



# MAGNOLIA PUBLIC SCHOOLS

## Board Of Directors

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Board Agenda Item #	II H
Date:	February 11, 2016
To:	MPS Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Frank Gonzalez, Chief Growth Officer
RE:	Home Office Move

### Proposed Board Recommendation

I move that the board approve the move of the home office to downtown Los Angeles and authorize Dr. Caprice Young to execute the lease agreement.

### *Lease Details*

The initial lease term is for seven (7) years with a five (5) year extension option. The lease rate is less than Magnolia is paying for its current space. Office amenities will include offices, multiple meeting spaces, a large room for board meetings and trainings, fully integrated technology, and sufficient offices for current home office staff and shared offices for visiting staff and interns.

### Background

Over the course of the last six (6) months, Magnolia Public Schools has been searching for a new location for its home office. The search committee included a cross section of staff that visited many potential sites. Last fall, the possibility of co-locating the home office with MSA 1 after the purchase of the adjacent building was considered; however, it was not habitable in its current condition (required HVAC replacement) and having the home office staff on site would delay the build out of the MSA 1 expansion. In addition, the location was deemed too far for Orange County staff to travel on a regular basis.

To aid in the decision-making, the committee did a staff survey which included questions regarding qualities of the new office and preferences for location. The survey included principals as well as home office staff because they must regularly travel to the home office for meetings and other work duties. It included 30 total respondents.

Staff determined that the following qualities are desirable in a new home office:

- Close to a majority of MPS schools in order to increase efficiency in the delivery of support services to schools.
- Improved Internet and Wi-Fi connectivity.
- Within walking distance of public transportation.

- Located in a safe area.
- Various diverse places to eat.
- Near non-profit organizations, foundations, businesses and other partners.
- Close to charter school authorizers and city government offices.

As you can see below, the location most often identified as the most convenient first or second choice is downtown Los Angeles. Downtown is also considered to be the best fit for the organization.

1 - On a scale of 1-5, which site is the most convenient for you to commute to Magnolia head office?					
	Anaheim	Burbank	Carson	Downtown	Norwalk
# 1 option	7	11	4	7	5
# 1 & 2 Option	11	14	9	15	9
# 4 & 5 Option	14	13	5	10	13

2 - On a scale of 1-5, which site do you feel would be the best fit for the entire organization?				
Anaheim	Burbank	Carson	Downtown	Norwalk
5	6	6	12	6
6	14	13	17	9
15	9	8	6	11

However, no matter where the new office is located, a significant number of staff will need to drive for a long amount of time because our team lives from Northern Los Angeles County to Southern Orange County.

3 - Please indicate how long it will take you to travel from your home to each site by checking in the corresponding cells					
	Anaheim	Norwalk	Carson	Downtown	Burbank
10-30 min	8	5	4	4	7
30 min-1 hr	7	11	10	7	7
1 hr-1:30 min	4	6	10	8	2
1:30-2+ hrs	11	7	5	10	13

Therefore, it was determined that the best plan would be to pick a section of downtown close to public transportation so people coming from the San Fernando Valley, Northern

Los Angeles County and Southern Orange County wouldn't have to fight traffic for more than an hour each way. We will further offset this by implementing some job-appropriate telecommuting practices and stipends to partially offset the cost of parking or public transportation. In addition, we will continue to have our satellite office at MSA 1 and add one at MSA Santa Ana

#### *New Site*

Magnolia Public Schools has selected a building in downtown Los Angeles as the new home office. The 15-story building is located at 250 E. First Street, at the corner of First and San Pedro Streets, in the Civic Center & Little Tokyo neighborhoods. Magnolia Public Schools will be occupying the top floor.

#### *Building Description*

Magnolia will occupy the fifteenth (top) floor of the building, which will be built to suit at no cost to the organization. The owner of the building will cause tenant improvements to be built per the attached floor plan layout at a cost not to exceed \$345,463.00.

Upon execution of the lease, the building owners will commence improvement of the space. The projected move in date is May 1, 2016.

The building currently houses a bank, a restaurant, other businesses and the California Charter Schools Association.

#### *Transportation*

Staff commuting on public transportation will be able reach the home office easily.

Union Station, a regional transportation hub, is 5 minutes to the north of the office with connections to the San Fernando Valley, Ventura, Orange and San Diego Counties via the Metrolink or Amtrak train systems.

At Union Station, staff can take the Metro Gold Line one stop to the Little Tokyo station, with an enjoyable and pleasant stroll on 1<sup>st</sup> Street leading to the entrance of the building.

#### *Satellite Offices*

In order to accommodate the growing MPS network, two satellite offices will be established where staff could work. The San Fernando Valley satellite office will be housed at MSA 1 in Reseda, while the Orange County office will be at the new school facility in MSA Santa Ana.

#### *Location and Partnerships*

The new home office will enable Magnolia to have a more prominent role in civic affairs and education reform initiatives. The following key partners will be located nearby:

- City and County of Los Angeles
- Los Angeles Kings
- Foundations

- Los Angeles Chamber of Commerce
- California Charter Schools Association
- Charter Management Organization
- LAUSD

Budget Implications

The lease is a Full Service Gross Lease that is inclusive of a pro-rata share for janitorial, operational and building tax expenses. The lease rate is competitive with the downtown Los Angeles office building market.

The lease rate in the new building is lower than the existing lease rate at the current Magnolia home office.

<u>Period</u>	<u>Projected Current</u>	<u>Actual Future Site</u>	<u>Annual Difference</u>
Year 1	\$192,000.00	\$156,000.00	(\$36,000.00)
Year 2	\$201,600.00	\$160,800.00	(\$40,800.00)
Year 3	\$211,680.00	\$166,200.00	(\$45,480.00)
Year 4	\$222,264.00	\$171,600.00	(\$50,664.00)
Year 5	\$233,377.20	\$177,600.00	(\$55,777.20)
Year 6	\$245,046.06	\$183,600.00	(\$61,446.06)
Year 7	\$257,298.36	\$189,600.00	(\$67,698.36)

At this rate, we can afford an allowance of \$30,000 annually for transportation and parking offsets for staff and school community visitors and not exceed our budget. Budget implications were reviewed and approved by Magnolia CFO, Mr. Oswaldo Diaz.

Name of Staff Originator:

Frank Gonzalez, Chief Growth Officer

Attachments

Lease

Map

**KAJIMA BUILDING**

LEASE

BETWEEN

**KAJIMA DEVELOPMENT CORPORATION,**

LANDLORD

AND

**MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION,**

TENANT

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# LEASE

This Lease is dated as of \_\_\_\_\_, 2016, by and between Kajima Development Corporation, a Delaware corporation, as landlord (“Landlord”), and Magnolia Educational & Research Foundation, a California nonprofit public benefit corporation, as tenant (“Tenant”).

In consideration of Landlord’s demise of the Premises (as defined below) to Tenant, and of the covenants and conditions set forth below, Landlord and Tenant agree as follows:

## ARTICLE 1 BASIC LEASE TERMS

The following terms shall have the definitions set forth below whenever capitalized in this Lease:

“*Building*” – the office building located on that certain site (the “Land”) commonly known as 250 E. First Street, Los Angeles, California.

“*Premises*” – the area or areas on the 15th floor (Suite 1500) of the Building, which are substantially as shown on Exhibit A hereto.

“*Fixed Rent*” – To be adjusted in accordance with Article 5 of this Lease.

Month 1 -	Free	
Year 1 -	\$13,000.00/month	\$156,000.00/year
Year 2 -	\$13,400.00/month	\$160,800.00/year
Year 3 -	\$13,850.00/month	\$166,200.00/year
Year 4 -	\$14,300.00/month	\$171,600.00/year
Year 5 -	\$14,800.00/month	\$177,600.00/year
Year 6 -	\$15,300.00/month	\$183,600.00/year
Year 7 -	\$15,800.00/month	\$189,600.00/year

“*Term Expiration Date*” – the last day of the calendar month in which the 7th anniversary of the Term Commencement Date, plus one month (as defined in Article 2 hereof) occurs.

“*Tenant’s Area*” – 5,653 rentable square feet.

“*Base Year*” – the calendar year 2016.

“*Security Deposit*” – the sum of \$16,000.00 deposited with Landlord upon the execution and delivery of this Lease for the purposes set forth in Section 18.1 hereof.

(Number of) “*Parking Spaces*” – Tenant shall have the right but not the obligation to lease six (6) parking spaces at the Kajima Building Parking Facilities on a non-reserved basis at the then current rate.

“*Landlord’s Broker*” – Advance Investments Group, Inc.

“*Tenant’s Broker*” - None

## **ARTICLE 2 DEMISE OF PREMISES AND TERM**

2.1 *Lease of Premises.* Subject to each of the terms and conditions set forth herein, Landlord hereby leases to Tenant, and Tenant leases from Landlord, the Premises.

2.2 *Term.* The term of this Lease shall commence on the Term Commencement Date (as defined below) and, unless sooner terminated as provided herein, shall end on the Term Expiration Date. Promptly after the occurrence of the Term Commencement Date, Landlord and Tenant shall execute and deliver an amendment to this Lease (in recordable form) which sets forth the Term Commencement Date and the Term Expiration Date.

2.3 *Determination of Term Commencement Date.*

(a) The “Term Commencement Date” shall be the later of:

(i) the date on which the Tenant Improvements (which is defined in the Lease Addendum), is completed, except for details of construction, decoration and mechanical adjustments not material to Tenant’s use of the Premises and any portion of the Tenant Improvements not completed as a result of Tenant Delay (as defined below); or

(ii) April 1, 2016.

(b) “Tenant Delay” means any delay in the completion of the Tenant Improvements due to any act or omission of Tenant, its agents or contractors (including, without limitation, (i) delay in the submission of Tenant’s plans, (ii) delay in the submission of any information or the giving of any approval or authorization, (iii) delay due to any change in Tenant’s plans or the Tenant Improvements requested by Tenant or (iv) delay due to the postponement of any Tenant Improvements at Tenant’s request except to the extent such delay is the result of Landlord Delay (as defined below) or Excusable Delay (as defined below).

(c) “Landlord Delay” means any actual delay in the construction of the Tenant Improvements or the ability of Tenant to commence using the Premises for the



normal conduct of its business which is due to: (i) delay in the giving of any required notice, authorization, approval or disapproval by Landlord, including, without limitation, the approval or disapproval of Tenant's plans beyond the time within which Landlord is required to give any such notice, authorization, approval or disapproval or, if no such specified time exists, beyond a reasonable time; (ii) the negligence of Landlord, its agents or contractors, in connection with the performance of the Base Building Work or the Tenant Improvements, including any such act or failure of Landlord or an agent or contractor of Landlord while acting, by Landlord's requirement, as an agent or contractor for Tenant; (iii) the unreasonable interference of Landlord, its agents or contractors with the performance of the Tenant Improvements or the failure or refusal of any such person to permit Tenant, its agents or contractors, reasonable access to the Building or any Building facilities or services (including, without limitation, the freight elevator(s) serving the Premises) required for performance of the Tenant Improvements; or (iv) any breach by Landlord of its obligations under the terms of this Lease.

(d) "Excusable Delay" means actual delay in the completion of the Tenant Improvements or the ability of Tenant to commence using the Premises for the normal conduct of its business which is due to circumstances beyond Tenant's power to control or avoid, including, without limitation: (i) delay due to a strike, lockout or other labor or industrial disturbance, unless confined to Tenant. Tenant's contractor or one of Tenant's subcontractors and not part of a more widespread dispute or disturbance, (ii) delay due to future order of any government, court or regulatory body claiming jurisdiction over the Premises, (iii) delay due to act of public enemy, war, civil disturbance, riot, sabotage, blockade or embargo, (iv) delay due to inability to secure customary materials, supplies or labor through ordinary sources by reason of the future order of any government, court or regulatory body, (v) delay due to lightning, earthquake, hurricane, tornado, flood, washout or unusually severe weather conditions; or (vi) delay due to fire, explosion or similar casualty beyond the reasonable control of Tenant or any of Tenant's contractors, subcontractors or other agents.

(e) A "Landlord Delay" or "Excusable Delay" shall be deemed to begin on the later of (1) the first day of actual delay in performance of the Tenant Improvements or the ability of Tenant to commence using the Premises for the normal conduct of its business resulting therefrom or (2) the third business day preceding the date upon which Tenant gives Landlord written notice of the cause of such delay specifying in reasonable detail the nature and effect thereof.

#### 2.4 *Limitation on Landlord's Liability for Failure to Deliver Premises.*

Notwithstanding anything to the contrary in this Lease, Landlord shall not be liable to Tenant as a result of Landlord's failure to deliver the Premises to Tenant by any specific date; provided, however, that in no event shall Tenant be

obligated to pay any Rent (as defined in Section 3.3) until the Term Commencement Date occurs and Landlord has tendered the Premises to Tenant (unless the failure to so tender the Premises is due to Tenant Delay).

### **ARTICLE 3 RENT**

- 3.1 *Fixed Rent.* Tenant shall pay the Fixed Rent to Landlord in twelve equal monthly installments in advance on or before the first day of each calendar month during the term hereof. If the Term Commencement Date is not the first day of a calendar month, the Fixed Rent for the first calendar month shall be prorated on the basis of the number of actual days in such partial calendar month, and shall be payable on or before the Term Commencement Date.
- 3.2 *Adjustments to Fixed Rent. Intentionally Deleted*
- 3.3 *Additional Rent; Rent Reserved.* In addition to the Fixed Rent, Tenant shall pay such additional sums as may be due to Landlord under the terms of this Lease, including, without limitation, (a) any late charge or interest due under Section 3.5 below, (b) Tenant's share of any increases in Operating Costs (as defined below) and Real Property Taxes (as defined below) pursuant to Article 4 hereof, (c) any additional taxes payable by Tenant pursuant to Article 5 hereof, and (d) Landlord's charges for the provision of additional utilities or services pursuant to Article 11 hereof. The Fixed Rent and all such additional sums shall hereinafter be collectively referred to as the "Rent" and shall be deemed rent reserved for the Premises and this Lease, so that, in addition to the rights and remedies provided by this Lease, Landlord shall have all other remedies provided by law for collection of the Rent.
- 3.4 *Manner of Payment.* The Rent shall be payable to Landlord in lawful money of the United States of America at the address specified in Section 18.8 hereof. Tenant shall pay the Rent without demand therefor and without any abatement, setoff or deduction whatsoever.
- 3.5 *Late Payment Charges and Interest.*
- (a) Landlord and Tenant acknowledge that Tenant's failure to make any payment of Rent on the date such payment is due and payable pursuant to the Terms of this Lease (a "Late Payment") will cause Landlord to incur additional expenses (above and beyond the loss of use of funds) not contemplated by this Lease. Consequently, Landlord shall have the right to demand, and, upon such demand, Tenant shall pay to Landlord as a late charge an amount equal to three percent (3%) of the amount of any Late Payment. Landlord and Tenant acknowledge that the amount of the additional expenses incurred by Landlord will be difficult to ascertain and that the late charge provided by this Section represents the parties' reasonable estimate of such expenses.

- (b) In addition to the amounts provided for by subsection (a) above, any Late Payment shall, at Landlord's option, bear interest at the maximum rate permitted by law from and after the due date for such Payment until the date on which Tenant actually makes such Payment.
- (c) The assessment or payment of late charges or interest pursuant to this Section 3.5 shall not constitute a waiver by Landlord of any Event of Default occurring as a result of a Late Payment. The failure by Landlord to assess late charges or interest with respect to any one Late Payment shall not constitute a waiver of Landlord's right to assess late charges or interest with respect to any other Late Payment.

**ARTICLE 4**  
**TENANT'S SHARE OF INCREASES IN OPERATING**  
**COSTS AND REAL ESTATE TAXES**

4.1 *Certain Definitions.* As used in this Lease:

- (a) "Escalation Statement" means a statement by Landlord, setting forth the amount payable by Tenant or Landlord, as the case may be, for a specified calendar year pursuant to this Article 4.
- (b) "Operating Costs", for each calendar year, means all costs, charges and expenses payable by Landlord (less any rebates, reimbursements, refunds or credits received on account of such costs, charges and expenses) which are attributable to the operation, maintenance and repair of the Building, as determined in accordance with generally accepted accounting principles, consistently applied, including, without limitation, the following:
  - (1) Compensation provided in the form of wages, salaries and other payments and benefits (including payments for welfare, retirement, vacation and holidays, other paid absences and other fringe benefits), as well as any adjustments thereto, for employees, independent contractors or agents of Landlord performing services in connection with the operation, maintenance and repair of the Building including, without limitation, (i) the on-premises manager, assistant manager(s) and clerical staff; (ii) window cleaners, miscellaneous handymen, janitors, cleaning personnel and porters engaged in the cleaning, repairing and maintaining of the Building, its equipment and fixtures; and (iii) engineers, firemen, mechanics, electricians, plumbers and persons engaged in the operation, maintenance and repair of the heating, air conditioning, ventilating, plumbing, electrical, elevator and other systems in the Building; but excluding compensation of Landlord's executives other than the on-premises manager.

- (2) Uniforms of the employees described in clause (1) above and the cleaning and pressing thereof.
- (3) Repairs to and physical maintenance of the Building, including, without limitation, mechanical equipment and appurtenances thereto, and the cost of any materials, tools, supplies and equipment used in connection therewith which, in accordance with generally accepted accounting principles, would not be capitalized.
- (4) Premises and other charges incurred by Landlord with respect to any of the following insurance which Landlord may carry on the Building: (i) fire and extended coverage "all risk of physical loss" insurance, including coverage for losses caused by earthquake, flood, windstorm, hail and explosion; (ii) riot attending a strike, civil commotion, aircraft, vehicle and smoke insurance; (iii) comprehensive general liability insurance; (iv) elevator insurance; (v) worker's compensation and employer's liability insurance for the employees specified in clause (1) above; (vi) boiler and machinery insurance; (vii) sprinkler leakage, water damage, legal liability, burglary, fidelity and pilferage insurance on equipment and materials; (viii) business interruption (including rental value) insurance; and (ix) such other insurance as is customarily carried by operators of other first-class office buildings in the County of Los Angeles.
- (5) Costs incurred for electricity, chilled water, water for heating, gas, fuel, water or other utilities required in connection with the operation, maintenance and repair of the Building.
- (6) Costs incurred for all outside maintenance contracts necessary or proper for the operation and maintenance of the Building (including, without limitation, janitorial and window cleaning, rubbish removal, exterminating, water treatment, and maintenance of elevator, electrical, plumbing and mechanical equipment) and the cost of materials, tools, supplies and equipment ordinarily used in connection therewith.
- (7) Water charges and sewer rents.
- (8) Payroll taxes, federal, state and local unemployment taxes, and social security taxes payable with respect to the employees specified in clause (1) above.
- (9) Sales, use and excise taxes on goods and services purchased by Landlord for the operation, maintenance and repair of the Building.
- (10) License, permit and inspection fees required in connection with the operation of the Building.

- (11) Auditors' fees for public accounting provided for the operation and maintenance of the Building.
- (12) Legal fees, costs and disbursements incurred in connection with the operation, maintenance and repair of the Building (other than in connection with real estate tax proceedings).
- (13) Fees for management services, whether provided by an independent management company, by Landlord or by any affiliate of Landlord.
- (14) The costs of maintaining the sidewalks and landscaping adjacent to the Building.
- (15) The annual cost, including any financing costs, of any capital improvement installed or paid for by Landlord after completion of the Building and required by any change in laws, rules, regulations or requirements of any governmental or quasi-governmental authority having jurisdiction over the Building or of the Board of Fire Underwriters or similar insurance body (other than changes requested by Landlord or attributable to the activities of Landlord on any property other than the Land), amortized over the useful life of such capital improvement, unless such improvement is attributable to the activities of, or made primarily for the benefit of, a particular tenant.
- (16) Any expense or cost resulting from a substitution of work, labor, material or services in lieu of any of the foregoing items, or for any additional work, labor, services or material resulting from compliance with any laws, rules, regulations or orders applicable to the Building or any part thereof, which shall, at the time of such substitution or additional work, be considered operating expenses in accordance with generally accepted accounting principles, consistently applied.
- (17) The annual cost, including any financing costs, of any equipment, device or capital improvement installed after completion of the Building as a labor-saving or energy-saving measure or to effect other economies in the operation or maintenance of the Building, amortized over the useful life thereof (provided that the annual economies anticipated to be realized therefrom are reasonably related to the annual amortized amount and do not redound primarily to the benefit of any particular tenant).
- (18) The annual cost, including any financing costs, of (i) exterior window draperies provided by Landlord, (ii) carpeting in the public areas of the Building, and (iii) other furnishings in public areas, which, as a result of normal use, require periodic replacement, amortized over the useful life thereof.

- (19) Annual depreciation or amortization of the cost of materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services for which Landlord might otherwise contract with a third party, where such depreciation and amortization would otherwise have been included in the charge for such third party's services, as determined in accordance with generally accepted accounting principles, consistently applied.

If any service (including janitorial service) furnished by Landlord to the Premises is not provided by Landlord in another portion of the Building rented to or available for renting to a tenant, the amount included in Operating Costs for the cost of such service shall be the product obtained by multiplying the actual cost thereof by a fraction the numerator of which is the total number of square feet in the Rentable Area (as defined in Section 18.4 below) of the Building and the denominator of which is the total number of square feet in the Rentable Area of the portions of the Building (including the Premises) to which such service is provided and which are rented or available for renting to tenants.

The following expenses shall not be included in Operating Costs:

- (A) The cost of repairs or other work undertaken by Landlord as a result of damage due to occasioned by fire, windstorm or other casualty to the extent Landlord is reimbursed by insurance.
- (B) Leasing commissions, attorneys' fees and other costs and expenses incurred in connection with negotiations or disputes with present or prospective tenants or other occupants of the Building.
- (C) Costs (including permit, license and inspection costs) incurred in renovating or otherwise improving or decorating, painting or redecorating space for tenants or other occupants or vacant space.
- (D) Landlord's cost of utilities and other services provided to Tenant, and/or to other tenants for which Landlord is otherwise entitled to direct reimbursement from Tenant or such other tenants.
- (E) Depreciation and amortization, except as provided in subsections (b)(15), (17), (18) and (19) above.
- (F) Except as provided in subsections (b)(15), (17), (18) and (19) above, costs of a capital nature, including without limitation, capital improvements, capital repairs, capital equipment and capital tools, all as determined in accordance with generally accepted accounting principles, consistently applied.

- (G) Expenses in connection with services or other benefits which are not made available to Tenant but which are provided to other tenants or occupants of the Building.
  - (H) Costs incurred due to the violation by Landlord or any tenant of the terms and conditions of any lease of space in the Building.
  - (I) The cost of services provided by Landlord or subsidiaries or affiliates of Landlord to the extent the same exceeds the costs of such services rendered by unaffiliated third parties on a competitive basis.
  - (J) Except as provided in subsections (b)(15), (17) and (18) above, interest on debt or amortization payments on any mortgage or mortgages.
  - (K) Landlord's general corporate overhead and general administrative expenses.
  - (L) Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord.
  - (M) Rentals and other related expenses incurred in leasing air conditioning systems, elevators or other equipment ordinarily considered to be of a capital nature, except equipment which is used in providing janitorial or similar services and which is not affixed to the Building.
  - (N) All items and services for which Tenant or any other tenant in the Building reimburses Landlord or which Landlord provides selectively to one or more tenants (other than Tenant) without reimbursement.
  - (O) Advertising and promotional expenditures.
  - (P) Electric power costs for which Tenant directly contracts with the local public service company.
  - (Q) Taxes payable by Tenant pursuant to Article 5 below, or by any other tenant in the Building pursuant to similar lease provisions.
- (c) "Real Estate Taxes" means all general and special real estate taxes, special assessments and other add valorem taxes, rates, levies and assessments (net of any refund) paid upon or with respect to the Building or the Land and all taxes or other charges imposed in lieu of or as a substitute for any such taxes (but excluding that portion of any taxes described in Article 5 for which Tenant or other tenants in the Building are liable) including fees of counsel and experts which are reasonably incurred by Landlord in seeking any reduction in the

assessed valuation of the Building and/or the Land or a judicial review thereof. If any such application or review results in a refund on account of any prior assessment, Landlord shall, after payment or reimbursement of reasonable expenses incurred in connection therewith (whether incurred by Landlord, Tenant or other tenants of the Building), reimburse Tenant its pro rata share of such refund. Notwithstanding the foregoing, the term "Real Estate Taxes" shall under no circumstances include any interest or penalties paid by Landlord as a result of Landlord's non-payment Real Estate Taxes when due and payable, or any net income, franchise or capital gains tax, inheritance tax or estate tax imposed or constituting a lien upon Landlord or all or any part of the Building or the Land.

#### 4.2 *Payment of Real Estate Taxes and Operating Costs.*

- (a) If Tenant's Share of Real Estate Taxes for any calendar year after the Base Year are greater than Tenant's Share of Real Estate Taxes for the Base Year ("Tenant's Base Taxes"), then, within 15 days after Landlord furnishes Tenant with an Escalation Statement relating to such calendar year, Tenant shall pay to Landlord, as additional Rent for the Premises for such calendar year, an amount equal to such excess. Except as provided in Section 4.3(b) below, Landlord shall have no obligation to pay any amount or allow a rent credit to Tenant if Tenant's Base Taxes are greater than Tenant's Share of Real Property Taxes for any calendar year.
- (b) If Tenant's Share of Operating Costs for any calendar year after the Base Year are greater than Tenant's Share of Operating Costs for the Base Year ("Tenant's Base Costs"), then, within 15 days after Landlord furnishes Tenant with an Escalation Statement relating to such calendar year, Tenant shall pay to Landlord, as additional Rent for the Premises for such calendar year, an amount equal to such excess. Except as provided in Section 4.3(b) below, Landlord shall have no obligation to pay any amount or allow a rent credit to Tenant if Tenant's Base Costs are greater than Tenant's Share of Operating Costs for any calendar year.

#### 4.3 *Projections of Real Estate Taxes and Operating Costs.*

- (a) If Landlord reasonably projects that Tenant's Share of Real Estate Taxes will exceed Tenant's Base Taxes and/or that Tenant's Share of Operating Costs will exceed Tenant's Base Costs for any calendar year following the Base Year, then, at any time during such calendar year, Landlord may, at its option, deliver Landlord's projection of such excess to Tenant. Within 15 days after the receipt of such projection, Tenant shall pay to Landlord an amount equal to the product of the projected excesses multiplied by a fraction, the numerator of which shall be the number of months which have elapsed during such calendar year prior to delivery of Landlord's projection (including the calendar month in which the projection is delivered to Tenant) and the



denominator of which shall be 12. Thereafter for the remainder of such calendar year, Tenant shall pay to Landlord one-twelfth (1/12) of such projected excess.

- (b) Within 15 days after delivery of the Escalation Statement to Tenant, Tenant shall pay to Landlord an amount equal to the sum of (i) the excess (if any) of the actual Tenant's Share of Operating Costs in such calendar year over the amounts paid by Tenant as a result of Landlord's projection of Operating Costs for such calendar year and (ii) the excess (if any) of the actual Tenant's Share of Real Estate Taxes in such calendar year over the amounts paid by Tenant as a result of Landlord's projection of Real Estate Taxes for such calendar year. If actual Operating Costs and/or Real Estate Taxes (as the case may be) for any calendar year are less than Landlord's respective projections thereof, Landlord shall allow as a rent credit to Tenant (or if the terms of this Lease has expired, refund to Tenant) an amount equal to the lesser of (x) the difference between the amount paid by Tenant as a result of Landlord's projections of Operating Costs or Real Estate Taxes (as the case may be) during such calendar year and the actual Tenant's Share of Operating Costs or Real Estate Taxes (as the case may be) or (y) the amount of the payments made by Tenant as a result of Landlord's projections of Operating Costs or Real Estate Taxes (as the case may be).

- 4.4 *Prorations.* In the event that (a) the Term Commencement Date shall be a day other than a January 1, (b) the Term Expiration Date shall be a day other than a December 31, (c) this Lease terminates prior to the Term of Expiration Date for any reason other than the occurrence of an Event of Default, (d) any abatement of Fixed Rent occurs pursuant to any provision of this Lease, or (e) Tenant's Area increases or decreases, then in applying the provisions of this Article 4 with respect to any calendar year in which such event occurs, appropriate adjustments shall be made to reflect the result of such event on a basis consistent with the principles underlying the provisions of this Article 4, taking into consideration (x) the portion of such calendar year which shall have elapsed prior to such event, and the Operating Costs and Real Estate Taxes attributable to such portion and to the balance of such calendar year, and (y) in the case of any rent abatement or increase or decrease in Tenant's Area, the duration thereof and the portion of the Premises to which the same relates.

## **ARTICLE 5 REIMBURSEMENT OF ADDITIONAL TAXES**

Tenant shall reimburse Landlord upon demand for any and all taxes payable by Landlord (other than net income taxes) whether or not now customary or within the contemplation of Landlord and Tenant:

- (a) upon, measured by or reasonably attributable to (i) the cost or value of Tenant's equipment, furniture, fixtures and other personal property located in

the Premises (ii) the cost or value of any improvement made in or to the Premises at Tenant's expense, including, without limitation, any changes in the Base Building Work or any Tenant Alterations (as defined below), irrespective of whether title to any of the foregoing shall be in Tenant or Land;

- (b) upon or measured by any Rent payable hereunder, including, without limitation, any gross income tax or excise tax levied by the City of Los Angeles, the County of Los Angeles, the State of California, the Federal Government or any other governmental body with respect to the receipt of such Rent (computed as if such Rent, or Landlord's income from the Building, were the only income of Landlord);
- (c) upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion thereof; or
- (d) upon this transaction or any document to which Tenant is a party creating or transferring an interest in the Premises.

In the event that it shall not be lawful for Tenant so to reimburse Landlord, the Fixed Rent payable to Landlord under this Lease shall be increased by a sufficient amount so that Landlord receives the same Rent after imposition of any such tax as Landlord would have received had such tax not been imposed.

## **ARTICLE 6 USE OF PREMISES**

- 6.1 *Use of Premises.* The Premises shall be used only for general business office uses which are consistent, in Landlord's judgment, with Building standards and which will not result in visitors to the premises in excess of those occasioned by uses then prevailing in first-class office buildings in the County of Los Angeles.
- 6.2 *Compliance with Laws.* Tenant shall comply with all laws, ordinances, rules, orders or regulations of any governmental authority or of the Board of Fire Underwriters (or similar insurance body) from time to time applicable to the Premises or Tenant's use or occupancy thereof.
- 6.3 *Protection of Landlord's Insurance Coverage.* Tenant shall not violate or permit the violation of any condition imposed by the standard fire or other casualty insurance policy issued for office buildings in the County of Los Angeles or take any action, or cause or permit any condition to exist in or with respect to the Premises, which would increase the fire or other casualty insurance rate on the Building or property therein or would result in insurance companies of good standing refusing to insure the Building or any such property in amounts reasonably determined from time to time by Landlord.

6.4 *Rules and Regulations.* Tenant shall observe and comply with the Rules and Regulations set forth in Exhibit C hereto and such reasonable further or amended Rules and Regulations as Landlord may make for general application to the Building and the Land; provided, however, that (a) Landlord shall not be responsible for violations of such Rules and Regulations by other tenants in the Building, (b) Landlord shall not enforce such Rules and Regulations in a discriminatory manner and (c) in the case of a conflict between such Rules and Regulations and the provisions of this Lease, the provisions of this Lease shall control.

## **ARTICLE 7 CONSTRUCTION, ALTERATION AND REPAIR OF PREMISES**

7.1 *Acceptance of Premises by Tenant.* Tenant's acceptance or use of the Premises (or any portion thereof) for any purpose, including, without limitation, construction of the Tenant Improvements, shall conclusively establish that, at the time of such acceptance or use of the Premises were in satisfactory condition and in conformity with the requirements of this Lease in all respects (except for details of construction, decoration and mechanical adjustments not material to Tenant's use of the Premises) unless Tenant gives notice to Landlord of any defect or deficiency within 90 days after the date on which Tenant so accepts or uses the Premises (or the affected portion thereon).

7.2 *Tenant's Duty to Repair.* Except as provided in Articles 11 and 13 hereof, Tenant shall be obligated to maintain and repair the Premises and to pay the cost of any damage done to the Premises, to the Building, or to the plumbing, HVAC, electrical or other systems of the Building by Tenant, its employees, agents, licensees or invitees. Tenant hereby waives the right to make repairs at the expense of Landlord, or to vacate the Premises in lieu thereof, provided for by California Civil Code Section 1942, or any successor or similar law.

7.3 *Tenant Alterations.* Tenant shall make no alteration, repair, addition or improvement in, to or about the Premises (collectively, "Tenant Alterations"), without the prior written consent of Landlord. Landlord may impose such conditions to such consent as Landlord, in its discretion, may deem necessary or desirable, including, without limitation, (a) the right to approve the plans and specifications for any work, (b) the right to require insurance reasonably satisfactory to Landlord in connection with such work, (c) the right to require security or a bond in an amount of up to 150% of the estimated completion cost of such work, (d) requirements regarding the time or times at which work may be performed and (e) the right to approve the contractor or contractors to perform Tenant Alterations, which approval shall not be unreasonably withheld. Tenant shall pay to Landlord, Landlord's charges for reviewing and inspecting all plans and specifications for Tenant Alterations and all completed Tenant Alterations to assure full compliance with Landlord's requirements. Tenant shall complete all Tenant Alterations in accordance with all applicable rules, regulations and requirements of governmental authorities and insurance carriers. If requested by Landlord, Tenant shall provide Landlord with copies of all contracts,

receipts, paid vouchers, and any other documentation relating to the construction of any Tenant Alterations. Tenant shall promptly pay all costs incurred in connection with all Tenant Alterations and shall not permit the filing of any mechanic's lien or other lien in connection with any Tenant Alterations. If a mechanic's lien or other lien is filed against the Building, Tenant shall discharge or cause to be discharged such lien within 10 days after Tenant receives notice of the filing thereof. Any increase in any tax assessment or charge levied or assessed as a result of any Tenant Alterations shall be payable by Tenant in accordance with Article 5 hereof.

*7.4 Ownership of Tenant Improvements and Property.* All fixtures, equipment, improvements and installations attached to, or built into the Premises at the commencement of or during the term of this Lease shall be and remain part of the Premises and be deemed the property of Landlord. Notwithstanding the foregoing, any property installed at the sole expense of Tenant ("Tenant's Property"), except for any Tenant's Property comprising a part of the Tenant Improvements, shall be deemed to be the property of Tenant and may be removed prior to the expiration of the term of this Lease, or within ten days after any earlier termination thereof, provided that Tenant shall repair, or shall reimburse Landlord upon demand for the cost of repairing, any damage to the Premises or the Building caused by such removal. Any Tenant's Property, which shall not be so removed, shall be deemed to have been abandoned by Tenant. Notwithstanding the preceding two sentences, Tenant shall remove any of Tenant's Property (and repair or reimburse Landlord for the cost of repairing any resulting damage to the Premises or the Building occasioned by such removal) promptly upon Landlord's request for such removal, if such request is given to Tenant prior to or within 60 days after the expiration or earlier termination of this Lease.

*7.5 Landlord's Changes.* Landlord reserves the right to make such changes, alterations, additions, improvements, repairs or replacements (collectively, "Landlord's Changes") in or to the Building or any portion thereof (including the Premises) and the fixtures and equipment located therein, or in or to any other improvements located on the Land, and to erect, maintain and use pipes, ducts and conduits in and through the Premises, all as Landlord may reasonably deem necessary or desirable; provided, however, that (a) no Landlord's Change shall result in an unreasonable obstruction of access to the Premises or unreasonable interference with Tenant's use of the Premises, (b) Landlord shall restore the portion of the Premises affected by any Landlord's Change to its condition existing prior to the commencement of the work in connection therewith to the extent reasonably possible in light of the nature of the Landlord's change, and (c) if any Landlord's Change reduces Tenant's Area, the Fixed Rent payable hereunder shall thereafter be appropriately abated. Nothing contained in this Section 7.5 shall be deemed to relieve Tenant of any duty, obligation or liability of Tenant with respect to making any repair, replacement or improvement or complying with any law, order or requirement of any governmental or other authority.

**ARTICLE 8**  
**ASSIGNMENT AND SUBLETTING**

8.1 *No Transfer of Lease or Premises.* Tenant shall not, without the prior written consent of Landlord: (a) assign, sublet, mortgage, pledge, encumber or otherwise transfer this Lease, the estate granted hereby or any interest hereunder (or permit any of the foregoing, by operation of law or otherwise); or (b) permit or offer the Premises or any part thereof to be used for any purpose by any person other than Tenant (and Tenant's agents or business invitees).

8.2 *Requests for Consent to Assignment.*

- (a) If Tenant desires to assign this Lease, then at least 60 days, but not more than 90 days, prior to the date on which Tenant desires the assignment to be effective (the "Assignment Date") Tenant shall give Landlord a notice (the "Assignment Notice") setting forth the name, address and business of the proposed assignee, information (including references) concerning the nature of the business the proposed assignee proposes to conduct in the Premises, the financial condition and reputation of the proposed assignee, the Assignment Date and the material terms and conditions of the proposed assignment, all in such detail as Landlord shall reasonably require. If Landlord requests additional detail, the Assignment Notice shall not be deemed to have been received until Landlord receives such additional detail. Tenant shall pay to Landlord upon demand all costs (including attorneys' fees) incurred by Landlord in connection with Landlord's review of the Assignment Notice.
- (b) Upon receipt of the Assignment Notice, Landlord shall have the option to (i) consent to the proposed assignment, (ii) reject the proposed assignment on any reasonable grounds or (iii) terminate this Lease and the estate granted hereby, such termination to be effective as of the Assignment Date. If Landlord does not exercise either of the options set forth in (ii) or (iii) above within 60 days after receiving the Assignment Notice, Tenant shall be entitled to enter into an assignment on the terms and conditions set forth herein.

8.3 *Requests for Consent to Sublease.*

- (a) Tenant desires to sublet the Premises or any portion thereof, then at least 60 days, but not more than 90 days, prior to the date when Tenant desires the subletting to be effective (the "Subletting Date"), Tenant shall give Landlord a notice (the "Subletting Notice") which shall set forth the name, address and business of the proposed sublessee, the nature of the business the proposed sublessee proposes to conduct in the Premises, information (including references) concerning the financial condition and reputation of the proposed sublessee, a detailed description of the space (the "Sublet Space") proposed to be sublet (which must be a single self-contained unit), the Subletting Date and the material terms and

conditions of the proposed subletting, all in such detail as Landlord shall reasonably require. If Landlord requests additional detail, the Subletting Notice shall not be deemed to have been received until Landlord receives such additional detail. Tenant shall pay to Landlord upon demand all costs (including attorneys' fees) incurred by Landlord in connection with Landlord's review of the Subletting Notice.

- (b) Upon receipt of the Subletting Notice, Landlord shall have the option to (i) consent to the proposed subletting, (ii) reject the proposed subletting on any reasonable grounds or (iii) sublease the Sublet Space from Tenant upon the terms and conditions described in subparagraph (c) below. If Landlord does not exercise either of the options set forth in (ii) or (iii) above within 60 days after receiving the Subletting Notice, Tenant shall be entitled to enter into a sublease on the terms and conditions set forth therein.
- (c) If Landlord exercises its option to sublet the Sublet Space, Tenant shall sublet the Sublet Space to Landlord upon the terms and conditions set forth in the Subletting Notice and otherwise on the terms and conditions set forth in this Lease; provided, however, that: (i) the rent payable by Landlord for the Sublet Space shall be the lower of (A) the product of the Fixed Rent and the additional Rent described in Article 4 hereof multiplied by a fraction the numerator of which is the number of square feet of Rentable Area in the Sublet Space and the denominator of which is Tenant's Area, or (B) the fixed rent and other consideration for the Sublet Space set forth in the Subletting Notice; (ii) Landlord shall at all times have the right and option to enter into further subleases of the Sublet Space without obtaining Tenant's consent; (iii) the provisions of Article 7 hereof shall not be applicable to such sublease; (iv) Landlord and its undersubtenants shall have the right to use in common with Tenant all lavatories, corridors and lobbies which are within the Premises and the use of which is reasonably required for the use and enjoyment of the Sublet Space; and (v) Tenant shall have no right of setoff or abatement or other right to assert a default hereunder by reason of any default by Landlord under such sublease.

8.4 *Grounds for Withholding Consent.* Without limiting the grounds upon which Landlord shall be entitled to reasonably withhold its consent to a proposed assignment or subletting, Landlord and Tenant acknowledge that the withholding of Landlord's consent for any one or more of the following reasons shall be conclusively deemed to be reasonable: (a) the proposed assignee or sublessee is a person or entity whose character or business, in Landlord's good faith judgment, are not consistent with the character and standard of the Building or will result in visitors to the Premises or the Sublet Space substantially in excess of those occasioned by uses then prevailing in first-class office buildings in the County of Los Angeles; (b) the proposed assignee or subleasee, in Landlord's good faith judgment, is not financially responsible or capable of meeting the rent payment and other financial obligations under the proposed assignment or sublease; (c) the proposed subletting would result in more than two subleases of portions of the Premises being in effect at any one time

during the term of the Lease; (d) the proposed assignment or sublease contemplates alterations that would substantially lessen the value of the improvements to the Premises which are Landlord's property pursuant to Section 7.5 hereof; (e) the proposed assignment or sublease would result in material increases in the demand upon the Building's utility systems or services provided by Landlord; or (f) Landlord's consent to the proposed assignment or sublease would violate any lease entered into between Landlord and any other tenant in the Building.

8.5 *Landlord's Share of Tenant's Profit.* In the event Tenant enters into an assignment or sublease of all or any portion of the Premises which has been approved by Landlord pursuant to this Article 8, Tenant shall:

- (a) pay Landlord's reasonable attorneys' fees and \$750.00 for Landlord's processing costs incurred in giving such consent; and
- (b) pay to Landlord fifty percent (50%) of any "transfer premium" (as hereinafter defined), which amount shall be considered additional rent hereunder payable each month during the sublease term, in the case of a sublease, and upon assignment of this Lease, in the case of an assignment. In the event of a subletting, "**transfer premium**" shall mean all rent, additional rent or other consideration payable by such subtenant to Tenant or on behalf of Tenant in connection with the subletting in excess of the rent, additional rent and other sums payable by Tenant under this Lease during the term of the sublease on a per square foot basis if less than all of the Premises is subleased, less the reasonable costs actually incurred by Tenant to secure the sublease. In the event of any assignment of this Lease, "**transfer premium**" shall mean any consideration paid by the assignee to Tenant in connection with such assignment which Landlord reasonably determines is allocable to the leasehold value of this Lease, less the reasonable costs actually incurred by Tenant to secure such assignment. If part of the transfer premium shall be payable by the assignee or subtenant other than in cash, then Landlord's share of such non-cash consideration shall be in such form as is reasonably satisfactory to Landlord.

8.6 *Limitations on Effect of Landlord's Consent.* Landlord's consent to any specific proposed assignment or subletting shall not be deemed to be a consent to any other assignment or sublease and shall not release Tenant from any of its obligations under this Lease. Any approved assignee or sublessee of Tenant shall not be entitled to take or permit any of the acts described in Section 8.1 without obtaining Landlord's prior written consent thereto in the manner specified by this Article 8.

## **ARTICLE 9 MORTGAGES AND ATTORNMENT**

9.1 *Subordination.* This Lease and the estate granted hereby is and shall be subject and subordinate to all mortgages and deeds of trust which may now or hereafter affect the

Premises, the Building or the Land, and to all renewals, modifications, consolidations, replacements and extensions thereof. Within ten days of Landlord's written request therefor, Tenant shall execute, acknowledge and deliver any and all documents or instruments requested by Landlord in order to effectuate or ensure the subordination of this Lease and the estate granted hereby to any such mortgage or deed of trust.

9.2 *Attornment by Tenant.* In the event of the foreclosure of any mortgage, or the exercise of the power of sale under any deed of trust, affecting the Premises, Tenant shall attorn to the person acquiring title to the Building as a result of such foreclosure or sale and recognize such person as the Landlord under this Lease so long as such person recognizes Tenant's right to continued occupancy of the Premises pursuant to the terms of this Lease so long as no Event of Default has occurred and is continuing hereunder at the time of such foreclosure or sale or occurs at any time thereafter.

9.3 *Notice to Mortgagee of Landlord's Default.* In the event of any act or omission by Landlord which would give Tenant the right to terminate this Lease, Tenant shall not exercise such right without first giving written notice to the holder of any mortgage, or the beneficiary under any deed of trust, affecting the Premises of which Tenant has knowledge and granting to such holder or beneficiary a reasonable time after receipt of such notice within which to remedy such act or omission.

## **ARTICLE 10 PARKING**

Tenant shall have the right to use, from time to time, the number (if any) of Parking Spaces designated under the "Basic Lease Terms" set forth in Article 1 for the parking of motor vehicles used by Tenant, its officers, employees and business visitors, which Parking Spaces shall be made available in the garage within the Building. The use of each such Parking Space shall be subject to the reasonable Rules and Regulations adopted by Landlord and/or the operator of such garage from time to time for use of such facility and payment of the amounts (if any) then charged all other tenants in the Building for the use of spaces within such facility, consistently applied. Tenant shall not be deemed to have any vested right hereunder in any particular Parking Spaces or in the privilege of parking in any particular Parking Spaces.

## **ARTICLE 11 UTILITIES AND SERVICES**

11.1 *Electricity; Passenger Elevator; Water.* Landlord shall provide reasonable amounts of the following services to the Premises twenty-four hours a day and seven days a week, or during such shorter time as may be prescribed by any applicable regulation or policy adopted for general applicability by any governmental agency or utility:

- (a) alternating electric current in such reasonable amounts (not to exceed a demand load in excess of three watts per square foot of Tenant's Area) as may be



required by Tenant for the operation of lighting fixtures, electrical outlets, electrical equipment and appliances in the Premises;

- (b) Passenger elevator service; and
- (c) warm and cold water for normal use in lavatory facilities, drinking fountains and slop sinks.

11.2 *Freight Elevator, HVAC.* Landlord shall provide the following utilities and services to the Premises during Business Hours (as defined below) or such shorter time as may be prescribed by any applicable regulation or policy adopted for general applicability by any governmental agency or utility:

- (a) freight elevator service;
- (b) heat in the cold season for the warming of the Premises and public portions of the Building;
- (c) ventilation and air conditioning sufficient to provide, within tolerances normal in first-class office buildings in the County of Los Angeles, inside space conditions of 78 degrees Fahrenheit (dry bulb) with outside conditions of 90 degrees Fahrenheit (dry bulb) and 70 degrees Fahrenheit (wet bulb), except to the extent that (i) occupancy of any part of the Premises exceeds an average of more than one person per 100 square feet of Tenant's Area, (ii) there is an electrical demand load in excess of three watts per square foot of Tenant's Area in such part of the Premises or (iii) Tenant changes the use or layout of the Premises in a manner that interferes with the operation of such systems.

"Business Hours" shall be between the hours of 8:00 a.m. and 5:30 p.m. Monday through Friday, except for New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day and such other holidays as may become recognized in the County of Los Angeles as days on which commercial offices are generally closed.

11.3 *Cleaning.* Landlord shall (a) wash the interior and exterior of the windows in the perimeter walls of the Building once each calendar year and (b) supply customary cleaning services to the Premises (except for any portion of the Premises used for (i) toilet facilities which are not a part of the Base Building Work, (ii) preparing, dispensing or consuming of food or beverages, (iii) as an exhibition area or for storage, classroom, shipping, mailroom or similar purposes, or (iv) for the operation of computer, data processing reproduction, duplicating or other similar special equipment of Tenant) in accordance with standards and practices from time to time prevailing in first-class office buildings in the County of Los Angeles.

11.4 *Building Directory.* Landlord shall, at the request of Tenant, maintain listings on the general Building directory of the names of Tenant and any other person or entity

occupying the Premises or any part thereof pursuant to the terms of this Lease, provided that the number of names so listed shall not exceed in ratio to the capacity of such Building directory the ratio of Tenant's Area to the total Rentable Area of the Building.

11.5 *Additional Electricity, Water or Gas.* Except as expressly provided below, Tenant shall not, without the prior written consent of Landlord, which may be withheld in Landlord's sole discretion, (a) use any apparatus, device or machine in the Premises which will in any way increase the amount of electric current used in the Premises to a demand load in excess of three watts per square foot of Tenant's Area or increase the amount of gas or water used in the Premises beyond amounts normally needed for general office purposes or (b) connect with electric current (except through existing electrical outlets) or water pipes any apparatus, device or machine for the purpose of using electric current or water. In the event that Tenant requires alternating electric current to the Premises in excess of a demand load of three watts per square foot of Tenant's Area, or requires water or gas for use in the Premises which, in Landlord's reasonable judgment, cannot be furnished unless additional risers, conduits, feeders or other appurtenances are installed in the Building, or require special meters to be installed to measure the use of such electric current, water or gas, Landlord may, and upon request by Tenant shall, install such additional service (provided the installation and use thereof is permitted by applicable laws and insurance regulations and will not cause permanent damage or injury to the Building or the Premises, create a dangerous or hazardous condition or unreasonably interfere with or disturb other tenants in the Building), and Tenant shall pay all charges, costs and expenses incurred by Landlord in connection with such installation and the furnishing of such additional utility service.

11.6 *Additional HVAC, Elevator and Cleaning Services.* Landlord shall, upon reasonable prior notice by Tenant, furnish additional heating, ventilation, air conditioning and/or cleaning or elevator services upon such reasonable charges, terms and conditions as shall be determined by Landlord on a basis consistent with that generally used with respect to other tenants of the Building. Tenant shall also pay Landlord's reasonable charge for (a) any additional cleaning of the Premises required because of the carelessness or neglect of Tenant and (b) the removal of any of Tenant's refuse and rubbish from the Premises, except material placed in trash boxes and receptacles for emptying as an incident to Landlord's normal cleaning of the Premises.

11.7 *Stoppage or Interruption of Services.* Landlord may stop elevator, escalator, lighting, ventilating, air conditioning, power, water, cleaning or other services, and may interrupt the use of any Building facilities, at such times as may be necessary and for as long as may reasonably be required by reason of accidents, strikes, the making of repairs, alterations or improvements, inability to secure an adequate supply of fuel, gas, water, electricity, labor or supplies or by reason of any cause beyond the reasonable control of Landlord; provided, however, that any such stoppage or interruption for the purpose of making any alteration or improvement shall be made at such times and in such manner as shall not unreasonably interfere

with Tenant's use of the Premises and, whenever reasonably practicable, after reasonable prior notice to Tenant of the anticipated commencement, duration and nature of such work. Tenant shall not be entitled to any abatement of Rent or other compensation nor shall this Lease or any of Tenant's obligations hereunder be affected by reason of any such stoppage or interruption.

- 11.8 *Repair of Building Systems.* Tenant shall promptly notify Landlord of any damage to or defect in any of the plumbing, heating, air conditioning, ventilation or other systems located in, passing through or serving the Premises or the Building and Landlord shall repair such damage or defect with reasonable diligence. To the extent such damage or defective condition was caused by or attributable to the improper use of such system or negligence of Tenant, its employees, agents or invitees or by breach of Tenant's obligations under this Lease, Tenant shall pay the cost of such repairs upon demand.
- 11.9 *Landlord's Liability for Interruption of Services.* Landlord shall not be liable for any interruption in elevator, cleaning, heating, ventilation, air conditioning or other services furnished to the Premises except for actual damage (excluding loss of business or other consequential damages) suffered by Tenant by reason of any such interruption to the extent such interruption is caused by the negligence or deliberate wrongful acts of Landlord.
- 11.10 *Tenant's Services.* Tenant shall not enter into any contract or employ any labor in connection with the provision of maintenance, cleaning or other services to the Premises without the prior written consent of Landlord.

## **ARTICLE 12 WAIVER, INDEMNIFICATION AND INSURANCE**

- 12.1 *Waiver by Tenant.* As a material part of the consideration for this Lease, Tenant hereby assumes all risk of injury to Tenant's property or business or to Tenant's employees, agents, contractors, licensees or invitees (or any of their property) and waives all claims against Landlord with respect to any such injury, except for personal injury and property damage to the extent such injury or damage is caused by Landlord's criminal act, active negligence or breach of Landlord's obligations under this Lease and is not the result of a criminal act by a third party or the act or omission of any other tenant in the Building.
- 12.2 *Indemnification.* Tenant shall indemnify and hold harmless Landlord, its partners, employees and agents, and their respective shareholders, directors, officers, employees and agents, from and against any and all claims, demands, costs, liabilities, losses and expenses, including, attorneys' fees, suffered or incurred by Landlord or to which Landlord may be exposed or subjected by reason of (a) Tenant's use of the Premises or the conduct of its business, (b) any breach of Tenant's obligations under this Lease (c) any act or omission of Tenant or any of its shareholders, directors, officers, partners, employees, agents, contractors, licensees

or invitees while in or about the Premises, the Building, the Land or the parking areas for the Building, or (d) any condition created, suffered or permitted by Tenant in or about the Premises, the Building, the Land or the parking areas for the Building.

12.3 *Tenant's Insurance Coverage.* Tenant shall at all times during the term of this Lease keep in force the following policies of insurance:

- (a) Comprehensive general liability insurance with a minimum combined limited of \$2,000,000.00. Such policy shall include coverage of Tenant's indemnity obligations under this Article 12.
- (b) Fire and extended coverage insurance covering (i) all leasehold improvements (including any alterations, additions or improvements made to the Premises) and (ii) Tenant's trade fixtures and other personal property from time to time located in the Premises, all in an amount not less than 100% of the full replacement cost of such improvements, fixtures and property from time to time during the term of this Lease.

12.4 *Additional Requirements for Tenant's Insurance.* All insurance required to be carried by Tenant hereunder shall be issued by insurance companies with a combined policy holders' rating and financial classification of not less than XIII A as rated in the most recent Best's Insurance Reports, shall be qualified to do business in the State of California, and shall otherwise be reasonably acceptable to Landlord and the holder of any mortgage, or the beneficiary under any deed of trust affecting the Premises. Each policy shall name Landlord, Landlord's managing agent for the Building and, at Landlord's request, the holder of any mortgage or beneficiary under any deed of trust affecting the Premises, as additional insureds, as their respective interests may appear, and copies of all policies or certificates evidencing the existence and amounts of such insurance shall be delivered to Landlord by Tenant at least 10 days prior to Tenant's occupancy of the Premises. Each such policy shall contain an endorsement providing that it shall not be cancelable without 10 days prior written notice to Landlord and the holder of any mortgage or the beneficiary under any deed of trusts affecting the Premises. Tenant shall furnish Landlord with renewals or binders of any such policy at least 10 days prior to the expiration thereof. If Tenant fails to procure and maintain such insurance, Landlord may (but shall not be required to) procure said insurance on Tenant's behalf and charge Tenant the premiums therefor, which shall be payable upon demand. Tenant shall have the right to satisfy its obligations hereunder by procuring one or more blanket policies, provided that such blanket policies expressly afford the coverage's required by this Lease.

12.5 *Use of Proceeds.* Upon the occurrence of any casualty insured against by Tenant pursuant to this Article, the proceeds of such insurance shall be used for the repair or replacement of the property so insured provided, however, that, if, following such casualty, Landlord or Tenant terminates this Lease pursuant to Article 13 hereof, the

proceeds of the coverage described in subsection 12.3(b) (i) shall be paid to Landlord and the proceeds of the coverage described in subsection 12.3(b) (ii) shall be paid to Tenant.

12.6 *Mutual Release and Waiver of Subrogation.* Each of Landlord and Tenant hereby waives, and releases the other from, any claim or liability for damage to such party's property occurring during the term of this Lease (or during the period of time, if any, prior to the Term Commencement Date that Tenant may have been given access to the Premises and surrounding areas for the purpose of occupancy or doing work in the Premises), to the extent such damage is recovered under property hazard insurance carried by the damaged party. Each of Landlord and Tenant shall cause the property hazard insurance carried by it, with respect to the Building, the Premises or such party's other property located therein, to be endorsed, if necessary, to prevent any invalidation of such insurance by reason of the waivers and releases contained in this Section 12.6; provided that, if it is or becomes commercially unreasonable to obtain such an endorsement, each of Landlord and Tenant shall instead cause the other to become a named insured (but not a loss payee) under its property hazard insurance.

### **ARTICLE 13 DAMAGE AND DESTRUCTION**

13.1 *Landlord's Duty to Repair Damage.* If any part of the Premises shall be damaged by fire or other Casualty, Tenant shall give prompt notice thereof to Landlord and Landlord shall with reasonable diligence repair such damage in a manner and at times, which do not unreasonably interfere with Tenant's use of the Premises. If any part of the Premises shall be rendered untenable by reason of such damage (including untenability due to lack of access or services thereto) the Rent payable hereunder shall be appropriately abated for the period from the date of such damage to the date when such part of the Premises shall have been made tenantable unless (a) Landlord shall make available to Tenant, during the period of such repair, other space in the Building which, in Tenant's reasonable opinion, is suitable for the temporary conduct of Tenant's business or (b) such fire or other casualty shall have been caused by the fault or neglect of Tenant or its agent, contractors, employees, licensees or invitees. Landlord shall not be liable for any inconvenience or annoyance to Tenant or injury to the business or Tenant resulting in any way from such damage or the undertaking of such repair. Landlord shall have no obligation to carry insurance of any kind on Tenant's goods, furniture or furnishings, on Tenant's Property, or on any improvements in or to the Premises and Landlord shall not be obligated to repair any damage thereto or to replace the same.

13.2 *Exceptions to Obligation to Rebuild.* Notwithstanding the provisions of Section 13.1, if (a) substantial alteration or reconstruction of the Building shall, in the opinion of Landlord, be required as a result of damage by fire or other casualty (whether or not the Premises shall have been damaged by such fire or other casualty and whether or not such damage is covered by insurance carried by Landlord), (b)

the damage to the Building is a result of an uninsurable casualty and is in an amount of \$100,000 or more, (c) Landlord cannot reasonably complete necessary repairs to the Building or the Premises within 120 days, or (d) such damage occurs during the last year of the term of this Lease, then Landlord may terminate this Lease and the estate granted hereby by giving Tenant written notice within 60 days after the date of such damage, specifying a date, not less than 30 days after the giving of such notice, for such termination. In the event of the giving of such notice of termination, this Lease and the term and estate hereby granted shall cease and terminate as of the date specified in such notice, and the Rent payable hereunder shall be apportioned as of the date of termination.

13.3 *Express Agreement.* This Lease shall be considered an express agreement governing any damage to or destruction of the Building or the Premises by fire or other casualty, and Tenant hereby waives any law which purports to govern the rights of the parties in the event of such damage or destruction, including, without limitation, Sections 1932(2) and 1933(4) of the California Civil Code.

#### **ARTICLE 14 CONDEMNATION**

14.1 *Condemnation of Entire Premises.* In the event that the entire Premises shall be condemned or taken in any manner for any public or quasi-public use, this Lease and the term and estate hereby granted shall terminate as of the earlier of the date of vesting of title in such condemnation or taking or the date of taking of possession by the condemning authority (such earlier date, whether with reference to a complete or partial taking of the Building, being referred to hereinafter as the "Taking Date").

14.2 *Partial Condemnation.*

- (a) In the event that only a portion of the Premises shall be condemned or taken, then the term and estate hereby granted with respect to such portion shall forthwith cease and terminate as of the Taking Date, but (except as expressly provided below) this Lease shall remain in full force and effect with respect to the rest of the Premises, and the Rent payable hereunder shall be appropriate abated for the period from the Taking Date to the Term Expiration Date.
- (b) In the event that only a portion of the Building shall be condemned or taken, but substantial alteration or reconstruction of the Building shall, in the opinion of Landlord, be necessary or desirable as a result of such condemnation or taking (whether or not the Premises be affected), Landlord may terminate this Lease and the term and estate granted hereby, effective as of the later of the Taking Date or the date of Landlord's notice of termination to Tenant, by giving such notice of termination on or before the date which is 30 days after the Taking Date.
- (c) If any condemnation or taking shall be of a substantial portion of the Premises or of a substantial portion of the means of access thereto, this Lease and the term

and estate granted hereby may be terminated by Tenant, effective as of the later of the Taking Date or the date of Tenant's notice of termination to Landlord, by giving such notice of termination on or before the date which is 30 days after the Taking Date.

- 14.3 *Award.* In the event of any condemnation or taking of all or a portion of the Building, Landlord shall be entitled to receive the entire award in the condemnation proceeding, including any award made for the value of the estate vested by this Lease in Tenant, and Tenant hereby assigns to Landlord any and all right, title and interest of Tenant now or hereafter arising in or to any such award or any part thereof; provided, however, that nothing shall preclude Tenant from intervening in any such condemnation proceeding to claim or receive from the condemning authority any compensation to which Tenant may otherwise lawfully be entitled in such case for a taking of Tenant's Property or for relocation of Tenant's business.
- 14.4 *Condemnation for a Limited Period.* Notwithstanding the provisions of Sections 14.1, 14.2 and 14.3 hereof, if all or any portion of the Premises shall be condemned or taken for public use for a limited period, this Lease shall not terminate, there shall be no abatement of the Rent payable hereunder and Tenant shall be entitled to receive the entire award therefor (whether paid as damages, rent or otherwise) unless the period of public use extends beyond the Term Expiration Date, in which case Landlord shall be entitled to the portion of such award properly allocable to the cost of restoration of the Premises, and the balance of such award shall be apportioned between Landlord and Tenant as of the Term Expiration Date. If the termination of such condemnation or taking is prior to the term Expiration Date, Tenant shall apply for and diligently pursue an award for restoration of the Premises and, to the extent such an award has been made, restore the Premises as nearly as possible to the condition in which it existed prior to such condemnation of taking.

## **ARTICLE 15 TENANT'S DEFAULT AND LANDLORD'S REMEDIES**

- 15.1 *Events of Default.* Each of the following shall be an event of default ("Event of Default") under this Lease:
- (a) The failure by Tenant to pay Rent when due, where such failure continues for three (3) business days after Tenant receives written notice thereof from Landlord (which notice shall also constitute the notice provided for by California Code of Civil Procedure Section 1161);
  - (b) The vacation or abandonment of the Premises by Tenant;
  - (c) The failure by Tenant to perform its obligations under Articles 6 or 7 hereof, where such failure continues for five (5) business days after Tenant receives written notice thereof from Landlord, or two business days after receiving such notice if such failure also constitutes a criminal violation, is likely to be patently

offensive to other tenants in the Building, causes any work or threatened work action on the part of any trade engaged in performing work, labor or services in or about the Building, or creates a fire, safety or health hazard, and Landlord so specifies in such notice (either of which notices shall also constitute the notice provided for by California Code of Civil Procedure Section 1161);

- (d) The failure by Tenant to perform any of its other obligations under this Lease, where such failure continues for twenty business days after Landlord gives written notice thereof; provided, however, if the nature of the failure is such that it cannot reasonably be cured within such twenty-day period, such failure shall not be an Event of Default if Tenant commences such cure promptly upon receiving notice thereof from Landlord and thereafter diligently prosecutes the same to completion; or
- (e) The filing of a petition by or against Tenant pursuant to the Bankruptcy Code of 1978, as amended, or any successor statute (unless, in the case of a petition filed against Tenant, the same is dismissed within 60 days); the making by Tenant of any general assignment for the benefit of creditors; the appointment of a trustee or receiver to take possession of all or any portion of Tenant's assets located at the premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within 60 days or where such appointment is made at Tenant's request or without Tenant's objection; the attachment, execution, or other judicial seizure of all or any portion of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within 60 days; or Tenant's acknowledgement in any writing that it is insolvent or generally unable to pay its obligations as they become due.

15.2 *Termination.* If an Event of Default occurs, Landlord may, at its option, terminate this Lease and the estate granted hereby by giving Tenant written notice of termination. In the event that Landlord elects to terminate this Lease, Landlord may recover:

- (a) the worth at the time of award of the unpaid Rent earned to the date of such termination;
- (b) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after the date of such termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided;
- (c) the worth at the time of award of the amount by which the unpaid Rent which would have been earned for the balance of the term of this Lease after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided;



- (d) any other amount necessary to compensate Landlord for all of the detriment proximately caused by Tenant's failure to observe or perform any of its covenants and agreements under this Lease or which in the ordinary course of events would be likely to result therefrom, including, without limitation, legal fees and other expenses incurred in re-entering and taking possession of the Premises, costs incurred in rehabilitating the Premises for new Tenants and costs (including broker's commissions and legal fees) incurred in re-letting the Premises; and
- (e) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time under applicable laws.

The "worth at the time of award" is computed (i) in clauses (a) and (b) above, by allowing interest at the prime or corporate reference rate announced from time to time by Bank of America, N.A. (but in no event in excess of the maximum rate permitted by law), and (ii) in clause (c) above, by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1%.

15.3 *Re-Entry by Landlord.* If an Event of Default occurs, Landlord or Landlord's authorized representatives may re-enter the Premises and remove all persons and all property therefrom by any suitable action or proceeding at law and repossess and enjoy the Premises, without being liable to indictment, prosecution or damages therefor. Landlord may store any property removed from the Premises at the expense of Tenant and, if Tenant does not pay the cost of such removal and storage upon demand, sell any or all of such property after the same has been stored for 30 days. No re-entry or repossession of the Premises by Landlord or its representatives under this Section 15.3 shall be construed as an election to terminate this Lease unless Landlord gives written notice of termination to Tenant or such termination is decreed by a court of competent jurisdiction.

15.4 *Right to Enforce Lease.* If an Event of Default occurs and Landlord does not elect to terminate this Lease, Landlord may, from time to time and without terminating this Lease, whether or not Tenant has abandoned the Premises, enforce all its rights and remedies under this Lease, including the right to recover Rent as the same becomes payable by Tenant hereunder. For so long as Landlord elects to pursue the remedy granted in this Section 15.4, it shall not terminate Tenant's right to possession of the Premises; provided, however, that neither acts of maintenance or preservation or efforts to relet the Premises nor the appointment of a receiver upon Landlord's initiative to protect Landlord's interest under this Lease shall constitute a termination of Tenant's right to possession of the Premises.

15.5 *Right to Relet Premises.* If an Event of Default occurs and Landlord does not elect to terminate this Lease, Landlord shall have the right to relet the Premises or any part thereof on such terms and conditions and at such rentals as Landlord in its sole discretion may deem advisable, with the right to make alterations and repairs in and

to the Premises necessary for such reletting. If Landlord so elects to relet, then gross rentals received by Landlord from the reletting shall be applied: first, to the payment of the reasonable expenses incurred or paid by Landlord in re-entering and securing possession of the Premises and in the reletting thereof (including, without limitation, altering and preparing the Premises for new tenants and brokers' commissions); second, to the payment of Rent by Tenant hereunder; and third, the remainder, if any, to be retained by Landlord and applied to the payment of future Rent as the same becomes due. Should the gross rentals received by Landlord from the reletting be insufficient to pay in full the sums described in the first and second clauses above, Tenant shall, upon demand, pay the deficiency to Landlord.

15.6 *Landlord's Right to Cure.* If an Event of Default shall occur, Landlord may cure the same at the expense of Tenant. Bills for all reasonable costs and expenses incurred by Landlord in connection with any performance by it under this Section 15.6 shall be payable on demand, together with interest thereon from the date incurred at the highest rate permitted by law and all such amounts shall be deemed additional Rent hereunder. Landlord's cure of any such Event of Default and the assessment of the costs thereof shall not be deemed to be a waiver of such Event of Default.

15.7 *Waiver of Right to Apply Payments.* If Tenant is in default in due payment to Rent, Tenant waives Tenant's right, if any, to designate the items against which any payments made by Tenant are to be credited, and Landlord may apply any payments made by Tenant to any amount owed by Tenant to Landlord.

15.8 *Cumulative Remedies.* The remedies of Landlord provided for in this Lease are cumulative and are not intended to be exclusive of any other remedies to which Landlord may be lawfully entitled. The exercise by Landlord of any remedy to which it is entitled shall not preclude or hinder the exercise of any other such remedy.

## **ARTICLE 16 ESTOPPEL CERTIFICATES**

Tenant shall, promptly upon request by Landlord, deliver to Landlord a statement in recordable form certifying:

- (a) The capacity of the person executing such certificate and that such person is duly authorized to execute the same on behalf of Tenant,
- (b) The date of this Lease, and the Term Commencement and Expiration Dates,
- (c) That this Lease is in full force and effect and unmodified, except for amendments identified in such certificate,
- (d) The amount of the Fixed Rent for the month in which such certificate is dated,

- (e) That, except as may be described in such certificate, there are no rental offsets, claims or defenses to enforcement of this Lease by Landlord or, to the best of Tenant's knowledge, as of the date of such certificate, no defaults or breaches of warranty on the part of Landlord under this Lease,
- (f) That, except as may be described in such certificate, Tenant has not paid in advance any Rent or other sum which may subsequently become due under this Lease, other than the Fixed Rent for the month in which such certificate is dated,
- (g) That, except as may be described in such certificate, Landlord has completed all portions of the Tenant Improvements and any other improvements to the Premises which Landlord is obligated to make under this Lease and Landlord is not obligated to make any further payments to Tenant, for Tenant Improvements, such other improvements or any other purpose; and
- (h) Any other matter respecting the Lease or the Premises for which Landlord or the holder of any mortgage or the beneficiary under any deed of trusts affecting the Premises reasonably requests a certification.

**ARTICLE 17**  
**SURRENDER OF PREMISES; HOLDING OVER**

17.1 *Surrender of Premises.* At the expiration or earlier termination of the term hereof, Tenant shall surrender the Premises to Landlord in good condition, reasonable wear and tear and damage, which has not been occasioned by the fault or neglect of Tenant excepted. Tenant shall reimburse Landlord upon demand for the cost of repairing any other damage to the Premises.

17.2 *Holding Over.* Any holding over by Tenant after the expiration or earlier termination of the term of this Lease shall be construed to be a tenancy from month-to-month at a monthly Fixed Rent which shall be equal to 150% of the Fixed Rent payable by Tenant during the last full calendar month prior to such expiration or termination; and shall otherwise be on all the terms and conditions of this Lease to the extent applicable to a month-to-month tenancy. Landlord's demand for or acceptance of rent for any thirty-day period during which Tenant holds over shall not be construed as consent to Tenant's holding over for any subsequent thirty-day period.

**ARTICLE 18**  
**MISCELLANEOUS**

18.1 *Security Deposit.* At all times during the terms of this Lease, Tenant shall maintain the Security Deposit with Landlord in cash as security for the full and faithful observance and performance of all of Tenant's obligations under this Lease (expressly including, without limitation, the payment as and when due of Fixed Rent, and any other Rent or damages payable hereunder) and the payment of any

and all other damages for which Tenant shall be liable by reason of any act or omission constituting a breach of such obligations. If at any time Tenant shall be in default in the payment of any Fixed Rent or any other Rent or damages or shall otherwise be in breach in the observance or performance of any of its obligations under this Lease, then, at Landlord's election, the Security Deposit may be applied by Landlord to the payment of Fixed Rent, such other Rent or damages or the payment of any costs and expenses incurred by Landlord in curing any such breach. If as a result of any such application, the Security Deposit shall at any time be less than the amount specified in Article 1, Tenant shall, within five (5) days after demand from Landlord therefor, deposit with Landlord additional cash in an amount equal to the deficiency. If, at the expiration of the term of this Lease, all of the Fixed Rent, additional Rent or damages have been paid by Tenant to Landlord and Tenant is not in default in the observance or performance of any of its obligations under this Lease, then Landlord shall return to Tenant without interest the Security Deposit (or such amount thereof as has not been applied, or applied but replaced by Tenant, under this Section 18.1). Landlord shall have the right to commingle the Security Deposit with its general assets.

18.2 *Landlord's Right to Enter the Premises.* Landlord and its agents shall have the right to enter the Premises at such times as shall not unreasonably interfere with Tenant's business for the purpose of inspection of the Premises, complying with any law, regulation or order of any court or governmental authority, exercising any of Landlord's rights under this Lease, or (during the last 12 months of the term hereof) showing the Premises to prospective tenants.

18.3 *Brokers.* Tenant represents that it has dealt with no broker in connection with this Lease other than Landlord's Broker.

18.4 *Rentable Area.* Landlord and Tenant stipulate that the Rentable Area of the Premises as determined in accordance with BOMA standards used in the City of Los Angeles during 1986 is equal to Tenant's Area; provided, however, at any time within sixty days after the execution and delivery of this Lease, Landlord or Tenant may cause the Rentable Area of the Premises to be measured by a licensed architect reasonably approved by the other and, if such architect certifies that Tenant's Area differs from the actual Rentable Area of the Premises by 5% or more, then, from and after the date of such certification, Tenant's Area shall be equal to the Rentable Area of the Premises set forth in such certificate and Landlord and Tenant shall execute an amendment to this Lease to reflect the change in Tenant's Area.

18.5 *Limitation of Landlord's Liability.* The covenants and agreements on the part of Landlord to be performed under this Lease shall not be binding upon the person named as Landlord herein with respect to any period subsequent to the transfer of its interest in the Building, and in the event of such transfer such covenants and agreements shall thereafter be binding upon each transferee of such interest, but only with respect to the period during which such transferee holds its interest in the Building. Any transferee of Landlord's interest in the Building (a) shall not be

liable for any act or omission of Landlord under this Lease occurring prior to such sale, assignment or other transfer, (b) shall not be subject to any claim of offset, defense or counterclaim accruing prior to such sale, assignment or other transfer and (c) shall not be bound by any payment of Rent prior to such sale, assignment or other transfer for more than one (1) month in advance (except prepayments in the nature of security for the performance by Tenant of its obligations hereunder to the extent that such prepayments are actually received by such transferee).

18.6 *No Light, Air or View Easement.* Any diminution or shutting off of light, air or view by any structure which may be erected on lands adjacent to the Building shall in no manner affect this Lease or impose any liability on Landlord. Neither this Lease nor any use by Tenant shall give Tenant any right or easement to the use of any door or passage connecting the Building with any other building, and the use of such doors and passages may be regulated or discontinued at any time and from time to time by Landlord.

18.7 *Submission of Lease.* The submission of this Lease to Tenant for examination or execution does not constitute a reservation of or option on the premises or an agreement to lease the Premises. This Lease shall become effective as a lease and Landlord shall become obligated hereunder only upon the execution and delivery of this lease by both Landlord and Tenant.

18.8 *Notices.* All notices and demands, which may or are required to be given by either party to the other hereunder, shall be in writing. All notices and demands by Landlord to Tenant shall be delivered personally or sent by United States mail, postage prepaid, return receipt requested, addressed to Tenant at the Premises, or to such other place as Tenant may from time to time designate in a written notice to Landlord. All notices and demands by Tenant to Landlord shall be delivered personally or sent by United States certified or registered mail, postage prepaid, return receipt requested, addressed to Landlord at the office in the Building of Landlord's managing agent for the Building or to such other place as Landlord may from time to time designate in a written notice to Tenant. Any such notice shall be deemed given and delivered upon actual delivery or at the time of attempted delivery shown on such return receipt.

18.9 *Entire Agreement.* This Lease contains all of the agreements and understandings relating to the leasing of the Premises and the obligations of Landlord and Tenant in connection therewith. Neither party and no agent or representative thereof has made or is making, and neither party in executing and delivering this Lease is relying upon, any warranties or representations, except to the extent set forth in this Lease. All understandings and agreements heretofore made between Landlord and Tenant relating to the leasing of the Premises are merged in this Lease, which alone fully and completely expresses their agreement. The following Exhibits annexed to this Lease are hereby incorporated herein and made a part hereof:

Exhibit A	Diagram of Tenant's Premises
Exhibit B	Legal Description
Exhibit C	Rules and Regulations
Exhibit D	Hazardous Materials
Exhibit E	Tenant Improvements

- 18.10 *Waiver and Modification.* The failure of Landlord or Tenant to insist in any instance upon the strict keeping, observance or performance of any covenant or agreement contained in this Lease or to exercise any election herein contained shall not be construed as a waiver or relinquishment for the future of such covenant or agreement, but the same shall continue and remain in full force and effect. No waiver or modification by either Landlord or Tenant of any covenant or agreement contained in this Lease shall be deemed to have been made unless the same is in writing executed by the party whose rights are being waived or modified. No surrender of possession of any part of the Premises shall release Tenant from any of its obligations hereunder unless accepted by Landlord. The receipt and retention by Landlord and the payment by Tenant, of Rent or with knowledge of the breach of any covenant or agreement contained in this Lease shall not be deemed a waiver of such breach by either Landlord or Tenant.
- 18.11 *Severability.* If any covenant or agreement of this Lease or the application thereof to any person or circumstance shall be held to be invalid or unenforceable, then and in each such event the remainder of this Lease or the application of such covenant or agreement to any other person or any other circumstance shall not be thereby affected, and each covenant and agreement hereof shall remain valid and enforceable to the fullest extent permitted by law.
- 18.12 *Governing Law.* This Lease shall be governed by and construed in accordance with the laws of the State of California.
- 18.13 *Successors and Assigns.* Subject to Section 8.1, the covenants and agreements contained in this Lease shall bind and inure to the benefit of Landlord and Tenant, their respective successors and assigns and all persons claiming by, through or under them.
- 18.14 *Attorney's Fees.* In any action or proceeding which Landlord or Tenant may prosecute to enforce its rights hereunder, the unsuccessful party therein shall pay all costs incurred by the prevailing party therein, including reasonable attorneys' fees to be fixed by the court, and such costs and attorneys' fees shall be made part of the judgment in such action.
- 18.15 *Common Area Use.* As used herein, "Common Area" means all areas, spaces, equipment, special services, improvements and facilities in or near the Building provided by Landlord for the common or joint use and benefit of the occupants of the Building, their officers, agents, employees, servants, customers and invitees, including, but not limited to, all parking areas, access roads, streets, driveways,

entrances, exits, sidewalks, malls, courts, loading docks, package pick-up stations, ramps, corridors, halls, stairs, retaining walls and landscaped areas.

- (a) "Right to Use Common Area". Except as provided in Article 10 above, and subject to the terms and provisions of this Lease, and the Rules and Regulations attached hereto as Exhibit C ("Rules and Regulations"), Tenant's use and occupation by Tenant of the Premises shall include a right for Tenant and Tenant's Representatives to use, in common with others entitled thereto, the Common Area. All Common Area, other than the Parking Spaces, which is not within the Premises and which Tenant may be permitted to use and occupy pursuant to this Article are to be used and occupied under a revocable license, and if the amount of such areas be diminished, Landlord shall not be subject to any liability nor shall Tenant be entitled to any compensation or diminution or abatement of rent, nor shall such diminution of such areas be deemed constructive or actual eviction, provided Tenant's access to and quiet enjoyment of the Premises shall not be affected in a materially adverse manner.
- (b) "Control of Common Area". Landlord shall have the sole and exclusive control of the Common Area and at any time and from time to time to exclude and restrain any person from use or occupancy thereof, excepting, however, bona fide Tenant's Representatives, service suppliers and tenants of Landlord who make use of the Common Area in accordance with the Rules and Regulations. If in the opinion of Landlord unauthorized persons are using any of the Parking Spaces or any other portion of the Common area by reason of the presence of Tenant in the Premises, upon demand of Landlord, Tenant shall enforce such rights against all such unauthorized persons by appropriate proceedings. Nothing herein shall limit the rights of Landlord at any time to remove any unauthorized persons from the Common Area or to restrain the use of any of said areas by unauthorized persons. Tenant shall keep all of the Common Area free and clear of any obstructions created or permitted by Tenant or resulting from Tenant's operation and to permit the use of the Common Area only for the purpose hereinabove set forth.
- (c) "Prescriptive Easements". Landlord shall have the right to post temporary or permanent signs and, upon ten days' prior notice to Tenant, to temporarily close any portion or all of the Common Area from time to time and to such extent as Landlord reasonably deems necessary to prevent a dedication or other prescriptive right therein in favor of the public or any group or individual and to prevent the accrual of any such right and Landlord shall have the right by temporary closure or other reasonable means to discourage or prevent the use of the Common Area by persons other than those expressly authorized hereby.
- (d) "Changes in Common Area". Provided Tenant's access to and quiet enjoyment of the Premises shall not be affected in a materially adverse manner, Landlord shall have the right, in its sole discretion, to relocate and change the Common Area and portions thereof, if Landlord shall determine such relocation to be in

the best interest of the Building. Should Landlord acquire or make available additional land or facilities not currently part of the Building and make the same available as Common Area, the expenses incurred by Landlord in connection with the operation, maintenance and repair of Common Area shall not be included in Operating Costs.

## **ARTICLE 19 QUIET ENJOYMENT**

Tenant, upon keeping, observing and performing all of its obligations under this Lease shall lawfully and quietly hold, occupy and enjoy the Premises during the term of this Lease, subject, however, to the covenants, agreements, terms, provisions and conditions of this Lease and to underlying mortgages to which this Lease is subject and subordinate, as set forth above.

## **ARTICLE 20 RELOCATION**

20.1 Relocation. Landlord shall have the right to relocate the Premises to another part of the Center on the following terms and conditions:

(c) The new premises shall be substantially the same in size, dimensions and configuration as the Premises described in this Lease, taking into account the age and remaining useful life of the tenant improvements in the Premises at the time of such relocation;

(d) Landlord shall give Tenant at least sixty (60) days' notice of Landlord's intention to relocate the Premises;

(e) The physical relocation of the Premises shall take place at a time designated by Tenant and approved by Landlord, and shall be accomplished as quickly as reasonably practicable;

(f) If the relocated premises are smaller than the Premises as they existed before the relocation, Minimum Annual Rent shall be reduced to a sum computed by multiplying the Minimum Annual Rent specified in Article 3 by a fraction, the numerator of which shall be the total number of square feet in the relocated premises, and the denominator of which shall be the total number of square feet in the Premises before relocating;

(g) All reasonable and actual out-of-pocket costs incurred by Tenant as a result of the relocation, including without limitation, costs incurred in changing addresses on stationery, business cards, directories, advertising, and such other items (but specifically excluding any lost revenues or any intangible costs and any costs incurred by Tenant to improve and/or update the quality of the tenant improvement in the relocated premises from the quality of the tenant improvements existing in the Premises at the time of such relocation) shall be paid by Landlord; and



(h) The parties hereto shall immediately execute an amendment to this Lease stating the relocation of the Premises and the reduction of Minimum Annual Rent, if any.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Lease as of the day and year first above written.

**LANDLORD:**

KAJIMA DEVELOPMENT CORPORATION

By: \_\_\_\_\_  
Takashi Ito

Its: President & CEO

**TENANT:**

MAGNOLIA EDUCATIONAL & RESEARCH  
FOUNDATION

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

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

## LEASE ADDENDUM

This Lease Addendum ("Addendum") dated \_\_\_\_\_, 2016, is made to that certain Lease executed contemporaneously herewith by and between KAJIMA DEVELOPMENT CORPORATION, a Delaware corporation ("Landlord") and MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION, a California nonprofit public benefit corporation ("Tenant").

Notwithstanding anything to the contrary contained in the Lease, the provisions set forth below shall be deemed to be a part of the Lease and shall supercede any contrary provision in the Lease, and any inconsistency between the Lease and this Addendum shall be resolved in favor of the provisions of this Addendum. All references in the Lease and in this Addendum shall be construed to mean the Lease as amended and supplemented by this Addendum. All defined terms used in this Addendum, unless specifically defined in this Addendum, shall have the same meaning as such terms have in the Lease.

1. Option to Extend. Provided Tenant shall not then be in default under the provisions of the Lease, Tenant shall have the option to extend ("Option to Extend") the initial term of this Lease for a five (5) year period ("Extension Term") upon the same provisions as are set forth herein, subject, however, to the provision for a rental increase as hereinafter set forth. Such Option to Extend shall be exercised by giving written notice to Landlord ("Tenant's Notice") not less than six (6) months prior to the expiration date of the initial term of this Lease. This Option to Extend granted to Tenant in this Lease is personal to Tenant and may not be exercised or assigned, voluntarily or involuntarily, by, or to, any person or entity other than Tenant. This Option to Extend herein granted to Tenant is not assignable separate and apart from this Lease. In the event that at the time the Option to Extend is exercisable by Tenant, this Lease has been assigned, or a sublease exists as to fifty percent (50%) or more of the Premises, this Option to Extend shall be deemed null and void and Tenant, any assignee, or any sublessee, shall not have the right to exercise this Option to Extend. Tenant shall have no right to exercise this Option to Extend, notwithstanding any provision in the grant of the Option to Extend to the contrary, (a) if, at the time permitted for exercise of the Option to Extend, or at any time prior to the commencement of the Extension Term, Tenant shall be in default under any of the provisions of the Lease, or (b) in the event that Landlord has given to Tenant two or more notices of default under Article 15 of the Lease during the twelve (12) calendar months prior to the time Tenant intends to exercise the Option to Extend. Upon Landlord's receipt of Tenant's Notice, Landlord and Tenant shall discuss, in good faith, the new Fixed Rent for the Premises during such Extension Term. Notwithstanding the foregoing, the Fixed Rent shall not, during said Extension Term, be less than the Fixed Rent during the year immediately preceding the commencement of such Extension Term, and said Fixed Rent shall be payable in accordance with the same provisions as hereinabove set forth in the Lease. If the parties have not agreed on the rental for such Extension Term on the foregoing basis within thirty (30) days after Landlord's receipt of Tenant's Notice, then Tenant's exercise of the Option to Extend shall be deemed rescinded, the Option to Extend shall be null and void and the term of this Lease shall expire on the Term Expiration Date as set forth in Article One of the Lease.

2. Tenant Improvements: Landlord shall, at Landlord's sole cost and expense, perform the Tenant Improvements as detailed in the cost estimate and construction drawings which are attached to the Lease as Exhibit E. Any special requests or improvements exceeding the Tenant

Improvement budget of \$345,463.40 will be at Tenant's sole cost and expense. Landlord will install conduits for information technology and telecommunications per Tenant's specification and direction. Tenant will be responsible for the installation of the information technology and telecommunications systems and wiring.

**LANDLORD**

**TENANT**

KAJIMA DEVELOPMENT CORPORATION

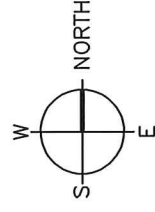
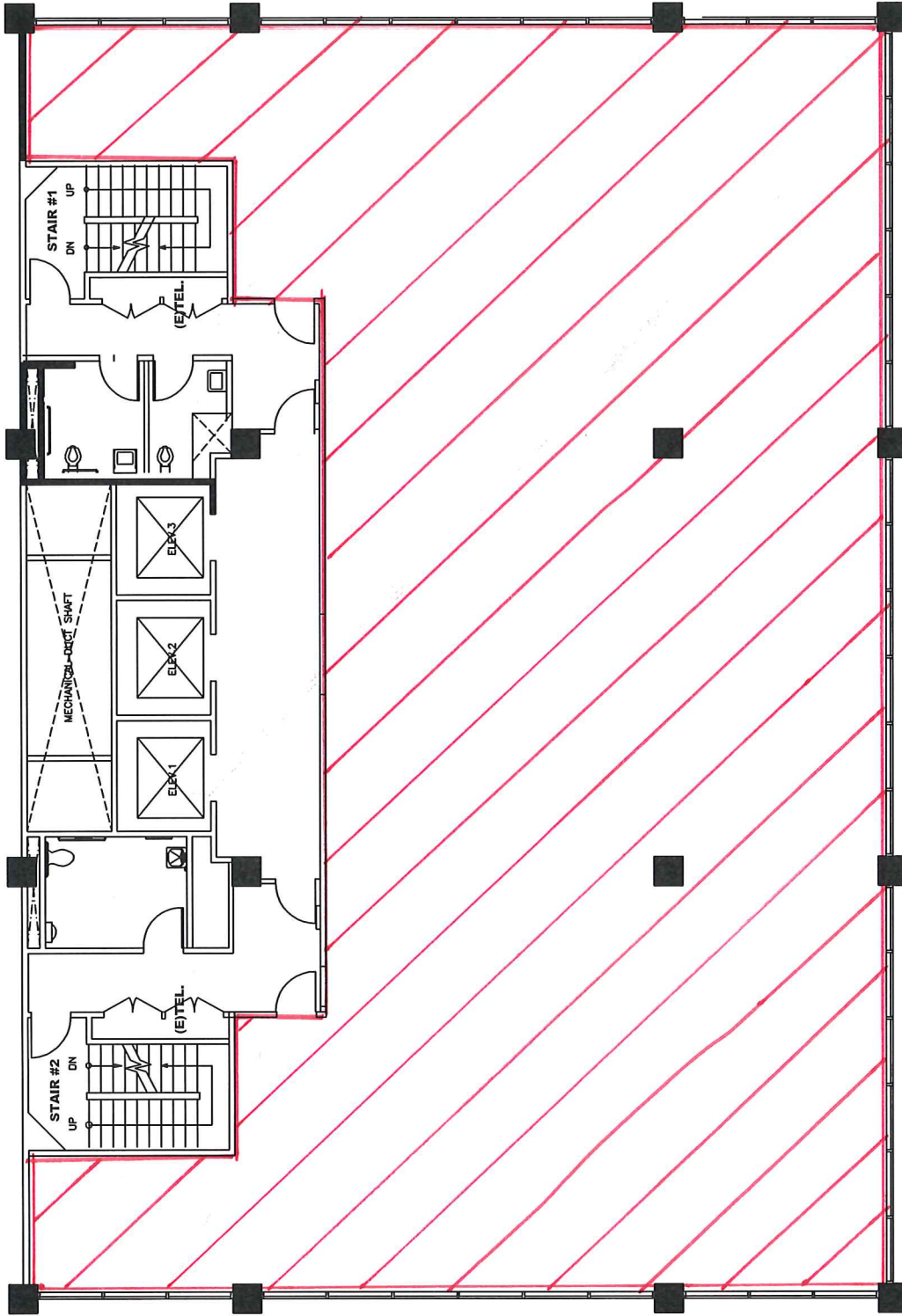
MAGNOLIA EDUCATIONAL &  
RESEARCH FOUNDATION

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Takashi Ito, President & CEO

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**15TH FLOOR**

**15TH FLOOR**

SCALE: NO SCALE

DATE: 2/3/2015

**KAJIMA BUILDING**  
250 EAST FIRST STREET, LOS ANGELES, CA, 90012

**Kajima Development Corp.**  
250 E. 1ST STREET #1101  
LOS ANGELES, CA, 90012

TEL: (323) 260-4861 FAX: (323) 260-4627

## EXHIBIT B

### LEGAL DESCRIPTION

All of Lots 1 and 2, Tract 2918, in the City of Los Angeles, County of Los Angeles, State of California, as shown on the Map recorded in Book 35, Page 22 of Maps in the office of the County Recorder of said County, and that portion of Lots 15-C, 15-D, 16 and 17 of the Subdivision of the Murat Garden Tract, as shown on the Map recorded in Book 10, Page 8 of Miscellaneous Records, of said County Recorder, and that portion of the Garden of J. Murat, as shown on the Map recorded in Book 1, Page 616 and in Book 10, Page 8 of Miscellaneous Records of said County Recorder, more particularly described in full as follows:

Beginning at the point of intersection of the Southerly line of First Street (as now established), with the Westerly line of San Pedro Street (80' wide); thence Westerly along said Southerly line North 50° 21' 06'' West 77.28 feet; thence South 40° 03' 56'' West 126.64 feet to the Southerly line of said Lot 17; thence Westerly along said Southerly line South 82° 02' 28'' West 93.16 feet to the Easterly line of Weller Street (60 feet wide); thence Southerly along said Easterly Line South 9° 02' 32'' East 30.68 feet to an angle point therein; thence continuing along said Easterly line South 7° 23' 32'' East 198.01 feet to the point of intersection of said Easterly line with said Westerly line of San Pedro Street; thence Northerly along said Westerly line North 35° 15' 14'' East 351.68 feet to the Point of Beginning.

EXCEPT the Southeasterly 10 feet thereof.

ALSO EXCEPT that portion described as follows:

Beginning at the point of intersection of a line parallel with and measured 10 feet Westerly of the Westerly line of San Pedro Street (80 feet wide) with the Easterly line of Weller Street (60 feet wide); thence Northerly along said parallel line North 35° 15' 14'' East 15.00 feet; thence Westerly in a direct line to a point on said Easterly line, said point bearing North 7° 23' 32'' West 15.00 feet from the point of beginning of this description; thence South 7° 23' 32'' East 15.00 feet to the Point of Beginning.

ALSO EXCEPT that portion described as follows:

Beginning at the point of intersection of a line parallel with and measured 10 feet Westerly of the Westerly line of San Pedro Street (80 feet wide) with the Southerly line of First Street as now established; thence Westerly along said Southerly line North 50° 21' 06'' West 18.52 feet to the point of tangency of a curve concave to the West having a

radius of 20 feet; thence Southerly along said curve to a point of tangency on said parallel line; thence Northerly along said parallel line North 35° 15' 14'' East 18.52 feet to the Point of Beginning.

INITIALS

Lessor \_\_\_\_\_

Lessee \_\_\_\_\_

## EXHIBIT C

### RULES AND REGULATIONS WHICH CONSTITUTE A PART OF THE LEASE

1. The sidewalks, entrances, passages, courts, elevators, vestibules, stairways, corridors or halls shall not be obstructed or used for any purpose other than ingress and egress.

2. No awnings or other projection shall be attached to the outside walls of the Building without the prior written consent of the Landlord. No curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the premises, without the prior written consent of the Landlord. Such awnings, projections, curtains, blinds, shades, screens or other fixtures must be of a quality, type, design and color, and attached to the manner approved by the Landlord. All electrical ceiling fixtures hung in offices or spaces along the perimeter of the Building must be fluorescent, of a quality, type, design and bulb color approved by Landlord.

3. No sign, advertisement or notice shall be exhibited, painted or affixed by any Tenant on any part of, or so as to be seen from the outside of, the premises or the building without the prior written consent of the Landlord. In the event of the violation of the foregoing by any Tenant, Landlord may remove same without any liability, and may charge the expense incurred in such removal to the Tenant violating this rule. Interior signs on doors and ground floor directory tablet shall be inscribed, painted, or affixed for each Tenant by the Landlord at the expense of Landlord, and shall be of a size, color, and style acceptable to the Landlord.

4. The sashes, sash doors, skylights, windows, and doors that reflect or admit light and air into the halls, passageways, or other public places in the building shall not be covered or obstructed by any Tenant, nor shall any bottles, parcels or other articles be placed on the windowsills.

5. The water and wash closets and other plumbing fixtures shall not be used for any purpose other than those for which they were constructed, and no sweepings, rubbish, rags or other substances shall be thrown therein. All damages resulting from any misuse of the fixtures shall be borne by the Tenant who, or whose servants, employees, agents, visitors or licensees shall have caused the same.

6. No Tenant shall mark, paint, drill into, or in any way deface any part of the premises or the building. No boring, cutting or stringing of wires or laying of linoleum or other similar floor coverings shall be permitted, except with the prior written consent of the Landlord, and as the Landlord may direct.

7. No bicycles, vehicles, or animals of any kind shall be brought into or kept in or about the premises and no cooking shall be done or permitted by any Tenant on the premises. No Tenant shall cause or permit any unusual or objectionable odors to be produced upon or permeate from the premises.

8. No Tenant shall occupy or permit any portion of his premises to be occupied as an office for the possession, storage, manufacture or sale of liquor, narcotics, dope, tobacco in any form. The premises shall not be used for lodging or sleeping or for any immoral or illegal purpose.

9. No Tenant shall make, or permit to be made any unseemly or disturbing noises or disturb or interfere with occupants of this or neighboring buildings or premises or those having business with them, whether by the use of any musical instrument, radio, phonograph, unusual noise, or in any other way. No Tenant shall throw anything out of the doors, windows or skylights or down the passageways.

10. No Tenant, nor any of Tenant's servants, employees, agents, visitors, or licensees, shall at any time bring or keep upon, the premises any inflammable, combustible, or explosive fluid, chemical or substance.

11. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by any Tenant, nor shall any changes be made in existing locks or the mechanism thereof. Each Tenant must, upon the termination of his tenancy, restore to the Landlord all keys of stores, offices, and toilet rooms, either furnished to, or otherwise procured by, such Tenant, and in the event of the loss of any keys so furnished, such Tenant shall pay to the Landlord the cost of replacing the same or of changing the lock or locks opened by such lost key if Landlord shall deem it necessary to make such change.

12. All removals, or the carrying in or out of any safes, freight, furniture, or bulky matter of any description, must take place during the hours which the Landlord may determine from time to time. The moving of sales or other fixtures or bulky matter of any kind must be made upon previous notice to the superintendent of the building and under his supervision, and the persons employed by any Tenant for such work must be acceptable to the Landlord. The Landlord reserves the right to inspect all safes, freight, or other bulky articles to be brought into the building and to exclude from the building all safes, freight, or other bulky articles which violate any of the Rules and Regulations or the lease of which these Rules and Regulations are a part. The Landlord reserves the right to prescribe the weight and position of all safes, which must be placed upon supports approved by Landlord to distribute the weight.

13. No Tenant shall purchase spring water, ice, towel, janitorial or maintenance or other like service, from any company or persons not approved by the Landlord.

14. Landlord shall have the right to prohibit any advertising by any Tenant which, in Landlord's opinion, tends to impair the reputation of the building or its desirability as an office building and upon written notice from Landlord, any Tenant shall refrain from or discontinue, such advertising.

15. The Landlord reserves the right to exclude from the building between the hours of 9 p.m. and 8 a.m., and at all hours on Saturdays, Sundays and legal holidays, all persons who do not comply with Landlord's requirement of signing "in" and "out" upon such form designated by Landlord in its sole discretion.

16. No person shall be employed by Tenant to do janitor work in any part of said building without the written consent of Landlord or unless specifically provided for in their Lease.

17. Each Tenant, before closing and leaving the premises at any time, shall see that all draperies visible from outside the building are closed.

18. The requirements of Tenants will be attended to only upon application to the Office of the Building.



19. Canvassing, soliciting, and peddling in the building are prohibited and each Tenant shall cooperate to prevent the same.

20. All office equipment of any electrical or mechanical nature shall be placed by Tenants in the premises in settings approved by Landlord, to absorb or prevent any vibration, noise or annoyance.

21. No water cooler, air conditioning unit or other similar apparatus shall be installed or used by any tenant without the written consent of Landlord.

22. There shall not be used in any space, or in the public halls of the building, either by any Tenant or others, any hand trucks except those equipped with rubber tires and side guards.

23. Landlord reserves the right to exclude or expel from the building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of the Rules and Regulations of said building.

24. Landlord reserves the right to regulate all matters pertaining to the operation and parking of vehicles of Tenant, its employees, invitees, licensees and patrons, including but not limited to the right to charge for parking, to institute a parking ticket validation system, and to employ an independent operator to operate and manage the parking facilities. Landlord may promulgate, from time to time, regulations pertaining to parking of vehicles, and Tenant and its officers, agents, and employees shall park their vehicles only in areas specifically designated for that purpose by Landlord from time to time, whether such area be inside or outside but reasonably near the building.

25. Tenant at all times agrees to abide by any additional rules or regulations which are ordered or requested by any governmental or military authority.

INITIALS

Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

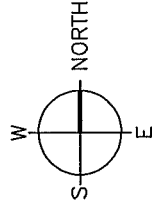
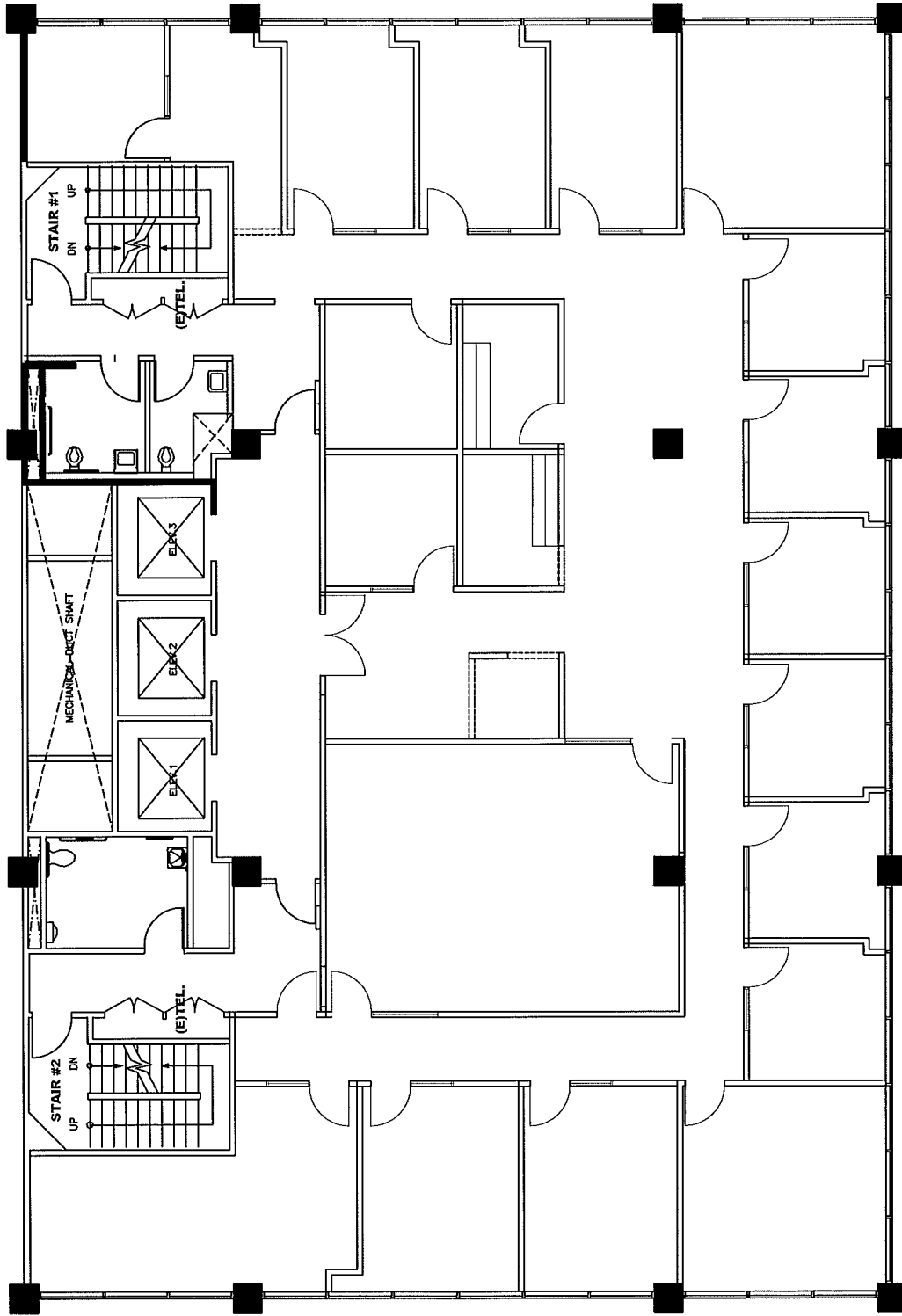
EXHIBIT D

HAZARDOUS MATERIALS

Tenant shall not (either with or without negligence) cause or permit the escape, disposal or release of any biologically or chemically active or other hazardous substances, or materials. Tenant shall not allow the storage or use of such substances or materials in any manner not sanctioned by law or by the highest standards prevailing in the industry for the storage and use of such substances or materials, nor allow to be brought into the Project any such materials or substances except to use in the ordinary course of Tenant's business, and then only after written notice is given to Landlord of the identity of such substances or materials. Without limitation, hazardous substances and materials shall include those described in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq., the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901, et seq., any applicable state or local laws and the regulations adopted under these acts. If any lender or governmental agency shall ever require testing to ascertain whether or not there has been any release of hazardous materials, then the reasonable costs thereof shall be reimbursed by Tenant to Landlord upon demand as additional charges if such requirement applies to the Premises. In addition, Tenant shall execute affidavits, representations and the like from time to time at Landlord's request concerning Tenant's best knowledge and belief regarding the presence of hazardous substances or materials on the Premises. In all events, Tenant shall indemnify Landlord in the manner elsewhere provided in this lease from any release of hazardous materials on the Premises occurring while Tenant is in possession, or elsewhere if caused by Tenants or persons acting under Tenant. The within covenants shall survive the expiration or earlier termination of the lease term.

INITIALS

Lessor \_\_\_\_\_  
Lessee \_\_\_\_\_



**15TH FLOOR**

**15TH FLOOR**

SCALE: NO SCALE

DATE: 2/3/2015

**KAJIMA BUILDING**

250 EAST FIRST STREET, LOS ANGELES, CA, 90012

**Kajima Development Corp.**

250 E. 1ST STREET #1101  
LOS ANGELES, CA, 90012

TEL: (323) 260-4661 FAX: (323) 250-4627



**Budget Proposal**

**KAJIMA DEVELOPMENT CORPORATION**  
 Advanced Investment Group  
 250 E.1st Street #1101  
 Los Angeles, CA, 90017  
 Tel: 323-262-8484  
 Fax: 323-262-8893

Quote: 9759  
 Date: 2/4/2016  
 Office Sekkei America, Inc.  
 20655 S. Western Ave. suite 120  
 Torrance, CA 90501  
 (310)715-1001  
 (310)527-2185

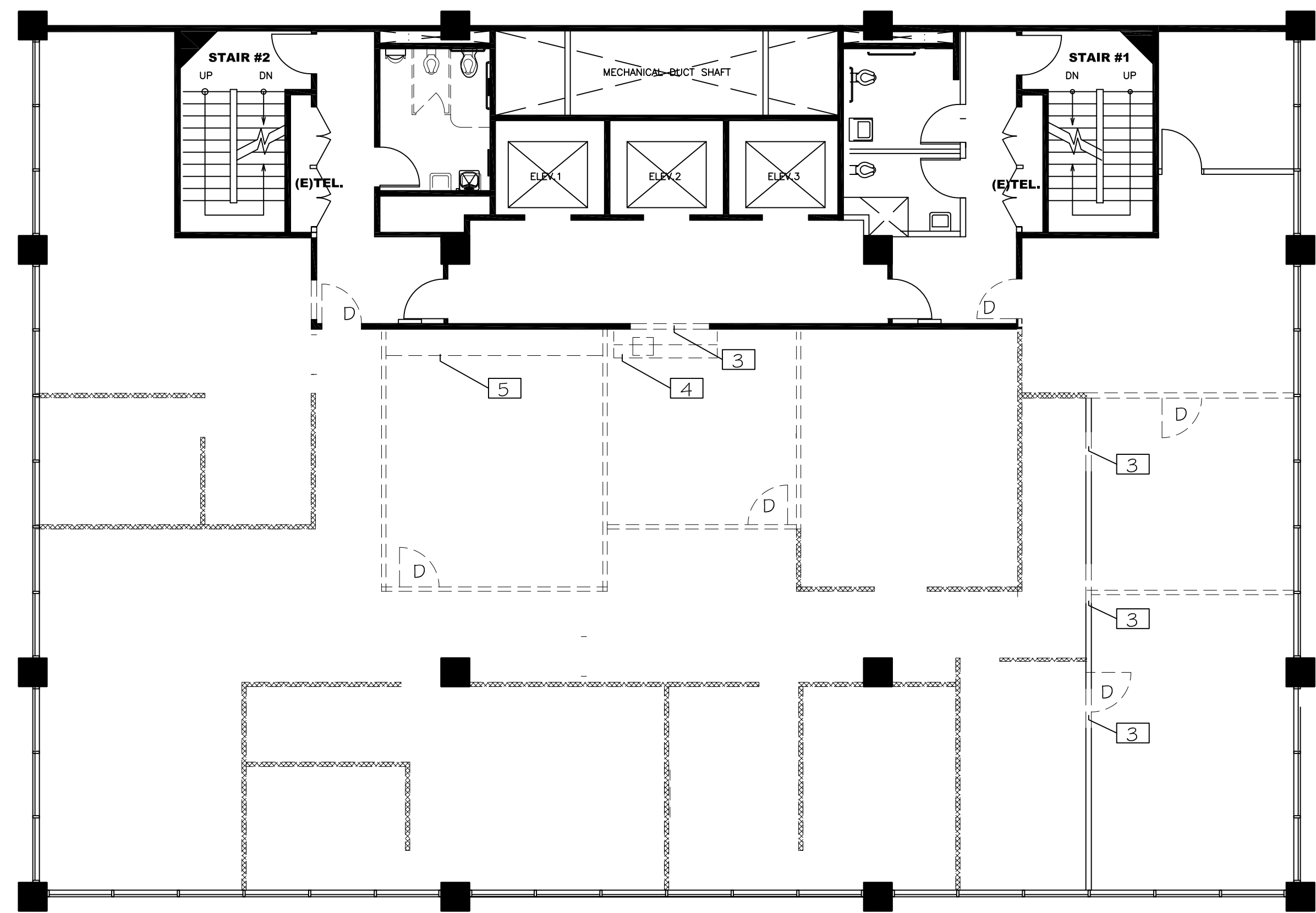
**KAJIMA DEVELOPMENT CORPORATION**

DESCRIPTION	PRICE
<b>Tenant Improvement 15 Th floor</b>	
:Demo	\$9,000.00
:Door, Frames & Hardware	\$32,800.00
:Milwork	\$6,600.00
:Drywall	\$45,000.00
:Glass	\$4,300.00
:Acoustic Ceiling	\$16,500.00
:Flooring	\$29,500.00
:Tile	\$0.00
:Paint	\$10,900.00
:Fire Sprinklers	\$7,000.00
:Fire Life Safety	\$19,600.00
:General Labor	\$2,000.00
:Plumbing	\$7,500.00
:Electrical	\$40,000.00
:HVAC	\$38,600.00
:Clean up, Protection and Dumpster	\$3,000.00
:General Condition	\$14,075.00
:Permit	N/A
:Window Covering	\$8,500.00
:Coring	\$1,200.00
:X-Ray	\$1,700.00
:Insulation	\$3,900.00
:Fire Extinguisher with cabinets	\$900.00






**Note:**

Above prices and Scope of work are budgetary in nature.  
 Final Prces will depend on final design,elevations, details, engineering,ETC.

Sub Total	\$302,575.00
Insurance (1.2%)	\$3,630.90
Contractor's Fee	\$30,257.50
Special Discount	<b>-\$3,000.00</b>
Server Room 24/7 AC	\$11,000.00
<b>TOTAL</b>	<b>\$344,463.40</b>
<b>Concstruction Drawings</b>	<b>\$1,000.00</b>
<b>Electrical Drawings</b>	n/a
<b>Plan Check</b>	n/a
<b>TOTAL</b>	<b>\$345,463.40</b>



 TRUE NORTH  
**DEMOLITION PLAN**  
 SCALE 1/8" = 1'-0"

- LEGEND**
-  EXISTING PARTITIONS TO REMAIN
  -  DENOTES DEMO EXISTING WALLS
  -  DENOTES DEMO EXISTING PONY WALLS
  -  DENOTES DEMO EXISTING DOOR
  -  EXISTING DOOR TO REMAIN

- NOTES**
- DEMOLITION NOTES
- 1 DEMO EXISTING FLOORING THROUGHOUT, TYP. U.O.N.
  - 2 DEMO EXISTING MILWORK. CAP OFF EXISTING PLUMBING FIXTURES.
  - 3 CREATE OPENING FOR NEW DOOR/ WINDOW.
  - 4 DEMO EXISTING KITCHEN CABINET. REMOVE / CAP OFF EXISTING PLUMBING LINE.
  - 5 DEMO EXISTING CABINET.

DESIGN & CONTRACT  
 OFFICE SEKKEI AMERICA, INC.  
 20855 S. WESTERN AVE. SUITE 120  
 TORRANCE, CA 90501 U.S.A.  
 Tel: (310) 715-1001  
 Fax: (310) 527-2185

These drawings and specifications are instruments of Office Sekkei America, Inc. All information contained herein is restricted to use on the specific site and project. Federal law prohibits the reproductive display, sale, or other disposition of these documents without the expressed written permission of Office Sekkei America, Inc. Visual contact with these drawings and specifications shall constitute prima facie evidence of the acceptance of these restrictions.

- ISSUES & REVISIONS:**
- △
  - △
  - △
  - △
  - △

**NOTE:**

**KAJIMA DEVELOPMENT CORPORATION**  
 250 E. 1ST STREET, #1200  
 LOS ANGELES CA 90012

CHECK

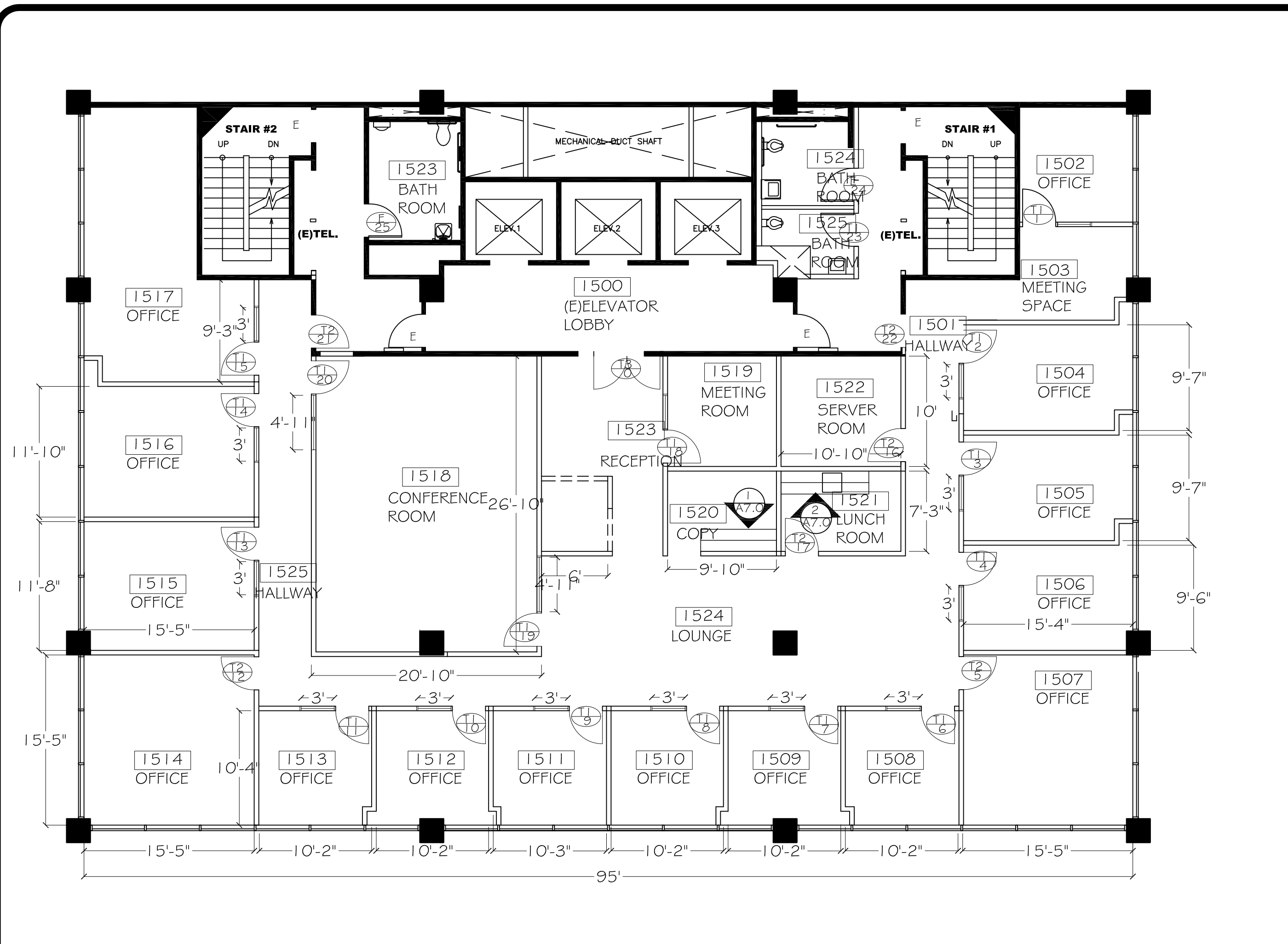
PROJECT MGR.: REFERENCE:

SCALE: 1/8" = 1'-0"    DATE: 1/13/2016    DRAWN BY: A.S.

DRAWING TITLE:  
DEMOLITION PLAN

SHEET No.:

**A-2.0**

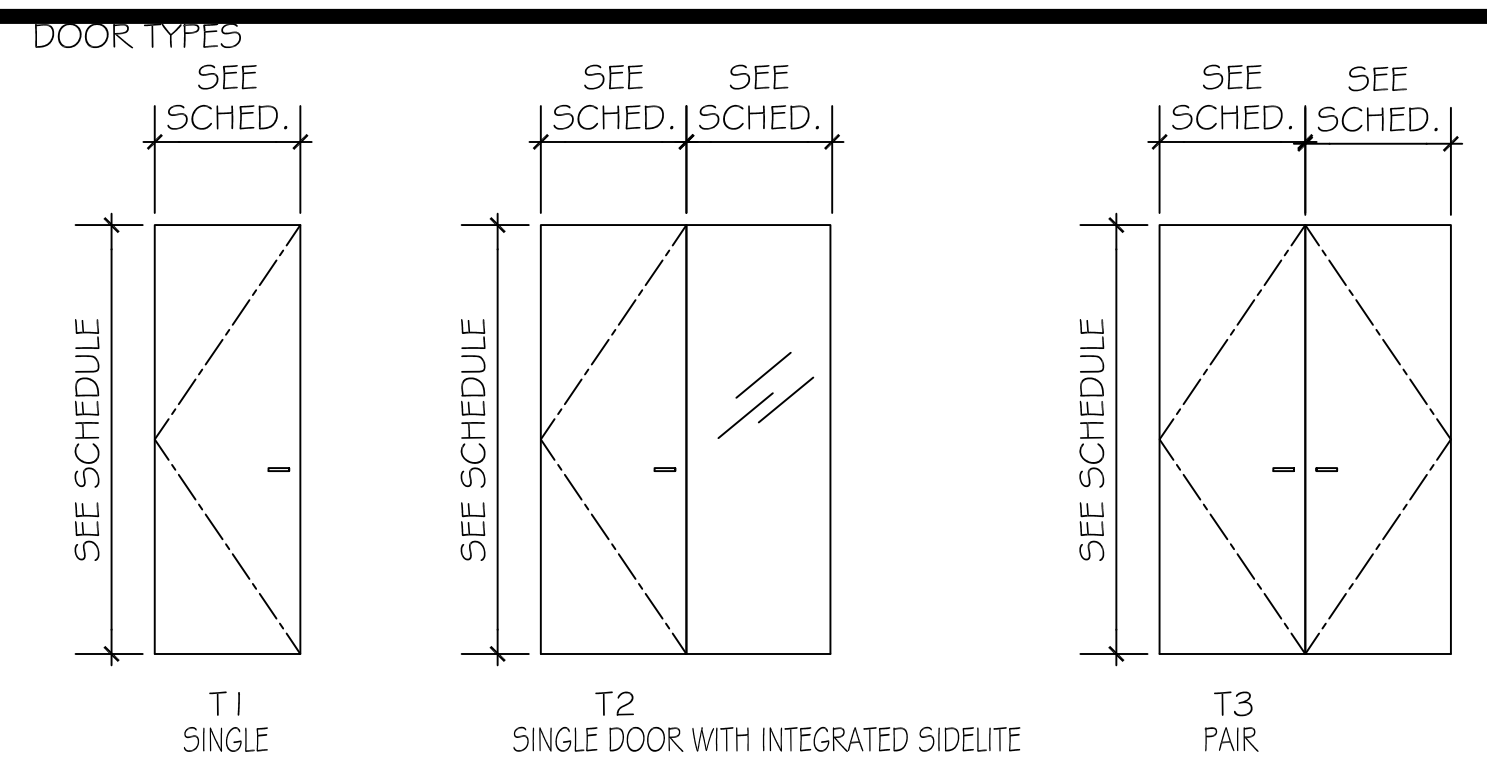


TRUE NORTH  
**CONSTRUCTION PLAN**  
 SCALE 1/8"=1'-0"

- LEGEND**
- EXISTING PARTITION.
  - NEW PARTITION. SEE DETAIL D-1.0.0
  - NEW GLAZING
  - DENOTES DOOR AND DOOR SYMBOL. REFER TO DOOR SCHEDULE A-3.1 AND DETAIL D-1.0.
  - DENOTES GLAZING SYMBOL. REFER TO GLAZING SCHEDULE A-3.1 AND DETAIL D-1.0.

- NOTES**
- HDWR-1, PAIR INTERIOR LOCK SET, RATED
  - 8 BALL BEARING HINGES
  - 1 LOCK SET
  - 2 SURFACE CLOSERS
  - 2 FLOOR STOPS
  - 1 COORDINATOR WITH REQUIRED BRACKETS & FILLERS
  - 1 ASTRAGAL
  - 1 AUTO FLUSH BOLT
  - 1 SET OF HEAD AND JAMB SMOKE SEALS
  - 2 MAGNETIC HOLD OPENS
  - HDWR-2, SINGLE INTERIOR LATCH SET
  - 4 HINGES
  - 1 LOCK SET
  - 1 FLOOR STOP
  - 1 CYLINDRICAL DORMERICA 626 LEVER LOCK SET
  - HDWR-3, SINGLE INTERIOR LATCH SET
  - 4 BALL BEARING HINGES
  - 1 LOCK SET
  - 1 SURFACE CLOSER
  - 1 FLOOR STOP
  - 1 SET OF HEAD AND JAMB SMOKE SEALS

WDW TYPE	WIDTH	HEIGHT	THK.	MATERIAL	TYPE	REMARKS
1	PLAN SHOWN	FULL HEIGHT	1/4"	TEMP. GLASS	TIMELY FRAME	1/4" TEMPERED CLEAR GLASS. INTEGRATED SIDELITE



**DOOR, FRAME AND HARDWARE GROUP SCHEDULE**

DOOR #	DIMENSIONS			MATERIAL	FINISH	FRAME		ASSEMBLY RATING		HARDWARE GROUP	REMARKS
	WIDTH	HEIGHT	THK.			MATERIAL	FINISH	FIRE RATING	SMOKE LABEL		
0	6'-0"	7'-9"	1-3/4"	MCWD	ST	HM	FF	90 MIN.	5	1	PAIR DOOR WITH MAGNET HOLDER
1	3'-0"	7'-0"	1-3/4"	SCWD	ST	HM	FF	-	-	2	REPLACE EXISTING DOOR
2	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
3	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
4	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
5	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
6	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
7	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
8	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
9	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
10	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
11	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
12	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
13	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
14	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
15	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
16	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
17	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
18	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
19	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
20	3'-0"	7'-0"	1-3/4"	SCWD	PT	TM	FF	-	-	2	
21	3'-0"	7'-3"	1-3/4"	MCWD	ST SP	HM	FF	20 MIN.	5	3	
22	3'-0"	7'-3"	1-3/4"	MCWD	ST SP	HM	FF	20 MIN.	5	3	
23	3'-0"	7'-3"	1-3/4"	MCWD	ST SP	HM	FF	20 MIN.	5	3	LOCK FOR BATHROOM
24	3'-0"	7'-3"	1-3/4"					20 MIN.	5		EXISTING DOOR, RELOCATED
25	3'-0"	7'-3"	1-3/4"					20 MIN.	5		EXISTING REMAIN

**HARDWARE SETS**

- HDWR-1, PAIR INTERIOR LOCK SET, RATED
- 8 BALL BEARING HINGES
- 1 LOCK SET
- 2 SURFACE CLOSERS
- 2 FLOOR STOPS
- 1 COORDINATOR WITH REQUIRED BRACKETS & FILLERS
- 1 ASTRAGAL
- 1 AUTO FLUSH BOLT
- 1 SET OF HEAD AND JAMB SMOKE SEALS
- 2 MAGNETIC HOLD OPENS
- HDWR-2, SINGLE INTERIOR LATCH SET
- 4 HINGES
- 1 LOCK SET
- 1 FLOOR STOP
- 1 CYLINDRICAL DORMERICA 626 LEVER LOCK SET
- HDWR-3, SINGLE INTERIOR LATCH SET
- 4 BALL BEARING HINGES
- 1 LOCK SET
- 1 SURFACE CLOSER
- 1 FLOOR STOP
- 1 SET OF HEAD AND JAMB SMOKE SEALS

**DOOR ASSEMBLY NOTES**

1. ALL DOORS, FRAME AND HARDWARE SHALL BE TIMELY ALUMATONE DOOR FRAME WITH INTEGRATED SIDE LITE.
2. ENTRANCE DOORS: BLDG. STD. SOLID CORE CLEAR FINISH OAK DOOR. FRAME FINISH: HOLLOW METAL FRAME, PAINTED AT SITE. LOCK SET: BLDG. STD. MORTISE LOCK. ENTRY-W/O CYLINDER. CYLINDER TO BE PROVIDED BY BUILDING MANAGEMENT. OFFICE : TO BE PROVIDED BY OTHERS LATCH SET: TO BE PROVIDED BY OTHERS CLOSER: NORTON 7700 SERIES HINGES: STANLEY FBB-179 4/1/2"x4 1/2" STOP: QUALITY 432
3. ALL HINGES AT RATED ASSEMBLIES SHALL BE BALL BEARING.
4. ALL LOCK CYLINDERS AND KEYS SHALL BE COORDINATED WITH LANDLORD/TENANT.
5. ALL NEW DOOR HARDWARE SHALL BE TITLE 24 AND TITLE 19 COMPLIANT LEVER TYPE.
6. ALL FRAMES SHALL HAVE SILENCERS OR MUTE STRIPS. FOR NOISE REDUCTION.
7. CONTRACTOR TO NOTE THAT 1/8" IS THE MAXIMUM ALLOWABLE GAP BETWEEN A PAIR OF DOOR LEAVES.
8. CONTRACTOR TO COORDINATE THROAT OPENING OF DOOR FRAMES WITH THICKNESS OF SCHEDULED PARTITION.

**ABBREVIATIONS**

- AL ALUMINUM
- FF FACTORY FINISH
- GL GLASS
- HM HOLLOW METAL
- PT PAINTED
- PL PLASTIC LAMINATE
- HC HOLLOW CORE
- SC SOLID CORE
- ST STAINED
- CL CLEAR
- WD WOOD
- SP SPLIT DOOR FINISH (STAINED)
- TM TIMELY FRAME (FACTORY FINISH)

DESIGN & CONTRACT  
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 20855 S. WESTERN AVE. SUITE 120  
 TORRANCE, CA 90501 U.S.A.  
 Tel: (310) 715-1001  
 Fax: (310) 527-2185

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- ISSUES & REVISIONS:**
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**NOTE:**

**KAJIMA DEVELOPMENT CORPORATION**  
 250 E. 1ST STREET, #1500  
 LOS ANGELES CA 90012

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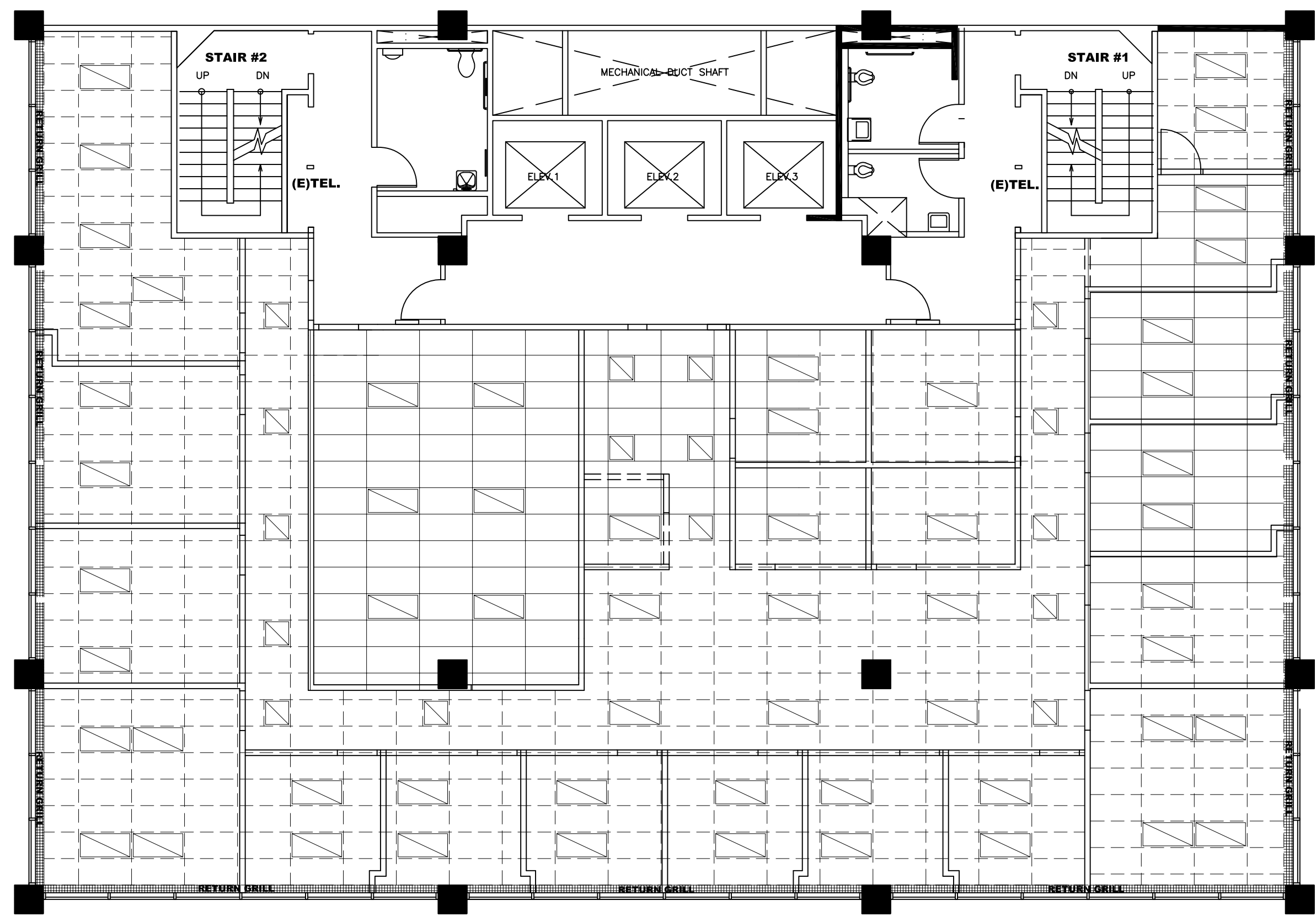
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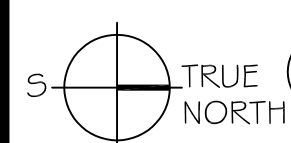

SCALE: 1/8"=1'-0" DATE: 1/13/2016 DRAWN BY: A.S.

DRAWING TITLE:  
 CONSTRUCTION PLAN

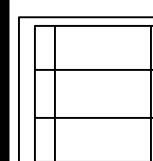
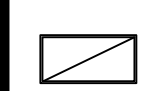
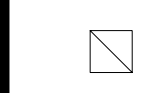


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**A-3.0**



 TRUE NORTH  
 REFLECTED CEILING PLAN  
 SCALE 1/8"=1'-0"

LEGEND

-  EXISTING & NEW 2'X4' T-BAR CEILINGS, BLDG STD. ARMSTRONG GRID PRELUDE XL AND ARMSTRONG CORTEGA TILE #769 2' X 4' WHITE.
-  BLDG. STD. 2'X4' FULLY RECESSED LED FIXTURE. RECESSED DIRECT/INDIRECT FIXTURE.
-  BLDG. STD. 2'X2' FULLY RECESSED LED FIXTURE. RECESSED DIRECT/INDIRECT FIXTURE.
-  BLDG. STD. EXIT SIGN. LITHONIA EDGE LIT LRP SERIES WITH LED LAMP AND GREEN LETTERS.
-  DENOTES BUILDING STANDARD SWITCH WITH OCCUPANCY SENSOR. GREENGATE SERIES.

NOTES

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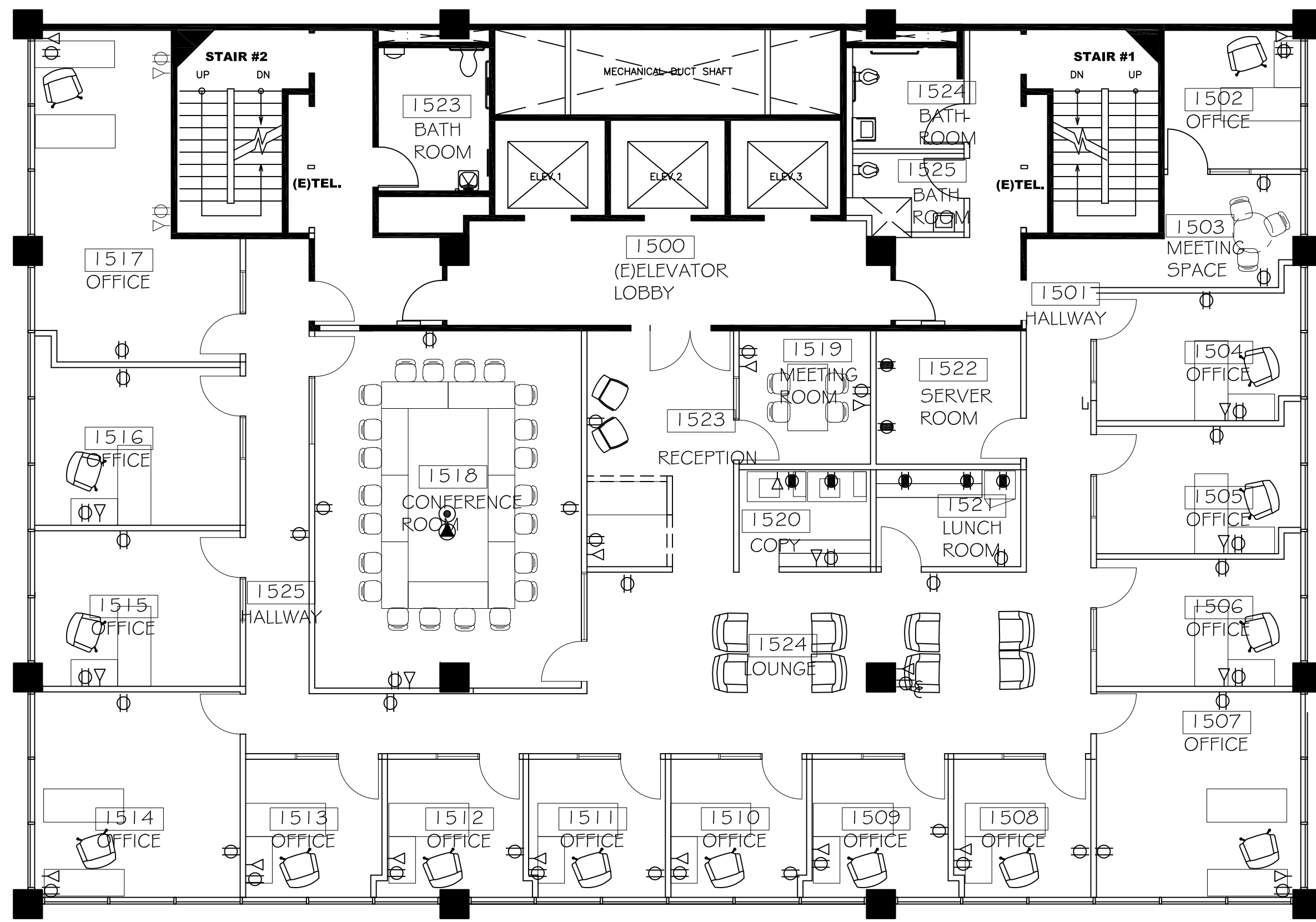
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DRAWING TITLE:  
 REFLECTED CEILING PLAN

SHEET No.:

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 TRUE NORTH  
 UTILITY PLAN  
 SCALE 1/8" = 1'-0"

LEGEND

- ⊕ DENOTES DUPLEX RECEPTACLE.
- ⊕ DENOTES QUADRUPLUX RECEPTACLE.
- △ DENOTES DATA/COMMUNICATIONS OUTLET.
- ⊕ DENOTES DEDICATED DUPLEX RECEPTACLE.
- ⊙ DENOTES FLOOR MOUNT DUPLEX RECEPTACLE.
- ▲ DENOTES FLOOR MOUNT DATA/COMMUNICATIONS OUTLET.

NOTES

- POWER/VOICE/DATA NOTES
- 1 ELECTRICAL CONTRACTOR TO COORDINATE LOCATION WITH FURNITURE VENDOR EXACT LOCATION OF POWER OUTLETS AT WALLS BEFORE INSTALLATION. TYP.
  - 2
  - 3 ALL NEW SWITCHES AND ELECTRICAL OUTLET DEVICES AND COVER PLATES TO MATCH BUILDING STANDARD.
  - 4 PROVIDE 2" CONDUIT FROM TENANT'S TELEPHONE BACKBOARD TO THE BUILDINGS' TELEPHONE RISER CLOSET.
  - 5 (1) 4" SLEEVES.
  - 6 (1) NEMA 5-20 OUTLETS, WALL MOUNTED.
  - 7 (1) 3" CONDUIT FROM MAIN TELCO CLOSET TO THE SUITE.

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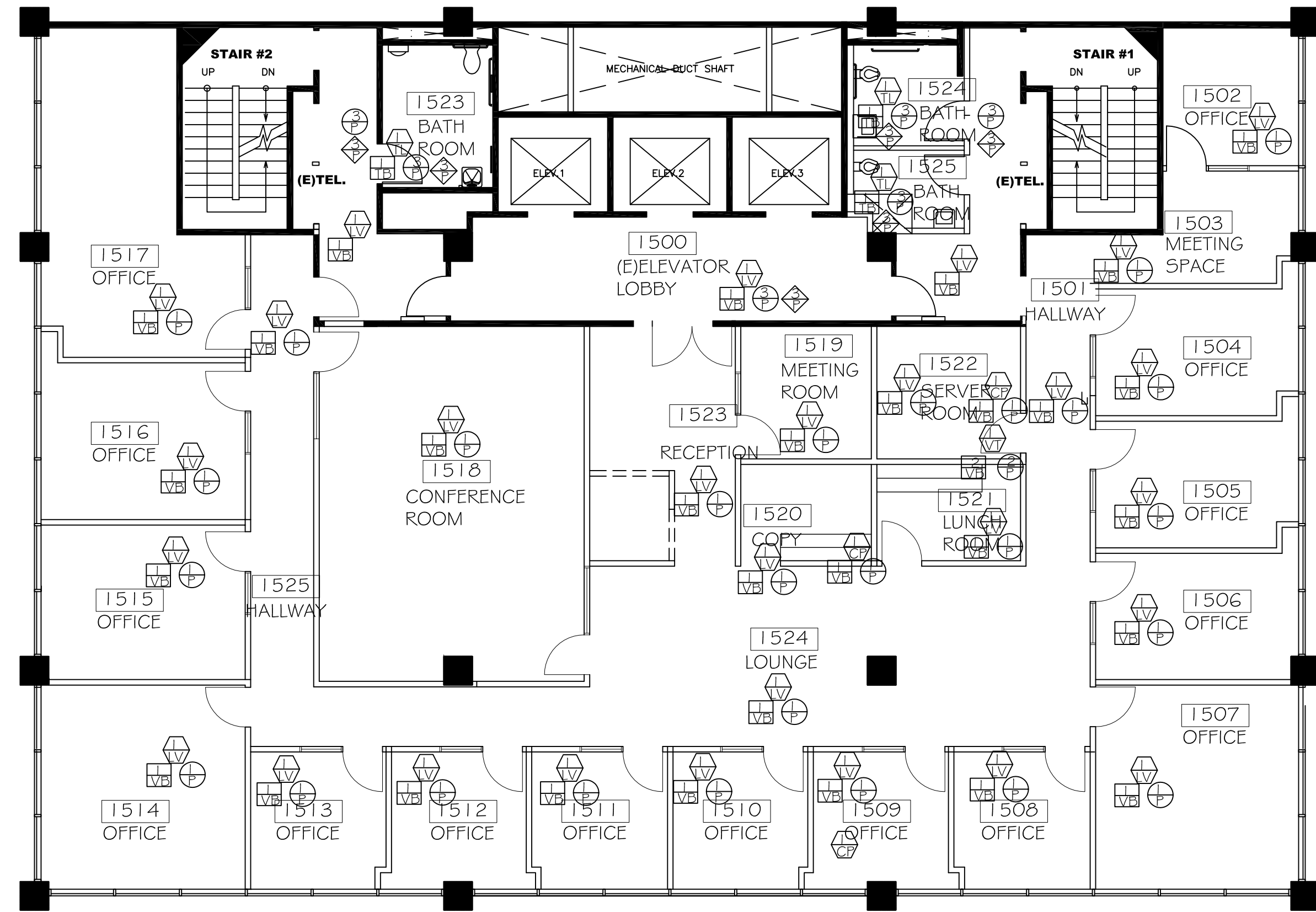
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A-5.0





**FLOOR FINISH NOTES**

- 1 CONTRACTOR TO ENSURE THAT EXISTING CONCRETE FLOOR SLAB TO BE EVEN AND THAT SURFACE VARIES NO MORE THAN 1/4" IN 10'-0", FLOAT FLOOR AS NECESSARY. EACH SIDE OF THE DOOR SHALL BE LEVEL 5'-0"X 5'-0"
- 2 CONTRACTOR TO COORDINATE WITH CARPET VENDOR TO ENSURE THAT EXISTING FLOOR HAS BEEN PREPARED PER MANUFACTURE'S RECOMMENDATIONS AND THE LATEST GUIDELINES OF THE CARPET AND RUG INSTITUTE PRIOR TO FULL INSTALLATION. IF SUBSTRATE IS DAMAGED CONTRACTOR TO QUALIFY BEST METHOD TO PREPARE FLOORING TO RECEIVE NEW FINISH. NOTICEABLE DEFECTS THROUGH NEW WORK, SHALL RESULT IN REINSTALLATION OF FINISH TO SATISFACTION OF TENANT.
- 3 ALL CARPET TO BE FROM SAME DYE LOT. SUBMIT A SEAMING DIAGRAM TO ARCHITECT FOR REVIEW AND APPROVAL BEFORE INSTALLATION. PROVIDE CARPET STOCK OF 5%.
- 4 ALL TRANSITIONS BETWEEN DIFFERENT FLOOR FINISHES TO BE FLOATED AS NECESSARY FOR A SMOOTH AND EVEN TRANSITION. TRANSITIONS SHALL OCCUR AT CENTERLINE TO DOOR OPENINGS, U.O.N.
- 5 AT ALL CARPET TO VCT TRANSITIONS, PROVIDE RUBBER TRANSITION STRIP TO MATCH RUBBER BASE.

**WALL FINISH NOTES**

- 1 PRIOR TO APPLICATION OF PAINT, ALL SURFACES ARE TO BE PROPERLY PREPARED, TAPED AND TEXTURED AS REQUIRED FOR SMOOTH SURFACE. ALL TRANSITIONS BETWEEN MATERIALS ARE TO BE SMOOTH.
- 2 AT NEW WALL FINISH LOCATIONS, PRIME WALLS AS NECESSARY WITH APPROPRIATE COLOR TO AVOID "READ" THROUGH.  
U.O.N. ALL TELEPHONE BACKBOARD OR ELECTRICAL PANELS TO BE PAINTED.  
ALL PAINTING BIDS HAVE TO INCLUDE REPAINTING WINDOW MULLIONS AND DOOR FRAMES AS NEEDED, TYP.
- 3 FOR ANY WALLCOVERING INSTALLATION SCHEDULED AT THE SPACE, CONTRACTOR TO TEST HANG THREE PANELS OF ALL WALLCOVERING FOR ARCHITECT REVIEW AND APPROVAL PRIOR TO FULL INSTALLATION.
- 4 AT PRIOR WALLCOVERED WALLS, CONTRACTOR TO ASSESS BEST METHOD TO PREPARE SURFACE AS REQUIRED TO INSTALL NEW FINISH PER MANUFACTURER'S RECOMMENDATIONS.

**GENERAL NOTES**

- 1 PROTECT ALL COMMON AREA FINISHES NOT SCHEDULED FOR MODIFICATION. HANG AND LAY VISQUEENT TO PROTECT AREAS NOT IN SCOPE OF WORK.
- 2 CONTRACTOR TO PROVIDE SUBMITTALS OF ALL FINISH SAMPLES, SHOP DRAWINGS AND/ OR PRODUCT INFORMATION TO ARCHITECT FOR APPROVAL PRIOR TO ORDER PLACEMENT.
- 3 ALTERNATES TO SPECIFIED FINISHES SHALL NOT BE ACCEPTED WITHOUT PRIOR WRITTEN CONSENT OF ARCHITECT.
- 4 CONTRACTOR TO PROVIDE MAINTENANCE SPECIFICATIONS AND RECOMMENDATIONS AS WELL AS MATERIAL AND LABOR WARRANTIES TO TENANT AT PROJECT COMPLETION.
- 5 ALL SUBSTRATES SHALL BE CLEANED AND PREPARED IN ACCORDANCE WITH MANUFACTURER'S RECOMMENDATIONS. CONTRACTOR TO INCLUDE ALL NECESSARY TESTING (MOISTURE, MOLD, ASBESTOS, ETC) AS REQUIRED. INSTALL NEW FINISHES PER MANUFACTURER'S RECOMMENDATIONS AND MAINTAIN PRODUCT WARRANTIES.
- 6 CONTRACTOR TO VERIFY ANY EXISTING BLINDS TO REMAIN. TO BE IN GOOD CONDITION. REPAIR/ INSTALL BUILDING STD. BLINDS AS NECESSARY AT ALL PERIMETER GLASS. RESEGMENT AS NECESSARY FOR NEW LAYOUT. PROVIDE SEPARATE BID.
- 7 UTILIZE VOC FREE ADHESIVES FOR ALL INSTALLATIONS.
- 8 REFER TO BLDG. STD. FOR ADDITIONAL INFORMATION.
- 9 REFER TO MILLWORK GENERAL NOTES FOR ADDITIONAL INFORMATION.
- 10 REFER TO MILLWORK ELEVATIONS FOR PLASTIC LAMINATE FINISH LOCATIONS.

TRUE NORTH  
**FINISHPLAN**  
 SCALE 1/8"=1'-0"

**LEGEND**

- FLOOR FINISHES
- FLOOR BASE FINISHES
- WALL FINISHES
- CEILING FINISHES
- TRANSITION OF DIFFERENT FLOORING MATERIALS. IF OCCURS UNDER DOOR, CENTER UNDER DOOR.

**KEY NOTES**

- 1 REPAINT BLIND COVE THROUGHOUT, P-1.
- 2 PAINT P-3 THROUGHOUT IN BATHROOM WALL & CEILING (HARD LID CEILING) FOR NEW AND EXISTING WALL.
- 3 PAINT P-3 CORRIDOR WALL AND CEILING NOT INCLUDING ELEVATOR DOORS.
- 4 PAINT NEW DOOR FRAME WITH P-3.

**FINISH SCHEDULE**

DESIGNATION	DESCRIPTION	MAF./FIN./COLOR	
LV-1	LUXURY VINYL TILE	MOHAWK / SELECT STEP/TBD	DIRECT GLUED
VB-1	4" VINYL BASE	BURKE VINYL BASE	
P-1	PAINT	DUNN EDWARDS, DEW341 SWISS COFFEE	FLAT FINISH
P-2	PAINT	DUNN EDWARDS, DE6375 CASTLEROCK	SEMI GLOSS
P-3	PAINT	DUNN EDWARDS, Q8-16 SILVER DOVE	SEMI GLOSS

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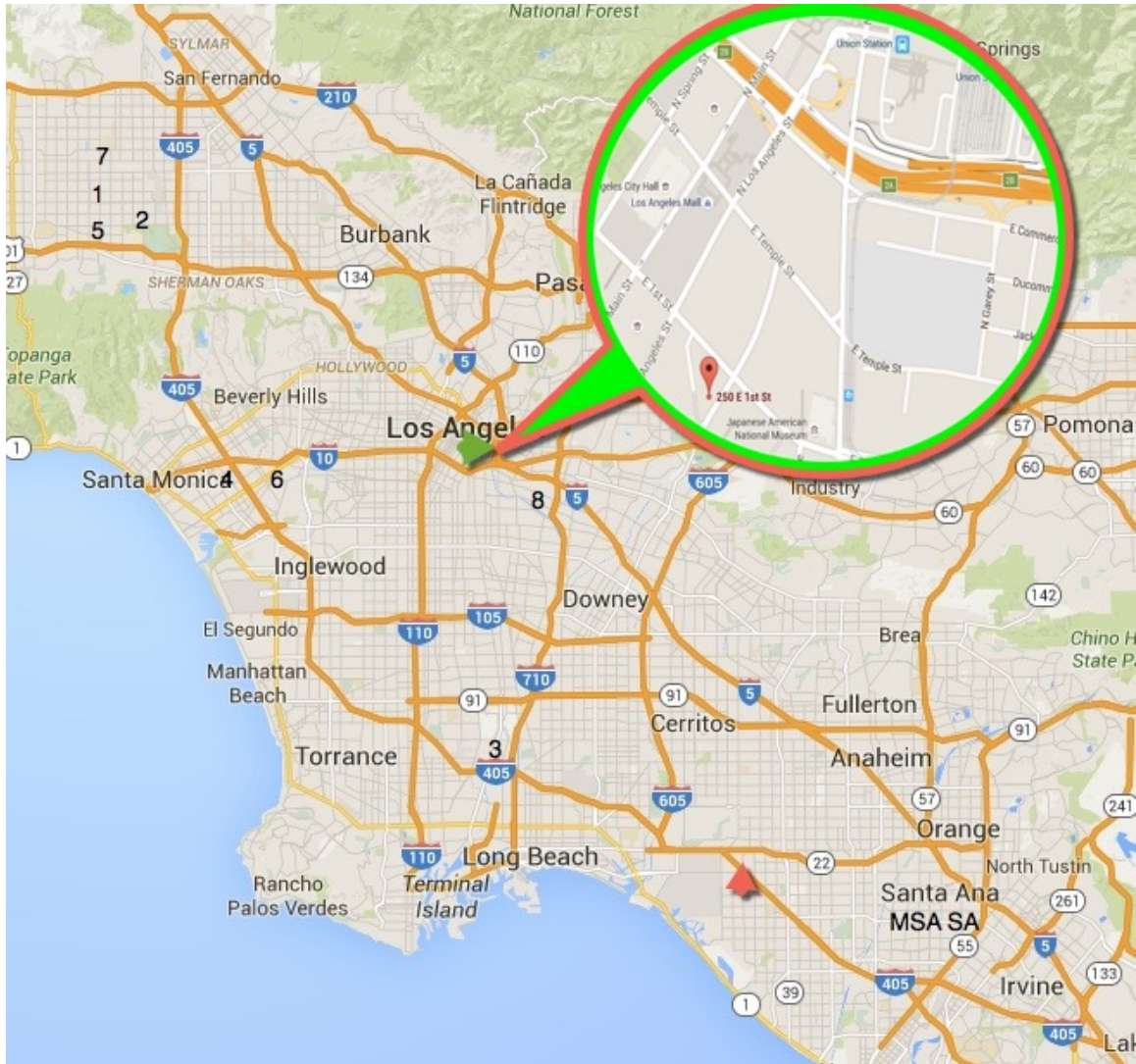
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**FINISH PLAN**

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**A-6.0**

## Map Showing New Office Location

To give you a sense of scale, the distance between MSA 7 and MSA Santa Ana is 60 miles and downtown Los Angeles is half way between them.



<http://www.metrolinktrains.com/routes/>