COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles
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ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

1 September 26, 2017

Lori Glasgow

LORI GLASGOW
EXECUTIVE OFFICER

September 26, 2017

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

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

Dear Supervisors/Commissioners:

APPROVE GROUND LEASE AND ALL RELATED DOCUMENTS FOR THE PROPOSED DEVELOPMENT OF A MEDICAL OFFICE BUILDING AT THE MARTIN LUTHER KING, JR. MEDICAL CENTER CAMPUS (DISTRICT 2) (4 VOTES)

SUBJECT

This letter recommends approval of an option to ground lease, an acknowledgement regarding certain agreements, the form of ground lease, and all related documentation for the proposed development of an approximately 52,000 square-foot medical office building ("MOB") to be located at the Martin Luther King Jr. ("MLK") Medical Center Campus in unincorporated Willowbrook.

IT IS RECOMMENDED THAT THE BOARD OF SUPERVISORS, AFTER THE PUBLIC HEARING:

1. Certify that the Addendum to the previously certified MLK Medical Center Campus Redevelopment Project Final Environmental Impact Report (EIR) has been completed in compliance with the California Environmental Quality Act and reflects the independent judgment and analysis of the County; find that the Board has reviewed and considered the information

contained in the Addendum and the final EIR prior to approving the ground lease for this project.

2. Adopt the attached enabling ordinance authorizing the ground lease agreement between the County and Trammell Crow Company (TCLA) pursuant to Government Code Section 25515 *et seq*.

3. Find the following:
    a. The proposed lease will result in economic benefits to the County;
    b. The public benefit of the proposed lease agreement is expected to be greater than the public benefit which would result from the sale of the property;
    c. A reasonable expectation exists that future public need justifies retention of the fee ownership of the property; and
    d. The proposed lease will not interfere with the use or development of the remaining public property.

4. Approve the option to ground lease ("Option"), and the form of a negotiated long-term ground lease ("Ground Lease") for the MOB site, and approve the Acknowledgement Regarding Right of First Offer, Parking Rights and MLK-LA Public Benefit Discount ("Acknowledgement").

5. Designate the Commission to serve as the agent of the County to manage development of the MOB site, including execution of the Option, Ground Lease, the access easement agreement ("Easement"), and all related documentation for the proposed development of a MOB on County-owned property at the MLK Medical Center Campus.

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

1. Approve the designation of the Commission to serve as the agent of the County to manage development of the proposed MOB site.

2. Authorize the Executive Director, or his designee, to execute, and if necessary, amendments to the Option, Ground Lease, Easement, and all related documentation with TCLA for the proposed development of a MOB on County-owned property at the MLK Medical Center Campus.

<u>PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION</u>

On June 16, 2015, the Board of Supervisors ("Board") designated the Community Development Commission ("Commission") to act on behalf of the County of Los Angeles

("County") to negotiate a ground lease with the highest scoring proposer, Trammell Crow Company ("TCLA"), to construct an MOB to support the operations of the nonprofit MLK Los Angeles Healthcare Corporation ("MLK-LA"). MLK-LA is the County's tenant at the MLK Medical Center Campus and helps the County provide healthcare to an otherwise underserved community. It is expected that MLK-LA will be TCLA's subtenant in the MOB under a sublease that is referred to as the "Master Lease."

Negotiations for the Option and Acknowledgement for the proposed MOB have been successfully concluded and the form of the Ground Lease, the Master Lease, and related documents have been determined.

FISCAL IMPACT/FINANCING

The MOB will be located on land that is, for the most part, currently utilized as parking that supports the MLK Medical Center Campus, which does not generate revenues for the County. The Ground Lease is not structured to result in substantial income-generating funds to the County, but will allow the County to receive a steady rent income stream. This is due to the fact that the MOB will be occupied by MLK-LA in accordance with the Ground Lease and the Master Lease, where a portion of the Ground Lease rent generated by the MOB will be credited back to MLK-LA to assist with the cost of additional tenant improvements in the building, enabling the provision of enhanced medical services to MLK-LA's patients. The projected credit to MLK-LA will equal 50% of the annual rent due under the Ground Lease and an equal amount of rent due will be reduced under the Master Lease between TCLA and MLK-LA. The net effect will be 50% of the Annual Lease Payments paid to the County.

The projected savings that will accrue to MLK-LA as a result of the discounted rent under the Master Lease will result in a public benefit of enhanced medical services to the surrounding communities as identified in Section 3 of the Acknowledgement by MLK-LA for the benefit of the County.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Pursuant to Government Code Section 25515, *et seq.*, the Legislature has found that the provision of residential, commercial, industrial, and cultural development of public property owned by counties constitutes a valid public purpose and authorizes such development.

As required by Government Code Section 54222, the Commission issued a written offer on November 5, 2014 to all local public entities within whose jurisdiction the MLK Medical Center Campus is located. The offer indicated that the County, by and through the Commission, intends to dispose of the unimproved parcels as surplus property. Recipients were given 60 days from receipt of the offer to notify the Commission of their intent to acquire the lot. The Commission received and responded to one informational inquiry. However, no responses were received indicating an interest in acquiring the property.

On July 1, 2015, a Right of First Offer ("ROFO") was provided to MLK-LA, pursuant to the terms of its lease for portions of the MLK Medical Center Campus. On July 15, 2015, MLK-LA issued a timely formal notice to the Commission exercising its ROFO on the proposed MOB. However, MLK-LA has elected to work with TCLA so that MLK-LA will be a subtenant under the Master Lease and any rights MLK-LA might have had under the ROFO with regard to the Ground Lease, will be relinquished in the Acknowledgement.

The negotiated Option and Acknowledgement may be entered into after the Board's approval of this item and approval of the Acknowledgement and Master Lease by MLK-LA's Board. The Option will be between the County and TCLA, and the Acknowledgement will be by MLK-LA for the benefit of the County. The Option will have a term of three years from its signing, which may be extended by an additional two years (for a total of no more than five years) if the Option's conditions are not satisfied within the agreed upon timeframe. When all of the Option's conditions have been satisfied by both the County and TCLA, the Ground Lease will be executed and become effective. The Ground Lease will be for the premises located on the southwest corner of East 120th Street and S. Wilmington Avenue, which are part of the MLK Medical Center Campus. Please see aerial map for detail (Attachment "A").

Other provisions of the Ground Lease are as follows:

- MOB Facility: 52,000 square feet with approximately 252 surface parking spaces.
- Lease Term: 55 years from the Effective Date defined in the Ground Lease with two (2) options to extend the Lease Term, each for a period of 20 years.
- Reversion of Improvements: County to receive ownership of the improvements when the Ground Lease terminates.
- Construction Period Lease Payment: $20,000 annually.
- Annual Lease Payment: Greater of $40,000 or 5% of Gross Receipts charged.
- Proposed Lease Discount: 50% of Annual Lease Payment to be credited to MLK-LA to provide enhanced medical services.
- Local Hiring and Compliance with County Policies.

Construction of the proposed MOB will not commence until Parking Structure A, a Department of Public Works project, is completed (please refer to Attachment "A" for the location of the structure relative to the MOB). The expected substantial completion date of this parking structure is May 15, 2018. Other provisions of the project include the relocation of an existing childcare facility to an offsite location. The anticipated completion of the relocation of this facility is Summer 2018.

In addition to the MOB, there is a potential second phase of development on the Ground Lease premises contemplated as a part of the MLK Master Plan, the Response to Request for Proposals and the Ground Lease. The second phase, should it occur, would include the construction of an adjacent medical office building on the Ground Lease premises, if additional parking were provided. Although a second phase has been contemplated, design would need to be approved by the County. The proposed 50% reduction in rent would only be applicable to the MOB constructed during the first phase of development and would not apply to the second phase of development. Because the percentage rent is due on all rent collected on the premises, a second phase would result in increased rent, as the second phase would not be affected by the rent reduction provisions stipulated in the current agreement between the County and MLK-LA.

The form of the Master Lease is an exhibit to the form of the Ground Lease, which is attached to this Board letter, and the Option and Acknowledgement are also attached. The Master Lease, though an exhibit, will be updated and revised as MLK-LA identifies additional funding sources for potentially desired tenant improvements. Such funding sources may include New Markets Tax Credits that will offset the cost of the expensive tenant improvements necessary for enhanced medical service delivery at the MOB. The use of New Markets Tax Credits would require revisions to the attached draft form of the Master Lease.

Additionally, when TCLA's construction plans are more advanced, the Easement between TCLA and County allowing driveway access to an adjacent parking structure will need to be drafted. The entering into such an Easement is a condition to the execution of the Option and would not require further Board approval.

ENVIRONMENTAL DOCUMENTATION

The Board certified the MLK Medical Center Campus Redevelopment Project Environmental Impact Report (EIR) on October 11, 2011. The certified EIR analyzed project level "Tier 1" development impacts of the MLK Outpatient Center. The development of the remainder of the campus was analyzed at the program level and referred to as "Tier II" development.

The original EIR anticipated and analyzed the impacts of 64,000 square feet of medical office space as part of the Tier II development. The proposed 52,000 square foot medical office building is 12,000 square feet smaller than what was originally approved by the County.

Consistent with the criteria established in Sections 15162, 15163, and 15164 of the State CEQA Guidelines, an Addendum to the previously certified EIR has been prepared and documents that the proposed refinements to the project will not result in new or substantially more adverse impacts than those contemplated in the EIR that the Board certified in 2011. The Addendum to the certified EIR will be attached to the original EIR and become part of the project record.

Upon your Board's approval of the Ground Lease for this project, the County of Los Angeles will file a Notice of Determination with the County Clerk in accordance with Section 21152(a) of the California Public Resources Code.

CONTRACTING PROCESS

On August 19, 2014, the Board adopted a Resolution approving and authorizing the release of a Request for Qualifications (RFQ) and a subsequent Request for Proposals (RFP) to solicit responses from developers interested in the phased development of an approximately 50,000 square-foot medical office building and future development of additional buildings on the Martin Luther King, Jr. Medical Center Campus in Willowbrook.

On October 14, 2014, the Board redirected the coordination of this process and designated the Commission to act on behalf of the County to evaluate the results of the RFQ and to complete the RFP process.

On or before the submittal deadline of October 17, 2014, eight (8) firms submitted responses to the RFQ. To evaluate the RFQ responses, the Commission convened a five-member evaluation panel. The RFQ responses were scored by each member of the evaluation panel based on the required information and criteria established in the RFQ. The scores of individual evaluators were then averaged using the "Informed Averaging" method. A short list was approved by the Executive Director of the Commission on November 17, 2014, in accordance with the process approved by the Board on August 19, 2014 and October 14, 2014.

On January 27, 2015, the Board authorized the release of the RFP to the four (4) proposers on the short list. Three (3) responses were received by the due date of March 31, 2015, with one (1) proposer declining to participate in the solicitation.

The Commission convened an evaluation panel to review the three RFP responses. The RFP responses were scored by each member of the evaluation panel based on the criteria established in the RFP. All three RFP respondents also conducted presentations/interviews with the evaluation panel and TCLA was the highest scoring proposer.

On June 16, 2015, the Commission entered into exclusive negotiations with TCLA for a long-term ground lease with the County.

IMPACT ON CURRENT PROJECT

The MOB will provide quality office space for administrative, medical outpatient services, and health-related services in coordination with the new MLK Hospital and MLK Outpatient Center, who desire to obtain such office space as cost-effectively as possible, and will also provide the County eventual ownership of the MOB.

Respectfully submitted,

SEAN ROGAN
Executive Director

SR:KT:CJ:cl

Enclosures

Martin Luther King, Jr. Medical Center Campus Redevelopment

Addendum No. 1 to the Environmental Impact Report (SCH#2010031040)

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August 9, 2017

Introduction

This Addendum No. 1 to the Martin Luther King, Jr. (MLK) Medical Center Campus Redevelopment Project Environmental Impact Report[1] (2011 EIR) analyzes the potential for the Martin Luther King, Jr. Medical Center Campus Medical Office Building (2017 refined project element) to result in new impacts, substantially more adverse impacts, substantial changes in circumstances, and/or new information of substantial importance, such that the findings of the certified 2011 EIR would change, in accordance with Section 15162(3) of the State of California Environmental Quality Act Guidelines (State CEQA Guidelines). Consistent with the provisions of Section 15164(d) of the State CEQA Guidelines, this Addendum to the EIR (AEIR) has been prepared for consideration by the County of Los Angeles (County) Board of Supervisors (BOS) in conjunction with approval of the ground lease and 2017 refined project element. An AEIR has been prepared instead of a subsequent EIR because, in accordance with Sections 15162 and 15164 of the State CEQA Guidelines, the 2017 refined project element has been determined to be consistent with the findings and assumptions made for Tier II of the 2011 approved project such that none of the conditions described in Section 15162 calling for preparation of a subsequent EIR have occurred. Additional Tier II development would be analyzed as may be required under CEQA at the time such further development is proposed. As with the approved project, implementation of the mitigation measures specified in the Mitigation Monitoring Program for the 2011 EIR which are relevant to the 2017 refined project element would be required as a Condition of Approval for the 2017 refined project element.[2]

Purpose

The Appendix G checklist for an Initial Study was modified for use in the AEIR analysis. This AEIR documents that none of the conditions described in Section 15162 of the State CEQA Guidelines calling for preparation of a Subsequent EIR have occurred; therefore, the County has determined that an AEIR is the appropriate environmental compliance document. None of the changes to the project would result in a change to the environmental impact analysis undertaken in the 2011 EIR. This AEIR is being prepared for the County, which is the Lead Agency pursuant to Section 15367 of the State CEQA Guidelines. The County would use this AEIR in approving the ground lease and any other transactional agreements and in approving the Medical Office Building (MOB). The project site would be under a 95-year ground lease with the County, and the hospital would be run by a private board. The operating entity is MLK, Jr. Healthcare Corporation, a California Corporation. The County does not anticipate a federal action, as defined by the National Environmental Policy Act, for the phase of work addressed in the AEIR.

Background

On October 11, 2011, the County BOS certified the 2011 EIR, which analyzed project-level environmental impacts of the MLK Outpatient Center (Tier I) and program-level environmental impacts of the development of the remainder of the campus (Tier II). Tier II analyzed the development of up to 1,814,696 square feet of master-planned future mixed-use development, including 300,000 square feet of medical office space, and assumed an average building height of 2.5 stories across the up to 725,878-square-foot building footprint on the MLK Medical Center campus. On January 15, 2013, the BOS adopted the MLK Medical Center Campus Master Plan Project as a policy document to serve as a guideline for the future development of facilities and services at this campus, consistent with the scope of the conceptually approved Tier II project. The

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[1] County of Los Angeles Chief Executive Office. February 2011. *Martin Luther King, Jr. Medical Center Campus Redevelopment: Final Environmental Impact Report*. SCH #2010031040. Prepared by Sapphos Environmental, Inc.

[2] County of Los Angeles Chief Executive Office. February 2011. *Martin Luther King, Jr. Medical Center Campus Redevelopment: Mitigation Monitoring Program*. SCH #2010031040. Prepared by Sapphos Environmental, Inc.

Campus Master Plan proposed approximately 64,000 square feet of medical office space for development at the location of the approximately 3.4-acre 2017 refined project element site. The remaining 236,000 square feet of approved medical office space could be developed at a later date. On November 5, 2014, the BOS approved the first Tier II project to be developed under the approved master plan: the MLK Medical Campus Parking Structure Project, a multilevel structure with approximately 1,400 parking spaces located in the southeastern corner of the 2011 approved project site.[3,4] The East Campus Parking Structure is currently under construction and would be completed before the 2017 refined project element is constructed. On May 9, 2017, the BOS adopted the Willowbrook Transit-Oriented (TOD) Specific Plan to facilitate development and improve pedestrian linkages between the Willowbrook/Rosa Parks Station, Kenneth Hahn Plaza, MLK Medical Center, Charles R. Drew University, future mixed use areas, and existing residential neighborhoods.[5] The entire MLK Medical Center campus is within Specific Plan Subarea A: MLK Medical Center and Associated Facilities and the MLK Medical Specific Plan Zone. The MLK Medical Zone establishes a maximum Floor Area Ratio (FAR) of 1.65 and residential development and design standards not applicable to the 2017 refined project element. The Willowbrook TOD Specific Plan does not establish height limits for nonresidential buildings.

Existing Conditions

There are 320 regular parking spaces and 4 handicap accessible parking spaces within Parking Lot C. There are two existing buildings on the site for the 2017 refined project element which would be demolished: Genesis Clinic and Oasis Clinic (old) (Figure 1, *Existing Conditions*). The Genesis Clinic is currently being used as a childcare facility. The Oasis Clinic is currently being used as a County Department of Public Works (LACoDPW) outpost with five full-time and three part-time employees. There are existing underground storm drain facilities, sanitary sewer facilities, public water lines, electrical facilities, and natural gas lines on the 2017 refined project element site. There are 39 existing non-native trees within or immediately adjacent to the 2017 refined project element site, including 23 trees within Parking Lot C, 3 trees adjacent to the existing buildings, and 13 street trees. Hospital employees currently park in Parking Lot C while the new parking structure is constructed.

Proposed Project

The 2017 refined project element would refine a small portion of the medical office space approved for development under Tier II to include a 52,000-square-foot, Office of Statewide Health and Planning Development (OSHPD) 3 compliant, MOB at the MLK Medical Center campus, located on approximately 3.4 acres of the 38.4-acre campus at the intersection of Wilmington Ave. and 120th St. in the unincorporated community of Willowbrook, County of Los Angeles, California (Figure 2, *Conceptual Landscape Plan*). The MOB would constitute a 12,000-square-foot reduction from the medical office space illustrated in the 2013 MLK Medical Center Campus Master Plan. The MOB would be up to 40 feet high and comprise two 26,000-square-foot floor plates (Figure 3, *Medical Office Building Floor Plans*). It would have a textured concrete and steel stud construction similar to existing buildings on the campus (Figure 4, *Medical Office Building Renderings*).

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[3] County of Los Angeles Chief Executive office. 5 November 2014. Letter to the Honorable Board of Supervisors. *Department of Public Works: Martin Luther King, Jr. Medical Campus Parking Structure Project: Establish Capital Projects: Capital Projects Nos. 69727 and 67942: Second District*. Available at: http://file.lacounty.gov/SDSInter/bos/bc/220766_DEPARTMENTOFPUBLICWORKS-MARTINLUTHERKING,JR.MEDICALCAMPUS.pdf

[4] Los Angeles County Department of Public Works. Accessed 20 June 2017. *Local Worker and Small Business Participation Programs: Martin Luther King Jr. Medical Campus East Parking Structure*. Contractor: McCarthy Building Companies, Inc. Available at: http://ladpw.org/pmd/localworker/?PageContentId=82

[5] Los Angeles County Department of Regional Planning. Adopted 9 May 2017. *Willowbrook TOD Specific Plan*. Available at: http://planning.lacounty.gov/assets/upl/project/willowbrook_specific-plan.pdf

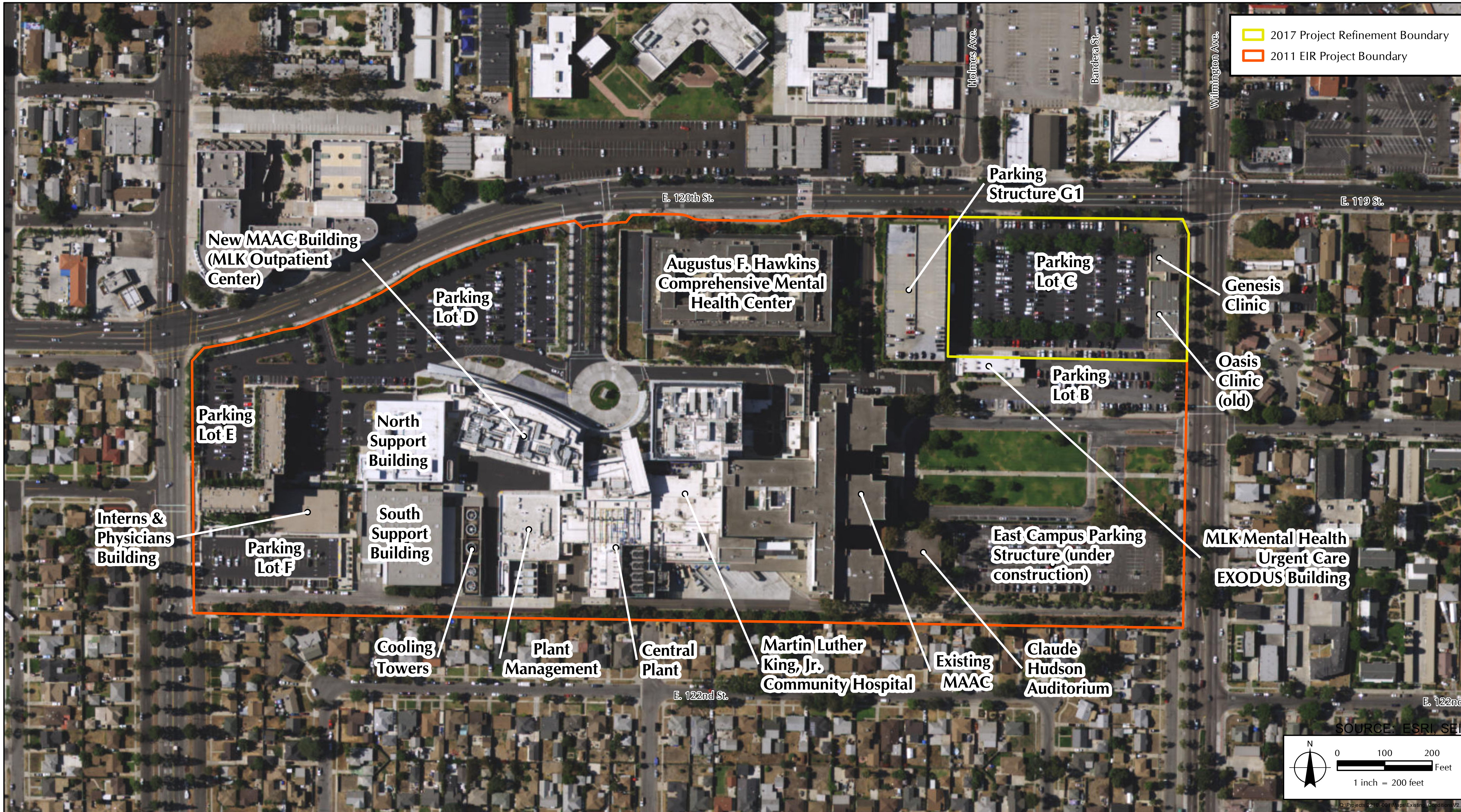
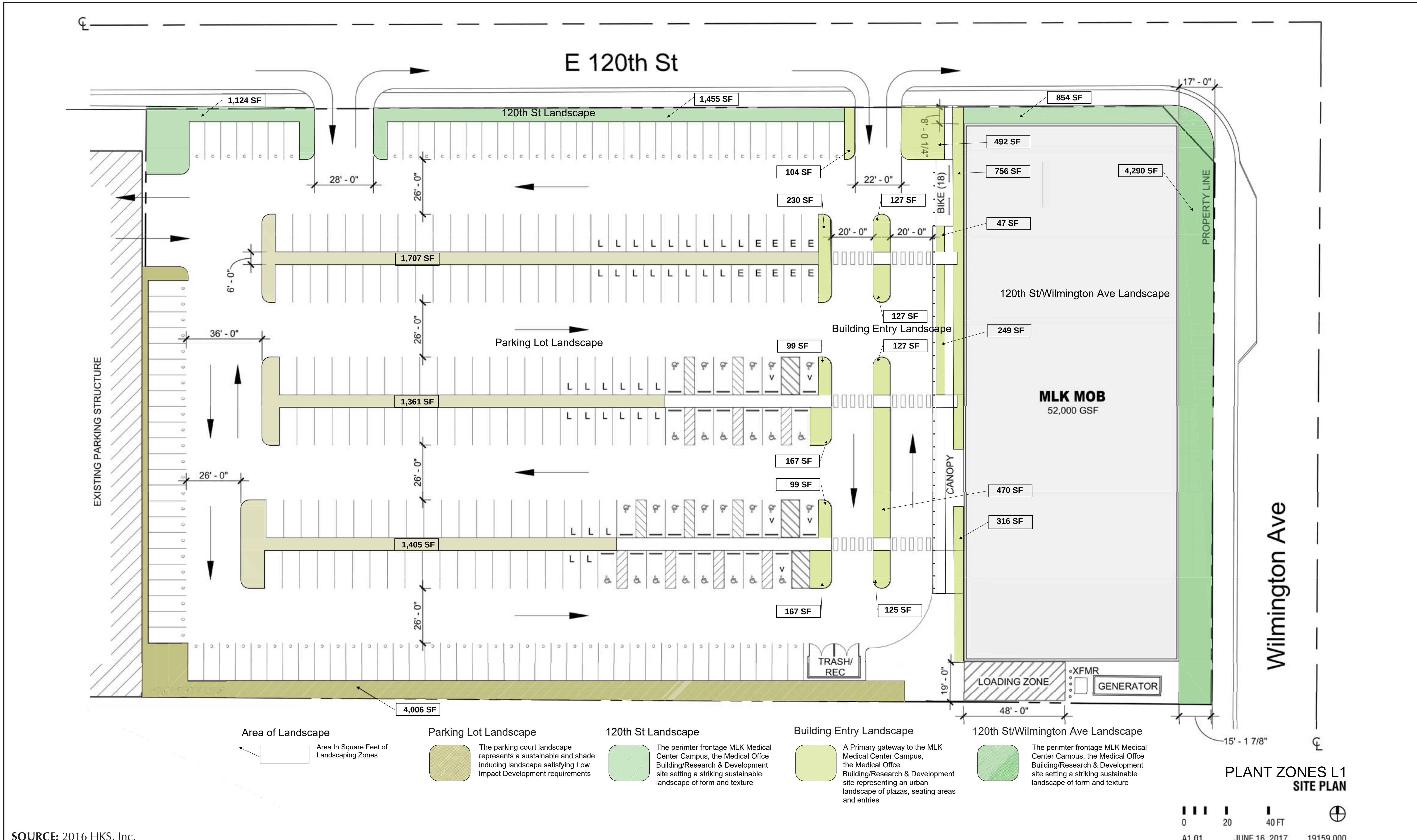
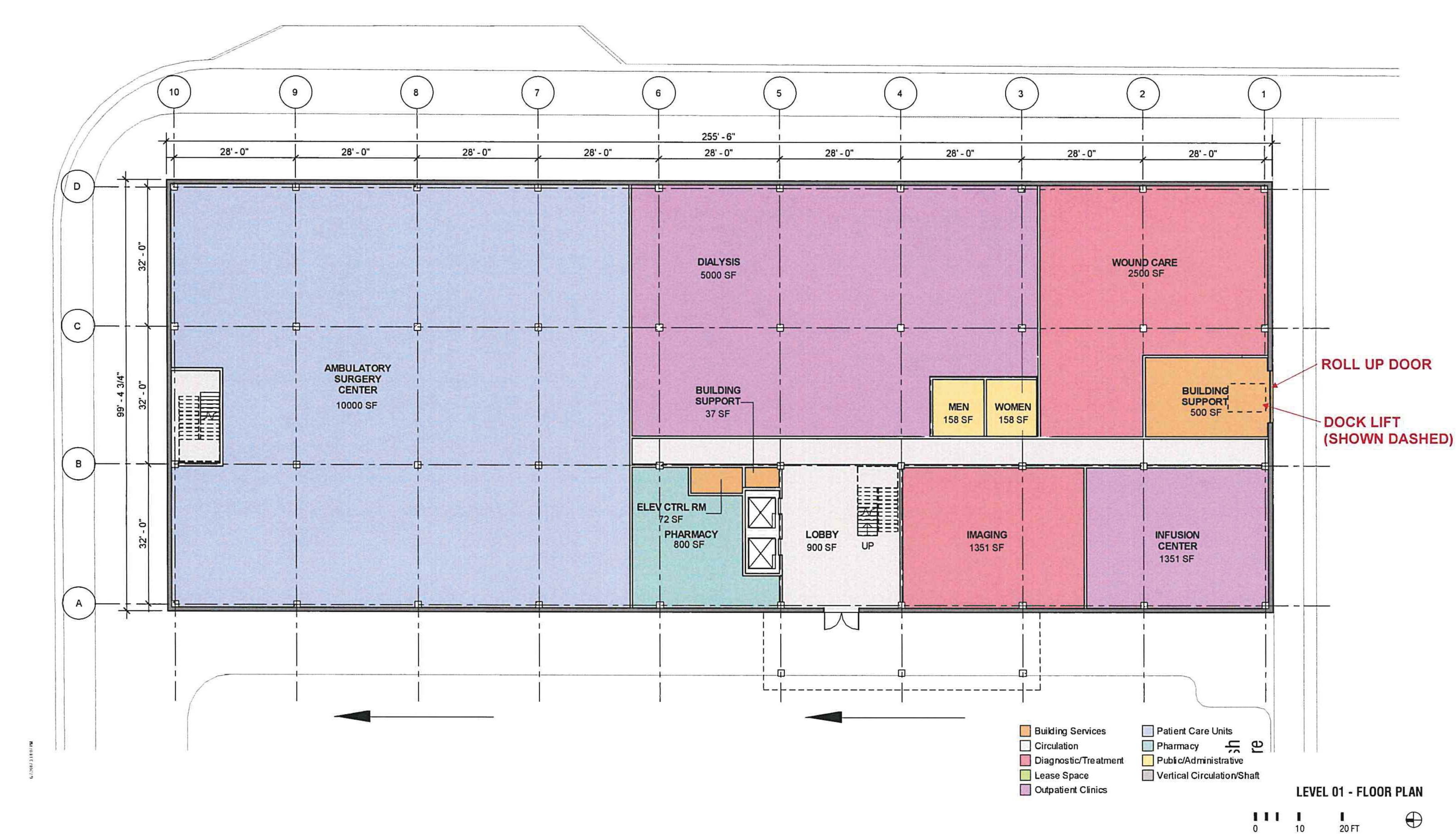


FIGURE 1
Existing Conditions



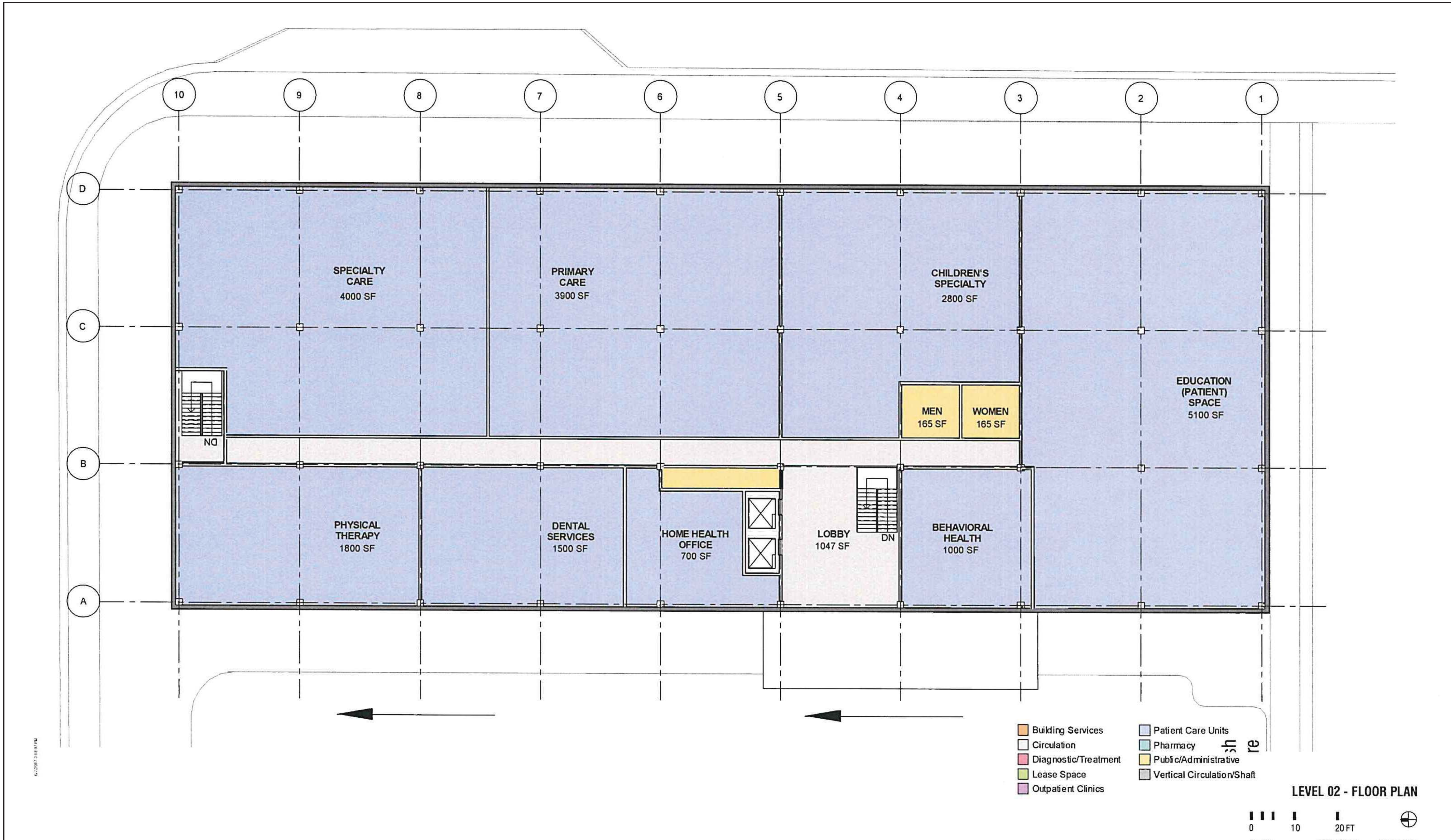
SOURCE: 2016 HKS, Inc.

FIGURE 2
Conceptual Landscape Plan



SOURCE: 2016 HKS, Inc.

FIGURE 3
Medical Office Building Floor Plans



SOURCE: 2016 HKS, Inc.

FIGURE 3
Medical Office Building Floor Plans

Entry View

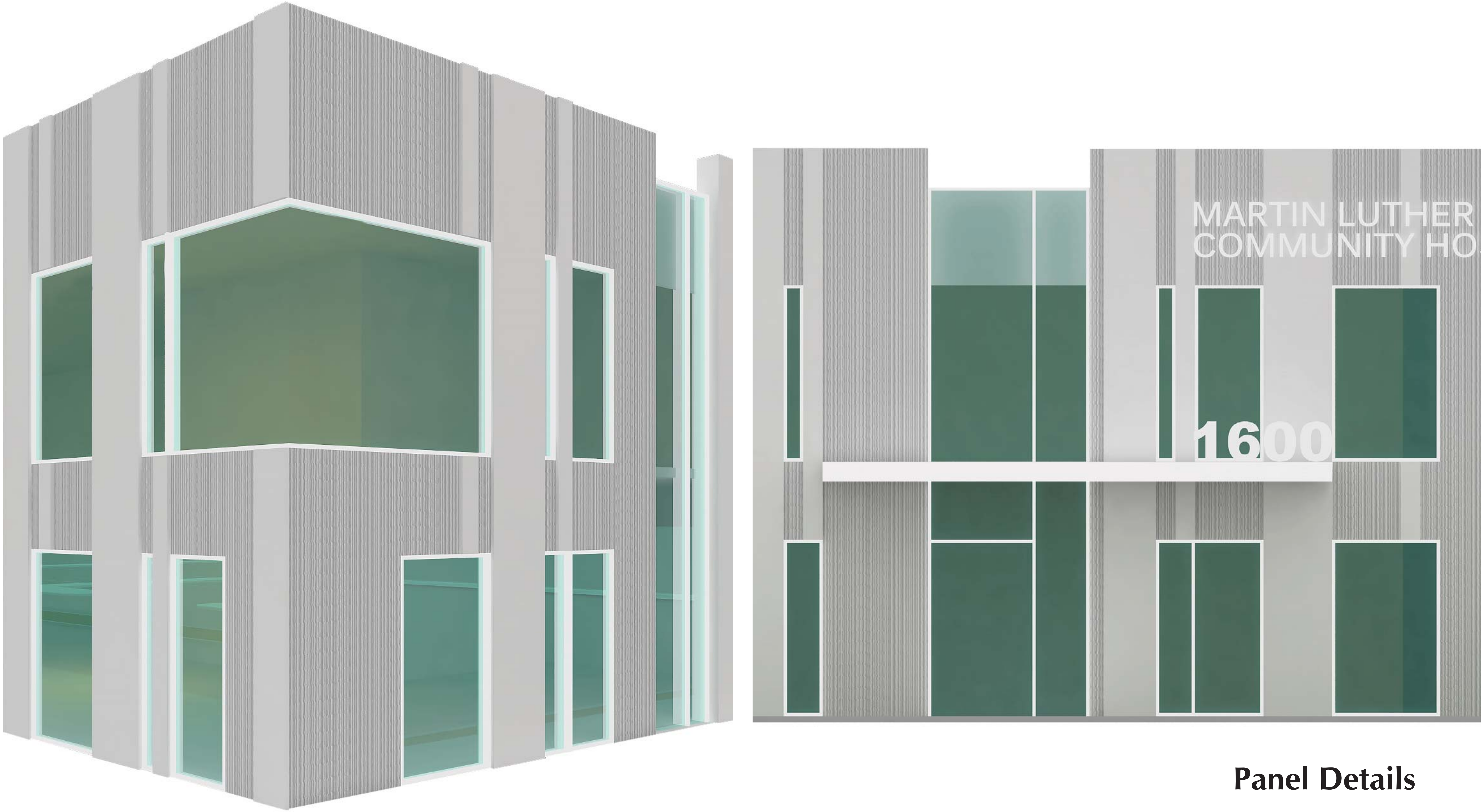
SOURCE: 2017 HKS, Inc.

FIGURE 4
Medical Office Building Renderings

Street View

SOURCE: 2017 HKS, Inc.

FIGURE 4
Medical Office Building Renderings



Panel Details

SOURCE: 2017 HKS, Inc.

FIGURE 4
Medical Office Building Renderings

As with the approved project, the 2017 refined project element would meet LACoDPW's Low Impact Development (LID) requirements. The 2017 refined project element, which would be less than three stories tall, would conform to the number of stories contemplated in the 2011 EIR.

The 2017 refined project element, which would have a 17-foot setback from the property line along Wilmington Avenue to the east, is consistent with the approved setbacks. As with the 2011 approved project, the County reserves the right to exempt elements of the approved project from the zoning designation. One such zoning exemption could be allowing a 40-foot-tall building where the C-2 zoning designation establishes a maximum height of 35 feet. As with the 2011 approved project, the 2017 refined project element is intended to meet the needs of the community, consistent with the County's General Plan and zoning regulations.

Construction Scenario

The development of the 2017 refined project element would require approximately 15 months which is anticipated to occur from October 1, 2018, to December 31, 2019 (Table 1, *Anticipated Construction Schedule for 2017 Refined Project Element*). Twenty-two trees and two existing buildings would be removed during the demolition phase, and trees would be replaced at a 1:1 ratio. The 2017 refined project element would involve construction of a new sewer lateral connection to the building; new public water line connections for domestic water, fire water, and irrigation; a new transformer and emergency generator; a new natural gas service lateral and meter; and a designated enclosed trash dumpster and recycling area that would be installed near the southeastern edge of the parking lot. The existing parking lot would be resurfaced, and approximately 13 percent of the 2017 refined project element site would be landscaped surrounding the new building and within the resurfaced parking lot.

Table 1
Anticipated Construction Schedule for 2017 Refined Project Element

Construction Phases	Duration (months)	Start	Finish
Demolition	1	10/1/2018	10/31/2018
Grading and Site Prep	3	11/1/2018	01/31/2019
Base Building (BB) Construction	9	02/1/2019	10/31/2019
Tenant Improvements (TI) Construction	5	08/1/2019	12/31/2019
Total (months)	**15**		

No road closures would be required during construction activities; however, there may be minor sidewalk closures, as evaluated in the 2011 EIR for a larger building. All construction-related activities would be scheduled in compliance with the County Noise Ordinance, which prohibits construction activities and operation of construction equipment between the hours of 8:00 p.m. and 7:00 a.m., Monday through Friday, or at any time on Sunday or holidays. Work conducted on Saturdays would commence at 7:00 a.m. and cease no later than 5:00 p.m. No construction would occur during federal holidays. Construction activities may occur on Saturdays. Pile drivers would not be involved in construction activities (Table 2, *Anticipated Construction Equipment for 2017 Refined Project Element*).

Although there is a relatively low potential for construction activities to affect nesting birds in the street trees along Wilmington Avenue and 120th Street due to the urban setting, best management practices would be implemented during outdoor construction activities that coincide with avian breeding season (February 15–August 31) to ensure consistency with the Migratory Bird Treaty Act (MBTA). Mature trees would be surveyed by a qualified biologist with experience in conducting breeding bird surveys prior to construction, outside the breeding season, and removed when there is no occupied breeding habitat for birds afforded protection pursuant to the MBTA. The 3 eucalyptus trees adjacent to the two existing buildings and the 19 ornamental jacaranda trees within Parking Lot C would be removed during the demolition phase in October 2018, outside of the nesting bird season. The Tenant Improvements (TI) construction phase would involve interior improvements and therefore is not anticipated to affect nesting birds.

Table 2
Anticipated Construction Equipment for 2017 Refined Project Element

Type of Equipment or Vehicle	Approximate Quantity	Approximate Duration (months)
Pickup truck	3	8
Hand compactor	1	3
Crane	1	1
Concrete mixer	1	3
Backhoe	1	2
Crew members	30	8
Crew vehicles (maximum)	15	8
Dozer	1	2
Front-end loader	1	1
Water truck	1	2
Grader	1	1
Dump truck	3	3
Concrete mix truck	8	3
Roller	1	1
Fork lift / grade all	2	3

The Base Building (BB) construction phase, which includes pouring the foundation, tilting the concrete wall panels, the erecting steel superstructure—essentially all of the construction that would be visible from the street—would occur during the nesting bird season. For construction activities in proximity to the eight existing Canary island pine street trees on the project site during the avian breeding season, the Applicant would implement one of the following options to ensure compliance with the MBTA:

(1) Beginning 30 days prior to initiating project activities (i.e., on January 15, 2019), a qualified biologist with experience in conducting breeding bird surveys would conduct biweekly bird surveys to detect protected nesting birds occurring in suitable nesting habitat that is to be disturbed and any other habitat within at least 300 feet of the disturbance area (500 feet for raptors). The surveys would be conducted once every two weeks, with the last survey being conducted no more than 3 days prior to the initiation of project activities, and the results provided to the California Department of Fish and Wildlife (CDFW) prior to initiating project activities. If a protected nesting bird is found, the project proponent would delay all project activities within 300 feet of on- and off-site suitable nesting habitat, until August 31 or until the nest is vacated, whichever comes first. Alternatively, the qualified biologist could continue the surveys in order to locate any nests and the results provided to CDFW prior to initiating project activities. If an active nest is located, project activities within 300 feet of the nest (500 feet for raptor nests) or as determined by the qualified biologist, must be postponed until the nest is vacated and juveniles have fledged and there is no evidence of a second attempt at nesting. Flagging, stakes, and/or constructing fencing would be used to mark the inside boundary of the buffer between the project activities and the nest. Project personnel, including all contractors working on-site, would be instructed on the sensitivity of the area. Surveys for raptors and owls would be conducted as part of the weekly surveys, where the last survey ends no more than 72 hours before beginning project activities, and the results provided to CDFW prior to initial ground-disturbance and vegetation removal activities.

(2) Beginning 30 days prior to initiating project activities (i.e., on January 15, 2019), a qualified biologist would complete a pre-construction bird survey to detect any potentially nesting songbirds or raptors in the landscape trees and any other similar habitat within 300 feet of

the construction area (within 500 feet for raptors). Should songbirds or raptors be observed nesting within trees scheduled for removal or within 300 feet of the construction area, construction would be suspended within 300 feet of the tree containing the nesting songbird or raptor until such time as a qualified biologist determines if construction activities are interfering with nesting activities. If construction activities are determined to not interfere with nesting activities, construction may continue with a biological monitor present. After the trees have been cleared by a qualified biologist for construction, the contractor would install netting around the trees located within 300 feet of the construction area before demolition and construction activities commence during bird breeding season. A biological monitor would be present the first day that the netting is removed from the trees at the end of the bird breeding season to verify that the removal would not interfere with nesting activities.

Summary of Comparative Findings

The analysis undertaken in support of this AEIR has determined that the facts upon which the findings were based in the 2011 EIR for the medical office space element of the Tier II improvements remain unchanged. Technical specialists reviewed the assumptions that were used in the impact analysis for the 2011 EIR and validated that the proposed project refinements would not create new or substantially more adverse impacts. The administrative record for the certified 2011 EIR—inclusive of the Initial Study, EIR, Findings of Fact/Statement of Overriding Considerations, Mitigation Monitoring Program, and Martin Luther King, Jr. Medical Center Campus Planning and Programming Report—were reviewed to characterize the assumptions and findings for Tier II of the approved project. Key sources of information used to review the project refinements included a ALTA/NSPS Land Title Survey providing a topographic survey of existing conditions;[6] project floor plans and renderings;[7,8] a February 16, 2016, Phase I Environmental Site Assessment (ESA);[9] a March 8, 2016, Geotechnical Engineering Investigation;[10] a conceptual site plan; utility connections;[11] plant lists and plant zones (see Figure 2); and a construction scenario.

As a result of the review and analysis of the refinements, the 2017 refined project element would not result in new or substantially more adverse impacts than those evaluated for the approved project. Thirty-seven of the mitigation measures involving Tier II of the approved project would be applicable to the 2017 refined project element (Table 3, *Environmental Checklist and Analysis*). No additional mitigation measures have been added as there would be no new or substantially more adverse impacts resulting from the 2017 refined project element compared to the project analyzed in the EIR.

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[6] Incledon Consulting Group. 2 June 2017. *Draft ALTA/NSPS Land Title Survey*.

[7] HKS, Inc. 8 June 2017. *Floor Plans For Review: Martin Luther King, Jr. – Medical Center Campus – MOB*.

[8] HKS, Inc. 24 May 2017. *Renderings. Martin Luther King, Jr. – Medical Center Campus – MOB*.

[9] Tetra Tech, Inc. 6 February 2016. *Phase I Environmental Site Assessment: Commercial Property, 12021 South Wilmington Avenue and 1720 East 120th Street, Los Angeles, California 90059*. Irvine, CA.

[10] Geotechnologies, Inc. 8 March 2016. *Geotechnical Engineering Investigation: Proposed Medical Office Building, 12012 South Wilmington Avenue and 1720 East 120th Street, Los Angeles, California*.

[11] Incledon Consulting Group. 19 June 2017. *Draft Utility Connections. Project: MLK Medical Office Building*.

Table 3
Environmental Checklist and Analysis

Environmental Issue Would the project:	2011 EIR Findings: No Impact (NI) Less than Significant Impact (LTS) LTS with Mitigation (LTSM) Significant and Unavoidable (SU) Page numbers refer to 2011 Findings of Fact[1]	2011 Required Mitigation Measures for Tier II	§15162 Determinations for 2017 Refined Project Element No New Impact	 No Substantially More Adverse Impacts	 No New Information or Change	Effects of 2017 Refined Project Element and Applicable Mitigation Measures	Mitigation Measures Applicable to 2017 Refined Project Element
1. AESTHETICS							
a) Have a substantial adverse effect on a scenic vista?	**NI (p. III-2)**	Aesthetics-1 Aesthetics-2 Aesthetics-3 Aesthetics-4	☒	☒	☒	The facts upon which the findings were based in the 2011 EIR for the medical office building (MOB) element of the Tier II improvements remain unchanged. As with the approved project, which would result in no impacts to scenic vistas and scenic resources within a state scenic highway, there are no scenic vistas within the vicinity of the site that would be obstructed by the 2017 refined project element, and the nearest scenic route (SR-110) is approximately 14 miles away from the 2017 refined project element site, a distance from which the 2017 refined project element site would not likely be discernable due to distance and intervening development. As stated in the 2011 EIR, building heights at the existing campus range between 13 feet and 78 feet tall. The MOB would be up to 40 feet in height, below the 2.5-story average building height assumed for Tier II in the 2011 EIR, and located approximately 9 miles away from downtown Los Angeles; therefore, it would not affect vistas identified in the 2011 EIR such as the downtown Los Angeles skyline. As with the approved project, which would result in less than significant impacts after mitigation to visual character or quality, the 2017 refined project element would alter the existing visual quality of the site and its vicinity through the construction of an up to 40-foot-tall building in lieu of an approximately 13-foot-tall building on the northeastern corner of the campus which would be primarily visible from existing sidewalk, adjacent streets, and from the residential and commercial land uses located in the immediate area. The 2017 refined project element, which would be less than three stories tall, would conform to the number of stories contemplated in the 2011 EIR. The 2017 refined project element would have a 17-foot setback from the property line along Wilmington Avenue consistent with the approved setbacks. As with the 2011 approved project, the 2017 refined project element would adhere to the design goals presented in the campus planning and programming report that was prepared for the MLK Medical Center Campus by HMC Architects in 2009.[2] As stated in the narrative of the report, concrete is a major building material used on the existing campus, inclusive of precast panels and cast-in-place concrete for the hospital, the Hawkins building, and other support buildings. The style from this era (1968–1977) may be described as a form of New Brutalism. The 2017 refined project element building would have a textured concrete and steel stud construction that would be consistent with the visual character for the overall MLK Medical Center campus. The 2017 refined project element would reduce the overall square footage of Tier II development from 300,000 square feet of medical office space to 52,000 square feet of medical office space, further reducing the area to be developed by replacing two existing buildings instead of an open space area, and retain the existing parking lot. As with the 2011 approved project, the County would further seek to ensure compatibility of the 2017 refined project element with the existing campus and its surroundings but reserves the right to exempt elements of the 2017 refined project element from the zoning designation. As with the approved project, which would result in significant impacts to shade and shadow, the 2017 refined project element would not remove the potential for an up to 6-story building on the MLK Medical Center campus resulting in shade and shadow impacts as a result of Tier II of the project. As with the approved project, which would result in less than significant impacts with mitigation to light or glare, the 2017 refined project element would involve the presence of additional interior lighting within the proposed facilities and their activation during non-daytime hours would create additional effects of increased lighting, including pedestrian, security, and parking lighting within and around the perimeter of the 2017 refined project element site. These lights would contribute to increases in light and glare at the campus during construction and operation of Tier II of the 2017 refined project element. As with Tier II, the 2017 refined project element would incorporate low-level, downward facing lights that would be used to illuminate the entrance of buildings, stairs, and pathways between buildings and adjacent to designated parking areas. Lighting placement and selection would be carefully considered to reduce the chance of glare and light spillover to adjacent land uses. The landscape lighting is intended to provide a softened nighttime appearance for the medical campus site. Therefore, the light and glare effects of the 2017 refined project element's construction and operation would not be anticipated to result in a significant impact to the surrounding developments; however, mitigation measures have been provided to ensure that impacts related to Tier II of the 2017 refined project element remain less than significant.	Aesthetics-1 Aesthetics-2 Aesthetics-3 Aesthetics-4
b) Substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings within a state scenic highway?	**NI (p. III-2)**		☒	☒	☒		
c) Substantially degrade the existing visual character or quality of the site and its surroundings?	**LTSM (p. III-2**		☒	☒	☒		
d) Create a new source of substantial light or glare which would adversely affect day or nighttime views in the area?	**LTSM (p. III-2)**		☒	☒	☒		

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						Therefore, there is no potential for the 2017 refined project element to result in changes to the findings. As specified in the 2011 Mitigation Monitoring Plan, completion of Mitigation Measures Aesthetics-1, Aesthetics-2, Aesthetics-3, and Aesthetics-4 shall be monitored and enforced by the County of Los Angeles Department of Public Works (LACoDPW). As with the approved project, implementation of Mitigation Measures Aesthetics-1, Aesthetics-2, Aesthetics-3, and Aesthetics-4 would be required to reduce impacts to aesthetics regarding visual character or quality, shade and shadow, and impacts from new sources of light and glare to a less than significant level. Furthermore, as the project is located in a Transit Priority Area (the Willowbrook TOD Specific Plan Area), pursuant to SB743 and ZAI2452, aesthetics impacts are not to be determined as significant as a matter of law.	
2. AGRICULTURE AND FORESTRY RESOURCES							
a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use?	**NI (p. II-1)**	None.	☒	☒	☒	The facts upon which the findings were based in the 2011 for the MOB element of the Tier II improvements remain unchanged. As with the approved project, the 2017 refined project element would result in no impacts because there are no agricultural or forestry resources on the urban project site. The existing trees on the site are ornamental and do not serve as a forestry resource. Therefore, there is no potential for the 2017 refined project element to result in changes to the findings.	None.
b) Conflict with existing zoning for agricultural use, or a Williamson Act contract?	**NI (p. II-1)**		☒	☒	☒		
c) Conflict with existing zoning for, or cause rezoning of, forest land (as defined in Public Resources Code section 12220(g)), timberland (as defined by Public Resources Code section 4526), or timberland zoned Timberland Production (as defined by Government Code section 51104(g))?	**NI (p. II-1)**		☒	☒	☒		
d) Result in the loss of forest land or conversion of forest land to non-forest use?	**NI (p. II-1)**		☒	☒	☒		
e) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland, to non-agricultural use or conversion of forest land to non-forest use?	**NI (p. II-1)**		☒	☒	☒		
3. AIR QUALITY							
a) Conflict with or obstruct implementation of the applicable air quality plan?	**LTSM (p. III-8)**	Air-1 Air-2 Air-3 Air-4 Air-5 Air-6 Air-7 Air-8 Air-9 Air-10 Air-11	☒	☒	☒	The facts upon which the findings were based in the 2011 EIR for the MOB element of the Tier II improvements remain unchanged. Similar to the approved project, impacts regarding the conflict with an applicable air quality plan would be less than significant with mitigation incorporated. As with the approved project, the 2017 refined project element would involve the construction of a MOB which would result in the emission of air pollutants through the use of heavy-duty construction equipment and through vehicle trips generated from construction workers traveling to and from the 2017 refined project element site. Operation of the medical building would also produce air emissions resulting from both stationary sources and mobile sources. The 2017 refined project element would result in emissions of criteria air pollutants addressed in the SCAQMD 2016 AQMP. Similar to the approved project, impacts regarding the violation of any air quality standards would be significant and unavoidable. As with the approved project, the 2017 refined project element would involve the construction and operation of a MOB. Although there is a reduction in the building square footage, building operations and commensurate on-road vehicle trips would result in emissions above the level of significance for four criteria pollutants: CO, VOCs, NOX, and PM10. Similar to the approved project, impacts regarding a cumulative net increase in criteria pollutants would be significant and unavoidable. As with the approved project, the 2017 refined project element would involve the construction and operation of a MOB	Air-1 Air-2 Air-3 Air-4 Air-5 Air-6 Air-7 Air-8 Air-9 Air-10 Air-11
b) Violate any air quality standard or contribute substantially to an existing or projected air quality violation?	**SU (p. IV-5)**		☒	☒	☒		
c) Result in a cumulatively considerable net increase of any criteria pollutant for which the proposed project region is non-attainment under an applicable federal or state ambient air quality standard (including releasing emissions which exceed quantitative thresholds for ozone precursors)?	**SU (p. IV-5)**		☒	☒	☒		
d) Expose sensitive receptors to substantial pollutant concentrations?	**SU (p. IV-5)**		☒	☒	☒		
e) Create objectionable odors affecting a	**LTSM (p. III-8)**		☒	☒	☒		

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substantial number of people?						in the vicinity of over forty other projects within an approximate 3-mile radius of the 2017 refined project element site. Therefore, the energy used during the construction and operation of the building as stated above would result in a cumulatively considerable net increase in emission of criteria air pollutants. Similar to the approved project, construction impacts related to the exposure of sensitive receptors would be significant and unavoidable and operations impacts would be less than significant with mitigation incorporated. Dispersion modeling indicated the unmitigated construction-related air quality emissions of NOx, PM2.5, and PM10 would be above the level of significance at the nearest sensitive receptors for the short term due to construction equipment emissions. Similar to the approved project, project impacts related to odors would be less than significant with mitigation incorporated. Although the on-site trash receptacles have the potential to create odors, they would be maintained and controlled in a manner that controls adverse odors and complies with SCAQMD Rule 402. Therefore, operational odor impacts due to the 2017 refined project element would be below the level of significance. As with Tier II of the approved project, eleven mitigation measures (Air-1 through Air-11) would be implemented in the 2017 refined project element to address air quality. The 2017 refined project element would comply with the provisions of SCAQMD Rule 403; to retain daily PM2.5 and PM10 emissions below SCAQMD thresholds of significance, fugitive dust emissions associated with construction activities would be addressed by wetting and covering exposed soils, ceasing construction during high wind events, washing the wheels of construction vehicles before they leave the project site, removing track-outs from the surrounding streets at the end of every work day, covering materials being hauled to and from the project site, and suspending heavy equipment operations during smog alerts. Criteria pollutant emissions associated with the use of construction equipment and the application of paints and coatings would be reduced by powering off heavy duty equipment when not in use and using high-pressure, low-volume paint applications, as well as coatings and solvents with a 2011 low volatile organic compound content. Implementation of mitigation measures, such as carpooling and the use of public transportation, would reduce NOx emissions from mobile sources, as well as the overall NOx emission levels, from the approved project. Therefore, although there may be short-term related impacts, the long-term exposure of sensitive receptors to the 2017 refined project element's operational NOx emissions would be less than significant. As with the approved project, it is anticipated that that construction-related emissions of NOx, PM2.5, and PM10 from the 2017 refined project element would be above the level of significance at the nearest sensitive receptors. However, as with the approved project, the long term operational impacts to sensitive receptors would be mitigated to below the level of significance. As specified in the 2011 Mitigation Monitoring Plan, completion of the Mitigation Measures Air-1 through Air-11 shall be monitored and enforced by LACoDPW. Therefore, there is no potential for the 2017 refined project element to result in changes to the findings.	
4. BIOLOGICAL RESOURCES							
a) Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Wildlife or U.S. Fish and Wildlife Service?	**NI (p. II-2)**	None.	☒	☒	☒	The facts upon which the findings were based in the 2011 EIR for the MOB element of the Tier II improvements remain unchanged. The 2017 refined project element would not create new or substantially more severe significant impacts related to biological resources compared to the approved project. A nine 7.5-minute quadrangle CNDDB query search was conducted. Suitable habitat to support candidate, sensitive, or special-status species is absent, thus no substantial adverse effect for sensitive species is expected. The 2017 refined project element is set within an urbanized developed area with no plant communities or natural aquatic resources. A U.S. Geological Survey (USGS) 7.5-minute series South Gate topographic quadrangle and a National Wetlands Inventory search found no riparian habitat, sensitive natural communities, or federally protected wetlands within the project area. There are 19 existing deciduous ornamental jacaranda trees in planters within Parking Lot C, three weeping bottlebrush (*Melaleuca viminalis*) trees adjacent to Parking Structure G1 near the northwestern corner of the project site, one existing Canary Island pine tree (*Pinus canariensis*) in the northwestern corner of the refined project element site, eight Canary Island pine street trees along the sidewalk of East 120th Street,	None.
b) Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans,	**NI (p. II-2)**		☒	☒	☒		

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policies, regulations or by the California Department of Fish and Game or US Fish and Wildlife Service?						one blue gum eucalyptus tree (*Eucalyptus globulus*) near the northeastern corner of the existing Genesis Clinic building, two lemon eucalyptus trees (*Eucalyptus citriodora*) near the southeastern corner of the existing Oasis Clinic building, and five deciduous London planetree (*Platanus x acerifolia*) street trees along Wilmington Avenue. The existing parking lot would be resurfaced as part of the 2017 refined project element, which would involve removal of the 19 existing ornamental jacaranda trees within the parking lot. Additionally, the three existing eucalyptus trees adjacent to the existing buildings would be removed to accommodate the new building footprint. Approximately 13 percent (19,904 square feet) of the 2017 refined project element site would be landscaped using a palette of climate-appropriate shade trees, shrubs, groundcovers, and vines. The 22 trees that would be removed during demolition and parking lot resurfacing would be replaced at a 1:1 ratio to provide shade in the parking lot. The 2017 refined project element is set within an urbanized developed area with an absence in plant communities and natural aquatic resources to support the existence of any native or migratory wildlife corridor; thus, it is not expected for the 2017 refined project element to interfere with the movement of native or migratory wildlife, or to impede the use of native wildlife nursery sites. The 2017 refined project element site has large trees that may be suitable for nesting birds. Three (3) eucalyptus trees and 19 ornamental Jacaranda trees within the project area would be removed under the 2017 refined project element. Best management practices would be implemented in a manner consistent with the Migratory Bird Treaty Act (MBTA) to ensure no significant impacts. Prior to construction, mature trees would be surveyed and removed if no occupied breeding habitat is found. Construction activities occurring within the nesting bird season (February 15-August 31) would implement one of the options listed in Section 2 to ensure compliance with the MBTA. The 2017 refined project element would not conflict with local polices or ordinances protecting biological resources. Trees to be removed are non-native and not protected under any tree preservation policy or ordinance. The 2017 refined project element would not conflict with the provisions of an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other local, regional, or state habitat conservation plan. Therefore, there is no potential for the 2017 refined project element to result in changes to the findings.	
c) Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marsh, vernal pool, coastal, etc.) through direct removal, filling, hydrological interruption, or other means?	**NI (p. II-2)**		☒	☒	☒		
d) Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites?	**NI (p. II-2)**		☒	☒	☒		
e) Conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance?	**NI (p. II-2)**		☒	☒	☒		
f) Conflict with the provisions of an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, regional, or state habitat conservation plan?	**NI (p. II-2)**		☒	☒	☒		
5. CULTURAL RESOURCES							
a) Cause a substantial adverse change in the significance of a historical resource as defined in Section 15064.5?	**SU (p. IV-10)**	Cultural-1 Cultural-2 Cultural-3 Cultural-4 Cultural-5	☒	☒	☒	The facts upon which the findings were based in the 2011 EIR for the MOB element of the Tier II improvements remain unchanged. A records search of the USGS 7.5-minute series South Gate, California, topographic quadrangle in which the project site is located, was conducted on June 15, 2017 at the South Central Coastal Information Center (SCCIC). As part of the records search, the California State Resources Inventory, the National Register of Historic Places, the listing of California Historical Landmarks, and the California Points of Historical Interest were searched to determine the presence of archaeological and historical resources that could potentially be impacted as a result of implementation of the approved project. The 2017 refined project element would be located within the same area previously analyzed for the 2011 EIR. The 2017 refined project element would not create new or substantially more severe significant impacts related to having a substantial adverse effect on historical resources. The 2017 refined project element would include demolition of the Genesis Clinic and Oasis Clinic (old), which were both constructed circa 1979, found ineligible for independent register listing, and are non-contributors to the MLK, Jr. Medical Center Campus Historic District. While the approved project would result in significant adverse impacts to historical resources even with mitigation, the 2017 refined project element would result in less than significant impacts to historical resources because the Genesis and Oasis (old) clinics do not rise to the threshold for eligibility and are not significant. The 2017 refined project element would result in a larger footprint in the area; however, the 2017 refined project element is located in the northeastern corner of the campus and is physically separated from the historic district by an existing paved surface parking lot and parking structure; the clinics are located approximately 650 feet from the nearest historical resource (Augustus F. Hawkins Comprehensive Mental Health Center). The 2017 refined project element would resurface the existing parking lot, which would not result in a change in use or visual setting. Therefore, compared with the approved project, the 2017 refined project element would not result in new or substantially more severe significant impacts to historical resources. The 2017 refined project element would not result in new significant impacts or substantially more adverse significant impacts to cultural resources related to a substantial adverse change in the significance of an archaeological resource. Potential impacts to cultural	Cultural-1 Cultural-2
b) Cause a substantial adverse change in the significance of an archaeological resource pursuant to Section 15064.5?	**LTS (p. III-12)**		☒	☒	☒		
c) Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature?	**LTSM (p. III-12)**		☒	☒	☒		
d) Disturb any human remains, including those interred outside of formal cemeteries?	**LTSM (p. III-12)**		☒	☒	☒		

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						resources, including archaeological resources, were investigated in the 2011 EIR. Information presented in the 2011 EIR resulted in the conclusion that there are no known archaeological resources within the 2017 refined project element area. No archaeological resources were identified within the 2017 refined project element area as a result of the updated records search. The 2017 refined project element would not result in new significant impacts or substantially more adverse significant impacts to cultural resources related directly or indirectly to the destruction of a unique paleontological resource or unique geologic feature. The geological formations underlying the MLK Medical Center Campus Redevelopment Project analyzed in the 2011 EIR consist of surficial deposits of younger Quaternary Alluvium (Holocene) that have a moderate potential for containing paleontological resources. Impacts to paleontological resources normally occur when a project involves excavation or demolition of buildings requiring disturbance of native soils. Disturbance of native soils characterized by Quaternary Alluvium deposits which have a moderate potential to contain unique paleontological resources may result in potential impacts to paleontological resources. Information present in the 2011 EIR concludes that no known paleontological resources were present in the 2017 refined project element site. However, the 2011 EIR indicates that there is a potential for paleontological resources to be discovered with ground-disturbing activities in native soils. Native soils may be found in the area of the refined project 15 feet below the surface. Implementation of mitigation measure Cultural-1 would reduce impacts related to any potential destruction of paleontological resources to below the level of significance. Therefore, the refined project would not result in new or substantially more adverse significant impacts to cultural resources related to destruction of a unique paleontological resource or unique geologic feature. The 2017 refined project element would not result in new significant impacts or substantially more adverse significant impacts to human remains, including those interred outside of formal cemeteries. The 2011 EIR did not identify the presence of human remains within the MLK, Jr. Medical Center Campus Redevelopment, which includes the refined project area. Although the 2011 EIR concluded that no known human remains exist within the refined project site, the possibility for the unexpected discovery of human remains exists. Mitigation measures specified in the 2011 EIR, which are in accordance with Health and Safety Code Sections 7050 and 7052, would mitigate the unexpected discovery of human remains. The mitigation measures specify that, in the event of the discovery of human remains outside of a dedicated cemetery, all ground disturbances would cease and the County Coroner would be notified. Furthermore, in accordance with Public Resources Code Section 5097.98, the Native American Heritage Commission would be notified in the event that the Coroner determines that the remains are of Native American origin. Implementation of mitigation measures would reduce impacts related to the disturbance of human remains to below the level of significance. Therefore, the refined project would not result in new significant or substantially more adverse significant impacts to cultural resources related to the disturbance of human remains, including those interred outside formal cemeteries. The County has determined that AB52 does not apply to Addenda to EIRs certified prior to July 2016. As specified in the 2011 Mitigation Monitoring Plan, completion of the Mitigation Measures Cultural-1 and 2 shall be monitored and enforced by LACoDPW. Therefore, there is no potential for the 2017 refined project element to result in changes to the findings. Mitigation Measures Cultural-3, 4, and 5 relate to mitigation of impacts to cultural resources within the MLK, Jr. Medical Center Campus Historic District and are therefore inapplicable to the 2017 refined project element.	
6. ENERGY							
a) Conflict with adopted energy conservation and other sustainability metrics in local plans?	**N/A**	N/A	☒	☒	☒	The 2017 refined project element would not result in new significant impacts or substantially more adverse significant impacts to energy related to conflicting with adopted energy conservation or other sustainability metrics in local plans because the 2017 refined project would adhere to Los Angeles County Title 22.126 Green Building requirements. This ensures that the project is consistent with the Southern California Association of Governments (SCAG) 2016 Regional Transportation Plan/Sustainable Community Strategy (RTP/SCS) to reduce regional greenhouse gas emissions and improve air quality. Therefore, the 2017 refined project would not result in new significant or substantially more adverse significant impacts to energy related to conflicting with adopted energy conservation or other sustainability metrics in local plans.	N/A
b) Use energy resources in a wasteful and inefficient manner?	**N/A**		☒	☒	☒		
c) Decrease reliance on fossil fuels such as coal, natural gas, and oil?	**N/A**		☒	☒	☒		

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						The 2017 refined project element would not result in new significant impacts or substantially more adverse significant impacts to energy related to using resources in a wasteful or inefficient manner because the building square footage has decreased from the approved medical office building square footage in the 2013 MLK Medical Center Campus Master Plan. Energy use comparisons between the approved 64,000 square foot medical office building in the MLK Master Plan and the 2017 refined project element 52,000 square foot MOB were performed using Energy Star Portfolio Manager for Energy Use in Medical Offices (Appendix B, ENERGY STAR® Statement of Energy Design Intent). Energy Star provides a methodology to enable an organization to track and manage building energy. The property characteristics included in the energy analysis are: gross floor area in square feet; percent of building that can be heated; percent of building that can be cooled; weekly operating hours; workers per 1,000 square feet; heating degree days, and; cooling degree days. For the purposes of this building energy analysis, it is assumed that the property characteristics of the two buildings are the same, with the notable exception of building square footage. The energy use calculation using Energy Star Portfolio Manager for Medical Offices shows that the project building would use less operational energy than the approved MOB in the Master Plan: the design target for the project 52,000 square foot MOB would use approximately 2,498,623 kBtu/square foot of energy annually; the 64,000 square foot medical office building approved in the Master Plan would use approximately 3,011,654 kBtu/square foot of energy annually. Therefore, anticipated energy use of the 2017 refined project element would be less than anticipated energy use of the approved 64,000-square-foot medical office building. Thus, the 2017 refined project element would not result in new significant impacts or substantially more adverse significant impacts to energy related to using resources in a wasteful or inefficient manner. Further, the 2017 refined project element would not result in new significant impacts or substantially more adverse significant impacts to energy related to decreasing reliance on fossil fuels. The anticipated decrease in operational energy use by the 2017 refined project versus the approved MOB in the Master Plan would equate to a decreased reliance on fossil fuels such as coal, natural gas, and oil. Therefore, the 2017 refined project element would not result in new significant impacts or substantially more adverse significant impacts to energy related to decreasing reliance on fossil fuels.	
7. GEOLOGY							
Expose people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:		Geology-1 Geology-2 Geology-3				The facts upon which the findings were based in the 2011 EIR for the MOB element of the Tier II improvements remain unchanged. As the impacts of the 2017 refined project element are within the envelope of what was analyzed in 2011, no exacerbation is anticipated as a result of the 2017 refined project element. As with the approved project, the 2017 refined project does not lie within an APEFZ. The 2017 refined project element conforms to applicable requirements under the CBC and UBC and thus would reduce impacts from strong seismic ground shaking to the maximum extent possible under currently accepted engineering practices. Seismic-related ground failure including liquefaction is not anticipated to occur as a result of the 2017 refined project element. Due to topography and soil type of the project site, landslides are not anticipated to occur, nor would a septic tank be used on the project site. As with the approved project, mitigation measures Geology-1, 2, and 3 would be implemented in the 2017 revised project element. The aforementioned mitigation measures would address soil erosion and loss of topsoil, stability of the ground, and expansiveness of the soil. To address the soil erosion and loss of topsoil, Best Management Practices (BMPs) outlined in the California Storm Water Best Management Practice Handbook: Construction, would be implemented including observation and testing by a geotechnical engineer to ensure proper subgrade preparation, selection of satisfactory materials, and placement and compaction of structural fills. In an effort to ensure the stability of the ground the contractor shall incorporate project design elements consistent with Office of Statewide Health Planning and Development, California Building Code, Uniform Building Code, or required standards. The third and final mitigation measure pertains to expansive soil. Similar to Measure Geology-1, a geotechnical engineer shall be present on site for observation of earth-moving activities and ant unanticipated adverse conditions encountered shall be evaluated by the project engineering geologist and the soil engineer. The 2017 refined project, as with the approved project, would connect with the existing sewer system and thus would not a septic tank or alternative waste water disposal system.	Geology-1 Geology-2 Geology-3
i) Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault? Refer to Division of Mines and Geology Special Publication 42.	**LTS (p. III-20)**		☒	☒	☒		
ii) Strong seismic ground shaking?	**LTS (p. III-20)**		☒	☒	☒		
iii) Seismic-related ground failure, including liquefaction?	**LTS (p. III-20)**		☒	☒	☒		
iv) Landslides?	**NI (p. III-20)**		☒	☒	☒		
b) Result in substantial soil erosion or the loss of topsoil?	**LTSM (p. III-20)**		☒	☒	☒		
c) Be located on a geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on- or off-site landslide, lateral spreading, subsidence, liquefaction, or collapse?	**LTSM (p. III-20)**		☒	☒	☒		
d) Be located on expansive soil, as defined in	**LTSM (p. III-20)**		☒	☒	☒		

Table 3
Environmental Checklist and Analysis

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Table 18-1-B of the Uniform Building Code (1994), creating substantial risks to life or property?							
e) Have soils incapable of adequately supporting the use of septic tanks or alternative waste water disposal systems where sewers are not available for the disposal of waste water?	**NI (p. III-20)**		☒	☒	☒	As specified in the 2011 Mitigation Monitoring Plan, completion of Mitigation Measures Geology-1, 2, and 3 shall be monitored and enforced by LACoDPW. Therefore, there is no potential for the 2017 refined project element to result in changes to the findings.	
8. GREENHOUSE GAS EMISSIONS							
a) Generate greenhouse gas emissions, either directly or indirectly, that may have a significant impact on the environment?	**SU (p. IV-15)**	GHG-1	☒	☒	☒	The facts upon which the findings were based in the 2011 EIR for the MOB element of the Tier II improvements remain unchanged. Similar to the approved project, impacts related to greenhouse gas emissions would be less than significant with mitigation incorporated. As with the approved project, the 2017 refined project element would result in energy use from the construction and operation of a MOB through the use of heavy-duty construction equipment and through vehicle trips generated from construction workers traveling to and from the 2017 refined project element site. Operation of the medical building would also result in the emission of greenhouse gases from stationary sources (i.e., area sources from natural gas combustion, central plant, and landscape maintenance equipment) and mobile sources due to the burning of fossil fuels such as coal, oil, and natural gas to produce energy. Similar to the approved project, project impacts which would conflict with an applicable plan or regulation to reduce the emissions of greenhouse gases would be less than significant with mitigation incorporated. As with the approved project, the 2017 refined project element would result in energy use as described above. As with Tier II of the approved project, one mitigation measure (GHG-1) would be implemented in the 2017 refined project element to address greenhouse gas emissions. Implementation of Mitigation Measure GHG-1 would ensure that all applicable sustainable design measures or comparable measures have been incorporated into the final project design, thus the impacts of the emission of greenhouse gases would be reduced to a less than significant level and the impacts of conflicting with any applicable regulation or plan regarding the reduction of GHG emissions would be reduced to a less than significant level. In addition, as specified in the Final EIR, Section 3.5.5 Mitigation Measures, the incorporation of air quality mitigation measure AQ-11 into the Greenhouse Gas Emission section of the EIR would also reduce GHG emissions from mobile sources and energy consumption by requiring the implementation of traffic flow improvements, clean vehicle technology, alternative transportation options, onsite sources of alternative energy, and energy efficient appliances. As specified in the 2011 Mitigation Monitoring Plan, completion of the Mitigation Measure GHG-1 shall be monitored and enforced by LACoDPW. Therefore, there is no potential for the 2017 refined project element to result in changes to the findings.	GHG-1
b) Conflict with an applicable plan, policy or regulation adopted for the purpose of reducing the emissions of greenhouse gases?	**LTSM (p. III-22)**		☒	☒	☒		
9. HAZARDS AND HAZARDOUS MATERIALS							
a) Create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials?	**LTSM (p. III-24)**	Hazards-1 Hazards-2 Hazards-3 Hazards-4 Hazards-5	☒	☒	☒	The facts upon which the findings were based in the 2011 EIR for the MOB element of the Tier II improvements remain unchanged. With the 2017 refined project element, Tier II would generate the same level of hazardous waste associated with medical waste, and from paving and construction activities. The 2017 refined project element would not remove the programmatic elements of Tier II which would result in significant impacts regarding transport, use, or disposal of hazardous materials; the release of hazardous materials into the environment; or emissions of hazardous materials, substances, or waste within one-quarter mile of a school. The 2017 refined project element would be the same distance from schools, airports, and wildland fires hazard, as the conditions evaluated in the Tier II analysis. As specified in the 2011 Mitigation Monitoring Plan, completion of Mitigation Measures Hazards-1 through 5 shall be monitored and enforced by LACoDPW. Therefore, there is no potential for the 2017 refined project element to result in changes to the findings.	Hazards-1 Hazards-2 Hazards-3 Hazards-4 Hazards-5
b) Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment?	**LTSM (p. III-24)**		☒	☒	☒		
c) Emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed school?	**LTSM (p. III-24)**		☒	☒	☒		
d) Be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government Code Section 65962.5 and, as a result, would it create a significant hazard to the public or	**NI (p. III-24)**		☒	☒	☒		

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the environment?							
e) For a proposed project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the proposed project area?	**NI (p. III-24)**		☒	☒	☒		
f) For a proposed project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the proposed project area?	**NI (p. III-24)**		☒	☒	☒		
g) Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan?	**NI (p. III-24)**		☒	☒	☒		
h) Expose people or structures to a significant risk of loss, injury or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands?	**NI (p. III-24)**		☒	☒	☒		
10. HYDROLOGY AND WATER QUALITY							
a) Violate any water quality standards or waste discharge requirements?	**LTSM (p. III-30)**	Hydrology-1 Hydrology-1 Hydrology-3 Hydrology-4 Hazards-1	☒	☒	☒	The facts upon which the findings were based in the 2011 EIR for the MOB element of the Tier II improvements remain unchanged. The 2017 refined project element would not create new or substantially more severe significant impacts related to substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on- or off-site; or result in substantial erosion or siltation on- or off-site. The 2017 refined project element would not create new or substantially more severe significant impacts related to creating or contributing runoff water which would exceed the capacity of existing or planned stormwater drainage systems or provide substantial additional sources of polluted runoff. The 2017 refined project element site is relatively flat, sloping gradually towards the center of the parking lot. There are existing public underground storm drain facilities in both Wilmington Avenue and 120th Street, and there are underground storm drain lines that currently connect from the center of Parking Lot C and southern edge of the 2017 refined project element site to these underground facilities. LACoDPW's LID requirements would be met; the project refinements would connect to existing storm water and potable water utility lines. As a part of the 2017 refined project element, the Applicant would construct surface and subsurface drainage facilities that would convey the storm water appropriately off-site, to both Wilmington and 120th Street, in a manner consistent with the existing condition. Underground connections would likely be made to the existing facilities in both existing streets. Prior to discharge, the site's storm water would be mitigated through a combination of water quality devices options outlined in the Los Angeles County Standard Urban Stormwater Mitigation Plan (SUSMP) Manual. Preliminary investigations indicate that the site appears to be acceptable for infiltration, so this method would be evaluated further as a primary option for the 2017 refined project element. Other possible best management practice (BMP) options may include bioswales, capture and reuse, green roofs, and filtering planter boxes. Site storm drain collections systems (e.g., catch basins, area drains, roof drains, etc.) would be piped to the treatment BMP prior to discharge off site. There are 19 existing trees in planters within Parking Lot C that would be removed to resurface the parking lot, as well as one (1) tree near the northeastern corner of the existing Genesis Clinic building and two (2) trees near the southeastern corner of the existing Oasis	Hydrology-1 Hydrology-1 Hydrology-3 Hydrology-4 Hazards-1
b) Substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)?	**NI (p. III-30)**		☒	☒	☒		
c) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on- or off-site?	**NI (p. III-30)**		☒	☒	☒		
d) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner which would result in flooding on- or off-site?	**NI (p. III-30)**		☒	☒	☒		
e) Create or contribute runoff water which would exceed the capacity of existing or planned	**LTSM (p. III-30)**		☒	☒	☒		

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stormwater drainage systems or provide substantial additional sources of polluted runoff?						Clinic building which would be removed to construct the MOB. Removal of trees and subsequent paving would increase the amount of impervious surface, and increase the amount of surface runoff. However, the 2017 refined project element would include the installation of approximately 19,904 square feet of landscaping, which would result in a net increase in permeable surfaces. The 2017 refined project element would incorporate Low Impact Development mitigation measures to offset additional runoff from the increase in impervious surface area of the larger building. Prior to discharge, the site's storm water would be mitigated through a combination of water quality devices options outlined in the Los Angeles County SUSMP Manual. Preliminary investigations indicate that the site appears to be acceptable for infiltration, so this method would be evaluated further as a primary option for the project. Other possible BMP options may include bioswales, capture and reuse, green roofs, and filtering planter boxes. Site storm drain collections systems (e.g. catch basins, area drains, roof drains, etc.) would be piped to the treatment BMP prior to discharge off site. As specified in the 2011 Mitigation Monitoring Plan, completion of Mitigation Measures Hydrology 1 through 4 and Hazards-1 shall be monitored and enforced by LACoDPW. Therefore, there is no potential for the 2017 refined project element to result in changes to the findings.	
f) Otherwise substantially degrade water quality?	**NI (p. III-30)**		☒	☒	☒		
g) Place housing within a 100-year flood hazard area as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map?	**NI (p. III-30)**		☒	☒	☒		
h) Place within a 100-year flood hazard area structures which would impede or redirect flood flows?	**NI (p. III-30)**		☒	☒	☒		
i) Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam?	**NI (p. III-30)**		☒	☒	☒		
j) Inundation by seiche, tsunami, or mudflow?	**NI (p. III-30)**		☒	☒	☒		
11. LAND USE AND PLANNING							
a) Physically divide an established community?	**NI (p. II-3)**	None.	☒	☒	☒	The facts upon which the findings were based in the 2011 EIR for the MOB element of the Tier II improvements remain unchanged. As with the approved project, which would result in no impacts regarding division of an established community or conflicts with an applicable habitat conservation plan or natural community conservation plan, the 2017 refined project element would be limited to the extents of the existing MLK Medical Campus and there are no applicable HCPs or NCCPs for the 2017 refined project element site. The 2017 refined project element is not located within an adopted Significant Ecological Area or a Coastal Resource Area.[3] The 2017 refined project element site is not located within or near a HCP or NCCP.[4] Similar to the approved project, which would result in less than significant impacts regarding conflicts with an applicable land use plan, policy, or regulation adopted for the purpose of avoiding or mitigating an environmental effect, the 2017 refined project element would result in no impacts because this element of the project does not involve a residential component that would require a CUP. The 2017 refined project element would involve construction of a MOB and resurfacing of an existing parking lot, which are both permitted uses within the P land use designation and C-2 zoning designation. Therefore, there is no potential for the 2017 refined project element to result in changes to the findings.	None.
b) Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect?	**LTS (p. II-3)**		☒	☒	☒		
c) Conflict with any applicable habitat conservation plan or natural community conservation plan?	**NI (p. II-3)**		☒	☒	☒		
12. MINERAL RESOURCES							
a) Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state?	**NI (p. II-3)**	None.	☒	☒	☒	The facts upon which the findings were based in the 2011 EIR for the MOB element of the Tier II improvements remain unchanged. As with the approved project, which would result in no impacts to mineral resources, there are no known mineral resources on the 2017 refined project element site. As shown in Figure 9.6, Mineral Resources, of the County of Los Angeles General Plan 2035, the project site is not located within a designated Mineral Resource Zone.[5] Therefore, the 2017 refined project element would not result in changes to the findings.	None.
b) Result in the loss of availability of a locally-important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan?	**NI (p. II-3)**		☒	☒	☒		
13. NOISE							
a) Exposure of persons to or generation of noise levels in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies?	**SU (Temporary) (p. IV-16)**	Noise-1 Noise-2 Noise-3 Noise-4	☒	☒	☒	The facts upon which the findings were based in the 2011 EIR for the MOB element of the Tier II improvements remain unchanged. Similar to the approved project, which would result in significant impacts regarding exposure of persons to or generation of noise levels in excess of applicable standards during construction, the 2017 refined project element would result in significant impacts related to construction noise because noise levels at residential structures nearest the project site located approximately 50 feet south of the Tier II project boundary would exceed the 75 dBA permissible level at residences south of the Tier II project site that are within 80 feet of the 2017 refined project element property less than the approved project with the removal of construction equipment (pile drivers) from the construction scenario. As with the approved project, impacts from the 2017 refinements to the project would remain significant and unavoidable because, although mitigation measures would reduce Tier II construction noise at residential properties to	Noise-1 Noise-2 Noise-3 Noise-4
b) Exposure of persons to or generation of excessive groundborne vibration or groundborne noise levels?	**SU (Temporary) (p. IV-16)**		☒	☒	☒		
c) A substantial permanent increase in ambient	**LTSM (p. III-34)**		☒	☒	☒		

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noise levels in the project vicinity above levels existing without the project?						the east and west of the campus to below the level of significance, temporary construction noise levels would remain significant and unavoidable at residential structures located south of the project boundary within 80 feet of the Tier II project property. Mitigation measures Noise-1 and 2 would be required to reduce impacts. Therefore, these impacts continue to remain significant and unavoidable but do not increase the severity of impacts. Similar to the approved project, which would result in significant impacts regarding exposure of persons to or generation of excessive groundborne vibration or groundborne noise levels, the 2017 refined project element would result in significant impacts because although mitigation measure Noise-3 would reduce potential building damage from vibration during construction to below the level of significance and at levels less than the approved project with the removal of construction equipment (pile drivers) from the construction scenario, vibration levels would still be perceptible at sensitive receptors. As with the approved project, the impacts from the 2017 refined project element would remain significant and unavoidable because mitigation measures Noise-3 would reduce potential building damage from vibration during construction to below the level of significance; however, vibration levels would still be perceptible at sensitive receptors; therefore, vibration levels during construction of the 2017 refined project element would result in significant and unavoidable impacts. Therefore, these impacts continue to remain significant and unavoidable but do not increase the severity of impacts. As with the approved project, which would result in significant impacts regarding a substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project, the 2017 refined project element would result in significant impacts to noise because the project would result in noise levels in excess of the 45 dBA articulated in the County of Los Angeles thresholds at residences immediately south (approximately 50 feet) of the Tier II area for the project. As with the approved project, implementation of Mitigation Measure Noise-4 would be required to reduce impacts to noise related to a substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project to a less than significant level. Similar to the approved project, which would result in significant impacts regarding a substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project, the 2017 refined project element would result in significant impacts related to noise because noise levels at residential structures nearest the project site located approximately 50 feet south of the Tier II project boundary would exceed the 75 dBA permissible level. Impacts would be less than the approved project because of removal of construction equipment (pile drivers) from the construction scenario. Mitigation Measure Noise-1 and Measure Noise-2 would be required to reduce impacts. As with the approved project, impacts from the 2017 refinements to the project would remain significant and unavoidable because, although mitigation measures would reduce construction noise at residential properties to the east and west of the campus to below the level of significance, temporary construction noise levels would remain significant and unavoidable at residential structures located south of the project boundary within 80 feet of the 2017 refined project element property. Therefore, these impacts continue to remain significant and unavoidable but do not increase the severity of impacts. As with the approved project, which would result in no impacts regarding airports/airstrips, the 2017 refined project element would result in no impacts because there are private or public airports or airstrips within the vicinity of the 2017 refined project element site. As specified in the 2011 Mitigation Monitoring Plan, completion of Mitigation Measures Noise 1 through 4 and shall be monitored and enforced by LACoDPW. Therefore, there is no potential for the 2017 refined project element to result in changes to the findings.	
d) A substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?	**SU (Temporary) (p. IV-16)**		☒	☒	☒		
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the proposed project expose people residing or working in the proposed project area to excessive noise levels?	**NI (p. III-34)**		☒	☒	☒		
f) For a project within the vicinity of a private airstrip, would the proposed project expose people residing or working in the proposed project area to excessive noise levels?	**NI (p. III-34)**		☒	☒	☒		
14. POPULATION AND HOUSING							
a) Induce substantial population growth in an area, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of roads or other infrastructure)?	**NI (p. II-6)**	None.	☒	☒	☒	The facts upon which the findings were based in the 2011 EIR for the MOB element of the Tier II improvements remain unchanged. The project analyzed in Tier II of the 2011 EIR was determined to have no impact on population and housing. As with the approved project, which would result in no impacts to population and housing, the 2017 refined project element would result in no impacts because construction and operational impacts have been evaluated and remain consistent with the previously evaluated project impact analysis. As with the approved project, the 2017 refined project element would generate temporary jobs during the construction phase	None.
b) Displace substantial numbers of existing	**NI (p. II-6)**		☒	☒	☒		

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housing, necessitating the construction of replacement housing elsewhere?						of the project, and long-term jobs during the operational phase of the 2017 refined project element. Neither temporary employees needed during the construction phase of the project nor permanent employees needed for long-term operation of the project are anticipated to constitute substantial increases in new population to the area beyond adopted population projections. Therefore, there is no potential for the 2017 refined project element to result in changes to the findings. No new mitigation measures are required.	
c) Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere?	**NI (p. II-6)**		☒	☒	☒		
15. PUBLIC SERVICES							
a) Would the proposed project result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities, need for new or physically altered governmental facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times or other performance objectives for any of the public services:						The facts upon which the findings were based in the 2011 EIR for the MOB element of the Tier II improvements remain unchanged. The 2011 EIR determined that Tier II development is consistent with the SCAG's anticipated growth projections and that existing public services would continue to adequately serve the project area. The 2017 project refinement includes a small building than that analyzed in the 2011 EIR. Therefore, there would be no new impacts related to fire protection, police protection, schools, parks, or other public facilities. No new mitigation is required. Therefore, there is no potential for the 2017 refined project element to result in changes to the findings. No new mitigation is required.	None.
i) Fire protection?	**LTS (p. II-7)**	None.	☒	☒	☒		
ii) Police protection?	**LTS (p. II-7)**		☒	☒	☒		
iii) Schools?	**LTS (p. II-7)**		☒	☒	☒		
iv) Parks?	**LTS (p. II-7)**		☒	☒	☒		
v) Other public facilities?	**LTS (p. II-7)**		☒	☒	☒		
16. RECREATION							
a) Would the proposed project increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?	**LTS (p. II-8)**	None**.**	☒	☒	☒	The facts upon which the findings were based in the 2011 EIR for the MOB element of the Tier II improvements remain unchanged. Similar to the approved project, the 2017 refined project element would increase the use of recreational facilities; however, the increased usage is consistent with the growth factor in the Los Angeles County General Plan. Additionally, the 2017 refined project element would not include new recreation facilities nor would it require the construction or expansion of recreational facilities that might potentially negatively impact the environment. Therefore, there would be no new impacts related to parks or recreation. No new mitigation is required.	None**.**
b) Does the project include recreational facilities or require the construction or expansion of recreational facilities which might have an adverse physical effect on the environment?	**LTS (p. II-8)**		☒	☒	☒		
17. TRANSPORTATION/TRAFFIC							
a) Conflict with an applicable plan, ordinance or policy establishing measures of effectiveness for the performance of the circulation system, taking into account all modes of transportation including mass transit and non-motorized travel and relevant components of the circulation system, including but not limited to intersections, streets, highways and freeways, pedestrian and bicycle paths, and mass transit?	**LTSM (p. III-37)**	Traffic-1 Traffic-2 Traffic-3 Traffic-4	☒	☒	☒	Similar to the approved project, construction impacts conflicting with plans, ordinances, or policies which establish measures of effectiveness for the performance of the circulation system would be less than significant with mitigation incorporated. Similar to the approved project, construction of the 2017 refined project element would generate additional vehicle trips to and from the 2017 refined project element site and would result in impacts to transportation and traffic on the existing traffic load and capacity of the street system. In addition, similar to the approved project, the 2017 refined project element operation is anticipated to generate a net total increase of trips during the morning peak hour and the evening peak hour; however, because the 2017 refined project element includes only 3 percent of the overall development of the project, operational impacts would be insignificant. Similar to the approved project, construction impacts related to the vehicle circulation system would be less than significant with mitigation incorporated. Mitigation measure Traffic-1 would be required for the 2017 refined project element to address transportation and traffic impacts during construction. To reduce construction impacts on local circulation, a Construction Traffic Management Plan would be implemented. Similar to the approved project, project impacts in relation to a change in air traffic patterns would be no impact. As with the approved	Traffic-1
b) Conflict with an applicable congestion management program, including, but not limited to level of service standards and travel demand measures, or other standards established by the county congestion management agency for	**LTSM (p. III-37)**		☒	☒	☒		

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designated roads or highways?						project, the 2017 refined project element would result in no impacts because the nearest airport to the refined project remains 2.1 miles away from the 2017 refined project element site.	
c) Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location that results in substantial safety risks?	**NI (p. III-37)**		☒	☒	☒	Similar to the approved project, project impacts related to hazards due to a design feature or incompatible uses would be less than significant. As with the approved project, the 2017 refined project element site is served by a network of well-defined and pre-existing paved roads and would continue to be accessed by these roads following construction of the 2017 refined project element.	
d) Substantially increase hazards due to a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)?	**LTS (p. III-37)**		☒	☒	☒	Similar to the approved project, project impacts related to emergency access would be less than significant. As with the approved project, the 2017 refined project element site would utilize existing roadways that were planned and designed to support the anticipated needs of the facility and it is anticipated that these roadways would be able to provide adequate emergency access to the site, and no additional access roads would need to be constructed to assist in the provision of adequate emergency access	
e) Result in inadequate emergency access?	**LTS (p. III-37)**		☒	☒	☒		
f) Conflict with adopted policies, plans, or programs regarding public transit, bicycle, or pedestrian facilities, or otherwise decrease the performance or safety of such facilities?	**NI (p. III-37)**		☒	☒	☒	Similar to the approved project, there would be no project impacts to adopted policies regarding alternative transportation. As with the approved project, the 2017 refined project element is connected by a network of well-defined, pre-existing, and traffic-controlled paved roads which allow for alternative transportation methods, such as bicycles and buses, to share access to the existing site with automobile vehicles. As with the approved project Traffic-2. 3 and 4 are overall measures for the entire approved project and are obligations of the County and therefore are inapplicable to the Applicant with respect to the 2017 refined project element. As specified in the 2011 Mitigation Monitoring Plan, completion of Mitigation Measure Traffic-1 shall be monitored and enforced by LACoDPW. Therefore, there is no potential for the 2017 refined project element to result in changes to the findings.	
18. UTILITIES AND SERVICE SYSTEMS							
a) Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board?	**LTS (p. III-41)**	Utility-1 Utility-2	☒	☒	☒	The facts upon which the findings were based in the 2011 EIR for the MOB element of the Tier II improvements remain unchanged. Similar to the approved project, project impacts related to wastewater treatment requirements would be less than significant. As with the approved project, the 2017 refined project element would utilize the Hyperion Treatment Plant and currently operates in conformance with applicable standards of the Los Angeles Regional Water Quality Control Board. The overall square footage of the buildings is less than was proposed under the approved project. However, similar to the approved project, the 2017 refined project element is anticipated to generate additional wastewater into the existing system but is not anticipated to add additional water quality concerns beyond those already being met by the Hyperion Treatment Plant.	Utility-1 Utility-2
b) Require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?	**NI (p. III-41)**		☒	☒	☒	Similar to the approved project, there would be no impacts related to the construction of new water or wastewater treatment facilities or expansion of existing facilities. To serve the 2017 refined project element, there would be a new sewer lateral connecting to the building from the existing sanitary sewer facilities on either Wilmington or 120th. As with the approved project, the 2017 refined project element would send wastewater generated by its operations to the Hyperion Treatment Plant, which has the capacity to handle the amount of wastewater anticipated to be generated.	
c) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?	**LTSM (p. III-41)**		☒	☒	☒	Similar to the approved project, impacts related to storm water would be less than significant with mitigation incorporated. As with the approved project, the 2017 refined project element would not increase the square footage of impermeable surfaces; therefore, water runoff from the site would not increase. Similar to the approved project, proper design of landscape, on-site drainage features, site grading, and implementation of BMPs would assure that storm water runoff from the 2017 refined project element site is properly drained in accordance with County LID requirements.	
d) Have sufficient water supplies available to serve the project from existing entitlements and resources, or are new or expanded entitlements needed?	**LTSM (p. III-41)**		☒	☒	☒		
e) Result in a determination by the wastewater treatment provider which serves or may serve the project that it has adequate capacity to serve the project's projected demand in addition to the provider's existing commitments?	**LTSM (p. III-41)**		☒	☒	☒	Similar to the approved project, impacts related to water supplies would be less than significant with mitigation incorporated. As with the approved project, the 2017 refined project element would involve the construction of a MOB which would increase future water	
f) Be served by a landfill with sufficient permitted	**LTSM (p. III-41)**		☒	☒	☒		

Table 3
Environmental Checklist and Analysis

Environmental Issue Would the project:	2011 EIR Findings: No Impact (NI) Less than Significant Impact (LTS) LTS with Mitigation (LTSM) Significant and Unavoidable (SU) Page numbers refer to 2011 Findings of Fact[1]	2011 Required Mitigation Measures for Tier II	§15162 Determinations for 2017 Refined Project Element: No New Impact	No Substantially More Adverse Impacts	No New Information or Change	Effects of 2017 Refined Project Element and Applicable Mitigation Measures	Mitigation Measures Applicable to 2017 Refined Project Element
capacity to accommodate the project's solid waste disposal needs?						use over historical use. Sustainable and water efficient features would be incorporated into the building because it exceeds 10,000 square feet in size, thus it is subject to the County's LEED requirements.	
g) Comply with federal, state, and local statutes and regulations related to solid waste?	**LTS (p. III-41)**		☒	☒	☒	Similar to the approved project, impacts related to the capacity of the waste water treatment provider would be less than significant with mitigation incorporated. As with the approved project, the 2017 refined project element would send wastewater generated by its operations to the Hyperion Treatment Plant, which has the capacity to handle the amount of wastewater anticipated to be generated, and it would connect with the existing sewer system. The general area is well-served by major pipeline infrastructure for wastewater collection, though some new project related connections on-site may be needed. The County Building and Safety's site plan review would assure that appropriate localized connections to wastewater systems are provided and adequately designed to the approved standards. As with Tiers I and II of the approved project, mitigation measure Utility-1 would be implemented in the 2017 refined project element to ensure connection to the sewer system. Similar to the approved project, project impacts related to solid waste disposal needs would be less than significant with mitigation incorporated. As with the approved project, the 2017 refined project element would result in increased generation of solid waste. However, given the remaining capacity at each of the landfills that would service the 2017 refined project element; it is unlikely that any building component would exceed landfill capacity. Similar to the approved project, project impacts related to compliance with statutes and regulations related to solid waste would be less than significant. As a County hospital, the 2017 refined project element would be required to demonstrate that all solid waste would be disposed of properly at the permitted facilities for solid waste (including medical hazardous waste). However, as a mixed use development, it may include non-County owned buildings, such as pharmacies or other retail establishments. It is therefore anticipated that there could be the potential for impacts associated with compliance of with existing regulations regarding solid waste and it is recommended that the County ensure compliance with existing regulations for all construction contractors during the mixed use development of the 2017 refined project element. As with Tier I of the approved project, mitigation measure Utility-2 would be implemented in the 2017 refined project element to ensure that adequate service areas are provided for trash and recycling receptacles. Wherever trash receptacles are provided throughout the project site, a recycling receptacle for plastic, aluminum, and metal shall also be provided. Signs encouraging patrons to recycle shall be posted near each recycling receptacle. In addition, the construction contractor would manage the solid waste generated during construction by diverting at least 50 percent of solid waste from disposal in landfills, through source reduction, reuse, and recycling of construction and demolition debris. As specified in the 2011 Mitigation Monitoring Plan, completion of Mitigation Measures Utility 1 and 2 shall be monitored and enforced by LACoDPW. Therefore, there is no potential for the 2017 refined project element to result in changes to the findings.	

SOURCES:

1. County of Los Angeles Chief Executive Office. February 2011. *Martin Luther King, Jr. Medical Center Campus Redevelopment: Findings of Fact and Statement of Overriding Considerations* (SCH #2010031040). Prepared by: Sapphos Environmental, Inc., Pasadena, CA.
2. HMC Architects. 18 September 2009. *Martin Luther King, Jr. Medical Center Campus—Campus Planning and Programming Report*. Los Angeles, CA.
3. County of Los Angeles. Adopted October 6, 2015. *County of Los Angeles General Plan 2035*. Figure 9.3, Significant Ecological Areas and Coastal Resource Areas Policy Map. PDF Available at: http://planning.lacounty.gov/assets/upl/project/gp_2035_2014-FIG_9-3_significant_ecological_areas.pdf
4. California Department of Fish and Wildlife. August 2015. *California Regional Conservation Plans*. Available at: https://nrm.dfg.ca.gov/FileHandler.ashx?DocumentID=68626&inline
5. County of Los Angeles. Adopted October 6, 2015. *County of Los Angeles General Plan 2035*. Figure 9.6, Mineral Resources. PDF Available at: http://planning.lacounty.gov/assets/upl/project/gp_2035_2014-FIG_9-6_mineral_resources.pdf

COUNTY OF LOS ANGELES
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Ms. Sachi A. Hamai
Chief Executive Officer
Chief Executive Office
713 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Attention: Jim Jones, Chief Operating Officer

Re: Ordinance Approving a Ground Lease Agreement for Construction of a Medical Office Building in the Martin Luther King, Jr. Medical Center Campus

Dear Ms. Hamai:

Enclosed please find the analysis and ordinance authorizing the approval of a public/private partnership for the construction of a medical office building in the Martin Luther King, Jr. Medical Center Campus pursuant to a Ground Lease agreement between the County of Los Angeles and TC LA Healthcare Development, Inc.

The analysis and ordinance may be presented to the Board of Supervisors for consideration.

Very truly yours,

MARY C. WICKHAM
County Counsel

By Behnaz Tashakorian
BEHNAZ TASHAKORIAN
Senior Deputy County Counsel
Contracts Division

APPROVED AND RELEASED:

Lester J. Tolnai
LESTER J. TOLNAI
Chief Deputy

NMT:pt

Enclosures

HOA.101649245.1

ANALYSIS

This ordinance establishes and authorizes the approval of a public/private partnership for the construction of a medical office building in the Martin Luther King, Jr. Medical Center Campus pursuant to a ground lease agreement between the County of Los Angeles and TC LA Healthcare Development, Inc.

MARY C. WICKHAM
County Counsel

By Behnaz Tashakorian

Behnaz Tashakorian
Senior Deputy County Counsel
Contracts Division

BT:pt

Requested: 5/19/17
Revised: 5/19/17

ORDINANCE NO. ______________________

AN ORDINANCE OF THE COUNTY OF LOS ANGELES, CALIFORNIA APPROVING A GROUND LEASE AGREEMENT FOR THE CONSTRUCTION OF A MEDICAL OFFICE BUILDING IN THE MARTIN LUTHER KING, JR. MEDICAL CENTER CAMPUS

WHEREAS, Government Code section 25515, *et. seq.*, allows counties to develop county-owned property through a joint venture with a private entity for certain enumerated uses; and

WHEREAS, pursuant to Government Code section 25515.1, the County of Los Angeles ("County") may sell or lease any of its real property to any person partnership, corporation, or government entity the Board of Supervisors ("Board") selects for purposes of cultural, residential, commercial, or industrial use or development;

WHEREAS, Government Code section 25515.2(a) requires that the Board adopt an ordinance authorizing any sale, lease, development, or contract agreement entered into pursuant to Government Code section 25515 *et seq.*;

WHEREAS, the County is the fee owner of real property located at the Southwest corner of East 120th and South Wilmington, Los Angeles County, California ("Property");

WHEREAS, the County has issued a Request for Qualifications and a subsequent Request for Proposals (collectively the "RFQ/RFP") for the development of a medical office building on the Property consistent with the Martin Luther King, Jr. ("MLK") Medical Center Campus Master Plan and the Willowbrook MLK Wellness Community Vision Medical Center Campus Master Plan, which guides the development of the 42-acre MLK Medical Campus in Willowbrook, a community in unincorporated Los Angeles County;

WHEREAS, through the RFQ/RFP process the Board on June 16, 2015, selected TC LA Healthcare Development, Inc. as the primary developer of the Property; and

WHEREAS, the Board now desires to award a contract to TC LA Healthcare Development, Inc. and approve a ground lease agreement ("Ground Lease Agreement") for the Property to facilitate the development of the Property for the intended uses development of a 42-acre MLK Medical Campus as set forth in the RFQ/RFP.

Now therefore, the Board ordains as follows:

SECTION 1. The Board finds and determines that the foregoing recitals are true and correct.

SECTION 2. The Board further finds and determines:

A. That the development of the Property for a medical office building is consistent with the RFQ/RFP, will result an economic benefit to the County, and will meet the commercial office needs of the County.

B. The public benefit of the proposed lease agreement is expected to be greater than the public benefit which would result from the sale of the Property.

C. That a reasonable expectation exists that future public need justifies retention of the fee ownership of the Property and the proposed lease and agreement will not interfere with the use or development of the remaining public property.

SECTION 3. The Board hereby authorizes the Chief Executive Officer, or her designee to enter into, execute, and deliver the Ground Lease Agreement between the County and TC LA Healthcare Development, Inc.

SECTION 4. The Board authorizes the Chief Executive Officer or her designee, to execute any and all amendments to this Ground Lease Agreement and any related documents, from time to time, to do and perform any and all acts and things consistent with this ordinance and necessary or appropriate to carry the same into effect and to carry out its purposes.

[MLKMEDCENTCAMPUSPTCC]

SUMMARY/BACKGROUND SHEET

ORDINANCE APPROVING GROUND LEASE AGREEMENT FOR CONSTRUCTION OF MEDICAL OFFICE BUILDING IN THE MARTIN LUTHER KING, JR. MEDICAL CENTER CAMPUS

(4-VOTE; PUBLIC HEARING REQUIRED)

SUMMARY

- Uncodified ordinance authorizing and approving a ground lease agreement between the County and TC LA Healthcare Development, Inc. for the development of a medical office building on the Martin Luther King, Jr. ("MLK") Medical Center Campus in Willowbrook.

AUTHORITY

- Government Code section 25515 et seq. authorizes counties, *by ordinance*, to enter into a lease for the development of public property if the following *required determinations* are made *after public hearing*:
    - That the public benefit of the proposed lease agreement is expected to be greater than the public benefit which would result from the sale of the property;
    - That a reasonable expectation exists that future public need justifies retention of the fee ownership of the property; and
    - The agreement will not interfere with the use or development of any remaining public property.

BACKGROUND

- County is fee owner of property located at the Southwest corner of East 120th and South Wilmington in unincorporated areas of Los Angeles County.
- County previously approved a MLK Medical Center Campus Master Plan and the Willowbrook MLK Wellness Community Vision Medical Center Campus Master Plan, for the development of a 42-acre MLK Medical Center Campus.
- County conducted a solicitation for the development of a medical office building on the MLK Medical Center Campus.
- TC LA Healthcare Development, Inc., a subsidiary of Trammel Crow Company, was selected as the primary developer.

OPTION TO LEASE AGREEMENT

dated _______________, 2017
by and between

THE COUNTY OF LOS ANGELES,
as Optionor,

and

TC LA HEALTHCARE DEVELOPMENT, INC.,
as Optionee

OPTION TO LEASE AGREEMENT

(Martin Luther King, Jr. Medical Center Campus Medical Office Building)

THIS OPTION TO LEASE AGREEMENT (this "**Agreement**") is effective as of this _____ day of ____________, 2017 (the "**Effective Date**"), by and between the COUNTY OF LOS ANGELES ("**County**"), and TC LA HEALTHCARE DEVELOPMENT, INC., a Delaware corporation ("**TCLA**"). County and TCLA are each sometimes referred to individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

A. County is the owner of that certain land and the improvements thereon, located at the southwest corner of East 120th and S. Wilmington, Los Angeles County, California, which land is described on Exhibit A (the "**Premises**").

B. County and TCLA desire to enter into that certain Ground Lease Agreement (Martin Luther King, Jr. Medical Center Campus Medical Office Building), the form of which is attached as Exhibit B (the "**Ground Lease**"), for the Premises, with County as Lessor and TCLA as Lessee.

C. County and TCLA desire that, pursuant to the terms and conditions of the Ground Lease, TCLA demolish certain improvements currently located on the Premises and construct on the Premises an approximately 52,000 square foot medical office building and surface parking with approximately 252 spaces and related driveways, utility improvements, landscaping and hardscaping, as more particularly described in the Ground Lease inclusive of the term "Development Work" contained therein (collectively, the "**Project**").

D. County and TCLA desire to enter into this Agreement pursuant to which County grants to TCLA an option, pursuant to the terms and conditions set forth in this Agreement, to enter into the Ground Lease.

AGREEMENT

NOW THEREFORE, for and in consideration of the mutual covenants and conditions contained herein, the sufficiency of which consideration is acknowledged by the Parties, it is hereby agreed as follows:

1. **Grant of Option; Memorandum Provisions; Quitclaim Deed.**

1.1 Grant of Option. County hereby grants to TCLA, and TCLA hereby accepts, an exclusive option to enter into the Ground Lease on the terms and conditions set forth in this Agreement (the "**Option**").

1.2 Option Period. The term of the Option shall commence on the Effective Date and automatically and uncontestably terminate and be of no further force or effect on Expiration Date (defined in Section 1.3), if not earlier terminated pursuant to the terms of this Agreement (the "**Option Period**"). Notwithstanding the foregoing, the Option cannot be exercised until the date on which each of the Option Conditions (defined in Section 2) have been satisfied (the "**Satisfaction Date**").

1.3 Expiration Date. "**Expiration Date**" means the earlier of: the date that is (a) six (6) months after the Satisfaction Date or (b) three (3) years after the Effective Date (the "**Outside Date**"); provided, however, the Outside Date shall be extended to no later than the date that is five (5) years after the Effective Date pursuant to the terms and conditions of Section 1.3.1.

1.3.1 Automatic Option Period Extensions. If by the Expiration Date, the Satisfaction Date has not occurred as a result of any one or more of the following: Unavoidable Delay (defined in Section 1.3.1(a)), Unreasonable County Activity (defined in Section 1.3.1(b)), failure of TCLA to obtain the Entitlements (defined in Section 2.1), failure of TCLA to have obtained Project Financing (defined in Section 2.2), or failure of County to satisfy the Premises Vacation Condition (defined in Section 2.3) (each an "**Extension Event**"), then the Expiration Date shall be automatically extended to the earlier of: the date that is one hundred twenty (120) days after the resolution and termination of the last continuing Extension Event or the date that is five (5) years after the Effective Date.

(a) "**Unavoidable Delay**" means delays due to fire, earthquake, flood, explosion, action of the elements, war, invasion, insurrection, riot, mob violence, sabotage, inability to procure or general shortage of labor, equipment, facilities, materials or supplies in the open market, failure of transportation, strikes, lockouts, condemnation, provided that the causes of any such delay are beyond the reasonable control or without the fault of the Party claiming an extension of time to perform as a result of such delay (provided, however, that the inability of TCLA to obtain financing shall not be considered an Unavoidable Delay). Notwithstanding the foregoing, in order for either Party to claim an Unavoidable Delay, the Unavoidable Delay must be detailed in a written notice given by the Party claiming such Unavoidable Delay to the other Party within ten (10) Business Days after the Party claiming such Unavoidable Delay obtained actual knowledge of the event giving rise to the claim of Unavoidable Delay, which notice shall, at a minimum, reasonably specify the nature of the event giving rise to the claim of Unavoidable Delay and the date of commencement of the Unavoidable Delay and the delay it caused and (if not ongoing) ended.

(b) "**Unreasonable County Activity**" means any of the following that occur after the Effective Date and prior to the expiration of the Option Period: (i) County's failure to provide required County joinder, if any, as fee title owner of the Premises, in TCLA's submittal to the applicable governmental agency of the Final Plans and Specifications (defined in the Ground Lease) for the Project approved by County in accordance with the Ground Lease; or (ii) County's failure to take such other actions, at no cost or expense to County, in its proprietary capacity, that are reasonably requested by TCLA and which are necessary for TCLA to proceed with the permitting and approval process for the Project, or the taking by County of actions in its proprietary capacity, without TCLA's consent, which are in conflict with TCLA's rights and obligations under this Agreement and actually delay the receipt of the Entitlements; or (iii) County's failure to comply with the time periods imposed upon County under Section 8.4 below, except in the case (if any) where a failure of County to notify TCLA of its approval or disapproval of a matter constitutes County's deemed approval of such matter, or constitutes County's deemed disapproval of such matter and County's disapproval of such matter is authorized under the circumstances. Nothing contained in this Section 1.3.1(b) or the other provisions of this Agreement shall be construed as obliging County to support proposals, issue permits, or otherwise act in a manner inconsistent with County's actions under its regulatory powers. It shall not be Unreasonable County Activity if County fails to accelerate County's customary regulatory permit or approval process. No action or inaction shall constitute Unreasonable County Activity unless and until all of the following procedures and requirements have been satisfied:

1) within a reasonable time under the circumstances, TCLA must notify County in writing of the specific conduct comprising the alleged Unreasonable County Activity, and the next opportunity, if any, for County to rectify such alleged conduct. If TCLA fails to notify County in writing as specified in the immediately preceding sentence within five (5) days following TCLA's discovery of the alleged Unreasonable County Activity, then notwithstanding any contrary provision of this Section 1.3.1(b), in no event shall TCLA be entitled to any extension of the Option Period for any period of the delay under this Section 1.3.1 that occurred prior to the date of TCLA's notice described in this clause (i).

2) Within ten (10) Business Days following receipt of the notice alleging Unreasonable County Activity, authorized representatives of County shall meet with authorized representatives of TCLA in order to determine whether Unreasonable County Activity has occurred and, if so, how such Unreasonable County Activity can be rectified and the duration of the delay caused by such Unreasonable County Activity. If County determines that Unreasonable County Activity has occurred and that County can and will take rectifying action, then the amount of delay under this Section 1.3.1 for the Unreasonable County Activity shall equal the actual amount of delay in the receipt of the Entitlements directly caused by the Unreasonable County Activity. If County determines that Unreasonable County Activity has occurred, but that County cannot take rectifying action (or if the proposed rectifying action will not produce the results desired by TCLA), then TCLA and County shall establish the length of the delay in the receipt of the Entitlements likely to be caused by the Unreasonable County Activity.

(c) Entitlement Condition Notice. If TCLA reasonably expects that it will not receive the Entitlements prior to the Outside Date, TCLA shall provide County written notice at least forty-five (45) days prior to the Outside Date setting forth in reasonable detail the required Entitlements that have not yet been received, an explanation for the delay, a commercially reasonable plan for obtaining the Entitlements, and the date on which the Entitlements are expected to be obtained.

(d) Project Financing Condition Notice. If TCLA reasonably expects that it will not obtain the Project Financing prior to the Outside Date, TCLA shall provide County written notice at least thirty (30) days prior to the Outside Date setting forth in reasonable detail the reasons why the Project Financing has not been obtained, a commercially reasonable plan for obtaining the Project Financing, and the date on which the Project Financing is expected to be obtained.

(e) Premises Vacation Condition Notice. If County reasonably expects that it will not satisfy the Premises Vacation Condition prior to the Outside Date, County shall provide TCLA written notice at least forty-five (45) days prior to the Outside Date setting forth in reasonable detail the reasons why the Premises Vacation Condition has not been satisfied and the date on which the Premises Vacation Condition is expected to be satisfied.

1.3.2 Contest Option Period Extensions. If the Option Conditions (defined in Section 2) are not satisfied by the Expiration Date, and TCLA's inability to satisfy the Option Conditions is caused by (a) a moratorium, temporary restraining order, injunction or other court order which prohibits the issuance of the Entitlements for the Project, or (b) after the issuance of the Entitlements, the continued pendency of an appeal, proceeding or litigation (including all appeals of such litigation) brought by a third party unaffiliated with TCLA that contests the issuance of the Entitlements, then as long as there is not an uncured TCLA Default under this Agreement, the Expiration Date shall be extended until one hundred twenty (120) days following the cessation of such moratorium, temporary restraining order, injunction or other court order, or the denial, dismissal or other resolution in favor of the issuance of the Entitlements, of such appeal, proceeding or litigation that contested the issuance of the Entitlements, as applicable; provided, however, that the Expiration Date shall in no event be extended pursuant to this Section 1.3.2 beyond the fifth (5^{th}) anniversary of the Effective Date.

1.4 Establishment of Escrow; Memorandum of Option. Within five (5) Business Days after the Effective Date, County shall sign and acknowledge a Memorandum of Option, in the form attached hereto as Exhibit C (the "**Memorandum of Option**"). TCLA shall open an escrow (the "**Escrow**") with Escrow Holder (defined below in this Section 1.4) by depositing this Agreement, an originally signed and acknowledged Memorandum of Option, and an originally signed and acknowledged Quitclaim Deed (defined in Section 1.5) with Escrow Holder. Escrow Holder shall be authorized to record the Memorandum of Option in the Official Records of Los Angeles County (the "**Official Records**") immediately following receipt. As used herein, the terms "**Escrow Holder**" and "**Title Company**" shall each mean Chicago Title Company at the address provided in Section 12.1.

1.5 Quitclaim Deed. TCLA shall sign and acknowledge a Quitclaim Deed in the form attached hereto as Exhibit D (the "**Quitclaim Deed**"), with all blanks accurately completed, and shall deposit the original, signed and acknowledged Quitclaim Deed into the Escrow concurrently with the deposit of the Memorandum of Option with Escrow Holder in accordance with Section 1.4. Upon the failure of TCLA to exercise the Option in accordance with this Agreement, or if the Option or this Agreement shall terminate in accordance with the provisions herein, or if TCLA shall exercise the Option but default in the closing obligation created as a result of such exercise, subject to the terms of this Section 1.4, County shall be entitled to instruct Escrow Holder to record the Quitclaim Deed together with any other instruments necessary to expunge the Memorandum of Option from the Official Records; provided, however, that County shall first deliver to TCLA at least five (5) days' prior written notice of its intention to authorize Escrow Holder to record the Quitclaim Deed.

2. **Option Conditions**. In addition to any other conditions set forth in this Agreement, the exercise by TCLA of the Option shall be subject to the satisfaction of each of the following four (4) conditions (collectively, the "**Option Conditions**") set forth in Sections 2.1, 2.2, 2.3, and 2.4. Each Party shall use its commercially reasonable efforts to satisfy the Option Conditions before the date that is three (3) years after the Effective Date.

2.1 Entitlement Condition. TCLA shall have received all discretionary planning and zoning land use entitlements and approvals required to be obtained from governmental authorities (including County) for the construction of the Project (collectively, the "**Entitlements**"), and both (a) the Entitlements shall not be subject to further appeal, and (b) there shall be no proceeding or litigation pending to appeal the issuance of the Entitlements, or to enjoin or restrain the performance of the Project (not including any proceeding or litigation brought by or on behalf of TCLA or any direct or indirect partner, shareholder or member of, or any other person or entity affiliated with, or otherwise directly or indirectly having an ownership interest in, TCLA), or if such a proceeding or litigation has been pending, then a dismissal, decision or judgment shall not be subject to further appeal; and

2.2 Project Financing Condition. TCLA shall have obtained Project Financing (as defined below in this Section 2.2) for the Project (the "**Project Financing Condition**"). For purposes of this Agreement, "**Project Financing**" means a construction loan from an institutional lender or lenders, which construction loan shall be at an interest rate and on other terms that are commercially reasonable, in amounts that when combined with TCLA's or, if TCLA assigns this Agreement pursuant to Section 12.3, TCLA's assignee's, equity of at least twenty percent (20%) of the total estimated cost to complete the Project (or such lesser amount as may be approved by County in its reasonable discretion) is reasonably expected to provide sufficient funds to complete the Project, all as approved by County in accordance with the terms and provisions of Section 12.1 of the form of Ground Lease, which approval shall not be unreasonably withheld, conditioned or delayed. If TCLA or, if TCLA assigns this Agreement pursuant to Section 12.3, TCLA's assignee, desires to fund the cost of the Project entirely from such party's equity, then upon demonstration by TCLA or such assignee to the reasonable satisfaction of County of the availability of adequate equity funds, TCLA or such assignee, as applicable, shall be considered to have satisfied the Project Financing Condition.

2.3 Premises Vacation Condition. County shall have caused the (a) termination of the lease for the childcare center located in the existing occupiable structure (the "**Existing Building**") on the Premises and shall have recovered possession of the Existing Building from the tenant(s) and other users under the lease for the child care center and the Existing Building shall be vacant and free of any tenant, occupant, licensee, or user other than County, (b) the release and/or waiver of any other agreements in effect as of the Effective Date allowing occupancy or use of the parking lot located on the Premises, and (c) notified TCLA in writing that the conditions set forth in (a) and (b) above have been satisfied and that the only occupancy or usage of the Premises by any party other than County is pursuant to (i) one or more Option Period Parking Licenses (defined in Section 7.3) or (ii) commensurate with the use or occupancy under the Access Agreement, defined in Section 2.4) of the Premises, and all such occupancy or usage under (i) above can and will be terminated within thirty (30) days after County's receipt of the Option Exercise Notice (defined in Section 9.1.1) (collectively, the "**Premises Vacation Condition**").

2.4 Access Easement Condition. TCLA and County shall have agreed in each Party's reasonable discretion to the terms and conditions of an easement agreement (the "**Access Easement**") providing (a) vehicular and pedestrian access, across a portion of the Premises reasonably determined by the Parties to be used solely as a drive-aisle, between (i) the multi-level parking structure adjacent to the Premises on its western boundary (the "**Adjacent Structure**") and (ii) 120th Street, and (b) reasonable access across certain portions of the Premises reasonably determined by the Parties to the Adjacent Structure for purposes of repair, maintenance, demolition, and replacement of the Adjacent Structure.

3. **Option Payment**. By not later than 5:00 p.m. (California Time) on the second (2nd) Business Day following the Effective Date, TCLA shall pay to County, by wire transfer per the wire instructions set forth on Exhibit E attached hereto, the sum of One Hundred Dollars ($100.00) (the "**Option Payment**"). The Option Payment is nonrefundable to TCLA except as expressly provided to the contrary in this Agreement. County and TCLA acknowledge and agree that the Option Payment is being paid in consideration for County maintaining its grant to TCLA of the Option for the duration of the Option Period.

4. **Escrow.**

4.1 Duties of Escrow Holder. The duties of Escrow Holder shall be as follows: (a) retain and safely keep all funds, documents and instruments deposited with it pursuant to this Agreement; (b) upon the Close of Escrow (defined in Section 9.8.1), deliver to the parties entitled thereto all documents and instruments to be delivered through Escrow pursuant to this Agreement; and (c) comply with the terms of this Agreement which specifically apply to Escrow Holder and comply with the terms of any additional instructions jointly executed by TCLA and County. The Parties shall execute, deliver and be bound by any reasonable and customary supplemental escrow instructions of Escrow Holder or other instruments as may reasonably be required by Escrow Holder in order to close Escrow as contemplated by this Agreement. As between the Parties, if there is a conflict between any such supplemental escrow instructions or other instruments and this Agreement, this Agreement shall control.

4.2 Reporting. To the extent the transactions of this Agreement involve a real estate transaction within the purview of Section 6045 of the Internal Revenue Code of 1986 (the "**IRC**"), Escrow Holder shall have sole responsibility to comply with the requirements of Section 6045 of the IRC (and any similar requirements imposed by state or local law), which in part requires Escrow Holder to report real estate transactions closing after December 31, 1986 by, among other things, preparing and causing to be filed Internal Revenue Service Form 1099-B and any applicable additional statements in connection therewith. Escrow Holder shall hold TCLA, County and their counsel free and harmless from and against any and all liability, claims, demands, damages and costs (including, without limitation, reasonable attorneys' fees and expenses) arising or resulting from the failure or refusal of Escrow Holder to comply with such reporting requirements.

5. **Title and Survey; Access.**

5.1 Title Order. During the Option Period, TCLA shall obtain from the Title Company, at its sole cost and expense, and provided to County a copy of, a preliminary report with respect to the Premises, together with copies of all exceptions and matters referred to therein ("**Preliminary Report**").

5.2 Survey. During the Option Period, TCLA shall obtain, at its sole cost and expense, an ALTA survey of the Premises, prepared by a surveyor or civil engineer selected by TCLA and licensed in the State of California (the "**Survey**"). The Survey shall be certified to TCLA, County and the Title Company and such other persons as TCLA may direct.

5.3 Leasehold Title Policy. If TCLA timely and properly exercises the Option, TCLA shall obtain from Title Company an extended coverage ALTA policy of title insurance with leasehold endorsements and any other endorsements required by TCLA in its reasonable discretion (the "**Leasehold Title Policy**") with liability in an amount to be specified by TCLA upon exercise of the Option (which such amount shall be subject to the reasonable approval of County), covering the Premises and showing leasehold title to the Premises vested in TCLA, subject only to the following (collectively, the "**Permitted Exceptions**"): (i) all prior encumbrances, reservations, licenses, easements and rights of way existing as of the Effective Date; (ii) the lien of all ad valorem real estate taxes and assessments not yet due and payable as of the date of Closing (if any), subject to adjustment as herein provided; (iii) local, state and federal laws, ordinances or governmental regulations, including but not limited to, building and zoning laws, ordinances and regulations, now or hereafter in effect relating to the Premises; (iv) such state of facts as may be shown on the final Survey obtained by TCLA as provided above in Section 5.2 above; and (v) such other exceptions as may be reasonably approved by County and TCLA in writing prior to the issuance of the Leasehold Title Policy. Notwithstanding the foregoing, County agrees to cooperate with TCLA, at TCLA's cost, in TCLA's efforts to address title matters, if any, that would prevent TCLA from proceeding with the development of the Premises in accordance with the Project, as long as such efforts do not materially adversely affect County (e.g., cooperating with TCLA in the relocation at TCLA's cost of any easements or reservations that interfere with the Project, to the extent such relocation is reasonably acceptable to County). This Section 5.3 is intended to address only title matters that arise in connection with the voluntary exercise by County of its proprietary rights as owner of the Premises, and this Section 5.3 shall not pertain to zoning, entitlement, land use or other matters involuntarily imposed against the Premises or imposed against the Premises by County in its governmental or regulatory capacity.

5.4 TCLA Access. TCLA and its agents and consultants shall have access to the Premises during the Option Term on the terms and conditions set forth in that certain Right of Entry Permit of even date herewith by and between County and TCLA.

5.5 Copies of Premises Information. In the event of termination of this Agreement, TCLA shall promptly return to County all due diligence materials delivered by County with respect to the Premises to TCLA and shall provide copies to County of all non-proprietary reports and studies prepared by third parties for TCLA with respect to the Premises, at no cost to County, but without representation or warranty as to the quality, accuracy or completeness of any of such materials.

6. **COUNTY'S REPRESENTATIONS AND WARRANTIES**.

6.1 Representations and Warranties. County represents and warrants to TCLA as follows:

6.1.1 Authority. County has the power and authority to enter into and perform all of County's obligations pursuant to this Agreement, and to lease the Premises on the terms and conditions set forth in the Ground Lease. No consent of any third party is required in order for County to perform any of its obligations hereunder, other than any consent that has been obtained prior to or concurrently with the execution of this Agreement by County.

6.1.2 No Conflict. This Agreement and County's lease of the Premises pursuant to the Ground Lease do not violate any material terms or provisions of any contract to which County is a party.

6.1.3 Threatened Actions. There are no actions, suits, arbitrations, claims or proceedings, at law, in equity or otherwise, pending or threatened in written notice to County that would adversely affect County's ability to perform its obligations under this Agreement or the Ground Lease.

6.2 Representations and Warranties of County at Close of Escrow. Subject to the provisions of Section 6.3 below, the representations and warranties of County set forth in this Agreement shall be deemed to be remade and restated by County upon execution of the Ground Lease.

6.3 Material Change. County shall, promptly upon obtaining knowledge of any such occurrence, notify TCLA of any material change in any condition with respect to the Premises or of any event or circumstance which makes any representation or warranty of County to TCLA under this Agreement materially untrue or misleading (a "**Materially Changed Condition**"). If County notifies TCLA of any Materially Changed Condition, TCLA shall have ten (10) Business Days following receipt of written notice from County of such Materially Changed Condition to review the events and circumstances giving rise to such Materially Changed Condition and, if such ten (10) Business Day period extends past the expiration of the Option Period, then the Option Period shall be extended for the number of days required to afford TCLA such ten (10) Business Day review period. If TCLA disapproves the Materially Changed Condition (as determined in TCLA's sole and absolute discretion), then TCLA shall deliver a written notice to County of such disapproval, and County will have ten (10) Business Days to attempt to cure such Materially Changed Condition. If County fails to effectuate a cure within such ten (10) Business Day period, then TCLA may terminate this Agreement. If TCLA does not elect to terminate this Agreement and elects rather to exercise the Option, then (a) TCLA shall be deemed to have accepted leasehold title to and possession of the Premises subject to the Materially Changed Condition and (b) the representations and warranties set forth herein, which are to be remade and reaffirmed by County at the Close of Escrow, shall be made subject to such new information, and the same shall not be deemed a breach of County's representation or warranty. County shall be deemed to have obtained knowledge of any such occurrence when _____________ (or any successor ______________ of County) has obtained actual knowledge of the same.

7. **COVENANTS OF COUNTY.**

7.1 Service Agreements. Prior to the Close of Escrow, County shall terminate all service contracts outstanding that relate to the Premises, if any, unless otherwise requested by TCLA.

7.2 Maintenance. During the Option Period, County shall operate, manage, maintain and repair the Premises consistent with County's existing business practices.

7.3 No Transfers; Preservation of Title. After the Effective Date and during the Option Period, County shall not take any action (or fail to take any action) that would result in a material adverse change to the condition of title to the Premises existing upon the Effective Date (other than the imposition of new encumbrances for then current, non-delinquent taxes and assessments), nor shall County alienate, lien, encumber or otherwise transfer all or any portion of or interest in the Premises. Notwithstanding the foregoing provisions of this Section 7.3, during the Option Period, County shall be permitted to enter into short-term license agreements with third-parties to use all or any portion of the Premises (other than the Existing Building) currently improved as a parking lot for vehicular parking purposes, so long as such license agreements are terminable by County, without penalty, on not more than thirty (30) days' notice ("**Option Period Parking Licenses**").

7.4 Financing Liens. County shall not create any deeds of trust, mortgages or financing statements encumbering all or any portion of the Premises prior to expiration of the Option Period that will survive the Close of Escrow.

7.5 County Cooperation. In its proprietary capacity, County shall cooperate with and assist TCLA, to the extent reasonably requested by TCLA, in TCLA's efforts to obtain the Entitlements. Such cooperative efforts may include County's joinder in any application for the Entitlements, where joinder therein by County is required or helpful; provided, however, that TCLA shall reimburse County for the Actual Cost (as defined in the Ground Lease) incurred by County in connection with such joinder or cooperative efforts. Notwithstanding the foregoing, TCLA and County acknowledge that the approvals given by County under this Agreement and/or the Ground Lease shall be approvals pursuant to its authority under Section 25536 or 25907 of the California Government Code and given in its proprietary capacity; that approvals given under this Agreement and/or the Ground Lease in no way release TCLA from obtaining, at TCLA's expense, all permits, licenses and other approvals required by law for the construction of the Project and operation and other use of the Premises, and that County's duty to cooperate and County's approvals under this Agreement and/or the Ground Lease do not in any way modify or limit the exercise of County's governmental functions or decisions as distinct from its proprietary functions pursuant to this Agreement and/or the Ground Lease.

7.6 Free of Tenancies. County shall cause the termination of any leases currently outstanding that relate to or cover any portion of the Premises, including, without limitation, all Option Period Parking Licenses, cause the termination of the access rights of any tenants, subtenants, licensees, concessionaires or employees to any buildings and all other improvements occupied by such persons on the Premises, including, without limitation, the rights of any tenants, subtenants, employees or users of the childcare center located on the Premises as of the Effective Date, and the rights of any person to park on any portion of the

Premises, and shall otherwise recover exclusive possession of the Premises (other than as set forth in the Access Easement).

7.7 Notice of Termination of Childcare Center Lease. Within sixty (60) days after the Effective Date, County shall provide notice to the tenant(s) under the lease for the child care center located on the Premises as of the Effective Date that County is terminating such lease. Upon TCLA's written request, County shall provide TCLA with a written status update of County's efforts to terminate such lease for the child care center.

8. **TCLA'S COVENANTS, REPRESENTATIONS AND WARRANTIES**.

8.1 Representations and Warranties. TCLA hereby represents, warrants, and acknowledges to County and covenants with County as follows:

8.1.1 Organization. TCLA is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. "**Affiliate**" means, with respect to a specified person or entity, any person or entity that directly or indirectly controls, is controlled by, or is under common control with, such specified person or entity. As used in the foregoing definition, the term "**control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.

8.1.2 Authority. TCLA has the power and authority to enter into and perform all of TCLA's obligations pursuant to this Agreement, and to lease the Premises on the terms and conditions set forth in the Ground Lease. No consent of any third party is required in order for TCLA to perform any of its obligations hereunder, other than any consent that has been obtained prior to or concurrently with the execution of this Agreement by TCLA.

8.1.3 No Conflict. This Agreement and TCLA's lease of the Premises pursuant to the Ground Lease do not violate any material terms or provisions of any contract to which TCLA is a party.

8.1.4 Threatened Actions. There are no pending, and to TCLA's knowledge no threatened in written notice to TCLA, actions, suits, arbitrations, claims or proceedings, at law, in equity or otherwise, that would adversely affect TCLA's ability to perform its obligations under this Agreement or the Ground Lease.

8.2 Representations and Warranties of TCLA at Close of Escrow. The representations and warranties of TCLA set forth in this Agreement shall be deemed to be remade and restated by TCLA upon execution of the Ground Lease.

8.3 Entitlements Covenant. During the Option Period, TCLA shall use its diligent efforts to satisfy the Option Conditions as soon as possible. Such efforts shall include TCLA's expenditure of such funds, including, without limitation, application fees, travel costs, architectural fees and consulting and lobbying fees, as reasonably necessary to expedite the permit, license and other approval processes.

8.4 Plans and Specifications for Project. The Project shall be constructed by TCLA in accordance with and subject to the terms and provisions of Article 5 of the Ground Lease. The requirements of Article 5 of the Ground Lease include, without limitation, the obligation of TCLA to prepare and submit to County for County's approval certain plans, specifications, construction cost estimates and other materials pertaining to the Project, as set forth in more detail in Section 5.1 of the Ground Lease. The schedule for the preparation, submittal and approval of such plans, specifications, construction cost estimates and other materials shall generally proceed in accordance with the terms and provisions of the Ground Lease. Notwithstanding the foregoing, during the period commencing on the Effective Date and expiring on the earlier of TCLA's exercise of the Option or the Expiration Date, TCLA shall prepare and submit to County for County's approval, any portions of the plans, specifications and other materials described in Section 5.1 of the Ground Lease that are required to be submitted to governmental authorities (including County) in connection with TCLA's applications for and/or receipt of the Entitlements for the Project. TCLA shall accompany such plans, specifications and other materials with the construction cost estimates described in such Section 5.1, as applicable. The standards and time periods for County's review and approval of the materials submitted by TCLA pursuant to this Section 8.4 shall be in accordance with the terms and provisions of Section 5.1 of the Ground Lease, which terms and provisions are hereby incorporated into this Agreement by reference. Such plans, specifications and other materials shall be prepared and submitted to County by TCLA in accordance with a schedule which shall facilitate TCLA's satisfaction of all conditions precedent to the exercise of the Option not later than the Expiration Date. In addition to the plans, specifications and materials required to be submitted by TCLA to County pursuant to this Section 8.4, TCLA shall have the right, at its election, to deliver to County, for County's approval, additional plans, specifications and materials pertaining to the Project. County shall notify TCLA of its approval or disapproval of such additional plans, specifications and materials within the time frames and in accordance with the requirements of Section 5.1 of the Ground Lease.

8.5 "AS-IS"; RELEASE. TCLA acknowledges and agrees that TCLA is experienced in the leasing and development of land similar to the Premises and TCLA has inspected or will, prior to the Close of Escrow, inspect to its satisfaction (a) the Premises, and (b) all due diligence information with respect to the Premises, and that TCLA and/or or its representatives are qualified to make such inspections. Except as expressly provided in this Agreement, TCLA acknowledges that it is fully relying on TCLA's inspections of the Premises and the due diligence information obtained by TCLA with respect to the Premises, and not upon any statements (oral or written) which may have been made or may be made (or purportedly made) by County, or any of its representatives or consultants, unless such written statements are set forth in this Agreement. Subject to the foregoing, TCLA's exercise of the Option shall evidence TCLA's agreement to accept the Premises as of the Close of Escrow in their "AS IS, WHERE IS" condition and with all faults, and without representations and warranties of any kind, express or implied, or arising by operation of law, except as expressly set forth in this Agreement, and further agrees that County has no obligation to make repairs, replacements or improvements to the Premises. Subject to the express covenants, representations and warranties of County in this Agreement and/or in the Ground Lease, TCLA releases County and its members, officers, directors, trustees, beneficiaries, partners, employees and their respective heirs, successors, representatives, agents and assigns (collectively, the "**County Parties**") from, and waives any and all liability, claims, demands, damages and costs (including, without limitation, reasonable attorneys' fees and expenses) of any and every kind or character, known or unknown, for or attributable to, any latent or patent issue or condition at the Premises, including without limitation, claims, liabilities and contribution rights relating to the presence, discovery or removal of any Hazardous Substances in, at, about or under the Premises, or for, connected with or arising out of any and all claims or causes of action based thereon. It is the intention of the parties that the foregoing release shall be effective with respect to all matters, past and present, known and unknown, suspected and unsuspected. TCLA realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to losses, damages, liabilities, costs and expenses which are presently unknown, unanticipated and unsuspected, and TCLA further agrees that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that TCLA nevertheless hereby intends to release, discharge and acquit County and the County Parties from any such unknown losses, damages, liabilities, costs and expenses. In furtherance of this intention, TCLA hereby expressly waives any and all rights and benefits conferred upon it by the provisions of California Civil Code Section 1542, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

TCLA acknowledges that the foregoing acknowledgments, releases and waivers including, without limitation, the waiver of the provisions of California Civil Code Section 1542 were expressly bargained for. The provisions of this <u>Section 8.5</u> shall survive the Close of Escrow and the Ground Lease.

____
TCLA Initials

9. **<u>EXERCISE OF OPTION.</u>**

9.1 <u>Exercise Notice</u>. No later than 5:00 p.m. (California time) on the Expiration Date, TCLA shall exercise the Option by delivering the following (the "**Exercise Deliveries**") to Escrow Holder, with a copy to County (the date on which all of the Exercise Deliveries are made shall be the "**Exercise Date**"):

9.1.1 one (1) original Option Exercise Notice in the form attached hereto as <u>Exhibit F</u> (the "**Option Exercise Notice**"), executed by TCLA, with all blanks completed;

9.1.2 three (3) originals of the Ground Lease, each executed in counterpart by TCLA as "Lessee" with all exhibits and blanks (other than the date thereof) completed;

9.1.3 two (2) originals of the Memorandum of Lease in the form attached hereto as <u>Exhibit G</u> (the "**Memorandum of Lease**"), each executed by TCLA as "Lessee" and notarized, with all exhibits and blanks (other than the date thereof) completed;

9.1.4 two (2) originals of the Access Easement, each executed by TCLA as "Lessee" and notarized, with all exhibits and blanks (other than the date thereof) completed; and

9.1.5 immediately good funds in an amount equal to the first installment of "Monthly Rent" (as defined in the Ground Lease) payable under the Ground Lease.

9.2 Preparation for Closing of Option Exercise. No later than five (5) Business Days following the Exercise Date, Escrow Holder shall perform the following:

9.2.1 Promptly prepare and submit to County and TCLA an estimated closing statement identifying all of the following: (a) escrow fees and costs for the "Close of Escrow" as defined below; (b) title charges for the Leasehold Title Policy; and (c) proration, as of the estimated Closing Date, of all current general and special real property taxes and assessments for the Premises previously paid or payable for the current fiscal tax period; and

9.2.2 Update the Preliminary Report, and identify to County and TCLA any further documents, funds or instruments required to issue the Leasehold Title Policy.

9.3 Review and Approval of Exercise Deliveries. County shall have five (5) Business Days following the Exercise Date to review the blanks appearing in the forms of Ground Lease, Memorandum of Lease and Access Easement attached hereto that have been completed by TCLA, to confirm that they are consistent with the requirements of this Agreement, and shall notify TCLA and Escrow Holder in writing ("**County Notice**") of either (a) County's approval of the Exercise Deliveries, as presented by TCLA; or (b) any revisions to any of the Exercise Deliveries that County believes are required to conform such instruments to the terms of this Agreement. In the event County believes that the Exercise Deliveries fail to conform to the requirements of this Agreement, then County's Notice shall so state and identify the specific revisions which County believes are required for its approval. Otherwise, the County Notice shall confirm County's approval of the form of the Exercise Deliveries. In the event the County Notice requests revisions, County and TCLA shall negotiate in good faith to determine whether such revisions should be included in whole or in part, within fifteen (15) Business Days following the Exercise Date, and shall confirm in writing any changes to be made to the Exercise Deliveries upon such resolution, which writing (or an County Notice approving the Exercise Deliveries without change) is referred to herein as the "**Approval Notice**." All references in this Agreement to "Ground Lease" "Memorandum of Lease," and "Access Easement," after delivery of the Approval Notice shall refer to the form of such instruments identified in the Approval Notice.

9.4 County Closing Deliveries. County shall deliver to Escrow Holder, within five (5) Business Days following delivery of the Approval Notice, all of the following, each duly executed by County, and if applicable, acknowledged:

9.4.1 three (3) original counterparts of the Ground Lease;

9.4.2 two (2) original counterparts of the Memorandum of Lease;

9.4.3 two (2) original counterparts of the Access Easement;

9.4.4 one (1) Certificate of Non-Foreign Status in the form of Exhibit H attached hereto, originally executed by County;

9.4.5 any additional documents or instruments required from County to issue the Leasehold Title Policy; and

9.4.6 County's written approval of the estimated closing statement.

9.5 Additional TCLA Closing Deliveries. If not sooner delivered, TCLA shall deliver to Escrow Holder, within five (5) Business Days after delivery of the Approval Notice, all of the following, each duly executed by TCLA, and if applicable, acknowledged:

9.5.1 three (3) original counterparts of the Ground Lease, two (2) original counterparts of the Memorandum of Lease and/or two (2) original counterparts of the Access Easement, if and to the extent revised in the Approval Notice, which revised instruments, if any, shall replace those delivered on the Exercise Date;

9.5.2 such evidence of TCLA's authority as the Title Company may reasonably require; and

9.5.3 TCLA's approval of the estimated closing statement.

In addition to the foregoing, at least one (1) Business Day before the Closing Date, TCLA shall deposit or cause to be deposited such amounts as are required to be paid by TCLA under Section 9.8.2.

9.6 Deliveries Outside of Escrow. County and TCLA shall each deliver to the other outside of Escrow such items as are necessary to consummate the Ground Lease of the Premises pursuant to this Agreement and the terms and provisions of the Ground Lease.

9.7 Closing of Option Exercise. Upon receipt of the deliveries described in Sections 9.4 and 9.5 above, Escrow Holder shall perform the following:

9.7.1 Assemble three (3) fully executed originals of the Ground Lease, two (2) fully executed originals of the Memorandum of Lease and two (2) fully executed originals of the Access Easement, and date each of the executed originals of the Ground Lease, the Memorandum of Lease and the Access Easement as of the date the Memorandum of Lease and the Access Easement are submitted for recording;

9.7.2 When Escrow Holder is in receipt of the Title Company's commitment to issue to TCLA the Leasehold Title Policy in accordance with this Agreement, Escrow Holder shall record the Memorandum of Lease and the Access Easement, in that order, in the Official Records;

9.7.3 Deliver one (1) fully executed original of the Ground Lease, a conformed copy of the recorded Memorandum of Lease, a conformed copy of the recorded Access Easement, and the unrecorded originally executed Quitclaim Deed to TCLA;

9.7.4 Deliver one (1) fully executed original of the Ground Lease, a conformed copies of the recorded Memorandum of Lease, and a conformed copy of the recorded Access Easement to County; and

9.7.5 Deliver to County the first installment of Monthly Rent deposited by TCLA.

9.8 Close of Escrow and Closing Costs.

9.8.1 The term "**Close of Escrow**" as used in this Agreement shall mean the recordation in the Official Records of the Memorandum of Lease and the Access Easement, and the completion of the deliveries by Escrow Holder described in Section 9.7 above, which shall occur at a time and on a date mutually acceptable to TCLA and County, but in no event later than 10:00 a.m., California time, on the date which is the later to occur of (a) ten (10) Business Days after delivery of the Approval Notice or (b) thirty (30) days following the Effective Date, unless extended by mutual written agreement of County and TCLA. The date on which the Close of Escrow shall occur is referred to as the "**Closing Date**." The Close of Escrow shall occur through Escrow as herein provided.

9.8.2 The cost of the Leasehold Title Policy and the cost of any endorsements to the Leasehold Title Policy shall be paid by TCLA. The escrow fee and any other fees and charges of Escrow Holder, the documentary and other transfer taxes, and all recording charges payable in connection with the recordation of the Memorandum of Lease and the Access Easement shall be paid by TCLA. TCLA shall further pay the Escrow Holder's customary charges to both landlords and tenants under long-term ground leases for document drafting and miscellaneous charges. Notwithstanding anything contained in this Section 8.8.2 to the contrary, (a) if this Agreement is terminated on account of the default by any Party, then the defaulting Party shall pay any cancellation or termination fees chargeable by Escrow Holder or the Title Company; (b) if this Agreement is terminated by TCLA pursuant to any provision of this Agreement giving TCLA the right to terminate, other than County's default, TCLA shall pay any cancellation or termination fees chargeable by the Escrow Holder or Title Company; and (c) if this Agreement is terminated by County pursuant to any provision of this Agreement giving County the right to terminate, other than TCLA's default, County shall pay any cancellation or termination fees chargeable by the Escrow Holder or Title Company. TCLA shall also pay all title, escrow, recording and other fees and costs in connection with any loan being funded to TCLA for construction of the Project. This Section 9.8.2 shall survive any termination of this Agreement.

9.9 Prorations and Deposits. The following shall be apportioned as of 12:01 a.m. (California time) on the Closing Date (with TCLA being deemed to own the Premises for the entire day of the Closing Date), with the TCLA and County being credited or charged, as the case may be, as follows:

9.9.1 Deposits. At the Close of Escrow, County shall be entitled to receive and retain (but shall not receive a credit or other payment from TCLA) for all refundable cash or other deposits posted with utility companies serving the Premises, if any.

9.9.2 Utility Charges. County shall use reasonable efforts to cause any applicable utility meters with respect to the Premises to be read on the day prior to the Closing Date, and will be responsible for the cost of any utilities used through the Close of Escrow. If the meters are not read, as herein set forth, such cost shall be prorated as of the Closing Date.

9.9.3 Impositions. All real property taxes, real property assessments, and all taxes, fees or excises, however described, as a direct substitution in whole or in part for, in lieu of or in addition to, any real property taxes, imposed by the State of California or any political subdivision thereof, which are or have been assessed or imposed on the Premises or any interest therein (collectively, "**Impositions**"), shall be prorated on the basis that County is responsible for (a) all such Impositions for the fiscal year of the applicable taxing authorities occurring before the fiscal year of the applicable taxing authority during which the Closing Date occurs (the "**Current Tax Period**"), and (b) that portion of the Impositions for the Current Tax Period determined on the basis of the number of days which have elapsed from the first day of the Current Tax Period to the Closing Date, including, whether or not the same shall be payable before the Closing Date. If, as of the Closing Date, the actual tax bills for the year or years in question are not available and the amount of such Impositions to be prorated cannot be ascertained, then rates and assessed valuation of the previous year, with known changes, shall be used, and when the actual amount of Impositions for the year or years in question shall be determinable, then such Impositions will be re-prorated between the Parties to reflect the actual amount of such Impositions.

9.9.4 Other Apportionments. Any other recurring costs and any other revenues attributable to the Premises shall be apportioned as of the Closing Date.

9.9.5 Preliminary Closing Adjustments. County and TCLA shall jointly prepare and approve a preliminary closing adjustment on the basis of the applicable sources of income and expenses, and shall deliver such computation to Escrow Holder prior to the Close of Escrow.

9.9.6 Post-Closing Reconciliation. If any of the aforesaid prorations cannot be definitely calculated on the Closing Date, then they shall be estimated as of the Closing Date and definitely calculated as soon after the Closing Date as feasible. As soon as the necessary information is available, TCLA and County shall conduct a post-closing review to determine the accuracy of all prorations. Either Party owing the other Party a sum of money based on such subsequent proration(s) or post-closing review shall promptly pay said sum to the other Party, together with interest thereon at the lesser of two percent (2%) over the "prime rate" (as announced from time to time in *The Wall Street Journal*) per annum or the maximum rate allowed by law, from the date of demand to the date of payment, if payment is not made within ten (10) days after delivery of a written demand therefor, together with documentation to support such demand. The provisions of this Section 9.9.6 shall survive the Close of Escrow for a period of nine (9) months.

10. TERMINATION OF OPTION.

10.1 Automatic Termination. The Option shall automatically terminate under any of the following circumstances: (a) if County has not received the Option Payment within three (3) Business Days after the date such payment is due under this Agreement or (b) if TCLA has not timely exercised the Option by the Expiration Date in accordance with Section 9.1.

10.2 TCLA's Termination Rights after Exercise of Option. Notwithstanding any provision of this Agreement to the contrary, TCLA may, provided TCLA is not then in default of its obligations hereunder, terminate this Agreement during the period from the Exercise Date until the Close of Escrow if any of the following conditions for TCLA's benefit are not either fully performed, satisfied or waived in writing on or before the dates designated below for the satisfaction of such conditions:

10.2.1 Performance by County. County shall have performed, observed and complied with all material covenants, agreements and conditions required by this Agreement to be performed, observed and complied with by County prior to or as of the Close of Escrow;

10.2.2 Title Condition. The Title Company must be prepared to issue on the Close of Escrow, upon payment of its regularly scheduled premium therefor, the Leasehold Title Policy, subject only to Permitted Exceptions; and

10.2.3 County's Representations and Warranties. County's representations and warranties in Section 6.1 hereof shall be true and correct as of the Close of Escrow in all material respects.

If any one or more of the conditions to TCLA's obligations as set forth herein are not either fully performed, satisfied or waived in writing on or before the respective dates designated herein for the satisfaction of such condition, then TCLA may elect, by written notice to County and Escrow Holder, to terminate this Agreement, each party shall bear one-half (1/2) of all Escrow cancellation and similar fees (except to the extent expressly provided in this Agreement to the contrary), and the parties shall have no further rights or obligations under this Agreement, except for any obligations that specifically state that they survive any termination of this Agreement. Nothing in this Section shall be construed to limit any of TCLA's rights or remedies in the event of a default by County hereunder.

10.3 County's Termination Rights after Exercise of Option. Notwithstanding any provision of this Agreement to the contrary, County may, provided County is not then in default of its obligations hereunder, terminate this Agreement during the period from the Exercise Date until the Close of Escrow if any of the following conditions for County's benefits are not either fully performed, satisfied or waived in writing on or before the dates designated below for the satisfaction of such conditions:

10.3.1 TCLA's Obligations. TCLA shall have performed all of the covenants, undertakings and obligations, and complied with all conditions required by this Agreement to be performed or complied with by TCLA on or before the Close of Escrow; and

10.3.2 TCLA's Representations and Warranties. TCLA's representations and warranties in Section 8.1 hereof shall be true and correct as of the Closing Date in all material respects.

If any one or more of the conditions to County's obligations set forth herein is not either fully performed, satisfied or waived in writing on or before the respective dates designated therein for the satisfaction of such conditions, then County may elect, by written notice to TCLA and Escrow Holder, to terminate this Agreement, in which event the Deposit shall be returned to TCLA, each party shall bear one-half (1/2) of all Escrow cancellation and similar fees (except to the extent expressly provided in this Agreement to the contrary), and the parties shall have no further rights or obligations under this Agreement, except for any obligations that specifically state that they survive any termination of this Agreement. Nothing in this Section shall be construed to limit any of County's right or remedies in the event of a default by TCLA hereunder.

10.4 Recordation of Quitclaim. If the Memorandum of Option has previously recorded, Escrow Holder is hereby authorized and instructed to record the Quitclaim Deed in accordance with Section 1.4 above following the termination of the Option under Section 10.1 above or the termination of this Agreement under Section 10.2 or Section 10.3 above.

10.5 Default; Remedies. The term "**County Default**" shall mean the failure of County to perform in any material respect, any material act to be performed by County or to refrain from performing in any material respect, any material act prohibited hereby, if such failure has not been remedied by County within fifteen (15) Business Days following receipt of written notice from TCLA identifying such failure. The term "**TCLA Default**" shall mean the failure of TCLA to perform in any material respect any material act to be performed by TCLA or to refrain from performing in any material respect any material act prohibited hereby if such failure has not been remedied by TCLA within fifteen (15) Business Days following receipt of written notice from County identifying such failure. In the event of a County Default or a TCLA Default, the non-defaulting Party may exercise all remedies available both at law and in equity. Without limiting the foregoing, in the event of a County Default, TCLA may terminate this Agreement, in which event TCLA shall be entitled to a return of the Option Payment, or so much thereof as has been disbursed to County. The Parties agree that TCLA or County may elect, in each of their respective sole and absolute discretions, not to extend the Option Period (if not required under the terms of this Agreement), and that such an election not to extend does not constitute a default, and TCLA has no obligation whatsoever to exercise the Option, and that TCLA's to exercise the Option is not a TCLA Default.

10.6 Waiver of Damages. Notwithstanding any provision in this Agreement to the contrary, in no event shall TCLA, County or any of their respective affiliates, managers, members, shareholders or representatives, be liable under this Agreement to the other Party, or its respective affiliates, managers, members, shareholders or representatives, for consequential, indirect, special or punitive losses or damages.

11. **MISCELLANEOUS**.

11.1 Notices. All notices and other communications provided for herein shall be in writing and shall be sent to the address set forth below (or such other address as a party may hereafter designate for itself by notice to the other parties as required hereby) of the party for whom such notice or communication is intended:

If to County: ____________________________
____
____
Attention:__________________
FAX: ___________________
Phone: ___________________
E-mail: __________________

With a copies to: ____________________________
____
____
Attention:__________________
FAX: ___________________
Phone: ___________________
E-mail: __________________

____
____
____
Attention:__________________
FAX: ___________________
Phone: ___________________
E-mail: __________________

If to TCLA: TC LA Healthcare Development, Inc.
c/o Trammell Crow Company
2221 Rosecrans Avenue, Suite 200
El Segundo, California 90245
Attn: Brad Cox and Greg Ames
FAX: (310) 363-4723
Phone: (310) 363-4706
E-mail:bcox@trammellcrow.com;
games@trammellcrow.com

With a copy to: Cox, Castle & Nicholson LLP
2029 Century Park East, 21st Floor
Los Angeles, California 90067
Attention: Adriana A. Vesci, Esq.
FAX: (310) 284-2100
Phone: (310) 284-2200
E-mail: avesci@coxcastle.com

If to Escrow Holder/
Title Company: Chicago Title Company
725 South Figueroa Street, Suite 200
Los Angeles, CA 90017
Attention: Terri Gervasi

FAX: (213) 612-4143
Phone: (213) 488-4300
E-mail: Terri.Gervasi@CTT.com

Such notice or communication shall be sufficient if sent by registered or certified mail, return receipt requested, postage prepaid; by facsimile, by hand delivery, by overnight courier service or by electronic mail, provided a copy is sent by regular mail or overnight delivery within three (3) Business Days following the electronic transmission. Any such notice or communication shall be effective upon delivery to the addressee; or if by facsimile, upon receipt of written notification of successful transmission, if prior to 5:00 p.m. (California time) of any given Business Day (or prior to 12:00 p.m. (California time) on any Friday), otherwise such facsimile will be deemed received the following Business Day.

11.2 Broker's Fee. Each Party represents to the other that it has not dealt with any broker, agent, or finder for which a commission or fee is payable in connection with this Agreement or the Ground Lease. Each Party shall indemnify, defend, and hold harmless the other party from any claims, demands, or judgments for commissions or fees based on the claimant's representation or alleged representation of the indemnifying Party in this transaction.

11.3 Assignment. Except as expressly set forth herein, neither County nor TCLA shall assign or transfer all or any portion of its rights or obligations under this Agreement or in the Premises, whether by assignment, sublease, license agreement, concession agreement, management agreement, mortgage, deed of trust, pledge, encumbrance or any other agreement or instrument, as applicable, without the consent thereto by the other Party, which may be granted or withheld in such Party's sole and absolute discretion. In addition to the foregoing, no Controlling Interest in either County or TCLA shall be assigned or transferred, whether by assignment, pledge, encumbrance or any other agreement or instrument, as applicable, without the consent thereto by the other Party, which may be granted or withheld in such Party's sole and absolute discretion. Notwithstanding the foregoing, TCLA shall be permitted to assign its entire interest in this Agreement, without County's consent, to a wholly-owned subsidiary of TCLA formed for financing purposes for which TCLA retains management responsibility and oversight of the Project development or a transfer to an entity composed of TCLA and a financial partner for purposes of financing the construction of the Project, for which TCLA retains management responsibility and oversight of the Project development; provided, however, that the foregoing permitted assignments shall not relieve TCLA of liability for any obligations to County under this Agreement. Any such permitted assignment of this Agreement shall be in writing, in form and substance reasonably satisfactory to County, and shall be executed by the assignee who shall therein and thereby assume this Agreement and all of the agreements, terms, obligations, liabilities, covenants and conditions hereof on the part of TCLA to be performed after the effective date of such assignment. TCLA shall deliver to County a duplicate original of such assignment and assumption, in recordable form, before the same shall be effective. This Section 12.3 shall apply to each assignee of this Agreement, and each assignee shall have the right to assign this Agreement only in accordance with the provisions of this Section 12.3. For purposes of this Section 12.3, "**Controlling Interest**" shall mean at least fifty-one percent (51%) of the voting interests of, or the possession of the right to vote or direct the vote of at least fifty-one percent (51%) of the voting interests in, County or TCLA, as applicable.

11.4 Condemnation. In the event a portion of the Premises is taken or designated to be taken by condemnation proceedings, or proceedings in lieu thereof prior to the exercise of the Option, and TCLA subsequently exercises the Option, TCLA shall be entitled to all condemnation proceeds upon consummation of the transaction, and the terms of the Agreement shall remain unmodified. County shall consult with TCLA regarding any proposed settlement with the condemnor and TCLA shall have the reasonable right of approval thereof. County shall hold any such proceeds until the Closing. In the event TCLA fails to exercise the Option in the manner provided herein, TCLA shall have no right to any condemnation proceeds.

11.5 Binding on Successors and Assigns. Subject to the limitations set forth in Section 12.3 above, this Agreement shall be binding upon and inure to the benefit of the heirs, personal representatives, successors and assigns of the respective Parties.

11.6 Entire Agreement. This Agreement contains the entire agreement of the Parties with respect to the matters covered hereby, and all negotiations and agreements, statements or promises between the Parties or their agents with respect to this transaction are merged in this Agreement, which alone expresses the Parties' rights and obligations and if not contained herein shall not be binding or valid against either of the Parties.

11.7 Modification. Any amendments or modifications to this Agreement or the attached Sublease must be in writing and executed by all the Parties.

11.8 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both Parties. This Agreement shall be construed in accordance with the laws of the State of California in effect at the time of the execution of this Agreement. Titles and captions are for convenience only and shall not constitute a portion of this Agreement. As used in this Agreement, masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others wherever and whenever the context so dictates.

11.9 No Waiver. No delay or omission by either Party in exercising any right or power accruing upon the compliance or failure of performance by the other Party under the provisions of this Agreement shall impair any such right or power or be construed to be a waiver thereof. A waiver by either Party of a breach of any of the covenants, conditions or agreements hereof to be performed by the other Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions thereof.

11.10 Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any party or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of this instrument, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

11.11 Business Day. "**Business Day**" means any day which is not a Saturday, Sunday or legal holiday on which offices of the County of Los Angeles are closed for business.

11.12 Counterparts. This Agreement, including any exhibits attached hereto, may be executed by the Parties in several counterparts, each of which shall be deemed to be an original copy.

11.13 Exculpation of Certain Persons. No individual trustee, officer, director, shareholder, member, constituent partner, employee or agent of any Party, in his or her individual capacity as such, shall have any personal liability for the performance of any obligation of such Party under this Agreement solely by reason of such status.

11.14 Exhibits. The following exhibits to the Agreement are hereby incorporated herein by this reference:

Exhibit A	Legal Description of Premises
Exhibit B	Ground Lease
Exhibit C	Memorandum of Option
Exhibit D	Quitclaim Deed
Exhibit E	Wire Instructions
Exhibit F	Option Exercise Notice
Exhibit G	Memorandum of Lease
Exhibit H	Certificate of Non-Foreign Status

[*SIGNATURES ON FOLLOWING PAGE*.]

IN WITNESS WHEREOF, the parties hereto have executed this Option to Lease Agreement as of the day and year first written above.

COUNTY:

THE COUNTY OF LOS ANGELES

By: ______________________________
Name: ______________________________
Its: ______________________________

ATTEST:

________________________,
Executive Officer of the Board of Supervisors

By:_____________________
Deputy

APPROVED AS TO FORM:

________________________,
COUNTY COUNSEL

By:_____________________
Deputy

TCLA:

TC LA HEALTHCARE DEVELOPMENT, INC.,
a Delaware corporation

By: ______________________________
Name: ______________________________
Its: ______________________________

ACCEPTANCE BY ESCROW HOLDER

Chicago Title Company hereby acknowledges that it has received originally executed counterparts or a fully executed original of the foregoing Option to Lease Agreement and agrees to act as Escrow Holder thereunder and to be bound by and perform the terms thereof as such terms apply to Escrow Holder. The escrow number is _________________.

Dated: ________________ __, 2017

CHICAGO TITLE COMPANY

By: ________________________________

Name: ________________________________

Its: ________________________________

EXHIBIT A

LEGAL DESCRIPTION OF PREMISES

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

APN:

EXHIBIT B

GROUND LEASE

[See Attached]

EXHIBIT C

MEMORANDUM OF OPTION

Recording Requested by:

COUNTY OF LOS ANGELES

When Recorded Return to:

____
____
____
Attn: __________________________

(Space above line for Recorder's Use Only)

MEMORANDUM OF OPTION TO LEASE

This MEMORANDUM OF OPTION TO LEASE (this "**Memorandum**") is effective as of this __ day of _____________, 201__, (the "**Effective Date**") by and between COUNTY OF LOS ANGELES ("**County**"), as optionor, and TC LA HEALTHCARE DEVELOPMENT, INC., a Delaware corporation (together with its permitted successors and assigns, "**TCLA**"), as optionee.

RECITALS

A. County and TCLA entered into that certain unrecorded Option to Lease Agreement dated ______________, 2017 (the "**Option Agreement**"), pursuant to which County granted TCLA an option (the "**Option**") to lease that certain real property located in the County of Los Angeles, State of California, more particularly described in Exhibit A attached hereto and by this reference made a part hereof (the "**Premises**") pursuant to the terms and conditions set forth in the Option Agreement.

B. County and TCLA have agreed to execute this Memorandum for the purpose of providing record notice of the Option Agreement and certain provisions thereof.

AGREEMENT

In consideration of the rights and obligations of the parties under the Option Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, County and TCLA hereby promise and agree as follows:

1.1 Grant of Option. County has granted to TCLA an option to lease the Premises pursuant to the terms and conditions set forth in the Option Agreement.

1.2 Term. The term of the Option commences on the Effective Date and automatically and uncontestably terminates and is of no further force or effect as of _____________, 2022, if not earlier terminated pursuant to the terms of the Option Agreement.

1.3 Execution. This Memorandum maybe executed in counterparts and, when counterparts of this Memorandum have been executed and delivered by all parties hereto, this Memorandum shall by fully binding and effective, just as if all parties hereto have executed and delivered a single counterpart hereof.

1.4 Incorporation by Reference. The terms, covenants and conditions of the Option Agreement are incorporated by reference into this Memorandum as if set forth fully herein.

1.5 Effect. This Memorandum is intended to provide record notice of the Option Agreement. In the event of any conflict or inconsistency between the provisions of the Option Agreement and the provisions of this Memorandum, the provisions of the Option Agreement shall control.

[*SIGNATURES ON FOLLOWING PAGE*.]

IN WITNESS WHEREOF, this Memorandum has been executed by the parties on the date and year first written above.

Optionor:

THE COUNTY OF LOS ANGELES
By: ______________________________
Name: ______________________________
Its: ______________________________

ATTEST:
________________________,
Executive Officer of the Board of Supervisors

By:______________________
Deputy

APPROVED AS TO FORM:

________________________,
COUNTY COUNSEL

By:______________________
Deputy

Optionee:

TC LA HEALTHCARE DEVELOPMENT, INC.,
a Delaware corporation

By: ______________________________
Name: ______________________________
Its: ______________________________

OPTTIONEE ACKNOWLEDGMENT

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

STATE OF CALIFORNIA)
) ss:
COUNTY OF LOS ANGELES)

On _______________, 201__ before me, ____
Notary Public (insert name and title of the officer),

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

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

WITNESS my hand and official seal.

Signature: ____

[Seal]

EXHIBIT A

LEGAL DESCRIPTION OF PREMISES

[SEE ATTACHED]

EXHIBIT D

QUITCLAIM DEED

Recording Requested by:

COUNTY OF LOS ANGELES

When Recorded Return to:

____
____
____
Attn: __________________________

(Space above line for Recorder's Use Only)

QUITCLAIM DEED

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, TC LA HEALTHCARE DEVELOPMENT, INC., a Delaware corporation ("**TCLA**"), hereby remises, releases and forever quitclaims to the COUNTY OF LOS ANGELES ("**County**"), any and all rights to that certain real property located in the County of Los Angeles, State of California, as more particularly described on Exhibit A attached hereto and incorporated herein by this reference, granted to TCLA by County as described in and evidenced by that certain Memorandum of Option Agreement entered into by and between TCLA and County, recorded on ______________, 20__, as Instrument No. ____________________ in the Official Records of the County of Los Angeles.

TCLA:

TC LA HEALTHCARE DEVELOPMENT, INC.,
a Delaware corporation

By: ________________________________
Name: ________________________________
Its: ________________________________

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

STATE OF CALIFORNIA)
) ss:
COUNTY OF _________________)

On __________________ before me, ____
(insert name and title of the officer),

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

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

WITNESS my hand and official seal.

Signature: ____

[Seal]

EXHIBIT "A"

LEGAL DESCRIPTION

(See attached)

EXHIBIT E

WIRE INSTRUCTIONS

EXHIBIT F

OPTION EXERCISE NOTICE

____________, 20__

VIA OVERNIGHT DELIVERY

____
____
____
Attention: _____________________

Re: Notice of Exercise of Option to Lease

To whom it may concern:

Reference is hereby made to that certain Option to Lease Agreement dated _____________, 2017 (the "**Option Agreement**"), by and between the County of Los Angeles ("**County**"), and TC LA Healthcare Development, Inc., a Delaware corporation ("**TCLA**"). Terms used herein and not otherwise defined shall have the meanings given such terms in the Option Agreement.

This notice shall constitute TCLA's notice to County of TCLA's election to exercise the Option pursuant to Section 8.1.1 of the Option Agreement.

[*SIGNATURES ON FOLLOWING PAGE*.]

Very truly yours,

TC LA HEALTHCARE DEVELOPMENT, INC.,
a Delaware corporation

By: ______________________________
Name: ______________________________
Its: ______________________________

cc:

EXHIBIT G

MEMORANDUM OF LEASE

Recording Requested by:

COUNTY OF LOS ANGELES

When Recorded Return to:

____
____
____
Attn: ___________________________

____

Space above this line for recording use

MEMORANDUM OF LEASE AGREEMENT

This Memorandum of Lease Agreement (this "**Memorandum**") effective as of ___________ ___, 20__ (the "**Effective Date**"), is entered by and between the COUNTY OF LOS ANGELES ("**County**"), as Lessor, and TC LA HEALTHCARE DEVELOPMENT, INC., a Delaware corporation (together with its permitted successors and assigns, "**TCLA**"), as Lessee.

RECITALS

A. County and TCLA have entered into that certain unrecorded Ground Lease Agreement (Martin Luther King, Jr. Medical Campus Office Building) dated of even date herewith (the "**Ground Lease**"), pursuant to which TCLA leases from County that certain real property located in the County of Los Angeles, State of California, more particularly described in Exhibit A attached hereto and by this reference made a part hereof (the "**Premises**").

B. County and TCLA desire to execute and record this Memorandum to provide notice of the Ground Lease.

AGREEMENT

NOW, THEREFORE, in reliance on the foregoing and in consideration of the mutual covenants, agreements and conditions set forth herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, County and TCLA agree as follows:

1. Term. County leases to TCLA, and TCLA leases from County, the Premises in accordance with the terms and conditions of the Ground Lease. Unless terminated sooner in

accordance with the provisions of the Ground Lease, the term of the Ground Lease (the "**Term**") shall continue until and expire on 11:59 p.m. on _______________.

2. Incorporation and Conflicts. The purpose of this Memorandum is to provide notice of the Ground Lease. All of the terms and conditions of the Ground Lease are incorporated herein by reference as though set forth fully herein. In the event of any conflict between the terms hereof and the terms of the Ground Lease, the terms of the Ground Lease shall prevail. This Memorandum is prepared for the purpose of recordation only and it in no way modifies the provisions of the Ground Lease.

3, Successors. Subject to the provisions of the Ground Lease governing assignment, the rights and obligations created in the Ground Lease shall bind and inure to the benefit of the respective heirs, personal representatives, successors, grantees, and assigns of County and Sublease.

4. Counterparts. This Memorandum may be executed in counterparts, each of which shall be an original and all of which together shall constitute one fully-executed document.

[*SIGNATURES ON FOLLOWING PAGE*.]

IN WITNESS WHEREOF, County and TCLA have entered into this Memorandum as of the date first set forth above.

Lessor:

THE COUNTY OF LOS ANGELES

By: ______________________________
Name: ______________________________
Its: ______________________________

ATTEST:

________________________,
Executive Officer of the Board of Supervisors

By:_____________________
Deputy

APPROVED AS TO FORM:

________________________,
COUNTY COUNSEL

By:_____________________
Deputy

Lessee:

TC LA HEALTHCARE DEVELOPMENT, INC.,
a Delaware corporation

By: ______________________________
Name: ______________________________
Its: ______________________________

TCLA ACKNOWLEDGMENT

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

STATE OF CALIFORNIA)
) ss:
COUNTY OF _________________)

On __________________ before me, ____
(insert name and title of the officer),

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

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

WITNESS my hand and official seal.

Signature: ____

[Seal]

EXHIBIT A

LEGAL DESCRIPTION OF PREMISES

[SEE ATTACHED]

EXHIBIT H

CERTIFICATE OF NON-FOREIGN STATUS

TRANSFEROR'S CERTIFICATION OF NON-FOREIGN STATUS

To inform TC LA HEALTHCARE DEVELOPMENT, INC., a Delaware corporation ("**Transferee**"), that withholding of tax under Section 1445 of the Internal Revenue Code of 1986, as amended (the "**Code**"), will not be required upon the transfer of certain real property, located in the County of Los Angeles, State of California to Transferee, by the COUNTY OF LOS ANGELES ("**Transferor**"), Transferor hereby certifies to Transferee:

1. Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Code and the Income Tax Regulations promulgated thereunder);

2. Transferor's U.S. tax identification number is ____________;

3. Transferor's office address is _____________________________________; and

4. Transferor is not a disregarded entity as defined in Section 1445-2(b)(2)(iii) of the Code.

Transferor understands that this Certification may be disclosed to the Internal Revenue Service by Transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Transferor understands that Transferee is relying on this Certification in determining whether withholding is required upon said transfer.

Under penalty of perjury the undersigned declare that they have examined this Certification and to the best of their knowledge and belief it is true, correct and complete, and they further declare that they have authority to sign this Certification on behalf of Transferor.

THE COUNTY OF LOS ANGELES

By: ______________________________
Name: ______________________________
Its: ______________________________

ATTEST:

________________________,
Executive Officer of the Board of Supervisors

By:______________________
Deputy

APPROVED AS TO FORM:

________________________,
COUNTY COUNSEL

By:______________________
Deputy

GROUND LEASE AGREEMENT

(Martin Luther King, Jr. Medical Center Campus Medical Office Building)

by and between

COUNTY OF LOS ANGELES

and

TC LA HEALTHCARE DEVELOPMENT, INC.

Dated as of _______________, ____

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GROUND LEASE AGREEMENT

(Martin Luther King, Jr. Medical Center Campus Medical Office Building)

THIS GROUND LEASE AGREEMENT (this "**Lease**") is effective as of __________________, _____ (the "**Effective Date**"), by and between the COUNTY OF LOS ANGELES ("**County**"), as lessor, and TC LA HEALTHCARE DEVELOPMENT, INC., a Delaware corporation (together with its permitted successors and assigns, "**Lessee**"), as lessee. County and Lessee are each sometimes referred to individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

A. County is the owner of that certain land and the improvements thereon, located at the Southwest corner of East 120th and S. Wilmington, Los Angeles County, California, which land is described on Exhibit A (the "**Premises**").

B. The Premises are part of the Martin Luther King, Jr. Medical Center Campus (the "**Medical Center Campus**"), which includes Martin Luther King, Jr. Community Hospital ("**MLK Hospital**"), located at 1680 E. 120th Street, Los Angeles, CA 90059 and Martin Luther King, Jr. Outpatient Center ("**MLK Outpatient Center**"), located at 1670 East 120th Street, Los Angeles, CA 90059, the master plan ("**Medical Center Campus Master Plan**") for which is attached as Exhibit B.

C. County and Lessee entered into that certain Option to Lease Agreement dated as of ___________, 2017 (the "**Option Agreement**"), pursuant to which the County granted Lessee an option (the "**Option**") to lease the Premises pursuant to the terms and conditions set forth in this Lease.

D. Pursuant to the Option Agreement and the exercise of the Option, County and Lessee desire to enter into this Lease.

E. County and Lessee desire that pursuant to the terms and conditions set forth in this Lease that Lessee demolish certain improvements currently located on the Premises and construct on the Premises an approximately 52,000 square foot medical office building (the "**MOB**"), surface parking with approximately 252 spaces and related driveways, utility improvements, landscaping and hardscaping.

F. Martin Luther King, Jr. – Los Angeles Healthcare Corporation, an independent non-profit public benefit corporation ("**MLK-LA**"), which was created to govern and operate the MLK Hospital, provides critical health care services to the underserved surrounding communities in South Los Angeles.

G. Concurrently with the execution of this Lease, Lessee and MLK-LA desire to enter that certain Master Lease Agreement (Martin Luther King, Jr. Medical Center Campus Medical Office Building) in the form attached hereto as Exhibit E (the "**MLK Master Lease**"), pursuant to which Lessee shall sublet the MOB to MLK-LA for its operation of the facility thereon in providing enhanced medical services and quality medical office space supporting and/or complimenting the MLK Hospital, MLK Outpatient Center and the healthcare of the surrounding communities.

H. In consideration of the essential health care services and community benefits provided by MLK-LA, County desires to reduce the amount of rent payable by MLK-LA for the MOB to enable MLK-LA to further serve the health care needs of the surrounding communities by providing enhanced medical services in the MOB, which require extensive tenant improvements to accommodate such enhanced services at the MOB. Accordingly, the Rent payable by Lessee hereunder shall be reduced by the TCLA Public Benefit Discount in accordance to the terms and conditions contained in Subsection 4.2.3, and the rent payable by MLK-LA to Lessee under the MLK Master Lease shall be reduced by an equal amount.

I. The purposes of this Lease are to (i) provide quality office space for administrative, medical outpatient services, and health related services in coordination with the new MLK Hospital and MLK Outpatient Center; (ii) to obtain such office space as cost-effectively as possible, and (iii) for the County to obtain eventual ownership of the MOB.

NOW, THEREFORE, in reliance on the foregoing and in consideration of the mutual covenants, agreements and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, County and Lessee agree as follows:

1. BACKGROUND AND GENERAL.

1.1 Definitions. The defined terms in this Lease shall have the following meanings:

1.1.1 "**ACCOUNTING YEAR**" shall have the meaning set forth in Section 14.7.

1.1.2 "**ACTUAL COST**" shall mean (a) the reasonable out-of-pocket costs and expenses incurred by County with respect to a particular activity or procedure, including without limitation, expenditures to third-party legal counsel, financial consultants and advisors (including the use of County's environmental consultant), (b) costs incurred in connection with appraisals, (c) the reasonable value of services actually provided by County's in-house counsel, and (d) the reasonable value of services actually provided by County's staff including project managers, lead lease negotiator/administrator and any other lease auditors and other County administrative staff below the level of deputy director (the administrative level which is one level below County department head) required by the lead lease negotiator/administrator for technical expertise or assistance. In those instances in which Lessee is obligated to reimburse County for its Actual Costs and in which Lessee fails to perform within the applicable cure period, if any, provided in this Lease, Actual Costs shall also include a reasonable allocation of County overhead and administrative costs to compensate County for performing such obligations on behalf of Lessee.

1.1.3 "**ADDITIONAL DISPUTES**" has the meaning set forth in Section 16(a).

1.1.4 “**ADMINISTRATIVE CHARGE**” has the meaning set forth in Section 4.4.

1.1.5 “**AGGREGATE TRANSFER**” has the meaning set forth in Subsection 4.4.3.

1.1.6 “**ALTERATIONS**” has the meaning set forth in Section 5.2.

1.1.7 “**ANNUAL RENT**” has the meaning set forth in Subsection 4.2.1.

1.1.8 “**ANNUAL TRUE-UP NOTICE**” has the meaning set forth in Subsection 4.2.2.

1.1.9 “**ANTENNAE**” has the meaning set forth in Subsection 3.2.2.5.

1.1.10 “**APPLICABLE LAWS**” means all of the following, even if unforeseen or extraordinary, to the extent affecting, (a) Lessee, its members, owners, shareholders, officers, employees, contractors, consultants, agents, customers, guests, or invitees, (b) County, (c) all or any portion of the Premises, (d) the use, occupancy, possession, construction, operation, maintenance, improvement, alteration, repair, or restoration of any portion of the MOB, or (e) real estate investment trusts, healthcare providers or nonprofit organizations: (i) all present and future laws, statutes, requirements, ordinances, orders, judgments, regulations, resolutions, covenants, restrictions, or administrative or judicial determinations of every governmental authority and of every court or agency claiming jurisdiction over the Lessee, County, MOB, the Premises or matters set forth Clauses (a) through (e), above, whether enacted or in effect as of the Effective Date or thereafter, including, but not limited to, California Labor Code §§ 1720 *et seq*., environmental Laws, zoning laws, building codes and regulations and those laws relating to accessibility to, usability by, and discrimination against, disabled individuals; and (ii) all covenants, restrictions, and conditions of record affecting the Premises from time to time.

1.1.11 “**APPLICABLE RATE**” means an annually compounded rate of interest equal to the lesser of (a) ten percent (10%) per annum, or (b) the Prime Rate, plus three percent (3%) per annum; provided, however, that the Applicable Rate shall in no event exceed the maximum rate of interest which may be charged pursuant to Applicable Laws.

1.1.12 “**APPROVED GOVERNMENTAL CHANGES**” means any changes to the Development Work (or other Alterations, as applicable) suggested, requested or required by any applicable governmental agency or official in connection with the application for, or as a condition to the issuance of, any required governmental permits or approvals for such Development Work (or other Alterations, as applicable), except for any change that is a Material Modification or Material Alteration, as applicable.

1.1.13 “**ASSIGNMENT STANDARDS**” has the meaning set forth in Section 11.2.

1.1.14 “**AWARD**” has the meaning set forth in Subsection 6.1.3.

1.1.15 “**BANKRUPTCY CODE**” has the meaning set forth in Section 12.12.

1.1.16 “**BENEFICIAL INTEREST**” has the meaning set forth in Subsection 4.4.4.

1.1.17 “**BOARD**” means the Board of Supervisors for the County of Los Angeles.

1.1.18 “**BUSINESS DAY**” has the meaning set forth in Section 17.3.

1.1.19 “**CAPITAL IMPROVEMENT FUND**” has the meaning set forth in Section 5.10.

1.1.20 “**CHANGE OF OWNERSHIP**” has the meaning set forth in Subsection 4.4.1.

1.1.21 “**CHANGE OF CONTROL**” has the meaning set forth in Subsection 4.4.1.

1.1.22 “**CITY**” means the City of Los Angeles, California.

1.1.23 “**CLAIM**” means any actual claim, loss, demand, action, liability, penalty, fine, judgment, lien, forfeiture, out-of-pocket third party cost or expense, damage, or collection cost (including actual and reasonable fees, costs and expenses of attorneys, consultants, and experts related to any Claim).

1.1.24 “**COMMUNITY DEVELOPMENT COMMISSION**” means the Community Development Commission of the County.

1.1.25 “**CONDEMNATION**” has the meaning set forth in Subsection 6.1.1.

1.1.26 “**CONDEMNOR**” has the meaning set forth in Subsection 6.1.4.

1.1.27 “**CONSTRUCTION CONTRACT**” has the meaning set forth in Section 8.2.

1.1.28 “**CONSTRUCTION PERIOD**” has the meaning set forth in Subsection 4.2.1.1.

1.1.29 “**CONSUMER PRICE INDEX**” means the Consumer Price Index All Urban Consumers for Los Angeles-Riverside-Orange County, as published from time to time by the United States Department of Labor or, in the event such index is no longer published or otherwise available, such replacement index as may be reasonably agreed by the Parties.

1.1.30 “**CONTROL**” (including its correlative meanings, the terms “Controlling,” “Controlled by” and “under common Control with”), as applied to any Person, means (a) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by agreement or otherwise or (b) ownership of more than fifty percent (50%) of the voting securities or other beneficial interests in such Person.

1.1.31 "**COUNTY**" has the meaning set forth in the Preamble.

1.1.32 "**COUNTY INDEMNIFIED PARTIES**" means collectively, for purposes of indemnification only, County, the Community Development Commission and their respective Boards, officers, agents, consultants, counsel, employees and volunteers.

1.1.33 "**COUNTY REMOVAL NOTICE**" has the meaning set forth in Subsection 2.3.2.2.

1.1.34 "**COUNTY'S EXERCISE NOTICE**" has the meaning set forth in Section 4.8.

1.1.35 "**DATE OF TAKING**" has the meaning set forth in Subsection 6.1.2.

1.1.36 "**DEMOLITION AND REMOVAL REPORT**" has the meaning set forth in Subsection 2.3.2.

1.1.37 "**DEMOLITION SECURITY**" has the meaning set forth in Subsection 2.3.2.3.

1.1.38 "**DESIGN PROFESSIONAL CONTRACT**" has the meaning set forth in Section 8.4.

1.1.39 "**DESIGN PROFESSIONAL RIGHTS OR DUTIES**" has the meaning set forth in Section 8.5.

1.1.40 "**DEVELOPMENT PLAN**" has the meaning set forth in Section 5.1.

1.1.41 "**DEVELOPMENT WORK**" has the meaning set forth in Section 5.1.

1.1.42 "**DISQUALIFICATION JUDGMENT**" has the meaning set forth in Subsection 16.14.1.

1.1.43 "**EFFECTIVE DATE**" has the meaning set forth in the Preamble.

1.1.44 "**ELIGIBILITY REQUIREMENTS**" means, with respect to any Person, that such Person (a) has total assets (in name or under management) in excess of fifty million dollars ($50,000,000) and (except with respect to a pension advisory firm or similar fiduciary) capital/statutory surplus or shareholder's equity in excess of fifteen million dollars ($15,000,000), (b) is regularly engaged in the business of owning and operating properties of a type similar to the Project, (c) is not directly or indirectly owned by or controlled by or employs in management level capacity a person who is subject to debarment by the Contractor Hearing Board of the County or the State of California or has been or is currently an adverse party in any litigation, arbitration or administrative action with the County.

1.1.45 "**ENCUMBRANCE**" has the meaning set forth in Subsection 12.1.1.

1.1.46 "**ENCUMBRANCE HOLDER**" has the meaning set forth in Subsection 12.1.1.

1.1.47 "**ENR INDEX**" means the Engineering News Record (ENR) Construction Cost Index for the Los Angeles Area, or such substitute index agreed by the Parties if the ENR Index is no longer published or otherwise available.

1.1.48 "**EQUITY ENCUMBRANCE HOLDER**" has the meaning set forth in Subsection 12.1.1.

1.1.49 "**EQUITY FORECLOSURE TRANSFEREE**" has the meaning set forth in Subsection 12.2.1.

1.1.50 "**ESTIMATED COSTS**" has the meaning set forth in Subsection 2.3.2.3.

1.1.51 "**EVENTS OF DEFAULT**" has the meaning set forth in Section 13.1.

1.1.52 "**EXCLUDED DEFAULTS**" has the meaning set forth in Subsection 12.3.3.

1.1.53 "**EXCLUDED TRANSFERS**" has the meaning set forth in Subsection 4.4.2.

1.1.54 "**EXTENDED TIME**" has the meaning set forth in Section 15.14.

1.1.55 "**FAIR MARKET RENTAL VALUE**" means, as of each date of determination, the fair market rent (including any annual rent and Percentage Rent) with the Percentage Rent expressed as the percentage of Gross Receipts, which the Premises would bring, on an absolute net basis, taking into account the Permitted Uses, all relevant and applicable County policies and all of the other terms, conditions and covenants contained in the Lease, if the Premises were exposed for lease for a reasonable time on an open and competitive market to a lessee for the purpose of the Permitted Uses, where County and the respective tenant are dealing at arms-length and neither is under abnormal pressure to consummate the transaction, together with all restrictions, franchise value, earning power and all other factors and data taken into account in accordance with California law applicable from time to time to eminent domain proceedings.

1.1.56 "**FINAL PLANS AND SPECIFICATIONS**" has the meaning set forth in Subsection 5.1.1.3.

1.1.57 "**FINANCING EVENT**" has the meaning set forth in Subsection 12.1.1.

1.1.58 "**FORCE MAJEURE**" means any inability of a Party to perform any non-monetary obligation under this Lease due to fire or other casualty, earthquake, flood, tornado or natural disaster, civil disturbance, war, organized labor dispute, freight embargo, governmental order, or other unforeseeable event beyond the reasonable control of the Party required to perform the subject obligation, including, in the case of a delay in the commencement or completion by Lessee of the Development Work, a delay in such construction caused by a hidden condition, including without limitation environmental contamination, relating to the foundation, substructure or subsurface of the Premises, which was not known to, Lessee as of the commencement of such Development Work, although Lessee shall, to the extent possible, commence and complete the portions, if any, of the Development Work, not impacted by such delay within the timeframes set forth in this Lease. In addition, in the case of the construction of the Development Work, Force Majeure shall also include (a) Unreasonable County Activity, as defined in and subject to the terms and conditions of Section 5.6 of this Lease; and (b) an injunction or restraining order against the performance of the Development Work issued pursuant to a court action commenced by a plaintiff other than County acting in their governmental capacity, Lessee, or any person or entity affiliated with Lessee; provided, however, regardless of whether Lessee is a named party in such action, as a condition to this clause (b) Lessee shall diligently pursue the removal of any such restraining order or injunction and shall exhaust all commercially reasonable efforts to appeal such restraining order or injunction. Notwithstanding the foregoing, in order for either Party to claim a delay has been caused by a Force Majeure event, the Force Majeure must be detailed in a written notice given by the Party claiming such delay to the other Party within ten (10) business days after the Party claiming such delay obtained actual knowledge of the Force Majeure event giving rise to the claim of delay, which notice shall, at a minimum, reasonably specify the (x) nature of the Force Majeure event and of the delay it has caused and (y) the date of commencement of the Force Majeure event and the delay it caused and (if not ongoing) ended.

1.1.59 "**FORECLOSURE TRANSFER**" has the meaning set forth in Subsection 12.2.1.

1.1.60 "**FORECLOSURE TRANSFEREE**" has the meaning set forth in Subsection 12.1.1.

1.1.61 "**FPL**" has the meaning set forth in Subsection 5.11.1.1.

1.1.62 "**GROSS ERROR**" has the meaning set forth in Subsection 16.14.3.

1.1.63 "**GROSS RECEIPTS**" has the meaning set forth in Subsection 4.2.2.1.

1.1.64 "**HAZARDOUS SUBSTANCES**" means the following:

(a) petroleum, any petroleum by-products, waste oil, crude oil or natural gas;

(b) any material, waste or substance that is or contains asbestos or polychlorinated biphenyls, or is radioactive, flammable or explosive;

(c) any Medical Waste; and

(d) any substance, product, waste or other material of any nature whatsoever which is or becomes defined, listed or regulated as a "hazardous substance," "hazardous material," "hazardous waste," "toxic substance," "solid waste," "radioactive material," or similarly defined substance pursuant to any Applicable Laws, including the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, 42 U.S.C. §§ 9601 *et seq.*; the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1801 *et seq.*; the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 *et seq.*; the California Health & Safety Code and all other analogous State of California and local statutes, ordinances and regulations, including, without limitation, any dealing with underground storage tanks; provided, however, "Hazardous Substances" shall not include any of the foregoing materials or substances described in clauses (a) through (d) that are of the types and in quantities customarily used in the ordinary course of construction, occupancy or operation of medical office buildings similar to the MOB, including, without limitation, in the ordinary course of delivering medical care in accordance with generally accepted standard practices, consisting of (x) office, cleaning, building maintenance, and construction materials and supplies used in reasonable quantities and in the ordinary course of the construction, occupancy or operation of the MOB, (y) gasoline or diesel fuel in the tanks of automobiles and other machines located on the Premises (whether during construction or otherwise), and (z) Medical Waste produced at, or arising from Permitted Uses in, the MOB, radioactive material, and carcinogenic substances; but only so long as, in the case of (x), (y) and (z), they are always stored, maintained, used and disposed of in compliance with all Applicable Laws.

1.1.65 "**IMPROVEMENTS**" means all buildings, structures, fixtures, fences, fountains, walls, paving, parking areas, driveways, curbs, walkways, plazas, landscaping, permanently affixed utility systems, sewers, light poles, and other improvements now or hereafter located on the Premises.

1.1.66 "**INCOME APPROACH**" has the meaning set forth in Section 6.5.

1.1.67 "**INDEMNIFY**" means collectively indemnify, defend (by counsel reasonably acceptable to the Party being indemnified), protect, and hold harmless, without requirement that the Party being indemnified first pay any amounts.

1.1.68 "**INITIAL CURE PERIOD**" has the meaning set forth in Subsection 12.6.3(b)(1)

1.1.69 "**INITIATING PARTY**" has the meaning set forth in Section 16(a).

1.1.70 "**INSTITUTIONAL LENDER**" has the meaning set forth in Subsection 12.3.1.

1.1.71 "**INSURANCE RENEGOTIATION DATE**" has the meaning set forth in Section 9.6.

1.1.72 "**INVESTMENT FUND**" means an investment fund, limited liability company, limited partnership or general partnership.

1.1.73 "**LATE FEE**" has the meaning set forth in Subsection 4.3.1.

1.1.74 "**LEASE**" has the meaning set forth in the Preamble.

1.1.75 "**LEASE TRANSFER**" has the meaning set forth in Section 4.6.

1.1.76 "**LEASE TRANSFER FEE**" has the meaning set forth in Section 4.6.

1.1.77 "**LEASE YEAR**" means each calendar year (or partial calendar) during the Term. Notwithstanding the foregoing, with respect to any provision in this Lease that refers to a specified number of Lease Years after the Effective Date, the number of Lease Years after the Effective Date shall be calculated based on the following: (a) if the Effective Date is prior to July 1 of a calendar year, then the first Lease Year after the Effective Date shall mean the period from the Effective Date through December 31 of the calendar year during which the Effective Date occurs, and (b) if the Effective Date is on or after July 1 of a calendar year, then the first Lease Year shall mean the period from the Effective Date through December 31 of the calendar year following the calendar year during which the Effective Date occurs.

1.1.78 "**LESSEE**" has the meaning set forth in the Preamble.

1.1.79 "**LESSEE PARTY**" means, for purposes of indemnification only, Lessee, or any Person acting on Lessee's behalf or anyone employed by or contracted with Lessee in the course of such employment or contracted work.

1.1.80 "**LESSEE SALE PRICE**" has the meaning set forth in Section 4.8.

1.1.81 "**LESSEE'S INTEREST**" has the meaning set forth in Section 4.8.

1.1.82 "**LESSEE'S OFFER NOTICE**" has the meaning set forth in Section 4.8.

1.1.83 "**LOCAL HIRING POLICY**" has the meaning set forth in Section 5.11.

1.1.84 "**LOCAL RESIDENT**" has the meaning set forth in Subsection 5.11.1.

1.1.85 "**LOGICAL EVOLUTION**" has the meaning set forth in Subsection 5.1.1.2.

1.1.86 "**MAJOR SUBLEASE**" has the meaning set forth in Subsection 11.1.1.

1.1.87 "**MAJOR SUBLESSEE**" has the meaning set forth in Subsection 11.1.1.

1.1.88 "**MARKET VALUE**" has the meaning set forth in The Dictionary of Real Estate Appraisal and/or The Appraisal of Real Estate, published by the Appraisal Institute or any successor organization.

1.1.89 "**MATERIAL ALTERATION**" means any Alteration that (1) reduces the number of parking spaces located on the Premises to a number that is below the Minimum Required Parking Spaces; or (2) results in a reduction in the square footage of the MOB of more than ten percent (10%).

1.1.90 "**MATERIAL MODIFICATION**" means a modification to the Development Plan or the Final Plans and Specifications with respect to which any one of the following applies: (1) the total cost of which would result in a net change in project cost of one hundred thousand dollars ($100,000.00) or more; (2) the modification materially affects the exterior of the Improvements; (3) the proposed modification is structural in nature, in any material respect; (4) the modification is not in compliance with the Permitted Uses; (5) the modification reduces the number of parking spaces located on the Premises to a number that is below the Minimum Required Parking Spaces; or (6) the modification results in a reduction in the square footage of the MOB of more than ten percent (10%).

1.1.91 "**MEDICAL CENTER CAMPUS**" has the meaning set forth in Recital B.

1.1.92 "**MEDICAL CENTER CAMPUS MASTER PLAN**" has the meaning set forth in Recital B.

1.1.93 "**MEDICAL WASTE**" has the meaning set forth in the California Medical Waste Management Act (Health & Safety Code, § 117690), as it may be amended.

1.1.94 "**MINIMUM OPERATIONS PERIOD ANNUAL RENT**" has the meaning set forth in Subsection 4.2.1.2.

1.1.95 "**MINIMUM REQUIRED PARKING SPACES**" means the minimum number of parking spaces required by Applicable Law (including all zoning codes and land use regulations) and the Medical Center Campus Master Plan.

1.1.96 "**MLK HOSPITAL**" has the meaning set forth in Recital B.

1.1.97 "**MLK MASTER LEASE**" has the meaning set forth in Recital G.

1.1.98 "**MLK-LA**" has the meaning set forth in Recital F.

1.1.99 "**MLK-LA PUBLIC BENEFIT DISCOUNT**" has the meaning set forth in Section 4.1(a) of the MLK Master Lease.

1.1.100 "**MLK OUTPATIENT CENTER**" has the meaning set forth in Recital B.

1.1.101 "**MOB**" has the meaning set forth in Recital E.

1.1.102 "**MONTHLY RENT**" has the meaning set forth in Subsection 4.2.1.

1.1.103 “**NET AWARDS AND PAYMENTS**” has the meaning set forth in Section 6.7.

1.1.104 “**NOTICE OF ASSUMPTION**” has the meaning set forth in Section 12.12.

1.1.105 “**NOTICE OF COMPLETION**” has the meaning set forth in Subsection 5.7.7.

1.1.106 “**OFFER**” has the meaning set forth in Section 4.8.

1.1.107 “**OPERATIONS PERIOD**” has the meaning set forth in Subsection 4.2.1.2.

1.1.108 “**OPTION**” has the meaning set forth in Recital C.

1.1.109 “**OPTION AGREEMENT**” has the meaning set forth in Recital C.

1.1.110 “**OWNERSHIP INTERESTS**” has the meaning set forth in Subsection 12.1.1.

1.1.111 “**PARTIAL TAKING**” has the meaning set forth in Section 6.5.

1.1.112 “**PARTY**” or “**PARTIES**” has the meaning set forth in the Preamble.

1.1.113 “**PAYMENT BOND**” has the meaning set forth in Subsection 5.4.3.2.

1.1.114 “**PERCENTAGE RENT**” has the meaning set forth in Subsection 4.2.2.

1.1.115 “**PERFORMANCE BOND**” has the meaning set forth in Subsection 5.4.3.1.

1.1.116 “**PERMITTED CAPITAL EXPENDITURES**” has the meaning set forth in Subsection 5.10.1.

1.1.117 “**PERMITTED USES**” has the meaning set forth in Subsection 3.1.1.

1.1.118 “**PERSON**” means, an individual, partnership, joint venture, corporation, limited liability company, trust, estate, unincorporated association, government or any instrumentality thereof, or other legal entity, as applicable.

1.1.119 “**PORTION SUBJECT TO DEMOLITION**” has the meaning set forth in Subsection 2.3.2.1.

1.1.120 “**POST TERM REMOVAL PERIOD**” has the meaning set forth in Subsection 2.3.2.2.

1.1.121 “**PRELIMINARY LOAN PACKAGE**” has the meaning set forth in Subsection 12.1.2.

1.1.122 "**PRELIMINARY PLANS**" has the meaning set forth in Subsection 5.1.1.2.

1.1.123 "**PREMISES**" has the meaning set forth in Recital A.

1.1.124 "**PRIMARY COVERAGE**" has the meaning set forth in Subsection 9.1.1.

1.1.125 "**PRIME RATE**" means the prime or reference rate announced from time to time by Bank of America, N.A. or it successor, or if Bank of America, N.A. and its successor cease to exist then the prime or reference rate announced from time to time by the largest state chartered bank in California in term of deposits.

1.1.126 "**PROTECTED CONTRACTOR**" has the meaning set forth in Section 8.2.

1.1.127 "**PROTECTED CONTRACTOR RIGHTS OR DUTIES**" has the meaning set forth in Section 8.3.

1.1.128 "**QUALIFIED CPA**" has the meaning set forth in Section 14.8.

1.1.129 "**QUALIFIED TRANSFEREE**" means a Person that: (a) is (i) a real estate investment trust, bank, saving and loan association, investment bank, insurance company, trust company, commercial credit corporation, pension plan, pension fund or pension advisory firm, mutual fund, government entity or plan, provided that any such Person referred to in this clause (a) satisfies the Eligibility Requirements; (ii) an investment company, money management firm or qualified institutional buyer within the meaning of Rule 144A under the Securities Act of 1933, as amended, or an institutional accredited investor within the meaning of Regulation D under the Securities Act of 1933, as amended, provided that any such Person referred in this clause (ii) satisfies the Eligibility Requirements; (iii) an institution substantially similar to any of the foregoing entities described in the immediately preceding clauses (i) and (ii) that satisfies the Eligibility Requirements; (iv) any entity Controlled by any of the entities described in the immediately foregoing clauses (i) through (iii); or (v) an Investment Fund, in which a Qualified Transferee has committed capital of at least one hundred twenty-five million ($125,000,000), acts as the general partner, managing member or fund manager, and at least fifty percent (50%) of the equity interests in such Investment Fund are owned, directly or indirectly, by one or more of the following: a Qualified Transferee, an institutional "accredited investor" within the meaning of Regulation D under the Securities Act of 1933, as amended, and/or a "qualified institutional buyer" or both within the meaning of Rule 144A promulgated under the Securities Exchange Act of 1934, as amended, provided such institutional "accredited investors" or "qualified institutional buyers" that are used to satisfy the fifty percent (50%) test set forth in this clause; (b) satisfies the Eligibility Requirements and (c) is not directly or indirectly Controlled by any Person who has been or is currently an adverse party in any litigation, arbitration or administrative action with the County.

1.1.130 "**RADIATION PRODUCING EQUIPMENT**" equipment which use, store or generate radioactive materials or high intensity electromagnetic or other radiation which may be used in connection with creating scans or images of or other diagnostic analysis of patients, including computerized tomography, nuclear medicine testing, mammogram, fluoroscope, magnetic resonance imaging, plane film radiography, x-ray or similar equipment now or in the future existing (but does not include ultrasound imaging devices currently in common use in medical offices) and including equipment subject to regulation under the Radiation Control Law (Health & Safety Code §§ 114960 *et seq*.), the Radiologic Technology Act (Health & Safety Code § 27(f)) or the Nuclear Medicine Technology Certification Law (Health & Safety Code §§ 107150 through 107175).

1.1.131 "**REFUSAL RIGHT**" has the meaning set forth in Section 4.8.

1.1.132 "**REPLY**" has the meaning set forth in Section 16.5(3).

1.1.133 "**REQUEST FOR ARBITRATION**" has the meaning set forth in Section 16(a).

1.1.134 "**REQUIRED CONSTRUCTION COMMENCEMENT DATE**" has the meaning set forth in Subsection 5.1.2.

1.1.135 "**REQUIRED CONSTRUCTION COMPLETION DATE**" has the meaning set forth in Subsection 5.1.2.

1.1.136 "**RESPONSE**" has the meaning set forth in Section 16(a).

1.1.137 "**RESPONDING PARTY**" has the meaning set forth in Section 16(a).

1.1.138 "**SECTION 2782**" has the meaning set forth in Section 8.2.

1.1.139 "**SECTION 2782.8**" has the meaning set forth in Section 8.4.

1.1.140 "**SEPARATE DISPUTE**" has the meaning set forth in Subsection 16.10.1.

1.1.141 "**STATE**" means the State of California.

1.1.142 "**STATEMENT OF POSITION**" has the meaning set forth in Subsection 16.5(2)(a).

1.1.143 "**SUBLEASE**" has the meaning set forth in Subsection 11.1.1.

1.1.144 "**SUBLESSEE**" has the meaning set forth in Subsection 11.1.1.

1.1.145 "**SUBSTANTIAL COMPLETION**" means the completion of the MOB or other work of Improvement (as applicable), including without limitation, the receipt of a certificate of occupancy (whether temporary or permanent) or other applicable governmental certificate or approval for legal use and occupancy of the Improvements that are the subject of such work (if applicable with respect to the particular work), subject only to minor punch-list items that do not interfere with the use and occupancy of the subject Improvements, provided that any such minor punch-list items are completed in a diligent manner as soon as reasonably possible thereafter.

1.1.146 "**TARGET WORKER**" has the meaning set forth in Subsection 5.11.6.

1.1.147 "**TCLA PUBLIC BENEFIT DISCOUNT**" has the meaning set forth in Subsection 4.2.3.

1.1.148 "**TERM**" has the meaning set forth in Section 2.1.

1.1.149 "**THIRD PARTY AUDITOR**" has the meaning set forth in Subsection 4.2.2.

1.1.150 "**TIER 1**" has the meaning set forth in Subsection 5.11.1.1.

1.1.151 "**TIER 2**" has the meaning set forth in Subsection 5.11.1.2.

1.1.152 "**TRANSACTION COSTS**" has the meaning set forth in Subsection 4.6.1.

1.1.153 "**TRIPLE NET INCOME**" has the meaning set forth in Section 14.1.

1.1.154 "**UMBRELLA COVERAGE**" has the meaning set forth in Subsection 9.1.1.

1.1.155 "**UNINSURED LOSS**" has the meaning set forth in Section 10.5.

1.1.156 "**UNREASONABLE COUNTY ACTIVITY**" has the meaning set forth in Section 5.6.

1.1.157 "**UTILITY FACILITIES**" has the meaning set forth in Subsection 2.3.5.

1.1.158 "**WRITTEN APPRAISAL EVIDENCE**" has the meaning set forth in Section 16.7.

1.2 Lease. For and in consideration of the payment of rentals and the performance of all the covenants and conditions of this Lease, County hereby leases to Lessee, and Lessee hereby leases and hires from County, an exclusive right to possess and use, as tenant, the Premises for the Term (as hereinafter defined) and upon the terms and conditions and subject to the requirements set forth in this Lease.

1.2.1 As-Is. Lessee acknowledges that it has inspected the Premises, including but not limited to conducting public record, environmental, and geotechnical investigations thereof, and is fully familiar with its condition. Lessee accepts the Premises in its present condition notwithstanding the fact that there may be certain defects in the Premises, whether or not known to either Party as of the Effective Date, and Lessee hereby represents that it has performed all investigations that it deems necessary or appropriate with respect to the condition of the Premises and all existing Improvements. Lessee hereby accepts the Premises and all existing Improvements on an "AS-IS, WITH ALL FAULTS" basis and, except as expressly set forth in this Lease, Lessee is not relying on any representation or warranty of any kind whatsoever, express or implied, from County or any other governmental authority or public agency, or their respective agents or employees, as to any matters concerning the Premises or any Improvements located thereon, including without limitation: (a) the quality, nature, adequacy and physical condition and aspects of the Premises or any Improvements located thereon, including, but not limited to, the structural elements, foundation, roof, protections against ocean damage, erosion, appurtenances, access, landscaping, parking facilities and the electrical, mechanical, heating, ventilating and air conditioning, plumbing, sewage and utility systems, facilities and appliances, and the square footage of the land or Improvements, (b) the quality, nature, adequacy and physical condition of soils, geology and any groundwater, (c) the existence, quality, nature, adequacy and physical condition of utilities serving the Premises and the Improvements located thereon, (d) the development potential of the Premises, and the use, habitability, merchantability or fitness, or the suitability, value or adequacy, of the Premises or any Improvements located thereon for any particular purpose, (e) the zoning, entitlements or other legal status of the Premises or Improvements, and any public or private restrictions affecting use or occupancy of the Premises or Improvements, (f) the compliance of the Premises or Improvements with any Applicable Laws, (g) the presence of any underground storage tank or Hazardous Substances on, in, under or about the Premises, Improvements, the adjoining or neighboring property, or ground or other subsurface waters, (h) the quality of any labor and materials used in any Improvements, (i) the condition of title to the Premises or Improvements, and (j) the economics of the operation of the Premises or Improvements, all of which are assumed by Lessee and County shall have no obligation, responsibility or other obligations to Lessee with respect thereto or arising therefrom.

1.2.2 Naming Rights. The right to name or change the name of the MOB and/or any constituent parts thereof shall vest exclusively in Lessee; provided, however, the name of the MOB shall include a reference to the "MLK Medical Center Campus" or, in the event the name of the Medical Center Campus is changed, a reference to then-current name of the Medical Center Campus. Notwithstanding the foregoing, in the event (a) a Major Sublease is entered into, excluding the MLK Master Lease, Lessee reserves the right to name the MOB and/or any constituent parts thereof for the duration of the term of such Major Sublease as designated by the applicable Major Sublessee, so long as the name of the MOB includes a reference to the "MLK Medical Center Campus" or, in the event the name of the Medical Center Campus is changed, a reference to then-current name of the Medical Center Campus, (b) MLK Master Lease is entered into, Lessee reserves the right to name the MOB and/or any constituent parts thereof for the duration of the term of the MLK Master Lease as designated by MLK-LA.

2. TERM; OWNERSHIP OF IMPROVEMENTS.

2.1 Term. The term of this Lease ("**Term**") shall commence on the Effective Date and, unless terminated sooner in accordance with the provisions of this Lease, shall expire at 11:59 p.m. on the day preceding the fifty-fifth (55^{th}) anniversary of the Effective Date.

2.1.1 Option to Extend. Provided Lessee is not in default under this Lease beyond any applicable notice and cure periods provided in this Lease at the time of the exercise of the below described option to extend until the commencement of the applicable option term, Lessee shall have the option to extend the Term on two (2) occasions, each time for a period of twenty (20) years. Written notification to County exercising each such option to extend the Term must be received by County at least four (4) years, but not more than five (5) years prior to the expiration of the then current Term. Promptly following each such exercise of an option to extend the Term, County and Lessee shall execute a letter confirming such extension of the Term and the then current expiration date of the Term.

2.2 Ownership of Improvements During Term. Until the expiration of the Term or sooner termination of this Lease, and except as specifically provided herein, Lessee shall own all Improvements now existing and constructed by Lessee or its predecessors on the Premises, or hereafter constructed by Lessee upon the Premises, and all alterations, additions or modifications made thereto by Lessee.

2.3 Reversion of Improvements. Upon the expiration of the Term or sooner termination of this Lease, whether by cancellation, forfeiture or otherwise:

2.3.1 County's Election to Receive Improvements. Unless Lessee is expressly directed by County in writing in accordance with this Section 2.3 to demolish and remove Improvements upon the expiration or earlier termination of the Term, all Improvements located on, in, or under the Premises (including all fixtures or equipment affixed thereto) shall remain upon and be surrendered with the Premises as part thereof, and title to such Improvements shall vest in County without any compensation to Lessee. The Premises shall be surrendered to County in good order and condition, ordinary wear and tear excepted, free and clear of all lettings, occupancies, liens or encumbrances (other than any non-monetary encumbrances, such as covenants or easements, placed on the Premises with written County's approval), or any encumbrance placed on the Premises pursuant to the terms of Article 12. Nothing contained herein shall be construed to deny or abrogate the right of Lessee, prior to the expiration of the Term or termination of this Lease, to (a) receive any and all proceeds which are attributable to the Condemnation of Improvements belonging to Lessee immediately prior to the taking of possession by the Condemnor, to the extent provided in Article 6, or (b) remove any furniture or equipment that is neither permanently affixed to, or reasonably necessary for the operation of, the Premises, any signage identifying Lessee (as opposed to other signage used in the operation of the Premises and Improvements), or any personal property, upon the expiration of the Term or earlier termination of this Lease or at any time during the Term, subject to Lessee's obligations under this Lease to use the Premises for the Permitted Uses.

2.3.2 Duty to Remove. No earlier than eight (8) years, and no later than four (4) years prior to the expiration of the Term, unless Lessee has delivered written notice to County of Lessee's election to exercise one of Lessee's options to extend the Term in accordance with Subsection 2.1.1, Lessee shall deliver to County a report prepared by a construction and demolition expert reasonably approved by County that details and estimates the cost and required time period for the removal of all Improvements on the Premises at the expiration of the Term (the "**Demolition and Removal Report**").

2.3.2.1 Portion Subject to Demolition. County may elect to require Lessee at the end of the Term or any earlier termination of this Lease to remove, at the sole cost and expense of Lessee, all or any portion of the Improvements located on, in or under the Premises, whether placed or maintained thereon by Lessee or others, including, but not limited to, concrete foundations, pilings, structures and buildings; provided, however, such portion ("**Portion Subject to Demolition**") of the Improvements designated by County for demolition must be able to be demolished separately from other portions of the then-existing Improvements which County has designated to remain. Lessee shall complete the required demolition and removal and shall restore and surrender to County possession of the Premises in the following condition: (a) as to any portion of the Premises on which the Improvements are required to be demolished, such portion of the Premises shall be surrendered to County in good, usable and buildable condition, consisting of a level, graded buildable pad with no excavations, hollows, hills or humps; and (b) as to any portion of the Premises on which the Improvements are not required to be demolished, the Premises and such Improvements shall be surrendered to County in the condition in which the Premises and Improvements are required to be maintained and repaired under this Lease.

2.3.2.2 County Removal Notice. In the case of the termination of the Lease at the scheduled expiration date of the Term, any election by County to require Lessee to demolish and remove the Improvements or a Portion Subject to Demolition must be made by County in writing to Lessee ("**County Removal Notice**") at least three (3) years, but not more than four (4) years prior to the expiration of the then current Term. If County elects to require Lessee to demolish and remove all of the Improvements or a Portion Subject to Demolition, Lessee shall complete such demolition and removal and otherwise comply with Lessee's surrender obligations under Section 2.3 on or before the expiration of the Term of the Lease. In the case of the termination of the Lease at the scheduled expiration date of the Term, Lessee shall have the right, by written notice to County not later than sixty (60) days prior to the scheduled expiration date of the Term, to extend the date by which Lessee must complete the Improvement removal and Premises surrender obligations under Subsection 2.3.2 and/or the Lessee's removal obligations under Subsection 2.3.4 to a date not more than one hundred twenty (120) days after the expiration of the Term (the "**Post Term Removal Period**"); provided, however, that all of the Lessee's obligations and liabilities under the Lease (other than the obligation to affirmatively operate the Premises or to maintain and repair those Improvements required to be demolished) shall be applicable during the Post Term Removal Period, including without limitation, the Lessee's obligations with respect to insurance and indemnification, and Lessee's obligation to pay County compensation for the Post Term Removal Period in an amount equal to the Monthly Rent rate in effect immediately prior to the expiration of the Term multiplied by the number of months in the Post Term Removal Period. Such Monthly Rent amount for the entire Post Term Removal Period shall be paid by

Lessee in advance prior to the commencement of the Post Term Removal Period. In the case of a termination of the Lease prior to the scheduled expiration date of the Term, any election by County to require Lessee to remove the Improvements or a Portion Subject to Termination must be made by County's delivery of the County Removal Notice not later than thirty (30) days after the effective date of such termination, and if County elects to require Lessee to demolish and remove all or a portion of the Improvements on a termination of the Lease prior to the scheduled expiration of the Term, Lessee shall complete such demolition and removal and otherwise comply with Lessee's surrender obligations under Section 2.3 on or before the later of (x) ninety (90) days after the date on which this Lease terminated, or (y) if Lessee has submitted a Demolition and Removal Report to County, that period after the date on which this Lease terminated equal to the estimated demolition and removal period set forth in the Demolition and Removal Report.

2.3.2.3 Demolition Security. Within ninety (90) days after receipt of the County Removal Notice, Lessee shall provide County with a written plan setting forth Lessee's proposed method of securing the discharge of Lessee's removal and restoration obligations pursuant to this Subsection 2.3.2. Such security plan shall detail (a) the form of security proposed by Lessee, which security shall be either a deposit of funds, or a letter of credit, bond or other form of security in form and amount, and from an issuer, satisfactory to County ("**Demolition Security**"), and (b) a schedule satisfactory to County for the delivery by Lessee of the security described in clause (a), which schedule shall in all events provide for a full funding of the security not later than twenty-four (24) months prior to the expiration of the Term. The amount of any Demolition Security shall be equal to the estimated costs to remove the Improvements as set forth in the Demolition and Removal Report (the "**Estimated Costs**"), adjusted to reflect the percentage change in the ENR Index, if any, from the date on which the Estimated Cost was determined until the date on which Lessee delivers the Demolition Security. Any uncured failure by Lessee to deliver the Demolition Security described in this Subsection 2.3.2 shall constitute an Event of Default. County shall have the right to revoke County's election to require the removal of all Improvements or a Portion Subject to Demolition at the end of the scheduled expiration of the Term of the Lease by written notice to Lessee of such revocation at any time not later than three (3) months prior to the scheduled expiration date of the Lease. If County revokes its prior County Removal Notice, then any Demolition Security previously delivered by Lessee to County pursuant to this paragraph shall be returned to Lessee within thirty (30) days following the date of such revocation. Upon completion of all of Lessee's obligations under Section 2.3, the remaining balance of any Demolition Security held by County (and not used by County pursuant to Subsection 2.3.3 or 2.3.4) shall be returned to Lessee. Any unspent amount in the Capital Improvement Fund may be used by Lessee in connection with the demolition work described in this Section 2.3, provided, upon completion of all of Lessee's obligations under this Section 2.3, the remaining balance of the Capital Improvement Fund held by County shall be returned to Lessee.

If County fails to elect to require Lessee to remove all of the Improvements on the Premises in accordance with the terms of this Section 2.3 (or revokes such election as provided), then upon the expiration of the Term, or earlier termination of the Lease, Lessee shall surrender possession to County of the Premises and those Improvements not required to be removed by Lessee, in the condition in which such Improvements are required to be repaired and maintained under this Lease.

2.3.3 County's Right to Remove Improvements. If County elects to have Lessee demolish and remove Improvements and Lessee fails to do so in accordance with this Lease, County may, at its election, retain, sell, remove or demolish such Improvements. In the event of any demolition or removal by County of Improvements required to have been demolished and removed by Lessee, Lessee shall reimburse County for any Actual Costs incurred by County in connection with such demolition and removal in excess of any funds used by County from the Demolition Security for such purpose and any consideration received by County as a result of any sale of the demolished Improvements; provided, however, that County shall be under no obligation to Lessee to effectuate any such sale or, in the case of a sale, to obtain any required level of compensation therefor.

2.3.4 Duty to Remove Personal Property. No later than the expiration of the Term or sooner termination of this Lease (subject to Lessee's rights with respect to the Post Term Removal Period described in Subsection 2.3.2), Lessee shall in all events remove, at its cost and expense, all furniture, equipment and other personal property that is not affixed to the Improvements or reasonably necessary for the orderly operation of the Premises or Improvements. Should Lessee fail to remove such furniture, equipment and other personal property within said period, and said failure continues for ten (10) days after written notice from County to Lessee, Lessee shall lose all right, title and interest therein, and County may elect to keep the same upon the Premises or to sell, remove, or demolish the same, in which event Lessee shall reimburse County for its Actual Costs incurred in connection with any such sale, removal or demolition in excess of any consideration received by County as a result thereof.

2.3.5 Title to Certain Improvements Passes to County; Lessee to Maintain. As between County and Lessee, title to all utility lines, transformer vaults and all other utility facilities constructed or installed by Lessee upon the Premises ("**Utility Facilities**") shall vest in County upon construction or installation to the extent that they are not owned by a utility company or other third party provider. Notwithstanding the foregoing sentence, such utility lines, transformer vaults and all other utility facilities (other than any sewer, storm drain or other utility systems which have been dedicated to and accepted by County pursuant to a dedication separate from this Lease), shall be maintained, repaired, and replaced, if and as needed, by Lessee during the Term. Nothing in this section shall relive Lessee of its obligation to maintain, repair and replace any of the Utility Facilities during the term of this Lease.

3. USE OF PREMISES.

3.1 Permitted Use. Subject to the terms and provisions hereof, following the completion of the Development Work in accordance with the applicable terms and provisions of this Lease, the Premises and Improvements shall continuously and at all times during the Term be used by Lessee, and/or subleased by Lessee, solely for the Permitted Uses.

3.1.1 As used herein, "**Permitted Uses**" means any of the following:

3.1.1.1 Medical offices for physicians duly licensed in California to engage in the private practice of medicine that support and/or complement MLK Hospital or MLK Outpatient Center and the healthcare of the surrounding community.

3.1.1.2 Office use by subtenants generally involved in health care related businesses or operations that support and/or complement MLK Hospital or MLK Outpatient Center and the healthcare of the surrounding community.

3.1.1.3 Administrative, medical outpatient services, and health related services that directly support MLK Hospital or MLK Outpatient Center;

3.1.1.4 Retail use for (a) one (1) pharmacy consisting of not more than 4,000 square feet of rentable area, and (b) not more than 6,000 square feet of rentable area in the aggregate of any one or more sundry shop, snack bar, coffee shop or ancillary retail use typical in a healthcare complex.

3.1.1.5 If at any time during the Term, the MLK Hospital fails to continuously operate as an acute care hospital for a period of nine (9) consecutive months (other than for purposes of restoring the MLK Hospital following a casualty or condemnation) or the MLK Outpatient Center fails to continuously operate and accept patients for a period of nine (9) consecutive months (other than for purposes of restoring the MLK Outpatient Center following a casualty or condemnation), then the term "Permitted Uses" shall be expanded to include any uses that are both (a) allowed under Applicable Law (including all zoning codes and land use regulations) and (b) consistent with the Medical Center Campus Master Plan.

3.1.1.6 Diagnostic services, psychiatric and substance abuse services, ambulatory surgical center use, home healthcare related uses and graduate medical education related activities as well as clinical trials.

3.1.2 Except as specifically provided herein, without the prior written consent of County the Premises and Improvements shall not be used for any purpose other than the Permitted Uses. County makes no representation or warranty regarding the continued legality of any of the Permitted Uses, and Lessee bears all risk of an adverse change in Applicable Laws. From and after the completion of the Development Work in accordance with the applicable terms and provisions of this Lease, Lessee shall operate the Premises and Improvements in accordance with a minimum standard of operation that it at least consistent with other "Class A" suburban low-rise medical office buildings in the Los Angeles metropolitan area.

3.2 Prohibited Uses. Notwithstanding the foregoing:

3.2.1 Nuisance. Lessee shall not conduct or permit to be conducted any private or public nuisance on or about the Premises or the Improvements, nor commit any waste thereon. No rubbish, trash, waste, residue, brush, graffiti, weeds or undergrowth or debris of any kind or character shall ever be placed or permitted to accumulate upon any portion of the Premises or the Improvements, except for trash collected in appropriate receptacles intended for such purposes, nor shall any portion of the Premises or Improvements be permitted to be operated or maintained in a manner that renders the Premises or Improvements a fire hazard or other hazard to public safety.

3.2.2 Restrictions and Prohibited Uses. Without expanding upon or enlarging the Permitted Uses of the Premises and Improvements expressly set forth in Section 3.1, the following uses of the Premises and Improvements are expressly prohibited:

3.2.2.1 The Premises and Improvements shall not be used or developed in any way which violates any Applicable Law.

3.2.2.2 The Premises and Improvements shall not be used or developed in any way in a manner inconsistent with the Permitted Uses. Without limiting the foregoing, no part of the Premises shall be used by any person for any adult entertainment purposes, as such term refers to graphic, explicit and/or obscene depictions of sexual activity;

3.2.2.3 All Improvements shall at all times be kept in good condition and repair consistent with the requirements of Section 10.1, except as such condition is affected by the performance of the Development Work or Alterations in accordance with the requirements of Article 5.

3.2.2.4 No condition shall be permitted to exist upon the Premises or Improvements which induces, breeds or harbors infectious plant diseases, rodents or noxious insects, and Lessee shall take such measures as are appropriate to prevent any conditions from existing on the Premises or Improvements which create a danger to the health or safety of any persons occupying, using, working at, or patronizing the Premises or Improvements.

3.2.2.5 Without the prior written approval of County, which approval shall not be unreasonably withheld, conditioned or delayed, no antennae or other device for the transmission of television signals or any other form of electromagnetic radiation (collectively, "**Antennae**") shall be erected, used or maintained by Lessee outdoor above ground on any portion of the Premises, whether attached to an improvement or otherwise; provided that the foregoing requirement to obtain County's approval as to any Antennae shall be inapplicable to the extent that such requirement violates Applicable Law and the foregoing requirement to obtain County's approval as to any Antennae shall be inapplicable to any antennae or other device for the reception of television signals erected, used or maintained by any Sublessee for the benefit of such Sublessee's patients, employees, guests or invitees, as applicable.

3.2.2.6 No tools, equipment, or other structure designed for use in boring for water, oil, gas or other subterranean minerals or other substances, or designed for use in any mining operation or exploration, shall hereafter be erected or placed upon or adjacent to the Premises, except (a) as is necessary to allow Lessee to perform its maintenance and repair obligations pursuant to this Lease, and (b) for such boring or drilling as necessary to perform water testing or monitoring, or any dewatering program to relieve soil water pressure.

3.2.2.7 No adverse environmental condition in violation of Applicable Laws shall be permitted to exist on or in any portion of the Premises or the Improvements, nor shall any Hazardous Substances be permitted to be generated, treated, stored, released, disposed of, or otherwise deposited in or on, or allowed to emanate from, the Premises, the Improvements or any portion thereof. Lessee shall not be required to remove Hazardous Substances existing in the building materials of the existing Improvements as of the Effective Date, if and to the extent that such Hazardous Substances in their condition in such Improvements as of the Effective Date do not require remediation or removal under Applicable Laws in effect as of the Effective Date; provided, however, that (a) such Hazardous Substances shall be removed or remediated if and to the extent required under any Applicable Laws hereafter applicable to the Premises and/or the Improvements located thereon, (b) such Hazardous Substances shall be removed or remediated if and to the extent required under the Development Plan or the Final Plans and Specifications for the Development Work, or if required under Applicable Laws that apply to the performance of the Development Work, and (c) any removal or remediation of such Hazardous Substances, including without limitation, any disposal thereof, shall be performed in compliance with all Applicable Laws.

3.2.2.8 Lessee shall not, and Lessee shall not knowingly permit, any Medical Waste to be stored, handled, disposed of or otherwise treated on the Premises in violation of Applicable Law or this Lease. To the extent that Lessee generates, stores, handles, or disposes of Medical Wastes anywhere on the Premises, it shall comply with the provisions of Subsection 3.2.2.9(a), which are normally applicable to Sublessees.

3.2.2.9 Lessee covenants to include in each applicable Sublease provisions substantially similar in all material respects, to the following:

(a) Medical Waste that is generated in the applicable subleased premises by the applicable Sublessee may be stored, handle or disposed of or otherwise treated by such Sublessee in its subleased premises so long as such storage, handling, disposal and treatment is conducted in accordance with (i) all standard industry practices for such Sublessee's applicable Permitted Use, (ii) in compliance with all Applicable Laws, and (iii) in compliance with all of the following requirements: (1) any unused sharps (i.e., discarded hypodermic, I.V. and other medical needles) and unused discarded scalpel blades shall be considered part of Medical Wastes for purposes of the applicable Sublease; (2) the applicable Sublessee shall not permit undue accumulations of Medical Waste within the subleased premises and shall keep all Medical Waste in proper containers until disposal; (3) the applicable Sublessee shall not permit the mixing or disposal of any Medical Waste with any other waste in violation of any Applicable Law; (4) the applicable Sublessee shall separate infectious waste (those wastes capable of causing disease), including tissue cultures, blood, tissue and organs, and other biological mater, from other Medical Waste by containing them in disposable red plastic bags/containers which are impervious to moisture; (5) the applicable Sublessee shall contain needles and sharps in disposable rigid containers which can be sealed with a tight fitting lid; (6) all spills of Medical Waste shall be cleaned up by the applicable Sublessee immediately in accordance with Applicable Laws and good medical practices; and (7) County shall have any duty or obligation to remove any Medical Wastes from the subleased premises and the applicable Sublessee shall contract at all times during the term of the applicable Sublease with medical waste disposal company duly licensed and operating in California. Any other generation, storage, handling, or disposal of Medical Wastes by such Sublessee shall be expressly prohibited.

(b) A provision requiring the applicable Sublessee to obtain the prior written approval of Lessee and County, not to be unreasonably withheld, conditioned or delayed, before establishing a pathological laboratory in such Sublessee's subleased premises. Such provision shall further require that if such Sublessee desires to establish a pathological laboratory in such Sublessee's subleased premises, such Sublessee shall submit to Lessee and County all information reasonably requested about such laboratory including, a detailed description of the services to be provided by such laboratory, the maximum volume of the usage thereof, a plan for handling the Medical Waste and Hazardous Materials expected to be produced from such use. Such provision shall further provide that once approved, such services and use shall be strictly limited to those services, maximum volume and use to which Lessee and County have expressly consented in writing and that any expansion or addition to such services or use without Lessee's and County's prior written consent, not to be unreasonably withheld, conditioned or delayed, shall be prohibited; and

(c) A provision requiring the applicable Sublessee to obtain the prior written approval of Lessee and County, not to be unreasonably withheld, conditioned or delayed, before installing any Radiation Producing Equipment in such Sublessee's sublease premises. Such provision shall further require that if such Sublessee desires to install any such Radiation Producing Equipment in such Sublessee's sublease premises, such Sublessee shall submit to Lessee and County all information reasonably requested about such Radiation Producing Equipment including, a detailed description of the services to be provided by such equipment, the maximum volume of the usage thereof, a plan for handling the Medical Waste and Hazardous Materials expected to be produced from such use, and actions to protect the other occupants of the Premises and any visitors from radiation arising from the equipment. Such provision shall further provide that once approved, such services and use shall be strictly limited to those services, maximum volume and use to which Lessee and County has expressly consented in writing and that any expansion or addition to such services or use without Lessee's and County's prior written consent, not to be unreasonably withheld, conditioned or delayed, shall be prohibited;

(d) A provision requiring that each Sublessee that is an individual conducting a medical practice in such Sublessee's sublease premises be required to (i) practice in such sublease premises in compliance with the Code of Ethics of the American Medical Association and (ii) be and remain appropriately licensed and in good standing with the State of California medical licensing board and any applicable federal, state or local certification or licensing agency or office.

3.2.2.10 Lessee covenants that in the event Lessee receives a report from any Sublessee or other Person (including an employee or contractor of Lessee) of any spillage or injury from handling Medical Wastes by such Sublessee or any other Person (including an employee or contractor of Lessee), Lessee shall promptly provide a written report to County including all pertinent information, documents and reports in Lessee's possession.

3.3 Objectives. The Parties acknowledge that County's objectives in entering into this Lease are to (a) provide quality office space for administrative, medical outpatient services, and health related services in coordination with MLK Hospital and MLK Outpatient Center, in each case without discrimination as to race, gender or religion; (b) to obtain such office space as cost-effectively as possible; and (c) for County, to obtain eventual ownership of the Project. In the event of any dispute or controversy relating hereto, this Lease shall be construed with due regard to the aforementioned objectives.

3.4 Days of Operation. Lessee covenants to include in each Sublease of space in the Improvements a provision requiring the applicable Sublessee's subleased premises to be open for the days and hours at least commensurate with the days and hours of operations of other similar tenants of other "Class A" suburban low-rise medical office buildings in the Los Angeles metropolitan area, except to the extent that such Sublessee is prevented from doing so due to Force Majeure, temporary interruption as necessary for maintenance and repair, or temporary interruption as necessary to accommodate renovation, alteration or other improvement work required or permitted to be performed by Lessee under this Lease or by such Sublessee under its Sublease.

3.5 Signs.

3.5.1 Signage Approval. Any and all identifications or advertising signs which are placed on, or are visible from, the exterior of the Premises or Improvements shall be only of such size, design, wording of signs and color as shall have been specifically submitted to and approved by County, in writing, whether pursuant to Article 5 or otherwise, prior to the erection or installation of such identification or advertising sign. County shall not unreasonably withhold its approval of the matters described in this Section 3.5. Any dispute as to whether County has unreasonably withheld its approval of a matter described in this Section 3.5 shall be submitted to arbitration pursuant to Article 16 of this Lease. Once any such signage is approved, or deemed approved, by County, Lessee may make repair, maintain, replace and/or modify such sign (so long as such modification is not materially inconsistent with the wording, size and color of the originally approved sign), including, without limitation, to add or replace the names of Subtenants on any such sign, without County's approval. If County has not responded to any request for approval of any such sign within fifteen (15) business days after receipt thereof, Lessee shall provide to the County a second written request for such approval. Lessee shall include in any such notice, printed in capital letters and boldface type, a legend to the following effect:

"THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN FIFTEEN (15) DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE SIGN DESCRIBED HEREIN."

If the foregoing legend is included by the Lessee in its communication, the applicable sign shall be deemed to have been approved if the County fails to object with respect hereto within fifteen (15) days of receipt of such second notice.

3.5.2 No Offsite Signs. Lessee shall not install or allow to be installed any sign visible from the exterior of the MOB that displays any message directing attention to a business, product, service, profession, commodity, activity, event, person, institution or any other commercial message, which is generally conducted, sold, manufactured, produced, offered or occurs elsewhere than on the Medical Center Campus, unless relating to an alternate location of a Sublessee directing patients or customers to such alternate location during times when such Sublessee is not open for business at the MOB.

3.6 Compliance with Regulations. Lessee shall comply with all Applicable Laws and shall pay for and maintain any and all required licenses and permits related to or affecting the use, operation, maintenance, repair or improvement of the Premises or Improvements.

3.7 Compliance with Laws. The Parties intend that: (a) this Lease and any and all payments and/or other actions hereunder shall be in full compliance with any and all Applicable Laws and (b) nothing herein is intended to or shall be construed to establish any present or future economic or other arrangement in violation of any laws or regulations, including, without limitation, the Medicare/Medicaid Anti-Kickback statute, Section 1877 of the Social Security Act, the Federal Physician Self-Referral laws, and various State laws applicable to healthcare providers and their relationships with physicians and other providers.

3.8 Rules and Regulations. Lessee agrees to comply with such commercially reasonable rules and regulations governing the use and occupancy of the Premises and Improvements as may be promulgated by County from time to time for general applicability on a non-discriminatory basis to the Medical Center Campus or other medical office buildings on the Medical Center Campus, and delivered in writing to Lessee. All such rules and regulations in effect as of the Effective Date, to the extent provided to Lessee prior to the Effective Date, shall be deemed commercially reasonable. If County shall change or add to such rules and regulations after the Effective Date, such new or changed rules and regulations shall be deemed commercially reasonable if they are consistent in all material respects with the rules and regulations governing other "Class A" suburban low-rise medical office buildings in the Los Angeles metropolitan area. Any dispute as to whether such new or changed rules and regulations are commercially reasonable shall be submitted to arbitration pursuant to Article 16 of this Lease. Nothing in this Section 3.8 shall be construed to limit County's police powers or ability to legislate.

3.9 Reservations. Lessee and County expressly agree that this Lease and all of Lessee's rights hereunder shall be subject to all prior encumbrances, reservations, licenses, easements and rights of way existing as of the date of the Effective Date or otherwise referenced in this Lease in, to, over or affecting the Premises for any purpose whatsoever, and also subject to any other encumbrances, reservations, licenses, easements and rights of way consented to by Lessee in writing.

Without limiting the foregoing, Lessee expressly agrees that this Lease and all rights hereunder shall be subject to all prior matters of record and the right of County or City existing as of the Effective Date or otherwise disclosed to or known to Lessee, as their interests may appear, to install, construct, maintain, service and operate sanitary sewers, public roads and sidewalks, fire access roads, storm drains, drainage facilities, electric power lines, telephone lines and access and utility easements across, upon or under the Premises, together with the right of County or the City to convey such easements and transfer such rights to others. Notwithstanding the foregoing or anything herein to the contrary, County agrees to cooperate with Lessee, at Lessee's cost, in Lessee's efforts to address title matters, if any, which would prevent Lessee from proceeding with the development of the Premises in accordance with the Development Work, as long as such efforts do not materially adversely affect the County.

4. PAYMENTS TO COUNTY.

4.1 Net Lease. The Parties acknowledge that the rent to be paid by Lessee under this Lease is intended to be absolutely net to County. Except as specifically set forth herein, the rent and other sums to be paid to County hereunder are not subject to any credit, demand, set-off or other withholding. Except as specifically set forth herein, Lessee shall be solely responsible for all capital costs (including, without limitation, all structural and roof repairs or replacements) and operating expenses attributable to the operation and maintenance of the Premises and Improvements, including without limitation the parking areas included within the Premises.

4.1.1 Utilities. In addition to the rental charges as herein provided, Lessee shall pay or cause to be paid all utility and service charges for furnishing water, power, sewage disposal, light, telephone service, garbage and trash collection and all other utilities and services, to the Premises and Improvements.

4.1.2 Taxes and Assessments. Lessee agrees to pay before delinquency all lawful taxes, assessments, fees, or charges which at any time may be levied by the State, County, City or any tax or assessment levying body upon any interest in this Lease or any possessory right which Lessee may have in or to the Premises or the Improvements thereon for any reason, as well as all taxes, assessments, fees, and charges on goods, merchandise, fixtures, appliances, equipment, and property owned by it in, on or about the Premises. Lessee's obligation to pay taxes and assessments hereunder shall include but is not limited to the obligation to pay any taxes and/or assessments, or increases in taxes and/or assessments arising as a result of the grant to Lessee of the Option or Lessee's exercise thereof. Lessee shall have the right to contest the amount of any assessment imposed against the Premises or the possessory interest therein; provided, however, the entire expense of any such contest (including interest and penalties which may accrue in respect of such taxes) shall be the responsibility of Lessee.

The Parties acknowledge that the Premises shall be subject to possessory interest taxes, and that such taxes shall be paid by Lessee. This statement is intended to comply with Section 107.6 of the Revenue and Taxation Code. Lessee shall include a statement in all Subleases to the effect that the interests created therein are derived from the Lessee's interest under this Lease and that Lessee's interest requires the payment of a possessory interest tax.

4.2 Rental Payments. Throughout the Term, for the possession and use of the Premises granted herein, Lessee shall pay County Annual Rent and Percentage Rent, as applicable:

4.2.1 Annual Rent and Monthly Rent. Lessee shall pay to County the rent described in this Section 4.2 during each Lease Year during the Term, including during any extension of the Term (such rent, the "**Annual Rent**"). Annual Rent shall be payable by Lessee to County on a monthly basis in equal installments of one-twelfth (1/12th) of the Annual Rent (the "**Monthly Rent**"); provided, however, if any period during which the Annual Rent is calculated is shorter or longer than a calendar year, then the Annual Rent for such period shall be calculated on a pro rata basis based on the number of days in the applicable period as compared to 365, and Monthly Rent shall be payable in equal monthly installments of such pro rata Annual Rent.

4.2.1.1 During the period from the Effective Date through the day preceding the date that the first Certificate of Occupancy (whether temporary or permanent) for the MOB is issued (the "**Construction Period**"), the Annual Rent shall equal twenty thousand dollars ($20,000.00).

4.2.1.2 During the period commencing upon the issuance of the first Certificate of Occupancy (whether temporary or permanent) for the MOB and continuing through and until the expiration or earlier termination of the Lease (the "**Operations Period**"), the Annual Rent shall be equal to the greater of (a) forty thousand dollars ($40,000.00) (the "**Minimum Operations Period Annual Rent**") or (b) Percentage Rent.

4.2.2 Percentage Rent. "**Percentage Rent**" means, for any given Lease Year, five percent (5%) of Gross Receipts charged for the rental, use or occupancy of the Improvements, or any portion thereof (other than Lessee's management office, if any), for such year. Within sixty (60) days after the end of each calendar year during the Operations Period, Lessee shall submit to County a "true-up" for such calendar year setting forth Lessee's calculation of the actual Gross Receipts for such calendar year and the Percentage Rent for such calendar year, together with supporting documentation for such calculation as County may reasonably request (the "**Annual True-Up Notice**"). If the amount of Percentage Rent for such calendar year set forth in such Annual True-Up Notice exceeds the Minimum Operations Period Annual Rent, then Lessee shall remit the difference in such amounts (which total remitted amount shall be subject to the TCLA Public Benefit

Discount set forth in Subsection 4.2.3, if applicable) to County within ten (10) business days of delivery of the Annual True-Up Notice. In the event that County disputes the calculation of Percentage Rent set forth in any Annual True-Up Notice delivered by Lessee, then County shall have the right, exercisable upon written notice to Lessee and following at least two (2) weeks' advance notice to Lessee, to inspect, copy, and audit Lessee's accounting records for the time period covered by such statement; provided, however, that in the event County shall employ or retain a third party to inspect Lessee's accounting records (a "**Third Party Auditor**"), then as a condition precedent to any such inspection, County shall deliver to Lessee a copy of County's written agreement with such Third Party Auditor, which agreement shall include customary confidentiality and non-disclosure provisions. Lessee shall furnish County with such reasonable supporting documentation relating to the subject Gross Receipts as County may reasonably request, including any previous audit conducted by Lessee with respect to such Gross Receipts. The results of County's audit shall be conclusive absent manifest error. If County's calculation of Percentage Rent shall be found understated by more than three percent (3%), Lessee shall, within (10) business days after demand and in addition to remitting any other payments of Annual or Monthly Rent due hereunder, reimburse County's costs of such audit.

4.2.2.1 Gross Receipts. "**Gross Receipts**" means (a) the gross amount of all money, receipts, compensation, or other things of value, including but not limited to charges, sales price, rentals, and payments paid by tenants, licensees, and concessionaries of the Improvements to Lessee, but excluding common area maintenance expenses and pro rata payments or reimbursements of property taxes and insurance premiums paid by occupants of the Improvements as part of their lease obligations (except that any owner mark-up for profit on such common area maintenance expenses shall be included in Gross Receipts), collected by Lessee from any business, use, occupation or any combination thereof, originating, transacted, or performed in whole or in part, on the Premises, including but not limited to rentals, the rendering or supplying of services and the sale by Lessee of goods, wares, food, beverages or merchandise and (b) if and to the extent any leasable portion of the Premises (other than a property management or leasing office) is subleased to, or occupied or used by, Lessee, or any Person that is Controlled by or Controls Lessee, the gross amount that County reasonably determines would likely have been paid by a Sublessee of such portion of the Premises under a market-rate Sublease, but excluding common area maintenance expenses and pro rata payments or reimbursements of property taxes and insurance premiums that would be paid by such a Sublessee as part of its obligations under a market-rate Sublease.

4.2.3 TCLA Public Benefit Discount. Notwithstanding any provision to the contrary contained in this Lease, the Monthly Rent payable by Lessee to County shall be reduced by fifty percent (50%) (such reduced dollar amount, the "**TCLA Public Benefit Discount**"); provided that as of the due date of such Monthly Rent: (a) Lessee is not in default under this Lease beyond any applicable notice and cure periods; (b) the MLK Master Lease is in full force and effect; (c) MLK-LA is the tenant under the MLK Master Lease and has not assigned or transferred all or any portion of its interest in the MLK Master Lease in violation of this Lease; (d) neither Lessee, as sublandlord, nor MLK-LA, as subtenant, are in default under the MLK Master Lease beyond any applicable notice and cure periods provided therein; and (e) Section 4.1(a) of the MLK Master Lease setting forth the MLK-LA Public Benefit Discount has not been amended or otherwise modified in any way without County's prior written consent. Notwithstanding the foregoing, after any true up under Section 4.2.2, in no event shall the total dollar amount of the TCLA Public Benefit Discount pursuant to this Subsection 4.2.3 exceed the total dollar amount of the MLK-LA Public Benefit Discount pursuant to Section 4.1(a) of the MLK Master Lease as to each concurrent calendar year. As additional consideration for the reduction of Monthly Rent pursuant to the TCLA Public Benefit Discount under this Subsection 4.2.3, Lessee hereby covenants to County that it shall not amend or agree to amend or otherwise modify the terms of Section 4.1(a) of the MLK Master Lease without County's prior written consent.

4.3 Payment and Late Fees. Monthly Rent shall be paid by Lessee to County in advance on or before the first day of each calendar month of the Term. Payment may be made by check or draft issued and payable to The County of Los Angeles, and mailed or otherwise delivered to ________________ **[Note: to be completed by County.]**, or such other address as may be provided to Lessee by County.

4.3.1 Late Fee. Lessee acknowledges that County shall have no obligation to issue monthly rental statements, invoices or other demands for payment, and that the rental payments required herein shall be payable notwithstanding the fact that Lessee has received no such statement, invoice or demand. In the event any payment under this Lease is not received by County by the date due, Lessee acknowledges that County will experience additional management, administrative and other costs that are impracticable or extremely difficult to determine. Therefore, a fee ("**Late Fee**") of six percent (6%) of the unpaid amount shall be added to any amount that remains unpaid five (5) days after such amount was due and payable; provided, however, that no Late Fee shall be assessed in the case of the first late payment by Lessee during any Lease Year as long as such late payment is cured within one (1) business day after Lessee receives written notice from County. In addition to any Late Fee, any unpaid rent due shall additionally bear interest at an annual rate equal to the Prime Rate plus three percent (3%), computed from the date when such amounts were due and payable, compounded monthly, until paid. Lessee acknowledges that such Late Fee and interest shall be applicable to all identified monetary deficiencies under this Lease, whether identified by audit or otherwise, and that interest on such amounts shall accrue from and after the date when such amounts were due and payable as provided herein (as opposed to the date when such deficiencies are identified by County); provided, however, with respect to any obligation of an Encumbrance Holder in connection with the exercise of its cure rights under Article 12 below, interest accrual on any particular obligation for periods prior to the Encumbrance Holder's acquisition of leasehold title to the Premises shall be limited to a maximum of three (3) years.

4.4 Changes of Ownership and Financing Events. Except as otherwise provided in this Section 4.4, each time Lessee proposes (a) a Change of Ownership or (b) a Financing Event, County shall be paid an Administrative Charge equal to the Actual Cost incurred by County in connection with its review and processing of such Change of Ownership and/or Financing Event ("**Administrative Charge**"). Changes of Ownership are subject to County approval as set forth in Article 11 and Financing Events are subject to County approval as set forth in Article 12.

4.4.1 Change of Ownership or Change of Control. "**Change of Ownership**" means (a) any transfer by Lessee of a five percent (5%) or greater direct ownership interest in this Lease, (b) the execution by Lessee of a Major Sublease or the transfer by the Major Sublessee under a Major Sublease of a five percent (5%) or greater direct ownership interest in such Major Sublease, (c) any transaction or series of related transactions not described in Clauses (a) or (b) of this Subsection 4.4.1 which constitute an Aggregate Transfer of fifty percent (50%) or more of the beneficial interests in Lessee or a Major Sublessee, or (d) a Change of Control of Lessee or a Major Sublessee. "**Change of Control**" means a transaction whereby the transferee acquires a beneficial interest in Lessee or a Major Sublessee which brings its cumulative beneficial interest in Lessee or a Major Sublessee, as applicable, to greater than fifty percent (50%).

4.4.2 Excluded Transfers. Notwithstanding anything to the contrary contained in this Lease, Changes of Ownership resulting from any of the following transfers ("**Excluded Transfers**") shall not create an obligation to pay County an Administrative Charge:

4.4.2.1 A transfer by any direct or indirect partner, shareholder or member of Lessee (or of a limited partnership, corporation or limited liability company that is a direct or indirect owner in Lessee's ownership structure) as of the Effective Date (or the date of the most recent previous approved Change of Ownership after the Effective Date), to any other direct or indirect partner, shareholder or member of Lessee (or of a limited partnership, corporation or limited liability company that is a direct or indirect owner in Lessee's ownership structure) as of the Effective Date (or the date of such most recent previous approved Change of Ownership), including in each case to or from a trust for the benefit of the immediate family (as defined in Subsection 4.4.2.3) of any direct or indirect partner, shareholder or member of Lessee who is an individual;

4.4.2.2 A transfer to a spouse (or to a domestic partner if domestic partners are afforded property rights under then-existing Applicable Laws) in connection with a property settlement agreement or decree of dissolution of marriage or legal separation, as long as such transfer does not result in a Change of Control of Lessee or a change in the managing member or general partner of Lessee;

4.4.2.3 A transfer of ownership interests in Lessee or in constituent entities of Lessee (a) to a member of the immediate family of the transferor (which for purposes of this Lease shall be limited to the transferor's spouse, children, parents, siblings and grandchildren), (b) to a trust for the benefit of a member of the immediate family of the transferor, (c) from such a trust or any trust that is an owner in a constituent entity of Lessee as of the Effective Date (or the date of the most recent previous approved Change of Ownership after the Effective Date), to the settlor or beneficiaries of such trust or to one or more other trusts created by or for the benefit of any of the foregoing persons, whether any such transfer described in this Subsection 4.4.2.3 is the result of gift, devise, intestate succession or operation of law, or (d) in connection with a pledge by any partners of a constituent entity of Lessee to an affiliate of such partner or to an Internal Revenue Code Section 501(c)(3) charitable institution for no consideration;

4.4.2.4 A transfer of a beneficial interest resulting from public trading in the stock or securities of an entity, where such entity is a corporation or other entity whose stock (or securities) is (are) traded publicly on a national stock exchange or traded in the over-the-counter market and whose price is regularly quoted in recognized national quotation services;

4.4.2.5 A mere change in the form, method or status of ownership, as long as there is no change in the actual beneficial ownership of this Lease, Lessee or a Major Sublease, and such transfer does not involve an intent to avoid Lessee's obligations under this Lease with respect to a Change of Ownership;

4.4.2.6 Any transfer to a Condemnor;

4.4.2.7 Any assignment of the Lease by Lessee to a parent, subsidiary or affiliate of Lessee in which there is no change to the direct and indirect beneficial ownership of the leasehold interest;

4.4.2.8 Any Sublease (other than a Major Sublease) of any portion of the Premises entered into in accordance with the terms and conditions of this Lease;

4.4.2.9 A transfer to a wholly-owned subsidiary of Lessee formed for financing purposes or a transfer to an entity composed of Lessee and a financial partner for purposes of financing construction of the Premises, in either case for which Lessee retains management responsibility and oversight for the development of the Premises; or

4.4.2.10 A transfer to a Qualified Transferee, which proposed transferee may be reviewed under the definition of "**Qualified Transferee**," confirmed by County pursuant to Clauses (a) and (b) of Subsection 4.4.2.10, and where such Qualified Transferee assumes all of the obligations of the then-existing Lessee under this Lease.

In connection with Subsection 4.4.2.9, Lessee shall provide County written notice within thirty (30) days of the occurrence of such a transfer. In connection with Subsection 4.4.2.10, (a) concurrently with the notice described in this Subsection, Lessee and Qualified Transferee, without any cost to County, shall furnish reasonable information regarding the proposed transferee, including, without limitation, evidence of organization and good standing, and the qualification of the signers to execute and assumption agreement and any and all other documents contemplated thereby in connection with the assumption of this Lease, and (b) County shall have a total of seventy-five (75) days from Lessee's initial request to fully and finally complete any such confirmation review and issue an acknowledgement of same, during which time County shall work diligently and in good faith to complete their review and confirmation process. During such 75-day period, County shall have the right to receive any additional information reasonably requested to complete such review. In the conduct of its confirmation review as set forth in the preceding sentence, County shall have the discretion to either confirm or disagree, in good faith, that the proposed transferee is a Qualified Transferee as defined herein, and if disagreeing, provide the reasons for such disagreement with reasonable specificity. Until County confirms the proposed transferee is a Qualified Transferee, as defined herein, such proposed transfer shall not be permitted under Article 11.

4.4.3 Aggregate Transfer. "**Aggregate Transfer**" shall refer to the total percentage of the shares of stock, partnership interests, membership interests or any other equity interests (which constitute beneficial interests in Lessee or a Major Sublessee, as applicable) transferred or assigned in one transaction or a series of related transactions (other than those enumerated in Subsection 4.4.2) occurring since the later of (a) the Effective Date, (b) the execution of a Major Sublease in the case of an Aggregate Transfer involving a Major Sublessee, or (c) the most recent Change of Ownership upon which an Administrative Charge was paid to County; provided, however, that there shall be no double counting of successive transfers of the same interest in the case of a transaction or series of related transactions involving successive transfers of the same interest. Isolated and unrelated transfers shall not be treated as a series of related transactions for purposes of the definition of Aggregate Transfer.

4.4.4 Beneficial Interest. As used in this Lease, "**beneficial interest**" shall refer to the ultimate direct or indirect ownership interests in Lessee (or a Major Sublessee, or other entity expressly referenced herein, as applicable), regardless of the form of ownership and regardless of whether such interests are owned directly or through one or more layers of constituent partnerships, corporations, limited liability companies or trusts; provided, however, a trust for estate planning purposes shall be considered the owner of a beneficial interest notwithstanding the identity or change in the beneficiaries of the trust.

4.4.4.1 Interests Held By Entities. Except as otherwise provided herein, an interest in Lessee, this Lease or a Major Sublease held or owned by a partnership, limited liability company, corporation or other entity shall be treated as owned by the partners, members, shareholders or other equity holders of such entity in proportion to their respective equity interests, determined by reference to the relative values of the interests of all partners, members, shareholders or other equity holders in such entity. Where more than one layer of entities exists between Lessee or a Major Sublessee, as applicable, and the ultimate owners, then the foregoing sentence shall be applied successively to each such entity in order to determine the ownership of the beneficial interests in Lessee, this Lease or a Major Sublease, as appropriate, and any transfers thereof. Notwithstanding any contrary provision hereof, no limited partner, member or shareholder having a direct or indirect ownership interest in Lessee or a Major Sublease shall have any liability to County under this Lease.

4.5 Calculation and Payment. A deposit of fifteen thousand dollars ($15,000) toward the Administrative Charge shall be due and payable upon Lessee's notification to County of the proposed Change of Ownership or Financing Event and request for County's approval thereof. If the transaction is approved, the balance of the Administrative Charge, if any, and the Lease Transfer Fee, if any, shall be due and payable concurrently with the consummation of the transaction constituting the Change of Ownership giving rise to the obligation to pay such fee, regardless of whether or not money is transferred by the parties in connection with such consummation. If County disapproves the proposed transaction then, within thirty (30) days after notice of its disapproval, County shall deliver to Lessee a written notice setting forth the Administrative Charge (including documentation in support of the calculation of the Administrative Charge), together with a refund of the amount, if any, of the deposit in excess of the Administrative Charge otherwise allowable under Section 4.4. In the event that the Administrative Charge exceeds the deposit, then Lessee shall pay County the balance of the Administrative Charge otherwise allowable under Section 4.4 on the earlier of (a) within thirty (30) days after receipt of the notice from County setting forth the Administrative Charge (including documentation in support of the calculation of the Administrative Charge) and any additional supporting documentation reasonably requested by Lessee within five (5) business days after its receipt of such notice or (b) the date of the Change of Ownership or Financing Event.

4.5.1 Obligation to Pay Administrative Charge and/or Lease Transfer Fee. With respect to a Change of Ownership giving rise to an Administrative Charge and, if applicable, a Lease Transfer Fee, or a Financing Event giving rise to an Administrative Charge, the obligation to pay the Administrative Charge and any applicable Lease Transfer Fee shall be the obligation of Lessee, and in the case in which the identity of the Lessee changes with the transfer, shall be the joint and several obligation of both the Lessee entity prior to the transfer and the Lessee entity after the transfer. In the event that the Administrative Charge or any applicable Lease Transfer Fee is not paid when due with respect to the beneficial interest in this Lease, then County shall have the remedies set forth in Section 13.3; provided, however, in the case of a transfer of an interest in Lessee (as opposed to a transfer by Lessee of an interest in the Lease or the Premises) in which the transferor and transferee fail to pay any Administrative Charge and, if applicable, Lease Transfer Fee due hereunder, as long as Lessee uses its best efforts to cause the payment of the required Administrative Charge and, if applicable, Lease Transfer Fee to be made, County shall, for a period of up to three (3) years following the Change of Ownership, forebear from exercising any right to terminate the Lease as a result thereof; provided further that at the end of such three (3) year period County shall no longer have any obligation to forebear from terminating the Lease if the Administrative Charge and, if applicable, Lease Transfer Fee, plus interest as described below, has not been paid in full. Any Administrative Charge or Lease Transfer Fee not paid when due hereunder shall bear interest at the Prime Rate plus three percent (3%). For purposes of determining whether County is required to forebear from terminating the Lease as described above, Lessee's obligation to use its best efforts to cause the payment of the unpaid Administrative Charge and/or Lease Transfer Fee shall include the obligation at Lessee's expense, to institute a legal action against the transferor and transferee within ninety (90) days following the date of the transfer and to diligently prosecute such legal action to completion.

4.6 Lease Transfer Fee. If at any time, on a third-party arm's-length basis, Lessee transfers (a) a five percent (5%) or greater interest in its leasehold interest in the Premises or (b) five percent (5%) or more of the equity interests in Lessee (each of which shall be deemed a "**Lease Transfer**" hereunder) and such transfer is not (i) an Excluded Transfer, (ii) a Foreclosure Transfer or (iii) the single transfer described in Subsection 12.2.3, then Lessee shall concurrently pay County a transfer fee ("**Lease Transfer Fee**") as follows:

4.6.1 With respect to the first (1st) and second (2nd) Lease Transfers, three-quarters of one percent (0.75%) of the gross purchase price paid in respect of the interest sold, net of documented closing costs, title charges, commissions and other transaction costs (collectively, "**Transaction Costs**"); and

4.6.2 With respect to any subsequent Lease Transfer, one and one-half percent (1.5%) of the gross purchase price paid in respect of the interest sold, net of Transaction Costs.

References to "Lessee" for this purpose shall be to Lessee or the then-current lessee of the leasehold estate.

4.7 Shareholder, Partner, Member, Trustee and Beneficiary List. As part of the submission for approval of a Change of Ownership, and upon the request of County (which requests shall be no more frequent than once per year), Lessee shall provide County with an updated schedule listing the names and mailing addresses of (a) all shareholders, partners, members and other holders of equity or beneficial interests in Lessee, this Lease or the Major Sublessee under any Major Sublease, and (b) all shareholders, partners, members and other holders of equity or beneficial interests in any of the constituent shareholders, partners, members or other holders of equity or beneficial interests in Lessee or any Major Sublessee under any Major Sublease, if such interest exceeds a five percent (5%) or greater beneficial interest in Lessee or the Major Sublessee under a Major Sublease. In the event that such shareholder, partner, member or other interest holder is a trust, Lessee shall include in such schedule the name and mailing address of each trustee of said trust, together with the names and mailing addresses of each beneficiary of said trust with greater than a five percent (5%) actuarial interest in distributions from, or the corpus of, said trust; provided, however, that to the extent that Lessee is prevented by Applicable Laws from obtaining such information regarding the beneficiaries of said trust(s), Lessee shall have complied with this provision if Lessee uses its commercially reasonable efforts to obtain such information voluntarily and provides County with the opportunity to review any such information so obtained. Lessee agrees to use its commercially reasonable efforts to provide County with any additional information reasonably requested by County in order to determine the identities of the holders of five percent (5%) or greater beneficial interests in Lessee or a Major Sublessee.

4.8 Right of First Refusal. Lessee hereby grants to County a right of first refusal ("**Refusal Right**"), to purchase Lessee's interest in this Lease on the following terms and conditions. As used herein "**Lessee's Interest**" means all of Lessee's right title and interest under this Lease, including without limitation its ownership of the Improvements, rights related to any Subleases, and any rights under any related easements or rights of way, any claims or rights to compensation arising from the leasehold interest. If Lessee has received from a bona fide prospective purchaser a written offer to acquire Lessee's Interest which Lessee has determined to accept, or Lessee proposes to make a written offer to sell Lessee's Interest to a bona fide purchaser (in either case, an "**Offer**"), then Lessee shall notify County in writing prior to Lessee's acceptance of any such Offer Lessee receives or Lessee's making of any such Offer, as applicable (such notification, the "**Lessee's Offer Notice**"). Lessee's Offer Notice shall include a copy of such Offer, which shall include, without limitation, the sale price (the "**Lessee Sale Price**") at which Lessee is willing to consummate the proposed transfer of Lessee's Interest. County shall have thirty (30) days from the receipt of the Lessee's Offer Notice within which to exercise such Refusal

Right by written notice of such exercise to Lessee ("**County's Exercise Notice**"); provided, however, at any time prior to the expiration of such thirty (30) day period, Lessee may, in its sole and absolute discretion, revoke such Lessee's Offer Notice by providing written notice of such revocation to County. During such thirty (30) day period, Lessee may market the Lessee's Interest, provided that the Lessee's Interest is offered subject to County's rights as provided in this Section 4.8. The failure of County to provide the County's Exercise Notice to Lessee within such thirty (30) day period shall be conclusively deemed to be and constitute a rejection of the Offer by County and a waiver of the Lessee's Offer Notice as to such Offer. In such event, Lessee shall be entitled, during the nine (9) month period immediately following such rejection, to enter into an agreement to consummate the transfer of the Lessee's Interest with a third party (subject to County's approval rights as otherwise set forth in this Lease) so long as (a) the actual price for the transfer of the Lessee's Interest is equal to or greater than ninety-five percent (95%) of the Lessee Sale Price last offered to County and upon no more favorable material terms to the assignee, and (b) the transfer is consummated not later than twelve (12) months following such rejection (which twelve (12) month period shall be extended to the extent the closing is delayed due to a delay by County in approving the transaction within sixty (60) days after County has received a notice from Lessee requesting County's approval of such transaction and all information required by County under this Lease to permit County to evaluate the transaction). In the event that County elects to purchase Lessee's Interest as provided herein, Lessee agrees to execute promptly a termination agreement and such other documentation as may be reasonably necessary to evidence the termination of this Lease, to set a termination date and to prorate rent and other charges with respect to the termination. County's rights pursuant to this Section 4.8 shall not apply to (w) Financing Events, (x) Excluded Transfers, (y) a Foreclosure Transfer or (z) the single transfer described in Subsection 12.2.3.

5. DEVELOPMENT WORK; ALTERATIONS.

5.1 Development Work. It is expressly understood and agreed that following the Effective Date, Lessee shall proceed to demolish the existing improvements located on the Premises and construct on the Premises the MOB and the parking facilities, landscape, hardscape, site work and other associated Improvements in accordance with the Development Plan attached to this Lease as Exhibit C (the "**Development Plan**") and the Final Plans and Specifications for such work as established under this Section 5.1 (collectively, the "**Development Work**"). Except to the extent modified in connection with any modification to the Development Plan and/or the Final Plans and Specifications approved by County in accordance with the requirements of this Lease, or for which County's approval is expressly not required under this Lease, the MOB shall contain approximately 52,000 gross square feet, the related parking facilities shall consist of at least 250 surface parking spaces located in the surface lot immediately adjacent to the MOB, and the scope, design, site coverage, layout, open space, view corridors, building height, construction materials, landscaping, and other specifications for the Development Work shall be in accordance with the Development Plan and the Final Plans and Specifications approved by County. Lessee shall be responsible for the acquisition and compliance with all required governmental planning and entitlement approvals required to perform the Development Work. Lessee represents and warrants that the MOB will be designed and built to a Leadership in Energy and Environmental Design (LEED) Silver Level standard and, following the completion of the Development Work, Lessee shall exercise commercially reasonable efforts to have the core and shell of the MOB certified as LEED Silver Level by the U.S. Green Building Council (USGBC) through its Leadership in Energy and Environmental Design (LEED) process.

5.1.1 Plans and Specifications for Development Work. In the event the Final Plans and Specifications for the Development Work have not been approved by County prior to the Effective Date, the following provisions shall apply:

5.1.1.1 Schematics and Narrative. Lessee shall submit to County six (6) sets of schematic plans together with a narrative description and construction cost estimate summary clearly delineating the nature, size, configuration and layout of the core and shell components of the Development Work. Such plans shall, among other things, clearly delineate the architectural theme or motif of the core and shell components of the Development Work and shall identify and illustrate all affected boundaries of the Premises and all affected rights-of-way or other areas reserved to County or third parties which are located thereon. After receipt of such plans, County shall have fifteen (15) business days within which to approve or disapprove such submission in writing. Failure of County to approve such submission in writing within said fifteen (15) business days day period shall be deemed approval of said submission. Following any disapproval of such submission by County, County shall, within fifteen (15) business days after receipt of a written request by Lessee, disclose to Lessee in writing County's objections to the submission. After approval of schematic plans (or subsequent approval of preliminary plans or Final Plans and Specifications) by County, if changes to such plans are required by conditions to approval of the Development Work imposed by any governmental agency with jurisdiction there over, Lessee shall promptly advise County in writing of such changes and County shall not disapprove those changes that constitute Approved Governmental Changes.

5.1.1.2 Preliminary Plans and Specifications. As soon as reasonably practicable after County's approval or deemed approval of the materials submitted pursuant to Subsection 5.1.1.1, Lessee shall submit to County six (6) sets of preliminary plans and outline specifications for the core and shell components of the Development Work (the "**Preliminary Plans**"). The Preliminary Plans shall reflect a Logical Evolution of the approved schematics and narrative. The Preliminary Plans shall be of a detail and scope that is typically associated with design development drawings. County shall have fifteen (15) business days from receipt within which to approve or reasonably disapprove such submission, and County may disapprove said Preliminary Plans only on the grounds that they do not reflect a Logical Evolution from the previously approved or deemed approved schematics and narrative (exclusive of any Approved Governmental Changes). "**Logical Evolution**," means a refinement or amplification of the previously approved schematics and narrative or phase of the plans and specifications for the Development Work, as applicable, that is not inconsistent with and flows naturally and foreseeably from the previously approved schematics and narrative or phase of such plans and specifications, as applicable, and is in accordance with custom and practice in the field of architectural and engineering design and the construction industry in Southern California, code requirements, applicable plan check, permit conditions and the timely availability of materials. If County shall disapprove the Preliminary Plans, such disapproval must specify in writing the reasons for disapproval and the general nature of the changes in the Preliminary Plans that the County requests be made to remedy such matters. Such changes must be consistent with the schematics and narrative previously approved or deemed approved hereunder by County. If the County has not responded to any request for approval of the Preliminary Plans within fifteen (15) business days after receipt thereof, Lessee shall provide to the County a second written request for such approval. Lessee shall include in any such notice, printed in capital letters and boldface type, a legend to the following effect:

> "THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN TEN (10) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE PLANS DESCRIBED HEREIN."

If the foregoing legend is included by the Lessee in its communication, the Preliminary Plans shall be deemed to have been approved if the County fails to object with respect thereto within ten (10) business days of receipt of such second notice.

5.1.1.3 Final Plans and Specifications. As soon as reasonably practicable after County's approval of the Preliminary Plans, Lessee shall submit for approval by County six (6) complete sets of final plans, detailed specifications and a construction cost estimate for the core and shell components of the Development Work, together with one (1) set of appropriate structural computations, identical to those requested or required by the County Director of Public Works incident to the issuance of building permits under the relevant provisions of the Los Angeles County Building Code (the "**Final Plans and Specifications**"). Lessee shall file duplicate copies of the Final Plans and Specifications with the County Director of Public Works, together with the necessary and appropriate applications for building permits. Any difference in the scope, size, configuration, arrangement or motif of the Development Work from those described in the approved Preliminary Plans shall be separately identified and described. County shall have fifteen (15) business days after receipt within which to approve or disapprove such submission, and County may disapprove such submission only on the grounds that they do not reflect a Logical Evolution from the previously approved or deemed approved Preliminary Plans (exclusive of any Approved Governmental Changes). If County shall disapprove the Final Plans and Specifications, such disapproval must specify in writing the reasons for disapproval and the general nature of the changes in the Final Plans and Specifications that the County requests be made to remedy such matters. Such changes must be consistent with the Preliminary Plans previously approved or deemed approved hereunder by County. If the County has not responded to any request for approval of the Final Plans and Specifications within fifteen (15) business days after receipt thereof, Lessee shall provide to the County a second written request for such approval. Lessee shall include in any such notice, printed in capital letters and boldface type, a legend to the following effect:

"THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN TEN (10) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE PLANS DESCRIBED HEREIN."

If the foregoing legend is included by the Lessee in its communication, the Final Plans and Specifications shall be deemed to have been approved if the County fails to object with respect thereto within ten (10) business days of receipt of such second notice.

5.1.1.4 Modifications to Development Plan or Final Plans and Specifications. No Material Modification shall be made to the Development Plan or the Final Plans and Specifications, without the prior written approval of County, which shall not be unreasonably withheld, conditioned or delayed, and County shall not have the right to approve any modification to the Development Plan or the Final Plans and Specifications that does not constitute such a Material Modification thereto. County shall approve or disapprove any such Material Modification to the Development Plan or the Final Plans and Specifications, in County's reasonable discretion, by written notice delivered to Lessee within fifteen (15) business days after a receipt of a copy of such Material Modification to the Development Plan or the Final Plans and Specifications, with any notice of disapproval to include reasonably detailed grounds for such disapproval, and failure of County to disapprove any such Material Modification within such fifteen (15) business day period shall be deemed County's approval thereof. Without limiting the foregoing provisions of this Subsection 5.1.1.4, County and Lessee agree that no further approval of County shall be required in connection with the repair, renovation, replacement or restoration of any of the Development Work (including any fixtures or equipment in the MOB or any other Improvements) following the completion of the Development Work in accordance, in all material respects, with the Development Plan and the Final Plans and Specifications (as the same may have been modified in accordance with this Section 5.1), provided such repair, renovations, replacement, restoration or reconstruction is consistent with, and completed in accordance with, the Development Plan and the Final Plans and Specifications, or any Material Modifications thereto, originally approved by County.

5.1.2 Schedule for Construction of Development Work. Lessee shall comply with all time deadlines and schedules set forth in this Article 5 relating to the commencement and completion of the entitlement, design and construction of the Development Work (subject to any extension set forth in Section 5.6 for Force Majeure delay). Lessee's failure to do so shall, if not cured within the applicable cure period set forth in Subsection 13.1.2, constitute an Event of Default. Except to the extent Lessee is prevented from so doing by Force Majeure delay as provided in Section 5.6, Lessee shall commence the construction of Development Work within one hundred eighty (180) days after the Effective Date (the "**Required Construction Commencement Date**"), and substantially complete the Development Work not later than thirty-six (36) months after the Effective Date (the "**Required Construction Completion Date**"). In addition to any extension for Force Majeure delay as set forth in Section 5.6, Lessee shall have the right to extend the Required Construction Commencement Date for up to two periods of six (6) months each by written notice to County not later than thirty (30) days prior to the then-existing Required Construction Commencement Date and the concurrent delivery to County with such written notice of an extension fee equal to (a) fifteen thousand dollars ($15,000.00) for the first six (6)-month extension and (b) twenty-five thousand dollars ($25,000.00) for the second six (6)-month extension. No extension of the Required Construction Commencement Date under this Subsection 5.1.2 shall extend the Required Construction Completion Date. Lessee shall have a separate right to extend the Required Construction Completion Date for up to two periods of six (6) months each by written notice to County not later than thirty (30) days prior to the then-existing Required Construction Completion Date and the concurrent delivery to County with such written notice of an extension fee equal to (x) twenty-five thousand dollars ($25,000.00) for the first six (6)-month extension and (y) thirty-five thousand dollars ($35,000.00) for the second six (6)-month extension. The exercise of any of the described extensions shall not cause any extension of the Term of this Lease.

5.2 Application of Article 5 to Development Work. Except as expressly set forth in such Sections, the remaining Sections of this Article 5 after this Section 5.2 pertain to the construction of the Development Work and any subsequent repair, renovation, restoration or reconstruction of the Development Work, and to any other Alterations which Lessee may be required or desire to make to the Premises during the Term. "**Alterations**" means the construction of any alterations or modifications to the Improvements located on the Premises or the construction of any new Improvements by or on behalf of Lessee, any Sublessee or any other Person; provided, however, in no event shall (a) any tenant improvements, any other improvements or any signage constructed or otherwise installed in any interior portion of the MOB or (b) any signage permitted under this Lease installed on the Premises, constitute Alterations. The Development Work shall be Alterations. Accordingly, except as expressly provided in this Article 5 to the contrary, all of the terms and provisions of this Article 5 after this Section 5.2 that are applicable to Alterations shall also be applicable to the Development Work.

5.3 Alterations. Other than the Development Work, which shall be subject to Section 5.1, Lessee shall make no Alterations without the prior written approval of the County, which approval, including County's approval of the plans, specifications and other materials pertaining to such Alterations, shall be limited to confirming that (a) the character and quality of the proposed improvements will equal or exceed the then-existing Improvements most recently located on the Premises prior to such proposed Alterations and (b) no Material Alteration will be made to the MOB, and shall not be unreasonably withheld, conditioned or delayed. Prior and as a condition precedent to the construction of any Alterations, other than the Development Work, which shall be subject to Section 5.1, Lessee shall submit to County, for County's approval, the plans and specifications pertaining to such Alterations. Notwithstanding the foregoing, Lessee is not required to submit such plans and specification, and does not need the written consent of County to (w) make Alterations which (i) do not exceed one million dollars ($1,000,000) individually or as part of a common plan (which such one million dollar ($1,000,000) threshold amount for County's approval shall be increased on each anniversary of the Effective Date by the percentage increase in the Consumer Price Index during the immediately preceding twelve (12) months) and (ii) will not result in a Material Alteration to the MOB, (x) repair, renovate, replace, restore or reconstruct any of the Development Work (including any fixtures or equipment in the MOB or any other Improvements) following the completion of the Development Work in accordance with the Development Plan, or any Material Modifications thereto, originally approved by County, (y) make any Alterations to the interior of the MOB in connection with a Sublease and the use of the MOB by a Subtenant, or (z) make Alterations required in order for the Improvements to comply in all material respects with Applicable Law. All Alterations must be consistent with the Permitted Uses set forth in Article 3 and all other applicable requirements of this Lease.

5.4 Conditions Precedent to the Commencement of Construction. No Development Work or other Alterations shall be commenced until each and all of the following conditions have been satisfied:

5.4.1 Permits and Other Approvals. Lessee shall have received and furnished County with copies of all permits, licenses and other governmental approvals necessary for commencement of the Alterations; provided, however, that in the case of multiple phases of the Development Work, the permits, licenses and other governmental approvals necessary for each subsequent phase of the Development Work shall be furnished to the County prior to commencement of such phase.

5.4.2 Copies of Construction Contracts. Lessee shall have furnished County with copies of any contract(s) entered into between Lessee and any general contractor(s) employed for the purpose of constructing the Alterations.

5.4.3 Performance and Payment Bonds. Lessee shall, at its own cost and expense, have furnished County with the following separate corporate surety bonds (or with the substitute security set forth below) not less than ten (10) days prior to the commencement of construction, which bonds (or other security) must be in form and content reasonably satisfactory to County.

5.4.3.1 A corporate surety performance bond ("**Performance Bond**") issued by a surety company licensed to transact business as such in the State of California, in an amount not less than one hundred percent (100%) of the amount of all hard construction costs approved by County in conjunction with the Development Work and/or any approved Alteration. The Performance Bond and its issuer shall be in all material respects reasonably satisfactory to County. It shall name Lessee as principal and said issuer as surety, and County as obligee (and which may include an Encumbrance Holder as an additional obligee), assuring full and satisfactory performance by Lessee of Lessee's obligations herein to build, construct and otherwise complete the core and shell components of the Improvements described in the approved Final Plans and Specifications or, if specifically required by County with respect to any Alteration for which County consent is required under this Lease, the final plans and specifications for such Alteration.

5.4.3.2 A corporate surety payment bond ("**Payment Bond**"), issued by a surety company licensed to transact business as such in the State of California, with Lessee as principal, said company as surety and County as obligee (and which may include an Encumbrance Holder as an additional obligee), in a sum equal to one hundred percent (100%) of the total construction cost anticipated to be incurred in connection with the approved work, guaranteeing payment for all materials, provisions, supplies and equipment used in, upon, for or about the performance of said construction work or for labor done thereon of any kind whatsoever and protecting County from any and all liability, loss or damages arising out of or in connection with any failure to make such payment. The Payment Bond shall be in form and content reasonably satisfactory to County.

5.4.3.3 In the event that construction is performed by a licensed general contractor on behalf of Lessee, provided that such contractor provides County with a bond or bonds compliant with this Subsection, and in all material respects reasonably satisfactory to County and otherwise complying with this Subsection, County will accept such contractor's bonds in lieu of the Performance Bond and/or Payment Bond by Lessee required by this Subsection 5.4.3.

5.4.3.4 In the event County does not approve or disapprove (which disapproval shall state the reasons therefor) any Performance Bond, Payment Bond or other contractor's bond submitted by Lessee within twenty (20) business days of its receipt thereof, Lessee shall provide to County a second written request for such approval. Lessee shall include in any such notice, printed in capital letters and boldface type, a legend to the following effect:

> "THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN FIFTEEN (15) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE BONDS DESCRIBED HEREIN."

If the foregoing legend is included by the Lessee in its communication, the applicable bonds shall be deemed to have been approved if County fails to object with respect thereto within fifteen (15) business days of receipt of such second notice.

5.4.3.5 Alternative Security. In lieu of providing the Payment and Performance Bonds, Lessee may provide any of the following alternative security: (i) a completion guaranty, in form and substance reasonably acceptable to County, made by an individual or entity with a sufficient net worth and liquidity, in the sole, but good faith, judgment of County, to comply with the terms of such guaranty in view of the potential financial responsibility involved, (ii) a certificate of deposit, cash or United States governmental security, (iii) a letter of credit, or (iv) a set aside letter from Lessee's construction lender. The security described in clause (ii), (iii) and (iv) above shall be in an amount equal to one hundred percent (100%) of the construction contract price for hard costs, and shall permit County to draw thereon to complete the construction of the core and shell components of the Improvements if the same have not been completed by Lessee or if a material Event of Default has occurred under this Lease. In addition, County also shall have the authority to accept in lieu of the Payment and Performance Bonds, so-called "Subguard" insurance in such amount, on such terms and issued by such carrier as approved by

County, in combination with such other security, such as a completion guaranty, as acceptable to County. Any alternative security provided by Lessee pursuant to this Subsection may name County and Lessee's construction lender as co-beneficiaries. A condition precedent to Lessee's right to provide the alternate security described in this Subsection shall be delivery by Lessee to County of an opinion of counsel from a law firm and in a form acceptable to County to the effect that the construction work does not constitute a public work of improvement requiring the delivery of the bonds described in Subsection 5.4.3. County shall have the authority, in its reasonable discretion, to waive or reduce the amount of any bonds or alternate security required hereunder. In the event County does not approve or disapprove (which disapproval shall state the reasons therefor) any alternative security submitted by Lessee within fifteen (15) business days of its receipt thereof, Lessee shall provide to County a second written request for such approval. Lessee shall include in any such notice, printed in capital letters and boldface type, a legend to the following effect:

> "THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN FIFTEEN (15) BUSINESS DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE ALTERNATIVE SECURITY DESCRIBED HEREIN."

If the foregoing legend is included by the Lessee in its communication, the applicable alternative security shall be deemed to have been approved if County fails to object with respect thereto within fifteen (15) business days of receipt of such second notice.

5.4.4 Work Schedule. With respect to each component of the Development Work, Lessee shall have provided County with a construction schedule which will result in the commencement and completion of the applicable component of the Development Work on or before the respective required dates for such commencement and completion set forth in Section 5.1.

5.5 County Cooperation. In its proprietary capacity, County shall cooperate with and assist Lessee, to the extent reasonably requested by Lessee, in Lessee's efforts to obtain the appropriate governmental approvals, consents, permits or variances which may be required in connection with the performance by Lessee of the Development Work. Such cooperative efforts may include County's joinder in any application for such approval, consent, permit or variance, where joinder therein by County is required or helpful; provided, however, that Lessee shall reimburse County for the Actual Cost incurred by the Department in connection with such joinder or cooperative efforts. Notwithstanding the foregoing, Lessee and County acknowledge that the approvals given by County under this Lease are approvals pursuant to its authority under Sections 25536 and 25907 of the California Government Code; that approvals given under this Lease in no way release Lessee from obtaining, at Lessee's expense, all permits, licenses and other approvals required by law for the construction of Improvements on the Premises and operation and other use of such Improvements on the Premises; and that County's duty to cooperate and County's approvals under this Lease do not in any way modify or limit the exercise of County's governmental functions or decisions as distinct from its proprietary functions pursuant to this Lease.

5.6 Delays in Commencement and Completion of Development Work. Upon commencement of the Development Work, Lessee shall thereafter diligently pursue the completion of such construction by the Required Construction Completion Date (subject to Force Majeure as set forth below). If Lessee is delayed in the commencement of construction or completion of the Development Work due to Force Majeure, then the Required Construction Commencement Date and the Required Construction Completion Date, if and to the extent that the event actually causes a delay in the commencement and completion of construction (as applicable) shall be extended by the period of the delay caused by such Force Majeure. Notwithstanding the foregoing, any extension due to Force Majeure (a) shall be limited to the period of the delay caused by the Force Majeure event and no such delay shall be considered to have commenced unless Lessee notifies Director in writing of the commencement of such delay within ten (10) business days after the earlier of Lessee's discovery of the delay or the date on which Lessee should have reasonably discovered such delay; and (b) in no event shall any of the Required Construction Commencement Date or the Required Construction Completion Date be extended for more than an aggregate of thirty (30) months for any Force Majeure delay. Lessee and County shall discuss and attempt to agree on the length of time of any entitled delay due to Force Majeure pursuant to this this Section 5.6. If they are unable to agree within thirty (30) days after written notice from Lessee of the event or occurrence giving rise to Lessee's claim to an entitlement to a delay under Section 5.6, the matter shall be arbitrated as set forth in Article 16.

In the case of the Development Work, the definition of Force Majeure shall also include delays in the commencement and completion of the Development Work due to Unreasonable County Activity. "**Unreasonable County Activity**" means any of the following that occurs after the Effective Date: County's failure to (x) provide required County joinder, if any, as fee title owner of the Premises, in Lessee's submittal to the applicable governmental agency of the Final Plans and Specifications for the Development Work that are approved by the County; (y) take such other actions, at no cost or expense to County, in its proprietary capacity, that are reasonably requested by Lessee and which are necessary for Lessee to proceed with the permitting and approval process for the Development Work, or the taking by County of actions in its proprietary capacity, without Lessee's consent, which are in conflict with Lessee's rights and obligations under this Lease and actually delay the receipt of any remaining permits or approvals for the Development Work; or (z) comply with the time periods imposed upon the County under Subsections 5.1.1.1, 5.1.1.2, 5.1.1.3 and 5.1.1.4, except in the case (if any) where a failure of the County to notify Lessee of its approval or disapproval of a matter constitutes County's deemed approval of such matter, or constitutes County's deemed disapproval of such matter and County's disapproval of such matter is authorized under the circumstances. Nothing contained in Section 5.5, this Section 5.6 or any other provisions of this Lease shall be construed as obliging the County to support proposals, issue permits, or otherwise act in a manner inconsistent with County's actions under its regulatory powers. It shall not be Unreasonable County Activity if County fails to accelerate the County's customary regulatory permit or approval process. No action or inaction shall constitute Unreasonable County Activity unless and until all of the following procedures and requirements have been satisfied:

5.6.1 Within a reasonable time under the circumstances, Lessee must notify County in writing of the specific conduct comprising the alleged Unreasonable County Activity, and the next opportunity, if any, for County to rectify such alleged conduct. If Lessee fails to notify County in writing as specified in the immediately preceding sentence within five (5) days following Lessee's discovery of the alleged Unreasonable County Activity, then notwithstanding any contrary provision of this Section 5.6, in no event shall Lessee be entitled to any extension for any period of the delay under this Section 5.6 that occurred prior to the date of Lessee's notice described in this Subsection 5.6.1.

5.6.2 Within seven (7) days following receipt of the notice alleging Unreasonable County Activity, County shall meet with Lessee or its authorized representative in order to determine whether Unreasonable County Activity has occurred and, if so, how such Unreasonable County Activity can be rectified and the duration of the delay caused by such Unreasonable County Activity. If County determines that Unreasonable County Activity has occurred and that County can and will take rectifying action, then the amount of delay under this Section 5.6 for the Unreasonable County Activity shall equal the actual amount of delay directly caused by the Unreasonable County Activity. If County determines that Unreasonable County Activity has occurred, but that County cannot take rectifying action (or if the proposed rectifying action will not produce the results desired by Lessee), then Lessee and County shall establish the length of the delay likely to be caused by the Unreasonable County Activity.

5.6.3 If, within fourteen (14) days following receipt of Lessee's notice alleging Unreasonable County Activity, County and Lessee have not agreed in writing as to whether delay due to Unreasonable County Activity has occurred or the length of such delay, then the matter shall be referred to the Board of Supervisors of the County for such determination.

5.7 Manner of Construction.

5.7.1 General Construction Standards. All construction, alteration, modification or repairs permitted herein shall be accomplished by Lessee with due diligence. Lessee shall take all commercially reasonable steps to minimize any damage, disruption or inconvenience caused by such work and make adequate provisions for the safety and convenience of all persons affected thereby. Lessee shall repair, at its own cost and expense, any and all damage caused by such work, and shall restore the area upon which such work is performed to a condition which is at least equal to or better than the condition which existed before such work was commenced. Additionally, Lessee shall pay or cause to be paid all costs and expenses associated therewith and shall indemnify, defend and hold County harmless from and against all damages, costs, expenses, losses or claims arising out of or in connection with the performance of such work, except to the extent that such damages, costs, expenses, losses or claims are caused by County, its employees, contractors or agents. Dust, noise and other effects of such work shall be controlled using accepted measures customarily utilized in order to control materially adverse effects associated with construction projects in well-populated and developed areas of Southern California. All Alterations shall be performed in a good and workmanlike manner by a general contractor licensed by the California State Contractors' License Board and in accordance with good industry practice for the type of work in question.

5.7.2 Utility Work. Any work performed by or on behalf of Lessee or any occupant of the Premises to connect to, repair, relocate, maintain or install any storm drain, sanitary sewer, water line, gas line, telephone conduit, or any other utility service shall be performed in a manner that minimizes material interference with the provision of such services to the Premises and other persons.

5.7.3 Construction Safeguards. Lessee shall erect and properly maintain at all times, as required by the conditions and the progress of work performed by or on behalf of Lessee, all necessary safeguards for the protection of workers and the public.

5.7.4 Compliance with Construction Documents and Laws; Issuance of Permits. All Improvements on the Premises shall be completed in substantial compliance with any construction documents approved by County and also in compliance with all Applicable Laws. Lessee shall have the sole responsibility for obtaining all necessary permits and shall make application for such permits directly to the person or governmental agency having jurisdiction there over.

5.7.5 Notice to County; Damage to County Improvements. Lessee further agrees to keep County apprised of the progress of the work to the end that County may timely inspect the Premises to assure proper safeguarding of any County-owned improvements existing on or around the Premises, including but not limited to underground conduits and utility lines. If any such County-owned improvement is damaged in connection with said construction activity, Lessee agrees to repair such damage immediately at no cost or expense to County or, in the event that Lessee fails to effectuate such repair within five (5) business days after written notice from County (or such longer period as may be reasonably required to complete such repair so long as Lessee commences such repair within five (5) business days and thereafter diligently prosecutes same to completion), County may enter upon the Premises to make such repairs, the Actual Cost of which shall be paid by Lessee within two (2) business days after demand by County. In the case of damage to a County-owned improvement that does not involve risk of personal injury, risk of damage to other improvements, risk of curtailment or diminishment of service or access, or any other emergency situation, the references to "five (5) business days" in this Subsection 5.7.5 shall be changed to "thirty (30) days."

5.7.6 Rights of Access. Representatives of County shall, upon reasonable notice and at reasonable times during normal business hours, have the right of reasonable access to the Premises and the Improvements thereon without charges or fees, but at no cost or expense to Lessee, for the purpose of ascertaining compliance with the terms and conditions of this Lease, including but not limited to the inspection of the construction work being performed. Such access shall be reasonably calculated to minimize interference with Lessee's construction and/or operations, and County shall comply with industry safety standards in connection with any such access. Lessee shall have the right to have a representative present to accompany the representatives of the County in connection with such access. In the event of any emergency which is life-threatening or which involves the threat of potential substantial damage, County shall have the right to enter the Premises immediately and without notice to or accompaniment by Lessee.

5.7.7 Notice of Completion; As-Built Drawings. Upon completion of the Development Work or any other Alterations completed by Lessee, Lessee shall file or cause to be filed in the Official Records of the County of Los Angeles a Notice of Completion (the "**Notice of Completion**") with respect to the Improvements and Lessee shall deliver to County, at no cost to County, two (2) sets of final as-built plans and specifications of the Improvements (or such portions thereof as affected by the work and as to which plans would customarily be prepared (e.g., excluding those components of interior renovations as to which plans are not applicable)), which plans and specifications may be provided to County in digital or other electronic format.

5.8 Use of Plans. The contract between Lessee and Lessee's general contractor and any contract between Lessee and any architect, in each case in connection with Alterations, shall provide for the assignment thereof to County (and Lessee's Encumbrance Holder(s) if required by Lessee's Encumbrance Holder(s)) as security to County for Lessee's performance hereunder, and County shall be furnished with a copy of any such contract, and Lessee shall obtain the agreement of the parties thereto, that if this Lease is terminated by County due to Lessee's default, County (or if County enters into a new lease with Lessee's Encumbrance Holder pursuant to Article 12, then Lessee's Encumbrance Holder) may, at its election, use any plans and specifications created by such general contractor or architect in connection with the contract for such Alterations, upon the payment of any sums due to any party thereto. County's right to elect to use plans and specifications as described above shall not include the unauthorized right to use any trademarks, trade names or logos of Lessee or any such general contractor or architect. The assignment to County and Lessee's Encumbrance Holder(s) described in this Section 5.8 shall be effective until the completion of the subject work, and shall be subordinate to the security interest, if any, of any Encumbrance Holder in the assigned contract, which subordination shall be in a form reasonably acceptable to such Encumbrance Holder.

5.9 Protection of County. Nothing in this Lease shall be construed as constituting the consent of County, express or implied, to the performance of any labor or the furnishing of any materials or any specific Improvements, alterations or repairs to the Premises of any part thereof by any contractor, subcontractor, laborer or materialman, nor as giving Lessee or any other person any right, power or authority to act as agent of or to contract for, or permit the rendering of, any services, or the furnishing of any materials, in any such manner as would give rise to the filing of mechanics' liens or other claims against the Premises or County.

5.9.1 Posting Notices. County shall have the right at all reasonable times and places to post and, as appropriate, keep posted, on the Premises any notices which County may deem necessary for the protection of County, the Premises and the Improvements thereon from mechanics' liens or other claims. Lessee shall give County at least ten (10) business days prior written notice of the commencement of any Alterations to be done on the Premises, in order to enable County timely to post such notices.

5.9.2 Prompt Payment. Lessee shall make, or cause to be made, prompt payment (subject to reasonable dispute) of all monies due and owing to all persons doing any work or furnishing any materials or supplies to Lessee or any of its contractors or subcontractors in connection with the Premises and the Improvements thereon. Lessee shall have the right to contest any such amount; provided, however, the entire expense of any such contest (including interest and penalties which may accrue) shall be the responsibility of Lessee.

5.9.3 Liens; Indemnity. Subject to Lessee's rights to contest the same prior to payment, Lessee shall keep the Premises and any Improvements thereon free and clear of all mechanics' liens and other liens arising out of or in connection with work done for Lessee and/or any parties claiming through Lessee. Lessee agrees to and shall indemnify, defend and hold County harmless from and against any claim, liability, loss, damages, costs, expenses, attorneys' fees incurred in defending and all other expenses on account of claims of lien(s) of laborers or materialmen or others for work performed or materials or supplies furnished to Lessee or persons claiming under it.

In the event any lien is recorded, Lessee shall, within twenty (20) days after demand, furnish any one of the following, as determined by Lessee: (i) the bond described in California Civil Code Section 3143, or successor statute, which results in the removal of such lien from the Premises, (ii) a set aside letter from Lessee's construction lender, in form and substance reasonably satisfactory to County, setting aside sufficient funds from Lessee's construction loan for the satisfaction of such lien, or (iii) a title insurance policy or endorsement insuring County against any loss or liability arising out of such lien, together with any other evidence requested by County to evidence that such claim will be paid, removed or discharged as a claim against the Premises and/or County.

5.10 Capital Improvement Fund. Commencing with the first (1st) month of the twentieth (20th) Lease Year, and continuing during the remaining Term of the Lease, Lessee shall establish and maintain a reserve fund (the "**Capital Improvement Fund**") in accordance with the provisions of this Section 5.10 for the cost of Permitted Capital Expenditures (as defined below) for the Premises. All interest and earnings on the Capital Improvement Fund shall be added to the Capital Improvement Fund, but shall not be treated as a credit against the Capital Improvement Fund deposits required to be made by Lessee pursuant to this Section 5.10. On or before the fifteenth (15th) day of each month during the period described in the first sentence of this Section 5.10, Lessee shall make a monthly deposit to the Capital Improvement Fund in an amount equal to the sum of seven tenths of one percent (0.70%) of Gross Receipts for the previous month from the operation of the Premises and Improvements.

5.10.1 Lessee and County agree and acknowledge that the purpose of the Capital Improvement Fund shall be to provide funds for the costs of additions, replacements, renovations or significant upgrades of or to the Improvements on the Premises, including building exteriors and major building systems (such as HVAC, mechanical, electrical, plumbing, vertical transportation, security, communications, structural or roof) that increase the capacity, efficiency, useful life or economy of operation of the Improvements or their major systems, after the completion of the Development Work ("**Permitted Capital Expenditures**"). Notwithstanding any contrary provision of this Lease, the Capital Improvement Fund shall not be used for building additions, new project amenities or new common area furniture. Permitted Capital Expenditures shall not include the cost of periodic, recurring or ordinary expenditures, repairs or replacements that keep the Improvements or their major systems in a good, operating condition, but that do not significantly add to their value or appreciably prolong their useful life. Permitted Capital Expenditures must constitute capital replacements, improvements or equipment under generally accepted accounting principles consistently applied. Furthermore, Permitted Capital Expenditures shall not include costs for any necessary repairs to remedy any broken or damaged Improvements, all of which costs shall be separately funded by Lessee. By way of example, set forth on Exhibit D are examples of categories of Permitted Capital Expenditures that qualify as proper costs to be funded from the Capital Improvement Fund. All specific purposes and costs for which Lessee desires to utilize amounts from the Capital Improvement Fund shall be subject to County's approval, which approval shall not be unreasonably withheld, conditioned or delayed.

5.10.2 The Capital Improvement Fund shall be held in an account established with a reputable financial institution (including Lessee's Encumbrance Holder) reasonably acceptable to County into which deposits shall be made by Lessee (and/or into which Lessee' Encumbrance Holder shall provide funds) pursuant to this Section 5.10. The amounts to be added to the Capital Improvement Fund shall be inclusive of amounts required to be deposited with and held by an Encumbrance Holder, provided that the Encumbrance Holder acknowledges that such amounts are subject to, and administered in accordance with, the requirements of this Section 5.10.

5.10.3 No disbursements shall be made from the Capital Improvement Fund to cure deficiencies arising from the failure of Lessee to maintain and repair the Premises in accordance with the requirements of this Lease during the first nineteen (19) Lease Years. Subject to the foregoing limitations, disbursements shall be made from the Capital Improvement Fund for costs reasonably approved by County which have been incurred and that satisfy the requirements of this Section 5.10. Capital Improvement Funds shall be used only after all other sources such as warranty proceeds and product insurance funds are exhausted (or determined to be unavailable). For the purpose of obtaining County's prior approval of any Capital Improvement Fund disbursements, Lessee shall submit to County on an annual calendar year basis a capital expenditure plan for the upcoming year that details the amount and purpose of anticipated Capital Improvement Fund expenditures for which Lessee requests County's approval, which approval shall not be unreasonably withheld, conditioned or delayed. Any anticipated expenditure set forth in such capital expenditure plan which is approved by County as an acceptable Capital Improvement Fund disbursement shall be considered pre-approved by County (but only up to the amount of such expenditure set forth in the annual capital expenditure plan) for the duration of the upcoming year. Lessee shall have the right during the course of each year to submit to County for County's approval revisions to the then-current capital expenditure plan in effect for such year, or individual expenditures not noted on the previously submitted capital expenditure plan. Prior to the disbursement of any amounts from the Capital Improvement Fund, Lessee shall furnish to County applicable invoices, evidence of payment and other back-up materials reasonably acceptable to County concerning the use of amounts from the Capital Improvement Fund.

5.10.4 All amounts then existing in the Capital Improvement Fund shall be expended or committed for Permitted Capital Expenditures not later than ten (10) years prior to the expiration of the Term of the Lease; provided, however, if County elects to require Lessee to remove the Improvements at the end of the Term and requires Lessee to provide security to secure its obligations to perform such removal obligations in accordance with Subsection 2.3.2, then Lessee shall have the right to contribute the deposits thereafter required to be made by Lessee under this Section 5.10 towards Lessee's obligations to fund the security requirements in Subsection 2.3.2, but only if and to the extent that there are sufficient funds made available in the Capital Improvement Fund for any needed Permitted Capital Expenditures, as determined by County in County's reasonable discretion.

5.10.5 Notwithstanding the foregoing provisions of this Section 5.10, nor any provision of this Lease to the contrary, Lessee and County agree and acknowledge that the Subleases may require the Sublessees thereunder to pay, as additional rent under such Subleases, the costs of certain Permitted Capital Expenditures. Any application of such additional rent by Lessee toward any such Permitted Capital Expenditures shall not require County's approval pursuant to this Section 5.10 and shall not otherwise be subject to any of the terms or provisions of this Section 5.10, County hereby acknowledging that County's approval is limited to the specific purposes and costs for which Lessee desires to utilize amounts from the Capital Improvement Fund.

5.11 Local Hiring; Compliance with County Policy. The construction of any Improvements having an estimated cost greater than two million five hundred thousand dollars ($2,500,000) shall be subject to County's Countywide Local and Target Worker Hire Policy, as that policy is described in the Motion made by Supervisor Mark Ridley-Thomas and Board Chair Hilda Solis and adopted by the Board on September 6, 2016, as that policy may be finally adopted and/or later amended by the Board (the "**Local Hiring Policy**"). Subject to amendment by the Board, the Local Hiring Policy has the following general terms and conditions:

5.11.1 Local Resident. A "**Local Resident**" means an individual living within Tier 1 or Tier 2 (as defined below).

5.11.1.1 Tier 1. "**Tier 1**" means the area covered by all ZIP Codes (a) of which a portion of such ZIP Code is within five (5) miles of the Premises and (b) in which the average percentage of households living below two hundred percent (200%) of the Federal Poverty Level ("**FPL**") is greater than the County average for such households.

5.11.1.2 Tier 2. "**Tier 2**" means the area covered by all ZIP Codes within the County in which the average percentage of households living below two hundred percent (200%) FPL is greater than the County average for such households.

5.11.2 Local Residents. At least thirty percent (30%) of total California construction labor hours worked on each work of Improvement must be performed by a qualified Local Resident. Where allowable, contractors shall be encouraged to achieve higher participation levels for Local Residents.

5.11.3 Priority. Before employing worker(s) from Tier 2, the available pool of local residents whose primary place of residence is within Tier 1 must first be exhausted.

5.11.4 Targeted Workers. At least ten percent (10%) of total California hours worked on each work of Improvement subject to the Local Hiring Policy shall be worked by Targeted Worker(s) As defined in Subsection 5.11.6.

5.11.5 Inclusive. Hours worked by a Targeted Worker who is also a Local Resident may be applied towards the thirty percent (30%) Local Resident hiring goal.

5.11.6 Definition of a Target Worker. "**Target Worker**" means a resident of County who has, or is, one or more of the indicia of career-limiting circumstances set forth in this Subsection 5.11.6:

5.11.6.1 a documented annual income at or below one hundred percent (100%) of the FPL;

5.11.6.2 no high school diploma or GED;

5.11.6.3 a history of involvement with the criminal justice system;

5.11.6.4 a history of protracted unemployment;

5.11.6.5 is a current recipient of government cash or food assistance benefits;

5.11.6.6 is homeless or has been homeless within the last year;

5.11.6.7 is a custodial single parent;

5.11.6.8 is a former foster youth; or

5.11.6.9 is a veteran, or is the eligible spouse of a veteran of the United States armed forces, under Section 2(a) of the Jobs for Veterans Act (38 U.S.C.4215[a]).

6. CONDEMNATION.

6.1 Definitions.

6.1.1 Condemnation. "**Condemnation**" means (1) the exercise by any governmental entity of the power of eminent domain, whether by legal proceedings or otherwise, and (2) a voluntary sale or transfer to any Condemnor (as hereafter defined), either under threat of Condemnation or while legal proceedings for Condemnation are pending.

6.1.2 Date of Taking. "**Date of Taking**" means the earliest of (a) the date that the Condemnor has the right of occupancy pursuant to an order for possession issued by a court asserting jurisdiction over the Premises; (b) the date that the final order of Condemnation is issued in the event of a transfer by power of eminent domain; or (c) title is transferred to any Condemnor through voluntary sale or transfer, either under threat of Condemnation or while legal proceedings for Condemnation are pending.

6.1.3 Award. "**Award**" means all compensation, sums or anything of value awarded, paid or received from a total or partial Condemnation.

6.1.4 Condemnor. "**Condemnor**" means any public or quasi-public authority, or private corporation or individual, having the power of eminent domain.

6.2 Parties' Rights and Obligations to be Governed by Lease. If, during the Term of this Lease, there is any Condemnation of all or any part of the Premises, any Improvements on the Premises or any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined pursuant to the provisions of this Article 6.

6.3 Total Taking. If the Premises are totally taken by Condemnation, this Lease shall terminate on the Date of Taking.

6.4 Effect of Partial Taking. If a portion of the Premises or the Improvements thereon are taken by Condemnation, this Lease shall remain in effect, except that Lessee may elect to terminate this Lease if the remaining portion of the Premises are rendered unsuitable (as defined herein) for Lessee's continued use for the purposes contemplated by this Lease. The remaining portion of the Premises shall be deemed unsuitable for Lessee's continued use if, following a reasonable amount of reconstruction, Lessee's business on the Premises could not be operated at a commercially reasonable economic level taking into consideration the amount of funds, if any, in excess of the Award, necessary to continue such operation. Lessee must exercise its right to terminate by giving County written notice of its election within ninety (90) days after the Date of Taking. Such notice shall also specify the date of termination, which shall not be prior to the Date of Taking. Failure to properly exercise the election provided for in this Section 6.4 will result in this Lease's continuing in full force and effect, except that Annual Rent shall be abated pursuant to Section 6.5.

In the event that Lessee does not elect to terminate this Lease as provided above, then Lessee, whether or not the Awards or payments, if any, on account of such Condemnation shall be sufficient for the purpose, shall, at its sole cost and expense, within a reasonable period of time, commence and complete restoration of the remainder of the Premises as nearly as possible to its value, condition and character immediately prior to such Condemnation, taking into account, however, any necessary reduction in size or other change resulting from the Condemnation; provided, however, that in case of a Condemnation for temporary use, Lessee shall not be required to effect restoration until such Condemnation is terminated.

6.5 Effect of Partial Taking on Rent. If any portion of the Premises is taken by Condemnation and this Lease remains in full force and effect as to the portion of the Premises not so taken (a "**Partial Taking**"), the Annual Rent shall be reduced as of the date of the Partial Taking to an amount equal to the Annual Rent multiplied by the ratio of the Market Value of the portion of the Premises not so taken to the Market Value of the entire Premises immediately prior to the Partial Taking, but without regard to any diminution in value resulting from the imminent taking. For the purposes of adjusting the Annual Rent, all Annual Rent paid by Lessee to County prior to the Date of Taking shall be adjusted, for the purposes of this calculation only, to the proportion that the Market Value of the portion of the Premises which remains after the Partial Taking bears to the Market Value of the entire Premises immediately prior to the Partial Taking. If the parties cannot agree upon the appropriate Annual Rent, the matter shall be settled through arbitration in the manner set forth in Article 16. Any determinations of Market Value made pursuant to this Section 6.5 in connection with any arbitration proceeding shall be predicated upon the "income approach" or "income capitalization approach" to property valuation, as defined in The Dictionary of Real Estate Appraisal and/or The Appraisal of Real Estate, published by the Appraisal Institute or any successor organization (the "**Income Approach**"). All other obligations of Lessee under this Lease, including but not limited to the obligation to pay Percentage Rent, shall remain in full force and effect.

6.6 Waiver of Code of Civil Procedure Section 1265.130. Each party waives the provisions of Code of Civil Procedure Section 1265.130 allowing either party to petition the Superior Court to terminate this Lease in the event of a Partial Taking of the Premises.

6.7 Payment of Award. Awards and other payments on account of a Condemnation, less costs, fees and expenses incurred in the collection thereof ("**Net Awards and Payments**"), shall be applied as follows:

6.7.1 Partial Taking Without Termination. Net Awards and Payments received on account of a Condemnation, other than a total Condemnation or a Partial Taking which results in termination hereof or a taking for temporary use, shall be held by County and shall be paid out to Lessee or Lessee's designee(s), in monthly installments equal to the sum set forth in Lessee's written request for payment submitted to County together with supporting invoices and documentation demonstrating that the requested sums are for payments to contractors, consultants, architects, engineers, counsel, or materialmen engaged in the restoration of the Premises and any Improvements. Such requested sums shall be paid by County to Lessee or its designee(s) within thirty (30) days after County has received such request in writing reasonably supported by accompanying invoices and documentation. In the event that County disputes any sum requested by Lessee pursuant to the preceding sentence, County shall promptly pay the undisputed portion and provide Lessee with a written notice detailing the reasons for County's dispute. Thereafter, County and Lessee shall promptly meet and negotiate in good faith to resolve any dispute; provided, however, that any dispute not resolved within thirty (30) days after Lessee has received notice from County of its dispute shall be submitted to arbitration pursuant to Article 16. The balance, if any, shall be divided between County and Lessee pro rata, as nearly as practicable, based upon (1) the then value of County's interest in the Premises (including its interest hereunder) and (2) the then value of Lessee's interest in the remainder of the Term of this Lease including bonus value (for such purposes, the Term of this Lease shall not be deemed to have terminated even if Lessee so elects under Section 6.4). Any determinations of Market Value made pursuant to this Section 6.7 shall be predicated upon the Income Approach. Notwithstanding the foregoing, if County is the condemning authority and the Condemnation pertains only to Lessee's interest, then Lessee shall be entitled to the entire amount of the Net Awards and Payments.

In case of a Condemnation described in this Subsection 6.7.1, Lessee shall furnish to County evidence satisfactory to County of the total cost of the restoration required by Section 6.4.

6.7.2 Taking For Temporary Use. Net Awards and Payments received on account of a taking for temporary use shall be paid to Lessee; provided, however, that if any portion of any such award or payment is paid by the Condemnor by reason of any damage to or destruction of the Improvements, such portion shall be held and applied as provided in Subsection 6.7.1.

6.7.3 Total Condemnation and Partial Taking with Termination. Net Awards and Payments received on account of a total Condemnation or a Partial Taking which results in the termination of this Lease shall be allocated in the following order:

First: There shall be paid to County an amount equal to the greater of (a) the sum of (i) the present value of all Annual Rent and other sums which would become due through the expiration of the Term if it were not for the taking less, in the event of a Partial Taking, an amount equal to the present value of the Fair Market Rental Value of the portion of the Premises (with the Improvements thereon) not subject to the Partial Taking, from the date of the Partial Taking through the expiration of the Term and (ii) the present value of the portion of the Premises (with the Improvements thereon) subject to the taking from and after the expiration of the Term or (b) in the event of a Partial Taking, the present value of the Fair Market Rental Value of the portion of the Premises (with the Improvements thereon) subject to the Partial Taking, from and after the expiration of the Term.

Second: There shall be paid to any Encumbrance Holder an amount equal to the sum of any unpaid principal amount of any Encumbrance secured by the Premises plus costs, expenses, and other sums due pursuant the loan documents, if any, and any interest accrued thereon, all as of the date on which such payment is made.

Third: There shall be paid to Lessee an amount equal to the value of Lessee's interest in the remainder of the Term of this Lease, including the value of the ownership interest in and use of the Improvements constructed on the Premises, determined as of the date of such taking, less payments made under paragraph Second. For such purposes, the Term of this Lease shall not be deemed to have terminated even if Lessee so elects under Section 6.4.

Fourth: The balance shall be paid to County.

If County is the condemning authority in connection with a total Condemnation or a Partial Taking that results in the termination of the Lease, and such total Condemnation or Partial Taking pertains to only Lessee's interest, then Lessee shall be entitled to the entire amount of any Net Awards and Payments.

In the event of a total Condemnation or a Partial Taking that results in the termination of this Lease, County shall promptly pay or authorize the payment of, as applicable, to Lessee, upon completion by Lessee of its obligations in Section 2.3 with respect to any portion of the Premises not taken in the Condemnation, the remaining Demolition Security.

6.7.4 Disputes. Any dispute under Article 6 concerning the Market Value of the Premises or any portion thereof, computation of present value or the determination of the amount of Annual Rent or Percentage Rent or other sums which would have become due over the Term of this Lease which are not resolved by the parties, shall be submitted to arbitration pursuant to Article 16. Such valuations, computations and determinations of value shall be made utilizing the Income Approach.

7. REPRESENTATIONS AND WARRANTIES.

7.1 Representations and Warranties of Lessee. Lessee hereby makes the following representations and warranties as of the Effective Date:

7.1.1 Legal Power. Lessee has the legal power, right and authority to enter into this Lease and to consummate the transactions contemplated and described herein.

7.1.2 Binding Obligation of Lessee. This Lease is a valid and legally binding obligation of Lessee and the applicable provisions hereof enforceable against Lessee in accordance with their respective terms, subject only to applicable bankruptcy, insolvency, reorganization and moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally;

7.1.3 Compliance with Organizational Documents. There is no charter, bylaw, or capital stock provision of Lessee, and no provision of any indenture, instrument, or agreement, written or oral, to which Lessee is a party or which governs the actions of Lessee or which is otherwise binding upon Lessee, nor to Lessee's knowledge is there any judgment, decree or order of any governmental authority or court binding on Lessee which would be contravened by the execution, delivery or performance of this Lease;

7.1.4 Litigation Pending. To Lessee's knowledge, there is no action, suit, or proceeding at law or in equity or by or before any governmental authority now pending, or threatened against or affecting Lessee, which, if adversely determined, would materially impair Lessee's right or ability to execute or perform its obligations under this Lease.

7.1.5 No Breach of Indebtedness Requirements. Neither the execution and delivery of this Lease, nor the incurrence of the obligations set forth herein, nor the consummation of the transactions herein contemplated, nor compliance with the terms of this Lease conflict with or result in a material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, encumbrance, deed of trust, loan, lease or other instrument to which Lessee is a party.

7.1.6 No Insolvency. To Lessee's knowledge, no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or threatened against Lessee, nor are any of such proceedings contemplated by Lessee;

7.1.7 Accuracy of Materials. To Lessee's knowledge, all written reports, documents, and instruments prepared by Lessee or an affiliate thereof and delivered to County in connection with entering into this Lease are accurate, correct and sufficiently complete to give County true and accurate knowledge of their subject matter, and do not contain any material misrepresentation or material omission;

7.1.8 No Gratuity. Neither Lessee, nor its directors, officers, employees or affiliates, nor any individual representing Lessee, nor anyone holding an interest in Lessee has offered or given to any official or employee of County any gratuity (in any form) for the intent or purpose of securing favorable treatment under this Lease or the approval or execution hereof.

7.1.9 No Solicitation. Lessee has not employed or retained any Person, other than a bona fide employee working solely for Lessee, to solicit or secure this Lease and it has not paid or agreed to pay any Person, other than a bona fide employee working solely for Lessee, any fee, commission, percentage, brokerage fee, gifts or any other consideration, contingent upon or resulting from the award or making of this Lease.

7.1.10 Authority to Execute. The individual(s) signing this Lease on behalf of Lessee is or are authorized to execute this Lease and bind Lessee to its terms and conditions, and, upon such execution, this Lease shall be legally binding on Lessee and, if Lessee is a corporation for which a single individual is signing, have provided County with a corporate resolution stating that such individual is duly empowered to by such corporation to enter into this Lease.

7.2 Representations and Warranties of County. County hereby makes the following representations and warranties as of the Effective Date:

7.2.1 Legal Power. County has the legal power, right and authority to enter into this Lease, and to consummate the transactions contemplated hereby herein.

7.2.2 Binding Obligations of County. This Lease is the valid and legally binding obligation of County and the applicable provisions hereof are enforceable against County in accordance with their terms, subject only to applicable bankruptcy, insolvency, reorganization and moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally;

7.2.3 Compliance with Charter. There is no provision of any indenture, instrument, or agreement, written or oral, to which County is a party or which governs the actions of County or which is otherwise binding upon County, nor is there any judgment, decree or order of any governmental authority or court binding on County which would be contravened by the execution, delivery or performance of this Lease by County;

7.2.4 Litigation Pending. To County's knowledge, there is no action, suit, or proceeding at law or in equity or by or before any governmental authority now pending, or threatened against or affecting County, which, if adversely determined, would materially impair County's right or ability to execute or perform its obligations under this Lease.

7.2.5 No Breach of Indebtedness Requirements. Neither the execution and delivery of this Lease, nor the incurrence of the obligations set forth herein or therein, nor the consummation of the transactions herein or therein contemplated, nor compliance with the terms of this Lease conflict with or result in a material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, encumbrance, deed of trust, loan, lease or other instrument to which County is a party.

7.2.6 No Insolvency. To County's knowledge, no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or are threatened against County, nor are any of such proceedings contemplated by County.

7.2.7 Authority to Execute. The individual(s) signing this Lease on behalf of County are authorized to execute this Lease and bind County to its terms and conditions, and, upon such execution, this Lease shall be legally binding on County.

8. INDEMNITY.

8.1 General Indemnity. Lessee shall Indemnify County Indemnified Parties from and against all Claims caused by or arising directly or indirectly from (a) Lessee's or any Lessee Party's use, occupancy or operation of the Premises or the Improvements and (b) any act or omission of any Lessee Party which constitutes (i) a breach of any Lessee's obligation under this Lease, (ii) negligence by a Lessee Party or (iii) willful misconduct by a Lessee Party, including acts or omissions related to the design, construction, use, operation, repair, or maintenance of the Premises and the Improvements and Claims, in each case without requirement that such Claims be paid first by any County Indemnified Party. Lessee shall not be liable to any County Indemnified Party for property damage or bodily injury to the extent that such damage or injury is caused by the gross negligence or intentional misconduct of any County Indemnified Party. The obligation of Lessee to so indemnify County Indemnified Parties shall continue for one (1) year beyond the later to occur of (x) the expiration of any period of occupancy or of holding over by Lessee beyond the expiration of the Term or other termination of this Lease, and (y) the expiration of the Term or other termination of this Lease.

8.2 No Protected Contractor or Construction Contract. Lessee has entered into this Lease and shall perform any actions under it in furtherance of Lessee's interests and not for the benefit of, or as a contractor, subcontractor or supplier of goods or services (each a "**Protected Contractor**") for or to County. Consequently, it is the intention of County and Lessee that this Lease not be construed as containing provisions, clauses, covenants, or agreements contained in, collateral to, or affecting any construction contract with a public agency (each a "**Construction Contract**") pursuant to California Civil Code Sections 2782 *et seq.*, as it may be amended ("**Section 2782**"), or that Lessee be considered a Protected Contractor under Section 2782.

8.3 Protected Contractor Indemnity. If, despite the explicit terms and conditions of this Lease, Lessee is determined by a court of competent jurisdiction to be a Protected Contractor when fulfilling certain of its rights or duties under this Lease (the "**Protected Contractor Rights or Duties**"), then, solely with regard to indemnities for Claims arising from such Protected Contractor Rights or Duties, Lessee shall not be subject to the indemnities set forth elsewhere in this Lease and shall be subject only to the following indemnities: Lessee shall Indemnify the County Indemnified Parties from and against all Claims caused by or arising directly or indirectly from any act or omission by any Lessee Party, related to or arising from such Protected Contractor Rights or Duties; provided, however, (a) Lessee shall not be responsible for indemnifying the County Indemnified Parties for (i) liability resulting from the County Indemnified Parties' sole negligence, willful misconduct or active negligence or (ii) any other liability for which Lessee is not permitted to Indemnify County under Section 2782 and (b) Lessee shall be subject to the indemnities set forth elsewhere in this Lease with regard to any Claims not caused by or arising directly or indirectly from any act or omission by any Lessee Party, related to arising from any Projected Contractor Rights or Duties.

8.4 No Design Professional Contract. Lessee acknowledges and agrees that it has entered into this Lease and shall perform any actions under it in furtherance of Lessee's interests and that this Lease is not a contract for the provision of design professional services to a public agency (a "**Design Professional Contract**") and that Lessee is not a "design professional" as defined in California Civil Code Section 2782.8, as it may be amended ("**Section 2782.8**"). Consequently, it is the intention of County and Lessee that this Lease not be construed as containing provisions, clauses, covenants, or agreements contained in, collateral to or affecting a Design Professional Contract.

8.5 Design Professional Contract Indemnity. If, despite the explicit terms and conditions of this Lease, this Lease is determined by a court of competent jurisdiction to be a contract for services of a design professional, as such term is used in Section 2782.8, then, solely with regard to indemnities for Claims arising from the rights or duties in this Lease that the presiding court has determined to be design professional rights or duties (the "**Design Professional Rights or Duties**"), Lessee shall not be subject to any indemnities set forth elsewhere in this Lease and shall be subject only to the following indemnities: Lessee shall Indemnify the County Indemnified Parties from and against all Claims (a) that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Lessee Party related to or arising from any Design Professional Rights or Duties or (b) for which Lessee is permitted to Indemnify County under Section 2782.8; provided, however, Lessee shall be subject to the indemnities set forth elsewhere in this Lease with regard to any Claims not caused by or arising directly or indirectly from any act or omission by any Lessee Party, related to or arising from any Design Professional Rights or Duties.

8.6 Survival. The Indemnity obligations under this Lease shall survive any expiration, termination or assignment of this Lease.

9. INSURANCE. [**Note: TCLA's insurance consultant to approve revised insurance requirements**]

9.1 Lessee's Insurance. Without limiting Lessee's indemnification of County, during the Term of this Lease Lessee shall provide and maintain (or cause such other entity to provide and maintain as set forth below) the following insurance issued by companies authorized to transact business in the State of California by the Insurance Commissioner and having a "general policyholders rating" of at least A-VII (or such higher rating as may be required by an Encumbrance Holder) as set forth in the most current issue of "A.M. Best's Key Rating Guide" or an equivalent rating from another industry-accepted rating agency.

9.1.1 General Liability insurance (written on ISO policy form CG 00 01 or its equivalent, or such other form as acceptable to County) and endorsed to name County as an additional insured, with limits of not less than the following:

General Aggregate:	$20,000,000
Products/Completed Operations Aggregate:	$20,000,000
Personal and Advertising Injury:	$10,000,000
Each Occurrence:	$10,000,000

Lessee may satisfy the above coverage limits with a combination of primary coverage ("**Primary Coverage**") and excess liability coverage ("**Umbrella Coverage**") (as long as (a) Lessee's Primary Coverage is at least Two Million Dollars ($2,000,000) per occurrence, Two Million Dollars ($2,000,000) annual aggregate, and (b) the combination of such Primary Coverage and Umbrella Coverage provides County with the same protection as if Lessee had carried primary coverage for the entire limits and coverages required under this Subsection 9.1.1.

9.1.2 Automobile Liability insurance (written on ISO form CA 00 01 or its equivalent) with a limit of liability of not less than One Million Dollars ($1,000,000) of Primary Coverage and One Million Dollars ($1,000,000) of Umbrella Coverage, for each accident and providing coverage for all "owned", "hired" and "non-owned" vehicles, or coverage for "any auto." During any period of operation of valet parking facilities, Lessee also shall provide Garage keeper's Legal Liability coverage, (written on ISO form CA 99 37 or its equivalent) with limits of not less than Three Million Dollars ($3,000,000) for this location. The coverage in this Subsection 9.1.2 shall be carried by Lessee, its property manager and/or parking contractor (as applicable).

9.1.3 Workers Compensation and Employers' Liability insurance providing workers compensation benefits, as required by the Labor Code of the State of California and for which Lessee is responsible, and including Employers' Liability coverage with limits of not less than the following:

Each Accident:	$1,000,000
Disease - policy limit:	$1,000,000
Disease - each employee:	$1,000,000

If Lessee has no employees, then the coverage in this Subsection 9.1.3 shall be carried by Lessee's property manager.

9.1.4 Commercial Property insurance covering damage to the Premises, including improvements and betterments, from perils covered by the Causes-of-Loss Special Form (ISO form CP 10 30) or such other form as is acceptable to County, excluding earthquake, and including Ordinance or Law Coverage with agreed upon sub limits, written for the full replacement value of the Improvements, with a deductible no greater than $250,000 or 5% of the property value, whichever is less, and also including business interruption, including loss of rent equal to eighteen (18) months of rent, with proceeds payable to Lessee and County as their interests may appear and utilized for repair and restoration of the Premises and Improvements. Notwithstanding the foregoing, during any period during which no Improvements exist on the Premises or all of the existing Improvements are being demolished in connection with the construction of Development Work, the obligation to provide insurance under this Subsection 9.1.4 shall not be applicable so long as the insurance coverage described in Subsection 9.1.5 is carried.

9.1.5 For construction projects on the Premises, including the Development Work, any other Alterations or restoration of the Improvements, Lessee or Lessee's contractor or subcontractors will provide the following insurance (County reserves the right to determine the coverage and coverage limit required on a project by project basis.):

9.1.5.1 Builder's Risk Course of Construction to insure against damage from perils covered by the Causes-of-Loss Special Form (ISO form CP 10 30) or equivalent. This insurance shall be endorsed to include ordinance or law coverage, coverage for temporary offsite storage, debris removal, pollutant cleanup and removal, testing, preservation of property, excavation costs, landscaping, shrubs and plants with agreed upon sub limits and full collapse coverage during construction (without restricting collapse coverage to specified perils. This insurance shall be written on a completed-value basis and cover the entire value of the construction project, against loss or damage until completion and acceptance by Lessee.

9.1.5.2 General Liability. Such insurance shall be written on ISO policy form CG 00 01 or its equivalent with limits as reasonably required by the County for the Development Work or other Alterations. The products/completed operations coverage shall continue to be maintained for the following periods: (a) in the case of the Development Work, three (3) years after the date the Development Work is completed and accepted by the Lessee, or (b) in the case of Alterations after the completion of the Development Work, such period after the date such Alterations are completed and accepted by Lessee as reasonably determined by County, but not to exceed three (3) years after such completion and acceptance.

9.1.5.3 Automobile Liability. Such coverage shall be written on ISO policy form CA 00 01 or its equivalent with a limit of liability as reasonably required by the County for the Development Work or other Alterations. Such insurance shall include coverage for all "owned," "hired" and "non-owned" automobiles, or coverage for "any auto."

9.1.5.4 Professional Liability. Such insurance, which may be provided by the provider of professional services, shall cover liability arising from error, omission, negligent or wrongful act of the contractor and/or licensed professional (i.e. architects, engineers, surveyors, etc.). This coverage shall also provide an extended two-year reporting period commencing upon termination or cancellation of the construction project. The limits of the coverage required under this Subsection 9.1.5.4 shall be (a) Three Million Dollars ($3,000,000) with respect to the prime architect for the Development Work (or such lesser amount as required by County for the prime architect in connection with any subsequent Alterations), and (b) One Million Dollars ($1,000,000) with respect to each other contractor, subcontractor, architect, engineer, surveyor or other licensed professional rendering services in connection with the design or construction of the Development Work or subsequent Alterations, provided that County shall have the discretion to reduce the coverage limits under this clause (b) if appropriate in the judgment of County based on the nature and scope of the services being provided.

9.1.5.5 Asbestos Liability or Contractors Pollution Liability insurance, if construction requires remediation of asbestos or pollutants, and if such insurance is available. Such insurance shall cover liability for personal injury and property damage arising from the release, discharge, escape, dispersal or emission of asbestos or pollutants, whether gradual or sudden, and include coverage for the costs and expenses associated with testing, monitoring and treatment of asbestos in compliance with governmental mandate or order, if insurable and available at commercially reasonable rates. If the asbestos or pollutant will be removed from the construction site, asbestos or pollution liability is also required under the contractor's or subcontractor's Automobile Liability Insurance. Contractor shall maintain limits as reasonably required by the County for the Development Work or other Alterations.

9.1.6 If the use of the Premises or Improvements involves any manufacture, distribution or service of alcoholic beverages, Liquor Liability insurance (written on ISO policy form CG 00 33 or 34 or their equivalent) with a liability limit of not less than Five Million Dollars ($5,000,000) per occurrence and an annual aggregate of Ten Million Dollars ($10,000,000), which limits may be covered by a combination of Primary Coverage and Umbrella Coverage. If written on a claims made form, the coverage shall also provide an extended two-year reporting period commencing upon the termination or cancellation of the Lease.

9.2 Provisions Pertaining to Property Insurance. The insurance coverage required in Subsections 9.1.4 and 9.1.5.1 shall name County and any Encumbrance Holder as loss payee as their interests may appear. Subject to Section 12.6, upon the occurrence of any loss, the proceeds of property and builder's risk insurance shall be held by County in trust for the named insureds as their interests appear, and shall be disbursed by County on a monthly basis to pay for work completed in accordance with then-prevailing industry custom and practice; provided, however, that if the insurance proceeds received with respect to a loss are less than $500,000 (as adjusted to reflect any increase in the ENR Index during the period from the Effective Date through the date of the loss), the Encumbrance Holder shall have the right to hold and disburse such proceeds to pay the renovation and repair of Improvements in accordance with the terms of the loan agreement or deed of trust with Lessee's Encumbrance Holder. In the event of a loss, except as expressly provided to the contrary in this Lease, Lessee shall be obligated to use the insurance proceeds received by Lessee to rebuild or replace the destroyed or damaged buildings, structures, equipment, and Improvements, in accordance with the procedures set forth hereinabove for the initial construction, except as otherwise provided in Article 10. Subject to Section 12.6, any surplus or proceeds after said rebuilding or replacement shall be distributed to Lessee.

9.3 General Insurance Requirements. Subject to the immediately following grammatical paragraph, a duplicate policy or policies (or certificates of insurance in form acceptable County in lieu of duplicate policies) evidencing the insurance coverage required under this Article 9, in such form as shall be reasonably acceptable to County, shall be filed with County no later than the Effective Date, provided that the evidence of the insurance coverage required under Subsection 9.1.5 shall be required to be delivered by Lessee prior to the commencement of any Development Work or other Alterations. All certificates of insurance shall (a) specifically identify the Lease; (b) clearly evidence all coverages required under the Lease; (c) identify any deductibles or self-insured retentions exceeding $25,000 or such other commercially reasonable amount as approved by the County; and (d) evidence all other requirements under this Article 9. The policy or policies of insurance shall provide that such insurance coverage will not be canceled without at least thirty (30) days prior written notice to County or ten (10) business days in case of cancellation for failure to pay the premium. If any insurer will not agree to so notify the County with respect to any policy of insurance required herein, Lessee shall provide County at least thirty (30) days' written notice in advance of any cancellation or any reduction in limit(s) for any policy. Not more than twenty-one (21) days after the renewal of each policy of insurance required herein, Lessee shall deliver to County a certificate of such renewal.

Any insurance coverage may be issued in the form of a blanket policy insuring other properties, in form, amount and content reasonably satisfactory to County such that such coverage provides the same protection as required under this Article 9 as if the insurance had been procured on an individual property basis.

9.4 Additional Required Provisions. Lessee's insurance policies required by this Article 9 shall be for a term of not less than one year and shall additionally provide:

(a) that County and its respective Board of Supervisors and members thereof, and County's officers, agents, employees and volunteers, shall be named as additional insureds under any liability insurance policy or policies to the extent available;

(b) that the full amount of any losses to the extent property insurance proceeds are available shall be payable to additional insureds notwithstanding any act, omission or negligence of Lessee which might otherwise result in forfeiture of such insurance;

(c) in any property insurance policy, a waiver of all right of subrogation against County and its respective Board of Supervisors and members thereof, and County's officers, agents, employees and volunteers with respect to losses payable under such policies;

(d) in any property insurance policy, that such policies shall not be invalidated should the insured waive, prior to a loss, any or all right of recovery against any party for losses covered by such policies;

(e) to the extent of the indemnification obligations of Lessee in favor of any additional insureds, the property and commercial general liability insurance policies shall provide coverage on a primary and non-contributory basis with respect to such additional insureds, regardless of any other insurance or self-insurance that such additional insureds may elect to purchase or maintain;

(f) that losses, if any, shall be adjusted with and payable to Lessee, County and Encumbrance Holders, if any, pursuant to a standard mortgagee clause;

(g) that the commercial general liability insurance shall apply separately to each insured against whom a claim is made, except with respect to the overall limits of said insurer's liability; and,

(h) except as otherwise approved by County, that the property and commercial general liability insurance policies shall contain no special limitations on the scope of protection afforded to the additional insureds, and no failure to comply with the reporting provisions of such policies shall affect the coverage afforded to such additional insureds.

9.5 Failure to Procure Insurance. If Lessee fails to procure or renew the herein required insurance and does not cure such failure within five (5) business days after written notice from County, in addition to the other rights and remedies provided hereunder, County may, at its discretion, procure or renew such insurance and pay any and all premiums in connection therewith. All monies so paid by County shall be repaid by Lessee, with interest thereon at the Applicable Rate, to County within five (5) business days after Lessee's receipt of written demand therefor.

9.6 Adjustment to Amount of Liability Coverage. The amounts of liability insurance required under Subsections 9.1.1, 9.1.2 and 9.1.3 shall be subject to adjustment as of each fifth (5th) anniversary of the Effective Date (each, an "**Insurance Renegotiation Date**"), consistent with the amounts of such liability insurance then being required by County under similar ground leases for comparable developments, including any adjustments then being approved by County (if any), based on differences in size, scope, uses or risks between the Premises and such other developments. If County and Lessee cannot agree upon the amount of insurance by the sixtieth (60th) day preceding an Insurance Renegotiation Date, the matter shall be resolved by binding arbitration in accordance with Article 16 where the arbitrator shall be charged with determining whether the insurance amounts, coverage, or terms should be modified or changed in order for the Premises to have the coverage typically maintained by other "Class A" suburban low-rise medical office buildings in the Los Angeles metropolitan area. In no event shall the amounts of liability insurance be decreased as a result of such renegotiation or arbitration. Following such renegotiation or arbitration, the parties shall execute an amendment to this Lease setting forth the renegotiated insurance provisions or the arbitration judgment, as appropriate.

9.7 Notification of Incidents, Claims or Suits. Lessee shall notify County of any accident or incident on or about the Premises which involves injury or property damage over Fifty Thousand Dollars ($50,000.00) in the aggregate and pursuant to which a claim against Lessee and/or County is made or threatened. Such notification shall be made in writing within 72 hours after Lessee first becomes aware of the claim or threatened claim.

10. MAINTENANCE AND REPAIR; DAMAGE AND DESTRUCTION.

10.1 Lessee's Maintenance and Repair Obligations. Lessee shall maintain the Premises, including paved or unpaved ground surfaces and Improvements thereon (excluding any of such Improvements which are tenant improvements, which shall be required to be maintained by the applicable Sublessees pursuant to the terms of their respective Subleases), in conformance with such reasonable rules and regulations regarding the use and occupancy of the Premises as may be promulgated by County from time to time for general applicability on a non-discriminatory basis, as revised from time to time. Without limiting the foregoing, at Lessee's sole cost and expense, but subject to the terms and conditions of this Lease, Lessee shall keep and maintain the Premises and all equipment, building systems (including electrical, plumbing, elevators, HVAC, and drainage), Improvements or physical structures of any kind which may exist or be erected, installed or made on the Premises (excluding any of such Improvements which are tenant improvements, which shall be required to be maintained by the applicable Sublessees pursuant to the terms of their respective Subleases) in good working condition and in good and substantial repair and condition, including without limitation capital improvements and structural and roof repairs and replacement, and shall make all necessary repairs and alterations and replacements thereto, except as otherwise provided in this Article 10 (except that during periods of construction of the Development Work or other Alterations or reconstruction of damaged or destroyed Improvements, Lessee's obligations as to the areas of the Premises under construction shall be controlled by Article 5). Lessee shall undertake such repairs, alterations or replacements in compliance with Applicable Laws, or as reasonably required in writing by County to Lessee incident to the provisions of this Article 10. Lessee shall maintain all Improvements on the Premises (excluding any of such Improvements which are tenant improvements, which shall be required to be maintained by the applicable Sublessees pursuant to the terms of their respective Subleases) in a safe, clean, wholesome and sanitary condition, to the reasonable satisfaction of County and in compliance with all Applicable Laws. Lessee shall, at its own cost and expense, install, maintain and replace landscaping between the streets abutting the Premises and the building footprints on the Premises as reasonably satisfactory to County. Lessee specifically agrees to provide proper containers for trash and garbage which are screened from public view, to keep the Premises free and clear of rubbish and litter. County in its proprietary capacity shall have the right with reasonable notice to enter upon and inspect the Premises, subject to the right of Sublessees, at any reasonable time for cleanliness, safety and compliance with this Section 10.1, as long as such entrance is not done in a manner which would unreasonably interfere with the operation of the Premises.

10.2 Intentionally Omitted.

10.3 Intentionally Omitted.

10.4 Maintenance Deficiencies. If County provides written notice to Lessee of a deficiency or other breach in the performance by Lessee of the maintenance and repair obligations of Lessee under Section 10.1, then Lessee shall promptly commence the cure thereof and shall complete such cure within the time period for such cure set forth in the County's deficiency notice, which cure period shall not be less than thirty (30) days except if the deficiency pertains to a condition that is a threat to health or safety or otherwise constitutes an emergency situation, in which case County shall have the right to immediately require Lessee to take all appropriate steps to avoid damage or injury. If Lessee fails to cure any such deficiency within the cure period set forth in County's written deficiency notice (which cure period shall comply with the requirements of the immediately preceding sentence of this Section 10.4), then in addition to, and not in lieu of, any rights or remedies that County may have under Article 13 for defaults not cured within the applicable notice and cure periods set forth therein, Lessee shall pay to County an amount equal to One Hundred Dollars ($100) per day per item of deficiency for each day after such cure period that the deficiency item remains uncured. Notwithstanding the foregoing, if the nature of the deficiency is such that it is not capable of cure within the cure period specified in County's notice (for example, as a result of permitting requirements or construction material procurement delays beyond the control of Lessee), then as long as during the specified cure period Lessee commences the cure of the deficiency and thereafter continues the prosecution of the completion of such cure in a manner and with such diligence that will effectuate the cure in as short a period as reasonably possible, then the cure period specified in County's deficiency notice shall be extended for such additional time as necessary to complete the cure in as short a period as reasonably possible.

For purposes of determining the number of items of deficiency set forth in a deficiency notice received from County, County shall reasonably identify the separate deficiencies so as not to unfairly increase the daily amount payable under this Section 10.4 by separating the work into unreasonably particularized items (e.g., the requirement to paint the exterior of a building shall not be split into individual deficiency items for the painting of each individual door, window or other component of such building). If in the reasonable and good faith business judgment of Lessee the deficiency notice was erroneously issued by County, then Lessee shall have the right to contest such deficiency notice by written notice to County within five (5) business days after the date the deficiency notice is received by Lessee. If Lessee files any such contest with County, then County shall exercise County's reasonable discretion in considering Lessee's contest. If Lessee's contest is made on a reasonable and good faith basis, then, in cases that do not include health, safety or any emergency condition, the cure period for the deficiency notice shall be tolled during the period between the date County receives written notice of such contest and continuing until County notifies Lessee in writing that County accepts or denies Lessee's contest. If County denies Lessee's contest, Lessee may request arbitration pursuant to Article 16. The One Hundred Dollars ($100) per diem amount set forth in this Section 10.4 shall be adjusted every three (3) years during the remaining Lease Term on each third (3rd) anniversary of the Effective Date to reflect any change in the Consumer Price Index over the three (3) year period immediately preceding each such adjustment.

10.5 Option to Terminate for Uninsured Casualty. In the event of any damage to or destruction of the Premises or any Improvements located thereon , Lessee shall, except as otherwise expressly provided in this Section 10.5, promptly (taking into consideration the necessity of obtaining approvals and permits for such reconstruction) repair and/or restore such Improvements to their condition existing prior to the damage or destruction. Except as otherwise expressly provided in this Section 10.5, such obligation to repair and restore is absolute, and is in no way dependent upon the existence or availability of insurance proceeds. Repair and restoration of any damage or destruction shall take place in accordance with the provisions of Article 5. Notwithstanding the foregoing, Lessee shall have the option to terminate this Lease and be relieved of the obligation to restore the Improvements on the Premises where all or substantially all of the Improvements on the Premises are substantially damaged or destroyed and such damage or destruction resulted from a cause (a) not required to be insured against by this Lease or (b) for which coverage existed, but for which the insurer does not provide the insurance proceeds to Lessee due to the insurer's insolvency (the circumstances referenced in clauses (a) and (b) each an "**Uninsured Loss**"), and where all of the following occur:

10.5.1 No more than one hundred (100) days following the Uninsured Loss, Lessee shall notify County of its election to terminate this Lease; to be effective, this notice must include both a copy of Lessee's notification to the Encumbrance Holder, if any, of Lessee's intention to exercise this option to terminate and Lessee's certification under penalty of perjury that Lessee has delivered or mailed such notification to the Encumbrance Holder in accordance with this Subsection 10.5.1. County shall be entitled to rely upon the foregoing notice and certification as conclusive evidence that Lessee has notified the Encumbrance Holder regarding Lessee's desire to terminate this Lease.

10.5.2 No more than sixty (60) days following the giving of the notice required by Subsection 10.5.1 or such longer time as may be reasonable under the circumstances, Lessee shall, at Lessee's expense: remove all debris and other rubble from the Premises; secure the Premises against trespassers; and, at County's election, remove all remaining Improvements on the Premises.

10.5.3 No more than sixty (60) days following the giving of the notice required under Subsection 10.5.1, Lessee delivers to County a quitclaim deed to the Premises in recordable form, in form and content satisfactory to County and/or with such other documentation as may be reasonably requested by County or any title company on behalf of County, terminating Lessee's interest in the Premises and reconveying such interest to County free and clear of any and all Encumbrances and Subleases.

10.5.4 Within fifteen (15) days following County's receipt of the notice referred to in Subsection 10.5.1, County has not received both (a) written notice from any Encumbrance Holder objecting to such termination and (b) an agreement containing an effective assignment of Lessee's interest in this Lease to such Encumbrance Holder whereby such Encumbrance Holder expressly assumes and agrees to be bound by and perform all of Lessee's obligations under this Lease.

10.6 No Option to Terminate for Insured Casualty. Lessee shall have no option to terminate this Lease or otherwise be relieved of its obligation to restore the Improvements on the Premises where the damage or destruction results from a cause required to be insured against by this Lease.

10.7 No County Obligation to Make Repairs. County shall have no obligation whatsoever to make any repairs or perform any maintenance on the Premises unless the need for such repair or maintenance is caused by County's gross negligence or willful misconduct, in which case, County shall undertake such maintenance, repair and replacement, if any, with reasonable diligence.

10.8 Repairs Not Performed by Lessee. If Lessee fails to make any repairs or replacements as required, County may notify Lessee of said failure in writing, and should Lessee fail to cure said failure and make repairs or replacements within a reasonable time as established by County, County may make such repairs or replacements and the cost thereof, including, but not limited to, the cost of labor, overhead, materials and equipment, shall be charged against Lessee as provided in Section 13.5.

10.9 Intentionally Omitted.

10.10 Notice of Damage. Lessee shall give prompt notice to County of any fire or damage affecting the Premises or the Improvements from any cause whatsoever.

10.11 Waiver of Civil Code Sections. The parties' rights shall be governed by this Lease in the event of damage or destruction. The parties hereby waive the provisions of California Civil Code Sections 1932 and 1933, and any other provisions of law which provide for contrary or additional rights.

11. ASSIGNMENT AND SUBLEASE.

11.1 Subleases.

11.1.1 Definition. The term "**Sublease**" means any lease, license, permit, concession or other interest in the Premises or the Improvements, or a right to use the Premises or a portion thereof, which is conveyed or granted by Lessee to a third party, and which constitutes less than the unrestricted conveyance of the entire Lessee's interest under this Lease. "**Sublessee**" means the Person to whom such right to use is conveyed by a Sublease. A Sublease which grants or conveys to the Sublessee the right to possess all or substantially all of the rentable square footage of the Premises is sometimes referred to in this Lease as a "**Major Sublease**," and the Sublessee under such agreement is sometimes referred to in this Lease as a "**Major Sublessee**."

11.1.2 MLK Master Lease. Concurrently herewith Lessee has entered into the MLK Master Lease, a Major Sublease of all of the Premises to MLK-LA, with an effective date of the Effective Date, in the form attached hereto as Exhibit E. County hereby acknowledges that it has reviewed and approved the MLK Master Lease as a Major Sublease, including, without limitation, all terms and conditions of Article XVII of the MLK Master Lease ("**Article XVII**"), and has received a fully executed copy thereof. County further acknowledges and agrees that notwithstanding any provision of this Lease to the contrary, if the consent of Lessee is not required to a transfer by MLK-LA under Article XVII, the consent of County to any such transfer by MLK-LA will not be required under this Lease; provided, however, that any amendment to Article XVII shall be subject to County's consent (as set forth in Section 11.1.3.1), which consent shall not be unreasonably withheld, conditioned or delayed.

11.1.3 Lessee's Right to Sublease. With the exception of a Major Sublease, which shall be subject to approval by County as set forth in this Subsection 11.1.3, Lessee may freely execute Subleases (and amendments, modifications, renewals of assignments thereof) without the consent or approval of County provided that (a) the Sublessee is a Sublessee permitted under the definition of Permitted Use, (b) the subleased premises shall be utilized only for Permitted Uses, (c) subject to the rights of any Sublessee pursuant to the terms of any nondisturbance agreement executed by County applicable to such Sublease, the Sublease shall terminate no later than the end of the Term of this Lease or its earlier termination, (d) as of the date of its execution, the total rent (including any adjustments) under the Sublease is not substantially lower than the then-current market rate and the term of the Sublease is not substantially greater than the then-current market supports, (e) the Subtenant is not Controlled by, or Controlling of Lessee, or otherwise related to or affiliated with Lessee or a Person holding a Beneficial Interest in Lessee, and (f) the terms and conditions of the Sublease are consistent with those specific terms and conditions of this Lease that are expressly required to be included in each Sublease and do not otherwise purport to grant rights Lessee does not possess or violate the terms and conditions of this Lease. Any Sublease that is not a Major Sublease, but does not satisfy the requirements set forth in the preceding sentence, shall require County's consent in the manner set forth in this Subsection 11.1.3. Prior to entering into any Sublease, Lessee shall submit to County for its approval, not to be unreasonably withheld, conditioned or delayed, Lessee's standard form of sublease and any related agreement. Any material changes to these forms and agreements in the future shall also be submitted to County for its review and approval, not to be unreasonably withheld, conditioned or delayed.

11.1.3.1 Major Sublease. At least thirty (30) days prior to the proposed effective date of any Major Sublease, or of any assignment or material amendment of any such Major Sublease, Lessee shall submit a copy of such Major Sublease (or assignment or amendment thereof), to County for approval, which approval shall not be unreasonably withheld, conditioned or delayed. County shall approve or disapprove said proposed Sublease, amendment or assignment within fifteen (15) business days after receipt thereof. Any amendment of Article XVII shall be deemed a material amendment. Each such Major Sublease shall specifically provide that the Sublessee shall comply with all of the terms, covenants, and conditions of this Lease applicable to the portion of the Premises subject to the Sublease. If County disapproves a Major Sublease (or assignment or amendment thereof), County shall notify Lessee in writing of the reason or reasons for such disapproval. In the event County does not approve or disapprove any Major Sublease (or assignment or amendment thereof) submitted by Lessee within fifteen (15) business days after its receipt thereof, Lessee shall provide to County a second written request for such approval. Lessee shall include in any such notice, printed in capital letters and boldface type, a legend to the following effect:

"THIS COMMUNICATION REQUIRES IMMEDIATE RESPONSE. FAILURE TO RESPOND WITHIN FIFTEEN (15) DAYS FROM THE RECEIPT OF THIS COMMUNICATION SHALL CONSTITUTE A DEEMED APPROVAL OF THE MAJOR SUBLEASE (OR

ASSIGNMENT OR AMENDMENT THEREOF) DESCRIBED HEREIN."

11.1.4 If the foregoing legend is included by the Lessee in its communication, the applicable Major Sublease (or assignment or amendment thereof) shall be deemed to have been approved if County fails to object with respect thereto within fifteen (15) days of receipt of such second notice.

11.2 Approval of Assignments and Major Subleases. Except as specifically provided in this Article 11, Lessee shall not, without the prior written consent of County, which consent may be granted or withheld in County's reasonable discretion, and which shall be based upon factors described in Exhibit F (the "**Assignment Standards"**), and which shall be applied in a commercially reasonable manner, either directly or indirectly give, assign, hypothecate, encumber, transfer, or grant control of this Lease or any interest, right, or privilege therein, or enter into a Major Sublease affecting the Premises, or license the use of all or substantially all of the Premises, other than any Excluded Transfers. Notwithstanding the foregoing, (x) Lessee shall have the right, without the prior approval of County, to retain an affiliate of Lessee, or its direct or indirect partners or members, as the property manager for the Premises, and (y) in connection with any Financing Event approved (or deemed approved) by County pursuant to Section 12.1, Lessee shall be permitted to assign this Lease without County's express consent to such assignment in the form of an assignment of a security interest in Lessee's leasehold interest in the Premises for financing required in connection with the Development Work or permanent financing following completion of the Development Work (which assignment shall be in the form of a leasehold deed of trust); provided, however the foregoing permitted assignment shall not relieve Lessee of liability for any obligations to County under this Lease or any other entitlements in connection with the development of the Premises. The foregoing obligation to obtain the consent of County shall also not be applicable to any Foreclosure Transfer or any subsequent transfer by an Encumbrance Holder as described in Article 12. Any Change of Ownership that involves the transfer of only beneficial ownership interests in the constituent owners of Lessee (as opposed to an assignment of the Lease) shall not require County consent if it is an Excluded Transfer. If such Change of Ownership with respect to beneficial ownership interests is not an Excluded Transfer, it shall require County's consent as if it constituted an assignment of Lessee's interest in this Lease. For avoidance of doubt, any actual assignment of Lessee's interest in this Lease shall require County consent, except for any such assignment that is an Excluded Transfer. In addition, for purposes of this provision, the following (except for Excluded Transfers) shall require the prior written consent of County to be effective: (a) the addition, removal or replacement of one or more general partners or managing members in a Lessee which is a limited partnership or limited liability entity, except (i) by death, insolvency, incapacity, resignation (except for a sole general partner, if any) or removal of a general partner or managing member and his replacement by a vote of the limited partners, the remaining general partners or remaining members, or (ii) if any general partner or managing member owning more than fifty percent (50%) of the interests of the partnership or limited liability entity acquires the interest of another general partner or managing member owning fifteen percent (15%) or less of the interests in the partnership or limited liability entity; or (b) the sale, assignment, or transfer of fifty-percent (50%) or more of the stock, partnership interests or limited liability company interests in Lessee or a direct general partner or managing member of Lessee. Lessee shall provide County with any information reasonably requested by County in order to determine whether or not to grant approval of the matters provided herein requiring

County's consent. Unless County otherwise agrees in writing with respect to any Major Sublease, these same limitations and approval requirements as to Lessee's interest under the Lease shall also apply with respect to the Sublessee's interest under a Major Sublease.

11.2.1 County's Use of Discretion and Limitation on Permissible Assignees. In exercising its discretion to approve assignments as provided in this Section 11.2, County shall take into account the Assignment Standards and, if County determines that such Assignment Standards are satisfied (such determination not to be unreasonably withheld, conditioned or delayed), County shall not unreasonably withhold, condition or delay its consent to any proposed assignment. If County withholds its consent to an assignment, County shall notify Lessee in writing of the reason or reasons for such disapproval.

11.2.2 Involuntary Transfers Prohibited. Except as otherwise specifically provided in this Lease, neither this Lease nor any interest therein shall be assignable or transferable in proceedings in attachment, garnishment, or execution against Lessee, or in voluntary or involuntary proceedings in bankruptcy or insolvency or receivership taken by or against Lessee, or by any process of law including proceedings under the Bankruptcy Act.

11.2.3 Procedure. Requests for approval of any proposed assignment requiring the approval of the County pursuant to Section 11.1 or 11.2 shall be processed in accordance with the following procedures:

11.2.3.1 Lessee shall not enter into any assignment of this Lease requiring the approval of the County pursuant to Section 11.1 or 11.2 without first complying with the terms and provisions of this Subsection 11.2.3. Any other transfer, sublease or other agreement requiring the approval of the County pursuant to Section 11.1 or 11.2 shall provide that it is contingent upon County's approval. In connection with any assignment or other transfer, sublease or other agreement that requires County's approval pursuant to Section 11.1 or 11.2, Lessee (or the entity seeking approval of such assignment) shall notify County and deliver to County all information reasonably relevant to the proposed transaction, including without limitation any term sheets, letters of intent, draft Major Subleases, any other documents which set forth any proposed agreement regarding the Premises and the information set forth in Subsection 11.2.3.5. County will evaluate the information provided to it and County may request additional information as may be reasonably necessary to act on the request. Under no circumstances will County discuss an assignment with any proposed assignee without providing Lessee the right to be present at any such discussion.

11.2.3.2 In completing its review of the proposal and granting or withholding its consent thereto, County will not be bound by any deadline contained in any proposed assignments, Major Subleases, escrow instructions or other agreements to which County is not a party.

11.2.3.3 Lessee acknowledges that the time needed for County to review a proposed assignment depends on many factors, including without limitation the complexity of the proposed transaction, the financial and other information submitted for review, and the workload of County's personnel. Notwithstanding the foregoing, County shall act as promptly as governmental processes permit in processing and acting upon a requested approval of an assignment of Lessee's interest under this Article 11.

11.2.3.4 Lessee shall be required to reimburse County for its Actual Costs incurred in connection with the proposed assignment, whether or not County ultimately grants its approval to the proposed assignment (without any duplication with any Administrative Charge payable under Section 4.5 or any Lease Transfer Fee payable under Section 4.6).

11.2.3.5 Lessee or the proposed assignee shall provide County with sufficient information for County to determine if the public interest will be served by approving the proposed transaction. The information that must be provided includes, but shall not be limited to, the following:

(a) Nature of the Assignee. Full disclosure is required in accordance with this Lease and County's applicant disclosure policy then in effect. Additionally, a flowchart identifying the chain of ownership of the assignee and its decision-making authority shall be provided to County. County shall be advised if the proposed assignee, or any other person or entity for whom disclosure is required pursuant to County's disclosure policy, has had any leasehold or concessionaire's interest canceled or terminated by the landlord due to the tenant or Lessee's breach or default thereunder.

(b) Financial Condition of Assignee. County shall be provided with current, certified financial statements, including balance sheets and profit and loss statements, demonstrating the proposed assignee's financial condition for the preceding five (5) years, or such shorter period that assignee has been in existence. This requirement shall also apply to any related person or entity which will be responsible for or guarantee the obligations of the proposed assignee or provide any funds or credit to such proposed assignee.

(c) Financial Analysis. County shall be provided with the proposed assignee's financing plan for the operation of the Premises (unless the assignment is pursuant to a Change of Ownership that involves the transfer of only beneficial ownership interests in the constituent owners of Lessee and is an Excluded Transfer) and for any contemplated improvement thereof, demonstrating such proposed assignee's financial capability to so operate the Premises and construct such improvements. Such financing plan shall include, but not be limited to, information detailing (i) equity capital; (ii) sources and uses of funds; (iii) terms of financing; (iv) debt service coverage and ratio; and (v) loan to value ratio. The proposed assignee shall also provide County with documentation demonstrating such proposed assignee's financial viability, such as letters of commitment from financial institutions which demonstrate the availability of sufficient funds to complete any proposed construction or improvements on the Premises. Further, such proposed assignee shall authorize the release of financial information to County from financial institutions relating to the proposed assignee or other information supplied in support of the proposed assignment.

(d) Business Plan. County shall be provided with the proposed assignee's business plan for the Premises (unless the assignment is pursuant to a Change of Ownership that involves the transfer of only beneficial ownership interests in the constituent owners of Lessee and is an Excluded Transfer), including pro forma financial projections for the Premises for the five (5) year period beginning upon the commencement of the proposed assignment. Such pro forma projections will include capital costs, income and expenses, as well as debt service and all other payments to providers of debt and equity, and will be accompanied by a statement of basic assumptions and an identification of the sources of the data used in the production of such projections.

(e) Assignor's Financial Statements. County shall be provided with certified financial statements, including balance sheets and profits and loss statements concerning the assignor Lessee and its operations for the three (3) most recent years prior to the proposed transaction.

(f) Cure of Defaults. County shall be provided with the proposed assignee's specific plans to cure any and all delinquencies under this Lease which may be identified by County, whether identified before or after the date of the proposed assignment.

(g) Prospectus Materials. County shall be provided with any materials distributed to third parties relating to the business of the proposed assignee to be conducted on, from or relating to the Premises.

(h) Other Information. County shall be provided with a clear description of the terms and conditions of the proposed assignment, including a description of the proposed use of the Premises and any proposed alterations or improvements to the Premises. Additionally, County shall be provided with any and all other non-confidential information which it reasonably requests of Lessee in connection with its review of the proposed transaction, including without limitation materials pertinent to the issues noted in this Subsection to the extent that they exist, such as escrow instructions, security agreements, personal property schedules, appraisals, market reports, lien releases, UCC Statements, preliminary title reports, management agreements affecting the Premises, contracts in excess of $25,000 affecting the Premises, schedules of pending or threatened litigation, and attorneys' closing opinions relating to Lessee, the proposed assignee or the Premises. County shall endeavor to keep the foregoing materials confidential, subject to the Public Records Act and other Applicable Laws.

11.2.3.6 Nondisturbance. At the request of Lessee, County shall agree to execute a subordination, nondisturbance and attornment agreement and a ground lessor's estoppel certificate on commercially reasonable terms in favor of any Major Sublessee.

11.2.3.7 Final Documents. Prior to granting its approval over any proposed assignment, County shall be provided with an executed Assignment and

Acceptance of Assignment in form and content as reasonably approved or supplied by County. Ten (10) copies of each must be submitted to County, of which five (5) shall be signed originals and properly acknowledged.

11.3 Terms Binding Upon Successors, Assigns and Sublessees. Except as otherwise specifically provided for herein, each and all of the provisions, agreements, terms, covenants, and conditions herein contained to be performed, fulfilled, observed, and kept by Lessee hereunder shall be binding upon the heirs, executors, administrators, successors, and assigns of Lessee, and all rights, privileges and benefits arising under this Lease in favor of Lessee shall be available in favor of its heirs, executors, administrators, successors, and assigns. Notwithstanding the foregoing, no assignment or subletting by or through Lessee in violation of the provisions of this Lease shall vest any rights in any such assignee or Sublessee. Any approved assignment of this Lease shall release the assignor of all liability arising due to actions or omissions on or after the effective date of such assignment, provided the assignee assumes all of such liability, including without limitation the obligation of assignee to cure any defaults and delinquencies under this Lease and to pay County Percentage Rent and any other amounts attributable to the period prior to the assignment, but not discovered by County or the assignee until after the assignment; provided, further, the assignor shall not be relieved of any liability for the payment of the Administrative Charge or any Lease Transfer Fee which arise upon such assignment as provided herein.

11.4 Property Management and Other Agreements.

11.4.1 Notwithstanding any contrary provision of this Article 11, Lessee shall be permitted to hire one or more management companies of its choosing for property management of the Premises and/or may conduct such property management activities using its own staff. Any other management company hired by Lessee to perform property management of the Premises shall at the time of such engagement (a) have at least five (5) years' of experience in the operation and management of medical office buildings in Southern California, without material violations of law or discrimination, and (b) have a valid license to manage real estate issued by the California Department of Real Estate (or its successor). Following an assignment of the Lease, the execution of a Major Sublease or a Change of Ownership of the Lessee executing this Lease, to the extent Lessee uses Lessee's own staff for property management of the Premises, Lessee's own staff at the time of such engagement shall have at least (i) five (5) years' of experience in the operation and management of medical office buildings in Southern California, without material violations of law or discrimination, and (ii) have a valid license to manage real estate issued by the California Department of Real Estate (or its successor).

11.4.2 Notwithstanding any contrary provision of this Article 11, at any time from and after the Effective Date, Lessee may enter into agreements or amendments thereof from time to time with Persons that will perform services on behalf of Lessee or in furtherance of Lessee's management and operation of the Premises and, provided any such agreement complies with the terms of this Article 11, any such agreements or amendments shall not be deemed to be assignments of this Lease.

11.5 Transaction Information. Notwithstanding whether County consent was required for a given sublease, assignment, transfer or encumbrance, Lessee shall provide County with written notice of each such sublease, assignment, transfer or encumbrance within fifteen (15) days after the closing thereof.

11.6 Transfers Prior to Stabilization. Lessee acknowledges that the identity of the entity executing this Lease as of the Effective Date is of material importance to County with respect to the performance of the Development Work, and the terms and provisions of this Lease that have been negotiated by County and Lessee pertaining to the Development Work. Consequently, notwithstanding any contrary provision of this Lease or presumptions under any Applicable Laws, prior to (i) the substantial completion of the Development Work and (ii) the occurrence of the date on which at least eighty percent (80%) of the rentable square footage of the MOB has been continually leased for a period of at least one (1) year pursuant to Subleases (approved where required by this Lease by County), Lessee shall not assign this Lease nor effect a Change of Ownership relating to Lessee (as opposed to any Major Sublessee), other than pursuant to any of the following: (a) any Excluded Transfer, (b) any Encumbrance given to an Encumbrance Holder (pursuant to the terms and conditions of this Lease) with respect to any financing for the Premises, and (c) the entering into of any Major Sublease (approved where required by this Lease by County).

12. ENCUMBRANCES.

12.1 Financing Events.

12.1.1 Definitions. For the purposes of this Lease, including without limitation the provisions of Sections 4.4, 4.5, and 4.6: (a) a "**Financing Event**" means any financing or refinancing consummated by Lessee or by the holders of partnership interests or other direct or indirect ownership interests in Lessee (collectively, "**Ownership Interests**"), whether with private or institutional investors or lenders, where such financing or refinancing is an Encumbrance; for purposes of this Subsection 12.1.2 and Sections 4.4, 4.5, and 4.6, a Financing Event shall also include all of the foregoing actions involving the granting of a mortgage, deed of trust or other security interest in a Major Sublease; and (b) an "**Encumbrance**" shall mean any direct or indirect grant, pledge, assignment, transfer, mortgage, hypothecation, grant of control, grant of security interest, or other encumbrance, of or in all or any portion of (i) Lessee's interest under this Lease and the estate so created (including without limitation a direct or indirect assignment of Lessee's right to receive rents from subtenants) or (ii) Ownership Interests if an absolute assignment from the holder of such Ownership Interests to the holder of the Encumbrance would have required County's consent under this Lease, to a lender (upon County approval of the Encumbrance and consummation thereof, the "**Encumbrance Holder**") as security for a loan. The term "Encumbrance Holder" includes any and all affiliates of such Encumbrance Holder which have succeeded by assignment or otherwise to any rights, interests or liabilities of the Encumbrance Holder with respect to the Encumbrance, or which have been designated by the Encumbrance Holder to exercise any rights or remedies under the Encumbrance or to take title to the leasehold estate under this Lease or to Ownership Interests, and such affiliates shall enjoy all of the rights and protections given to

Encumbrance Holders under this Lease. The term "**Equity Encumbrance Holder**" means an Encumbrance Holder holding an Encumbrance with respect to Ownership Interests.

12.1.2 County Approval Required. Lessee may, with the prior written consent of County, which shall not be unreasonably withheld, conditioned or delayed, consummate one or more Financing Event(s). Lessee shall submit to County a Preliminary Loan Package and thereafter a complete set of all proposed transaction documents in connection with each proposed Financing Event. "**Preliminary Loan Package**" means, for any given Financing Event, a term sheet, letter of intent or other loan commitment document and any other documents, materials or other information required to understand the basic essential terms of the proposed Encumbrance. County shall have ten (10) business days after receipt of the Preliminary Loan Package with respect to a proposed Financing Event within which to grant or withhold initial approval of such Financing Event. After County has approved such Preliminary Loan Package, County shall have five (5) business days after receipt of substantially complete loan documents within which to grant or withhold final approval of the Financing Event; provided, however, that County's may not disapprove such Financing Event based on County's review of such loan documents unless, and only to the extent that, such loan documents do not conform in all material respects to such approved Preliminary Loan Package; and provided further, if either, (a) County was not provided a Preliminary Loan Package with respect to such Financing Event, and is only provided substantially complete loan documents with respect to such Financing Event, then County shall have fifteen (15) business days after receipt of such substantially complete loan documents within which to grant or withhold final approval of such Financing Event, or (b) County was not provided the Preliminary Loan Package with respect to such Financing Event at least fifteen (15) business days prior to County's receipt of substantially complete loan documents with respect to such Financing Event, then County shall have ten (10) business days after receipt of such substantially complete loan documents within which to grant or withhold final approval of such Financing Event. If not approved by County in writing within the foregoing periods, the proposed Financing Event shall be deemed disapproved by County (and, if so requested in writing by Lessee), County shall within five (5) business days after such request deliver to Lessee a written description of County's objections to said proposed Financing Event). Lessee shall reimburse County for County's Actual Cost incurred in connection with its review of the proposed Financing Event; provided, however, in no event shall Lessee be required to reimburse County's Actual Cost in excess of Twenty Thousand Dollars ($20,000). One (1) copy of any and all security devices or instruments as finally executed or recorded by the parties in connection with any approved Encumbrance shall be delivered to County not later than seven (7) days after the later of the effective date thereof or the receipt by Lessee of conformed recorded copies thereof, if applicable. The same rights and obligations set forth above in this Subsection 12.1.2 shall inure to the benefit of and shall be binding upon any holder of Ownership Interests with respect to any proposed Financing Event involving Ownership Interests.

12.2 Consent Requirements In The Event of a Foreclosure Transfer.

12.2.1 Definitions. As used herein, a "**Foreclosure Transfer**" shall mean any transfer of the entire leasehold estate under this Lease or of all of the Ownership Interests in Lessee pursuant to any judicial or nonjudicial foreclosure or other enforcement of remedies under or with respect to an Encumbrance, or by voluntary deed or other transfer in lieu thereof. A "**Foreclosure Transferee**" shall mean any transferee (including without limitation an Encumbrance Holder) which acquires title to the entire leasehold estate under this Lease or to all of the Ownership Interests in Lessee pursuant to a Foreclosure Transfer. An "**Equity Foreclosure Transferee**" shall mean a Foreclosure Transferee whose acquired interest consists of all of the Ownership Interests in Lessee.

12.2.2 Foreclosure Transfer. The consent of County shall not be required with respect to any Foreclosure Transfer.

12.2.3 Subsequent Transfer By Encumbrance Holder. For each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder, with respect to a single subsequent transfer of this Lease or the Ownership Interests (as applicable) by such Encumbrance Holder to any third party, County's consent to such transfer shall not be required; provided that such single subsequent transferee (other than a transferee of Ownership Interests) shall expressly agree in writing to assume and to perform all of the obligations under this Lease, other than Excluded Defaults (as defined below). For clarification purposes, the right to a single transfer under this Subsection 12.2.3 shall apply to each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder, so that there may be more than one "single transfer" under this Subsection 12.2.3.

12.3 Effect of Foreclosure. In the event of a Foreclosure Transfer, the Encumbrance Holder shall forthwith give notice to County in writing of such transfer setting forth the name and address of the Foreclosure Transferee and the effective date of such transfer, together with a copy of the document by which such transfer was made.

12.3.1 Any Encumbrance Holder which is a commercial bank, savings bank, savings and loan institution, insurance company, pension fund, investment bank, opportunity fund, mortgage conduit, real estate investment trust, commercial finance lender or other similar financial institution which ordinarily engages in the business of making, holding or servicing commercial real estate loans, including any affiliate thereof (an "**Institutional Lender**"), shall, upon becoming a Foreclosure Transferee (other than an Equity Foreclosure Transferee), become liable to perform the full obligations of Lessee under this Lease (other than Excluded Defaults as defined below) accruing during its period of ownership of the leasehold. Upon a subsequent transfer of the leasehold in accordance with Subsection 12.2.3, such Institutional Lender shall be automatically released of any further liability with respect to this Lease, other than for (i) rent payments, property tax payments, reserve account payments and other monetary obligations under specific terms of the Lease that accrue solely during such Institutional Lender's period of ownership of the leasehold, and (ii) Lessee's indemnification obligations under this Lease with respect to matters pertaining to or arising during such Institutional Lender's period of ownership of leasehold title.

12.3.2 Any other Foreclosure Transferee (i.e., other than an Institutional Lender as provided in Subsection 12.3.1) shall, upon becoming a Foreclosure Transferee (other than an Equity Foreclosure Transferee), become liable to perform the full obligations of

Lessee under this Lease (other than Excluded Defaults), subject to possible release of liability upon a subsequent transfer pursuant to Section 11.3.

12.3.3 Following any Foreclosure Transfer which is a transfer of the leasehold interest under the Lease, County shall recognize the Foreclosure Transferee as the Lessee under the Lease and shall not disturb its use and enjoyment of the Premises, and the Foreclosure Transferee shall succeed to all rights of Lessee under this Lease as a direct lease between County and such Foreclosure Transferee, provided that the Foreclosure Transferee cures any pre-existing Event of Default other than any such pre-existing Event of Default that (i) is an incurable non-monetary default, (ii) is a non-monetary default that can only be cured by a prior lessee, or (iii) is a non-monetary default that is not reasonably susceptible of being cured by such transferee (collectively, "**Excluded Defaults**"), and thereafter performs the full obligations of Lessee under this Lease. Pursuant to Subsection 12.3.7, following any Foreclosure Transfer which is a transfer of Ownership Interests, the foregoing rights under this Subsection 12.3.3 shall also inure to the benefit of the Lessee.

12.3.4 No Encumbrance Holder shall become liable for any of Lessee's obligations under this Lease unless and until such Encumbrance Holder becomes a Foreclosure Transferee with respect to Lessee's leasehold interest under the Lease.

12.3.5 No Foreclosure Transfer, and no single subsequent transfer by an Encumbrance Holder following a Foreclosure Transfer pursuant to Subsection 12.2.3, shall trigger (i) any obligation to pay an Administrative Charge, (ii) any acceleration of any financial obligation of Lessee under this Lease, (iii) any recapture right on the part of County, or (iv) any termination right under this Lease. Any Foreclosure Transfer, and any single subsequent transfer by an Encumbrance Holder following a Foreclosure Transfer pursuant to Subsection 12.2.3, shall be deemed to be excluded from the definition of "Change of Ownership" for all purposes of this Lease. For clarification purposes, the "single subsequent transfer" referred to above applies to each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder (as more fully explained in Subsection 12.2.3), so that there may be more than one "single subsequent transfer" benefited by this Subsection 12.3.5.

12.3.6 In the event that an Institutional Lender becomes a Foreclosure Transferee, all obligations with respect to the construction and Development Work described in Section 5.1 shall be tolled for a period of time, not to exceed twelve months, until such Institutional Lender completes a subsequent transfer of its foreclosed interest in the Lease or Ownership Interests, provided that such Institutional Lender is making commercially reasonable and diligent efforts to market and sell its foreclosed interest. Nothing in this Subsection 12.3.6 shall be construed as a limit or outside date on any cure periods provided to Encumbrance Holders under this Lease.

12.3.7 Following a Foreclosure Transfer with respect to all of the Ownership Interests in Lessee, (i) any and all rights, privileges and/or liability limitations afforded to Foreclosure Transferees in this Article 12 or any other provision of this Lease shall also be afforded to Lessee from and after such Foreclosure Transfer, to the same extent as if the Foreclosure Transferee had acquired the leasehold interest of Lessee directly and became the Lessee under this Lease, and (ii) if the Foreclosure Transferee was also an Equity Encumbrance Holder, then any and all rights, privileges and/or liability limitations afforded to Foreclosure Transferees who are Encumbrance Holders in this Article 12 or any other provision of this Lease shall also be afforded to Lessee from and after such Foreclosure Transfer, to the same extent as if the Foreclosure Transferee had acquired the leasehold interest of Lessee directly and became the Lessee under this Lease.

12.4 No Subordination. County's rights in the Premises and this Lease, including without limitation County's right to receive Annual Rent and Percentage Rent, shall not be subordinated to the rights of any Encumbrance Holder. Notwithstanding the foregoing, an Encumbrance Holder shall have all of the rights set forth in the security instrument creating the Encumbrance, as approved by County in accordance with Subsection 12.1.2, to the extent that such rights are not inconsistent with the terms of this Lease, including the right to commence an action against Lessee for the appointment of a receiver and to obtain possession of the Premises under and in accordance with the terms of said Encumbrance, provided that all obligations of Lessee hereunder shall be kept current, including but not limited to the payment of rent and curing of all defaults or Events of Default hereunder (other than Excluded Defaults or as otherwise provided herein).

12.5 Modification or Termination of Lease. This Lease shall not be modified or amended without the prior written consent in its sole discretion of each then existing Encumbrance Holder with respect to Lessee's entire leasehold interest in this Lease or all of the Ownership Interests in Lessee. Further, this Lease may not be surrendered or terminated (other than in accordance with the provisions of Article 12) without the prior written consent of each such Encumbrance Holder in its sole discretion. No such modification, amendment, surrender or termination without the prior written consent of each such then existing Encumbrance Holder shall be binding on any such Encumbrance Holder or any other person who acquires title to its foreclosed interest pursuant to a Foreclosure Transfer.

12.6 Notice and Cure Rights of Encumbrance Holders and Major Sublessees.

12.6.1 Right to Cure. Each Encumbrance Holder and Major Sublessee shall have the right, at any time during the term of its Encumbrance or Major Sublease, as applicable, and in accordance with the provisions of Article 12, to do any act or thing required of Lessee in order to prevent termination of Lessee's rights hereunder, and all such acts or things so done hereunder shall be treated by County the same as if performed by Lessee.

12.6.2 Notice of Default. County shall not exercise any remedy available to it upon the occurrence of an Event of Default (other than imposing the daily payment set forth in Section 10.4), and no such exercise shall be effective, unless it first shall have given written notice of such default to each and every then existing Major Sublessee and Encumbrance Holder which has notified County in writing of its interest in the Premises or this Lease and the addresses to which such notice should be delivered. Such notice shall be sent simultaneously with the notice or notices to Lessee. An Encumbrance Holder or Major Sublessee shall have the right and the power to cure the Event of Default specified in such notice in the manner prescribed herein. If such Event or Events of Default are so cured, this Lease shall remain in full force and effect. Notwithstanding any contrary provision hereof, the Lender's cure rights set forth in this Section 12.6 shall not delay or toll the County's right to impose the daily payment for Lessee breaches set forth in Section 10.4.

12.6.3 Manner of Curing Default. Events of Default may be cured by an Encumbrance Holder or Major Sublessee in the following manner:

(a) If the Event of Default is in the payment of rental, taxes, insurance premiums, utility charges or any other sum of money, an Encumbrance Holder or the Major Sublessee may pay the same, together with any Late Fee or interest payable thereon, to County or other payee within thirty five (35) days after its receipt of the aforesaid notice of default. If, after such payment to County, Lessee pays the same or any part thereof to County, County shall refund said payment (or portion thereof) to such Encumbrance Holder or Major Sublessee.

(b) If the Event of Default cannot be cured by the payment of money, but is otherwise curable, the default may be cured by an Encumbrance Holder or Major Sublessee as follows:

(1) The Encumbrance Holder or Major Sublessee may cure the default within sixty (60) days after the end of Lessee's cure period as provided in Section 13.1 (or, if the default involves health, safety or sanitation issues, County may by written notice reduce such sixty (60) day period to thirty (30) days, such 60 or 30 day period, as applicable, being referred to herein as the "**initial cure period**"), provided, however, if the curing of such default reasonably requires activity over a longer period of time, the initial cure period shall be extended for such additional time as may be reasonably necessary to cure such default, so long as the Encumbrance Holder or Major Sublessee commences a cure within the initial cure period and thereafter continues to use due diligence to perform whatever acts may be required to cure the particular default. In the event Lessee commences to cure the default within Lessee's applicable cure period and thereafter fails or ceases to pursue the cure with due diligence, the Encumbrance Holder's and Major Sublessee's initial cure period shall commence upon the later of the end of Lessee's cure period or the date upon which County notifies the Encumbrance Holder and/or Major Sublessee that Lessee has failed or ceased to cure the default with due diligence.

(2) With respect to an Encumbrance Holder, but not a Major Sublessee, if before the expiration of the initial cure period, said Encumbrance Holder notifies County of its intent to commence foreclosure of its interest, and within sixty (60) days after the mailing of said notice, said Encumbrance Holder (i) actually commences foreclosure proceedings and prosecutes the same thereafter with due diligence, the initial cure period shall be extended by the time necessary to complete such foreclosure proceedings, or (ii) if said Encumbrance Holder is prevented from commencing or continuing foreclosure proceedings by any bankruptcy stay, or any order, judgment or decree of any court or regulatory body of competent jurisdiction, and said Encumbrance Holder diligently seeks release from or reversal of such stay,

order, judgment or decree, the initial cure period shall be extended by the time necessary to obtain such release or reversal and thereafter to complete such foreclosure proceedings. Within thirty (30) days after a Foreclosure Transfer is completed, the Foreclosure Transferee shall (if such default has not been cured) commence to cure, remedy or correct the default and thereafter diligently pursue such cure until completed in the same manner as provided in Subsection 12.6.3(a). The Encumbrance Holder shall have the right to terminate its foreclosure proceeding, and the extension of any relevant cure period shall lapse, in the event of a cure by Lessee.

12.7 New Lease.

12.7.1 Obligation to Enter Into New Lease. In the event that this Lease is terminated by reasons of bankruptcy, assignment for the benefit of creditors, insolvency or any similar proceedings, operation of law, an Excluded Default or other event beyond the reasonable ability of an Encumbrance Holder to cure or remedy, or if the Lease otherwise terminates for any reason, County shall, upon the written request of any Encumbrance Holder with respect to Lessee's entire leasehold estate under this Lease or all of the Ownership Interests in Lessee (according to the priority described below if there are multiple Encumbrance Holders), enter into a new lease (which shall be effective as of the date of termination of this Lease) with the Encumbrance Holder or an affiliate thereof for the then remaining Term of this Lease on the same terms and conditions as shall then be contained in this Lease, provided that the Encumbrance Holder cures all then existing monetary defaults under this Lease, and agrees to commence a cure of all then existing non-monetary Events of Default within sixty (60) days after the new lease is entered into, and thereafter diligently pursues such cure until completion. In no event, however, shall the Encumbrance Holder be obligated to cure any Excluded Defaults. County shall notify the most junior Encumbrance Holder of a termination described in this Section 12.7 within thirty (30) days after the occurrence of such termination, which notice shall state (i) that the Lease has terminated in accordance with Section 12.7 of this Lease, and (ii) that such Encumbrance Holder has sixty (60) days following receipt of such notice within which to exercise its right to a new lease under this Section 12.7, or else it will lose such right. An Encumbrance Holder's election shall be made by giving County written notice of such election within sixty (60) days after such Encumbrance Holder has received the above described written notice from the County. Within a reasonable period after request therefor, County shall execute and return to the Encumbrance Holder any and all documents reasonably necessary to secure or evidence the Encumbrance Holder's interest in the new lease or the Premises. From and after the effective date of the new lease, the Encumbrance Holder (or its affiliate) shall have the same rights to a single transfer that are provided in Subsection 12.2.3, and shall enjoy all of the other rights and protections that are provided to a Foreclosure Transferee in Article 12. Any other subsequent transfer or assignment of such new lease shall be subject to all of the requirements of Article 11 of this Lease. If there are multiple Encumbrance Holders, this right shall inure to the most junior Encumbrance Holder in order of priority; provided, however, if such junior Encumbrance Holder shall accept the new lease, the priority of each of the more senior Encumbrance Holders shall be restored in accordance with all terms and conditions of such Encumbrances(s). If a junior Encumbrance Holder does not elect to accept the new lease within thirty (30) days of receipt of notice from County, the right to enter into a new lease shall be provided to the next most junior Encumbrance Holder, under the terms and conditions described herein, until an Encumbrance Holder either elects to accept a new lease, or no Encumbrance Holder so elects.

12.7.2 Priority of New Lease. The new lease made pursuant to this Section 12.7 shall be prior to any mortgage or other lien, charge or encumbrance on County's fee interest in the Premises, and any future fee mortgagee or other future holder of any lien on the fee interest in the Premises is hereby given notice of the provisions hereof.

12.8 Holding of Funds. Any Encumbrance Holder with respect to Lessee's entire leasehold interest in this Lease or all of the Ownership Interests in Lessee that is an Institutional Lender shall have the right to hold and control the disbursement of any insurance or condemnation proceeds to which Lessee is entitled under this Lease and that are required by the terms of this Lease to be applied to restoration of the Improvements on the Premises (provided that such funds shall be used for such restoration in accordance with the requirements of the Lease). If more than one such Encumbrance Holder desires to exercise the foregoing right, the most senior Encumbrance Holder shall have priority in the exercise of such right.

12.9 Participation in Certain Proceedings and Decisions. Any Encumbrance Holder shall have the right to intervene and become a party in any arbitration, litigation, condemnation or other proceeding affecting this Lease. Lessee's right to make any election or decision under this Lease with respect to any condemnation settlement, insurance settlement or restoration of the Premises following a casualty or condemnation shall be subject to the prior written approval of each then existing Encumbrance Holder.

12.10 Fee Mortgages and Encumbrances. Any mortgage, deed of trust or other similar encumbrance granted by County upon its fee interest in the Premises shall be subject and subordinate to all of the provisions of this Lease and to all Encumbrances. County shall require each such fee encumbrance holder to confirm the same in writing (in a form reasonably approved by each Encumbrance Holder or its title insurer) as a condition to granting such encumbrance, although the foregoing subordination shall be automatic and self-executing whether or not such written confirmation is obtained.

12.11 No Merger. Without the written consent of each Encumbrance Holder, the leasehold interest created by this Lease shall not merge with the fee interest in all or any portion of the Premises, notwithstanding that the fee and leasehold interests are held at any time by the same person or entity.

12.12 Lessee Bankruptcy. If Lessee rejects this Lease pursuant to the Federal Bankruptcy Code, Title 11 U.S.C. ("**Bankruptcy Code**"), then, within thirty (30) days following Lessee's rejection of the Lease, the Encumbrance Holder shall have the right to deliver written notice to County requesting that County inform the Encumbrance Holder of the sums then owing by Lessee under this Lease and any and all other defaults of Lessee under this Lease, and County shall, within thirty (30) days following County's receipt of such notice, deliver written notice to the Encumbrance Holder of the sums then known by County as being owed by Lessee and the other defaults of Lessee under the Lease then known by County. The Encumbrance Holder shall have the right, but not the obligation, to serve on County within thirty (30) days after Encumbrance Holder's receipt of the notice provided in the preceding sentence, a notice ("**Notice of Assumption**") that the Encumbrance Holder elects to (i) assume this Lease, and (ii) cure all defaults of Lessee outstanding thereunder. If the Encumbrance Holder fails to serve the Notice of Assumption within such thirty (30) day period, the Encumbrance Holder shall be deemed to have waived the rights to assume the Lease pursuant to this Section 12.12. If the Encumbrance Holder serves such Notice of Assumption to County, then, as between the County and the Encumbrance Holder (a) the rejection of this Lease by Lessee shall not constitute a termination of this Lease, (b) the Encumbrance Holder shall be deemed to have assumed the obligations of Lessee under this Lease without any instrument or assignment of transfer from Lessee being necessary, (c) this Lease shall be deemed in full force and effect as a direct Lease between the Encumbrance Holder and County, (d) the Encumbrance Holder's rights under this Lease shall be subject to the rights of parties in possession, and (e) the Encumbrance Holder shall consummate the assumption of this Lease and the payment of the amounts payable by or to County pursuant to this Paragraph within ten (10) days after the Encumbrance Holder shall have served the Notice of Assumption. The Encumbrance Holder may assign this Lease to a transferee pursuant to the provisions of Section 12.3, to the same extent as if the Encumbrance Holder were a Foreclosure Purchaser under such paragraph. Upon a subsequent assignment of this Lease by the Encumbrance Holder in accordance with Section 12.3 and the transferee's assumption of all Lessee obligations under this Lease arising from and after the date of transfer, the Encumbrance Holder shall be relieved of all obligations and liabilities arising from and after the date of such transfer. Effective upon the entry of an order for relief with respect to County under the Bankruptcy Code, or any comparable federal or state statute or law, County hereby assigns and transfers to the Encumbrance Holder a non-exclusive right to apply to the applicable bankruptcy court under Section 365 of the Bankruptcy Code (or any other applicable Section), or any comparable federal or state statute or law, for an order extending the period during which this Lease may be rejected or assumed. Nothing contained in this Section 12.12 shall affect, limit, modify or supersede the rights of any Encumbrance Holder to obtain a new lease under Section 12.7.

12.13 County Bankruptcy. In the event that County becomes the subject of a case under the U.S. Bankruptcy Code (or any other or successor law providing similar relief), and County or any trustee of such Landlord rejects or seeks authority to reject this Lease under 11 U.S.C. § 365 (or any other or successor provision permitting any similar relief): (i) County shall elect, and hereby does elect, without further act, unless all Encumbrance Holders consent in writing to any other election, to remain in possession for the balance of the Term, pursuant to 11 U.S.C. § 365(h) (and any other or successor provision permitting a similar election); (ii) any purported election by Lessee to treat this Lease as terminated shall be void and of no effect, unless all Encumbrance Holders consent in writing thereto; and (iii) the lien of the encumbrance shall not be impaired by such rejection.

13. DEFAULT.

13.1 Events of Default. The following are deemed to be "**Events of Default**" by the Lessee hereunder:

13.1.1 Monetary Defaults. The failure of Lessee to pay the rentals due, or make any other monetary payments required under this Lease, within ten (10) days after written notice that said payments are overdue. Lessee may cure such nonpayment by paying the amount overdue, with interest thereon and the applicable Late Fee, within such ten (10) day period.

13.1.2 Failure to Perform Other Obligations. The failure of Lessee to keep, perform, and observe any and all other promises, covenants, conditions and agreements set forth in this Lease, including without limitation the obligation to maintain adequate accounting and financial records, within thirty five (35) days after written notice of Lessee's failure to perform from County; provided, however, that where Lessee's performance of such covenant, condition or agreement is not reasonably susceptible of completion within such thirty five (35) day period and Lessee has in good faith commenced and is continuing to perform the acts necessary to perform such covenant, condition or agreement within such thirty five (35) day period, County will not exercise any remedy available to it hereunder for so long as Lessee uses reasonable due diligence in continuing to pursue to completion the performance such covenant, condition or agreement and so completes performance within a reasonable time.

13.1.3 Non-Use of Premises. From and after the MOB is opened for business, the abandonment, vacation, or discontinuance of use of the Premises, or any substantial portion thereof, for a period of thirty five (35) days after written notice by County, except when prevented by Force Majeure or when closed for renovations or repairs required or permitted to be made under this Lease; provided, however, so long as the any Major Sublease is in effect, and the Sublessee under such Major Sublease abandons, vacates or discontinues its use of the Premises for a period of thirty five (35) days after written notice by County, then such failure shall not constitute an Event of Default under this Subsection 13.1.3 if Lessee is diligently using commercially reasonable efforts to recover possession of the MOB from the applicable Sublessee and to re-sublease the MOB to one or more other Sublessees as soon as possible. In addition, notwithstanding any contrary provision of this Subsection 13.1.3, an Event of Default shall not be triggered under this Subsection 13.1.3 due to any such failure by such Sublessee as long as Lessee diligently attempts to re-sublease the MOB as soon as reasonably possible after the date of such abandonment, vacation or discontinuance of use.

Any notice required to be given by County pursuant to Subsections 13.1.1 and 13.1.2 shall be in addition to, and not in lieu of, any notice required under Section 1161 of the California Code of Civil Procedure.

13.2 Limitation on Events of Default. Except with respect to breaches or defaults with respect to the payment of money, Lessee shall not be considered in default as to any provision of this Lease (and no late fees or interest will be incurred) to the extent such default is the result of or pursuant to, any process, order, or decree of any court or regulatory body with jurisdiction, or any other circumstances which are physically or legally impossible to cure provided Lessee uses due diligence in pursuing whatever is required to obtain release from or reversal of such process, order, or decree or is attempting to remedy such other circumstances preventing its performance.

13.3 Remedies. Upon the occurrence of an Event of Default, and subject to the rights of any Encumbrance Holder or Major Sublessee to cure such Event of Default as provided in Section

12.6, County shall have, in addition to any other remedies in law or equity, the following remedies which are cumulative:

13.3.1 Terminate Lease. County may terminate this Lease by giving Lessee written notice of termination. On the giving of the notice, all of Lessee's rights in the Premises and in all Improvements shall terminate. Promptly after notice of termination, Lessee shall surrender and vacate the Premises and all Improvements in broom-clean condition, and County may re-enter and take possession of the Premises and all remaining Improvements and, except as otherwise specifically provided in this Lease, eject all parties in possession or eject some and not others, or eject none. Termination under this Subsection 13.3.1 shall not relieve Lessee from the payment of any sum then due to County or from any claim for damages against Lessee as set forth in Section 13.4, or from Lessee's obligation to remove Improvements at County's election in accordance with Article 2. County agrees to use reasonable efforts to mitigate damages, and shall permit such access to the Premises as is reasonably necessary to permit Lessee to comply with its removal obligations.

13.3.2 Keep Lease in Effect. Without terminating this Lease, so long as County does not deprive Lessee of legal possession of the Premises and allows Lessee to assign or sublet subject only to County's rights set forth herein, County may continue this Lease in effect and bring suit from time to time for rent and other sums due, and for Lessee's breach of other covenants and agreements herein. No act by or on behalf of County under this provision shall constitute a termination of this Lease unless County gives Lessee written notice of termination. It is the intention of the parties to incorporate the provisions of California Civil Code Section 1951.4 by means of this provision.

13.3.3 Termination Following Continuance. Even though it may have kept this Lease in effect pursuant to Subsection 13.3.2, thereafter County may elect to terminate this Lease and all of Lessee's rights in or to the Premises unless prior to such termination Lessee shall have cured the Event of Default or shall have satisfied the provisions of Section 13.2, hereof. County agrees to use reasonable efforts to mitigate damages.

13.4 Damages. Should County elect to terminate this Lease under the provisions of the foregoing Section, County shall be entitled to recover from Lessee as damages:

13.4.1 Unpaid Rent. The worth, at the time of the award, of the unpaid rent that had been earned at the time of termination of this Lease;

13.4.2 Post-Termination Rent. The worth, at the time of the award, of the unpaid rent that would have been earned under this Lease after the date of termination of this Lease until the date Lessee surrenders possession of the Premises to County; and

13.4.3 Other Amounts. The amounts necessary to compensate County for the sums and other obligations which under the terms of this Lease become due prior to, upon or as a result of the expiration of the Term or sooner termination of this Lease, including without limitation, those amounts of unpaid taxes, insurance premiums and utilities for the time preceding surrender of possession, the cost of removal of rubble, debris and other above-ground Improvements, attorney's fees, court costs, and unpaid Administrative Charges and any unpaid Lease Transfer Fee.

13.5 Others' Right to Cure Lessee's Default. County (and any Encumbrance Holder or Major Sublessee, as provided in the last sentence of this Section), at any time after Lessee's failure to perform any covenant, condition or agreement contained herein beyond any applicable notice and cure period, may cure such failure at Lessee's cost and expense. If, after delivering to Lessee two (2) or more written notices with respect to any such default, County at any time, by reason of Lessee's continuing failure, pays or expends any sum, Lessee shall immediately pay to County the lesser of the following amounts: (1) twice the amount expended by County to cure such default and (2) the amount expended by County to cure such default, plus One Thousand Dollars ($1,000). To the extent practicable, County shall give any Encumbrance Holders or Major Sublessees the reasonable opportunity to cure Lessee's default prior to County's expenditure of any amounts thereon.

13.6 Default by County. County shall be in default in the performance of any obligation required to be performed by County under this Lease if County has failed to perform such obligation within thirty (30) days after the receipt of notice from Lessee specifying in detail County's failure to perform; provided, however, that if the nature of County's obligation is such that more than thirty (30) days are required for its performance, County shall not be deemed in default if it shall commence such performance within thirty (30) days and thereafter diligently pursues the same to completion. Lessee shall have no rights as a result of any default by County until Lessee gives thirty (30) days' notice to any person having a recorded interest pertaining to County's interest in this Lease or the Premises. Such person shall then have the right to cure such default, and County shall not be deemed in default if such person cures such default within thirty (30) days after receipt of notice of the default, or such longer time as may be reasonably necessary to cure the default. Notwithstanding anything to the contrary in this Lease, County's liability to Lessee for damages arising out of or in connection with County's breach of any provision or provisions of this Lease, however arising including by negligence, willful act, operation of law or otherwise, shall not exceed the value of County's equity interest in the Premises and its right to insurance proceeds in connection with the policies required in Article 9. Lessee shall have no right to enforce any judgment or other award against any other assets of County.

13.7 Waiver of Damages. Notwithstanding any provision in this Lease to the contrary, in no event shall Lessee or County, or any of their respective affiliates, managers, members, shareholders or representatives, be liable under this Lease to any of the other Parties, or their respective affiliates, managers, members, shareholders or representatives, for consequential, loss of the bargain, punitive, exemplary, statutory, indirect, special, punitive or similar losses or damages.

14. ACCOUNTING.

14.1 Maintenance of Records and Accounting Method. In order to determine the amount of and provide for the payment of the Annual Rent, Percentage Rent, Administrative Charge, Lease Transfer Fee and other sums due under this Lease, Lessee shall at all times during the Term of this Lease, and for thirty six (36) months thereafter, keep, or cause to be kept, locally, to the reasonable satisfaction of County, true, accurate, and complete records and double-entry books of account for the current and five (5) prior Accounting Years, such records to show all transactions relative to the conduct of operations, and to be supported by data of original entry. Such records shall detail transactions conducted on or from the Premises separate and apart from those in connection with Lessee's other business operations, if any. With respect to the calculation of the net income from the Premises ("**Triple Net Income**") and the preparation of the reports and maintenance of records required herein, Lessee shall utilize either: (i) the accrual method of accounting, or (ii) a modified accrual method of accounting, modified in that (A) expenses are accrued on an approximate basis each month during the fiscal year with full accrual treatment for the full fiscal year financial statements, (B) Triple Net Income is reported monthly on a cash basis with full reconciliation to accrual treatment on the annual statement of Triple Net Income, and (C) depreciation is calculated on a tax basis rather than a GAAP basis.

14.2 Intentionally Omitted.

14.3 Statement; Payment. No later than the fifteenth (15th) day of each calendar month, Lessee shall render to County a detailed statement showing Triple Net Income during the preceding calendar month, together with its calculation of the amount payable to County in Sections 4.2 through 4.8 inclusive, and shall accompany same with remittance of amount so shown to be due.

14.4 Availability of Records for Inspector's Audit. Books of account and records for the then current and five (5) prior Accounting Years as hereinabove required shall be kept or made available at the Premises or at another location within Los Angeles County, and County and other governmental authorities shall have the right at any reasonable times and on reasonable prior notice to examine and audit said books and records, without restriction, for the purpose of determining the accuracy thereof and of the monthly statements of Triple Net Income derived from occupancy of the Premises and the compliance of Lessee with the terms of this Lease and other governmental requirements. This Section 14.4 shall survive the expiration of the Term or other termination of this Lease for thirty six (36) months after such expiration or termination.

14.4.1 Entry by County. Upon at least one (1) business day advance notice, County and its duly authorized representatives or agents may enter upon the Premises at any and all reasonable times during the Term of this Lease for the purpose of determining whether or not Lessee is complying with the terms and conditions hereof, or for any other purpose incidental to the rights of County.

14.5 Cost of Audit. In the event that, for any reason, Lessee does not make available its (or its Sublessee's) original records and books of account at the Premises or at a location within Los Angeles County, Lessee agrees to pay all expenses incurred by County in conducting any audit at the location where said records and books of account are maintained. In the event that any audit discloses a discrepancy in County's favor of greater than two percent (2%) of the revenue due County for the period audited, then Lessee shall pay County audit contract costs, together with the amount of any identified deficiency, with interest thereon and Late Fee provided by Section 4.3.

14.6 Additional Accounting Methods. Upon written notice from County, County may require the installation of any additional accounting methods or machines which are typically used by major residential and/or boat anchorage management companies and which County reasonably deems necessary if the system then being used by Lessee does not adequately verify sales for audit or customer receipt purposes.

14.7 Accounting Year. The term "**Accounting Year**" as used herein shall mean each calendar year during the Term.

14.8 Annual Financial Statements. Within six (6) months after the end of each Accounting Year, or at Lessee's election, after the completion of Lessee's fiscal year, Lessee shall deliver to County the following financial statements: (a) a balance sheet of Lessee as of the end of such Accounting Year or fiscal year, as applicable, certified by Lessee's chief financial officer as accurately reflecting Lessee's assets and liabilities, which balance sheet shall not be required to be audited, provided that at County's request not more often than every two years, such balance sheet shall be reviewed by a Certified Public Accountant who is a member of the American Institute of Certified Public Accountants and is satisfactory to County (a "**Qualified CPA**"), which review shall be conducted in accordance with Statements on Standards for Accounting and Review Services; and (b) a profit and loss statement of Lessee for such Accounting Year, reviewed and certified by a Qualified CPA, which review shall be conducted in accordance with Statements on Standards for Accounting and Review Services. All financial statements prepared by or on behalf of Lessee shall be prepared in a manner that permits County to determine the financial results of operations in connection with Lessee's activities at, from or relating to the Premises, notwithstanding that Lessee may have income and expenses from other activities unrelated to its activities on the Premises.

14.9 Accounting Obligations of Sublessees. Lessee shall cause all Sublessees and others conducting business operations on or from the Premises to comply with all terms of this Article 14 with respect to the maintenance, form, availability and methodology of accounting records. County shall provide written notice to Lessee of the failure of any Sublessee or other person or entity to comply with this Section 14.9 after County's discovery of such failure, and provide Lessee with the right to cure any failure to so comply by payment to County of amounts which may be owing to County, as shown on an audit conducted by County, or on an audit supplied by Lessee or such Sublessee or other person or entity, and accepted by County. In such event County shall permit Lessee to subrogate to any right of County to enforce this provision against such Sublessee or other person or entity, to the extent Lessee does not have a direct right of enforcement against such Sublessee or other person or entity.

15. MISCELLANEOUS.

15.1 Quiet Enjoyment. Lessee, upon performing its obligations hereunder, shall have the quiet and undisturbed possession of the Premises throughout the Term of this Lease, subject, however, to the terms and conditions of this Lease, and County shall have no right to utilize any portion of the Premises for electric vehicle, carpool, handicap or any other parking.

15.2 Time is of the Essence. Except as specifically otherwise provided for in this Lease, time is of the essence of this Lease and applies to all times, restrictions, conditions, and limitations contained herein.

15.3 County Costs. Lessee shall promptly reimburse County for the Actual Costs incurred by County in the review, negotiation, preparation and documentation of this Lease and the term sheets and memoranda that preceded it.

15.4 County Disclosure and Lessee's Waiver.

15.4.1 Disclosures and Waiver.

15.4.1.1 "AS IS". Lessee accepts the Premises in their present condition notwithstanding the fact that there may be certain defects in the Premises, whether or not known to either party to this Lease, at the time of the execution of this Lease by Lessee and Lessee hereby represents that it has performed all investigations necessary, including without limitation soils and engineering inspections, in connection with its acceptance of the Premises "AS IS". To the fullest extent permitted by applicable law, Lessee waives the provisions of Civil Code §§ 1941 *et. seq*. and §§ 1942 *et. seq.* or any similar, successor or related provisions of the law with respect to County's obligations for tenantability of the Premises, and Lessee's right to make repairs and deduct the expenses of such repairs from the rent.

15.4.1.2 Lessee acknowledges that it may incur additional engineering and construction costs above and beyond those contemplated by either party to this Lease at the time of the execution hereof and Lessee agrees that, it will make no demands upon County for any construction, alterations, or any kind of labor that may be necessitated in connection therewith.

15.4.1.3 Lessee hereby waives, withdraws, releases, and relinquishes any and all claims, suits, causes of action (other than a right to terminate as otherwise provided in this Lease), rights of rescission, or charges against County, its officers, agents, employees or volunteers which Lessee now has or may have or asserts in the future which are based upon any defects in the physical condition of the Premises and the soil thereon and thereunder, regardless of whether or not said conditions were known at the time of the execution of this instrument.

15.4.1.4 California Civil Code Section 1542 provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

By initialing this paragraph, Lessee acknowledges that it has read, is familiar with, and waives the provisions of California Civil Code §1542 set forth above, and agrees to all of the provisions of Subsection 15.4.1.3 above.

____

Lessee's Initials

15.4.2 Right of Offset. Lessee acknowledges that the rent provided for in this Lease has been agreed upon in light of Lessee's construction, maintenance and repair obligations set forth herein, and, notwithstanding anything to the contrary provided in this Lease or by applicable law, Lessee hereby waives any and all rights, if any, to make repairs at the expense of County and to deduct or offset the cost thereof from the Annual Rent, Monthly Rent, Percentage Rent or any other sums due County hereunder.

15.5 Holding Over. If Lessee holds over after the expiration of the Term for any cause, with or without the express or implied consent of County, such holding over shall be deemed to be a tenancy from month-to-month only, and shall not constitute a renewal or extension of the Term. During any such holdover period, the Monthly Rent and Percentage Rent rates in effect at the end of the Term shall be increased to one hundred twenty-five percent (125%) of such previously effective amounts. Such holdover shall otherwise be subject to the same terms, conditions, restrictions and provisions as herein contained. Such holding over shall include any time employed by Lessee to remove machines, appliances and other equipment during the time periods herein provided for such removal, except as expressly provided in Subsection 2.3.2 with respect to any Post Term Removal Period.

Nothing contained herein shall be construed as consent by County to any holding over by Lessee, and County expressly reserves the right to require Lessee to surrender possession of the Premises to County as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Section 15.5 shall not be deemed to limit or constitute a waiver of any other rights or remedies of County provided at law or in equity. If Lessee fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to County accruing therefrom, Lessee shall protect, defend, indemnify and hold County harmless from all losses, costs (including reasonable attorneys' fees), damages, claims and liabilities resulting from such failure, including, without limitation, any claims made by any succeeding tenant ground lessee (or subtenant) arising from such failure to surrender, and any lost profits to County resulting therefrom, provided that County notifies Lessee that Lessee's failure to timely surrender the Premises will cause County to incur such lost profits.

15.6 Waiver of Conditions or Covenants. Except as stated in writing by the waiving party, any waiver by either party of any breach of any one or more of the covenants, conditions, terms, and agreements of this Lease shall not be construed to be a waiver of any subsequent or other breach of the same or of any other covenant, condition, term, or agreement of this Lease, nor shall failure on the part of either party to require exact full and complete compliance with any of the covenants, conditions, terms, or agreements of this Lease be construed as in any manner changing the terms hereof or estopping that party from enforcing the full provisions hereof, nor shall the terms of this Lease be changed or altered in any manner whatsoever other than by written agreement of County and Lessee. No delay, failure, or omission of County to re-enter the Premises or of either party to exercise any right, power, privilege, or option, arising from any default, nor any subsequent acceptance of rent then or thereafter accrued shall impair any such right, power, privilege, or option or be construed as a waiver of or acquiescence in such default or as a relinquishment of any right. No notice to Lessee shall be required to restore or revive "time of the essence" after the waiver by County of any default. Except as specifically provided in this Lease, no option, right, power, remedy, or privilege of either party shall be construed as being exhausted by the exercise thereof in one or more instances.

15.7 Remedies Cumulative. The rights, powers, options, and remedies given County by this agreement shall be cumulative except as otherwise specifically provided for in this Lease.

15.8 Authorized Right of Entry. In any and all cases in which provision is made herein for termination of this Lease, or for exercise by County of right of entry or re-entry upon the Premises in the case of an Event of Default, or in case of abandonment or vacation of the Premises by Lessee, Lessee hereby irrevocably authorizes County to enter upon the Premises and remove any and all persons and property whatsoever situated upon the Premises and place all or any portion of said property, except such property as may be forfeited to County, in storage for the account of and at the expense of Lessee.

Except to the extent arising out of or caused by the gross negligence or willful misconduct of County, Lessee agrees to indemnify, defend and save harmless County from any cost, expense, loss or damage arising out of or caused by any such entry or re-entry upon the Premises in the case of an Event of Default, including the removal of persons and property and storage of such property by County and its agents.

15.9 Place of Payment and Filing. All rentals shall be paid to and all statements and reports herein required and other items deliverable to County hereunder shall be filed with or delivered to County. Checks, drafts, letters of credit and money orders shall be made payable to the County of Los Angeles.

15.10 Service of Written Notice or Process. Any notice required to be sent under this Lease shall be in compliance with and subject to this Section 15.10. If Lessee is not a resident of the State of California, or is an association or partnership without a member or partner resident of said State, or is a foreign corporation, Lessee shall file with County a designation of a natural person residing in the County of Los Angeles, State of California, or a service company, such as CT Corporation, which is authorized to accept service, giving his or its name, residence, and business address, as the agent of Lessee for the service of process in any court action between Lessee and County, arising out of or based upon this Lease, and the delivery to such agent of written notice or a copy of any process in such action shall constitute a valid service upon Lessee.

If for any reason service of such process upon such agent is not possible, then any officer of Lessee may be personally served with such process outside of the State of California and such service shall constitute valid service upon Lessee; and it is further expressly agreed that Lessee is amenable to such process and submits to the jurisdiction of the court so acquired and waives any and all objection and protest thereto.

Written notice addressed to Lessee at the addresses below-described, or to such other address that Lessee may in writing file with County, shall be deemed sufficient if said notice is delivered personally, by telecopy or facsimile transmission or, provided in all cases there is a return receipt requested (or other similar evidence of delivery by overnight delivery service) and postage or other delivery charges prepaid, by registered or certified mail posted in the County of Los Angeles, California, Federal Express or DHL, or such other services as Lessee and County may mutually agree upon from time to time. Each notice shall be deemed received and the time period for which a response to any such notice must be given or any action taken with respect thereto (including cure of any prospective Event of Default) shall commence to run from the date of actual receipt of the notice by the addressee thereof in the case of personal delivery, telecopy or facsimile transmission if before 5:00 p.m. on regular business days, or upon the date of delivery or attempted delivery in the case of registered or certified mail, as evidenced by the mail receipt (but in any case not later than the date of actual receipt).

Copies of any written notice to Lessee shall also be simultaneously mailed to any Encumbrance Holder, Major Sublessee or encumbrancer of such Major Sublessee of which County has been given written notice and an address for service. Notice given to Lessee as provided for herein shall be effective as to Lessee notwithstanding the failure to send a copy to such Encumbrance Holder, Major Sublessee or encumbrancer.

As of the date of execution hereof, the persons authorized to receive notice on behalf of County and Lessee are as follows:

COUNTY:	**[To be completed by County.]** _________ ____________ Phone: ___________ Fax: ______________
With a Copy to:	Office of County Counsel Los Angeles County 500 West Temple Street Los Angeles, California 90012 Attn: County Counsel Phone: 213/974-1801 Fax: 213/617-7182
LESSEE:	**[To be completed by TCLA.]** ________________________ ________________________ ________________________ Attn: ___________________ Phone: __________________ Fax: ____________________
With a Copy to:	Cox, Castle & Nicholson LLP 2049 Century Park East 28th Floor Los Angeles, California 90067 Attention: Ira J. Waldman, Esq. Phone: 310/277-4222 Fax: 310/277-7889

Either party shall have the right to change its notice address by written notice to the other party of such change in accordance with the provisions of this Section 15.10.

15.11 Interest. In any situation where County has advanced sums on behalf of Lessee pursuant to this Lease, such sums shall be due and payable within five (5) days after Lessee's receipt of written demand, together with interest at the Applicable Rate (unless another rate is specifically provided herein) from the date such sums were first advanced, until the time payment is received. In the event that Lessee repays sums advanced by County on Lessee's behalf with interest in excess of the maximum rate permitted by Applicable Laws, County shall either refund such excess payment or credit it against subsequent installments of Annual Rent and Percentage Rent.

15.12 Captions. The captions contained in this Lease are for informational purposes only, and are not to be used to interpret or explain the particular provisions of this Lease.

15.13 Amendments. This Lease may only be amended in writing executed by duly authorized officials of Lessee and County. Subject to Section 16.13, no amendment shall be binding upon an Encumbrance Holder as to which County has been notified in writing, unless the consent of such Encumbrance Holder is obtained with respect to such amendment.

15.14 Time For County Approvals. Except where a different time period is specifically provided for in this Lease, whenever in this Lease the approval of County is required, approval shall be deemed not given unless within thirty (30) days after the date of the receipt of the written request for approval from Lessee, County either (a) approves such request in writing, or (b) notifies Lessee that it is not reasonably possible to complete such review within the thirty (30)-day period, provides a final date for approval or disapproval by County (the "**Extended Time**") and approves such request in writing prior to such Extended Time. If County does not approve such request in writing within such Extended Time, the request shall be deemed to be disapproved. If County disapproves a matter that requires its approval under this Lease, then County shall notify Lessee in writing of the reason or reasons for such disapproval.

15.15 Time For County Action. Notwithstanding anything to the contrary contained in this Lease, wherever County determines that a County action required hereunder necessitates approval from or a vote of one or more of County's boards or commissions or County's Board of Supervisors, the time period for County performance of such action shall be extended as is reasonably necessary in order to secure such approval or vote, and County shall not be deemed to be in default hereunder in the event that it fails to perform such action within the time periods otherwise set forth herein.

15.16 Estoppel Certificates. Each party agrees to execute, within twenty (20) business days after the receipt of a written request therefor from the other party, a certificate stating: (i) that this Lease is in full force and effect and is unmodified (or stating otherwise, if true); (ii) that, to the best knowledge of such party, the other party is not then in default under the terms of this Lease (or stating the grounds for default if such be the case); and (iii) if requested, the amount of Annual Rent, Percentage Rent and other material economic terms and conditions of this Lease. Prospective purchasers, Major Sublessees and Encumbrance Holders may rely on such statements.

15.17 Indemnity Obligations. Whenever in this Lease there is an obligation to indemnify, hold harmless and/or defend, irrespective of whether or not the obligation so specifies, it shall include the obligation to defend and pay reasonable attorney's fees, reasonable expert fees and court costs. Any provisions in this Lease which provided for an obligation to indemnify, hold harmless and/or defend shall survive the expiration or earlier termination of this Lease.

16. ARBITRATION.

Except as otherwise provided by this Article 16, disputed matters which may be arbitrated pursuant to this Lease (which shall include any disputes arising out of Articles 5, 11 and 12) shall be settled by binding arbitration in accordance with the then existing provisions of the California Arbitration Act, which as of the date hereof is contained in Title 9 of Part III of the California Code of Civil Procedure, commencing with Section 1280.

(a) Either party (the "**Initiating Party**") may initiate the arbitration process by sending written notice ("**Request for Arbitration**") to the other party (the "**Responding Party**") requesting initiation of the arbitration process and setting forth a brief description of the dispute or disputes to be resolved and the contention(s) of the Initiating Party. Within ten (10) days after service of the Request for Arbitration, the Responding Party shall file a "**Response**" setting forth the Responding Party's description of the dispute and the contention(s) of Responding Party. If Responding Party has any "**Additional Disputes**" he shall follow the format described for the Initiating Party. The Initiating Party will respond within ten (10) days after service of the Additional Disputes setting forth Initiating Party's description of the Additional Disputes and contentions regarding the Additional Disputes.

(b) Notwithstanding anything to the contrary which may now or hereafter be contained in the California Arbitration Act, the parties agree that the following provisions shall apply to any and all arbitration proceedings conducted pursuant to this Lease:

16.1 Selection of Arbitrator. The parties shall attempt to agree upon an arbitrator who shall decide the matter. If, for any reason, the parties are unable to agree upon the arbitrator within ten (10) days of the date the Initiating Party serves a request for arbitration on the Responding Party, then at any time on or after such date either party may petition for the appointment of the arbitrator as provided in California Code of Civil Procedure Section 1281.6.

16.2 Arbitrator. The arbitrator shall be a retired judge of the California Superior Court, Court of Appeal or Supreme Court, or any United States District Court or Court of Appeals located within the State, who has agreed to resolve civil disputes.

16.3 Scope of Arbitration. County and Lessee affirm that the mutual objective of such arbitration is to resolve the dispute as expeditiously as possible. The arbitration process shall not apply or be used to determine issues other than (i) those presented to the arbitrator by the Initiating Party provided those disputes are arbitrable disputes pursuant to this Lease, (ii) Additional Disputes presented to the arbitrator by the Responding Party, provided that any such Additional Disputes constitute arbitrable disputes pursuant to this Lease and (iii) such related preliminary or procedural issues as are necessary to resolve (i) and/or (ii) above. The arbitrator shall render an award. Either party may, at its sole cost and expense, request a statement of decision explaining the arbitrator's reasoning which shall be in such detail as the arbitrator may determine. Unless otherwise expressly agreed by the parties in writing, the award shall be made by the arbitrator no later than the sooner of six (6) months after the date on which the arbitrator is selected by mutual agreement or court order, whichever is applicable, or five (5) months after the date of a denial of a petition to disqualify a potential arbitrator for cause. County and Lessee hereby instruct the arbitrator to take any and all actions deemed reasonably necessary, appropriate or prudent to ensure the issuance of an award within such period. Notwithstanding the foregoing, failure to complete the arbitration process within such period shall not render such arbitration or any determination made therein void or voidable; however, at any time after the expiration of the foregoing five (5) or six (6) month periods, as applicable, either party may deliver written notice to the arbitrator and the other party either terminating the arbitration or declaring such party's intent to terminate the arbitration if the award is not issued within a specified number of days after delivery of such notice. If the arbitrator's award is not issued prior to the expiration of said specified period, the arbitration shall be terminated and the parties shall recommence arbitration proceedings pursuant to this Article 16.

16.4 Immunity. The parties hereto agree that the arbitrator shall have the immunity of a judicial officer from civil liability when acting in the capacity of arbitrator pursuant to this Lease.

16.5 Section 1282.2. The provisions of Code of Civil Procedure § 1282.2 shall apply to the arbitration proceedings except to the extent they are inconsistent with the following:

(1) Unless the parties otherwise agree, the arbitrator shall appoint a time and place for the hearing and shall cause notice thereof to be served as provided in said § 1282.2 not less than ninety (90) days before the hearing, regardless of the aggregate amount in controversy.

(2) No later than sixty (60) days prior to the date set for the hearing (unless, upon a showing of good cause by either party, the arbitrator establishes a different period), in lieu of the exchange and inspection authorized by Code of Civil Procedure § 1282.2(a)(2)(A), (B) and (C), the parties shall simultaneously exchange the following documents by personal delivery to each other and to the arbitrator:

(a) a written "**Statement of Position**", as further defined in Section 16.6, setting forth in detail that party's final position regarding the matter in dispute and specific numerical proposal for resolution of monetary disputes;

(b) a list of witnesses each party intends to call at the hearing, designating which witnesses will be called as expert witnesses and a summary of each witness's testimony;

(c) a list of the documents each intends to introduce at the hearing, together with complete and correct copies of all of such documents; and,

(d) if the issue involves Fair Market Rental Value or a valuation matter, a list of all Written Appraisal Evidence (as defined below) each intends to introduce at the hearing, together with complete and correct copies of all of such Written Appraisal Evidence.

(3) No later than twenty (20) days prior to the date set for the hearing, each party may file a reply to the other party's Statement of Position ("**Reply**"). The Reply shall contain the following information:

(a) a written statement, to be limited to that party's rebuttal to the matters set forth in the other party's Statement of Position;

(b) a list of witnesses each party intends to call at the hearing to rebut the evidence to be presented by the other party, designating which witnesses will be called as expert witnesses;

(c) a list of the documents each intends to introduce at the hearing to rebut the evidence to be presented by the other party, together with complete and correct copies of all of such documents (unless, upon a showing of good cause by either party, the arbitrator establishes a different deadline for delivering true and correct copies of such documents);

(d) if the issue involves Fair Market Rental Value or a valuation matter, a list of all Written Appraisal Evidence, or written critiques of the other party's Written Appraisal Evidence if any, each intends to introduce at the hearing to rebut the evidence presented by the other party, together with complete and correct copies of all of such Written Appraisal Evidence (unless, upon a showing of good cause by either party, the arbitrator establishes a different deadline for delivering true and correct copies of such Written Appraisal Evidence); and

(e) Witnesses or documents to be used solely for impeachment of a witness need not be identified or produced.

(4) The arbitrator is not bound by the rules of evidence, but may not consider any evidence not presented at the hearing. The arbitrator may exclude evidence for any reason a court may exclude evidence or as provided in this Lease.

16.6 <u>Statements of Position</u>. The Statement of Position to be delivered by <u>Section 16.5</u> shall comply with the following requirements:

(1) Where the dispute involves rent to be charged, market values, insurance levels or other monetary amounts, the Statements of Position shall numerically set forth the existing minimum rent, percentage rent, market value, insurance level and/or other monetary amounts in dispute, the party's proposed new minimum rent, percentage rent, market value, insurance level and/or other monetary amounts, and shall additionally set forth the facts supporting such party's position.

(2) If the dispute relates to Improvement costs, the Statements of Position shall set forth the facts supporting such party's position and the amount of each cost which the party believes should be allowed or disallowed.

16.7 Written Appraisal Evidence. Neither party may, at any time during the proceedings, introduce any written report which expresses an opinion regarding the Fair Market Rental Value or Market Value of the Premises, or any portion thereof ("**Written Appraisal Evidence**"), unless such Written Appraisal Evidence substantially complies with the following standards: it shall describe the Premises; identify the uses permitted thereon; describe or take into consideration the terms, conditions and restrictions of this Lease; correlate the appraisal method(s) applied; discuss the relevant factors and data considered; review rentals paid by lessees in medical office buildings within the immediate vicinity of the Premises and other locations within Southern California who are authorized to conduct similar activities on comparable leaseholds; and, describe the technique of analysis, limiting conditions and computations that were used in the formulation of the valuation opinion expressed. With respect to disputes regarding Fair Market Rental Value, such Written Appraisal Evidence shall express an opinion regarding the Fair Market Rental Value of the Premises as prescribed by this Section 16.7. Written Appraisal Evidence in connection with disputes arising out of Article 6 of this Lease shall predicate any valuation conclusions contained therein on the Income Approach. Written Appraisal Evidence shall in all other respects be in material conformity and subject to the requirements of the Code of Professional Ethics and the Standards of Professional Practice of The Appraisal Institute or any successor entity.

16.8 Evidence. The provisions of Code of Civil Procedure § 1282.2(a)(2)(E) shall not apply to the arbitration proceeding. The arbitrator shall have no discretion to allow a party to introduce witnesses, documents or Written Appraisal Evidence (other than impeachment testimony) unless such information was previously delivered to the other party in accordance with Section 16.5 and, in the case of Written Appraisal Evidence, substantially complies with the requirements of Section 16.7, or such evidence consists of a transcript of a deposition of an expert witness conducted pursuant to Section 16.9. Notwithstanding the foregoing, the arbitrator may allow a party to introduce evidence which, in the exercise of reasonable diligence, could not have been delivered to the other party in accordance with Section 16.5, provided such evidence is otherwise permissible hereunder.

16.9 Discovery. The provisions of Code of Civil Procedure § 1283.05 shall not apply to the arbitration proceedings except to the extent incorporated by other Sections of the California Arbitration Act which apply to the arbitration proceedings. There shall be no pre-arbitration discovery except as provided in Section 16.5; provided, however, each party shall have the right, no later than seven (7) days prior to the date first set for the hearing, to conduct a deposition, not to exceed three (3) hours in duration unless the arbitrator otherwise determines that good cause exists to justify a longer period, of any person identified by the other party as an expert witness pursuant to Subsection 16.5(2)(b) or 16.5(3)(b).

16.10 Awards of Arbitrators.

16.10.1 Monetary Issues. With respect to monetary disputes (including without limitation disputes regarding Percentage Rent, Fair Market Rental Value and the amount of coverage under the policies of insurance required pursuant to Article 9 of this Lease), the arbitrator shall have no right to propose a middle ground or any proposed modification of either Statement of Position. The arbitrator shall instead select whichever of the two Statements of Position is the closest to the monetary or numerical amount that the arbitrator determines to be the appropriate determination of the rent, expense, claim, cost, delay, coverage or other matter in dispute and shall render an award consistent with such Statement of Position. For purposes of this Section 16.10, each dispute regarding Annual Rent, each category of Percentage Rent and the amount of required insurance coverage shall be considered separate disputes (a "**Separate Dispute**"). While the arbitrator shall have no right to propose a middle ground or any proposed modification of either Statement of Position concerning a Separate Dispute, the arbitrator shall have the right, if the arbitrator so chooses, to choose one party's Statement of Position on one or more of the Separate Disputes, while selecting the other party's Statement of Position on the remaining Separate Disputes. Upon the arbitrator's selection of a Statement of Position, pursuant to this Article 16, the Statement of Position so chosen and the award rendered by the arbitrator thereon shall be final and binding upon the parties, absent Gross Error on the part of the arbitrator.

16.10.2 Nonmonetary Issues. With respect to nonmonetary issues and disputes, the arbitrator shall determine the most appropriate resolution of the issue or dispute, taking into account the Statements of Position submitted by the parties, and shall render an award accordingly. Such award shall be final and binding upon the parties, absent Gross Error on the part of the arbitrator.

16.11 Powers of Arbitrator. In rendering the award, the arbitrator shall have the power to consult or examine experts or authorities not disclosed by a party pursuant to Section 16.5(2) hereof, provided that each party is afforded the right to cross-examine such expert or rebut such authority.

16.12 Costs of Arbitration. Lessee and County shall equally share the expenses and fees of the arbitrator, together with other expenses of arbitration incurred or approved by the arbitrator. Failure of either party to pay its share of expenses and fees constitutes a material breach of such party's obligations hereunder.

16.13 Amendment to Implement Judgment. Within ten (10) days after the issuance of any award by the arbitrator becomes final, if the award involves the adjustment of the rent, insurance levels or other matters under the Lease, County will draft a proposed amendment to the Lease setting forth the relevant terms of such award and transmit such proposed amendment to Lessee and any Encumbrance Holder(s) as to which County has been provided written notice, for their review. Within ten (10) days after delivery of the proposed amendment to Lessee and such Encumbrance Holder(s) for their review, Lessee or any such Encumbrance Holder(s) shall have the right to notify County in writing of any deficiencies or errors in the proposed amendment. If County does not receive notice of a deficiency or error within such ten (10) day period, then Lessee shall execute the amendment within seven (7) days after the end of such ten (10) day period and such amendment shall be binding on Lessee and all Encumbrance Holders. If the parties (including an Encumbrance Holder) shall, in good faith, disagree upon the form of any such amendment, such disagreement shall be submitted to the arbitrator for resolution. Upon execution by Lessee, any amendment described in this Section 16.13 shall thereafter be executed by County as soon as reasonably practicable.

16.14 Impact of Gross Error Allegations. Where either party has charged the arbitrator with Gross Error:

16.14.1 The award shall not be implemented if the party alleging Gross Error obtains a judgment of a court of competent jurisdiction stating that the arbitrator was guilty of Gross Error and vacating the arbitration award ("**Disqualification Judgment**"). In the event of a Disqualification Judgment, the arbitration process shall begin over immediately in accordance with this Section 16.14, which arbitration shall be conducted (with a different arbitrator) as expeditiously as reasonably possible.

16.14.2 The party alleging Gross Error shall have the burden of proof.

16.14.3 For the purposes of Article 16, the term "**Gross Error**" shall mean that the arbitration award is subject to vacation pursuant to California Code of Civil Procedure § 1286.2 or any successor provision.

16.15 Notice.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE ARBITRATION OF DISPUTES PROVISION TO NEUTRAL ARBITRATION.

______________________	______________________
Initials of Lessee	Initials of County

17. DEFINITION OF TERMS; INTERPRETATION.

17.1 Meanings of Words Not Specifically Defined/General Rules of Interpretation. Words and phrases contained herein shall be construed according to the context and the approved usage of the English language, but technical words and phrases, and such others as have acquired a peculiar and appropriate meaning by law, or are defined in Section 1.1, are to be construed according to such technical, peculiar, and appropriate meaning or definition. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs and Sections of this Lease are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this Lease by Lessee. As used in this Lease, the word "includes or "including" means including without limitation, the word "or" is not exclusive and the words "herein," "hereof," "hereto" and hereunder refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (i) to articles, paragraphs, sections and exhibits mean the articles, paragraphs, Sections and exhibits which are part of this Lease as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Lease, (ii) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Lease and (iii) to a statute means such statute as amended, supplemented or replaced from time to time. This Lease is made solely for the benefit of County and Lessee and their respective permitted successors and assigns, and no other person or entity shall have or acquire any rights under this Lease unless expressly stated to the contrary in this Lease. The exhibits, schedules, addenda, and attachments which are attached to this Lease are made a part of this Lease.

17.2 Tense; Gender; Number; Person. Words used in this Lease in the present tense include the future as well as the present; words used in the masculine gender include the feminine and neuter and the neuter includes the masculine and feminine; the singular number includes the plural and the plural the singular; the word "person" includes a corporation, partnership, limited liability company or similar entity, as well as a natural person.

17.3 Business Days. For the purposes of this Lease, "**business day**" shall mean a business day as set forth in Section 9 of the California Civil Code, and shall include "Optional Bank Holidays" as defined in Section 7.1 of the California Civil Code as not being business days.

17.4 Parties Represented by Consultants, Counsel. Both County and Lessee have entered this Lease following advice from independent financial consultants and legal counsel of their own choosing. This document is the result of combined efforts of both parties and their consultants and attorneys. Thus, any rule of law or construction which provides that ambiguity in a term or provision shall be construed against the draftsperson shall not apply to this Lease.

17.5 Governing Law. This Lease shall be governed by and interpreted in accordance with the laws of the State of California.

17.6 Reasonableness Standard/Approvals. Except where a different standard or an express response period is specifically provided herein, whenever the consent or approval of County or Lessee is required under this Lease, such consent or approval shall not be unreasonably withheld, conditioned or delayed, and whenever this Lease grants County or Lessee the right to take action, exercise discretion, establish rules and regulations or make allocations or other determinations, County and Lessee shall act reasonably and in good faith. These provisions shall only apply to County acting in its proprietary capacity. Any consent or approval by the County under this Lease, may be given by the Chief Executive Officer, or her or his designee, without action of the County's governing board unless the Chief Executive Officer in her or his sole discretion elects to refer the matter to the County's governing board.

17.7 Compliance with Code. County and Lessee agree and acknowledge that this Lease satisfies the requirements of Section 25536 of the California Government Code as a result of various provisions contained herein.

17.8 Memorandum of Lease. The parties hereto shall execute and acknowledge a memorandum of lease extension, in recordable form and otherwise satisfactory to the parties hereto, for recording as soon as is practicable on or following the Effective Date.

17.9 Counterparts. This Lease may be executed in counterparts, each of which shall constitute an original and all of which shall collectively constitute one fully-executed document.

17.10 Conflict of Interest; No Personal Liability. No official or employee of the County shall have any personal interest, direct or indirect, in this Lease, nor shall any official or employee of the County participate in any decision relating to this Lease which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of the County shall be personally liable in the event of a breach of this Lease. Lessee shall within not less than ten (10) days after learning of any such conflict of interest or facts which reasonably indicate that a conflict of interest may exist, notify the County thereof; provided, however, the failure of Lessee to make any such notification shall not be a breach or default of this Lease.

17.11 Waivers and Relocation. To the fullest extent permitted by Applicable Law, Lessee hereby waives any rights now or hereafter conferred upon it by statute or other law to surrender this Lease or to quit or surrender the Premises or any part thereof, or to receive any suspension, diminution, abatement or reduction of the rent or other sums and charges payable by Lessee hereunder on account of any damage to the Premises or the Improvements, other than as expressly provided in this Lease or as otherwise agreed to in writing by Lessee and County. To the fullest extent permitted by Applicable Law, Lessee hereby waives the provisions of Section 1932, Subdivision 2, and Section 1933, Subdivision 4, of the California Civil Code, and the provisions of any similar law hereinafter enacted, as each may be amended from time to time. Lessee expressly acknowledges that Lessee will be in possession of the Premises as a result of County's previously acquired property interest. In recognition of such fact and to the fullest extent permitted by Applicable Law, Lessee hereby disclaims any status as a "displaced person" as such is defined in Governmental Code Section 7260, and hereby acknowledges its ineligibility for relocation assistance as provided in Government Code Sections 7260 through 7276, inclusive, as interpreted in Title 25, Chapter 6, Section 6034(b)(1) of the California Code of Regulations.

17.12 No Third-Party Beneficiaries. Except as expressly set forth in this Lease, no parties other than County, any Encumbrance Holder and any Equity Encumbrance Holder, and their respective successors and assigns, and Lessee, and its successors and assigns, shall be a beneficiary of the rights conferred in this Lease, and no other party shall be deemed a third-party beneficiary of such rights.

17.13 Exculpation of Certain Persons. No individual trustee, officer, director, shareholder, member, constituent partner, employee or agent of any Party, in his or her individual capacity as such, shall have any personal liability for the performance of any obligation of such Party under this Lease solely by reason of such status.

17.14 Performance Postponed. Any performance required under this Lease on a day that is not a business day shall be postponed until the next business day.

17.15 Severability. If (a) any provision of this Lease is held by a court of competent jurisdiction (or by an arbitrator in an arbitration pursuant to Article 16) as to be invalid, void or unenforceable (including any indemnity provision determined to be invalid, void or unenforceable under Section 2782 or Section 2782.8) and (b) the invalidity or unenforceability of such a provision does not deny a Party the material benefit of this Lease, then the remainder of this Lease which can be given effect without the invalid provision shall continue in full force and effect and shall in no way be impaired or invalidated.

17.16 Employment. The Parties shall not, in the implementation of this Lease and in design, development, operation, and use of the MOB, discriminate against any employee or applicant for employment on the basis of race, religion, sex, sexual orientation, age, physical handicap, or national origin and shall comply with all applicable provisions of federal, state and local law related to discrimination. Lessee shall take affirmative action to ensure that applicants are employed and that employees are treated during their employment without regard to their race, religion, sex, sexual orientation, age, physical handicap, or national origin, including without limitation employment, promotion, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

17.17 Rental or Sale. Lessee shall refrain from restricting the rental, sale, or lease of the Premises or MOB, or any portion thereof, on the basis of sex, age, handicap, marital status, race, color, religion, creed, ancestry, or national origin of any Person. All leases and contracts affecting the Premises or any portion thereof shall contain clauses expressly giving effect to this Section 17.17.

17.18 Survival. Any terms and provisions of this Lease pertaining to rights, duties, or liabilities extending beyond the expiration or termination of this Lease, including indemnification obligations relating to events or conditions that occur or exist prior to such expiration or termination, shall survive the expiration or termination of this Lease.

IN WITNESS WHEREOF, County and Lessee have entered into this Lease as of the Effective Date.

THE COUNTY OF LOS ANGELES

By: ______________________________________
Chairman, Board of Supervisors

____
a ___________________________

By:______________________________________
Name:____________________________________
Title:_____________________________________

ATTEST:

________________________,
Executive Officer of the Board of Supervisors

By: ____________________
Deputy

APPROVED AS TO FORM:

________________________,
COUNTY COUNSEL

By: ____________________
Deputy

EXHIBITS

A – Legal Description of the Premises
B – Medical Center Campus Master Plan
C – Development Plan
D – Examples of Permitted Capital Expenditures
E – MLK Master Lease
F – Assignment Standards

EXHIBIT A

LEGAL DESCRIPTION OF THE PREMISES

EXHIBIT B

MEDICAL CENTER CAMPUS MASTER PLAN

EXHIBIT C

DEVELOPMENT PLAN

EXHIBIT D

EXAMPLES OF PERMITTED CAPITAL EXPENDITURES

Subject to the terms and provisions of Section 5.10 of the Lease, set forth below is a list of examples of elements, systems or categories of Improvements for which Permitted Capital Expenditures may be made. The Capital Improvement Fund shall not be used for the repair or replacement of an individual or a selected group of individual items, unless such repair or replacement is part of a larger plan (which may be a phased plan) of repair or replacement of all, or substantially all, similar items.

Painting of the building exterior*

Walkways and driveway replacement* (if asphalt, a minimum of resurfacing, not slurry seal)

Windows replacement*

Roof replacement* (may be on a building by building basis)

Elevators (replacement or addition)

HVAC replacement

Light fixtures replacement* (interior and exterior)

Irrigation system* (replacement or major addition)
* To qualify, these expenditures need to incorporate replacement or renovating of at least seventy percent (70%) of the items or facilities in question.

EXHIBIT E

MLK MASTER LEASE

EXHIBIT F

ASSIGNMENT STANDARDS

These standards are to apply to proposed transactions requiring County's consent pursuant to Section 11.2 of the Lease. These standards and conditions are not to apply to (a) an assignment for the purpose of securing leasehold financing from an Encumbrance Holder approved by County, (b) the transfer of the leasehold in connection with a foreclosure or transfer in lieu of foreclosure by an approved Encumbrance Holder, or (c) the first transfer by that Encumbrance Holder if it has acquired the leasehold through a foreclosure or a transfer in lieu of foreclosure.

1. The proposed transferee must have a net worth determined to be sufficient in relation to the financial obligations of the lessee under the Lease (equal to at least six (6) times the total Annual Rent and Percentage Rent due to County for the most recent fiscal year). A letter of credit, cash deposit, guarantee from a parent entity or participating individual(s) having sufficient net worth (as set forth in the preceding sentence) or similar security satisfactory to County may be substituted for the net worth requirement. If the proposed transferee's net worth is materially less than the transferor's, County may disapprove the assignment or require additional security such as that described in the previous sentence.

2. The proposed assignee must have significant experience in the construction (if contemplated), operation and management of the type(s) of Improvements existing on or to be constructed on the Premises, or provide evidence of contractual arrangements for these services with providers of such services satisfactory to County. Changes in the providers of such services and changes to the contractual arrangements must be approved by the County. All such approvals of County will not be unreasonably withheld, conditioned or delayed.

3. The individual or individuals who will acquire Lessee's interest in this Lease or the Premises, or who own the entity which will so acquire Lessee's interest, irrespective of the tier at which such individual ownership is held, must be of good character and reputation and, in any event, shall have neither a history of, nor a reputation for: (1) discriminatory employment practices which violate any federal, state or local law; or (2) non-compliance with environmental laws, or any other legal requirements or formally adopted ordinances or policies of County.

4. The price to be paid for the acquired interest shall not result in a financing obligation of the proposed transferee which jeopardizes the Lessee's ability to meet its rental obligations to County. Market debt service coverage ratios and leasehold financial performance, at the time of the proposed transfer, will be used by County in making this analysis.

5. If the proposed transferee is an entity, rather than an individual, the structure of the proposed transferee must be such that (or the transferee must agree that) County will have reasonable approval rights regarding any future direct or indirect transfers of interests in the entity or the Lease as required under the Lease; provided however, that a transfer of ownership of a publicly held parent corporation of Lessee that is not done primarily as a transfer of this leasehold will not be subject to County approval.

6. The terms of the proposed assignment will not detrimentally affect the efficient operation or management of the leasehold, the Premises or any Improvements thereon.

7. The transfer otherwise complies with the terms of all ordinances, policies and/or other statements of objectives which are formally adopted by County and which are uniformly applicable to persons or entities with rights of occupancy in any portion of Medical Center Campus.

**ACKNOWLEDGMENT REGARDING
RIGHT OF FIRST OFFER, PARKING RIGHTS AND
MLK-LA PUBLIC BENEFIT DISCOUNT**

THIS ACKNOWLEDGMENT REGARDING RIGHT OF FIRST OFFER, PARKING RIGHTS AND MLK-LA PUBLIC BENEFIT DISCOUNT (this "**Acknowledgment**") is executed as of the __ day of ____, 2017, by MARTIN LUTHER KING, JR.,-LOS ANGELES (MLK-LA) HEALTHCARE CORPORATION, a California non-profit public benefit corporation ("**MLK-LA**"), for the benefit of COUNTY OF LOS ANGELES, a body politic and corporate ("**County**").

RECITALS

A. County and MLK-LA are parties to that certain Lease Agreement, dated as of April 25, 2014 (the "**Lease**"), pursuant to which County leased to MLK-LA certain real property and improvements (the "**Premises**") located at 12021 South Wilmington Avenue, Los Angeles, California, comprising a portion of "The Martin Luther King, Jr. Medical Center," for the purpose of operating an acute care hospital providing essential health services for residents of South Los Angeles County, California. Capitalized terms used, but not defined, in this Acknowledgment shall have the respective meanings given to such terms in the Lease.

B. Pursuant to Section 16.6(c) of the Lease, County granted to MLK-LA rights of first offer with respect to the leasing and operating of certain new medical facilities to be constructed on the Campus and with respect to expanding the range or quantity of medical services provided at the Campus.

C. County and TC LA Healthcare Development, Inc., a Delaware corporation ("**TCLAHD**") anticipate entering into a ground lease titled Ground Lease Agreement (Martin Luther King, Jr. Medical Center Campus Medical Office Building) (the "**MOB Ground Lease**") pursuant to which County will lease to TCLAHD a portion of the Campus (the "**MOB Ground Lease Premises**") outside of the Premises and approximately coterminous with the area depicted as Lot C ("**Lot C**") on the Site Plan for development, construction and ownership (during the term of the MOB Ground Lease) of an approximately 52,000 square foot medical office building (with surface parking and related driveways, utility improvements and hardscaping (collectively, the "**MOB**").

D. TCLAHD and MLK-LA anticipate entering into a facility lease titled Master Lease Agreement (Martin Luther King, Jr. Medical Center Campus Medical Office Building) (the "**MOB Master Lease**") pursuant to which TCLAHD will sublet the MOB (the "**MOB Master Lease Premises**") to MLK-LA for its operation of the facility thereon in providing enhanced medical services and quality medical office space for administrative, medical outpatient services, and health related services that support and/or complement the Hospital and the healthcare of the surrounding community.

E. In consideration of the essential health care services and community benefits provided by MLK-LA, County desires to reduce the amount of rent payable by MLK-LA for the

MOB to enable MLK-LA to further serve the health care needs of the surrounding communities by providing enhanced medical services in the MOB, which require extensive tenant improvements to accommodate such enhanced services at the MOB. Accordingly, the rent payable by MLK-LA to TCLAHD under the MOB Master Lease shall be reduced by the MLK-LA Public Benefit Discount (as defined therein), and the rent payable by TCLAHD to County under the MOB Ground Lease shall be reduced by an equal amount.

F. Pursuant to Section 6.7 of the Lease, MLK-LA and MLK-LA's staff, patients and visitors have the non-exclusive right to use for the parking of motor vehicles various parking lots and structures on the Campus, including, without limitation, Lot C, which is located upon the MOB Ground Lease Premises.

G. A parking structure, to be known as Parking Structure A, is being constructed at 12021 S. Wilmington, Los Angeles, California 90059 ("**New Structure A**") and, upon completion, will be available for the use of MLK-LA and MLK-LA's staff.

H. MLK-LA is executing this Acknowledgment for the purpose of (i) acknowledging that all rights of MLK-LA and all obligations of County solely with respect to the right of first offer (set forth in Section 16.6(c) of the Lease) related to the MOB Ground Lease (the "**MOB Ground Lease ROFO**") shall be deemed to have been fully satisfied or waived by MLK-LA; (ii) relinquishing, effective upon completion of New Structure A, MLK-LA's right under the Lease to use Lot C for parking; and (iii) agreeing that, as consideration for the reduction in rent under the MOB Master Lease pursuant to the MLK-LA Public Benefit Discount (as defined therein), MLK-LA shall utilize the amount saved by such reduction in rent to provide enhanced medical services benefiting the surrounding communities and it shall not amend or modify Section 4.01(a) of the MOB Master Lease without County's prior written consent.

ACKNOWLEDGMENT

NOW, THEREFORE, for ten dollars ($10) in hand paid and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, MLK-LA hereby acknowledges, confirms and agrees, to and for the benefit of County, as follows:

1. MOB Ground Lease ROFO Satisfaction and Waiver. Upon execution and delivery of this Acknowledgement, (a) all rights and benefits of MLK-LA and all obligations and duties of County with respect to the MOB Ground Lease ROFO shall be deemed to have been fully satisfied in all respects; and (b) MLK-LA shall be deemed to have waived and released any claim it might otherwise have against County under the MOB Ground Lease ROFO with respect to County entering into the MOB Ground Lease.

2. Relinquishment of Lot C. Effective upon completion of New Structure A and delivery thereof to MLK-LA for use by MLK-LA and MLK-LA's staff for parking of motor vehicles (a) MLK-LA relinquishes all rights and benefits under the Lease (including, without limitation, Section 6.7 thereof) with respect to Lot C and any other areas included in the MOB Ground Lease Premises, and (b) Lot C and any other areas included in the MOB Ground Lease Premises shall be excluded for all purposes from the Premises; provided, however, the foregoing

waiver is not intended to waive the rights of first offer arising under Section 16.6(c) of the Lease with respect to future transactions respecting Lot C if TCLAHD fails to timely exercise its option to enter into the MOB Ground Lease.

3. MOB Master Lease MLK-LA Public Benefit Discount. In consideration of the reduction of rent payable by MLK-LA under the MOB Master Lease pursuant to the MLK-LA Public Benefit Discount (as defined therein), upon execution of the MOB Master Lease, MLK-LA covenants that (a) during the term of the MOB Master Lease, MLK-LA shall utilize the amount saved by such reduction in rent to provide enhanced medical services in the MOB benefiting the surrounding communities in South Los Angeles; and (b) it shall not amend or agree to amend or otherwise modify the terms of Section 4.1(a) of the MOB Master Lease without County's prior written consent.

4. Recitals. The Recitals set forth in this Acknowledgment are true and correct.

IN WITNESS WHEREOF this Acknowledgment has been executed by MLK-LA for the benefit of County as of the date first above written.

MLK-LA:

MARTIN LUTHER KING, JR.-LOS ANGELES (MLK-LA) HEALTHCARE CORPORATION, a California nonprofit corporation

By:________________________________
Name:____________________________
Title:_____________________________