building and Premises to a reasonably good condition ("Base Building Improvements"), including but not limited to costs and expenses related to following items:

a. Installation of new roof and skylights and performance of asbestos abatement at the roof level, if applicable.

b. Replacement of the irrigation system and landscaping.

c. Other work to assure Tenant that the Premises and the Building (including without limitation electrical, heating, ventilating and air conditioning ("HVAC"), mechanical, plumbing, gas and fire/life safety systems in the Building

and similar building service systems) are in good condition and working order.

Tenant agrees that it is familiar with the condition of the Building and Premises at the time of execution of the Lease and that Tenant shall be responsible for any costs and expenses in excess of the $300,000 Non-Reimbursable Allowance that Tenant deems necessary to bring the Building and Premises into good working order and condition.

The Landlord and Tenant agree that the Contractor retained to perform the Tenant Improvements will also perform the Base Building Improvements. Concurrent with the TI Construction Proposal, the Contractor shall provide Landlord and Tenant with a Base Building Improvement proposal based on Tenant's specifications that includes all of the cost of the construction of the Base Building Improvements and a detailed construction schedule, which shall include a Completion Date, as defined herein (the "BBI Construction Proposal). The BBI Construction Proposal shall contain a payment schedule that provides that Landlord will be responsible for payment of the first $300,000 of the Base Building Improvements and Tenant shall be responsible for payment of any amount in excess of $300,000. Tenant shall confirm in writing as a signatory to the BBI Construction Proposal, or by addendum thereto, Tenant's agreement to pay any amounts for Base Building Improvements in excess of $300,000. Tenant shall provide changes to or approve the BBI Construction Proposal within five (5) business days of the receipt thereof. After Landlord, Tenant and Contractor agree upon and approve the BBI Construction Proposal, Landlord shall enter into a contract with the Contractor. After all permits and approvals have been obtained, Contractor shall commence construction of the Base Building Improvements and Landlord and Tenant shall meet with the Contractor on a weekly basis to review the progress of the construction.

(c) Notice of Nonresponsibility.

Landlord and the Contractor shall cooperate with Tenant in the posting of a notice or notices of non-responsibility by Tenant.

(d) Compliance with Laws.

The Tenant Improvements must be of an acceptable quality, value and workmanship as determined by Tenant's sole discretion, and must be completed in accordance with all applicable laws. The Building shall meet all applicable City, County, State and Federal building codes, regulations and ordinances required for beneficial occupancy. Any work to meet applicable code requirements necessitated by Tenant's special requirements shall be included as part of the TI Allowance provided herein.

Any and all construction pertaining to this Lease by Landlord or its designated contractors or subcontractors shall comply with all applicable City, County, State and Federal regulations, codes and ordinances, including without limitation all provisions of the California Labor Code. Under the provisions of said Labor Code, the State Department of Industrial Relations will ascertain the prevailing hourly rate in dollars and

details pertinent thereto for each craft, classification or type of workman or mechanic needed for the construction and performance of the Tenant Improvements. Particulars of the current prevailing wage scale, as approved by the County Board of Supervisors, which is applicable to the Tenant Improvements are filed with the Clerk of the Board of Supervisors and must be posted at the subject work site.

(e) Completion.

The Landlord and Tenant agree that the estimated time for completion of the Tenant Improvements and Base Building Improvements shall be as delineated in the Construction Proposal (the "Completion Date"), subject to any cessation that may be caused by Force Majeure Delays.

Within fifteen (15) days of the actual Completion Date, Landlord shall furnish the Chief Executive Office with one complete set of reproducible as-built drawings of the Tenant Improvements and Base Building Improvements on a AutoCad system basis, together with the existing plans, if any, showing the locations of any underground utility lines and their depths, the cost of which shall be paid from the Tenant Improvement Allowance.

(f) Change Orders. N/A.

(g) Construction Delays.

Except as set forth herein, no delay in the completion of construction of the Tenant Improvements and Base Building Improvements shall be considered in the determination of the Completion Date of the Lease and, except as set forth herein or in the Lease, the Completion Date may be delayed by:

1. Acts or omissions of Tenant or of any employees or agents of Tenant, including Tenant-requested change orders in the Tenant Improvements ("Tenant Delay"), or

2. Any act of God which Landlord could not have reasonably foreseen and provided for, or

3. Any strikes, boycotts or like obstructive acts by employees or labor organizations which Landlord cannot overcome with reasonable effort and could not reasonably have foreseen and provided for, or

4. Any war or declaration of a state of national emergency, or

5. The imposition by government action or authority of restrictions upon the procurement of labor or materials necessary for the completion of the Premises (collectively items 2-5 are hereinafter referred to as "Force Majeure Delays").

(h) Tenant Remedies.

If a delay in the Completion Date is caused by the Landlord's failure to make payment(s) pursuant to the Construction Proposal, which period shall be extended for a reasonable time for the delays enumerated above, Tenant may, at its option:

1. Cancel the Lease upon 30 days written notice to Landlord, if Landlord fails to bring the payments due under the Construction Proposal current during the 30 day notice period; or

2. If after expiration of the 30 day period referenced in Paragraph 24(h)(1), Landlord fails to make payment(s) due under the Construction Proposal, the Tenant may assume the responsibility for performing the Tenant Improvements itself.

   If Tenant elects to perform the Tenant Improvements, then:

   i. Tenant, its officers, employees, agents, contractors, subcontractors and assignees, shall have free access to the Premises at all reasonable times for the purpose of performing the Tenant Improvements and for any other purposes related thereto; and

   ii. Rent shall be abated to the extent Tenant's occupancy is delayed.

   iii. The Option to Purchase shall be extended beyond 12 months from Lease Commencement. The extension shall be for the same length of time that is needed by Tenant to complete the Tenant Improvements.

(i) Clean-Up and Substandard Work.

The Construction Proposal shall provide for all clean-up with respect to the Tenant Improvements, whether in the Premises themselves or in other areas utilized by Landlord or its contractors.

25. LIENS. Tenant shall keep its interest in this Lease and the Premises free from any liens arising out of any work performed or materials ordered or obligations incurred by Tenant. Landlord shall keep its interest in this Lease and the Premises free from any liens which would impair the interest of Tenant hereunder and hereby indemnifies and holds Tenant harmless from any liability or loss from any such lien.

26. SUBORDINATION AND MORTGAGES.

(a)Subordination and Non-Disturbance.Tenant agrees, at Landlord's option, to subordinate this Lease to the lien of any mortgages or deeds of trust now or hereafter in force against the Building; provided, however, Tenant's obligation to subordinate this Lease is expressly conditioned upon Tenant receiving a written agreement in the form of Exhibit "E" attached hereto and incorporated herein by this reference, and provided further that no such subordination shall affect any option to extend the Term of this Lease, right of first offer to lease additional premises, option to purchase or right of first offer to purchase the Property which may be included herein.

(b)Existing Deeds of Trust. The Landlord will use its commercially reasonable efforts to have the beneficiary under any existing deed of trust affecting the Premises provide a written non-disturbance agreement to Tenant, in the form of Exhibit "F" attached hereto and incorporated herein by this reference, within 30 days after the execution of this Lease.

(c)Request for Notice. Landlord acknowledges that Tenant intends to record a Request for Notice with respect to any mortgages or deeds of trust affecting the Premises in the form of Exhibit "G" attached hereto and incorporated herein by this reference.

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

27. SURRENDER OF POSSESSION. Subject to casualty, at the expiration of the Term of this Lease, whether by lapse of time or otherwise and subject to Section 7, Tenant shall promptly and peacefully surrender the Premises to Landlord in a "broom-clean" condition. Tenant shall be required to remove, at its own expense, all fixtures, equipment and all other personal property placed or installed in or upon the Premises by Tenant, or under its authority (including any modular furniture), unless otherwise mutually agreed upon between Landlord and Tenant.

28. SIGNAGE.Tenant shall be permitted to install at the Premises reasonably appropriate signs that conform with any and all applicable laws and ordinances.

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

30. OPTION TO PURCHASE THE PROPERTY.

Tenant shall have the option to purchase the Property, which is described in Section 1 hereof and Exhibit B hereto, on the terms and conditions set forth in the Option Agreement attached hereto as Exhibit J and incorporated herein by this reference. The parties agree that within 12 months of Lease commencement, they will sign the Option Agreement.

31. GENERAL.

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

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

(c) Brokers. The Owner represents and warrants to County that Christopher Bonney of Lee & Associates – Industry, Inc. has been engaged by it in connection with the transaction contemplated by this Lease. The County represents and warrants to the Landlord that no other broker or finder has been engaged by it other than, the County's Chief Executive Office, acting as the agent for the County. Tenant shall receive from Landlord or Landlord's broker, upon Lease Commencement, an amount equal to 50% of all commissions due to Landlord's broker as a result of the execution of this Lease.

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

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

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

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

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

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

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

(k) Community Business Enterprises.

Landlord shall complete and deliver to Tenant concurrently with the execution hereof a Community Business Enterprises form set forth as Exhibit "H" attached hereto and incorporated herein by this reference.

(l) Recordation.

This Lease shall not be recorded but the parties shall execute and acknowledge before a notary public, the Memorandum of Lease attached to this Lease as Exhibit "I". The Memorandum of Lease shall be recorded with the Los Angeles County Recorder at Tenant's sole expense.

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

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

33. ACKNOWLEDGEMENT BY LANDLORD.

Landlord acknowledges that it is aware of the following provisions:

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

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

Landlord shall immediately report any attempt by a County officer, employee or agent to solicit such improper consideration. The report shall be made either to the County manager charged with the supervision of the employee or to the County Auditor-Controller's Employee Fraud Hotline at (213) 974-0914 or (800) 544-6861. Failure to report such solicitation may result in the landlord's submission being eliminated from consideration.

(c) Landlord Assignment.

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

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

(iii) Each assignee or transferee under the Security Agreement shall certify and agree in writing that such assignee or transferee has read and is familiar with the requirements of Sections 5950-5955 of the California Government Code, which prohibits the offer or sale of any security constituting a fractional interest in this Lease or any portion thereof, without the prior written consent of the County. Notwithstanding the foregoing, Lessee hereby acknowledges and agrees that Landlord shall have the right to encumber the Property with CMBS (collateralized mortgage backed securities) financing or other traditional real estate financing other than bond and certificate of participation financing.

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

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

(vi) Landlord shall not furnish any information concerning County or the subject matter of this Lease (including, but not limited to, offering memoranda, financial statements, economic and demographic information, and legal opinions rendered by the office of counsel for the County) to any person or entity, except with County's prior written consent, other than Landlord's lender and/or insurance

company. Landlord shall indemnify, defend and hold County and its officers, agents and employees harmless from and against all claims and liability alleged to arise from the inaccuracy or incompleteness of any information furnished by Landlord in violation of this Section.

(vii) The provisions of this Section shall be binding upon and applicable to the parties hereto and their respective successors and assigns. Whenever in this Section Landlord is referred to, such reference shall be deemed to include Landlord's successors or assigns, and all covenants and agreements by or on behalf of Landlord herein shall bind and apply to Landlord's successors and assigns whether so expressed or not.

34. TAXES. Landlord shall pay promptly all real property taxes, assessments, and special assessments which may be levied or assessed against the Building or Premises during the term of this Lease or any renewal or holdover period, thereof. Pursuant to Section 12 herein, taxes shall be an Operating Expense subject to reimbursement by Tenant.

In the event Landlord fails or refuses to pay any or all taxes or assessments when due, then Landlord shall have materially defaulted on this provision of the Lease and Tenant shall give Landlord at least thirty days' advance written notice of its intent to pay such taxes and/or assessments and deduct the respective payment amount from future rental payments as a charge against the Landlord.

35. IRREVOCABLE OFFER.In consideration for the time and expense that Tenant will invest, including, but not limited to, preliminary space planning, legal review, and preparation and noticing for presentation to the Tenant Real Estate Management Commission of Los Angeles County, if applicable, in reliance on Landlord's agreement to lease the Premises to Tenant under the terms of this Lease, Landlord irrevocably offers to enter into this Lease and not to revoke this offer until the Irrevocable Offer Expiration Date, as defined in Section 1.

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

LANDLORD:

PHD PROPERTY, INC,
a California Corporation
By: _____
Name: Dianne O'Brien
Its: Secretary

By: _____
Name: _____
Its: _____

TENANT:

COUNTY OF LOS ANGELES
a body politic and corporate
By: _____
YVONNE B. BURKE
Chair, Board of Supervisors

ATTEST:

Sachi A. Hamai
Executive Officer-Clerk
of the Board of Supervisors
By: _____
Deputy

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

15 DEC 18 2007

SACHI A. HAMAI
EXECUTIVE OFFICER

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
County Counsel
By: _____
Deputy County Counsel

I hereby certify that pursuant to
Section 25103 of the Government Code,
delivery of this document has been made.

SACHI A. HAMAI
Executive Officer
Clerk of the Board of Supervisors
By _____
Deputy

26

December 4, 2007
LA1 156271v16

29415

EXHIBIT A - FLOOR PLAN OF PREMISES

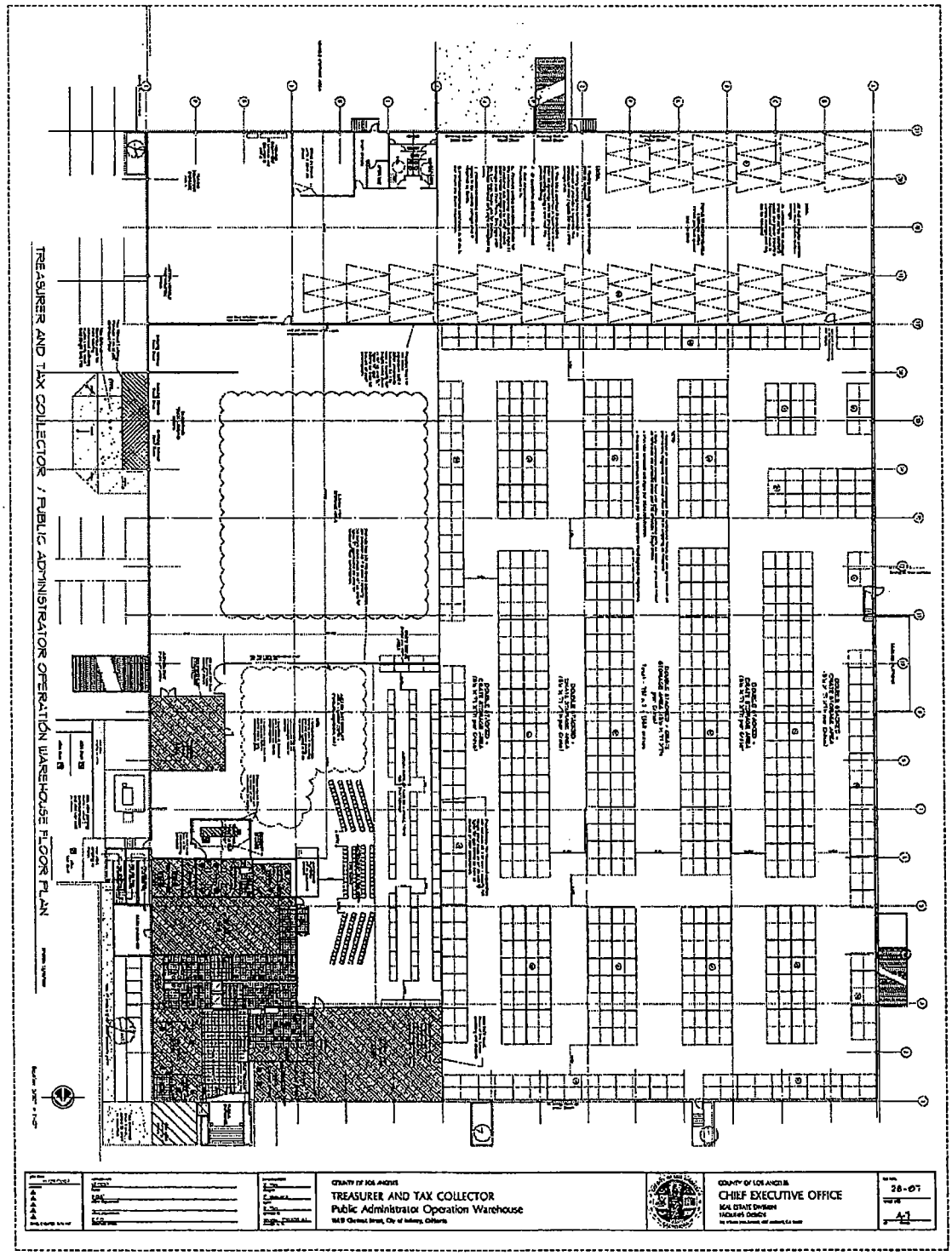

EXHIBIT B

LEGAL DESCRIPTION OF PROPERTY

LEGAL DESCRIPTION

Real property in the City of Industry, County of Los Angeles, State of California, described as follows:

PARCEL 1, AS SHOWN ON MAP FILED IN BOOK 44 PAGE 42 OF PARCEL MAPS, IN THE CITY OF INDUSTRY, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THREFROM ALL OIL, GAS, PETROLEUM AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER SUCH PROPERTY, GRANTOR, ITS SUCCESSORS AND ASSIGNS, RETAINING THE EXCLUSIVE TITLE AND RIGHT TO REMOVE SAID SUBSTANCES, TOGETHER WITH THE SOLE RIGHT TO NEGOTIATE AND CONCLUDE LEASES AND AGREEMENTS WITH RESPECT TO ALL SUCH SUBSTANCES UNDER THE PROPERTY, AND TO USE THOSE PORTIIONS OF THE PROPERTY WHICH UNDERLIE A PLANE PARALLEL TO AND 500 FEET BELOW THE PRESENT SURFACE OF THE PROPERTY FOR THE PURPOSE OF PROSPECTING FOR, DEVELOPING AND/OR EXTRACTING SUCH SUBSTANCES FROM THE PROPERTY BY MEANS OF WELLS DRILLED INTO OR THROUGH SAID PORTIONS OF THE PROPERTY FROM DRILL SITES LOCATED ON OTHER PROPERTY, IT BEING EXPRESSLY UNDERSTOOD AND AGREED THAT GRANTOR, ITS SUCCESSORS AND ASSIGNS SHALL HAVE NO RIGHT TO ENTER UPON THE SURFACE OF THE PROPERTY OR TO USE THE PROPERTY OR ANY PORTION THEREOF ABOVE THE LEVEL OF THE AFORESAID PLANE, AS RESERVED BY RANCHO LOS ALAMITOS CORPORATION, A COPORATION DOING BUSINESS AS BIXBY INDUSTRIAL PARK, RECORDED DECEMBER 31, 1969 AS INSTRUMENT NO. 461, IN BOOK D-4594 PAGE 808, OFFICIAL RECORDS.

APN: 8242-030-001

EXHIBIT C

Memorandum of Tenant Improvement Costs

This Agreement is dated this _____ day of _____, 2007, for reference purposes only, by and between Landlord, _____ ,and Tenant, COUNTY OF LOS ANGELES.

The parties hereto have entered into a Lease dated as of _____ (the "Lease") for the leasing by Landlord to Tenant of the buildings located at _____ (the "Premises").

Landlord and Tenant hereby confirm the following:

A. The final total cost of the tenant improvements is ($_____).

This is comprised of:

Lease Budget		Actual Cost
$	Tenant Improvement Allowance	$_____
$	Additional Tenant Improvement Allowance	$_____
$	Change Order Allowance	$_____
$	Total	$_____

IN WITNESS WHEREOF, Lessor and Lessee have respectfully signed this Agreement.

Landlord:

By:

Its: _____

Tenant:

COUNTY OF LOS ANGELES

By _____

EXHIBIT D

TENANT ESTOPPEL CERTIFICATE

To: [Insert name of party to rely on document]

_____

_____

_____

Attn: _____

Re: Date of Certificate: _____
Lease Dated: _____
Current Landlord: _____
Located at: _____
Premises: _____
Commencement Date of Term: _____
Expiration Date: _____
Current Rent: _____

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

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

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

(b) The current Rent is set forth above.

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

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

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

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

3. (a) The Lease constitutes the entire agreement between Tenant and Landlord with respect to the Premises, has not been modified, changed, altered or amended and is in full force and effect. There are no other agreements, written or oral, which affect Tenant's occupancy of the Premises.

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

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

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

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

COUNTY OF LOS ANGELES

By: _____

Name: _____

Title: _____

EXHIBIT E

SUBORDINATION, NON-DISTURBANCE

AND ATTORNMENT AGREEMENT

AND WHEN RECORDED MAIL TO:

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

Space above for Recorder's Use

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

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

This Subordination, Non-Disturbance and Attornment Agreement ("Agreement") is entered into as of the _____ day of _____, 200__ by and among COUNTY OF LOS ANGELES, a body politic and corporate ("Tenant"), _____ ("Borrower") and _____, ("Lender").

Factual Background

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

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

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

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

Agreement

Therefore, the parties agree as follows:

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

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

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

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

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

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

To Lender: _____
_____

To Borrower: _____
_____

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

7. Miscellaneous Provisions. This Agreement shall inure to the benefit of and be binding upon the parties and their respective successors and assigns. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California without regard to the choice of law rules of that State. Any litigation with respect to this Agreement shall be conducted in the courts of the County of Los Angeles, State of California. This Agreement is the entire agreement between the Lender and Tenant and may only be modified by a written amendment executed by Lender and Tenant.

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

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

APPROVED AS TO FORM

RAYMOND G. FORTNER, JR.
County Counsel

By: _____
Deputy County Counsel

By: _____
William L. Dawson
Deputy Director of Real Estate

BORROWER:

By: _____

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

EXHIBIT F

NON-DISTURBANCE
AND ATTORNMENT AGREEMENT

AND WHEN RECORDED MAIL TO:)
)
County of Los Angeles)
Chief Executive Office)
Real Estate Division)
222 South Hill Street, 3RD Floor)
Los Angeles, California 90012)

Space above for Recorder's Use

NONDISTURBANCE
AND ATTORNMENT AGREEMENT

This Nondisturbance and Attornment Agreement ("Agreement") is entered into as of the ____ day of _____, 200__ by and among COUNTY OF LOS ANGELES, a body politic and corporate ("Tenant"), and [*Insert name of Lender*], ("Lender").

Factual Background

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

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

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

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

Agreement

Therefore, the parties agree as follows:

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

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

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

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

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

To Lender: _____

_____

To Borrower: _____

_____

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

6. Miscellaneous Provisions. This Agreement shall inure to the benefit of and be binding upon the parties and their respective successors and assigns. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the choice of law rules of that State. Any litigation with respect to this Agreement shall be conducted in the courts of the County of Los Angeles, State of California. This Agreement is the entire agreement between the Lender and Tenant and may only be modified by a written amendment executed by Lender and Tenant.

APPROVED AS TO FORM

RAYMOND G. FORTNER, JR.
County Counsel

By: _____

_____
Deputy County Counsel

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

By:

Director of Real Estate

BORROWER: [Insert name of Landlord

By: _____

Name: _____

Title: _____

LENDER: [Insert name of Lender]

By: _____

Name: _____

Title: _____

EXHIBIT G

REQUEST FOR NOTICE

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

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

REQUEST FOR NOTICE

(UNDER SECTION 2924B CIVIL CODE)

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

Date of Recording of Deed of Trust

Instrument Number of Deed of Trust

Trustor

Trustee

Beneficiary

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

"LENDER:

_____,
a _____

By:_____
SIGNEE'S NAME

Its: SIGNEE'S TITLE

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

COUNTY OF _____ ss.

On this ____ day of _____, 20__, before me, _____ _____ a Notary Public in and for the State of California, personally appeared _____ _____ personally known to me (or proved on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal

Signature_____

My commission expires _____.

EXHIBIT H

COMMUNITY BUSINESS ENTERPRISE FORM

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

Firm Name	
Address	
Contact Name	
Telephone No.	
Total # of Employees	
Business Structure*	

*Corporation, Partnership, etc.

MINORITY/WOMEN PARTICIPATION IN FIRM

	OWNERS	ASSOCIATE PARTNERS			
Black/African American					
Hispanic/Latin					
Asian American					
Portuguese American					
A. Indian/Alaskan					
All Others					
TOTAL					
Women*					

**Should be included in counts above and reported separately)*

PERCENTAGE OF MINORITY/WOMEN OWNERSHIP IN FIRM

	TOTAL # OF OWNERS	% OF OWNERSHIP
Black/African American		
Hispanic/Latin American		
Asian American		
Portuguese American		
American Indian/Alaskan Native		
All Others		
TOTAL		
Women*		

**Should be included in counts above and reported separately*

CURRENT CERTIFICATION AS MINORITY/WOMEN-OWNED FIRM

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

	yes	No
State of California?		
City of Los Angeles?		
Federal Government?		

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

Initial here if applicable	Initial	

SIGNED:

TITLE:

DATE:

Exhibit I - Memorandum of Lease

RECORDING REQUESTED:

THE COUNTY OF LOS ANGELES

WHEN RECORDED MAIL TO:

Chief Executive Office

Real Estate Division

222 South Hill Street, 4th floor

Los Angeles, CA 90012

This document is recorded for the benefit of the County of Los Angeles and recording is exempt from recording fe pursuant to California Government Code section 27383. This transaction is exempt from documentary transfer tax pursuant to California Revenue and Taxation Code section 11922.

MEMORANDUM OF LEASE

This Memorandum of Lease ("Memorandum") is made and entered into by and between P PROPERTIES, INC (the "Landlord"), and the County of Los Angeles, a public body corporate and politic organized and existing under the laws of the State of California (the "Tenant") who agree as follows:

Landlord and Tenant have entered into that certain Lease and Agreement dated as of _____(the "Leas Pursuant to the Lease, the Landlord has leased to the Tenant real property located at 16610 East Chestnut Street, of Industry in the County of Los Angeles, State of California, which is currently assessed by the Los Angeles Co Assessor as A.P.N. _____, commencing on _____, and ending on a date five years after the commencement date, unless such term is extended or sooner terminated pursuant to the terms and conditions set f in the Lease. The Lease includes a Tenant option to purchase the property.

This Memorandum has been prepared for the purpose of giving notice of the Lease and of its te covenants, and conditions, and for no other purposes. The provisions of this Memorandum shall not in any change or affect the provisions of the Lease, the terms of which remain in full force and effect.

LANDLORD:

PHD PROPERTY, INC

By: _____
Name: _____
Its: _____

TENANT:

COUNTY OF LOS ANGELES

EXHIBIT J

OPTION AGREEMENT FOR TRANSFER OF REAL PROPERTY

BY AND BETWEEN PHD PROPERTIES, INC. AND THE

COUNTY OF LOS ANGELES

OPTION AGREEMENT FOR TRANSFER OF REAL PROPERTY BY AND BETWEEN PHD PROPERTIES, INC. AND THE COUNTY OF LOS ANGELES

This Option Agreement ("Agreement") is made and entered into this 18th day of December 2007, by and between PHD Property, Inc. a California corporation (the "Owner"), and the COUNTY OF LOS ANGELES, a body corporate and politic (the "County").

RECITALS:

A. PHD Property, Inc. is the owner of that certain real property located at 16610 E. Chestnut Street, City of Industry, County of Los Angeles, State of California, as more particularly described in Exhibit "A", attached hereto and incorporated herein by this reference (the "Property");

B. The Property is comprised of approximately 5.72 acres of land, a 120,000 square foot warehouse structure, with appurtenant parking, all easements and interests appurtenant thereto, and all intangible property owned or held in connection with the Property, including without limitation, development rights, governmental approvals and land entitlements; and

C. The County desires to acquire the Property for use as a warehouse storage facility, and Owner is willing to grant the County an option to acquire the Property in accordance with the terms of this Agreement.

29419

NOW, THEREFORE, the parties hereto agree as follows:

1. Option Agreement.

1.1 Option. This Agreement shall constitute an option granting the County the exclusive right to acquire the Property, subject to the terms and conditions contained herein, for the period set forth herein (the "Option").

1.2 Option Term. The Option shall be exercisable by the County during a term (the "Option Term") commencing on the date of the execution of this Agreement, and terminating on the earlier of: (a) 30 days after the Board's final approval of the acquisition of the Property, or (b) 12 months after the commencement of the lease for the Property dated _____ between the County and the Owner (the "Lease").

1.3 No Further Encumbrance of Property. The Owner hereby agrees that it shall not encumber the Property with any leasehold interest, tenancy or occupancy, other than the Lease and further agrees not to amend, extend, renew, or permit the holdover of any existing leasehold interests, tenancies or occupancies of the Property or to cause, or acquiesce to, any further liens or encumbrances or otherwise alter the condition of title to the Property, during the Option Term. The Owner shall ensure that the Property is unencumbered by any leasehold interest, tenancy or occupancy, upon the commencement of the Lease, and shall maintain the Property in that condition to and until the end of the Option Term or any extension thereof or the Closing (as defined in Section 3.8 hereof), whichever occurs first.

1.4 Right of Entry. Intentionally Deleted.

1.5 Exercise of Option. Upon County's election to exercise the exclusive Option to acquire the Property, the parties hereto, pursuant to Government Code and other applicable law, will effectuate the acquisition of the Property in accordance with the terms and conditions of this Agreement.

1.6 Purchase Price. Upon County's exercise of its Option, the purchase price ("Purchase Price") for the Property shall be THIRTEEN MILLION SIX HUNDRED FIFTY THOUSAND DOLLARS ($13,650,000), plus the remaining unpaid principal balance of the (tenant improvement allowance) provided to the County by the Owner pursuant to the Lease.

1.7 Contingencies. County's exercise of its Option is subject to the following conditions:

1.7.1 Approval of this Agreement by the County;
1.7.2 The Board of Supervisors adopting a Resolution of Notice of Intention to Purchase the Property; and
1.7.3 The Board of Supervisors approving the purchase of the Property.

1.8 Manner of Exercise of Option. Provided County is not in material default hereunder or in material default under the Lease, and the conditions set forth in Section 1.7 of this Agreement have been satisfied, County may exercise its Option to acquire the Property by delivering written notice from the County's Chief Executive Office (the "CEO") (pursuant to Section 5 hereof) to Owner prior to the expiration of the Option Term.

1.9 Voluntary Termination. County may terminate this Agreement, by written notice to Owner, prior to the expiration of the Option Term if it determines, in its sole discretion that the Property is not suitable for the County's intended or contemplated use. Upon such notice, the Option and Option Term shall terminate and all rights of County in said Property (other than those provided in the Lease) shall then and there cease.

2. Condition of Property.

2.1 "As Is" Purchase. The County acknowledges that the Property is being purchased "as is," solely in reliance on County's own investigation of the Property and the improvements thereon and that no representations or warranties of any kind whatsoever, expressed or implied, have been made with respect to the Property by the Owner.

3. Transfer of Property Interest.

3.1 Escrow. Upon County's exercise of its Option, the parties shall open an escrow (the "Escrow") with Chicago Title Company, 700 South Flower Street, Suite 800, Los Angeles, CA 90017, attention: Ms. Lizeth Villalobos, (the "Escrow Holder"), and this Agreement shall constitute the basic escrow instructions for the purpose of consummating the transaction contemplated by this Agreement. Escrow Holder is authorized to:

3.1.1 (i) pay, and charge Owner, for any delinquent taxes, penalties and interest thereon, and for any delinquent or non-delinquent assessments or bonds against the Property through the date of Closing as defined herein, except those on which title is to be taken subject to and in accordance with the terms of this Agreement (ii) pay, and charge Owner, for any amounts necessary to place the title in the condition necessary to enable conveyance pursuant to this Agreement; excluding title insurance, documentary transfer tax (if necessary), and escrow fees; (iii) pay and charge the County for all of the fees and expenses associated with escrow, including but not limited to title/escrow fees; (iv) prorate all real property taxes which are a lien on the Property and/or unpaid as of the close of Escrow according to the formula adopted by the Los Angeles County Assessor's Office and deduct Owner's portion from its proceeds hereunder. The tax amount withheld by the Escrow Holder, if any, shall be made payable to the County Auditor-Controller's Office and remitted thereto following the Closing. Any taxes which have been prepaid by the Owner shall not be prorated, but the Owner shall have the sole right after Closing, to apply to the Los Angeles County Treasurer for refund of the taxes attributable to the period after acquisition pursuant to California Revenue and Taxation Code Section 5096.7; and (v) when conditions of Escrow have been fulfilled by the Owner and County: (a) record documents of conveyance; (b) disburse the Purchase Price to Owner, less its prorations and expenses; (c) deliver copies of the Escrow closing statements to both parties; and (d) deliver any items or documents given to Escrow Holder to hold for both parties.

3.2 Execution of Additional Escrow Documents. The parties shall execute and deliver to Escrow Holder, within two (2) business days after receipt, such additional escrow instructions prepared by the Escrow Holder as may be required to consummate the transaction contemplated by this Agreement. Any such instructions shall not conflict with, amend, or supersede any provisions of this Agreement. If there is any inconsistency between such instructions and this Agreement, this Agreement shall control unless the parties expressly agree in writing otherwise.

3.3 Form of Grant Deed. Fee simple absolute title to the Property shall be conveyed by Owner to County by a grant deed substantially similar to the form attached hereto as Exhibit "B" and incorporated herein by this reference (the "Grant Deed"), subject to only matters approved in writing by County pursuant to Section 3.4 of this Agreement.

3.4 Condition of Title to Transfer Property. The Owner shall cause the conveyance of good and marketable fee simple absolute title to the Property to the County, as evidenced by a C. L. T. A. Standard Coverage Form Policy of Title Insurance (the "Title Policy"), issued by Chicago Title Company (the "Title Company"), 700 South Flower Street, Suite 800, Los Angeles, CA 90017, in an amount equal to the value of the Purchase Price. The Title Policy shall show as exceptions only matters approved in writing by the County. The warranties of title are intended to survive the Closing. Prior to the Closing, the Owner shall use reasonable efforts to remove from title any items disapproved by the County. If any item so disapproved cannot be removed, said item may be eliminated by any feasible method that is acceptable to the County. If the County does not approve a method of removing any disapproved exception for any reason, the County, as its sole and exclusive remedy, may: (a) waive this condition and proceed with this transaction, or (b) terminate this Agreement and neither party shall have any further liability to the other hereunder.

3.5 County's Conditions to Closing. County's obligation to consummate the transaction contemplated by this Agreement is conditioned upon: (a) Owner's delivery of the Grant Deed to Escrow Holder; (b) Owner's representations, warranties and covenants (as set forth herein) being true and correct as of Closing; and (c) Title Company's irrevocable commitment to issue the Title Policy. Upon non-satisfaction of any one of the above conditions, County shall allow Owner an opportunity to cure by any reasonable method; if the Owner fails to cure, County may, in writing, terminate this Agreement, and thereafter the parties shall have no further obligations pursuant to this Agreement. If County does not object to Owner's non-satisfaction of said conditions, they shall be deemed satisfied as of Closing.

3.6 Owner's Conditions to Closing. Owner's obligation to consummate the transaction contemplated by this Agreement is conditioned upon: (a) the Board of Supervisors adopting a Resolution of Notice of Intention to Purchase the Property; (b) the Board of Supervisors approving the purchase of the Property; (c) County's deposit of the Purchase Price into Escrow no later than ten (10) business days after approval of the purchase by the Board of Supervisors; (d) County's representations, warranties and covenants (as set forth herein) being true and correct as of the Closing and (e) The Guardian Life Insurance Company of America's waiver of the pre-payment penalty contained in Section 2.06 of the Deed of Trust with the Owner recorded on May 15, 1997. At the County's election, the County may seek from the County's Board of Supervisors, a Resolution of Necessity, pursuant to California Code of Civil Procedures, Section 1245.210, et seq. to purchase the Property for the Purchase Price of $13,650,000, as set forth under Section 1.6 of this Agreement. County agrees that, in the event County purchases the Property, pursuant to this Agreement, under no circumstances will Owner be responsible for the payment of any portion of the prepayment penalty. Upon non-satisfaction of any one of the above

conditions, Owner shall allow County a reasonable opportunity to cure by any reasonable method; if County fails to cure, Owner may, in writing, terminate this Agreement, and thereafter the parties shall have no further obligations pursuant to this Agreement. If Owner does not object to County's non-satisfaction of said conditions, they shall be deemed satisfied as of Closing.

3.7 Loss by Fire or Other Casualty. Owner shall maintain fire and casualty insurance on the Property in full force, in addition to any other insurance requirements called for in the Lease until Closing. In the event that, prior to Closing, the Property or any part thereof, is destroyed or damaged, the County, at its option, may elect to terminate this Agreement, and thereafter, neither party shall have any further obligations pursuant to this Agreement. If County elects to accept the Property in its damaged condition, all proceeds of insurance paid or payable to Owner by reason of such damage or destruction shall be paid or assigned to County.

3.8 Closing. For purposes of this Agreement, the "Closing" shall be defined as the recordation of the grant deed in the Official Records. The parties shall effect the Closing within twelve months from the Lease commencement date or within thirty (30) days following the County's exercise of its Option, whichever occurs first. The parties may agree in writing to extend the Closing beyond that date, if such an extension appears to either party to be necessary.

4. Possession.

4.1 County's Possession. County shall be entitled to full possession of the Property as of the Closing. Owner shall provide County with any means necessary to operate all locks and alarms associated with securing the improvements on the Property.

4.1.1 Owner agrees to deliver the Property in a vacant condition, without any tenancy rights encumbering it, other than the Lease, upon the Closing.

4.1.2 Owner agrees to terminate all property management agreements, listing agreements and maintenance agreements relating to the Property prior to Closing.

5. Notices. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested or by Express Mail or Federal Express to the following address:

To County: County of Los Angeles, Chief Executive Office
Real Estate Division, Property Management Section
222 South Hill Street, 3rd Floor
Los Angeles, California 90012
Attention: Carlos Brea

With a Copy to: County of Los Angeles, Office of County Counsel
Room 653 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012
Attention: Amy M. Caves, Esq.

To Owner: Dianne O'Brien
48900 Milmont Drive
Fremont, CA 94538-7316

With a Copy to: Astor & Phillips
Attention: Eric LaBounty, Esq.
800 Wilshire Boulevard, 15th Floor
Los Angeles, CA 90017

Lee & Associates
Attention: Chris Bonney
13181 Crossroads Parkway North, Suite 300
City of Industry, CA 91746

Notice shall be deemed, for all purposes, to have been given on the date of personal service or three (3) consecutive calendar days following the deposit of the same with a carrier as specified above. Notice of change of address shall be given by written notice in the manner detailed in this paragraph.

6. Brokers. The Owner represents and warrants to County that Christopher Bonney of Lee & Associates – Industry, Inc. has been engaged by it in connection with the transaction contemplated by this Agreement. The County represents and warrants to the Owner that no other broker or finder has been engaged by it other than, the County's Chief Executive Office, acting as the agent for the County. The Chief Executive Office, in its capacity as agent for the County, shall participate in any commissions earned, should the County acquire the Property, in an amount equal to half of the commission per the terms of the listing agreement.

7. Representations and Warranties of the Parties. In consideration for entering into this Agreement and as an inducement to the transaction contemplated herein, each of the parties hereto makes the following representations and warranties, each of which is material and is being relied upon by the other and the truth and accuracy of which shall constitute a condition precedent to each party's obligations hereunder. Each of the following representations and warranties shall be deemed to have been remade as of the Closing:

7.1 Power. Each party has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transactions contemplated hereby.

7.2 Requisite Action. All requisite action has been taken by each party in connection with entering into this Agreement and the instruments referenced herein and, by the Closing, all such necessary action will have been taken to authorize the consummation of the transactions contemplated by this Agreement. By the Closing, no additional consent of any person or entity, judicial or administrative body, governmental authority or other party shall be required for each party to consummate the transactions contemplated by this Agreement.

7.3 Individual Authority. The individuals on behalf of each party executing this Agreement and the instruments referenced herein, have the legal power, right and actual authority to bind their respective party to the terms and conditions hereof and thereof.

7.4 Validity. This Agreement and all documents required hereby to be executed by each party are and shall be valid, legally binding obligations of and enforceable against each party in accordance with their terms, subject only to applicable bankruptcy, insolvency, reorganization, moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally.

8. Indemnification.

8.1.1 County shall defend, indemnify, and hold harmless the Owner from and against any and all liabilities, damages, claims, costs and expenses (including without limitation attorneys' fees, legal expenses and consultants' fees) arising from the negligence or willful misconduct of the County or its officers, employees or agents relating to the performance of its obligations under the terms of this Agreement.

8.1.2 The Owner shall defend, indemnify, and hold harmless County and County's Special Districts, elected and appointed officers, agents and employees from and against any and all liabilities, damages, claims, costs and expenses (including without limitation attorneys' fees, legal expenses and consultants' fees) arising from the negligence or willful misconduct of the Owner or its officers, employees or agents relating to the performance of its obligations under the terms of this Agreement.

8.1.3 The indemnity provided each party by this Section 8 shall survive the Closing.

9 General Provisions.

9.1 Delegation of Authority. Except as otherwise provided herein, the County hereby delegates to its Chief Executive Officer or his designee, the authority to issue any and all approvals required by this Agreement and to execute any and all instruments necessary to consummate this transaction.

9.2 Survival of Covenants. The covenants, agreements, representations and warranties made herein are intended to survive the Closing and recordation and delivery of the Grant Deed.

9.3 Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the transaction contemplated hereby and no addition or modification of any term or provision shall be effective unless set forth in writing, signed by both Owner and County.

9.4 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same Agreement.

9.5 California Law. This Agreement has been made and entered into in the State of California, and shall be construed in accordance with the internal laws thereof.

9.6 Waivers. No waiver by either party of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by either party of the same or any other provision.

9.7 Captions. The section and paragraph numbers and captions appearing in this Agreement are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of such sections or paragraphs of this Agreement nor in any way affect this Agreement.

9.8 Interpretation. Unless the context of this Agreement clearly requires otherwise: (i) the plural and singular numbers shall be deemed to include the other; (ii) the masculine, feminine and neuter genders shall be deemed to include the others; (iii) "or" is not exclusive; and (iv) "includes" and "including" are not limiting.

9.9 Severability. In the event any portion of this Agreement shall be declared by any court of competent jurisdiction to be invalid, illegal or unenforceable, such portion shall be severed from this Agreement and the remaining parts hereof shall remain in full force and effect as fully as though such invalid, illegal or unenforceable portion had never been part of this Agreement; provided that the remaining Agreement can be reasonably and equitably enforced.

9.10 Binding Effect. The provisions of this Agreement shall be binding upon the parties hereto and their respective successors-in-interest.

9.11 No Presumption Re: Drafter. The parties acknowledge and agree that the terms and provisions of this Agreement have been negotiated and discussed between the parties and their attorneys, and that this Agreement reflects their mutual agreement regarding the same. Because of the nature of such negotiations and discussions, it would be inappropriate to deem any party to be the drafter of this Agreement, and therefore, no presumption for or against validity or as to any interpretation hereof, based upon the identity of the drafter shall be applicable in interpreting or enforcing this Agreement.

9.12 Assistance of Counsel. Each party hereto either had the assistance of counsel or had counsel available to it, in the negotiation for, and the execution of, this Agreement, and all related documents.

Agreement, and all related documents.

IN WITNESS WHEREOF, County, by order of its Board of Supervisors, has executed this Agreement or caused it to be subscribed by its Chair and the seal of the Board to be hereto affixed and attested by the Chief Executive Office thereof, and PHD Property, Inc. has caused this Agreement to be subscribed in its behalf by its duly authorized signatory the day, month, and year first above written.

PHD PROPERTY, INC.

By: _____

Its: Secretary

ATTEST:

SACHI A. HAMAI
Executive Officer-Clerk of
The Board of Supervisors

By _____
Deputy

COUNTY OF LOS ANGELES

By: _____
Chair, Board of Supervisors

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

15 DEC 18 2007

SACHI A. HAMAI
EXECUTIVE OFFICER

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.

By: _____
Deputy County Counsel

PHD.Property.Inc..optionagreement

I hereby certify that pursuant to
Section 25103 of the Government Code,
delivery of this document has been made.

SACHI A. HAMAI
Executive Officer
Clerk of the Board of Supervisors

By _____
Deputy

26416

EXHIBIT LIST

Exhibit "A" Legal Description

Exhibit "B" Grant Deed Form

EXHIBIT "A"

LEGAL DESCRIPTION

Real property in the City of Industry, County of Los Angeles, State of California, described as follows:

PARCEL 1, AS SHOWN ON MAP FILED IN BOOK 44 PAGE 42 OF PARCEL MAPS, IN THE CITY OF INDUSTRY, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THREFROM ALL OIL, GAS, PETROLEUM AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER SUCH PROPERTY, GRANTOR, ITS SUCCESSORS AND ASSIGNS, RETAINING THE EXCLUSIVE TITLE AND RIGHT TO REMOVE SAID SUBSTANCES, TOGETHER WITH THE SOLE RIGHT TO NEGOTIATE AND CONCLUDE LEASES AND AGREEMENTS WITH RESPECT TO ALL SUCH SUBSTANCES UNDER THE PROPERTY, AND TO USE THOSE PORTIIONS OF THE PROPERTY WHICH UNDERLIE A PLANE PARALLEL TO AND 500 FEET BELOW THE PRESENT SURFACE OF THE PROPERTY FOR THE PURPOSE OF PROSPECTING FOR, DEVELOPING AND/OR EXTRACTING SUCH SUBSTANCES FROM THE PROPERTY BY MEANS OF WELLS DRILLED INTO OR THROUGH SAID PORTIONS OF THE PROPERTY FROM DRILL SITES LOCATED ON OTHER PROPERTY, IT BEING EXPRESSLY UNDERSTOOD AND AGREED THAT GRANTOR, ITS SUCCESSORS AND ASSIGNS SHALL HAVE NO RIGHT TO ENTER UPON THE SURFACE OF THE PROPERTY OR TO USE THE PROPERTY OR ANY PORTION THEREOF ABOVE THE LEVEL OF THE AFORESAID PLANE, AS RESERVED BY RANCHO LOS ALAMITOS CORPORATION, A COPORATION DOING BUSINESS AS BIXBY INDUSTRIAL PARK, RECORDED DECEMBER 31, 1969 AS INSTRUMENT NO. 461, IN BOOK D-4594 PAGE 808, OFFICIAL RECORDS.

APN: 8242-030-001

EXHIBIT "B"
GRANT DEED

RECORDING REQUESTED BY
COUNTY OF LOS ANGELES

WHEN RECORDED MAIL TO:

County of Los Angeles
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012
Attention: Carlos Brea

Space above this tine for Recorders use

THIS DOCUMENT IS EXEMPT FROM DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11922 OF THE REVENUE & TAXATION CODE

ASSESSOR'S IDENTIFICATION NUMBER 8242-030-001

THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE GOVERNMENT CODE

GRANT DEED

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, PHD PROPERTY, INC., a California corporation, (hereinafter called "Grantor") does hereby grant to the COUNTY OF LOS ANGELES, (hereinafter called "County") a body corporate and politic, all of the Grantor's rights, title and interests to that certain real property in the City of Industry, County of Los Angeles, State of California, legally described in Exhibit "A", attached hereto and incorporated herein by this reference.

SUBJECT TO:

1. All taxes, penalties and assessments of record, if any.

2. Covenants, conditions, restrictions, reservations, easements, rights, and rights-of-way, if any.

Dated _____

GRANTOR:

By_____
Its_____

EXHIBIT "A"

Real property in the City of Industry, County of Los Angeles, State of California, described as follows:

PARCEL 1, AS SHOWN ON MAP FILED IN BOOK 44 PAGE 42 OF PARCEL MAPS, IN THE CITY OF INDUSTRY, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THREFROM ALL OIL, GAS, PETROLEUM AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER SUCH PROPERTY, GRANTOR, ITS SUCCESSORS AND ASSIGNS, RETAINING THE EXCLUSIVE TITLE AND RIGHT TO REMOVE SAID SUBSTANCES, TOGETHER WITH THE SOLE RIGHT TO NEGOTIATE AND CONCLUDE LEASES AND AGREEMENTS WITH RESPECT TO ALL SUCH SUBSTANCES UNDER THE PROPERTY, AND TO USE THOSE PORTIIONS OF THE PROPERTY WHICH UNDERLIE A PLANE PARALLEL TO AND 500 FEET BELOW THE PRESENT SURFACE OF THE PROPERTY FOR THE PURPOSE OF PROSPECTING FOR, DEVELOPING AND/OR EXTRACTING SUCH SUBSTANCES FROM THE PROPERTY BY MEANS OF WELLS DRILLED INTO OR THROUGH SAID PORTIONS OF THE PROPERTY FROM DRILL SITES LOCATED ON OTHER PROPERTY, IT BEING EXPRESSLY UNDERSTOOD AND AGREED THAT GRANTOR, ITS SUCCESSORS AND ASSIGNS SHALL HAVE NO RIGHT TO ENTER UPON THE SURFACE OF THE PROPERTY OR TO USE THE PROPERTY OR ANY PORTION THEREOF ABOVE THE LEVEL OF THE AFORESAID PLANE, AS RESERVED BY RANCHO LOS ALAMITOS CORPORATION, A COPORATION DOING BUSINESS AS BIXBY INDUSTRIAL PARK, RECORDED DECEMBER 31, 1969 AS INSTRUMENT NO. 461, IN BOOK D-4594 PAGE 808, OFFICIAL RECORDS.

APN: 8242-030-001