

*[Handwritten signature]*

Auditor AUG 30 1999

*Allen Sims*

Accountant AUG 30 1999

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26422

# STANDARD OFFICE LEASE—GROSS

## AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

26422



### 1. Basic Lease Provisions ("Basic Lease Provisions")

1.1 Parties: This Lease, dated, for reference purposes only, August 10, 19 99, is made by and between SCAN Health Plan, a California non-profit corporation (herein called "Lessor") and Housing Authority of the City of Long Beach, a municipal corporation doing business under the name of \_\_\_\_\_, (herein called "Lessee").

1.2 Premises: Suite Number(s) 1st & 2nd (entire bldg.) floors, consisting of approximately 13,662 rentable <sup>square</sup> feet, more or less, as defined in paragraph 2 and as shown on Exhibit "A" hereto (the "Premises").

1.3 Building: Commonly described as being located at 521 East Fourth Street in the City of Long Beach County of Los Angeles State of California, as more particularly described in Exhibit D hereto, and as defined in paragraph 2.

1.4 Use: General office

1.5 Term: Ten (10) years commencing See Addendum 1, Paragraph 1.5.1 ("Commencement Date") and ending \_\_\_\_\_, as defined in paragraph 3.

1.6 Base Rent: twelve thousand eighty three dollars & 00/100 (\$12,083) per month, payable on the 1st day of each month, per paragraph 4.1 At the 25th month of the Lease, Base Rent will be increased to \$13,449.00 per month. At the 61st month of the Lease, Base Rent will be increased to \$14,815.00 per month.

~~1.7 Base Rent Increases: On \_\_\_\_\_ the monthly Base Rent payable under paragraph 1.6 above shall be adjusted as provided in paragraph 4.2 below.~~

1.8 Rent Paid Upon Execution: \$12,083.00 payable four (4) weeks after full execution of Lease documents. for the first month's Base Rent

1.9 Security Deposit: None.

~~1.10 Lessee's Share of Operating Expense Increases: \_\_\_\_\_% as defined in paragraph 4.3.~~

### 2. Premises, Parking and Common Areas.

2.1 Premises: The Premises are a ~~portion~~ of a building, herein sometimes referred to as the "Building" identified in paragraph 1.3 of the Basic Lease Provisions. "Building" shall include ~~adjacent~~ parking ~~structures~~ used in connection therewith. The Premises, the Building, the Common Areas, the land upon which the same are located, along with all other buildings and improvements thereon or thereunder, are herein collectively referred to as the "Office Building Project." Lessor hereby leases to Lessee and Lessee leases from Lessor for the term, at the rental, and upon all of the conditions set forth herein, the real property referred to in the Basic Lease Provisions, paragraph 1.2, as the "Premises," including rights to the Common Areas as hereinafter specified.

2.2 Vehicle Parking: So long as Lessee is not in default, and subject to the rules and regulations attached hereto, and as established by Lessor from time to time, Lessee shall be entitled to rent and use all parking spaces in the Office Building Project ~~at the monthly rate applicable from time to time for monthly parking as set by Lessor and/or its licensee.~~ See Addendum 1, Paragraph 2.2.3

2.2.1 If Lessee commits, permits or allows any of the prohibited activities described in the Lease or the rules then in effect, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

~~2.2.2 The monthly parking rate per parking space will be \$ \_\_\_\_\_ per month at the commencement of the term of this Lease, and is subject to change upon five (5) days prior written notice to Lessee. Monthly parking fees shall be payable one month in advance prior to the first day of each calendar month.~~

2.3 Common Areas—Definition. The term "Common Areas" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Office Building Project that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee ~~and of other lessees of the Office Building Project~~ and their respective employees, suppliers, shippers, customers and invitees, including but not limited to common entrances, lobbies, corridors, stairways and stairwells, public restrooms, elevators, ~~escalators~~, parking areas to the extent not otherwise prohibited by this Lease, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, ~~garages~~, driveways, landscaped areas and decorative walls.

2.4 Common Areas—Rules and Regulations. Lessee agrees to abide by and conform to the rules and regulations attached hereto as Exhibit B with respect to the Office Building Project and Common Areas, and to cause its employees, suppliers, shippers, customers, and invitees to so abide and conform. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to modify, amend and enforce said rules and regulations. Lessor shall not be responsible to Lessee for the non-compliance with said rules and regulations by other lessees, their agents, employees and invitees of the Office Building Project,

2.5 Common Areas—Changes. Lessor shall have the right, in Lessor's <sup>reasonable</sup> ~~sole~~ discretion, from time to time:

(a) To make changes to the Building interior and exterior and Common Areas, including, without limitation, changes in the location, size, shape, number, and appearance thereof, including but not limited to the lobbies, windows, stairways, air shafts, elevators, ~~escalators~~, restrooms, driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, decorative walls, landscaped areas and walkways, ~~provided, however, Lessor shall at all times provide the parking facilities required by applicable law.~~

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land and improvements outside the boundaries of the Office Building Project to be a part of the Common Areas, provided that such other land and improvements have a reasonable and functional relationship to the Office Building Project;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Office Building Project, or any portion thereof;

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Office Building Project as Lessor may, in the exercise of sound business judgment deem to be appropriate.

### 3. Term.

3.1 Term. The term and Commencement Date of this Lease shall be as specified in paragraph 1.5 of the Basic Lease Provisions.

3.2 Delay in Possession. ~~Notwithstanding said Commencement Date, if for any reason Lessor cannot deliver possession of the Premises to Lessee on said date and~~ subject to paragraph 3.2.2, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or the obligations of Lessee hereunder or extend the term hereof; but, in such case, Lessee shall not be obligated to pay rent or perform any other obligation of Lessee under the terms of this Lease, except as may be otherwise provided in this Lease, until possession of the Premises is tendered to Lessee, as hereinafter defined; provided, however, that if ~~Lessor shall not have delivered possession of the Premises within sixty (60) days following said Commencement Date, as the same may be extended~~ under the terms of a Work Letter executed by Lessor and Lessee, Lessee may, at Lessee's ~~option~~ <sup>option</sup> (180) If the Commencement Date has not occurred by the Target Commencement Date, \_\_\_\_\_ the Commencement Date (as defined in Addendum 1, Paragraph 1.5.1) shall not have occurred the Target \_\_\_\_\_

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option, by notice in writing to Lessor within ten (10) days thereafter, cancel this Lease, in which event the parties shall be discharged from all obligations hereunder; provided, however, that, as to Lessee's obligations, Lessee first reimburses Lessor for all costs incurred for Non-Standard Improvements and, as to Lessor's obligations, Lessor shall return any money previously deposited by Lessee (less any offsets due Lessor for Non-Standard Improvements); and provided further, that if such written notice by Lessee is not received by Lessor within said ten (10) day period, Lessee's right to cancel this Lease hereunder shall terminate and be of no further force or effect.

\* ~~3.2.1 Possession Tendered. Defined. Possession of the Premises shall be deemed tendered to Lessee ("Tender of Possession") when (1) the improvements to be provided by Lessor under this Lease are substantially completed, (2) the Building utilities are ready for use in the Premises, (3) Lessee has reasonable access to the Premises, and (4) ten (10) days shall have expired following advance written notice to Lessee of the occurrence of the matters described in (1), (2) and (3), above of this paragraph 3.2.1.~~

3.2.2 Delays Caused by Lessee. There shall be no abatement of rent, and the ~~only (60) day period~~ <sup>one hundred eighty (180) Target</sup> following the Commencement Date before which Lessee's right to cancel this Lease accrues under paragraph 3.2, shall be deemed extended to the extent of any delays caused by acts or omissions of Lessee, Lessee's agents, employees and contractors.

3.3 Early Possession. If Lessee occupies the Premises prior to said Commencement Date, such occupancy shall be subject to all provisions of this Lease, such occupancy shall not change the termination date, and Lessee shall pay rent for such occupancy.

3.4 Uncertain Commencement. In the event commencement of the Lease term is defined as the completion of the improvements, Lessee and Lessor shall execute an amendment to this Lease establishing the date of Tender of Possession (as defined in paragraph 3.2.1) or the actual taking of possession by Lessee, whichever first occurs, as the Commencement Date.

#### 4. Rent

4.1 Base Rent. ~~Subject to adjustment as hereinafter provided in paragraph 4.3, and except~~ <sup>Except</sup> as may be otherwise expressly provided in this Lease, Lessee shall pay to Lessor the Base Rent for the Premises set forth in paragraph 1.6 of the Basic Lease Provisions, without offset or deduction. Lessee shall pay Lessor ~~upon execution hereof~~ the advance Base Rent described in paragraph 1.8 of the Basic Lease Provisions. Rent for any period during the term hereof which is for less than one month shall be prorated based upon the actual number of days of the calendar month involved. Rent shall be payable in lawful money of the United States to Lessor at the address stated herein or to such other persons or at such other places as Lessor may designate in writing. See Addendum 1, Paragraph 4.1.1

\*\* 4.2 Operating Expense ~~Increase. Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share, as hereinafter defined, of the amount by which all Operating Expenses, as hereinafter defined, for each Comparison Year exceeds the amount of all Operating Expenses for the Base Year, such excess being hereinafter referred to as the "Operating Expense Increase," in accordance with the following provisions:~~

(a) "Lessee's Share" is defined, for purposes of this Lease, as the percentage set forth in paragraph 1.10 of the Basic Lease Provisions, which percentage has been determined by dividing the approximate square footage of the Premises by the total approximate square footage of the rentable space contained in the Office Building Project. It is understood and agreed that the square footage figures set forth in the Basic Lease Provisions are approximations which Lessor and Lessee agree are reasonable and shall not be subject to revision except in connection with an actual change in the size of the Premises or a change in the space available for lease in the Office Building Project.

(b) "Base Year" is defined as the calendar year in which the Lease term commences.

(c) "Comparison Year" is defined as each calendar year during the term of this Lease subsequent to the Base Year; provided, however, Lessee shall have no obligation to pay a share of the Operating Expense Increase applicable to the first twelve (12) months of the Lease term (other than such as are mandated by a governmental authority, as to which governmental mandated expenses Lessee shall pay Lessee's Share, notwithstanding they occur during the first twelve (12) months). Lessee's Share of the Operating Expense Increase for the first and last Comparison Years of the Lease term shall be prorated according to that portion of such Comparison Year as to which Lessee is responsible for a share of such increase.

(d) "Operating Expenses" is defined, for purposes of this Lease, to include all costs, if any, incurred by Lessor in the exercise of its reasonable discretion, for: See Addendum 1, Paragraph 4.2.1

(i) The operation, repair, maintenance, and replacement, in neat, clean, safe, good order and condition, of the Office Building Project, including but not limited to, the following:

(aa) The Common Areas, including their surfaces, coverings, decorative items, carpets, drapes and window coverings, and including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, stairways, parkways, driveways, landscaped areas, striping, bumpers, irrigation systems, Common Area lighting facilities, building exteriors and roofs, fences and gates;

(bb) All heating, air conditioning, plumbing, electrical systems, life safety equipment, telecommunication and other equipment used in common by, or for the benefit of, lessees or occupants of the Office Building Project, including elevators and escalators, tenant directories, fire detection systems including sprinkler system maintenance and repair.

- (ii) Trash disposal, janitorial and security services;
- (iii) Any other service to be provided by Lessor that is elsewhere in this Lease stated to be an "Operating Expense";
- (iv) The cost of the premiums for the liability and property insurance policies to be maintained by Lessor under paragraph 8 hereof;
- (v) The amount of the real property taxes to be paid by Lessor under paragraph 10.1 hereof;
- (vi) The cost of water, sewer, gas, electricity, and other publicly mandated services to the Office Building Project;

(vii) Labor, salaries and applicable fringe benefits and costs, materials, supplies and tools, used in maintaining and/or cleaning the Office Building Project and accounting and a management fee attributable to the operation of the Office Building Project;

(viii) Replacing and/or adding improvements mandated by any governmental agency and any repairs or removals necessitated thereby amortized over its useful life according to Federal income tax regulations or guidelines for depreciation thereof (including interest on the unamortized balance as is then reasonable in the judgment of Lessor's accountants);

(ix) Replacements of equipment or improvements that have a useful life for depreciation purposes according to Federal income tax guidelines of five (5) years or less, as amortized over such life.

(e) Operating Expenses shall not include the costs of replacements of equipment or improvements that have a useful life for Federal income tax purposes in excess of five (5) years unless it is of the type described in paragraph 4.2(d)(viii), in which case their cost shall be included as above provided.

(f) Operating Expenses shall not include any expenses paid by any lessee directly to third parties, or as to which Lessor is otherwise reimbursed by any third party, other tenant, or by insurance proceeds.

(g) Lessee's Share of Operating Expense Increase shall be payable by Lessee within ten (10) days after a reasonably detailed statement of actual expenses is presented to Lessee by Lessor. At Lessor's option, however, an amount may be estimated by Lessor from time to time in advance of Lessee's Share of the Operating Expense Increase for any Comparison Year, and the same shall be payable monthly or quarterly, as Lessor shall designate, during each Comparison Year of the Lease term, on the same day as the Base Rent is due hereunder. In the event that Lessee pays Lessor's estimate of Lessee's Share of Operating Expense Increase as aforesaid, Lessor shall deliver to Lessee within sixty (60) days after the expiration of each Comparison Year a reasonably detailed statement showing Lessee's Share of the actual Operating Expense Increase incurred during such year. If Lessee's payments under this paragraph 4.2(g) during said Comparison Year exceed Lessee's Share as indicated on said statement, Lessee shall be entitled to credit the amount of such overpayment against Lessee's Share of Operating Expense Increase next falling due. If Lessee's payments under this paragraph during said Comparison Year were less than Lessee's Share as indicated on said statement, Lessee shall pay to Lessor the amount of the deficiency within ten (10) days after delivery by Lessor to Lessee of said statement. Lessor and Lessee shall forthwith adjust between them by cash payment any balance determined to exist with respect to that portion of the last Comparison Year for which Lessee is responsible as to Operating Expense Increase, notwithstanding that the Lease term may have terminated before the end of such Comparison Year.

#### 4.3 Rent Increase.

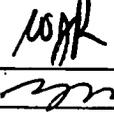
4.3.1 At the times set forth in paragraph 1.7 of the Basic Lease Provisions, the monthly Base Rent payable under paragraph 4.1 of this Lease shall be adjusted by the increase, if any, in the Consumer Price Index of the Bureau of Labor Statistics of the Department of Labor for All Urban Consumers, (1967=100), "All Items," for the city nearest the location of the Building, herein referred to as "C.P.I." since the date of this Lease.

4.3.2 The monthly Base Rent payable pursuant to paragraph 4.3.1 shall be calculated as follows: the Base Rent payable for the first month of the term of this Lease, as set forth in paragraph 4.1 of this Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. for the calendar month in which the original Lease term commences. The sum so calculated shall constitute the new monthly Base Rent hereunder, but, in no event, shall such new monthly Base Rent be less than the Base Rent payable for the month immediately preceding the date for the rent adjustment.

~~4.3.3 In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or~~

\*See Addendum 1, Paragraph 1.5.1

\*\*See Addendum 1, Paragraph 4.2.1

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agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculations. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in the County in which the Premises are located, in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties, notwithstanding one party failing to appear after due notice of the proceeding. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

4.3.4 Lessee shall continue to pay the rent at the rate previously in effect until the increase, if any, is determined. Within five (5) days following the date on which the increase is determined, Lessee shall make such payment to Lessor as will bring the increased rental current, commencing with the effective date of such increase through the date of any rental installments then due. Thereafter the rental shall be paid at the increased rate.

4.3.5 At such time as the amount of any change in rental required by this Lease is known or determined, Lessor and Lessee shall execute an amendment to this Lease setting forth such change.

5. Security Deposit. Lessee shall deposit with Lessor upon execution hereof the security deposit set forth in paragraph 1.0 of the Basic Lease Provisions as security for Lessee's faithful performance of Lessee's obligations hereunder. If Lessee fails to pay rent or other charges due hereunder, or otherwise defaults with respect to any provision of this Lease, Lessor may use, apply or retain all or any portion of said deposit for the payment of any rent or other charge in default for the payment of any other sum to which Lessor may become obligated by reason of Lessee's default, or to compensate Lessor for any loss or damage which Lessor may suffer thereby. If Lessor so uses or applies all or any portion of said deposit, Lessee shall within ten (10) days after written demand therefor deposit cash with Lessor in an amount sufficient to restore said deposit to the full amount then required of Lessee. If the monthly Base Rent shall, from time to time, increase during the term of this Lease, Lessee shall, at the time of such increase, deposit with Lessor additional money as a security deposit so that the total amount of the security deposit held by Lessor shall at all times bear the same proportion to the then current Base Rent as the initial security deposit bears to the initial Base Rent set forth in paragraph 1.6 of the Basic Lease Provisions. Lessor shall not be required to keep said security deposit separate from its general accounts. If Lessee performs all of Lessee's obligations hereunder, said deposit, or so much thereof as has not heretofore been applied by Lessor, shall be returned, without payment of interest or other increment for its use, to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest hereunder) at the expiration of the term hereof, and after Lessee has vacated the Premises. No trust relationship is created herein between Lessor and Lessee with respect to said Security Deposit.

6. Use.

6.1 Use. The Premises shall be used and occupied only for the purpose set forth in paragraph 1.4 of the Basic Lease Provisions or any other use which is reasonably comparable to that use and for no other purpose.

6.2 Compliance with Law.

(a) Lessor warrants to Lessee that the Premises, in the state existing on the date that the Lease term commences, but without regard to alterations or improvements made by Lessee or the use for which Lessee will occupy the Premises, does not violate any covenants or restrictions of record, or any applicable building code, regulation or ordinance in effect on such Lease term Commencement Date. In the event it is determined that this warranty has been violated, then it shall be the obligation of the Lessor, after written notice from Lessee, to promptly, at Lessor's sole cost and expense, rectify any such violation. See Addendum 1, Paragraph 6.2(a)

(b) Except as provided in paragraph 6.2(a) Lessee shall, at Lessee's expense, promptly comply with all applicable statutes, ordinances, rules, regulations, orders, covenants and restrictions of record, and requirements of any fire insurance underwriters or rating bureaus, now in effect or which may hereafter come into effect, whether or not they reflect a change in policy from that now existing, during the term or any part of the term hereof, relating in any manner to the Premises and the occupation and use by Lessee of the Premises. Lessee shall conduct its business in a lawful manner and shall not use or permit the use of the Premises or the Common Areas in any manner that will tend to create waste or a nuisance, or shall tend to disturb other occupants of the Office Building Project.

6.3 Condition of Premises.

(a) Lessor shall deliver the Premises to Lessee in a clean condition on the Lease Commencement Date (unless Lessee is already in possession) and Lessor warrants to Lessee that the plumbing, lighting, air conditioning, and heating system in the Premises shall be in good operating condition. In the event that it is determined that this warranty has been violated, then it shall be the obligation of Lessor, after receipt of written notice from Lessee setting forth with specificity the nature of the violation, to promptly, at Lessor's sole cost, rectify such violation. See Addendum 1, Paragraph 6.3(a).

(b) Except as otherwise provided in this Lease, Lessee hereby accepts the Premises and the Office Building Project in their condition existing as of the Lease Commencement Date or the date that Lessee takes possession of the Premises, whichever is earlier, subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of the Premises, and any easements, covenants or restrictions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Lessee acknowledges that it has satisfied itself by its own independent investigation that the Premises are suitable for its intended use, and that neither Lessor nor Lessor's agent or agents has made any representation or warranty as to the present or future suitability of the Premises, Common Areas, or Office Building Project for the conduct of Lessee's business. See Addendum 1, Paragraph 6.3(b).1

7. Maintenance, Repairs, Alterations and Common Area Services.

7.1 Lessor's Obligations. Lessor shall keep the Office Building Project, including the Premises, interior and exterior walls, roof, and common areas, and the equipment whether used exclusively for the Premises or in common with other premises, in good condition and repair; provided, however, Lessor shall not be obligated to paint, repair or replace wall coverings, or to repair or replace any improvements that are not ordinarily a part of the Building or are above then Building standards. Except as provided in paragraph 9.5, there shall be no abatement of rent or liability of Lessee on account of any injury or interference with Lessee's business with respect to any improvements, alterations or repairs made by Lessor to the Office Building Project or any part thereof. Lessee expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the Premises in good order, condition and repair. \* use of the Premises

7.2 Lessee's Obligations.

(a) Notwithstanding Lessor's obligation to keep the Premises in good condition and repair, Lessee shall be responsible for payment of the cost thereof to Lessor as additional rent for that portion of the cost of any maintenance and repair of the Premises, or any equipment (wherever located) that serves only Lessee or the Premises, to the extent such cost is attributable to causes beyond normal wear and tear. Lessee shall be responsible for the cost of painting, repairing or replacing wall coverings, and to repair or replace any Premises improvements that are not ordinarily a part of the Building or that are above then Building standards. Lessor may, at its option, upon reasonable notice, elect to have Lessee perform any particular such maintenance or repairs the cost of which is otherwise Lessee's responsibility hereunder.

(b) On the last day of the term hereof, or on any sooner termination, Lessee shall surrender the Premises to Lessor in the same condition as received, ordinary wear and tear excepted, clean and free of debris. Any damage or deterioration of the Premises shall not be deemed ordinary wear and tear if the same could have been prevented by good maintenance practices by Lessee. Lessee shall repair any damage to the Premises occasioned by the installation or removal of Lessee's trade fixtures, alterations, furnishings and equipment. Except as otherwise stated in this Lease, Lessee shall leave the air lines, power panels, electrical distribution systems, lighting fixtures, air conditioning, window coverings, wall coverings, carpets, wall panelling, ceilings and plumbing on the Premises and in good operating condition.

7.3 Alterations and Additions.

(a) Lessee shall not, without Lessor's prior written consent make any alterations, improvements, additions, Utility Installations or repairs in, on or about the Premises, or the Office Building Project. As used in this paragraph 7.3 the term "Utility Installation" shall mean carpeting, window and wall coverings, power panels, electrical distribution systems, lighting fixtures, air conditioning, plumbing, and telephone and telecommunication wiring and equipment. At the expiration of the term, Lessor may require the removal of any or all of said alterations, improvements, additions or Utility Installations, and the restoration of the Premises and the Office Building Project to their prior condition, at Lessee's expense. Should Lessor permit Lessee to make its own alterations, improvements, additions or Utility Installations, Lessee shall use only such contractor as has been expressly approved by Lessee and Lessor may require Lessee to provide Lessor, at Lessee's sole cost and expense, a lien and completion bond in an amount equal to one and one-half times the estimated cost of such improvements, to insure Lessor against any liability for mechanic's and materialmen's liens and to insure completion of the work. Should Lessee make any alterations, improvements, additions or Utility Installations without the prior approval of Lessor, or use a contractor not expressly approved by Lessor, Lessor may, at any time during the term of this Lease, require that Lessee remove any part or all of the same.

(b) Any alterations, improvements, additions or Utility Installations in or about the Premises or the Office Building Project that Lessee shall desire to make shall be presented to Lessor in written form, with proposed detailed plans. If Lessor shall give its consent to Lessee's making such alteration, improvement, addition or Utility Installation, the consent shall be deemed conditioned upon Lessee acquiring a permit to do so from the applicable governmental agencies, furnishing a copy thereof to Lessor prior to the commencement of the work, and compliance by Lessee with all conditions of said permit in a prompt and expeditious manner.

(c) Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use in the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises, the Building or the Office Building Project, or any interest therein.

(d) Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in the Premises by Lessee, and Lessor shall have the right to post notices of non-responsibility in or on the Premises or the Building as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend itself and Lessor against the same and shall pay and satisfy

Any contractor, subcontractor, or other persons selected by Lessee must first be approved of in writing by Lessor and said contractor, subcontractor, or other person must maintain insurance as required by Lessor; Initials: [Signature]

any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises, the Building or the Office Building Project, upon the condition that if Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount equal to such contested lien claim or demand indemnifying Lessor against liability for the same and holding the Premises, the Building and the Office Building Project free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's reasonable attorneys' fees and costs in participating in such action if Lessor shall decide it is to Lessor's best interest so to do.

(e) All alterations, improvements, additions and Utility Installations (whether or not such Utility Installations constitute trade fixtures of Lessee), which may be made to the Premises by Lessee, including but not limited to, floor coverings, panelings, doors, drapes, built-ins, moldings, sound attenuation, and lighting and ~~telephone or communication systems~~, conduit, wiring and outlets, shall be made and done in a good and workmanlike manner and of good and sufficient quality and materials and shall be the property of Lessor and remain upon and be surrendered with the Premises at the expiration of the Lease term, unless Lessor requires their removal pursuant to paragraph 7.3(a). Provided Lessee is not in default, notwithstanding the provisions of this paragraph 7.3(e), Lessee's personal property and equipment, other than that which is affixed to the Premises so that it cannot be removed without material damage to the Premises or the Building, and other than Utility Installations, shall remain the property of Lessee and may be removed by Lessee subject to the provisions of paragraph 7.2. See Addendum 1, Paragraph 7.3 (e)

(f) Lessee shall provide Lessor with as-built plans and specifications for any alterations, improvements, additions or Utility Installations.

7.4 **Utility Additions.** Lessor reserves the right to install new or additional utility facilities throughout the Office Building Project for the benefit of Lessor or Lessee, or any other lessee of the Office Building Project, including, but not by way of limitation, such utilities as plumbing, electrical systems, communication systems, and fire protection and detection systems, so long as such installations do not unreasonably interfere with Lessee's use of the Premises.

8. **Insurance; Indemnity.** See Addendum 1, Paragraph 8.1.1

~~8.1 **Liability Insurance—Lessee.** Lessee shall, at Lessee's expense, obtain and keep in force during the term of this Lease a policy of Comprehensive General Liability Insurance utilizing an Insurance Services Office standard form with Broad Form General Liability Endorsement (GL0404), or equivalent, in an amount of not less than \$1,000,000 per occurrence of bodily injury and property damage combined or in a greater amount as reasonably determined by Lessor and shall insure Lessee with Lessor as an additional insured against liability arising out of the use, occupancy or maintenance of the Premises. Compliance with the above requirement shall not, however, limit the liability of Lessee hereunder.~~

8.2 **Liability Insurance—Lessor.** Lessor shall obtain and keep in force during the term of this Lease a policy of Combined Single Limit Bodily Injury and Broad Form Property Damage Insurance, plus coverage against such other risks Lessor deems advisable from time to time, insuring Lessor, but not Lessee, against liability arising out of the ownership, use, occupancy or maintenance of the Office Building Project in an amount not less than ~~\$5,000,000.00~~ per occurrence. \$2,000,000.00

~~8.3 **Property Insurance—Lessee.** Lessee shall, at Lessee's expense, obtain and keep in force during the term of this Lease for the benefit of Lessee, replacement cost fire and extended coverage insurance, with vandalism and malicious mischief, sprinkler leakage and earthquake sprinkler leakage endorsements, in an amount sufficient to cover not less than 100% of the full replacement cost, as the same may exist from time to time, of all of Lessee's personal property, fixtures, equipment and tenant improvements. See Addendum 1, Paragraph 8.3.1~~

8.4 **Property Insurance—Lessor.** Lessor shall obtain and keep in force during the term of this Lease a policy or policies of insurance covering loss or damage to the Office Building Project improvements, but not Lessee's personal property, fixtures, equipment or tenant improvements, in the amount of the full replacement cost thereof, as the same may exist from time to time, utilizing Insurance Services Office standard form, or equivalent, providing protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, plate glass, and such other perils as Lessor deems advisable or may be required by a lender having a lien on the Office Building Project. In addition, Lessor shall obtain and keep in force, during the term of this Lease, a policy of rental value insurance covering a period of one year, with loss payable to Lessor, ~~which insurance shall also cover all Operating Expenses for said period.~~ Lessee will not be named in any such policies carried by Lessor and shall have no right to any proceeds therefrom. The policies required by these paragraphs 8.2 and 8.4 shall contain such deductibles as Lessor or the aforesaid lender may determine. ~~In the event that the Premises shall suffer an insured loss as defined in paragraph 8.4(f) hereof, the deductible amounts under the applicable insurance policies shall be deemed an Operating Expense.~~ Lessee shall not do or permit to be done anything which shall invalidate the insurance policies carried by Lessor. Lessee shall pay the entirety of any increase in the property insurance premium for the Office Building Project over what it was immediately prior to the commencement of the term of this Lease if the increase is specified by Lessor's insurance carrier as being caused by the nature of Lessee's occupancy or any act or omission of Lessee.

8.5 **Insurance Policies.** Lessee shall deliver to Lessor copies of liability insurance policies required under paragraph 8.1 or certificates evidencing the existence and amounts of such insurance within seven (7) days after the Commencement Date of this Lease. No such policy shall be cancellable or subject to reduction of coverage or other modification except after thirty (30) days prior written notice to Lessor. Lessee shall, at least thirty (30) days prior to the expiration of such policies, furnish Lessor with renewals thereof.

8.6 **Waiver of Subrogation.** Lessee and Lessor each hereby release and relieve the other, and waive their entire right of recovery against the other, for direct or consequential loss or damage arising out of or incident to the perils covered by property insurance carried by such party, whether due to the negligence of Lessor or Lessee or their agents, employees, contractors and/or invitees. If necessary all property insurance policies required under this Lease shall be endorsed to so provide. See Addendum 1, Paragraph 8.6.1

8.7 **Indemnity.** Lessee shall indemnify and hold harmless Lessor and its agents, Lessor's master or ground lessor, partners and lenders, from and against any and all claims for damage to the person or property of anyone or any entity arising from Lessee's use of the Office Building Project, or from the conduct of Lessee's business or from any activity, work or things done, permitted or suffered by Lessee in or about the Premises or elsewhere and shall further indemnify and hold harmless Lessor from and against any and all claims, costs and expenses arising from any breach or default in the performance of any obligation on Lessee's part to be performed under the terms of this Lease, or arising from any act or omission of Lessee, or any of Lessee's agents, contractors, employees, or invitees, and from and against all costs, attorney's fees, expenses and liabilities incurred by Lessor as the result of any such use, conduct, activity, work, things done, permitted or suffered, breach, default or negligence, and in dealing reasonably therewith, including but not limited to the defense or pursuit of any claim or any action or proceeding involved therein; and in case any action or proceeding be brought against Lessor by reason of any such matter, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified. Lessee, as a material part of the consideration to Lessor, hereby assumes all risk of damage to property of Lessee or injury to persons, in, upon or about the Office Building Project arising from any cause and Lessee hereby waives all claims in respect thereof against Lessor. See Addendum 1, Paragraph 8.7.1

8.8 **Exemption of Lessor from Liability.** Lessee hereby agrees that Lessor shall not be liable for injury to Lessee's business or any loss of income therefrom or for loss of or damage to the goods, wares, merchandise or other property of Lessee, Lessee's employees, invitees, customers, or any other person in or about the Premises or the Office Building Project, nor shall Lessor be liable for injury to the person of Lessee, Lessee's employees, agents or contractors, whether such damage or injury is caused by or results from theft, fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said damage or injury results from conditions arising upon the Premises or upon other portions of the Office Building Project, or from other sources or places, or from new construction or the repair, alteration or improvement of any part of the Office Building Project, or of the equipment, fixtures or appurtenances applicable thereto, and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible, Lessor shall not be liable for any damages arising from any act or neglect of any other lessee, occupant or user of the Office Building Project, nor from the failure of Lessor to enforce the provisions of any other lease of any other lessee of the Office Building Project.

8.9 **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified in this paragraph 8 are adequate to cover Lessee's property or obligations under this Lease. See Addendum 1, Paragraph 8.10

9. **Damage or Destruction.**

9.1 **Definitions.**

(a) ~~"Premises Damage" shall mean if the Premises are damaged or destroyed to any extent.~~

(b) "Premises Building Partial Damage" shall mean if the Building of which the Premises are a part is damaged or destroyed to the extent that the cost to repair is less than fifty percent (50%) of the then Replacement Cost of the building.

(c) "Premises Building Total Destruction" shall mean if the Building of which the Premises are a part is damaged or destroyed to the extent that the cost to repair is fifty percent (50%) or more of the then Replacement Cost of the Building.

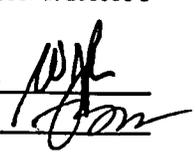
(d) "Office Building Project Buildings" shall mean all of the buildings on the Office Building Project site.

(e) "Office Building Project Buildings Total Destruction" shall mean if the Office Building Project Buildings are damaged or destroyed to the extent that the cost of repair is fifty percent (50%) or more of the then Replacement Cost of the Office Building Project Buildings.

(f) "Insured Loss" shall mean damage or destruction which was caused by an event required to be covered by the insurance described in paragraph 8. The fact that an Insured Loss has a deductible amount shall not make the loss an uninsured loss.

(g) "Replacement Cost" shall mean the amount of money necessary to be spent in order to repair or rebuild the damaged area to the condition that existed immediately prior to the damage occurring, excluding all improvements made by lessees, other than those installed by Lessor at Lessee's expense.

and/or certificates of self insurance, as applicable

Initials: 

**9.2 Premises Damage; Premises Building Partial Damage.**

(a) Insured Loss: Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the term of this Lease there is damage which is an Insured Loss and which falls into the classification of ~~either Premises Damage or~~ Premises Building Partial Damage, then Lessor shall, as soon as reasonably possible and to the extent the required materials and labor are readily available through usual commercial channels, at Lessor's expense, repair such damage (but not Lessee's fixtures, equipment or tenant improvements originally paid for by Lessee) to its condition existing at the time of the damage, and this Lease shall continue in full force and effect.

(b) Uninsured Loss: Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the term of this Lease there is damage which is not an Insured Loss and which falls within the classification of ~~Premises Damage or~~ Premises Building Partial Damage, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), which damage prevents Lessee from making any substantial use of the Premises, Lessor may at Lessor's option either (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after the date of the occurrence of such damage of Lessor's intention to cancel and terminate this Lease as of the date of the occurrence of such damage, in which event this Lease shall terminate as of the date of the occurrence of such damage.

**9.3 Premises Building Total Destruction; Office Building Project Total Destruction.** Subject to the provisions of paragraphs 9.4 and 9.5, if at any time during the term of this Lease there is damage, whether or not it is an Insured Loss, which falls into the classifications of either (i) Premises Building Total Destruction, or (ii) Office Building Project Total Destruction, then Lessor may at Lessor's option either (i) repair such damage or destruction as soon as reasonably possible at Lessor's expense (to the extent the required materials are readily available through usual commercial channels) to its condition existing at the time of the damage, but not Lessee's fixtures, equipment or tenant improvements, and this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within ~~thirty (30)~~ sixty (60) days after the date of occurrence of such damage of Lessor's intention to cancel and terminate this Lease, in which case this Lease shall terminate ~~as of the date of the occurrence of such damage.~~

**9.4 Damage Near End of Term.**

(a) Subject to paragraph 9.4(b), if at any time during the last twelve (12) months of the term of this Lease there is substantial damage to the Premises, Lessor may at Lessor's option cancel and terminate this Lease as of the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within ~~60~~ 60 days after the date of occurrence of such damage.

(b) Notwithstanding paragraph 9.4(a), in the event that Lessee has an option to extend or renew this Lease, and the time within which said option may be exercised has not yet expired, Lessee shall exercise such option, if it is to be exercised at all, no later than twenty (20) days after the occurrence of an Insured Loss falling within the classification of ~~Premises Damage during the last twelve (12) months of the term of this Lease.~~ If Lessee duly exercises such option during said twenty (20) day period, Lessor shall, at Lessor's expense, repair such damage, but not Lessee's fixtures, equipment or tenant improvements, as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option during said twenty (20) day period, then Lessor may at Lessor's option terminate and cancel this Lease as of the expiration of said twenty (20) day period by giving written notice to Lessee of Lessor's election to do so within ~~ten (10)~~ ten (10) days after the expiration of said twenty (20) day period, notwithstanding any term or provision in the grant of option to the contrary. Premises Building Partial Damage

**9.5 Abatement of Rent; Lessee's Remedies.**

(a) In the event Lessor repairs or restores the Building or Premises pursuant to the provisions of this paragraph 9, and any part of the Premises are not usable (including loss of use due to loss of access or essential services), the rent payable hereunder ~~(including Lessee's Share of Operating Expenses)~~ for the period during which such damage, repair or restoration continues shall be abated, provided (1) the damage was not the result of the negligence of Lessee, and (2) such abatement shall only be to the extent ~~the operation and profitability of Lessee's business as operated from the Premises is adversely affected.~~ Except for said abatement of rent, if any, Lessee shall have no claim against Lessor for any damage suffered by reason of any such damage, destruction, repair or restoration. Lessee's use of

(b) If Lessor shall be obligated to repair or restore the Premises or the Building under the provisions of this Paragraph 9 and shall not commence such repair or restoration within ~~thirty (30)~~ one hundred twenty (120) days after such occurrence, or if Lessor shall not complete the restoration and repair within ~~six (6)~~ nine (9) months after such occurrence, Lessee may at Lessee's option cancel and terminate this Lease by giving Lessor written notice of Lessee's election to do so at any time prior to the commencement or completion, respectively, of such repair or restoration. In such event this Lease shall terminate as of the date of such notice.

(c) Lessee agrees to cooperate with Lessor in connection with any such restoration and repair, including but not limited to the approval and/or execution of plans and specifications required.

**9.6 Termination—Advance Payments.** Upon termination of this Lease pursuant to this paragraph 9, an equitable adjustment shall be made concerning advance rent and any advance payments made by Lessee to Lessor. ~~Lessor shall, in addition, return to Lessee as much of Lessee's security deposit as has not theretofore been applied by Lessor.~~

**9.7 Waiver.** Lessor and Lessee waive the provisions of any statute which relate to termination of leases when leased property is destroyed and agree that such event shall be governed by the terms of this Lease. including real property taxes assessed with regard to the initial Lessee Work.

**10. Real Property Taxes.**

**10.1 Payment of Taxes.** Lessor shall pay the real property tax, as defined in paragraph 10.3, applicable to the Office Building Project ~~subject to reimbursement by Lessee of Lessee's Share of such taxes in accordance with the provisions of paragraph 4.2, except as otherwise provided in paragraph 10.2.~~

**10.2 Additional Improvements.** Lessee shall ~~not~~ be responsible for paying any increase in real property tax specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Office Building Project ~~by other lessees or by Lessor for the exclusive enjoyment of any other lessee. Lessee shall, however, pay to Lessor at the time that Operating Expenses are payable under paragraph 4.2(a) the entirety of any increase in real property tax if assessed solely by reason of additional improvements placed upon the Premises by Lessee or at Lessee's request.~~ if assessed by reason of additional improvements placed upon the Premises by Lessee or at Lessee's request.

**10.3 Definition of "Real Property Tax."** As used herein, the term "real property tax" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed on the Office Building Project or any portion thereof by any authority having the direct or indirect power to tax, including any city, county, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Lessor in the Office Building Project or in any portion thereof, as against Lessor's right to rent or other income therefrom, and as against Lessor's business of leasing the Office Building Project. The term "real property tax" shall also include any tax, fee, levy, assessment or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge hereinabove included within the definition of "real property tax"; or (ii) the nature of which was hereinbefore included within the definition of "real property tax"; or (iii) which is imposed for a service or right not charged prior to June 1, 1978, or, if previously charged, has been increased since June 1, 1978, or (iv) which is imposed as a result of a change in ownership, as defined by applicable local statutes for property tax purposes, of the Office Building Project or which is added to a tax or charge hereinbefore included within the definition of real property tax by reason of such change of ownership, or (v) which is imposed by reason of this transaction, any modifications or changes hereto, or any transfers hereof.

**10.4 Joint Assessment.** If the improvements or property, the taxes for which are to be paid separately by Lessee under paragraph 10.2 or 10.5 are not separately assessed, Lessee's portion of that tax shall be equitably determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information (which may include the cost of construction) as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive. See Addendum 1, Paragraph 10.4.1

**10.5 Personal Property Taxes.**

(a) Lessee shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Lessee contained in the Premises or elsewhere.

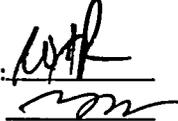
(b) If any of Lessee's said personal property shall be assessed with Lessor's real property, Lessee shall pay to Lessor the taxes attributable to Lessee within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

**11. Utilities.** See Addendum 1, Paragraph 4.2.1

~~11.1 Services Provided by Lessor. Lessor shall provide heating, ventilation, air conditioning, and janitorial service as reasonably required, reasonable amounts of electricity for normal lighting and office machines, water for reasonable and normal drinking and lavatory use, and replacement light bulbs and lamp sockets and ballasts for standard overhead fixtures.~~

~~11.2 Services Exclusive to Lessee. Lessee shall pay for all water, gas, heat, light, power, telephone and other utilities and services, specially or exclusively supplied and/or metered exclusively to the Premises or to Lessee, together with any taxes thereon. If any such services are not separately metered to the Premises, Lessee shall pay at Lessee's option, either Lessee's Share or a reasonable proportion to be determined by Lessor of all charges incurred with other premises in the Building.~~

~~11.3 Hours of Service. Said services and utilities shall be provided during generally accepted business days and hours or such other days or hours as may hereafter be set forth. Utilities and services required at other times shall be subject to advance request and reimbursement by Lessee to Lessor.~~

Initials: 

11.4 Excess Usage by Lessee. Lessee shall not make connection to the utilities except by or through existing outlets and shall not install or use machinery or equipment in or about the Premises that uses excess water, lighting or power, or suffer or permit any act that causes extra burden upon the utilities or services, including but not limited to security services, ~~over standard office usage for the Office Building Project. Lessor shall require Lessee to reimburse Lessor for any excess expenses or costs that may arise out of a breach of this subparagraph by Lessee. Lessor may in its sole discretion, install at Lessee's expense supplemental equipment and/or separate metering applicable to Lessee's excess usage or loading.~~

11.5 Interruptions. There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

12. Assignment and Subletting.

12.1 Lessor's Consent Required. Lessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, or otherwise transfer or encumber all or any part of Lessee's interest in the Lease or in the Premises, without Lessor's prior written consent, which Lessor shall not unreasonably withhold. Lessor shall respond to Lessee's request for consent hereunder in a timely manner and any attempted assignment, transfer, mortgage, encumbrance or subletting without such consent shall be void, and shall constitute a material default and breach of this Lease without the need for notice to Lessee under paragraph 13.1. "Transfer" within the meaning of this paragraph 12 shall include the transfer or transfers aggregating: (a) if Lessee is a corporation, more than twenty-five percent (25%) of the voting stock of such corporation, or (b) if Lessee is a partnership, more than twenty-five percent (25%) of the profit and loss participation in such partnership.

12.2 Lessee Affiliate. Notwithstanding the provisions of paragraph 12.1 hereof, Lessee may assign or sublet the Premises, or any portion thereof, without Lessor's consent, to any corporation which controls, is controlled by or is under common control with Lessee, ~~or to any corporation resulting from the merger or consolidation with Lessee, or to any person or entity which acquires all the assets of Lessee as a going concern of the business that is being conducted on the Premises,~~ all of which are referred to as "Lessee Affiliate"; provided that before such assignment shall be effective, (a) said assignee shall assume, in full, the obligations of Lessee under this Lease and (b) Lessor shall be given written notice of such assignment and assumption. Any such assignment shall not, in any way, affect or limit the liability of Lessee under the terms of this Lease even if after such assignment or subletting the terms of this Lease are materially changed or altered without the consent of Lessee, the consent of whom shall not be necessary. legal entity

12.3 Terms and Conditions Applicable to Assignment and Subletting.

(a) Regardless of Lessor's consent, no assignment or subletting shall release Lessee of Lessee's obligations hereunder or alter the primary liability of Lessee to pay the rent and other sums due Lessor hereunder including Lessee's Share of Operating Expense increase, and to perform all other obligations to be performed by Lessee hereunder.

(b) Lessor may accept rent from any person other than Lessee pending approval or disapproval of such assignment.

(c) Neither a delay in the approval or disapproval of such assignment or subletting, nor the acceptance of rent, shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for the breach of any of the terms or conditions of this paragraph 12 or this Lease.

(d) If Lessee's obligations under this Lease have been guaranteed by third parties, then an assignment or sublease, and Lessor's consent thereto, shall not be effective unless said guarantors give their written consent to such sublease and the terms thereof.

(e) The consent by Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable on the Lease or sublease and without obtaining their consent and such action shall not relieve such persons from liability under this Lease or said sublease; however, such persons shall not be responsible to the extent any such amendment or modification enlarges or increases the obligations of the Lessee or sublessee under this Lease or such sublease.

(f) In the event of any default under this Lease, Lessor may proceed directly against Lessee, ~~any guarantors~~ or any one else responsible for the performance of this Lease, including the sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, ~~or any security held by Lessor or Lessee.~~

(g) Lessor's written consent to any assignment or subletting of the Premises by Lessee shall not constitute an acknowledgement that no default then exists under this Lease of the obligations to be performed by Lessee nor shall such consent be deemed a waiver of any then existing default, except as may be otherwise stated by Lessor at the time.

(h) The discovery of the fact that any financial statement relied upon by Lessor in giving its consent to an assignment or subletting was materially false shall, at Lessor's election, render Lessor's said consent null and void.

12.4 Additional Terms and Conditions Applicable to Subletting. Regardless of Lessor's consent, the following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

monetary (a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same payment toward Lessee's obligations under this Lease; provided, however, that until a default shall occur in the performance of Lessee's obligations under this Lease, Lessee may receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of this or any other assignment of such sublease to Lessor nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a default exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents due and to become due under the sublease. Lessee agrees that such sublessee shall have the right to rely upon any such statement and request from Lessor, and that such sublessee shall pay such rents to Lessor without any obligation or right to inquire as to whether such default exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against said sublessee or Lessor for any such rents so paid by said sublessee to Lessor.

(b) No sublease sublease entered into by Lessee shall be effective unless and until it has been approved in writing by Lessor. In entering into any sublease, Lessee shall use only such form of sublease as is satisfactory to Lessor, and once approved by Lessor, such sublease shall not be changed or modified without Lessor's prior written consent. Any sublease shall, by reason of entering into a sublease under this Lease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every obligation herein to be performed by Lessee other than such obligations as are contrary to or inconsistent with provisions contained in a sublease to which Lessor has expressly consented in writing.

(c) In the event Lessee shall default in the performance of its obligations under this Lease, Lessor at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of Lessee under such sublease from the time of the exercise of said option to the termination of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to Lessee or for any other prior defaults of Lessee under such sublease.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) With respect to any subletting to which Lessor has consented, Lessor agrees to deliver a copy of any notice of default by Lessee to the sublessee. Such sublessee shall have the right to cure a default of Lessee within three (3) days after service of said notice of default upon such sublessee, and the sublessee shall have a right of reimbursement and offset from and against Lessee for any such defaults cured by the sublessee.

12.5 Lessor's Expenses. In the event Lessee shall assign or sublet the Premises or request the consent of Lessor to any assignment or subletting or if Lessee shall request the consent of Lessor for any act Lessee proposes to do then Lessee shall pay Lessor's reasonable costs and expenses incurred in connection therewith, including attorneys', architects', engineers' or other consultants' fees. See Addendum 1, Paragraph 12.5.1

12.6 Conditions to Consent. Lessor reserves the right to condition any approval to assign or sublet upon Lessor's determination that (a) the proposed assignee or sublessee shall conduct a business on the Premises of a quality substantially equal to that of Lessee and consistent with the general character of the other occupants of the Office Building Project and not in violation of any exclusives or rights then held by other tenants, and (b) the proposed assignee or sublessee be at least as financially responsible as Lessee was expected to be at the time of the execution of this Lease or of such assignment or subletting, whichever is greater.

13. Default; Remedies.

13.1 Default. The occurrence of any one or more of the following events shall constitute a material default of this Lease by Lessee:

(a) The vacation or abandonment of the Premises by Lessee. Vacation of the Premises shall include the failure to occupy the Premises for a continuous period of ~~any (60) days or more, whether or not the rent is paid.~~ one hundred twenty (120)

(b) The breach by Lessee of any of the covenants, conditions or provisions of paragraphs 7.3(a), (b) or (d) (alterations), 12.1 (assignment or subletting), 13.1(a) (vacation or abandonment), 13.1(e) (insolvency), 13.1(f) (false statement), 16(a) (estoppel certificate), 30(b) (subordination), 33 (auctions), or 41.1 (easements), all of which are hereby deemed to be material, non-curable defaults ~~without the necessity of any notice by Lessee to Lessor thereof.~~

(c) The failure by Lessee to make any payment of business rent or any other payment required to be made by Lessee hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof from Lessor to Lessee. In the event that Lessor serves Lessee with a Notice to Pay Rent or Quit pursuant to applicable Unlawful Detainer statutes such Notice to Pay Rent or Quit shall also constitute the notice required by this subparagraph.

Initials: WJR  
CDN

(d) The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Lessee other than those referenced in subparagraphs (b) and (c), above, where such failure shall continue for a period of thirty (30) days after written notice thereof from Lessor to Lessee; provided, however, that if the nature of Lessee's noncompliance is such that more than thirty (30) days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commenced such cure within said thirty (30) day period and thereafter diligently pursues such cure to completion. To the extent permitted by law, such thirty (30) day notice shall constitute the sole and exclusive notice required to be given to Lessee under applicable Unlawful Detainer statutes.

(e) (i) The making by Lessee of any general arrangement or general assignment for the benefit of creditors; (ii) Lessee becoming a "debtor" as defined in 11 U.S.C. §101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days; (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days. In the event that any provision of this paragraph 13.1(e) is contrary to any applicable law, such provision shall be of no force or effect.

(f) The discovery by Lessor that any financial statement given to Lessor by Lessee, or its successor in interest or by any guarantor of Lessee's obligation hereunder, was materially false.

**13.2 Remedies.** In the event of any material default or breach of this Lease by Lessee, Lessor may at any time thereafter, with or without notice or demand and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such default:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease and the term hereof shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee all damages incurred by Lessor by reason of Lessee's default including, but not limited to, the cost of recovering possession of the Premises; expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and any real estate commission actually paid; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid rent for the balance of the term after the time of such award exceeds the amount of such rental loss for the same period that Lessee proves could be reasonably avoided; that portion of the leasing commission paid by Lessor pursuant to paragraph 15 applicable to the unexpired term of this Lease.

~~(b) Maintain Lessee's right to possession in which case this Lease shall continue in effect whether or not Lessee shall have vacated or abandoned the Premises. In such event Lessor shall be entitled to enforce all of Lessor's rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.~~ See Addendum 1, Paragraph 13.2 (b)

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located. Unpaid installments of rent and other unpaid monetary obligations of Lessee under the terms of this Lease shall bear interest from the date due at the maximum rate then allowable by law.

**13.3 Default by Lessor.** Lessor shall not be in default unless Lessor fails to perform obligations required of Lessor within a reasonable time, but in no event later than thirty (30) days after written notice by Lessee to Lessor and to the holder of any first mortgage or deed of trust covering the Premises whose name and address shall have theretofore been furnished to Lessee in writing, specifying wherein Lessor has failed to perform such obligation; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days are required for performance then Lessor shall not be in default if Lessor commences performance within such 30-day period and thereafter diligently pursues the same to completion.

**13.4 Late Charges.** Lessee hereby acknowledges that late payment by Lessee to Lessor of Base Rent, Lessee's Share of Operating Expense Increase or other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Lessor by the terms of any mortgage or trust deed covering the Office Building Project. Accordingly, if any installment of Base Rent, Operating Expense Increase, or any other sum due from Lessee shall not be received by Lessor or Lessor's designee within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to 6% of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder.

**14. Condemnation.** If the Premises or any portion thereof or the Office Building Project are taken under the power of eminent domain, or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs; provided that if so much of the Premises or the Office Building Project are taken by such condemnation as would substantially and adversely affect the operation and profitability of Lessee's business conducted from the Premises, Lessee shall have the option, to be exercised only in writing within thirty (30) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within thirty (30) days after the condemning authority shall have taken possession), to terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the rent and Lessee's Share of Operating Expense Increase shall be reduced in the proportion that the floor area of the Premises taken bears to the total floor area of the Premises. Common Areas taken shall be excluded from the Common Areas usable by Lessee and no reduction of rent shall occur with respect thereto or by reason thereof. Lessor shall have the option in its sole discretion to terminate this Lease as of the taking of possession by the condemning authority, by giving written notice to Lessee of such election within thirty (30) days after receipt of notice of a taking by condemnation of any part of the Premises or the Office Building Project. Any award for the taking of all or any part of the Premises or the Office Building Project under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any separate award for loss of or damage to Lessee's trade fixtures, removable personal property and unamortized tenant improvements that have been paid for by Lessee. For that purpose the cost of such improvements shall be amortized over the original term of this Lease excluding any options. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of severance damages received by Lessor in connection with such condemnation, repair any damage to the Premises caused by such condemnation except to the extent that Lessee has been reimbursed therefor by the condemning authority. Lessee shall pay any amount in excess of such severance damages required to complete such repair.

#### 15. Broker's Fee.

(a) The brokers involved in this transaction are See Addendum 1, Paragraph 15.1 as "listing broker" and \_\_\_\_\_ as "cooperating broker," licensed real estate broker(s). A "cooperating broker" is defined as any broker other than the listing broker entitled to a share of any commission arising under this Lease. Upon execution of this Lease by both parties, Lessor shall pay to said brokers jointly, or in such separate shares as they may mutually designate in writing, a fee as set forth in a separate agreement between Lessor and said broker(s), or in the event there is no separate agreement between Lessor and said broker(s), the sum of \$ See Addendum 1, Paragraph 15.1, for brokerage services rendered by said broker(s) to Lessor in this transaction.

(b) Lessor further agrees that (i) if Lessee exercises any Option, as defined in paragraph 39.1 of this Lease, which is granted to Lessee under this Lease, or any subsequently granted option which is substantially similar to an Option granted to Lessee under this Lease, or (ii) if Lessee acquires any rights to the Premises or other premises described in this Lease which are substantially similar to what Lessee would have acquired had an Option herein granted to Lessee been exercised, or (iii) if Lessee remains in possession of the Premises after the expiration of the term of this Lease after having failed to exercise an Option, or (iv) if said broker(s) are the procuring cause of any other lease or sale entered into between the parties pertaining to the Premises and/or any adjacent property in which Lessor has an interest, or (v) if the Base Rent is increased, whether by agreement or operation of an escalation clause contained herein, then as to any of said transactions or rent increases, Lessor shall pay said broker(s) a fee in accordance with the schedule of said broker(s) in effect at the time of execution of this Lease. Said fee shall be paid at the time such increased rental is determined.

(c) Lessor agrees to pay said fee not only on behalf of Lessor but also on behalf of any person, corporation, association, or other entity having an ownership interest in said real property or any part thereof, when such fee is due hereunder. Any transferee of Lessor's interest in this Lease, whether such transfer is by agreement or by operation of law, shall be deemed to have assumed Lessor's obligation under this paragraph 15. Each listing and cooperating broker shall be a third party beneficiary of the provisions of this paragraph 15 to the extent of their interest in any commission arising under this Lease and may enforce that right directly against Lessor; provided, however, that all brokers having a right to any part of such total commission shall be a necessary party to any suit with respect thereto.

(d) Lessee and Lessor each represent and warrant to the other that neither has had any dealings with any person, firm, broker or finder (other than the person(s), if any, whose names are set forth in paragraph 15(a), above) in connection with the negotiation of this Lease and/or the consummation of the transaction contemplated hereby, and no other broker or other person, firm or entity is entitled to any commission or finder's fee in connection with said transaction and Lessee and Lessor do each hereby indemnify and hold the other harmless from and against any costs, expenses, attorneys' fees or liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying party.

#### 16. Estoppel Certificate.

(a) Each party (as "responding party") shall at any time upon not less than ten (10) <sup>business</sup> days' prior written notice from the other party ("requesting party") execute, acknowledge and deliver to the requesting party a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date

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to which the rent and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to the responding party's knowledge, any uncured defaults on the part of the requesting party, or specifying such defaults if any are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Office Building Project or of the business of Lessee.

(b) At the requesting party's option, the failure to deliver such statement within such time shall be a material default of this Lease by the party who is to respond, ~~without any further notice to such party, or it shall be conclusive upon such party that (i) this Lease is in full force and effect, without modification except as may be represented by the requesting party, (ii) there are no uncured defaults in the requesting party's performance, and (iii) if Lessor is the requesting party, not more than one month's rent has been paid in advance.~~

~~(c) If Lessor desires to finance, refinance, or sell the Office Building Project, or any part thereof, Lessee hereby agrees to deliver to any lender or purchaser designated by Lessor such financial statements of Lessee as may be reasonably required by such lender or purchaser. Such statements shall include the past three (3) years' financial statements of Lessee. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth. Lessee agrees to furnish copies of audited annual\*~~

**17. Lessor's Liability.** The term "Lessor" as used herein shall mean only the owner or owners, at the time in question, of the fee title or a lessee's interest in a ground lease of the Office Building Project, and except as expressly provided in paragraph 15, in the event of any transfer of such title or interest, Lessor herein named (and in case of any subsequent transfers then the grantor) shall be relieved from and after the date of such transfer of all liability as respects Lessor's obligations thereafter to be performed, provided that any funds in the hands of Lessor or the then grantor at the time of such transfer, in which Lessee has an interest, shall be delivered to the grantee. The obligations contained in this Lease to be performed by Lessor shall, subject as aforesaid, be binding on Lessor's successors and assigns, only during their respective periods of ownership.

**18. Severability.** The invalidity of any provision of this Lease as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

**19. Interest on Past-due Obligations.** Except as expressly herein provided, any amount due to Lessor not paid when due shall bear interest at the maximum rate then allowable by law or judgments from the date due. Payment of such interest shall not excuse or cure any default by Lessee under this Lease; provided, however, that interest shall not be payable on late charges incurred by Lessee nor on any amounts upon which late charges are paid by Lessee.

**20. Time of Essence.** Time is of the essence with respect to the obligations to be performed under this Lease.

**21. Additional Rent.** All monetary obligations of Lessee to Lessor under the terms of this Lease, including ~~but not limited to Lessee's Share of Operating Expenses, interest and any other~~ expenses payable by Lessee hereunder shall be deemed to be rent.

**22. Incorporation of Prior Agreements; Amendments.** This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior or contemporaneous agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification. Except as otherwise stated in this Lease, Lessee hereby acknowledges that neither the real estate broker listed in paragraph 15 hereof nor any cooperating broker on this transaction nor the Lessor or any employee or agents of any of said persons has made any oral or written warranties or representations to Lessee relative to the condition or use by Lessee of the Premises or the Office Building Project and Lessee acknowledges that Lessee assumes all responsibility regarding the Occupational Safety Health Act, the legal use and adaptability of the Premises and the compliance thereof with all applicable laws and regulations in effect during the term of this Lease.

**23. Notices.** Any notice required or permitted to be given hereunder shall be in writing and may be given by personal delivery or by certified or registered mail and shall be deemed sufficiently given if delivered or addressed to Lessee or to Lessor at the address noted below or adjacent to the signature of the respective parties, as the case may be. Mailed notices shall be deemed given upon ~~actual receipt at the address required, or forty-eight hours following deposit in the mail, postage prepaid, whichever first occurs.~~ <sup>return receipt requested</sup> Either party may by notice to the other specify a different address for notice purposes except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice purposes. A copy of all notices required or permitted to be given to Lessor hereunder shall be ~~concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by notice to Lessee.~~ <sup>the date shown on the return receipt.</sup>

**24. Waivers.** No waiver by Lessor of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Lessee of the same or any other provision. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to or approval of any subsequent act by Lessee. The acceptance of rent hereunder by Lessor shall not be a waiver of any preceding breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

~~25. Recording. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a "short form" memorandum of this Lease for recording purposes.~~

**26. Holding Over.** If Lessee, with Lessor's consent, remains in possession of the Premises or any part thereof after the expiration of the term hereof, such occupancy shall be a tenancy from month to month upon all the provisions of this Lease pertaining to the obligations of Lessee, except that ~~the rent payable shall be two hundred percent (200%) of the rent payable immediately preceding the termination date of this Lease, and all Options, if any, granted under the terms of this Lease shall be deemed terminated and be of no further effect during said month to month tenancy.~~ <sup>as provided in Addendum 1, Paragraph 26.1</sup>

**27. Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

**28. Covenants and Conditions.** Each provision of this Lease performable by Lessee shall be deemed both a covenant and a condition.

**29. Binding Effect; Choice of Law.** Subject to any provisions hereof restricting assignment or subletting by Lessee and subject to the provisions of paragraph 17, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the State where the Office Building Project is located and any litigation concerning this Lease between the parties hereto shall be initiated in the county in which the Office Building Project is located.

**30. Subordination.**

(a) This Lease, and any Option or right of first refusal granted hereby, at Lessor's option, shall be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation or security now or hereafter placed upon the Office Building Project and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. Notwithstanding such subordination, Lessee's right to quiet possession of the Premises shall not be disturbed if Lessee is not in default and so long as Lessee shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms. If any mortgagee, trustee or ground lessor shall elect to have this Lease and any Options granted hereby prior to the lien of its mortgage, deed of trust or ground lease, and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such mortgage, deed of trust or ground lease, whether this Lease or such Options are dated prior or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof.

(b) Lessee agrees to execute any documents required to effectuate an attachment, a subordination, or to make this Lease or any Option granted herein prior to the lien of any mortgage, deed of trust or ground lease, as the case may be. Lessee's failure to execute such documents within ten (10) days after written demand shall constitute a material default by Lessee hereunder without further notice to Lessee or, at Lessor's option, Lessor shall execute such documents on behalf of Lessee as Lessee's attorney-in-fact. Lessee does hereby make, constitute and irrevocably appoint Lessor as Lessee's attorney-in-fact and in Lessee's name, place and stead, to execute such documents in accordance with this paragraph 30(b).

**31. Attorneys' Fees.**

31.1 If either party or the broker(s) named herein bring an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action, trial or appeal thereon, shall be entitled to his reasonable attorneys' fees to be paid by the losing party as fixed by the court in the same or a separate suit, and whether or not such action is pursued to decision or judgment. The provisions of this paragraph shall inure to the benefit of the broker named herein who seeks to enforce a right hereunder.

31.2 The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred in good faith, as determined by the court.

31.3 Lessor shall be entitled to reasonable attorneys' fees and all other costs and expenses incurred in the preparation and service of notice of default and consultations in connection therewith, whether or not a legal transaction is subsequently commenced in connection with such default, ~~excluding attorney's fees and other costs for preparation and service of a Notice to Quit when~~

**32. Lessor's Access.** Lessor has erred in preparing and serving it.  
32.1 Lessor and Lessor's agents shall have the right to enter the Premises at reasonable times for the purpose of inspecting the same, performing any services required of Lessor, showing the same to prospective purchasers, lenders, or lessees, taking such safety measures, erecting such scaffolding or other necessary structures, making such alterations, repairs, improvements or additions to the Premises or to the Office Building Project as Lessor may reasonably deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. Lessor may at any time place on or about the Premises or the Building any ordinary "For Sale" signs and Lessor may at any time during the last 120 days of the term hereof place on or about the Premises any ordinary "For Lease" signs.

32.2 All activities of Lessor pursuant to this paragraph shall be without abatement of rent, nor shall Lessor have any liability to Lessee for the same.

\*financial statements and other financial data as may be required by Lessor and which Lessor is authorized to use or furnish to any Lender(s) or prospective purchasers of the Office Building Project. Lessee represents and warrants that any financial statement submitted to Lessor by Initials: 

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Lessee prior to or after execution of this Lease are true and correct.

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; provided, however, that Lessor shall be responsible to Lessee for a cost, liability or expense arising from such entry to the extent it is caused by the gross negligence or willful misconduct of Lessor.

**32.3 Lessor shall have the right to retain keys to the Premises and to unlock all doors in or upon the Premises other than to files, vaults and safes;** and in the case of emergency to enter the Premises by any reasonably appropriate means, and any such entry shall not be deemed a forceable or unlawful entry or detainer of the Premises or an eviction. Lessee waives any charges for damages or injuries or interference with Lessee's property or business in connection therewith; provided, however, that Lessor shall be responsible to Lessee for a cost, liability, or expense arising from such entry to the extent it is caused by the gross negligence or willful misconduct of Lessor.

**33. Auctions.** Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises or the Common Areas without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent. The holding of any auction on the Premises or Common Areas in violation of this paragraph shall constitute a material default of this Lease.

**34. Signs.** Lessee shall not place any sign upon the Premises or the Office Building Project without Lessor's prior written consent. Under no circumstances shall Lessee place a sign on any roof of the Office Building Project.

**35. Merger.** The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, or a termination by Lessor, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subtenancies or may, at the option of Lessor, operate as an assignment to Lessor of any or all of such subtenancies.

**36. Consents.** Except for paragraphs 33 (auctions) and 34 (signs) hereof, wherever in this Lease the consent of one party is required to an act of the other party such consent shall not be unreasonably withheld or delayed.

**37. Guarantor.** In the event that there is a guarantor of this Lease, said guarantor shall have the same obligations as Lessee under this Lease.

**38. Quiet Possession.** Upon Lessee paying the rent for the Premises and observing and performing all of the covenants, conditions and provisions on Lessee's part to be observed and performed hereunder, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease. The individuals executing this Lease on behalf of Lessor represent and warrant to Lessee that they are fully authorized and legally capable of executing this Lease on behalf of Lessor and that such execution is binding upon all parties holding an ownership interest in the Office Building Project.

**39. Options.** See Addendum 1, Paragraph 39.4

**39.1 Definition.** As used in this paragraph the word "Option" has the following meaning: (1) the right or option to extend the term of this Lease or to renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (2) the option of right of first refusal to lease the Premises or the right of first offer to lease the Premises or the right of first refusal to lease other space within the Office Building Project or other property of Lessor or the right of first offer to lease other space within the Office Building Project or other property of Lessor; (3) the right or option to purchase the Premises or the Office Building Project, or the right of first refusal to purchase the Premises or the Office Building Project or the right of first offer to purchase the Premises or the Office Building Project, or the right or option to purchase other property of Lessor, or the right of first refusal to purchase other property of Lessor or the right of first offer to purchase other property of Lessor.

**39.2 Options Personal.** Each Option granted to Lessee in this Lease is personal to the original Lessee and may be exercised only by the original Lessee while occupying the Premises who does so without the intent of thereafter assigning this Lease or subletting the Premises or any portion thereof, and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than Lessee; provided, however, that an Option may be exercised by or assigned to any Lessee Affiliate as defined in paragraph 12.2 of this Lease. The Options, if any, herein granted to Lessee are not assignable separate and apart from this Lease, nor may any Option be separated from this Lease in any manner, either by reservation or otherwise.

**39.3 Multiple Options.** In the event that Lessee has any multiple options to extend or renew this Lease a later option cannot be exercised unless the prior option to extend or renew this Lease has been so exercised.

**39.4 Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option, notwithstanding any provision in the grant of Option to the contrary, (i) during the time commencing from the date Lessor gives to Lessee a notice of default pursuant to paragraph 13.1(c) or 13.1(d) and continuing until the noncompliance alleged in said notice of default is cured, or (ii) during the period of time commencing on the day after a monetary obligation to Lessor is due from Lessee and unpaid (without any necessity for notice thereof to Lessee) and continuing until the obligation is paid, or (iii) in the event that Lessor has given to Lessee three or more notices of default under paragraph 13.1(c), or paragraph 13.1(d), whether or not the defaults are cured, during the 12 month period of time immediately prior to the time that Lessee attempts to exercise the subject Option, (iv) if Lessee has committed any non-curable breach, including without limitation those described in paragraph 13.1(b), or is otherwise in default of any of the terms, covenants or conditions of this Lease.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of paragraph 39.4(a).

(c) All rights of Lessee under the provisions of an Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and during the term of this Lease, (i) Lessee fails to pay to Lessor a monetary obligation of Lessee for a period of thirty (30) days after such obligation becomes due (without any necessity of Lessor to give notice thereof to Lessee), or (ii) Lessee fails to commence to cure a default specified in paragraph 13.1(d) within thirty (30) days after the date that Lessor gives notice to Lessee of such default and/or Lessee fails thereafter to diligently prosecute said cure to completion, or (iii) Lessor gives to Lessee three or more notices of default under paragraph 13.1(c), or paragraph 13.1(d), whether or not the defaults are cured, or (iv) if Lessee has committed any non-curable breach, including without limitation those described in paragraph 13.1(b), or is otherwise in default of any of the terms, covenants and conditions of this Lease.

**40. Security Measures—Lessor's Reservations.**

**40.1** Lessee hereby acknowledges that Lessor shall have no obligation whatsoever to provide guard service or other security measures for the benefit of the Premises or the Office Building Project. Lessee assumes all responsibility for the protection of Lessee, its agents, and invitees and the property of Lessee and of Lessee's agents and invitees from acts of third parties. Nothing herein contained shall prevent Lessor, at Lessor's sole option, from providing security protection for the Office Building Project or any part thereof, in which event the cost thereof shall be included within the definition of Operating Expenses, as set forth in paragraph 4.2(b).

**40.2** Lessor shall have the following rights:

(a) To change the name, address or title of the Office Building Project or building in which the Premises are located upon not less than 90 days prior written notice;

~~(b) To at Lessee's expense, provide and install Building standard graphics on the door of the Premises and such portions of the Common Areas as Lessor shall reasonably deem appropriate.~~

~~(c) To permit any Lessee the exclusive right to conduct any business as long as such exclusive <sup>right</sup> does not conflict with any rights expressly given herein.~~

(d) To place such signs, notices or displays as Lessor reasonably deems necessary or advisable upon the roof, exterior of the buildings or the Office Building Project or on pole signs in the Common Areas;

**40.3** Lessee shall not:

(a) Use a representation (photographic or otherwise) of the Building or the Office Building Project or their name(s) in connection with Lessee's business;

(b) Suffer or permit anyone, except in emergency, to go upon the roof of the Building.

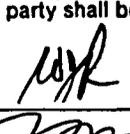
**41. Easements.**

**41.1** Lessor reserves to itself the right, from time to time, to grant such easements, rights and dedications that Lessor deems necessary or desirable, and to cause the recordation of Parcel Maps and restrictions, so long as such easements, rights, dedications, Maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee shall sign any of the aforementioned documents upon request of Lessor and failure to do so shall constitute a material default of this Lease by Lessee ~~without the need for further notice to Lessee.~~

**41.2** The obstruction of Lessee's view, air, or light by any structure erected in the vicinity of the Building, whether by Lessor or third parties, shall in no way affect this Lease or impose any liability upon Lessor.

**42. Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one party to the other under the provisions hereof, the party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment, and there shall survive the right on the part of said party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said party to pay such sum or any part thereof, said party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

\*upon 24 hours notice to Lessee (except in case of emergency)

Initials: 

43. Authority. If Lessee is a corporation, trust, or general or limited partnership, Lessee, and each individual executing this Lease on behalf of such entity represent and warrant that such individual is duly authorized to execute and deliver this Lease on behalf of said entity. If Lessee is a corporation, trust or partnership, Lessee shall, within thirty (30) days after execution of this Lease, deliver to Lessor evidence of such authority satisfactory to Lessor.

44. Conflict. Any conflict between the printed provisions, Exhibits or Addenda of this Lease and the typewritten or handwritten provisions, if any, shall be controlled by the typewritten or handwritten provisions.

45. No Offer. Preparation of this Lease by Lessor or Lessor's agent and submission of same to Lessee shall not be deemed an offer to Lessee to lease. This Lease shall become binding upon Lessor and Lessee only when fully executed by both parties.

46. Lender Modification. Lessee agrees to make such reasonable modifications to this Lease as may be reasonably required by an institutional lender in connection with the obtaining of normal financing or refinancing of the Office Building Project.

47. Multiple Parties. If more than one person or entity is named as either Lessor or Lessee herein, except as otherwise expressly provided herein, the obligations of the Lessor or Lessee herein shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee, respectively.

48. Work Letter. This Lease is supplemented by that certain Work Letter of even date executed by Lessor and Lessee, attached hereto as Exhibit C, and incorporated herein by this reference.

49. Attachments. Attached hereto are the following documents which constitute a part of this Lease:

- Exhibit "A" - Floor Plans
- Exhibit "B" - Rules & Regulations
- Exhibit "C" - Work Letter
- Exhibit "D" - Office Building Project Site Plans
- Exhibit "E" - Furniture Exhibit
- Exhibit "F" - Memorandum of Commencement Date and Expiration Date
- Addendum 1

APPROVED AS TO FORM

Aug 20, 1999  
 ROBERT E. SHANNON, City Attorney  
 By [Signature]  
 DEPUTY CITY ATTORNEY

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN IT HAS BEEN PREPARED FOR SUBMISSION TO YOUR ATTORNEY FOR HIS APPROVAL. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKER OR ITS AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION RELATING THERETO; THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN LEGAL COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.

LESSOR

LESSEE

SCAN Health Plan, a California non-profit corporation

Housing Authority of the City of Long Beach, a municipal corporation

By [Signature]

By [Signature]

Its PRESIDENT AND CEO

ASSISTANT CITY MANAGER

Its EXECUTED PURSUANT TO SECTION 301 OF THE CITY CHARTER.

By [Signature]

By \_\_\_\_\_

Its Chief Financial Officer

Its \_\_\_\_\_

Executed at \_\_\_\_\_

Executed at \_\_\_\_\_

on \_\_\_\_\_

on \_\_\_\_\_

Address \_\_\_\_\_

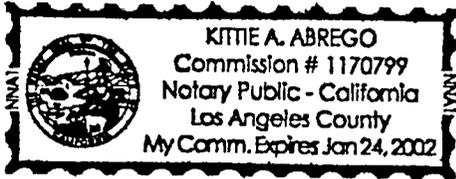
Address \_\_\_\_\_

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

State of California }  
 County of Los Angeles } ss.

On 8-24-99, before me, Kittie A. Abrego, Notary Public,  
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")  
 personally appeared Gerald R. Miller,  
Name(s) of Signer(s)

personally known to me  
 ~~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.

WITNESS my hand and official seal.

Kittie A. Abrego  
Signature of Notary Public

Place Notary Seal Above

**OPTIONAL**

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

**Description of Attached Document**

Title or Type of Document: \_\_\_\_\_

Document Date: \_\_\_\_\_ Number of Pages: \_\_\_\_\_

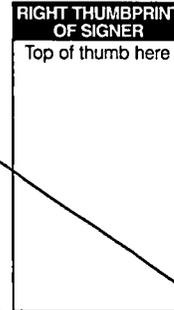
Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer**

Signer's Name: \_\_\_\_\_

- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_



# STANDARD OFFICE LEASE

## FLOOR PLAN



To be inserted as Exhibit "A" upon the completion of construction drawings by Lessee or Lessee's space planner and subsequent approval of same by Lessor.

**EXHIBIT A**

# RULES AND REGULATIONS FOR STANDARD OFFICE LEASE



Dated: August 10, 1999

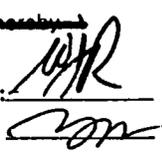
By and Between SCAN Health Plan, a California non-profit corporation ("Lessor") and  
Housing Authority of the City of Long Beach, a municipal corporation ("Lessee")

## GENERAL RULES

1. Lessee shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.
- ~~2. Lessor reserves the right to refuse access to any persons Lessor in good faith judges to be a threat to the safety, reputation or property of the Office Building Project and its occupants.~~
- ~~2. Lessee shall not make or permit any noise or orders that annoy or interfere with other lessees or persons having business within the Office Building Project.~~
4. Lessee shall not keep animals or birds within the Office Building Project, and shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.
5. Lessee shall not make, suffer or permit litter except in appropriate receptacles for that purpose.
6. Lessee shall not alter any lock or install new or additional locks or bolts. See Addendum 1, Paragraph 55
7. Lessee shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substances of any kind are to be inserted therein.
8. Lessee shall not deface the walls, partitions or other surfaces of the premises or Office Building Project. See Addendum 1, Paragraph 55
9. Lessee shall not suffer or permit any thing in or around the Premises or Building that causes excessive vibration or floor loading in any part of the Office Building Project.
10. Furniture, significant freight and equipment shall be moved into or out of the building only with the Lessor's knowledge and consent, and subject to such reasonable limitations, techniques and timing, as may be designated by Lessor. Lessee shall be responsible for any damage to the Office Building Project arising from any such activity.
11. Lessee shall not employ any service or contractor for services or work to be performed in the Building, except as approved by Lessor. See Addendum 1, Paragraph 55
12. Lessor reserves the right to close and lock the Building on Saturdays, Sundays and legal holidays, and on other days between the hours of N/A P.M. and N/A A.M. of the following day. If Lessee uses the Premises during such periods, Lessee shall be responsible for securely locking any doors it may have opened for entry. See Addendum 1, Paragraph 55
13. Lessee shall return all keys at the termination of its tenancy and shall be responsible for the cost of replacing any keys that are lost.
14. No window coverings, shades or awnings shall be installed or used by Lessee. See Addendum 1, Paragraph 55
15. No Lessee, <sup>employee</sup> ~~employee~~ or invitee shall go upon the roof of the Building.
16. Lessee shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas reasonably designated by Lessor or by applicable governmental agencies as non-smoking areas.
17. Lessee shall not use any method of heating or air conditioning other than as provided by Lessor. See Addendum 1, Paragraph 55
- ~~18. Lessee shall not install, maintain or operate any vending machines upon the Premises without Lessor's written consent.~~
19. The Premises shall not be used for lodging or manufacturing, cooking or food preparation. See Addendum 1, Paragraph 55
20. Lessee shall comply with all safety, fire protection and evacuation regulations established by Lessor or any applicable governmental agency.
21. Lessor reserves the right to waive any one of these rules or regulations, and/or as to any particular Lessee, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent application thereof to such Lessee.
22. Lessee assumes all risks from theft or vandalism and agrees to keep its Premises locked as may be required. See Addendum 1, Paragraph 55
23. Lessor reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the Office Building Project and its occupants. Lessee agrees to abide by these and such rules and regulations.

## PARKING RULES See Addendum 1, Paragraph 56

- ~~1. Parking areas shall be used only for parking by vehicles no larger than full size passenger automobiles herein called "Permitted Size Vehicles". Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles."~~
2. Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.
3. Parking stickers or identification devices shall be the property of Lessor and be returned to Lessor by the holder thereof upon termination of the holder's parking privileges. Lessee will pay such replacement charge as is reasonably established by Lessor for the loss of such devices.
4. Lessor reserves the right to refuse the sale of monthly identification devices to any person or entity that willfully refuses to comply with the applicable rules, regulations, laws and/or agreements.
- ~~5. Lessor reserves the right to relocate all or a part of parking spaces from floor to floor within one floor, and/or to reasonably adjacent office location(s), and to reasonably allocate them between compact and standard size spaces, so long as the same comply with applicable laws, ordinances and regulations.~~
6. Users of the parking area will obey all posted signs and park only in the areas designated for vehicle parking.
7. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. Lessor will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.
8. Validation, if established, will be permissible only by such method or methods as Lessor and/or its licensee may establish at rates generally applicable to visitor parking.
9. The maintenance, washing, waxing or cleaning of vehicles in the parking structure or Common Areas is prohibited.
10. Lessee shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.
11. Lessor reserves the right to modify these rules and/or adopt such other reasonable and non-discriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.
- ~~12. Such parking use as is herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.~~

Initials: 

## EXHIBIT C

### WORK LETTER AGREEMENT

The following Work Letter Agreement ("Work Letter Agreement") shall be and is made a part of that certain Standard Office Lease - Modified Gross Lease dated August 10, 1999 ("Lease"), by and between SCAN Health Plan, a California non-profit corporation ("Lessor") and Housing Authority of the City of Long Beach, a municipal corporation ("Lessee") for the premises located at 521 East Fourth Street, Long Beach, California (the "Premises"). All capitalized terms used herein shall have the same meanings given in the Lease unless otherwise defined herein.

The parties hereby agree as follows:

#### 1. Plans and Specifications.

1.1 Initial Space Plans. Lessee's space planner (Pat Rass of JCM Facilities Planning and Management), shall prepare a detailed space plan (and Construction Documents, as defined in Section 1.3 below), all in compliance with applicable building codes and other legal requirements, for the Premises which shall include the location of doors and partitions ("Space Plans"). Lessee, at Lessee's expense (by way of deduction from the Lessee Work Allowance) may elect to prepare a Pricing Plan (as defined in Section 1.2 below) which will add to the standard Space Plans the following: electrical and telephone outlets, plumbing fixtures, cabinetry, special HVAC requirements, finishes, heavy floor loads, location and design of elevator and other special requirements.

1.2 Pricing Plan. Lessor and Lessee each have approved or shall approve within five (5) working days of the execution of the Lease those certain Plans (Space Plans and, if applicable, Pricing Plan) and Specifications (all of which shall be subject to approval by Lessor) attached hereto as Schedule 1 ("Pricing Plan"), containing the program and specifications and quantities for the Lessee Work, as defined in Section 2.1. The approved Space Plans and Pricing Plan shall constitute the basis for preparing Construction Documents.

1.3 Construction Documents. Lessee and Lessee's space planner and engineers shall coordinate with each other so as to facilitate the preparation of all plans and specifications for the construction of the Lessee Work ("Construction Documents"). The Construction Documents shall be consistent with the approved Space Plans and, if applicable, the approved Pricing Plan. Construction Documents shall be developed and submitted to Lessor within thirty (30) days of full execution of the Lease, in full compliance with local building codes, and other legal requirements and will be subject to the approval of Lessor such approval not to be unreasonably withheld. Lessor agrees to complete review and approval of the Construction Documents prepared and submitted by Lessee's space planner and/or engineer within seven (7) business days of receipt. ~~All reasonable costs of Lessor in connection with review and approval of the Construction Documents shall be chargeable against the Lessee Work Allowance.~~

1.4 Design and Engineering. Subject to Section 3.1 below, all design and engineering required in order to prepare or implement the Construction Documents shall be provided by Lessee's or Lessee's architects or engineers at Lessee's expense which reasonable costs thereof shall be paid from the Lessee Work Allowance (defined in Section 2.1 below). Lessee shall be solely responsible for determining that the design and engineering of the Lessee Work are acceptable for Lessee's occupancy of the Premises including the general adequacy and placement of partitions, doors, electrical outlets, lighting, finishes, and similar aspects of the design and engineering, and compliance with all applicable building codes and other legal requirements, including, without limitation, the Americans with Disabilities Act.

#### 2. Construction.

2.1 Construction of and Payment for Lessee Work. All improvements required by the Construction Documents shall be called "Lessee Work." Lessor shall contribute the sum of Two Hundred Twenty Two Thousand Two Hundred Dollars (\$222,200.00) toward the cost of the Lessee Work ["Lessee Work Allowance"]; all costs of the Lessee Work in excess of the Lessee's Work Allowance shall be borne by Lessee. The cost of the Lessee Work shall include, without limitation, the

cost of the plans, the mechanical, engineering and space planning costs with respect to the Lessee Work, any construction, supervision and/or management fees incurred by Lessor to third parties in connection with the Lessee Work, all fees for permits, licenses and approvals, any costs triggered by the performance of Lessee's Work which are required by any applicable governmental codes, rules, regulations or ordinances, the cost of all labor (including overtime) and materials constituting the Lessee Work and the costs incurred to modify the fire life safety system within the Premises and install additional fire alarms; provided, however, that such costs shall not include an administrative or coordination fee charged by Lessor. Lessor shall have the right (but not the obligation) to monitor and review Lessee Work for compliance with the Construction Documents, local building codes and other legal requirements. All Lessee Work shall be constructed using new materials and in full compliance with local building codes and other legal requirements.

The cost for the design and installation of wiring and equipment for phone and computer network data systems shall be paid from the Lessee Work Allowance. Said work will be performed by Lessee or Lessee's system contractors ("Lessee's System Contractors"). All of Lessee's System Contractors shall be subject to the reasonable review and approval by Lessor in advance. All such Lessee System Contractors shall be properly licensed and shall, prior to any entry upon the Premises, demonstrate to Lessor that they possess minimum insurance in accordance with Lessor's insurance policies standards and that Lessor shall be named as an additional insured on all such insurance policies. Lessee or Lessee's System Contractors shall be allowed access to the Premises during the construction period to install wire and equipment provided that said work is coordinated ahead of time with Lessor's contractor, does not interfere with the substantial completion of Lessee Work and provided that said work conforms with the Construction Documents, local building codes and other legal requirements. Lessee shall at the end of the Lease Term, remove any such phone and data systems. If Lessee fails to remove such phone and data systems within ten (10) days from the termination or earlier expiration of the Lease Term, Lessor may retain the phone and data systems.

Lessee shall be responsible for all costs of the Lessee Work in excess of the Lessee Work Allowance. Lessee shall pay such costs promptly upon Lessee's approval of the selected contractor's bid but in any event within fifteen (15) days of Lessor's invoice including reasonable back-up substantiation. In the event the Lessee Work Allowance exceeds the cost of all Lessee Work (including the cost of all Change Orders and Lessee Delays), Lessee may use said balance towards Lessee's Base Rent obligations commencing on the second month of the Lease to a maximum of Twenty-Five Thousand Dollars (\$25,000.00). The Lessee Work shall be constructed by Lessor's contractors. Lessee shall be solely responsible for the design, function and maintenance of all Lessee Work, except as specifically provided otherwise in the Lease.

**2.2 Permits.** Lessee's space planner, architect and consulting engineers shall secure the approval of regulatory authorities and all permits required by regulatory authorities having jurisdiction over such approvals and permits for Lessee Work, with Lessee's and Lessor's cooperation to the extent practicable.

**2.3 Construction Commencement.** (a) Following receipt of the approvals set forth in Section 2.2, a contractor or contractors ("Lessee Work General Contractor") selected and employed by Lessor, as provided below, shall commence and diligently proceed to construct and complete all Lessee Work, subject to delays which are beyond the reasonable control of Lessor or its contractor or contractors. The Lessee Work General Contractor shall be the contractor selected pursuant to a procedure whereby the approved Construction Drawings are submitted to three (3) contractors to be mutually agreed upon in writing by Lessor and Lessee, who are requested to each submit a contract bid price (on such contract form as Lessor shall designate) to construct the Lessee Work. Lessor and Lessee shall jointly review the bids. (b) Lessor and Lessee shall jointly select the Lessee Work General Contractor from among those contractors submitting bids in compliance with this Work Letter Agreement. In the event Lessor and Lessee are not able to agree upon the selection of the Lessee Work General Contractor within one week after submittal of bids by each of the foregoing contractors, then Lessor shall be allowed to select the Lessee Work General Contractor from among those contractors submitting bids in compliance with this Work Letter Agreement. Promptly upon selection of the Lessee Work General Contractor, Lessor and such contractor shall enter into a construction contract consistent with the terms of the bid and the requirements of this Work Letter Agreement in order to construct the Lessee Work. (c) Lessee shall approve in writing the final bid amount of the selected Lessee Work General Contractor; Lessor shall not be required to sign a contract with the Lessee Work General Contractor or otherwise commence construction of the Lessee Work until Lessee has approved in writing

such final bid amount. Any delay by Lessee in approving the final bid amount of the Lessee Work General Contractor beyond the day which is five (5) business days after submittal of the bids by the three contractors noted above shall be considered Lessee Delay in accordance with Paragraph 4 below. (d) Lessor's contract with the Lessee Work General Contractor shall provide that Lessor will make payments within thirty (30) days after invoice, provided the Lessee Work General Contractor has submitted fully documented invoices, including appropriate back-up and conditional/unconditional lien releases. All invoices shall reflect a ten percent (10%) retainage amount until the work is one hundred percent complete, as provided in such contract. Further, the Lessee Work General Contractor and Lessee's space planner, architect and consulting engineers shall provide to Lessor two sets of final as-built drawings for architectural, electrical, mechanical and plumbing as part of submittal of a close-out package to Lessor. Lessor shall not be required to pay any retainage to the Lessee Work General Contractor until all punchlist work in accordance with Paragraph 2.4 has been completed, a complete close-out package has been submitted to Lessor and all lien releases have been submitted to Lessor.

**2.4 Punch List.** On or before the date upon which Lessee occupies the Premises, Lessor shall cause the Lessee Work General Contractor to inspect the Premises with a representative of Lessee and complete a written punch list of unfinished items of Lessee Work prior to Lessee's moving into the Premises. Lessee's representative shall execute said punch list to indicate approval thereof, and if Lessee does not disapprove the punch list within five (5) business days after receipt thereof, Lessee shall be deemed to have approved the same. Lessor shall diligently and in good faith cause the Lessee Work General Contractor to correct punch list items, provided however the correction of the punch list items shall not impact the Commencement Date of the Lease.

**2.5 Debris.** At the time Lessor delivers possession of the Premises to Lessee, the Premises shall be free of debris which results from the construction of the Lessee Work.

### **3. Changes, Additions or Alterations.**

**3.1 Change Order.** If Lessee shall request any change, addition, deletion or alteration in the Construction Documents ("Change Order"), Lessor (at Lessee's expense) shall cause to have prepared and submitted to Lessee plans, specifications and cost estimates with respect to such Change Order for Lessee's approval, such approval not to be unreasonably withheld and to be given prior to any implementation of the Change Order. Any such Change Order shall be subject to the provisions of Section 1.3 and shall be authorized only in writing by Lessee. Lessor shall also have the right to review and approve any requested Change Order, which approval will not be unreasonably withheld.

**3.2 Impact of Change Order.** Lessor shall, before proceeding with any Change Order, submit to Lessee an estimate of the additional costs or savings involved and the period of time, if any, by which the change will affect the completion date for construction of Lessee Work. If Lessee fails to approve or disapprove such cost and delay estimate within two (2) days following receipt thereof, the same shall be deemed approved. If Lessee approves said estimate within said period, or is deemed to have approved said estimate, Lessor shall cause the approved Change Order to be made. The actual delay in construction of the Lessee Work caused by implementation of the Change Order shall be considered a Lessee Delay under Section 4. Lessor shall promptly proceed with the Change Order as soon as reasonably practical after Lessee's approval of the foregoing estimate by Lessor provided that if any amount shall be payable by Lessee to Lessor on account of such Change Order, Lessor shall not be obligated to proceed with such Change Order until Lessor receives said payment.

### **4. Delay.**

Lessee shall be responsible for, and pay any and all costs and expenses incurred by Lessor in connection with any actual delays in the substantial completion of the Lessee Work, and the substantial completion of Lessee's Work shall be determined without regard to any delay in the commencement or completion of the Lessee Work described in this Work Letter Agreement, caused by (a) Lessee failure to approve or disapprove Lessor's cost and/or delay estimates within the time periods required herein, (b) any changes, additions, deletions or alterations in the Lessee Work described in the Construction Documents which were requested by Lessee, (c) any delay by Lessee (in its capacity as Lessee) in approving plans or other matters requiring Lessee's approval, and (d) any other delay requested or caused by Lessee, Lessee's space planner and/or Lessee's System's Contractors or other vendors. The foregoing delays are referred to herein as "Lessee Delays."

5. Default.

Any default by Lessee (after notice and opportunity to cure as set forth in Paragraph 13 of the Lease) under the terms of this Work Letter Agreement shall constitute a default under the Lease to which this Work Letter Agreement is attached, and shall entitle Lessor to exercise all remedies set forth in the Lease.

6. Reasonable Diligence.

Both Lessor and Lessee agree to use reasonable diligence in performing all of their respective obligations and duties under this Work Letter Agreement and in proceeding with the construction and completion of Lessee Work.

"Lessee"

"Lessor"

Housing Authority of the City of Long Beach,  
a municipal corporation

SCAN Health Plan, a California non-profit  
Corporation

By: [Signature]  
ASSISTANT CITY MANAGER

By: [Signature]

Its: EXECUTED PURSUANT  
TO SECTION 301 OF  
THE CITY CHARTER.

Its: PRESIDENT AND CEO

APPROVED AS TO FORM

Aug 20, 1999  
ROBERT E. SHANNON, City Attorney

By: [Signature]

By: [Signature]  
DEPUTY CITY ATTORNEY

Its: Chief Financial Officer

**EXHIBIT D**

**OFFICE BUILDING PROJECT SITE PLANS**

**SUBJECT PROPERTY INFORMATION**

18) Property: 521 E 4TH ST 2H, LONG BEACH CA 90802-2502 C014  
APN: 7281-007-026 Use: OFFICE BUILDING  
County: LOS ANGELES, CA Tax Rate Area: 11933 Total Value: \$596,098  
Census: 5762.00 Prop Tax: \$6,811.28 Land Value: \$212,892  
Map Pg: 75-D5 Delinq Tax Yr: Imprv Value: \$383,206  
New Pg: 795-E7 Exemptions: Assd Yr: 1997  
Phone: % Improved: 64%  
Owner: SCAN HEALTH PLAN  
Mail: 521 E 4TH ST #2H; LONG BEACH CA 90802-2502%DAVID EINHORN

**SALES INFORMATION**

**IMPROVEMENTS**

Transfer Date:	LAST SALE: 04/12/93	PRIOR SALE: 10/11/83	Bldg/Liv Area:	11,088
Sale Price/Type:		\$245,000 CONFIRMED	# Units:	
Document #:		1196721	# Bldgs:	1
Document Type:			# Stories:	1
1st TD/Type:		\$67,300	\$/SF:	
Finance:			Yrbl/Eff:	57 23
Junior TD's:			Total Rms:	
Lender:			Bedrms:	
Seller:			Baths(F/H):	
Title Company:			Fireplace:	
Transfer Info:			Pool:	
			Bsmt Area:	
			Construct:	
			Flooring:	
			Air Cond:	
			Heat Type:	FORCED AIR
			Quality:	AVERAGE
			Condition:	
			Style:	
			Other Rooms:	

**SITE INFORMATION**

Improve Type:	Lot Size: 50 X 150
Zoning: CH* LB	Lot Area: 7,500
County Use: 1900	Parking:
Bldg Class: C	Park Spaces:
Flood Panel: 060136-0020B	Site Influence:
Flood Zone: C, 09/15/83	Ground Lease:
Phys Chars: CONCRETE FOUNDATION;CONCRETE FRAME;ROLL COMPOSITION ROOF COVER;TRUSS-JOIST ROOF TYPE;CONCRETE EXTERIOR;	
Legal: L22 B69/LONG BEACH L 21 &	
Comments: USABLE LOT:7,496;MEZZ-4,580	

**SUBJECT PROPERTY INFORMATION**

19) Property: 421 E 4TH ST, LONG BEACH CA 90802-2406 C024  
APN: 7281-007-065 Use: PARKING LOT  
County: LOS ANGELES, CA Tax Rate Area: 11933 Total Value: \$197,167  
Census: 5762.00 Prop Tax: \$2,103.98 Land Value: \$192,086  
Map Pg: Delinq Tax Yr: Imprv Value: \$5,081  
New Pg: Exemptions: Assd Yr: 1997  
Phone: % Improved: 2%  
Owner: SCAN HEALTH PLAN  
Mail: 521 E 4TH ST; LONG BEACH CA 90802-2502

**SALES INFORMATION**

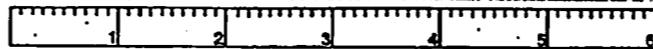
**IMPROVEMENTS**

LAST SALE:	PRIOR SALE:	Bldg/Liv Area:	7,500
Transfer Date: 04/12/93	04/10/84	# Units:	
Sale Price/Type:		# Bldgs:	
Document #:		# Stories:	
Document Type:		\$/SF:	
1st TD/Type:		Yrblt/Eff:	71 71
Finance:		Total Rms:	
Junior TD's:		Bedrms:	
Lender:		Baths(F/H):	
Seller:		Fireplace:	
Title Company:		Pool:	
Transfer Info:		Bsmt Area:	

**SITE INFORMATION**

Improve Type:	Lot Size:	Flooring:
Zoning: CH* LB	Lot Area:	Air Cond:
County Use: 2700	Parking:	Heat Type:
Bldg Class:	Park Spaces:	Quality:
Flood Panel:	Site Influence:	Condition:
Flood Zone:	Ground Lease:	Style:
Phys Chars:		Other Rooms:
Legal: /LONG BEACH 1/2 VAC ALLEY ADJ ON N &		
Comments: USABLE LOT:7,736		

1-800-345-7334



SCALE IN 1/10 OF AN INCH

7281 | 7  
SHEET 1  
SCALE 1" = 80'

REVISED  
7/04/16/240  
BANKS-06  
BANKS-06  
BANKS-06  
06/02/01-06  
06/12/03-07  
07/07/04-08  
12/01/04-07.18  
748234  
SCHMIDT-05-04-05  
75-12-00-00-00-00  
REGISTRATION-06-17-00



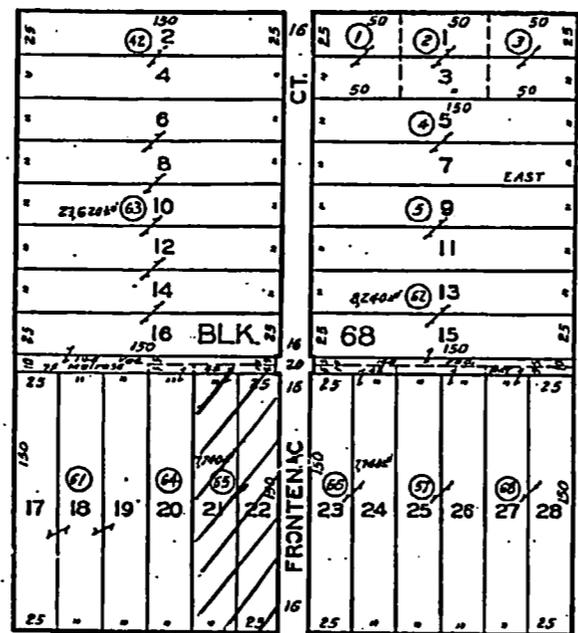
ELM AVE. 80

(B)



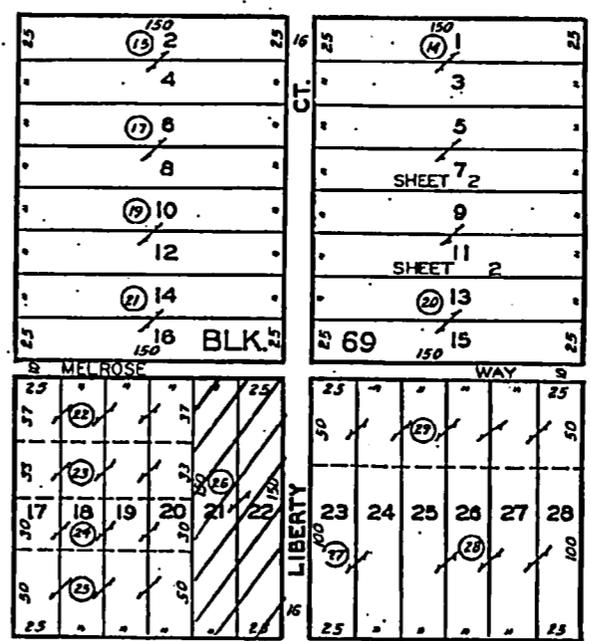
CODE 11933

FOR PREV. ASSMT. SEE: 7278 - 6



8 LINDEN AVE. 8

8 LINDEN



80 ST.

100 AVE. 100

ATLANTIC 100



TOWNSHIP OF LONG BEACH  
M.R. 19-91-96

FEB 08 1996

ASSESSOR'S MAP  
COUNTY OF LOS ANGELES, CALIF.



**EXHIBIT F**

**MEMORANDUM OF COMMENCEMENT DATE  
AND EXPIRATION DATE**

The undersigned are the parties to that certain Standard Office Lease-Gross, for the Building located at 521 East Fourth Street, Long Beach, California, dated as of \_\_\_\_\_, 1999. Pursuant to the terms of the Lease, the undersigned hereby acknowledge and agree upon the following dates:

1. The Commencement Date of the Lease is agreed to be: \_\_\_\_\_  
\_\_\_\_\_.

2. The expiration date of the Term of the Lease is agreed to be: \_\_\_\_\_  
\_\_\_\_\_.

The above is agreed to by the undersigned as of \_\_\_\_\_  
\_\_\_\_\_.

**SCAN HEALTH PLAN,  
a California non-profit corporation**

**By:** \_\_\_\_\_

**Its:** \_\_\_\_\_

**By:** \_\_\_\_\_

**Its:** \_\_\_\_\_

**HOUSING AUTHORITY OF THE  
CITY OF LONG BEACH,  
a municipal corporation**

**By:** \_\_\_\_\_

**Its:** \_\_\_\_\_

**By:** \_\_\_\_\_

**Its:** \_\_\_\_\_

**ADDENDUM 1 TO LEASE  
BY AND BETWEEN  
SCAN HEALTH PLAN, A CALIFORNIA NON-PROFIT CORPORATION  
("LESSOR")  
AND HOUSING AUTHORITY OF THE CITY OF LONG BEACH,  
A MUNICIPAL CORPORATION ("LESSEE")  
CONCERNING 521 EAST FOURTH STREET  
LONG BEACH, CA**

This Addendum Number 1 to Lease shall serve to supplement and, to the degree inconsistent with, shall supersede the Lease dated August 10, 1999 by and between SCAN Health Plan, a California non-profit corporation ("Lessor") and Housing Authority of the City of Long Beach, a municipal corporation ("Lessee").

**1.5.1 COMMENCEMENT DATE.**

The initial lease term and rent shall commence five (5) calendar days following the date that the Tenant Improvements are Completed and the Premises are Ready for Occupancy. The terms "Completed" and "Ready for Occupancy" shall mean the date, upon which all of the following have taken place: (1) Selected contractor has completed the Tenant Improvements and other work that it is obligated to perform pursuant to the Work Letter Agreement, notwithstanding "punch list" items which do not interfere with use of the Premises, (2) Lessor obtains a Certificate of Occupancy or equivalent for the Premises, (3) all Building fire alarms, smoke detectors, exit lights, life safety equipment and other Building code requirements are installed and operational on the Premises, (4) HVAC, utilities, plumbing service and doors and hardware for the Premises are sufficiently completed so as to enable Lessee to move in and install its furniture, fixtures, machinery and equipment in the Premises and conduct normal business operations in the Premises. The "Target Commencement Date" shall be 2 | 1 | 00, 1999.

**2.2.3 OFFICE BUILDING PROJECT/VEHICLE PARKING.**

The Office Building Project includes the Building located at 521 East Fourth Street as identified in Exhibit D as APN 7281-007-026 and the parking lot ("Parking Lot") identified in Exhibit D as APN 7281-007-065. Notwithstanding anything to the contrary contained in the Lease, Lessee shall have the exclusive use of the Parking lot. Said parking shall be granted to Lessee free of charge during the initial Lease Term and option term if Lessee exercises their option to extend. No overnight parking shall be allowed at the Parking Lot or elsewhere within the Office Building Project.

**4.1.1 BASE RENT.**

All payments of rent and notices to Lessor under this Lease shall be paid or given by Lessee to Lessor at the following address, which address may be changed from time to time by Lessor:

SCAN Health Plan  
Attention: Mr. Jeff E. Myers  
3780 Kilroy Airport Way, Suite 600  
Long Beach, California 90806-2460

**4.2.1 OPERATING EXPENSES.**

Lessee shall pay all costs for electricity, gas and water provided to the Premises and to the exterior of the Building. In addition, Lessee shall pay all costs for janitorial services, including supplies, to the interior of the Premises. Lessee shall also be responsible for trash disposal. Lessee shall be responsible for securing all of such services.

Except as provided in the Lease and this Addendum, Lessor shall be responsible for real estate taxes including the Lessee Work Allowance. Except as provided in the Lease and this Addendum, Lessor shall be responsible for casualty insurance for the Building and casualty insurance for the improvements to the Premises existing as of the date of this Lease (but not including the Lessee Work described in Exhibit C to the Lease and any alterations or additions to the Premises which may be made or installed by Lessee), property management, and maintenance and repairs to the Office Building Project (including the Premises), including, but not limited to, all surface and structural elements of the roof; bearing walls and foundations of the Building; plate glass; electrical; plumbing; lighting; heating, ventilating and air conditioning systems ("HVAC"); and all other structural elements of the Building. Lessor shall be responsible for the replacement of any existing capital items within the Building, but only as is necessary to comply with Lessor's obligations under the preceding sentence. Lessor shall not be required to install or replace any capital items within the Building except as provided in the preceding two sentences. Notwithstanding the preceding, all repair costs associated with Lessee's physical occupancy of the Premises shall be borne by Lessee, including such items as clogged toilets, plumbing, paint, flooring, carpet, electrical, normal HVAC maintenance and service items and damage from any vending machines maintained by Lessee upon the Premises. Lessee shall procure and maintain HVAC service contracts for the Term of the Lease. Lessee shall at all times be responsible for HVAC balancing and distribution within the Building (both as to the initial Lessee Work and thereafter during the Term of the Lease). Lessee shall in addition be responsible for any damage to the Premises and/or injury of any type arising from Lessee's contractors or vendors working within or about the attic space of the Building.

**6.2 COMPLIANCE WITH LAW.**

(a) Lessor and Lessee agree that Lessee is accepting the Premises in its present, as-is condition, subject to Lessor's obligation to furnish the Lessee Work Allowance provided for in Exhibit "C" and Paragraph 6.3(b).1 below. Specifically, Lessor advises Lessee that the Premises do not meet current building code and other requirements, including, without limitation, compliance with the Americans With Disabilities Act. Lessee has executed this Lease with the full knowledge of such matters and agrees that Lessor shall have no further liability or responsibility for compliance of the Premises with applicable legal requirements, other than the furnishing of the Lessee Work Allowance in accordance with Exhibit "C". Lessee shall utilize the Lessee Work Allowance for purposes of effecting compliance of the Premises with the ADA and other legal requirements. Except as provided in Addendum 1, Paragraph 4.2.1, Lessor shall not be responsible for any capital or other improvements to the Premises or the Office Building Project during the term of the Lease.

**6.3 CONDITION OF PREMISES.**

- (a).1 Any claim by Lessee that the plumbing, lighting, air conditioning and heating system in the Premises is not in good operating condition as of the Commencement Date must be made in writing to Lessor within thirty (30) days after the Commencement Date.
- (b).1 Lessor agrees to replace the Building's roof, repaint the exterior of the Building, and slurry and restripe the parking lot owned by Lessor prior to the Commencement Date of the Lease.

**7.1.1 MAINTENANCE, REPAIRS, ALTERATIONS AND COMMON AREA SERVICES.**

a) General Action. If Lessee provides notice ("Repair Notice") to Lessor of an event or circumstance which pursuant to the terms of this Lease requires Lessor to repair, alter, improve and/or maintain the Premises ("Required Action") and Lessor fails to provide the Required Action within the time period required by this Lease, or a reasonable period of time if no specific time period is specified in this Lease, after the date of Lessor's receipt of the Repair Notice ("Notice Date"), or, in any event, does not commence the Required Action within ten (10) days after the Notice Date and complete the Required Action within thirty

(30) days after the Notice Date (provided that if the nature of the Required Action is such that the same cannot reasonably be completed within a thirty (30) day period, Lessor's time period for completion shall not be deemed to have expired if Lessor diligently commences such cure within such period and thereafter diligently proceeds to rectify and complete the Required Action, as soon as possible), then Lessee may proceed to take the Required Action, pursuant to the terms of this Lease, and shall deliver a second notice to Lessor at least three (3) business days prior to commencement of the Required Action specifying that Lessee is taking the Required Action ("Second Notice").

(b) **Emergency Action.** Notwithstanding the foregoing, if there exists an emergency such that the Premises are rendered untenable and Lessee's personnel are forced to vacate the Premises and if Lessee gives written notice to Lessor ("Emergency Notice") of Lessee's intent to take action with respect thereto ("Necessary Action") and the Necessary Action is also a Required Action, and the emergency could be cured by such Necessary Action, Lessee may take the Necessary Action if Lessor does not commence the Necessary Action within one (1) business day after the Emergency Notice ("Emergency Cure Period") and thereafter use its commercially reasonable best efforts and due diligence to complete the Necessary Action as soon as possible.

(c) **Restrictions on Action.** If any Necessary Action will affect the systems and equipment located within the Building ("Building Systems"), the structural integrity of the Building, or the exterior appearance of the Building, Lessee shall use only those contractors used by Lessor in the Building for work on the Building Systems or its structure, and Lessor shall provide Lessee (when available and upon Lessee's request) with notice identifying such contractors and any changes to the list of such contractors, unless such contractors are unwilling or unable to perform such work, in which event Lessee may utilize the services of any other qualified contractors who normally and regularly perform similar work in comparable buildings except for any contractors who Lessor specifically notifies Lessee in writing, within five (5) business days of Lessor's receipt of a Repair Notice or one (1) business day of Lessor's receipt of an Emergency Notice, that Lessee may not use for such work.

(d) **Reimbursement For Action.** If any Required Action or Necessary Action is taken by Lessee pursuant to the terms of this Paragraph 7.1.1, then Lessor shall reimburse Lessee for its reasonable and documented costs and expenses in taking the Required Action or Necessary Action within thirty (30) days after receipt by Lessor of an invoice from Lessee which sets forth a reasonably particularized breakdown of its costs and expenses in connection with taking the Required Action or Necessary Action on behalf of Lessor ("Repair Invoice"). In the event Lessor does not reimburse Lessee for the Repair Invoice within thirty (30) days of receipt, then Lessee may deduct from the next rent payable by Lessee under this Lease, the amount set forth in the Repair Invoice ("Offset Right"). Notwithstanding the foregoing, if Lessor delivers to Lessee within thirty (30) days after receipt of the Repair Invoice, a written objection to the payments of such invoice, setting forth with reasonable particularity Lessor's reason for its claim that the Required Action or Necessary Action did not have to be taken by Lessor pursuant to the terms of the Lease or that Lessee breached the terms of this Paragraph 7.1.1, or that the charges are excessive (in which case Lessor shall pay the amount it contends would not have been excessive), then Lessee shall not be entitled to deduct such amount from rent until and unless a court of competent jurisdiction determines that Lessee's offset against rent is in compliance with this Paragraph 7.1.1.

### **7.3 ALTERATIONS AND ADDITIONS.**

(e) Lessee shall leave upon the Premises all wiring, cabling and conduit existing within the Premises during the term of the Lease.

### **8.1.1 INSURANCE OBLIGATIONS-LIABILITY INSURANCE.**

Concurrent with the execution of this Lease and in partial performance of Lessee's obligations hereunder, Lessee shall deliver to Lessor a Certificate of Self-Insurance on Lessee's standard form providing evidence of coverage for:

Commercial general liability self-insurance equivalent in coverage scope to ISO CGL CG 0001), naming the Lessor as an additional insured from and against claims, demands, causes of action, expenses, costs or liability for injury to or death of persons, or damage to or loss of property arising out of the use, occupancy or maintenance of the Premises and all activities performed at the Premises by or on behalf of Lessee, and including contractual liability coverage, in an amount not less than two million dollars (US \$2,000,000.00) per occurrence and in aggregate, although such coverage amount shall not, however, limit the liability of Lessee hereunder. Said insurance shall be primary insurance with respect to Lessor and shall include cross liability coverage. The privilege to self-insure certain risks shall be limited to the original Lessee (meaning the City of Long Beach).

Lessee shall deliver to Lessor evidence of coverage for approval as to sufficiency and form prior to the Commencement Date.

### **8.3.1 INSURANCE OBLIGATIONS-PROPERTY INSURANCE.**

Concurrent with the execution of this Lease, Lessee shall procure and maintain at Lessee's expense for the duration of this Lease including any extensions, renewals, or holding over thereof, "All Risk" property insurance in an amount sufficient to cover the full replacement value of Lessee's personal property, all items of Lessee's Work, as defined in the Workletter Agreement, and any subsequent Alterations and Additions as defined in the Lease, and fixtures and equipment on the leased Premises. The original Lessee (meaning the City of Long Beach) may self-insure some or all of the risks which would be covered by the foregoing "All Risk" property insurance policy provided that it does so in full compliance with the requirements of this Lease.

Lessee and Lessor shall obtain and maintain all insurance required hereunder: (1) with insurance companies that are admitted to write insurance in the State of California, (2) with non-admitted insurers, authorized in the State of California, and/or (3) under a self-insurance program. All third-party insurers shall have a rating of at least A- VIII by the A.M. Best Company. Any self-insurance program or self-insured retention must be approved separately in writing by the mutual agreement of Lessor and Lessee, and shall protect the other party in the same manner and to the same extent as it would have been protected had the policy or policies not contained self-insurance or self-insured retention provisions. Each insurance policy to be maintained by Lessee shall be endorsed to state that coverage shall not be suspended, voided, changed, or canceled except after thirty (30) days prior written notice to Lessor. Each insurance policy to be maintained by Lessee pursuant to this Lease shall be primary and non-contributing to any other insurance or self-insurance maintained by Lessor.

Lessee shall deliver to Lessor certificates of insurance and endorsements for approval as the sufficiency and form prior to the Commencement Date hereunder. The certificates and endorsements for each insurance policy shall contain the original signature of a person authorized by that insurer to bind coverage on its behalf.

### **8.6.1 WAIVER OF SUBROGATION.**

For so long as Lessee complies in all respects with the requirements of this Lease regarding self insurance and self-insured retentions, the mutual waivers of subrogation set forth in Paragraph 8.6 of the Lease shall apply and be effective to the same extent as if Lessee maintained all policies of insurance required by the Lease with insurance carriers and disregarding the effect of any provisions of the Lease or this Addendum authorizing Lessee to self-insure risks and/or authorizing the inclusion in policies of insurance maintained by Lessee of self-insured retentions or deductibles.

### **8.7.1 INDEMNITY.**

The indemnity by Lessee in favor of Lessor set forth in the first sentence of Paragraph 8.7 of the Lease shall not include any claim, cost and expense to the extent the same arises from the gross negligence and/or willful misconduct of Lessor.

## **8.10 INSURANCE OBLIGATIONS-ADJUSTMENTS.**

Any modification or waiver of the insurance requirements herein shall be made only with the mutual, written approval of the Lessor's Risk Manager or designee and of the Lessee's Risk Manager or designee.

Not more frequently than every three (3) years, if in the reasonable opinion of Lessor or of Lessor's Risk Manager or designee, the amount of the foregoing insurance coverage is not adequate, Lessee shall increase the insurance coverage as required by Lessor, but not to a level greater than that required by Lessors of comparable buildings.

### **10.4.1 JOINT ASSESSMENT.**

The provisions of Paragraph 10.4 of the Lease shall not apply to the initial Lessee (meaning the City of Long Beach) because of the tax-exempt status of such initial Lessee. In the event the Lease is assigned to an entity which does not enjoy such tax-exempt status and/or if for any other reason such tax-exempt status is not available to Lessee, the provisions of Paragraph 10.4 shall again apply.

### **11.4.1 EXCESS USAGE BY LESSEE.**

Lessee shall use the utility connections within or about the Premises and/or the Building within their design capacity and in compliance with applicable law. In the event Lessee desires to use utilities in excess of those which can be provided by the utilities systems existing within the Premises and/or the Building, Lessee may, with the prior written consent of Lessor, install additional or upgraded utility facilities to the Premises and/or the Building at Lessee's expense.

### **12.5.1 LESSOR'S EXPENSES.**

The amount of Lessor's expenses for which Lessee shall reimburse Lessor shall be limited to the sum of \$1,500.00 (plus \$100.00 for each year of the Term of the Lease which has elapsed at the time of such assignment) provided that such assignment transaction is a straight-forward transaction not involving multiple parties, amendments to the Lease and/or any alterations to the Premises for which Lessor's consent must be obtained pursuant to the terms of this Lease.

## **13.2 REMEDIES.**

(b) Exercise the remedy described in California Civil Code Section 1951.4 (Lessor may continue this Lease in effect after Lessee's breach and abandonment and recover rent as it becomes due, if Lessee has right to sublet or assign, subject only to reasonable limitations).

## **15.1 BROKER'S FEE.**

Matlow-Kennedy Commercial Real Estate Services ("Broker") only represents Lessee in this transaction. Lessor shall pay Matlow-Kennedy Commercial Real Estate Services a commission of four and fourteen hundredths percent (4.14%) of the total value of the Lease. The Commission shall be payable 1/2 upon full execution of the Lease and 1/2 upon occupancy. Lessor, or successor to Lessor, as the case may be, shall pay Broker four and fourteen hundredths percent (4.14%) of the total value of the Lease with regard to the Option Term or extended term if entered into by Lessor and Lessee.

## **26.1 HOLDING OVER.**

In the event Lessee remains in possession of the Premises after the expiration of the Term pursuant to Paragraph 26 of the Lease, Lessee shall pay as Base Rent to Lessor the sum of one hundred twenty-five percent (125%) of the Base Rent payable immediately prior to expiration of the Term of the Lease for the first month of such holdover, one hundred fifty percent (150%) of the Base Rent payable immediately prior to expiration of the Term of the Lease for the second and third months of such holdover, and thereafter two hundred percent (200%) of the Base Rent payable immediately prior to expiration of the Term of the Lease.

## **39.4 OPTION TO EXTEND.**

### **39.4.1 OPTION RIGHT**

Lessor hereby grants Lessee one (1) option to extend the initial term of the Lease for the entire Premises for a period of five (5) years (the "Option Term"), which option shall be exercisable only by written Exercise Notice (as defined below) delivered by Lessee to Lessor as provided below, provided that, as of the date of delivery of such Exercise Notice, Lessee is not in a state of uncured monetary or other default following the expiration of the applicable cure periods under the Lease. Upon the proper exercise of such option to extend, and provided that, as of the end of the Initial Term, Lessee is not in default, as described above, under the Lease, the Initial Term shall be extended for the Option Term.

### **39.4.2 OPTION RENT**

The annual basic rent payable by Lessee during the Option Term (the "Option Rent") shall be equal to the rate which takes into account all of the following terms and conditions (the "Fair Market Rent") which for purposes hereof means 95% of the monthly Base Rent, at which lessors, as of the commencement of the Option Term, are leasing non-sublease space comparable in size, location and quality to the Premises for a comparable term, in the Long Beach, California area, taking into consideration all concessions and inducements generally being granted at such time; provided, however, that in no event shall the Fair Market Rent be less than the Base Rent in effect as of the expiration of the initial term of the Lease. All other terms and conditions of the Lease shall apply throughout the Option Term; provided, however, that Lessor shall not be required to furnish Lessee with any improvement or refurbishment allowance and Lessee shall in no event have the option to extend the Initial Term of the Lease beyond the Option Term described in Paragraph 39.4.1 above.

### **39.4.3 EXERCISE OF OPTION**

The option contained in this Paragraph 39.4 shall be exercised by Lessee, if at all, no more than nine (9) months and not less than six (6) months before expiration of the Initial Term ("Exercise Date"), by delivering written notice ("Exercise Notice") thereof to Lessor. Lessor will work with Lessee to establish the Fair Market Rent during the following thirty (30) calendar days. After the Exercise Date, the parties shall follow the procedure and the Fair Market Rent shall be determined as set forth in Paragraph 39.4.4 below. Lessee's failure to deliver the Exercise Notice on or before the Exercise Date shall be conclusively deemed to constitute Lessee's waiver of its extension right hereunder.

### **39.4.4 DETERMINATION OF OPTION RENT**

In the event Lessee timely and appropriately objects in writing to the Fair Market Rent initially determined by Lessor, Lessor and Lessee shall attempt to agree upon the Fair Market Rent, using their best good-faith efforts. If Lessor and Lessee fail to reach agreement within twenty (20) business days following Lessor's receipt of Lessee's objection to Lessor's initial determination of the Fair Market Rent (the "Outside Agreement Date"), then each party shall submit to the other party a separate written determination of the Fair Market

Rent within fifteen (15) business days after the Outside Agreement Date, and such determinations shall be submitted to arbitration in accordance with Paragraphs 39.4.4(a) through 39.4.4(g) below. Failure of Lessee or Lessor to submit a written determination of the Fair Market Rent within such fifteen (15) business day period shall conclusively be deemed to be the non-submitting party's approval of the Fair Market Rent submitted within such ten (10) business day period by the other party.

(a) Within thirty (30) days after the Outside Agreement Date, Lessor and Lessee shall each appoint one arbitrator who shall by profession be an independent real estate broker who shall have no ongoing business relationship with Lessee or Lessor and who shall have been active over the five (5) year period ending on the date of such appointment in the leasing of office buildings in the Long Beach, California area. The determination of the arbitrators shall be limited solely to the issue of whether Lessor's or Lessee's submitted Fair Market Rent is the closest to the actual Fair Market Rent as determined by the arbitrators, taking into account the requirements of Paragraph 39.4.2 and the provision of Paragraph 39.4.2 stating that the Fair Market Rent may not be less than the Base Rent in effect as of the expiration of the initial term of the Lease. Each such arbitrator shall be appointed within thirty (30) days after the Outside Agreement Date.

(b) The two (2) arbitrators so appointed shall within ten (10) days of the date of the appointment of the last appointed arbitrator agree upon and appoint a third arbitrator who shall be qualified under the same criteria as set forth hereinabove for qualification of the initial two (2) arbitrators.

(c) The three (3) arbitrators shall within thirty (30) days after the appointment of the third arbitrator reach a decision as to whether Lessor's or Lessee's submitted Fair Market Rent is the closest to the actual Fair Market Rent, and, subject to the provision of paragraph 39.4.2 stating that the Fair Market Rent may not be less than the Base Rent in effect as of the expiration of the initial term of the Lease, shall use the closest of Lessor's or Lessee's submitted Fair Market Rent figures as the Fair Market Rent for purposes of calculating the Option Rent, and shall notify Lessor and Lessee thereof.

(d) The decision of the majority of the three (3) arbitrators shall be binding upon Lessor and Lessee.

(e) If either Lessor or Lessee fails to appoint an arbitrator within thirty (30) days after the Outside Agreement Date, the arbitrator appointed by one of them shall reach a decision, notify Lessor and Lessee thereof, and such arbitrator's decision shall be binding upon Lessor and Lessee.

(f) If the two (2) arbitrators fail to agree upon and appoint a third arbitrator within the time period provided in Paragraph 39.4.4(b) above, then the parties shall mutually select the third arbitrator. If Lessor and Lessee are unable to agree upon the third arbitrator within ten (10) days, then either party may, upon at least five (5) days' prior written notice to the other party, request the Presiding Judge of the Los Angeles County Superior Court, acting in his private and non judicial capacity, to appoint the third arbitrator. Following the appointment of the third arbitrator, the panel of arbitrators shall within thirty (30) days thereafter reach a decision as to whether Lessor's or Lessee's submitted Fair Market Rent shall be used and shall notify Lessor and Lessee thereof.

(g) Each party shall pay the fee of its own counsel and any expert witness called by such party, as well as the fee of the arbitrator selected by such party. In the event a third arbitrator is utilized in accordance with the foregoing procedure, the costs and fees of the third arbitrator shall be equally divided by Lessor and Lessee.

## **50. FURNITURE AND FIXTURES.**

Lessor shall make available to Lessee free of charge for the duration of the original term and option term if exercised by Lessee the furniture and fixtures as outlined in the

attached Exhibit E ("Furniture Exhibit"). Lessor and Lessee acknowledge the items listed on Exhibit E attached hereto and made a part hereof are currently the property of Lessor. In the event Lessee chooses not to use any or all of the items listed on Exhibit E, Lessor shall remove said items within a reasonable time frame from the Premises. Lessee agrees to return all items listed on Exhibit E to Lessor at the expiration of the Lease (including the option term if said Option Term is exercised by Lessee), in their existing condition as of the Commencement Date of the lease, normal wear and tear excepted. The provision of such furniture and fixtures for Lessee's use shall be without any representation or warranty whatsoever by Lessor. In no event shall Lessor have any obligation whatsoever to repair or replace any such furniture and fixtures. Lessee's use of such furniture and fixtures shall be at Lessee's sole risk. Lessee shall be responsible for the storage of all such furniture and fixtures prior to the Commencement Date.

#### **51. HAZARDOUS MATERIALS.**

(a) Lessee shall not bring, place, hold, treat or dispose of any Hazardous Material (defined hereafter) on, under or at the Premises, the Building or the Office Building Project. Lessee shall not use the Premises or any other portion of the Building or the Office Building Project as a treatment, storage or disposal (whether permanent or temporary) site for any Hazardous Material. Lessee shall not cause or allow any material with asbestos, polychlorinated biphenyls (PCBs) or formaldehyde or other Hazardous Materials to be incorporated into any improvements or alterations which it makes or causes to be made to the Premises. Lessee shall promptly comply with the requirements of Section 25359.7(b) of the California Health and Safety Code and/or any successor or similar statute to provide Lessor with written notice that any Hazardous Material has come or will come to be located on or beneath the Premises, the Building or the Office Building Project if Lessee discovers or has reasonable cause to believe of the presence of such materials; should Lessee fail to so notify Lessor, Lessor shall have all rights and remedies provided for such a failure by such Section 25359.7(b) in addition to all other rights and remedies which Lessor may have under the Lease or otherwise. Lessee shall not take any remedial action related to Hazardous Materials located in or about the Premises, the Building or the Office Building Project and shall not enter into a settlement, consent decree or compromise in response to any claim related to Hazardous Materials without first notifying Lessor in writing of Lessee's proposed action and affording Lessor a reasonable opportunity to appear, intervene or otherwise participate in any discussion or proceeding for the purposes of protecting Lessor's interest in the Premises, the Building and the Office Building Project.

(b) Lessee shall immediately notify Lessor in writing of: (i) any enforcement, clean-up, removal or other governmental action instituted, completed or threatened with regard to Hazardous Materials involving the Premises, the Building or the Office Building Project; (ii) any claim made or threatened by any person against Lessee, Lessor, the Premises, the Building or the Office Building Project related to damage, contribution, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials; (iii) any reports made to any environmental agency arising out of or in connection with any Hazardous Materials at or removed from the Premises, the Building or the Office Building Project, including any complaints, notices, warnings or assertions of any violation in connection therewith; (iv) any spill, release, discharge or disposal of Hazardous Materials that occurs with respect to the Premises or Lessee's operations, including, without limitation, those that would constitute a violation of California Health and Safety Code Section 25249.5 or any other Environmental Law and/or (v) Lessee's discovery of any occurrence or condition on, under or about the Premises, the Building or the Office Building Project or any real property adjoining or in the vicinity of the Office Building Project or any part thereof causing or possibly causing the Office Building Project or any part thereof to be subject to any restrictions on the ownership, occupancy, transferability or use under any Environmental Law, including, without limitation, Lessee's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Office Building Project that could cause the Office Building Project or any part thereof to be classified as "border-zone property" under the provisions of California Health and Safety Code §§ 25220 et seq. or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Office Building Project or any part thereof under any Environmental Law.

(c) In addition to any other indemnity contained in the Lease, Lessee hereby shall defend, indemnify and hold Lessor and its partners, shareholders, officers, directors, trustees, employees, agents, affiliates, representatives and management and other contractors (collectively, "Lessor's Affiliates" harmless from and against any and all losses, liabilities, general, special, consequential and/or incidental damages, injuries, costs, expenses, claims of any and every kind whatsoever (including, without limitation, court costs, attorney's fees, damages to any person, the Premises, the Building, the Office Building Project or any other property or loss of rents) which at any time or from time to time may be paid, incurred or suffered by or asserted against Lessor with respect to, or as a direct or indirect result of: (1) breach by Lessee of any of the covenants set forth in this paragraph, and/or (2) to the extent caused or allowed by Lessee, or any agent, employee, contractor, invitee or licensee of Lessee, the presence on, under or the escape, seepage, leakage, spillage, discharge, emission, release from, onto or into the Premises, the Building, the Office Building Project, any land, the atmosphere, or any watercourse, body of water or ground water of any Hazardous Material (including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. §§ 9601 et seq.), any so-called "Superfund" or "Superlien" law, the Resource Conservation and Recovery Act of 1980 (42 U.S.C. §§ 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.), the Safe Drinking Water Act (42 U.S.C. §§ 300f et seq.), the Toxic Substances Control Act (15 U.S.C. §§ 2601 et seq.), the Clean Air Act (42 U.S.C. §§ 7401 et seq.), California Health & Safety Code §§ 25100 et seq. and §§ 39000 et seq., the California Safe Drinking Water & Toxic Enforcement Act of 1986 (California Health & Safety Code §§ 25249.5 et seq.), the Porter-Cologne Water Quality Control Act (California Water Code §§ 13000 et seq.), any and all amendments and remodifications of the foregoing statutes, or any other federal, state, local or other statute, law, ordinance, code, initiative measure, rule, regulation, permit, order decree regulating, relating to or imposing liability or standards of conduct concerning Hazardous Materials; all of the foregoing shall collectively be referred to as ("Environmental Laws"). The undertaking and indemnification set forth in this paragraph shall survive the termination of the Lease and shall continue to be the personal liability and obligation of Lessee, binding upon Lessee forever.

(d) "Hazardous Material" means any hazardous, harmful, odorous, radioactive, toxic or dangerous waste, substance or material, including, without limitation, any hazardous or toxic substance or waste or any pollutant or contaminant defined as such in (or for purposes of) any Environmental Laws as are now or at any time hereafter may be in effect. Lessee's liability under this paragraph shall extend to any and all such Hazardous Materials whether or not such substance was defined, recognized or known or suspected of being hazardous, toxic, dangerous or wasteful at the time of any act or omission giving rise to Lessee's liability. Notwithstanding the foregoing prohibition against the location of Hazardous Materials on or about the Premises, the Building or the Office Building Project, if Lessee or its agents, employees or contractors cause any Hazardous Materials to be located on or about the Premises, the Building or the Office Building Project, then Lessee shall obtain insurance or other means of financial capability satisfactory to Lessor (in its sole discretion) to assure compliance with the indemnity and other obligations of Lessee related to Hazardous Materials set forth in the Lease or otherwise now or in the future required by law; such insurance or other means of financial capability shall be on such forms, in such amounts and with such persons as from time to time required by Lessor, and otherwise be satisfactory to Lessor (in its sole discretion). The provisions of this entire Section shall govern and control over any inconsistent provisions of the Lease.

(e) Notwithstanding any contrary provision of this section, Lessee shall be allowed to use and store upon the Premises reasonable quantities of commonly used office materials (including, without limitation, copier toner and commonly used cleaning supplies), provided that all such office materials are stored, used and disposed of by Lessee in strict compliance with all applicable Environmental Laws.

**52. NON-DISTURBANCE AGREEMENT.**

With respect to any mortgages, deeds of trust or other liens entered into by and between Lessor and any such mortgagee or any and all future mortgagee(s) (collectively referred to as "Lessor's Mortgage"), Lessor shall use commercially reasonable efforts to secure and deliver to Lessee a Non-Disturbance, Subordination and Attornment Agreement from and executed by Lessor's Mortgagee for the benefit of Lessee.

**53. ACCESS.**

Lessee shall have access to Premises and its respective common areas seven (7) days a week, twenty four (24) hours a day.

**54. FORCE MAJEURE.**

Other than for Lessee's obligations under this Lease that can be performed by the payment of money (e.g., payment of Rent and maintenance of insurance), if either party shall be delayed or prevented from the performance of any act required under this Lease by reason of acts of God, strikes, lockouts, labor troubles, inability to procure materials, restrictive governmental laws or regulations, or other cause without fault and beyond the control of the party obligated, performance of this act shall be excused for the period of the delay and the period for the performance of any act shall be extended for a period equivalent to the period of the delay; provided, however, nothing in this Section shall excuse Lessee from the prompt payment of any rental or other charge required of Lessee except as may be provided elsewhere in this Lease.

**55. GENERAL RULES.**

The general rules for the operation of the Building set forth in Exhibit B to the Lease are hereby clarified and/or modified as follows:

(a) Notwithstanding Paragraph 6 of the General Rules, Lessee shall be allowed to change the locks on the Building provided that Lessee does not impair the functioning of the Building's security system, and furnishes notice of such action and new keys to Lessor.

(b) Notwithstanding Paragraph 8 of the General Rules, Lessee shall be allowed to hang pictures, whiteboards and other comparable items upon the interior walls of the Premises, provided that Lessee does so in a reasonably careful manner that does not unduly damage the interior wall surfaces.

(c) Notwithstanding Paragraph 11 of the General Rules, Lessee shall be allowed to employ third-party service contractors upon or about the Building in connection with Lessee's use of the Building consistent with the Lease, provided that all such third-party service contractors are properly licensed and maintain commercial general liability insurance policies and workers' compensation insurance policies reasonably appropriate for the nature of their respective businesses and in compliance with Lessor's minimum requirements for insurance. Upon request, Lessee shall promptly furnish to Lessor the names, addresses and evidence of insurance coverage of any such service contractor and shall, if requested by Lessor in writing, cause such service contractors to name Lessor as an additional insured on their policies of commercial general liability insurance.

(d) Notwithstanding Paragraph 12 of the General Rules, Lessee shall be allowed occasional access to the Building during evening and weekend hours for use of the Building in a manner consistent with the Lease. Lessee shall abide by all reasonable procedures implemented by Lessor for the security of the Building.

(e) Notwithstanding Paragraph 14 of the General Rules, Lessee shall be allowed to install interior window coverings within the Premises, provided that Lessee exercises due care to see that the Premises are not unduly damaged from such installation and Lessee repairs any damage to the Premises caused by the removal of such window coverings at the expiration of the Term of the Lease.

(f) Notwithstanding Paragraph 17 of the General Rules, Lessee shall be allowed to use UL-listed fans within or about the Premises in compliance with all applicable legal requirements.

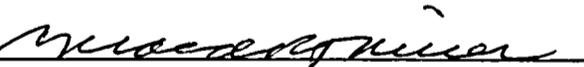
(g) Notwithstanding Paragraph 19 of the General Rules, Lessee shall be allowed to use and operate UL-listed small kitchen appliances within or about appropriate areas of the Premises (including, by way of illustration, microwave ovens and coffee makers) in compliance with applicable legal requirements and within areas of the Premises designated for such purposes.

(h) Notwithstanding Paragraph 22 of the General Rules, Lessor shall periodically remove and/or paint over graffiti upon the exterior of the Building at such intervals as Lessor reasonably deems appropriate. Lessee shall use all due care to minimize the incidence of graffiti upon or about the Building.

56. PARKING FACILITIES.

Lessee shall be allowed to use, operate and run the parking lot which is owned by Lessor as described in Exhibit D. Lessee shall be responsible for the day-to-day operation of such parking facilities, including, without limitation, monitoring the parking within such facilities so as to limit the use of such facilities to only occupants of the Building. Except as may be approved in writing in advance by Lessor, Lessee shall not authorize the parking upon the Building's parking facilities of any vehicles by persons who are not actually employees and/or visitors of Lessee in connection with Lessee's operations within the Building. Further, under no circumstances will Lessee utilize the Building's parking facilities for storage, maintenance of vehicles or any parking activities on a 24-hour a day basis. Except as may be approved in advance by Lessor in writing, Lessee shall cause the Building's parking facilities to be vacated between the hours of 10:00 p.m. and 6:00 a.m. of the following morning.

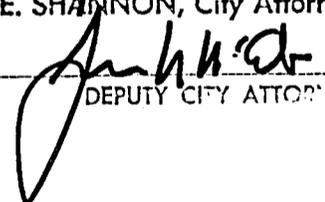
HOUSING AUTHORITY OF THE CITY OF LONG BEACH,  
a municipal corporation

BY:   
ASSISTANT CITY MANAGER

ITS: EXECUTED PURSUANT  
TO SECTION 301 OF  
THE CITY CHARTER.

APPROVED AS TO FORM

Aug 20, 1999  
ROBERT E. SHANNON, City Attorney

By   
DEPUTY CITY ATTORNEY

SCAN HEALTH PLAN,  
a California non-profit corporation

BY: 

ITS: PRESIDENT AND CEO

BY: 

ITS: Chief Financial Officer