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♦ ♦ ♦
Gary Jones
Director

Amy M. Caves
Chief Deputy Director

LaTayvius R. Alberty
Deputy Director

Warren Ontiveros
Deputy Director

July 01, 2025

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

Dear Supervisors:

**CONSENT TO ASSIGNMENT AND
APPROVAL OF AMENDMENT NO. 1
TO AMENDED AND RESTATED LEASE NO. 78130
VILLA DEL MAR APARTMENT HOMES AND MARINA
(PARCEL 13R) - MARINA DEL REY
(SECOND DISTRICT) (4 VOTES)**

SUBJECT

Request for approval of the proposed assignment of Lease Agreement No. 78130 (Lease) for Parcel 13R in Marina del Rey from VILLA DEL MAR PROPERTIES, LTD., L.P., a California limited partnership, to VDM PARTNERS, LLC, a Delaware limited liability company, and approval of Amendment No. 1 to reflect the County's consent to the assignment, update percentage rent, and incorporate a reserve study clause.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the proposed actions are not a project under the California Environmental Quality Act ("CEQA"), or, in the alternative, that the actions are exempt for the reason stated in this Board Letter.
2. Approve and consent to the proposed assignment of Lease Agreement No. 78130 for Parcel 13R in Marina del Rey from VILLA DEL MAR PROPERTIES, LTD., L.P., a California limited partnership (Lessee), to VDM PARTNERS, LLC, a Delaware limited liability company (Assignee).
3. Approve and authorize the Director of the Department of Beaches and Harbors ("Department" or "DBH") to execute any documentation, approved as to form by County Counsel or County's outside

counsel, necessary to effectuate the proposed assignment and to take any necessary and appropriate actions to implement the proposed assignment, including, but not limited to, any consents, estoppels and related documentation.

4. Approve Amendment No. 1 to Lease Agreement No. 78130 for Parcel 13R in Marina del Rey.
5. Approve and authorize the Director of DBH to execute the proposed Amendment No. 1 to Lease Agreement No. 78130 for Parcel 13R, a copy of which is attached hereto, which will: (i) document the \$250,000 Net Proceeds Share fee; (ii) incorporate a proposed increase for percentage rent category 4.2.2 (c) from 14.5% to 14.8%; and (iii) include a reserve study clause in substantially similar form to language previously approved by the Board.
6. Approve and authorize the Director of DBH to execute any other ancillary documentation, approved by County Counsel or County's outside counsel, necessary to effectuate the terms of Amendment No. 1.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Parcel 13R, commonly known as Villa del Mar Apartment Homes and Marina, contains 198 apartment units on approximately 5 acres of land area and 209 boat slips on 6.5 acres of water area in Marina del Rey. The original lease commenced on June 8, 1961. The lease was extended on December 5, 2014 ("Amended and Restated Lease" or "Lease") and the entire term expires on June 7, 2060. Pursuant to the terms of the Lease, prior written consent from the County is required for any assignment, which may not be unreasonably withheld.

Lessee is requesting that the County of Los Angeles (County) approve the proposed sale of its leasehold interest and assignment of Lease to Assignee. In accordance with the Lease, the Assignee has submitted all required documentation, including updated ownership disclosures, financial capability, and property management information. The proposed ownership structure is summarized in Exhibit A of this Board Letter.

DBH has reviewed the proposed assignment and has found that the Assignee's lead investor, APW Avenue Group, LP, has an equity net worth of over \$286 million and is controlled by James Parks, a principal of the national accounting firm CBIZ. The property will be managed by Realty Center Management, Inc. (RCMI), who manages over 10,000 residential units. RCMI is retaining Kelly King, the current General Manager, who has managed the property and anchorage for 37 years.

Pursuant to DBH's Policy Statement No. 23 – Assignments of Lease dated January 16, 1974 – and Section 11.2.3.5 of the Lease, the County's determination whether to approve a proposed assignment shall be based on whether the public interest will be served. Required considerations include, among other factors: (a) the financial condition of the proposed Assignee; (b) the price to be paid for the leasehold as it relates to improvements or potential development thereon; (c) the management and operating history of the proposed Assignee; and (d) disclosure of ownership, financial plans, business plans, and related documentation. The proposed assignment satisfies these requirements.

In connection with the assignment, the parties will enter into Amendment No. 1 to the Lease to reflect terms related to the Net Proceeds Share fee, the proposed increase for the percentage rent category 4.2.2 (c), and the inclusion of a reserve study clause.

Implementation of Strategic Plan Goals

The recommended actions support the Los Angeles County Strategic Plan:

North Star 2 – Foster Vibrant and Resilient Communities by ensuring continuity of marina and residential operations, supporting the replacement of aging dock infrastructure, and maintaining leasehold revenue to fund coastal and community-serving priorities.

North Star 3 – Realize Tomorrow's Government Today by upholding prudent asset management practices, enforcing the terms of the ground lease, and ensuring accountability and transparency in the oversight of long-term County real estate interests.

FISCAL IMPACT/FINANCING

The County will receive \$250,000 Net Proceeds Share fee in connection with the proposed assignment, payable into the Marina ACO Fund. Pursuant to the Lease, the Lessee will reimburse the County for administrative costs related to the assignment.

Amendment No. 1 will also increase the percentage rent category 4.2.2 (c) from 14.5% to 14.8% for (1) the occupancy of apartments, (2) the rental or use of meeting rooms, or (3) the rental or use of land and/or water or facilities for activities not otherwise provided for otherwise in the Lease, which is expected to result in higher rent revenue to the County over time.

The Department does not anticipate any impact to its operating budget, nor does this action require a budget adjustment.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

In addition to the terms previously stated, the proposed assignment also contains the following provisions:

- The proposed sales price of \$62,000,000 takes into consideration that there are only 35 years remaining on the lease term, with no extension options, and the apartments are subject to rent control restrictions.
- The Assignee will replace the docks by the end of 2031 at an estimated cost of \$12 million.
- The Assignee will fund new reserves required by its lender, including a \$5.5 million marina renovation reserve and a \$1.62 million replacement reserve.

In connection with the assignment, the parties will enter into Amendment No. 1, which will include the following elements:

- Recognition of the assignment;
- A \$250,000 Net Proceeds Share fee paid to the County by Assignee;

- An increase in the percentage rent category 4.2.2 (c) from 14.5% to 14.8%; and
- A provision requiring a periodic reserve study.

County Counsel and outside counsel have reviewed and approved the proposed assignment and Amendment No. 1 as to form.

At its meeting on June 11, 2025, the Small Craft Harbor Commission endorsed the Director's recommendation that your Board consent to the proposed assignment and Amendment 1 of Amended and Restated Lease No. 78130.

Leasing of County-owned property in Marina del Rey is authorized pursuant to California Government Codes Sections 25536 and 25907.

ENVIRONMENTAL DOCUMENTATION

The proposed assignment and Amendment No. 1 is not subject to CEQA because it is an activity that is excluded from the definition of a project under Section 21065 of the Public Resources Code and Section 15378(b) of the State CEQA Guidelines. Approval of the proposed assignment and amendment is an administrative activity of government which will not result in direct or indirect physical changes to the environment. In the alternative, approval of the proposed assignment and Amendment No. 1 is exempt pursuant to Sections 15061(b)(3) and 15301 of the State CEQA Guidelines because it can be seen with certainty that the actions will not have a significant adverse impact on the environment and Amendment No. 1 does not authorize new construction or expansion of existing use and will not result in significant environmental effects. There are no cumulative impacts, unusual circumstances, or other factors that would negate the applicability of this exemption.

Upon your Board's approval of the recommended actions, the Department will file a Notice of Exemption with the County Clerk in accordance with section 21152 of the California Public Resources Code.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current services or projects.

CONCLUSION

It is recommended that your Board consent to the proposed assignment of Lease Agreement No. 78130, and authorize the Director to execute proposed Amendment No. 1.

Upon approval, please instruct the Executive Officer of the Board of Supervisors to send a copy of the adopted stamped Board letter to the Department of Beaches and Harbors. Should you have any questions, please contact Akilah Cook at (424) 526-7760 or ACook@bh.lacounty.gov, or Arnulfo Delgado at (424) 526-7738 or ADelgado@bh.lacounty.gov.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Gary Jones', with a stylized, looping initial 'G'.

GARY JONES

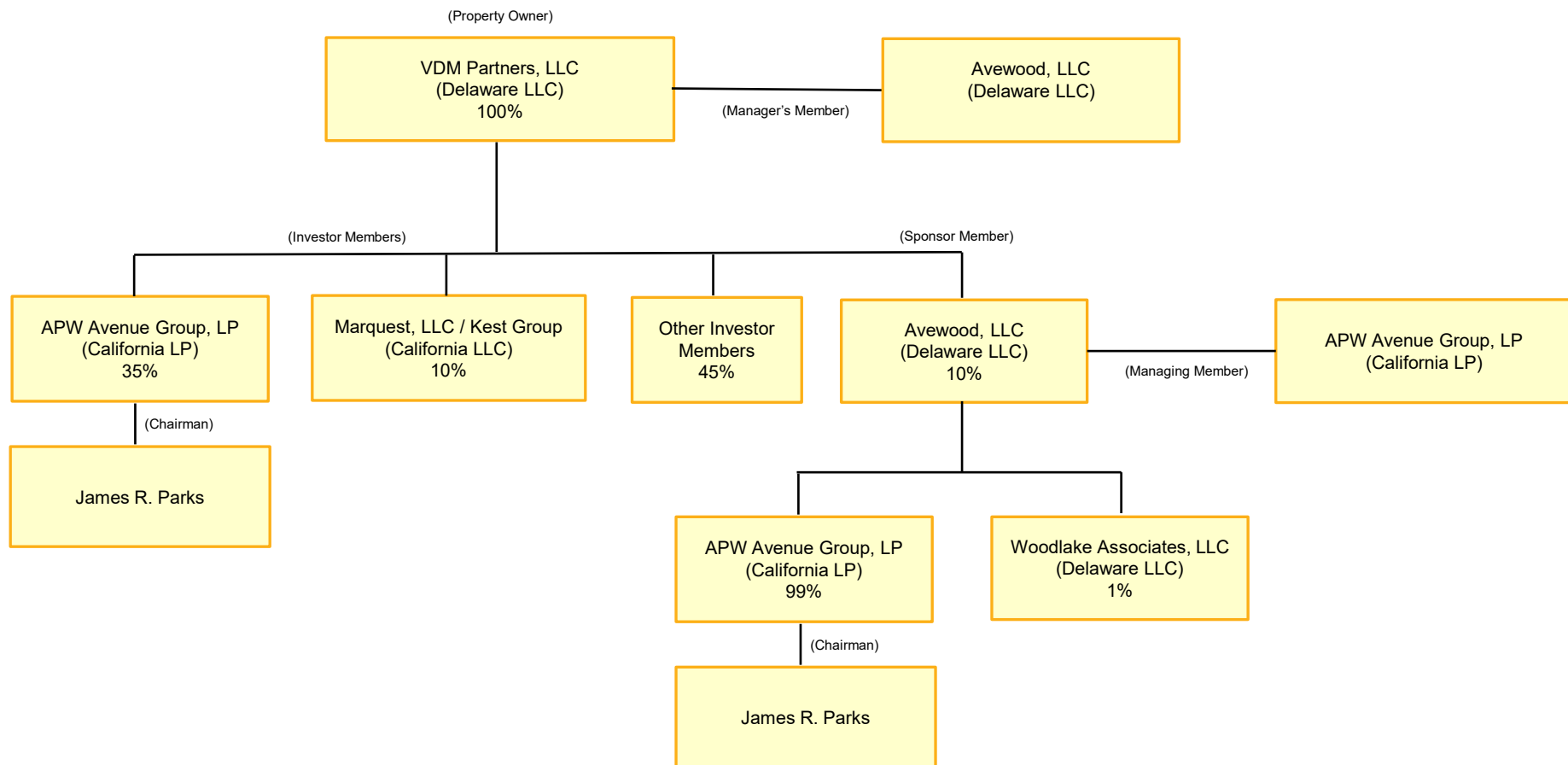
Director

GJ:AC:IBP:ad:ak

Enclosures

c: Chief Executive Officer
County Counsel
Executive Officer, Board of Supervisors

EXHIBIT A



-20% or more interest holders: James R. Parks

-VDM Partner LLC's managing member is Avewood LLC, Kestwood LLC's managing Member is APW Avenue Group, LP, key decision maker, James R. Parks

-None of the Other Investor Members own more than 20% of the Property Owner

**AMENDMENT NO. 1 TO
AMENDED AND RESTATED LEASE AGREEMENT NO. 78130
PARCEL NO. 13R – MARINA DEL REY
(LEASE NO. 78130)**

THIS AMENDMENT TO LEASE (“**Amendment No. 1**”) is made and entered into this _____ day of _____, 2025.

BY AND BETWEEN

**COUNTY OF LOS ANGELES,
herein referred to as “County,”**

AND

**VDM PARTNERS, LLC, a Delaware limited
liability company, hereinafter referred to as
“Lessee.”**

RECITALS:

WHEREAS, County and Lessee’s predecessor-in-interest Villa Del Mar Properties, LTD., L.P., a California limited partnership (“**Villa Del Mar**”), entered into Lease No. 78130, dated December 5, 2014, under the terms of which County leased to Lessee that certain real property located in the Marina del Rey Small Craft Harbor, County of Los Angeles, State of California, now commonly known as Parcel 13R, which leasehold premises (the “**Premises**”) are more particularly described in **Exhibit “A”** attached to and incorporated in said lease (the “**Lease**”).

WHEREAS, County and Lessee desire to enter into this Amendment No. 1 to amend the Lease, as set forth herein below, pursuant to the terms and conditions hereof.

WHEREAS, County and Lessee desire to work collaboratively to advance the County’s equity and inclusion goals during the Lease Term.

NOW, THEREFORE, with reference to the foregoing Recitals and the covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, County and Lessee hereby agree as follows:

1. **Definitions.** All initially-capitalized terms used but not defined in this Amendment No. 1 have the meanings given to such terms in the Lease.
2. **Effective Date.** This Amendment No.1 shall be effective on the date on which a Memorandum of this Amendment No. 1 is recorded in the Official Records of Los Angeles County.
3. **Percentage Rent.** Commencing as of the Effective Date, Section 4.2.2 (c) of the Lease is hereby deleted in its entirety and replaced by the following language:

(c) FOURTEEN AND EIGHT-TENTHS PERCENT (14.8%) of Gross Receipts or other fees charged for (1) the occupancy of apartments, (2) the rental or use of meeting rooms, or (3) the rental or use of land and/or water or facilities for activities not otherwise provided for in this section, such as but not limited to television, motion pictures or other media filming purposes;

4. **Net Proceeds Share.** Lessee agrees to pay the County a one-time, non-refundable Net Proceeds Share of Two Hundred Fifty Thousand Dollars (\$250,000.00) for this Amendment No. 1 to Amended and Restated Lease Agreement No. 78130 for Parcel 13R, payable on the Effective Date.

5. **Reserve Fund; Capital Improvement Fund Provisions.** Commencing on the first day of the month following the month in which the Initial Reserve Study described in Section 5.14A.3 is prepared (the “**Initial Reserve Fund Deposit Date**”) all references to and provisions pertaining to the Capital Improvement Fund in the Lease will be deleted. In particular:

5.1 Subsection 1.1.31 will be deleted.

5.2 Section 5.14 will be deleted and of no force and effect as of the “Initial Reserve Fund Deposit Date and the following shall be substituted in full in lieu thereof:

“5.14A **Reserve Fund**

5.14A.1 **Establishment of Reserve Fund.**

(a) Commencing on the first day of the month following the month in which the Initial Reserve Study described in Section 5.14A.3 is prepared (the “**Initial Reserve Fund Deposit Date**”), Lessee shall establish and maintain a reserve fund in accordance with the provisions of this Section 5.14 (the “**Reserve Fund**”) for the cost of “Permitted Capital Expenditures” (as defined below) for the Premises. The then current balance of the existing Capital Improvement Fund and the Subsequent Renovation Fund will be deposited into the Reserve Fund and applied or credited to the required Reserve Fund deposits. Any excess shall be returned to Lessee. Following such date, no further deposits shall be required to the Capital Improvement Fund and the Subsequent Renovation Fund. Commencing on the Initial Reserve Fund Deposit Date and on the first day of each month thereafter and continuing through the remaining Term (and subject to reaching the “Threshold Amount” (as defined below)), Lessee shall make monthly contributions to the Reserve Fund on the same day that Monthly Minimum Rent payments are due each calendar month in the amounts established by the then most current updated Reserve Study (as described in Section 5.14A.4 below). Notwithstanding the foregoing, if and to the extent provisions of leasehold financing documents in favor of an Encumbrance Holder require monthly or other deposits to be made by Lessee to the Encumbrance Holder for reserves for payment of Permitted Capital Expenditure Components Work, as required under the Encumbrance Holder’s loan documents (“**Loan Reserve Deposits**”), such provisions shall require the

Director's prior written approval solely to confirm the portion of such Loan Reserve Deposits, if any, that should be credited towards deposits required to be made by Lessee to the Reserve Fund pursuant to the Reserve Study and will be credited against the required Reserve Fund monthly contributions. Monthly deposits required to be made by Lessee to its Encumbrance Holder for all other permitted repairs, replacements, renovations, alterations or similar matters shall require the Director's prior written approval only to the extent Lessee requests that such deposits be credited to monthly deposits to be made by Lessee to the Reserve Fund in compliance with the Reserve Study requirements.

Further, in accordance with that certain Ground Lease Estoppel and Landlord Recognition Agreement dated as of _____, 2025 (the "**Ground Lease Estoppel**") with respect to the Encumbrance in favor of Midland National Life Insurance Company recorded contemporaneously with the Effective Date, County has agreed that deposits made by Lessee into the "Replacement Reserve" and "Marina Renovation Fund", as defined in, and pursuant to, the Encumbrance loan documents will be credited toward deposits to be made by Lessee to the "Capital Improvement Fund" and "Subsequent Renovation Fund" as defined in the Lease prior to the deletion of Sections 5.12, 5.13 and 5.14 at the time described in this Amendment No. 1. Since the Reserve Fund is replacing the Capital Improvement Fund and the Subsequent Renovation Fund, County agrees, consistent with the Ground Lease Estoppel, that deposits made by Lessee into the Replacement Reserve pursuant to the Encumbrance loan documents will be credited toward deposits to be made by Lessee to the Reserve Fund monthly contributions.

If at any time the then-existing balance in the Reserve Fund, including amounts of any monthly deposits made by Lessee to its Encumbrance Holder for the Premises credited to the Reserve Fund as described above, reaches the Threshold Amount (as defined below), Lessee thereafter shall not be required to make further contributions to the Reserve Fund except as necessary to maintain the balance of the Reserve Fund in an amount at least equal to the Threshold Amount. The "**Threshold Amount**" shall mean the aggregate amount of contributions required to be made to the Reserve Fund over the three (3)-year period determined by the most recent updated Reserve Study. The Threshold Amount shall be reduced by any "**Permitted Capital Expenditure Components Work**," as defined below, that occurs and for which the Reserve Fund is utilized and shall otherwise be adjusted annually as part of the Reserve Study update process described in Section 5.14A.4 hereinbelow. The actual Threshold Amount shall be determined by the Reserve Study company in consultation with Lessee based on what is considered fiscally responsible and appropriate for the Permitted Capital Improvement Components Work, with the final decision to be made by the Reserve Study company (in its sole and absolute discretion).

(b) Lessee shall keep the Reserve Fund funded as required by the most recent updated Reserve Study subject to the Threshold Amount. All interest and earnings on the funds in the Reserve Fund shall be added to the Reserve Fund and shall be treated as a credit against the Reserve Fund contributions otherwise required to be made by Lessee pursuant to this Section 5.14A.1. Failure to maintain and

replenish the Reserve Fund, not cured within the time period set forth in Section 13.1.1 of the Lease, shall constitute an Event of Default hereunder. County shall be permitted and is authorized to engage a consultant at reasonable cost and expense and at Lessee's sole cost and expense to review and/or monitor on an annual basis (but not more than once a year): (i) Reserve Fund expenditures, and (ii) the performance by Lessee of the Permitted Capital Expenditure Components Work required under this Lease or the most recent or updated Reserve Study.

5.14A.2 Use of Reserve Fund.

(a.) Lessee and County agree that the purpose of the Reserve Fund shall be to provide funds for the costs of **"Permitted Capital Expenditure Component(s) Work"**, as set forth in the most recent or updated Reserve Study. **"Permitted Capital Expenditure Component(s)"** shall consist of the Improvements and their systems, including building exteriors and building systems (such as HVAC, mechanical, electrical, plumbing, vertical transportation/elevators, security systems, communications systems, irrigation systems, structural or roof, walkways and driveways, windows and exterior painting, and Common Area flooring, provided, however, Permitted Capital Expenditure Components that have an extended useful life (**"Extended Useful Life Permitted Capital Expenditure Components"**), such as plumbing and utilities (as determined by the Reserve Study Company) shall not be required to be funded in the Reserve Fund until, in the judgment of the Reserve Study Company, the remaining useful life of the Component is twenty (20) years or less (or such other period as determined by the Reserve Study company), or either Lessee requests that such component be included in the Reserve Study for funding purposes, or such inclusion is requested by the Reserve Study Company. **"Permitted Capital Expenditure Component(s) Work"** shall consist of additions, capital repairs, capital replacements, capital equipment, renovations, or other capital upgrades to Permitted Capital Expenditure Components that enhance the quality of Permitted Capital Expenditure Components. **"Permitted Capital Expenditures"** shall mean the costs that may be incurred by Lessee for Permitted Capital Expenditure Components Work. The Reserve Fund may be used only to fund Permitted Capital Expenditure Component Work as set forth in the Reserve Study as it may be modified from time to time, and as may be approved from time to time by the Director. All specific purposes and costs for which Lessee desires to utilize amounts from the Reserve Fund for Permitted Capital Expenditure Component Work not specified in the Reserve Study shall be subject to Director's approval, which approval shall not be unreasonably withheld, conditioned or delayed. Lessee shall not be required to obtain the Director's prior approval for the use of Reserve Funds for all Permitted Capital Expenditure Component Work as provided in the Reserve Study, provided Lessee delivers to the Director at least thirty (30) days prior written notice of its intention to make said Permitted Capital Expenditure Component Work, which notice shall set forth the anticipated amount of Permitted Capital Expenditures for such Permitted Capital Expenditure Component Work and when such Permitted Capital Expenditure Component Work at issue is anticipated to commence and be completed. Notwithstanding the foregoing, in a situation involving health, safety or any emergency condition, Lessee shall have the right to undertake immediate Permanent Capital Expenditure Component Work without such notice, in which case notice shall be

provided to the Director following the commencement of the Permanent Capital Expenditure Component Work at issue. In the event that during any calendar year Lessee intends to spend less than required by the most recent updated Reserve Study, then Lessee shall be required to obtain the Director's prior written approval, which approval shall not be unreasonably withheld. Such approval or disapproval shall be provided by the Director within ninety (90) days of receipt of the notice of Lessee's intent with sufficient information detailing the reasons for the request to spend less than required.

(b) The Reserve Fund shall not require funding, nor shall the Reserve Fund be used for any of the following, all of which shall be separately funded by Lessee: (a) the cost of curing any deficiencies arising from the failure of Lessee to maintain and repair the Improvements in accordance with the requirements of this Lease; (b) costs or expenses reimbursed by insurance, warranties or any other third party; (c) the costs of the initial construction of any new buildings or building additions that would not constitute Permitted Capital Expenditure Components Work; (d) the costs of new project amenities (e.g., barbeques or fitness equipment) or new common area furniture except as expressly contemplated and permitted by a Reserve Study and that have been the subject of monthly contributions to the Reserve Fund as set forth in the most recent or updated Reserve Study, or as otherwise approved by Director; (e) the cost of periodic, recurring or ordinary non-capital expenditures, repairs, maintenance or replacements that keep the Improvements or their systems in good operating condition, but that do not significantly add to their value or appreciably prolong their useful life or that otherwise constitute non-capital expenditures under generally accepted accounting principles consistently applied; or (f) the cost of any capital repair or replacement of an individual or a selected group of individual items, unless (A) such capital repair or replacement is part of a larger plan (which may be a phased plan as provided in the most recent Reserve Study) for capital repair or replacement of all, or substantially all or similar Permitted Capital Expenditure Components, or (B) such capital repair or replacement of an individual or selected group of individual items is expressly set forth in the most recent or updated Reserve Study and the Permitted Capital Expenditure Component Work has been the subject of monthly contributions to the Reserve Fund.

(c) Without limiting the prohibition in clause (b) above, the Reserve Fund shall not be used for additional improvements, equipment or systems that were not part of the Improvements upon completion of the Renovation Work or subsequently installed as an approved Alteration under this Lease with Lessee's other funds, except for such upgrades as are approved by Director and only to the extent that the then current or updated Reserve Study anticipates use of the applicable Reserve Fund for such purposes or the most recent or updated Reserve Study is updated to adjust the future monthly Reserve Fund contributions to account for the unanticipated expenditure. Notwithstanding anything to the contrary contained hereinabove, any omission in the Reserve Study (including any failure in the Reserve Study to include an item that should be repaired, maintained, or replaced), shall not release Lessee from any responsibility or obligation it may have to make a capital expenditure or repair for items not foreseen or included in the Reserve Study and/or part of the Reserve Fund.

5.14A.3 Reserve Studies

(a) In order to provide the requisite funds for the Reserve Fund, Lessee shall have caused a reserve study with respect to Permitted Capital Expenditure Components to be prepared within one hundred twenty (120) days after the Effective Date and thereafter update the Reserve Study within four (4) months following each three (3) year anniversary of the Effective Date (“**Required Reserve Study**” or “**Reserve Study**”). The period of time between the initial Reserve Study and the first updated Reserve Study is the “**Initial Reserve Fund Period.**” Lessee shall cause to have prepared each Reserve Study at its sole cost and expense. Each Reserve Study shall be conducted and prepared by a company mutually acceptable to County and Lessee, which company has special expertise in preparing capital improvement reserve studies for similar and comparable projects (e.g. physically similar in age and other physical characteristics) within Los Angeles County. In the event County and Lessee cannot agree upon a mutually acceptable company to prepare the Reserve Study, then Lessee and the Director shall each engage a company that is able to perform the Reserve Study (each, a “**Potential Reserve Study Company**”) and the Potential Reserve Study Companies shall, amongst themselves, confer and determine which Potential Reserve Study Company shall perform the Reserve Study. If the Potential Reserve Study Companies cannot mutually agree on which Potential Reserve Study Company shall perform the Reserve Study, the Potential Reserve Study Companies shall collectively select an independent Reserve Study Company to perform the Reserve Study. (The reserve company engaged, whether by agreement of County and Lessee or pursuant to the procedures set forth in the preceding sentence, shall be referred to as the “**Reserve Study Company.**”) In the event that the Reserve Study Company has not been selected on or before four (4) years and six (6) months from the Effective Date, then the Director (in Director’s sole and absolute discretion) shall select the Reserve Study Company. Each Reserve Study shall address the monthly contribution required to adequately maintain the Permitted Capital Expenditure Components for the full Term of this Lease by capital repair or replacement of any such Permitted Capital Expenditure Component prior to the end of its useful life notwithstanding that the actual monthly contributions to the Reserve Fund shall be subject to, and limited by, the Threshold Amount. In the event of any conflict regarding the appropriate levels of contribution to the Reserve Fund recommended by the Reserve Study Company, on the one hand, and any report and/or property assessment prepared for the benefit of any Encumbrance Holder, regarding its own separate reserve fund, the Reserve Study Company shall take the views of such consultant into consideration, but the final decision as to the appropriate levels of contribution to the Reserve Fund shall be determined solely by the Reserve Study Company.

(b) The first Reserve Study shall identify any existing deferred maintenance and repair deficiencies that exist at the date of the first Reserve Study. Lessee shall be required to remedy any such maintenance deficiencies at Lessee’s cost (without any use of the Reserve Fund) within ninety (90) days after the issuance of said first Reserve Study. If Lessee requires additional time to complete all existing maintenance deficiencies, then Lessee shall submit a schedule of repairs for Director’s written approval, which approval will not be unreasonably withheld.

(c) Each Reserve Study shall determine the monthly contribution amount required to be made to the Reserve Fund. If Director approves any Permitted Capital Expenditure from the Reserve Fund outside of those anticipated under the then-current Reserve Study (as previously updated), then such Reserve Study shall be updated within ninety (90) days following the date such Permitted Capital Expenditure is made to adjust the future monthly Reserve Fund contributions to take into consideration the unanticipated Permitted Capital Expenditure Component Work. Such updated Reserve Study shall constitute a Required Reserve Study and remain applicable for the ensuing three (3)-year period, unless such updated Reserve Study is required to be further updated prior to the expiration of such three (3)-year period pursuant to this sentence, in which case, such updated Reserve Study shall constitute a new Required Reserve Study.

(d) Each Reserve Study shall, at a minimum, contain the following: (i) identification of all Permitted Capital Expenditure Components requiring Permitted Capital Expenditure Component Work, that have a remaining useful life of less than thirty (30) years; (ii) identification of the probable remaining useful life of all Permitted Capital Expenditure Components as of the date of the most recent updated Reserve Study based on their then existing condition; (iii) an estimate of the anticipated Permitted Capital Expenditures for the Permitted Capital Expenditure Component Work identified in clause (i); (iv) an estimate of the total annual contribution to the Reserve Fund necessary to defray the cost of Permitted Capital Expenditure Components Work identified in clause (i) during and at the end of their useful life, after accounting for the total funds then held in the Reserve Fund as of the date of the Reserve Study for such Permitted Capital Expenditure Component Expenditure Work; and (v) the Threshold Amount and the monthly contributions, if any, required for the Reserve Fund to reach the Threshold Amount by no later than the preparation of the next updated Reserve Study. The Reserve Study Company shall have sole and absolute discretion in determining which Permitted Capital Expenditure Components to consider for the most recent updated Reserve Study consistent with the provisions of Section 5.14A; provided, however, that when the useful life of any Permitted Capital Expenditure Component becomes thirty (30) years or less, it shall be added to the Reserve Study even if current funding is not required.

(e) For the purpose of each Reserve Study: (a) **“useful life”** is defined as the number of years each individual Permitted Capital Expenditure Component is expected to serve its intended purpose if given regular and proper maintenance, and (b) **“remaining useful life”** is defined as the expected number of years each individual Permitted Capital Expenditure Component will continue to serve its intended purpose prior to its repair or replacement in accordance with the Reserve Study. In determining the remaining life of a Permitted Capital Expenditure Component, a certain level of continued preventative maintenance and repair is assumed but shall be stated explicitly wherever possible in the applicable Reserve Study and its then existing condition shall be considered. Lessee hereby agrees to commence and complete all Permitted Capital Expenditure Component Work that the Reserve Study recommends within six (6) months from the date recommended by the Reserve Study Company to be commenced.

(f) Lessee shall be required to renovate, replace or upgrade particular Permitted Capital Expenditure Components (as identified in the Reserve Study by the Reserve Study Company) by the end of the expected useful life of such Permitted Capital Expenditure Components (or sooner if desired by Lessee) and otherwise perform the Permitted Capital Expenditures Work prescribed in the most recent updated Reserve Study. Lessee shall be required to commence such Permitted Capital Expenditures Work no later than ninety (90) days prior to the expiration of the useful life of the applicable Permitted Capital Expenditure Component but subject to Force Majeure occurrences. If Lessee requires additional time to complete any such Permitted Capital Expenditures Work because of its inability to obtain access to the interior of a residential unit due to tenant occupancy, etc., then Lessee shall submit a construction schedule for Director's written approval, which approval will not be unreasonably withheld. Lessee shall use reasonable due diligence to complete performance of such Permitted Capital Expenditures Work.

(g) Lessee shall have the right at any time during the Term to secure a new financing or refinancing (a "**Future Financing Event**") and, if and to the extent agreed by Lessee and the Encumbrance Holder under the loan documents for such Future Financing Event ("**Future Financing Loan Documents**"), may designate a portion of the net proceeds of such Future Financing Event (the "**Designated Financing Funds**") for payment of costs of the performance of any currently required or future Permitted Capital Expenditure Components Work. The provisions of the Future Finance Loan Documents concerning and governing the permitted use, holding, application and disbursement of any Designated Financing Funds shall be subject to the approval by the Director in connection with its approval of the loan documents in accordance with Section 12.1.2, but solely to confirm that use and application of such Designated Financing Funds will be consistent with the Reserve Study. In addition to the use of either amounts in the Reserve Fund and/or Designated Financing Funds to pay for costs of currently required Permitted Capital Expenditure Components Work, to the extent the Designated Financing Funds are utilized for payment of costs for Permitted Capital Expenditure Components Work prior to the time such Permitted Capital Expenditure Component Work is required to be performed pursuant to the Reserve Study (due to remaining Useful Life of the pertinent components), funds then held in the Reserve Fund for payment of such currently unscheduled but future anticipated Permitted Capital Expenditure Components Work shall be permitted to be utilized for the Permitted Capital Expenditure Components Work, or released to Lessee upon completion of the Permitted Capital Expenditure Components Work in accordance with the Reserve Study, to the extent consistent with the Future Financing Loan Documents and, provided that the updated Reserve Study described in the next sentence confirms satisfaction of the recalculated Threshold Amount. Lessee shall (i) provide the Director with documentation (which may be pertinent provisions of the Future Financing Loan Documents), specifying the portion of the Designated Financing Funds that will be dedicated for payment of Permitted Capital Expenditure Components Work, and (ii) comply with ongoing periodic reporting requirements reasonably required by the Director, including documentation evidencing that Lessee expended the portion of the Designated Financing Funds expected to be used for Permitted Capital Expenditure Components Work for such purpose. Upon completion of such Permitted Capital

Expenditure Components Work, the most current Reserve Study shall be updated in accordance with the requirements of Section 5.14A.4 below, and the amounts required to be deposited into the Reserve Fund shall be recalculated in accordance with the requirements of this Section 5.14A. Alternatively, Lessee may elect to have a new Reserve Study prepared, in which case the new Reserve Study shall remain applicable for the ensuing three (3) year period. Subject to the foregoing, the permitted use, holding, application and disbursement by Encumbrance Holder of Designated Financing Funds, if any, will be governed by the Future Financing Loan Documents at the sole discretion of the Encumbrance Holder; provided that such disbursements are used for Permitted Capital Expenditure Components Work as described in the Reserve Study and otherwise in accordance with the requirements of the Lease. As further clarification, ongoing monthly or other periodic deposits to reserves (as opposed to Designated Financing Funds, if any), required by the Future Financing Loan Documents shall be subject to Section 5.14A.1(a) above.

5.14A.4 Annual Updates to Reserve Studies.

At least one hundred twenty (120) days prior to the end of each calendar year (or, if a new or updated Reserve Study has been conducted other than on the required schedule set forth in Section 5.14A.3, as a result of a Future Financing Event or otherwise and would constitute a Required Reserve Study, then one hundred twenty (120) days prior to the end of each calendar year following the year in which such new Required Reserve Study has been prepared), the Reserve Study Company shall review the then current Reserve Study to update required Permitted Capital Expenditure Component Work changes, consider adjustments to the useful life of Permitted Capital Expenditure Components as described in Section 5.14A.3, take into consideration Permitted Capital Expenditures actually made during the preceding year to determine whether additional needed funds should be contributed to the Reserve Fund that were not included in the prior year's Reserve Study or Reserve Study Update and consider an update to the Threshold Amount and monthly contributions to reach the Threshold Amount by no later than the preparation of the next Reserve Study or Reserve Study update (each an "**Annual Reserve Fund Update**"). To assist the Reserve Study Company in preparing the Annual Reserve Fund Update and to avoid the necessity for the Reserve Study Company to enter the Premises, Lessee shall provide to the Reserve Study Company an accounting of all Permitted Capital Expenditures made by Lessee for Permitted Capital Expenditure Component Work performed for such calendar year, and the Reserve Study Company shall take such Permitted Capital Expenditures into account in preparing the Annual Reserve Fund Update. Notwithstanding anything to the contrary contained herein above, it shall not be necessary for an Annual Reserve Fund Update to be prepared by the end of a calendar year in which a Required Reserve Study is prepared. Lessee shall submit to Director, for Director's reasonable approval, an annual Reserve Fund expenditure plan ("**Annual Reserve Fund Expenditure Plan**") at least ninety (90) days prior to the commencement of each calendar year following the expiration of the Initial Reserve Fund Period. The Director or the County shall respond within sixty (60) days thereafter with specific written objections consistent with the Reserve Study, and if Director or County has no objections, then Lessee's proposed Annual Reserve Fund Expenditure

Plan shall be approved. Each Annual Reserve Fund Expenditure Plan shall be consistent with the most recent updated Reserve Study, subject to modification for any unforeseen Permitted Capital Expenditure Component Work or Lessee's election to accelerate performance of any Permitted Capital Expenditure Component Work as described in Section 5.14A.3(g). Permitted Capital Expenditures from the Reserve Fund shall be consistent with the approved Annual Reserve Fund Expenditure Plan for such year, provided that Lessee shall have the right during each calendar year to submit for Director's reasonable approval one or more mid-year modifications to the Annual Reserve Fund Expenditure Plan to address unforeseen Permitted Capital Expenditure Component Work that may arise during such year or Lessee's election to accelerate performance of any Permitted Capital Expenditure Component Work as described in Section 5.14A.3(g) as a result of a Future Financing Event or otherwise.

5.14A.5 Final Reserve Study.

(a) If County, in accordance with Section 2.3.2 of the Lease, has not provided Lessee with a notice of County's election to require Lessee to remove Improvements (a "**County Removal Notice**"), a final updated Reserve Study (the "**Final Reserve Study**") shall be prepared and delivered to County no later than five (5) years prior to the expiration of the Term. Prior to the preparation of the Final Reserve Study, County shall inform Lessee as to whether it intends to deliver a County Removal Notice. The Final Reserve Study shall determine the monthly amounts, if any, required to be deposited to the Reserve Fund to fully fund (when combined with any amounts already on deposit in the Reserve Fund) the expected Permitted Capital Expenditure Component Work during the remaining Lease Term, as determined in accordance with the standards set forth in Section 5.14A.3(d) above. The monthly contribution amounts required for the Reserve Fund shall take into consideration any then current balance in the Reserve Fund. If County delivers a County Removal Notice, then Section 2.3.2 shall apply, Lessee shall comply with the security requirements stated therein and any funds in the Reserve Fund shall be utilized as security as required by Section 2.3.2. Substitute security, as described in Section 5.14A.7 below may be provided for the demolition requirement, in the form of a letter of credit from a financial institution acceptable to the Director and in accordance with the provisions of Section 5.14A.7.

(b) If County has delivered a County Removal Notice, Lessee shall deliver to County a demolition report in accordance with Section 2.3.2 of the Lease. As set forth in Section 2.3.2, the demolition report shall detail the cost and time period required for the demolition and removal of the Improvements.

(c) If County has not timely delivered a County Removal Notice, then: (x) the Final Reserve Study shall make any adjustment for the cost for the future Permitted Capital Expenditure Component Work during the remaining Lease Term, (y) the Reserve Fund payments thereafter required to be made by Lessee shall continue to be used for purposes permitted under this Section 5.14A subject to Subsection (c)(i) below, and (z) the "**County Portion of Remaining Reserve Fund Amounts**", as defined below, at the end of the Term shall be released to County and the "**Lessee Portion of the Remaining Reserve Fund Amounts**", as defined below, at the end of the Term,

shall be released to Lessee after subtracting any amounts then owing by Lessee to County under the Lease. Alternatively, at Lessee's option and subject to the reasonable approval of Director, Lessee shall not be obligated to deposit into the Reserve Fund amounts representing the Lessee Portion of the Remaining Reserve Fund.

(i) The Final Reserve Study shall determine the remaining useful life of the Permitted Capital Expenditure Components and the monthly contributions, considering amounts then currently in the Reserve Fund to fund the Permitted Capital Expenditure Components Work. With respect to Permitted Capital Expenditure Components whose useful life expires prior to the end of the Term, Lessee shall be obligated to perform the Permitted Capital Expenditure Components Work, or the amounts reserved for such Permitted Capital Expenditure Components Work shall be released to County at the end of the Term.

(ii) With respect to Permitted Capital Expenditure Components whose useful lives do not expire until following the end of the Term, for each such Permitted Capital Expenditure Component whose remaining useful life at the end of the Term will be five (5) years or less, the amounts in the Reserve Fund applicable to such Permitted Capital Expenditure Components for said period shall constitute the **"County Portion of Remaining Reserve Fund Amounts."**

(iii) With respect to Permitted Capital Expenditure Components whose useful lives do not expire until following the end of the Term, for each such Permitted Capital Expenditure Component whose remaining useful life at the end of the Term will be more than five (5) years, the amounts in the Reserve Fund applicable to such Permitted Capital Expenditure Components for said period shall constitute the **"Lessee Portion of Remaining Reserve Fund Amounts."**

(d) Following delivery by County of a County Removal Notice no further Permitted Capital Expenditure Component Work shall be required, provided that Lessee shall remain responsible for the performance of its maintenance and repair obligations set forth in this Lease. So long as Lessee completes the demolition and removal of the Improvements at the end of the Term (if required), any surplus funds or any substitute security provided to County shall be released from the restrictions of this Lease and belong to Lessee after subtracting any amounts then owing by Lessee to County under the Lease.

5.14A.6 Reserve Fund Account.

The Reserve Fund (a) shall be held in a separate account established with an Institutional Lender (which may be Lessee's Encumbrance Holder) reasonably acceptable to and approved by Director and (b) may be separately pledged as collateral to a Lessee Encumbrance Holder that either (i) holds the Reserve Fund in an account that it controls or (ii) does not control and administer such account held by another Institutional Lender; provided however that, notwithstanding the existence of such security interest, the Reserve Fund will remain subject to the terms and conditions of the Ground Lease, including but not limited to Section 12, and the obligations of the

Lessee hereunder, including at such time as the Encumbrance Holder becomes a Foreclosure Transferee. Lessee shall make deposits into the Reserve Fund as required hereunder and make disbursements from the Reserve Fund account as required or permitted hereunder, but only for Permitted Capital Expenditures and in accordance with the then current approved Annual Reserve Fund Expenditure Plan (with such adjustments as may be approved by Director). Lessee shall have the right to maintain all or a portion of the Reserve Fund with an Institutional Lender that is an approved Encumbrance Holder and to grant such lender a security interest in Lessee's interest in the Reserve Fund account, subject to administration of the Reserve in accordance with the requirements of this Section 5.14A. Subject to the foregoing, the Reserve Fund account may concurrently satisfy a separate reserve fund requirement of Lessee's Encumbrance Holder. The amounts to be added to the Reserve Fund shall be inclusive of amounts required to be deposited with and held by an Encumbrance Holder. On or before January 15th of each year (and at any other time within thirty (30) days prior written notice from Director to Lessee), Lessee shall provide and deliver to Director documentation and/or evidence reasonably satisfactory to Director, which evidence/documentation shall include, without limitation, the existence of the account in which the Reserve Fund exists, a report that details all deposits to, earnings on, withdrawals (and the purpose of such Permitted Capital Expenditure withdrawals, including commencement and completion dates) from, and the balance of the Reserve Fund. In the event that Lessee's Encumbrance Holder requires the establishment of an additional account to be held by the Encumbrance Holder for the cost and payment of Permitted Capital Expenditures Components Work or for other purposes permitted under Section 5 hereof and in accordance with an Encumbrance Holder's loan documents, including repairs, replacements, alterations and renovations to the Premises that do not constituted Permitted Capital Expenditures (the "**Encumbrance Holder Account**"), then on or before January 15th of each year (and at any other time within (30) days prior written notice from Director to Lessee), Lessee shall provide and deliver to Director documentation and/or evidence reasonably satisfactory to Director, which evidence/documentation shall include, without limitation, the existence of the Encumbrance Holder Account, a report that details all deposits to, earnings on, withdrawals relating to the portion of the Encumbrance Holder Account for Permitted Capital Expenditures Work (and the purpose of such Permitted Capital Expenditure withdrawals, including commencement and completion dates) from, and the balance of the Encumbrance Holder Account designated for Permitted Capital Expenditure Component Work.

5.14A.7 Reserve Fund Substitute Security Alternative.

(a) In lieu of the monthly Reserve Fund contributions described in this Section 5.14A, Lessee shall have the right to deliver to the Director an irrevocable letter of credit (together with all renewals and replacements thereof) acceptable to Director (in the Director's sole and absolute discretion) in the amount of the Threshold Amount, as described herein (the "**Letter of Credit**"). Director shall have the authority, in its reasonable discretion, to consider the delivery by Lessee of such Letter of Credit as satisfaction of such Reserve Fund contributions. The Letter of Credit shall be in form and content acceptable to Director and from a financial institution acceptable to the

Director, delivered to Director and be in an amount equal to the Threshold Amount then required to be in the Reserve Fund as of the date of each Reserve Study or annual updated Reserve Study plus the amount of required contributions during the ensuing year. The amount of the Letter of Credit shall be recalculated at the time of delivery of a Reserve Study, either as required hereunder or following a Future Financing Event ("**Letter of Credit Amount**"). Subject to the County's prior written approval, Lessee shall be entitled to reduce the amount of the Letter of Credit at any time that a reduction in the Threshold Amount may occur by performance of Permitted Capital Expenditure Component Work.

(b) The Letter of Credit shall be unconditional (except to the extent the same may be conditioned to the extent set forth in this Section), clean, irrevocable, renewable and a transferable Letter of Credit in the amount of the Threshold Amount, which amount shall be increased or reduced from time to time in accordance with the provisions of this Section 5.14A, issued by and drawn on a bank which is a member of the New York Clearing House and which has a banking office dedicated to the administration and payment of letters of credit in the State of California (or permits draws by facsimile or overnight mail to an office outside the State of California), which bank must be reasonably satisfactory to the County, for the account of the County, for an initial term of not less than one (1) year and shall provide for its automatic renewal from year to year unless terminated by the issuing bank or replaced by Lessee with another bank reasonably acceptable to the County by notice to the County given not less than thirty (30) days prior to its expiration date by registered or certified mail (and the final expiration date of the final Letter of Credit shall be no earlier than thirty (30) days following the end of the Term), as security for the faithful performance and observance by Lessee of the terms, conditions and provisions of this Article 5. Additionally, the Letter of Credit (i) may be drawn at the State of California banking office of the issuer (or by facsimile or overnight mail to an office outside the State of California) and must allow for draws to be made at sight pursuant to a form of draw request which has been reasonably approved by the County; (ii) must allow for one draw in the whole amount or multiple partial draws upon certification from the County that the amounts are being drawn in accordance with the terms of this Article 5 (and the County shall not, as a condition to any draw, be required to deliver any certificate, affidavit or other writing to the issuer expressing the specific basis for the draw; nor shall the issuer have the right to inquire as to the basis for the draw or require instruction or authorization from any party other than the County; nor shall issuer be permitted to withhold a draw, when requested by the County, as a result of any instruction from any other party); (iii) shall be freely transferable, in whole, but not in part, by the County in connection with a transfer of the Premises and shall be governed by (A) the International Standby Practices (SP 98 published by the International Chamber of Commerce) or (B) the United Nations Convention on Independent Guarantees and Standby Letters of Credit; and (iv) shall otherwise be in such form and shall be subject to such requirements as the County may reasonably require. Without limiting the generality of the foregoing, but without contradicting the express terms set forth above, the Letter of Credit must be issued by a bank or financial institution reasonably acceptable to the County (x) that is chartered under the laws of the United States, any state thereof or the District of Columbia, and which is insured by the Federal Deposit

Insurance Corporation, (y) whose long-term debt ratings on bank level senior debt obligations are rated in not lower than the second highest category by at least two of Fitch Ratings Ltd. ("**Fitch**"), Moody's Investors Service, Inc. ("**Moody's**") and Standard & Poor's Ratings Services ("**S&P**") or their respective successors (the "**Rating Agencies**") (which, as of the date hereof, shall mean AA from Fitch, Aa from Moody's or AA from S&P) and (z) which has a short-term deposit rating at the bank level in the highest category from at least two Rating Agencies (which shall mean F1 from Fitch, P-1 from Moody's and A-1 from S&P) (each an "**Approved Bank**").

(c) Lessee shall be required to maintain the Letter of Credit in the amount of the Letter of Credit Amount in full force and effect throughout the Term of the Lease, or otherwise deposit the applicable amount of cash with the County. Accordingly, Lessee shall renew any Letter of Credit from time to time, at least thirty (30) days prior to the expiration thereof and deliver to the County a new Letter of Credit in the amount of the Letter of Credit Amount or an endorsement to the Letter of Credit, and any other evidence reasonably required by the County, that the Letter of Credit has been renewed for a period of at least one (1) year. If Lessee fails to renew the Letter of Credit as aforesaid, the County may present the Letter of Credit for payment on or after the date which is ten (10) business days prior to the expiration thereof and retain the proceeds thereof as the Threshold Amount in lieu of the Letter of Credit. Upon delivery to the County of any new or replacement Letter of Credit, the County shall return to Lessee for cancellation, together with any reasonable evidence required by the issuer authorizing cancellation, any Letter of Credit then held by the County. If Lessee shall have fully complied with all of the covenants and conditions of this Section 5.14A.7, the Letter of Credit shall be returned to Lessee or, if the County has drawn on the Letter of Credit, the remaining proceeds of the Letter of Credit which are in excess of the Threshold Amount shall be repaid to Lessee, without interest.

(d) The County may draw on the Letter of Credit, in whole or in part at the County's election, without advance notice to Lessee at any time or from time to time on or after (i) the Lessee has not satisfied the Threshold Amount at the time as may be required in accordance with Section 5.14A.1(a), or (ii) the County is given notice by the issuer of the Letter of Credit that it is terminating the Letter of Credit and Lessee fails to replace the Letter of Credit with a substitute Letter of Credit complying with the provisions hereof at least thirty (30) days in advance of its expiration date, or (iii) the Letter of Credit expires on a specified date by its terms and is not renewed or replaced at least thirty (30) days in advance of its expiration date, or (iv) the bank or financial institution that issues the Letter of Credit is declared insolvent, or is placed into receivership by the Federal Deposit Insurance Corporation or any other governmental or quasi-governmental institution, or (v) if the bank or financial institution (other than an Approved Bank) no longer satisfies the ratings requirements set forth above and Lessee fails to replace the Letter of Credit with a substitute Letter of Credit complying with the provisions hereof at least thirty (30) days following notification from the County of the failure of such condition or (vi) to the extent permitted by law, in the event any bankruptcy, insolvency, reorganization or any other debtor creditor proceeding is instituted by or against Lessee.

(e) Lessee hereby waives the provisions of any law, now or hereafter in effect, which limits the ability of the County to draw on the Letter of Credit as described above. Proceeds of any draw on the Letter of Credit shall be deposited by the County into a Reserve Fund Account, for disbursement to Lessee for the performance of the Permitted Capital Expenditure Components Work, until the Letter of Credit is replaced, at which time the funds remaining in the Reserve Account established by the County shall be returned to Lessee. If the reason for the draw on the Letter of Credit is the failure to comply with the Threshold Amount obligation, the replacement of the Letter of Credit shall be in the amount required to satisfy the then required Threshold Amount obligation. Additionally, prior to the time the Letter of Credit is replaced, Lessee shall make any required Reserve Fund deposits into the Reserve Fund Account established by the County. Any replacement Letter of Credit shall satisfy the provisions of Section 5.14A.7(b) above and be in the amount of the required to satisfy the then required Threshold Amount obligation.

(f) In the event that an authorized draw on a Letter of Credit is not timely honored by the issuing bank, and Lessee does not either provide a new qualifying letter of credit or establish a Reserve Fund required by this Section 5.14 in either case in the amount required to satisfy the then required Threshold Amount obligation within thirty (30) days following receipt of notice of the failure of the issuing bank to honor the Letter of Credit, such failure shall be considered an Event of Default under this Lease (without any notice and cure period).

(g) Additional Provisions Regarding Letter of Credit.

(i) On any request by the County made during the Term of the Lease, Lessee shall reasonably cooperate in accomplishing any reasonable modification of the Letter of Credit reasonably requested by the County.

(ii) If the Letter of Credit should be lost, mutilated, stolen or destroyed, Lessee shall, at no material cost to Lessee, cooperate in obtaining the issuance of a replacement.

5.14A.8 Director Authority with respect to Reserve Study Requirements.

Director shall have the authority to agree to modifications to the Reserve Fund provisions in this Section 5.14A.

5.14A.9 Reserve Fund Expenditures and County Affordable Housing Obligations.

The performance of Permitted Capital Expenditure Component Work, in and of itself, will not result in any obligation to provide additional affordable housing units.

5.3 The reference to "deposits to the Capital Improvement Fund in Subsection 13.1.1 will be deleted.

5.4 Exhibit D, Examples of Permitted Capital Expenditures, to the Lease will be deleted.

5.5 All references to "Improvement Costs" in the Lease shall include "Permitted Capital Expenditure Component Work".

5.6 In Section 4.8.1 and 4.8.2, "Gross Transfer Proceeds" shall not include any amounts representing a replacement of Reserve Funds.

6. **Subsequent Renovation Fund Provisions.** Commencing on the Initial Reserve Fund Deposit Date all references to and provisions pertaining to the Subsequent Renovation Fund in the Lease will be deleted. In particular:

6.1 Subsection 1.1.147, 1.1.148 and 1.1.149 will be deleted.

6.2 Section 5.12 and 5.13 will be deleted.

6.3 All references to the Subsequent Renovation and Subsequent Renovation Fund in the Lease will be deleted.

6.4 The reference to "deposits to the Subsequent Renovation Fund" in Subsection 13.1.1 will be deleted.

7. **No Other Claims.** The Lease is in full force and effect. To Lessee's knowledge, County has met and fulfilled all of its obligations under the Lease and is not in default under the Lease. To Lessee's knowledge, there is no current defense, offset, claim or counterclaim by or in favor of Lessee against the County under the Lease. Furthermore, Lessee has no right to any concession (rental or otherwise) or similar compensation in connection with the Lease and Lessee's renting of the Premises, except as expressly provided in the Lease. There has not been filed by or against Lessee a petition in bankruptcy, voluntary or otherwise, any assignment for the benefit of creditors, any petition seeking reorganization or arrangement under the bankruptcy laws of the United States or any state thereof, or any other action brought pursuant to such bankruptcy laws with respect to Lessee.

8. **Miscellaneous.**

8.1 **No Modification.** Except as referenced herein, the Lease has not been modified, amended or supplemented, and the Lease is and remains in full force and effect.

8.2 **Time of the Essence.** Time is of the essence with respect to this Amendment No.1.

8.3 **Governing Law.** This Amendment No. 1 shall be governed by and construed in accordance with the laws of the State of California without giving effect to the conflict of law principles of said state.

8.4 No Waiver. Except as expressly provided herein, neither Party shall be deemed by reason of its execution of this Amendment No. 1 to have waived any terms or provisions of the Lease, including, without limitation, any default or Event of Default or any rights and remedies that County may have under the Lease, at law or in equity.

8.5 Controlling Provisions. In the event of any inconsistencies between the provisions of this Amendment No. 1 and the provisions of the Lease, the provisions of this Amendment No. 1 shall govern and prevail.

8.6 Integration and Merger. This Amendment No. 1, the Exhibits attached hereto, and all documents referenced in the Amendment No. 1 to be executed by Parent or Principal in connection herewith, contain the entire agreement of County and Lessee regarding the modification of the Lease and supersede all prior agreements, term sheets and understandings between County and Lessee, whether written or oral, with respect to the modification of the Lease.

8.7 Survival. All representations and warranties contained in this Amendment No. 1 shall be deemed to be material and shall survive the effectiveness of the modifications to the Lease contemplated by this Amendment No. 1.

8.8 Further Assurances. At either party's request, the other party shall promptly execute any other document or instrument and/or seek any consent or agreement from any third party that is reasonably necessary to evidence or carryout the intent of the parties, as set forth in this Amendment No. 1 .

8.9 Captions; Use of Certain Terms. The Section titles and captions in this Amendment No. 1 are for convenience only and shall not be deemed to be part of this Amendment No. 1. All pronouns and any variation or pronouns shall be deemed to refer to the masculine, feminine or neuter, as the identity of the parties may require. Whenever the terms referred to herein are singular, the same shall be deemed to mean the plural, as the context indicates, and vice versa.

8.10 Incorporation of Exhibits. All of the Exhibits referred to in and attached to this Amendment No. 1 are incorporated herein by this reference.


8.11 Counterparts; Electronic Signatures. This Amendment No. 1 and any other document necessary for the consummation of the transaction contemplated by this Amendment No. 1 may be executed in counterparts, including both counterparts that are executed on paper and counterparts that are in the form of electronic records and are executed electronically. An electronic signature means any electronic sound, symbol or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or e-mail electronic signatures. All executed counterparts shall constitute one agreement, and each counterpart shall be deemed an original. The parties hereby acknowledge and agree that electronic records and electronic signatures, as well as facsimile signatures, may be used in connection with the execution of this Amendment No. 1 and electronic signatures, facsimile signatures or signatures transmitted by electronic mail in so-called pdf format

shall be legal and binding and shall have the same full force and effect as if a paper original of this Amendment No. 1 had been delivered had been signed using a handwritten signature. County and Lessee (i) agree that an electronic signature, whether digital or encrypted, of a party to this Amendment No.1 is intended to authenticate this writing and to have the same force and effect as a manual signature, (ii) intended to be bound by the signatures (whether original, faxed or electronic) on any document sent or delivered by facsimile or, electronic mail, or other electronic means, (iii) are aware that the other party will rely on such signatures, and (iv) hereby waive any defenses to the enforcement of the terms of this Amendment No. 1 based on the foregoing forms of signature. If this Amendment No. 1 has been executed by electronic signature, all parties executing this document are expressly consenting under the United States Federal Electronic Signatures in Global and National Commerce Act of 2000 ("E-SIGN") and California Uniform Electronic Transactions Act ("UETA")(Cal. Civ. Code § 1633.1, et seq.), that a signature by fax, email or other electronic means shall constitute an Electronic Signature to an Electronic Record under both E-SIGN and UETA with respect to this specific transaction.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, County and Lessee have entered into this Amendment No. 1 as of the date first set forth above.

VDM PARTNERS, LLC,
a Delaware limited liability company


By: _____
James R. Parks
Its Authorizes Representative

THE COUNTY OF LOS ANGELES

By: _____
GARY JONES, Director
Department of Beaches and Harbors

ACKNOWLEDGED:

VILLA DEL MAR PROPERTIES,
LTD., L.P., a California limited
partnership

By: Molori, LLC,
a Delaware limited
liability company, a
General Partner

By: _____
Richard W. Silver, as Trustee of the Richard W.
Silver 1988 Living Trust

ATTEST:

DEAN C. LOGAN,
Registrar-Recorder/County Clerk

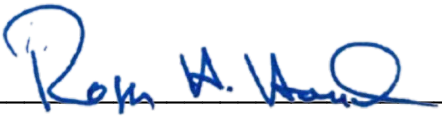
By: _____
Deputy

APPROVED AS TO FORM:

DAWYN R. HARRISON
County Counsel

By: _____
Senior Deputy

Glaser Weil Fink Jacobs Howard & Shapiro LLP

By:  _____

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

MAIL TAX STATEMENT TO:

(Space Above Line for Recorder's Use Only)

Documentary Transfer Tax: \$_____

EXEMPT FROM BUILDING HOMES AND JOBS ACTS FEE PER GOVERNMENT CODE
27388.1(a)(2)

ASSIGNMENT AND ASSUMPTION OF GROUND LEASE AND CONSENT

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

1. **VILLA DEL MAR PROPERTIES, LTD., L.P.**, a California limited partnership ("**Assignor**") does hereby assign, transfer, grant, convey and set over to _____ ("**Assignee**"), all of its right, title and interest in and to that certain leasehold created by that certain Lease Agreement (Lease No. 78130, Parcel 13R), dated as of December 5, 2014, by and between the County of Los Angeles (the "**County**"), as lessor, and Villa del Mar Properties, LTD., L.P., a California limited partnership, as lessee, upon and subject to the terms, covenants, conditions and provisions therein provided and as provided in that December 5, 2014 as Instrument No. 20141311732 of Official Records of Los Angeles County, as amended (the "**Lease**"), covering the leased premises more particularly described in Exhibit A attached hereto and incorporated herein (the "**Property**"), to have and to hold the same for and during the rest, residue and remainder of the term of the Lease (the "**Assignment**"). The term of the Lease commenced on June 8, 1961 and is scheduled to expire on June 7, 2060.

2. Assignor hereby quitclaims, remises and releases to Assignee, all of Assignor's right, title and interest in and to the improvements located on the Property, which improvements are and shall remain real property.

3. Assignee hereby accepts the foregoing assignment and assumes and agrees to perform and observe all of the covenants, conditions and provisions in the Lease to be performed and observed by the lessee thereunder, which arise and relate to the period from and after the effective date hereof, but also including, without limitation, the obligation to cure any defaults and delinquencies under the Lease (if any) and to pay County percentage rent and any other amounts attributable to the period prior to this Assignment, but not discovered by County or Assignee until after this Assignment; provided, however, and notwithstanding any release of Assignor from liability under the Lease, solely as between Assignor and Assignee, but subject to the terms of the Agreement of Sale and Purchase dated as of _____, 2025 (the "Purchase Agreement") to the extent applicable, Assignee shall be entitled to make a claim against Assignor, to the extent provided therein.

4. Assignor and Assignee hereby acknowledge and agree that, in accordance with that certain Consent to Assignment and Estoppel Certificate consenting to this Assignment (the "Consent"), executed by the County on _____, 2025, Assignee shall be liable to the County for payment of any and all deficiencies in payments owing to the County under the Lease for the period preceding the date of this Assignment and first revealed by an audit after the date of this Assignment.

5. Assignor agrees to indemnify, defend and hold harmless Assignee and the County from and against any and all claims, demands, liabilities, suites, actions, judgments, costs and expenses (including reasonable attorneys' fees and court costs) arising and accruing from or out of Assignor's obligations under the Lease prior to the date of this Assignment.

6. Assignee agrees to indemnify, defend and hold harmless Assignor and the County from and against any and all claims, demands, liabilities, suites, actions, judgments, costs and expenses (including reasonable attorneys' fees and court costs) arising and accruing from or out of Assignee's obligations under the Lease on or after the date of this Assignment.

7. Each of Assignor and Assignee represents and warrants that they have all the requisite authority to execute this Assignment and this Assignment constitutes a legal, valid and binding obligation of each of Assignor and Assignee, enforceable against each of Assignor and Assignee.

8. This assignment is made SUBJECT TO: (i) all taxes and special assessments for the year 2024-2025 not yet delinquent, and subsequent years, (ii) all zoning ordinances, building codes and other land use laws and applicable governmental regulations, (iii) all covenants, agreements, conditions, easements, restrictions and rights of record, and (iv) all matters that would be shown by a current survey and/or revealed by a current physical inspection of the Property..

9. This Assignment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

10. This Assignment shall be governed by and construed in accordance with the laws of the State of California.

11. This Assignment may be executed in any number of identical counterparts, all or any of which may contain the signatures of fewer than all of the parties, and all of which shall be construed together as a single instrument.

[SIGNATURES BEGIN ON NEXT PAGE]

Dated as of this ____ day of [____], 2025.

ASSIGNOR:

VILLA DEL MAR PROPERTIES, LTD., L.P.,
a California limited partnership

By: Molori, LLC,
a Delaware limited liability company,
a General Partner

By: _____
Name: Richard W. Silver, as Trustee of the Richard
W. Silver 1988 Living Trust
Its: Sole Member

By: Aspen-Marina, Inc.,
a California corporation,
a General Partner

By: _____
Name: Richard W. Silver
Its: President

ASSIGNEE:

By: _____
Name: _____
Its: _____

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

STATE OF CALIFORNIA)
) ss:
COUNTY OF _____)

On _____, 2025, before me, _____, Notary Public
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature: _____ (Seal)

ACKNOWLEDGEMENT AND CONSENT

The undersigned is the duly authorized representative of the County of Los Angeles, lessor under the Lease, and on behalf of the County hereby consents to the assignment of said Lease by Villa Del Mar Properties, LTD., L.P., a California limited partnership, as Assignor, and the assumption of the Lease by _____, as Assignee, as contained in the attached Assignment. Notwithstanding such consent by the County of Los Angeles, any underperformed ongoing obligation of the lessee under the Lease will constitute a default under such Lease if not performed in accordance with the provisions of such Lease and this Consent is expressly conditioned upon Assignee's assumption of all of Assignor's obligations under the Lease, as contained in the attached Assignment.

[Signature Page to Follow]

LESSOR

THE COUNTY OF LOS ANGELES:

By: _____

Gary Jones, Director of Department of
Beaches and Harbors

[Continued on next page]

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

STATE OF CALIFORNIA)
) ss:
COUNTY OF _____)

On _____, 2025, before me, _____, Notary Public
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature: _____ (Seal)

Exhibit A

Marina Del Rey

Legal Description

THE LAND SITUATED IN THE UNINCORPORATED AREA OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND DESCRIBED AS FOLLOWS:

PARCELS 150 TO 182 INCLUSIVE, AS SHOWN ON LOS ANGELES COUNTY ASSESSOR'S MAP NO. 88, FILED IN BOOK 1, PAGES 53 TO 70 INCLUSIVE OF ASSESSOR'S MAPS, IN THE OFFICE OF THE RECORDER OF SAID COUNTY.

RESERVING AND EXCEPTING UNTO THE COUNTY OF LOS ANGELES A RIGHT OF WAY FOR DRAINAGE PURPOSES IN AND ACROSS THAT PORTION OF THE ABOVE DESCRIBED PARCEL OF LAND WHICH LIES WITHIN THE SOUTHERLY 4 FEET OF THE EASTERLY 12 FEET OF THE WESTERLY 40 FEET OF LOT 180.

ALSO RESERVING AND EXCEPTING UNTO THE COUNTY OF LOS ANGELES RIGHTS OF WAY FOR SANITARY SEWER, FIRE ACCESS AND HARBOR UTILITY PURPOSES IN AND ACROSS THOSE PORTIONS DESIGNATED ON SAID MAP AS EASEMENTS TO BE RESERVED BY SAID COUNTY FOR SUCH PURPOSES.

ALSO SUBJECT TO THE PUBLIC EASEMENT RESERVED BY COUNTY IN SECTION 15.19 OF THE LEASE.

APN: 8940-370-056; 8940-759-844