

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

REQUEST FOR PROPOSALS

(RFP)

Unique Development Opportunity

Ground Lease

for 1024 W. Workman Avenue, West Covina, California 91790

PROCUREMENT NUMBER: 15-16-114 RFP

ISSUE DATE:

January 28, 2016

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I. INVITATION TO SUBMIT PROPOSALS TO REQUEST FOR PROPOSALS

On September 21, 2015, the Board of Education (“Board”) of the Covina-Valley Unified School District (“District”) passed and adopted Resolution No. 15-16-10 (“Resolution”). Pursuant to the Resolution, the Board declared that the property located at 1024 W. Workman Avenue, West Covina, California 91790 (“Property”), is no longer needed for school purposes and is therefore surplus property. Pursuant to the Resolution the Board declared its intention to lease the Property for an initial lease term of up to fifty (50) years at a minimum annual rental of six hundred seventy five thousand dollars (\$675,000.00), with annual rent increases.

This Request for Proposal (“RFP”) is the final step of the solicitation process for the ground lease (“Ground Lease”) of the Property. This RFP is designed to result in the selection of one team (“Developer” or “Developer Team” or “Development Team”) to enter into a Ground Lease with the District, based upon the proposal(s) (“Proposal”) submitted to the District.

The remainder of this procurement process will take place as follows:

The Proposal will be evaluated based on the selection criteria set forth below in this RFP and a successful Proposer identified for award of the project using a best value method of selection. The selected Developer as part of this process will be selected based upon, without limitation, the District’s authority pursuant to: the California Education Code and Government Code; applicable District policies regarding procurements; and other applicable law.

The District’s Authorized Representative for conducting this Request for Proposals is: Jennifer Root, Chief Business Officer.

All information submitted to the District shall become the property of the District.

There are no expressed or implied obligations for the District to reimburse responding firms for any expense incurred in preparing their Proposal in response to this RFP.

The District reserves the right to reject any or all of the submitted Proposals at any time if it deems doing so to be in its own best interests.

II. THE OPPORTUNITY

The District seeks a qualified Developer interested in developing the Property which consists of approximately 8.07 acres. The selected developer will enter into a long-term Ground Lease with the District within ten (10) days of selection. The initial term of the Ground Lease will be for up to fifty (50) years, with three (3) additional option periods of ten (10) years each.

California Education Code Section 17455 et. seq. provides the authority and methodology by which the District is able to enter into leases and agreements with private parties for real-property (“Lease Code”). The Lease Code requires, among other things that the lease with the private party not exceed a total of ninety-nine (99) years.

The project developed on the Property (“Project” or “Proposed Project”) should be any legally allowed development on the Property such as a retail center, car dealership or residential development. Notwithstanding the foregoing, the District will not approve any of the following

uses for the Project: (a) Industrial or manufacturing, distilling, assembling, refining, smelting or mining operation; (b) "Second hand" store, "surplus" store or pawn shop; (c) Mobile home park, trailer court, labor camp, junkyard, recycling facility or stockyard; (d) Dumping, disposing, incineration or reduction of garbage; (e) Dry cleaning or laundry plant; provided, however, this prohibition shall not be applicable to nominal supportive facilities for on-site service oriented to pickup and delivery by the ultimate consumer; (f) Gasoline or other fuel station or storage operation or other operation involving the storage or use of hazardous materials other than on an ancillary basis in the ordinary course of the operation of another primary use and in compliance with all applicable laws; (g) Automobile, truck, trailer or other vehicle service, repair or body shop operation, except as may be incidental to a vehicle showroom use; (h) Motor vehicle or boat storage facility, except as may be incidental to a vehicle showroom use; (i) Cemetery, mortuary, crematory or funeral home; (j) Massage parlor, adult entertainment facility, establishment selling or exhibiting "obscene" material, or establishment that exhibits either live or by other means, nude or partially clothed dancers or wait staff; (k) Establishment selling or exhibiting drug-related paraphernalia; (l) Flea market, amusement or video arcade, pool or billiard hall; (m) Gambling facility, including on site gambling such as off-track or sports betting parlor; table games such as blackjack or poker; slot machines, video poker/blackjack/keno machines or similar devices; (n) Oil or mineral drilling, refining or exploration; (o) Any business that transacts in alcohol or drug related businesses, and (p) Any operation or condition that induces, breeds or harbors infectious plant diseases, rodents or noxious insects..

The Developer will be responsible for ALL aspects of design, financing, entitling, permitting, construction, operation and maintenance of the Project and will bear the complete financial, entitlement and market risk. The Developer will be responsible for the demolition of all existing improvements on the Property. The District will not subsidize the development of the Project in any form.

The Property will not be available for demolition, construction, or occupancy until approximately January 31, 2017. However, the Developer will be able to commence any due diligence on the Property upon execution of the Ground Lease.

A. District's Objectives for the Property

The District's objectives for a high-quality and well-planned Project are as follows:

1. Maximize the financial value to the District:
 - a. Long-term ground-lease of no more than 50 years (plus extensions); and
 - b. Long-term revenue streams.
2. Exemplify compatible and functional design.
3. Successfully implement a strategy to secure financing, obtain entitlements, complete construction, attract tenants and manage the Project according to agreed terms.
4. Collaborate with District to enhance student success by creating opportunities for internships, training and jobs.

B. Physical Condition of Property

The Property is being leased to the Developer in an “AS IS” and “WITH ALL FAULTS CONDITION”. The developer will be solely responsible for determining if the Property can be utilized by the Developer for its intended use.

C. Process

One Development Team will be selected based on the criteria set out in this RFP. The selected Developer and District will enter into the Ground Lease within ten (10) days of the selection of the Developer. The Ground Lease to be entered into is affixed hereto as Attachment 8.

III. RFP SCHEDULE - KEY DATES AND EVENTS

A. Tentative Procurement Schedule.

The tentative dates for the procurement of the services sought by this RFP are as set forth below. The District reserves the right to change any dates in its sole discretion.

Request for Proposals Issuance	1/28/16
Mandatory Pre-RFP Proposal Conference and Site Walk	2/11/16 at 10:00 a.m.
Deadline for RFP Requests for Clarifications	2/25/16
Responses to Requests for Clarifications Posted	3/4/16
Deadline for District to issue last Addendum	3/4/16
Deadline for Submission of Proposals	3/11/16
Tentative Board Award Date	4/18/16

The Mandatory Pre-Proposal Conference Meeting and Site Walk will take place as follows:

In front of the flagpole
Vincent Children’s Center
1024 W. Workman Avenue
West Covina, California 91790

Date: Thursday, February 11, 2016

Time: 10:00 a.m.

All bidders must attend this Mandatory Pre-Proposal Meeting and Site Walk to bid on the Project.

B. Deadline For Requests for Clarifications.

Requests for Clarifications (“RFCs”) during the RFP process are encouraged. All questions and issues regarding the RFP process, requirements, criteria, and/or information, should be made via email ONLY to the following location:

Jennifer Root: jroot@cvusd.k12.ca.us

All responses to Requests for Clarifications will be done only through written addendum issued via emails to all Proposers. No other changes are authorized.

No questions will be received or responded to after: **February 25, 2016 at 2:00 p.m.**

It is the responsibility of the Proposing Firm to ensure that the District has the correct name, address, phone number, and e-mail address of the contact person(s).

C. Deadline for Submitting Proposals

Proposers shall carefully read the information contained in this RFP and all Attachments hereto. An incomplete Proposal may be considered non-responsive and subject to rejection. However, the District reserves the right to seek clarifications and accept information provided after the submission of a Proposal if the District determines it is in the District’s best interests to do so.

Submit: one (1) original Proposal; three (3) hard copies of the Proposal; and one (1) electronic copy on a usb drive. The foregoing shall all be placed in two (2) sealed envelopes addressed to:

Jennifer Root, Chief Business Officer
Covina-Valley Unified School District
519 E. Badillo Street
Covina, California 91723

On the outside of the envelopes write:

“Unique Development Opportunity Ground Lease”

1024 W. Workman Avenue, West Covina, California 91790

PROCUREMENT NUMBER 15-16-114-RFP

All Proposals must be received **no later than 2:00 p.m. on March 11, 2016**. One envelope shall include only the Pricing Proposal and Use Form, Attachment 7 (and the envelope shall be marked with the language required above and “Pricing Proposal and Use Form” and the other envelope shall contain all other required materials.

Any Proposal received after this deadline may not be considered. Faxed or e-mailed Proposals will not be accepted. The District will evaluate the Proposals in accordance with the selection criteria specified in the RFP. Each Proposal must include a cashier’s check in the amount of fifty thousand dollars (\$50,000.00) made payable to the District. These checks will be returned to each unsuccessful bidder at the end of the selection process.

IV. HOW TO PACKAGE YOUR PROPOSAL

This Section describes the requirements for submitting your Proposal in response to the RFP.

A. General Description and Requirements of Your Proposal.

The Proposal shall be printed on letter-size (8-1/2" x 11") paper and assembled with spiral-type bindings, in a three-ring binder, or with staples. Only the Drawings depicting the Project may be printed on 11"x17".

All Proposals should be prepared simply and economically, providing a straight forward, concise description showing the team's ability to finance, develop and operate a viable Project. Emphasis shall be on the quality, completeness, clarity of content, responsiveness to the requirements, and an understanding of the District's objectives for the Property.

B. Specific Contents Required In Your Proposal.

This section sets forth the specific order that your Proposal should follow.

Proposals should be well organized and demonstrate both the Proposer's ability to follow instructions, meet the requirements of the RFP, and finance, develop, and operate a viable Project. The Proposal to be submitted electronically must be in PDF format. Lengthy narrative is discouraged. Proposal Tab Numbers should correspond with the following paragraph/section numbers below (i.e., 1, 2, 3, 4, etc.)

Please compile/assemble your Proposal consistent with the instructions provided herein.

1. Cover Page.

The Cover Page should state:

Proposal from
[Insert name of your Company]
for
“Unique Development Opportunity Ground Lease”
1024 W. Workman Avenue, West Covina, California 91790
PROCUREMENT NUMBER 15-16-114-RFP
Proposal Submission Date: March __, 2016

2. Table of Contents.

The Table of Contents should identify all component parts of your Proposal as submitted and reference the Page Number or Tab Number where the particular item will be found.

3. Cover Letter/Letter of Interest.

The Cover Letter/Letter of Interest must be no more than two (2) pages and must be signed by a representative(s) of the Proposer with authorization to bind the Proposer. The letter should include:

- a. the name(s), address(es), telephone number(s), and fax number(s), of each of the Proposer's main offices, if the Proposer is more than a single entity;
- b. a narrative describing why your team should be selected, with emphasis on the elements of the Proposed Project and your ability to develop, finance and successfully operate it on the Property;
- c. identification (name, address and telephone number) of the Development Firm, and in the case of a Joint Venture ("JV") or Partnership, the identification (name, address and telephone number) of each of the firms joining in the submission of the Joint Venture or Partnership;
- d. name, title, address, telephone number and email address of a contact person on behalf of the Proposer for the duration of the RFP process; and
- e. SIGNATURE of a person authorized to bind the Proposer to the terms of the RFP and Proposal, and to negotiate contract terms and make binding decisions in all matters relating to these RFP Documents and related agreements.

4. Information Regarding Development Team.

Each Proposal shall include a section devoted to, as stated below, providing the information regarding the team qualifications ("Development Team") as follows:

- a. Provide information regarding: names, licenses, experience and qualifications of the principal(s), developer(s), designer(s) and project manager(s).
 - i. In addition, identify the following team members (names, licenses, experience and qualifications):
 1. general contractor;
 2. civil engineer;
 3. environmental/CEQA consultant; and
 4. all other consultants necessary for the Project.
 - ii. Provide resumes for each team member identified in (a) above and a narrative as to why they contribute to the successful development, financing and operation of the Project.
 - iii. Describe if and how team members in (a) have worked together in the past.
- b. Confirm the entity that will be entering into the Ground Lease with the District, if not yet formed state the anticipated formation date. Describe who the members, partners or officers of the entity are or are anticipated to be. Describe the organizational and management structure of the entity and how the entity plans to

execute on the pre-construction, construction and operation activities of the Project. Will the same entity develop and operate the Project?

- c. Identify who will be responsible for financial and liability related matters as well as for the decision making.
- d. Provide an Organization Chart which depicts the decision making authority of the entity and each member of your team.

The qualifications of each member of the Development Team are important criteria in the selection process. The selected Developer will not be allowed to substitute any key members of the Development Team without prior approval by the District. The District, at its sole discretion, reserves the right to accept or reject proposed changes to the Development Team.

5. Project.

- a. Provide a detailed narrative and description of the Proposed Project as specified below:
 - i. Project Description:
 1. Specific Use of Property
 2. Types/uses and layout/location;
 3. Uses broken down by square feet;
 4. Quality of Construction;
 5. Access points;
 6. Vehicular ingress and egress;
 7. Parking Plan; and
 8. Project phasing, if any.
 - ii. Drawings, provide:
 1. Detailed conceptual site plan showing the above;
 2. Renderings and elevations of proposed project; and
 3. Two street level view renderings.
- b. Discretionary and Administrative Required Approvals:
 - i. Describe all discretionary and administrative actions and permits required to build the proposed project, and the agency and department to provide them, at a minimum include the following:
 1. Discretionary approvals (i.e., entitlements, permits, etc.);
 2. Administrative approvals;
 3. CEQA certification and anticipated environmental document;
 4. Environmental and Oil-well clearances;
 5. Department of State Architect clearances; and
 6. If proposed project is phased, describe the above by phase.

Describe the outreach engagement strategy.

6. Schedule.

Provide a schedule depicting key milestones. Where appropriate discuss assumptions and qualifications about schedule.

- a. Pre-Construction schedule:
 - i. Due diligence;
 - ii. Discretionary and Administrative Required Approvals;
 - iii. Outreach Engagements;
 - iv. Design;
 - v. Financing; and
 - vi. Other.

- b. Construction schedule:
 - i. Preparation and Submittal of Schematic Drawings, Design Development Drawings and Construction Drawings for the city, county and DSA (if necessary);
 - ii. Start of construction, for each phase of Project if applicable;
 - iii. Substantial completion, for each phase of Project if applicable;
 - iv. Certificate of Occupancy, for each phase of Project if applicable; and
 - v. Other.

- c. Operations Phase:
 - i. Marketing for lease-up;
 - ii. Lease-Up;
 - iii. First tenant occupancy; and
 - iv. Stabilization (define stabilization percentage).

7. Operations Plan.

- a. If subleasing Property, provide your Lease-up strategy to attract and recruit tenant(s), include:
 - i. Leasing Team, if in place;
 - ii. List of target tenants per use; and
 - iii. Tenant commitments or letters of interest, if possible.

- b. If subleasing Property provide information regarding a pro-forma worksheet providing lease income and expenses.

- c. Preliminary Market Study: Provide market research and data supporting the information in the above worksheets, also include the following:
 - i. Supply and demand analysis, current and projected;

- ii. Projected rental income; and
- iii. Value of site as improved.

8. Project Financing Plan.

- a. Describe in detail your financing plan for the project, differentiate by phase/product if necessary, including the following:
 - i. The percentage and amount of debt in the capital stack. In addition, provide:
 - 1. All sources of debt;
 - 2. The guarantor for the debt. Provide the liquidity and net-worth of the guarantor;
 - 3. Preliminary commitments/Commitment letters /statements of interests;
 - 4. Debt assumptions;
 - 5. Financing costs; and
 - 6. Key terms.
 - ii. The percentage and amount of equity in the capital stack. In addition, provide:
 - 1. All sources of equity, both in-house and third party;
 - 2. If equity is from a third party provide the information for such entity;
 - 3. If equity is in-house provide evidence of funding ability;
 - 4. Assumptions; and
 - 5. Key Terms.
 - iii. Provide nature and timing of major contingencies.
- b. Describe all sources and uses of capital and loans for the Project.

The District reserves the right to request documentation supporting the information provided. In addition, should the guarantor not be the entity that is entering into agreements with the District, additional information may be required of the entity's members, partners, or officers.

9. Financial Offer to District.

Complete the "Pricing Proposal and Use Form" attached as Attachment 7.

10. Public Private Collaboration.

Provide a detailed strategy for collaboration with the District and its students to enhance student success by creating opportunities for internships, training and jobs.

11. Acknowledgement of Addenda Form.

The “**Acknowledgement of Addenda Form**” (**Attachment 1**) filled out as required by the instructions set forth therein and signed by the Proposer’s authorized individual.

12. Financial Information.

Each Developer must submit its most current reviewed or year-end audited financial statement, which must have been prepared by a certified public accountant within twelve (12) months of Developer’s submission of the Proposal. Each Developer must also provide its most current financial statement, which must have been prepared within three (3) months of the Developer’s submission of the Proposal. Finally, each Developer must submit a notarized statement from an admitted surety insurer (approved by the California Department of Insurance and authorized to issue bonds in the State of California) which states its current bonding capacity, if any.

Financial statements submitted with this Proposal shall not be prepared by any individual who is in the regular employ of the firm submitting the Proposal, nor by any individual or entity who has more than a ten percent (10%) financial interest in the firm’s business. If the individual or entity that prepared a financial statement submitted with the Proposal has any financial interest in the firm’s business, the firm shall notify the District of such financial interest in a separate signed statement accompanying the Proposal.

The foregoing items described in Section IV. B. 1 through 12 above are all required to be submitted as part of your Proposal. Attachments 1 through 7, are all required Forms. Failure to submit all of these required Forms may render your Proposal “Non-Responsive”. If you modify or alter the language as issued on any of these required Forms, this may render your Proposal “Non-Responsive”.

Items in Section IV.B. 1-12 need to be created and drafted by you and included as part of your Proposal, with the exceptions of the Attachments referenced therein (which shall be completed by the Proposer). Failure to submit all of this required information may also render your Proposal “Non-Responsive”.

V. THE SELECTION PROCESS

A. General.

This is a best value - qualitative selection process and Proposers will be evaluated on the basis of demonstrated competence and its qualifications to complete and operate the Project.

B. Evaluation Committee.

An Evaluation Committee (the “Committee”) consisting of District, and outside experts will review, analyze, and evaluate all Proposals found to be responsive. The evaluation criteria are set forth below.

C. Evaluation Criteria for the Proposals.

Proposals will be evaluated based on, including but not limited to, the following:

1. Development Team, Project & Program and Schedule;
2. Operations Plan;
3. Financing Plan;
4. Financial Offer;
5. Public Private Collaboration Plan; and
6. Team’s Interview.

Order of importance:

- The highest Financial Offer is worth 100 of a total of 100 points. The highest financial offer from a responsive and responsible Developer, is subject to all provisions of California law including, but not limited to, California Education Code §17472.

The Financial Offer will be determined based upon the total financial return to the District based upon the number of years the Property is proposed to be leased multiplied by the total rent over the term of the proposed lease term. Internal Scoring by the Evaluation Committee will be based on the written Proposals.

VI. TERMS AND CONDITIONS OF THE RFP PROCESS

A. Generally.

The District expressly reserves the unqualified right to undertake any of the following if advantageous to the District:

1. Accept or reject any or all of the submitted Proposal;
2. Waive or decline to waive any and all defects as to form, content, informalities, technical inconsistencies and/or irregularities in any Proposal, or in the RFP process;
3. Terminate the RFP process at any time;
4. Modify and/or suspend any and all aspects of the RFP;
5. Re-issue the RFP;

6. Extend the time frame for submission of the Proposals, and/or any other time frames and/or dates set forth in the RFP, by notification to the parties known to District to have received a copy of the RFP;
7. To accept amendments (if requested by the District) to a Proposal after expiration of the deadline for receipt of the Proposals, but only if requested by the District;
8. To request clarification of information submitted, or to request additional information, from any or all Proposers;
9. Hold all Proposals for a period of ninety (90) days after the deadline for receipt of Proposals;
10. Decline to enter into a contract(s) with any Proposer; and

To conduct personal interviews and/or negotiations with any or all Proposers during the RFP process before making a final selection.

B. Specifically.

1. The Proposals submitted in response to this RFP will become the property of the District and may be used by the District in any way it deems appropriate.
2. While the information submitted in your Proposal will become a public record after selection of developer. District will use these documents as part of the basis of rating a Proposer for the Project. District reserves the right to verify and check information submitted from all other sources available to District.
3. Acceptance of any Proposal will take into consideration the reliability of the Proposer, past documented performance of the Proposer, and all of its proposed officers, directors, employees, team members and sub-consultants, and the appropriateness of the information provided. The District will, in the exercise of its discretion, be the sole judge in the determination of the quality and appropriateness of a Proposal. The District's decision will be final.
4. All costs for preparation, submission and/or delivery incurred by the Proposer are the sole responsibility of the Proposer and will not be paid by the District. The District will not be liable for any costs incurred in the preparation of a Proposal or incidental to the preparation and presentation of Proposals either orally or in writing. Any costs incurred in the preparation of the Proposal, in the submission of additional information, and/or in any other aspect of the Proposal before the award of a contract will be borne by the Proposer.
5. Proposals that are submitted with conditional clauses, alterations, items not called for in the RFP, or irregularities of any kind, are subject to rejection by the District, at its option.

- 6.** By submitting a Proposal, the Proposer acknowledges that it has investigated and satisfied itself as to the conditions affecting the Property and the proposed project. The District shall not be responsible for any conclusions or interpretations made by a Proposer of the information made available by the District.
- 7.** The submission of a Proposal shall be prima facie evidence that the Proposer has full knowledge of the opportunity presented and the condition of the Property as well as the challenges associated with the proposed Project. The receipt by the District of a Proposal will indicate that the Proposer understands the same.
- 8.** The District reserves the right to require that the Proposer demonstrate that it has the skills, financial wherewithal, personnel, equipment, and other resources, necessary to satisfactorily perform the nature and magnitude of the Project.
- 9.** The Proposer shall furnish the District with such additional information as the District may reasonably require.
- 10.** The District will require the selected Developer to have all required business licenses and appropriate valid professional licenses. Evidence of appropriate insurance and/or bonding coverage/capacity must be provided when the Proposer/Developer is selected to enter into the Ground Lease and related agreements with the District.
- 11.** Proposals received after the time and date specified, whether delivered or mailed, may not be considered and may be returned to the Proposer unopened, at the sole discretion of the District. It is the sole responsibility of each Proposer to ensure that its Proposal arrives at the required location before the time and date specified.
- 12.** No individual or firm responding to this RFP shall obtain any claim or cause of action against the District by reason of any aspect of the RFP process, defects or abnormalities contained herein, defects or abnormalities in the selection process, the rejection of any Proposal, the acceptance of any Proposal, any statements, representation, acts or omissions of the District, the exercise of any discretion by the District in connection with any of the foregoing, or any and all other matters arising out of all or any of the foregoing. No Proposer shall rely and cannot rely on any verbal communication received from anyone representing and/or purporting to represent the District in connection with this Procurement, all of which are hereby disclaimed and disavowed.
- 13.** All references in this RFP to Firm, Contracted Firm, Developer, Development Team, Proposer, and/or other person or persons, are intended only as generic terms and shall be interpreted to apply to any number and any gender, as applicable.
- 14.** Summaries contained in the RFP documents covering matters expressly addressed in more detail elsewhere in the RFP documents are for the convenience of the Proposer and in all such instances the more specific, detailed provisions shall govern.

- 15.** Notwithstanding the provisions of the preceding paragraph, in the event of a conflict between the terms of the RFP Documents and any term or condition in the Exhibits and Attachments thereto, the latter shall govern.
- 16.** Proposers are solely responsible to satisfy themselves as to the suitability of any information related to the Property such as title reports, well reports, environmental reports, market studies, estimates, projections, budgets, design concepts, technical criteria, reports, surveys, test data, and other information provided by the District. Nothing contained in the RFP Documents, or in any other information provided by the District, shall be construed as implying the creation or existence of any warranty, express or implied, on the part of the District with respect to the completeness, accuracy, or sufficiency thereof.
- 17.** Proposers shall not, before issuance of a Notice of Intent to Award resulting from the RFP, communicate, either verbally or in writing, with any of the following persons (other than the person designated in this RFP for the purpose of seeking clarification regarding the requirements of the RFP documents or the selection process: (1) any member of the Evaluation Committee; (2) any employee of the District involved in the RFP process; (2) any consultant or professional retained by the District for the purpose of providing the District advice or professional services in respect to any aspect of the RFP process; or (3) any trustee, officer, employee, or representative of the District. Unauthorized communication by a Proposer in violation of the foregoing constitutes grounds for disqualification. Doing so is immediate grounds for disqualification from this Procurement process.
- 18.** Except as otherwise provided elsewhere in the RFP documents or by applicable law, all procedures and proceedings provided for by these Instructions shall be closed to the public.
- 19.** Proposer shall sign and submit all required Attachments with its Proposal in the quantity specified in Section V., entitled “How to Package Your Proposal”. The District reserves the right to determine, in its sole and absolute discretion, whether any circumstances constitute a conflict of interest that may disqualify a Proposer from participating further in the RFP process.
- 20.** The District shall have the right to make all determinations and interpretations relating to the RFP documents or the qualification process, including, without limitation, any Proposer’s compliance with the RFP documents or its qualifications to participate in the RFP process, and all such determinations shall be final and binding.
- 21.** Nothing stated in the RFP Documents and no action by the District taken in connection with the RFP process shall constitute, or be interpreted as, creating any legal obligation on the part of the District to enter into a contract(s) with any Proposer.
- 22.** Any Proposer who at any point in time during the qualification or Procurement process is determined by the District, in the exercise of its sole and absolute discretion, to be unable to deliver and operate the proposed project may be declared disqualified from the process by the District and in such case will not be allowed to participate further in the process.

- 23.** The District shall have the right, but not the obligation, before, during, or after scoring the Proposals, to disqualify on the grounds of non-responsiveness any Proposer who submits a Proposal that does not comply with the requirements of the RFP.
- 24.** District shall have the right, but assumes no obligation, to investigate the facts or circumstances of any response or information provided by a Proposer. The District has no obligation to afford any Proposer the opportunity to respond to any adverse information that may be received as a result of such investigation or that comes to the attention of District by other means. In addition to the foregoing, the District shall have the right, but not the obligation, at any time to designate auditors to perform audits or reviews of the books or accounts of any Proposer and in such instances the Proposer shall make provision for, and is responsible to ensure full and prompt cooperation with, such audits or reviews, at no cost to the District.
- 25.** Unless requested by the District in a RFP Addendum or Request for Clarification, a Proposer shall not have the right after the deadline for receipt of Proposals, to submit new or additional information or supplement its Proposal. Notwithstanding the foregoing, the District reserves the right, in its sole and absolute discretion, but assumes no obligation, to request, receive, evaluate, and consider, as part of its evaluation of a Proposal, any additional or supplemental information received from any source, including, without limitation, information received after the deadline for receipt of Proposals. Nothing stated herein shall be interpreted as limiting the District's right to seek additional information from a Proposer pursuant to Clarifications, Discussions, or Negotiations, if any are held.
- 26.** A determination that a Proposer's and/or Proposal is not "responsive" and/or "disqualified from further participation in the RFP process" does not constitute a determination by the District that the Proposer is not a responsible Proposer and in no way should be taken to reflect on the competency and/or character of a Proposer. Conversely, a determination that a Proposer's and/or Proposal is "responsive" and/or "permitted to continue in further participation in the RFP process" does not constitute a waiver of the District's right to make a subsequent determination, based on new information not considered as part of the qualification evaluation process and/or RFP process, that such a Proposer is not responsive and/or not qualified to satisfactorily perform the required services or work sought by this RFP.
- 27.** The rights, powers, and discretion expressly conferred upon the District under the RFP documents are not intended to be exclusive but are cumulative and in addition to, and not a substitute for, every other right, power, or discretion existing or available to the District under the RFP documents or applicable laws.
- 28.** The District, in the exercise of its sole and absolute discretion, may make available, for those unsuccessful Proposers requesting it, an opportunity for a debriefing. Debriefings shall not include disclosure of any information prohibited from disclosure by applicable laws or exempt from release under applicable laws pertaining to release

of public records, including, without limitation, information constituting trade secrets or other proprietary information.

- 29. Ongoing Obligation to Update the District Regarding Information.** If at any time during this RFP Process, any information submitted by a Proposer becomes inaccurate, incomplete, and/or untrue, the Proposer must immediately notify the District representative identified herein and immediately provide updated accurate information in writing, under penalty of perjury.
- 30.** District reserves the right to waive any irregularities and omissions in the information contained in a Proposal, to make all final determinations, and/or to determine, at any time, that the selection process for the Procurement should be abandoned. Each Proposer assumes all risks and/or consequences of an incorrect delivery or an untimely delivery of a Proposal. Proposer assumes any and all financial risk of loss in participating in this process and the District shall not, under any circumstance, be liable for any cost, expense, loss, or damage sustained by a Proposer participating in this process.
- 31.** Information provided as part of this procurement is provided as a courtesy only and the District does not guarantee its accuracy, the Development team must make its own due diligence with regards to all aspects of the Property and proposed project.

VII. DOCUMENTS COMPRISING THE RFP

The following Chart indicates the various documents that form the RFP at time of its issuance.

The following Chart also indicates the order in which the documents forming the RFP are assembled and issued.

The following Chart is provided as a courtesy and convenience only to the Proposers to assist and/or help in the Proposers' understanding the format and content of the RFP.

RFP DOCUMENTS CHART

**Request for Proposals
Document**
(The current document you are reading.
It contains instructions for submitting
your Proposal)

#	Attachments to RFP
1	ACKNOWLEDGEMENT OF ADDENDA
2	APPLICANT/PROPOSER REPRESENTATIONS AND CERTIFICATION
3	AUTHORIZATION TO RELEASE INFORMATION
4	CONFLICT OF INTEREST CERTIFICATION
5	NON-COLLUSION DECLARATION
6	NON-DISCRIMINATION DECLARATION
7	PRICING PROPOSAL AND USE FORM
	FORMS 1 THROUGH 7 MUST BE SUBMITTED WITH YOUR PROPOSAL.
	The following Attachments below all contain terms, conditions and provisions of the RFP. These Attachments are not to be turned in with your Proposal, BUT should be taken into careful consideration in submitting your Proposal.
8	GROUND LEASE

Availability of the RFP and its Documents.

This RFP and all documents forming a part thereof are available at:

http://www.cvusd.k12.ca.us/district_office/departments/business_services/purchasing/current_bid_information

END OF RFP DOCUMENT

SEE ALL ATTACHMENTS TO THIS RFP NUMBERED 1-8

ACKNOWLEDGMENT OF ADDENDA

Regarding the Request for Proposals for the Project identified below, the Proposer acknowledges the receipt and review of all Addenda issued, if any, for this Project, by indicating below the Addendum No. and Date thereof, as well as signing this form and returning it with your Proposal:

PROJECT NAME: Unique Development Opportunity Ground Lease
for 1024 W. Workman Avenue, West Covina, California 91790

Addendum No.	Date Received

Name of Proposer: _____

By: _____

Its: _____

APPLICANT/PROPOSER REPRESENTATIONS AND CERTIFICATION

Without limitation on any other statements or representations made by the Applicant/Proposer as part of its participation in the RFP process described herein, each Applicant/Proposer who submits an Application/Proposal in response to this RFP is deemed to have made the following representations to the District:

1. Applicant/Proposer represents that its Application/Proposal fully complies with the requirements of the RFP;
2. Applicant/Proposer represents that all of the statements and representations made, or incorporated by reference, by Applicant/Proposer in its Application/Proposal, or in the attachments or exhibits submitted with its Application/Proposal, are true, correct and materially complete;
3. Applicant/Proposer represents that matters stated in the Application/Proposal are true of my own knowledge except as to those matters which are stated on information and belief, and as to those matters I believe them to be true;
4. Applicant/Proposer represents that each person who signed a document that is included in the Applicant/Proposer's Application/Proposal was at the time of signing, and for the duration of Applicant/Proposer's participation in the RFP process provided for in these Instructions shall remain, authorized to so sign on behalf of and to bind the Applicant/Proposer;
5. If the Applicant/Proposer is a corporation, limited liability company, or limited partnership, Applicant/Proposer represents that it is, and for the duration of Applicant/Proposer's participation in the RFP process provided for by these Instructions shall remain, registered with the Office of the Secretary of State for the State of California and authorized under applicable laws to conduct business in the State of California with a legal status determined by said Office of the Secretary of State of "active and in good standing";
6. Applicant/Proposer represents that it possesses at the time of submission of its Application/Proposal, and shall possess for the duration of Applicant/Proposer's participation in the RFP process provided for by these Instructions, all licenses that it is required to hold under the provisions of these Instructions and/or that it is required to hold under applicable laws in order to perform the services and work contemplated by the RFP;
7. Applicant/Proposer represents that it is, and at all times during its participation in the qualification process shall be, in full compliance with the provisions of the Immigration Reform and Control Act of 1986 ("IRCA"), as well any similar provisions of applicable laws setting forth proscriptions or penalties relating to the employment or hiring of undocumented aliens;
8. Applicant/Proposer, being familiar with California Government Code §§1090 *et seq.* and §§ 87100 *et seq.*, represents that it does not know of any facts occurring in connection with the Applicant/Proposer's preparation for, or participation in, the herein described RFP process that constitute a violation thereof and has disclosed to District in "Attachment ** - Conflict of Interest Certification" any possible interests, direct or indirect, which Applicant/Proposer believes any official, officer, agent, or employee of the District, or any department thereof, has that might cause such official, officer, agent, or employee to be "financially interested" (as that term is defined the aforesaid statutes) in any decision made by District in connection with the RFP process that is the subject of these Instructions; and
9. In accordance with Public Contract Code section 2204 (a), the Applicant/Proposer certifies and represents that at the time its Application/Proposals are submitted, the Applicant/Proposer is not identified on a list created pursuant to subdivision (b) of Public Contract Code section 2203 as a person (as defined in Public Contract Code section 2202(e)) engaging in investment activities in

Iran described in subdivision (a) of Public Contract Code section 2202.5, or as a person described in subdivision (b) of Public Contract Code section 2202.5, as applicable. Applicant/Proposers are cautioned that making a false certification and representation may subject the Applicant/Proposer to civil penalties, termination of existing contract, and ineligibility to bid on a contract for a period of three (3) years in accordance with Public Contract Code section 2205. Applicant/Proposer agrees that submission of its Application/Proposals shall constitute Applicant/Proposer's certification and representation as aforesaid.

Date: _____

Name of Applicant/Proposer

Signature of Applicant/Proposer (if individual) or its
Officer

Typed Name of Person Signing

Office or Title

AUTHORIZATION TO RELEASE INFORMATION

The undersigned Applicant/Proposer hereby authorizes and consents to the District obtaining information from third parties, including, but not limited to any individual(s) or individual representative(s) of any firm(s), entity(ies) or organization(s) listed in the Application/Proposal, for the purpose of verifying the information provided by the Applicant/Proposer or for any other purpose related to the evaluation of Applicant/Proposer's qualifications. Applicant/Proposer recognizes that to ensure the effectiveness of the RFP process, such individuals must be able to speak frankly and openly. Accordingly, Applicant/Proposer hereby fully and unconditionally provides authority to such third parties and hereby also releases and discharges such third parties, and the firms, entities and organizations they represent, from any claim or liability relating to information provided by it/him/her/them to the District in connection with the processing, investigation and evaluation by District of the Applicant/Proposer's Application/Proposal.

Applicant/Proposer hereby certifies that all of its sub-consultants have read this Authorization to Release Information and Applicant/Proposer's signature below represents its and its sub-consultant's agreement to the same.

Name of Applicant/Proposer

Signature

Title

Date

CONFLICT OF INTEREST CERTIFICATION

The undersigned Applicant/Proposer hereby certifies that:

1. No officer, director, agent, employee, or affiliate of the Applicant/Proposer has, and none of the sub-consultants that Applicant/Proposer contemplates retaining to perform the services covered by the RFP have, a financial interest in any consultant or contractor currently under agreement to perform work or services for the District, excepting the following firms:

2. No officer, director, agent, employee, or affiliate of the Applicant/Proposer has received or given, and none of the sub-consultants that Applicant/Proposer contemplates retaining to perform the services covered by the RFP have received or given, either directly or indirectly through an intermediary, any gift or gratuity to any consultant or contractor currently under agreement to perform work or services for the District, except for the following:

3. No officer, director, agent, employee, or affiliate of the Applicant/Proposer has, and none of the sub-consultants that Applicant/Proposer contemplates retaining to perform the services covered by the RFP have any affiliation or business relationship with any official, officer, agent, or employee of the District, or of any consultant or contractor retained by the District, who makes recommendations to the District with respect to the expenditure of money, except for the following affiliation or business relationship:

4. No officer, director, agent, employee, or affiliate of the Applicant/Proposer has, and none of the sub-consultants that Applicant/Proposer contemplates retaining to perform the services covered by the RFP have any family or business affiliation or relationship with any official, officer, agent, or employee of the District, except for the following affiliation or business relationship:

5. No portion of the services covered by the Applicant/Proposer's Proposal is anticipated to be performed by a person or entity that is already providing, or that Applicant/Proposer has reason to believe may provide in the future, services, advice, or consultation to: (1) the District, (2) any consultant or contractor retained by the District, or (3) any sub-consultant or subcontractor of any consultant or contractor retained by District, except for the following:

6. The Applicant/Proposer does not know of any other circumstances, not described above, that create or could be reasonably interpreted as creating, a conflict of interest, except for the following:

7. The Applicant/Proposer agrees to assume continuing duty to disclose to the District any circumstances that may arise in the future within the scope of the requests for disclosure of conflicts of interests stated above.

Applicant/Proposer: _____

Signature: _____

Name and Title: _____

Date: _____

NON-COLLUSION DECLARATION

THE UNDERSIGNED DECLARES:

I am the _____ of _____, the party or Applicant/Proposer ("Applicant/Proposer") submitting the Application/Proposal ("Application/Proposal") that is being submitted with this declaration.

The Application/Proposal is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The Application/Proposal is genuine and not collusive or a sham. The Applicant/Proposer has not directly or indirectly induced or solicited any other Applicant/Proposer to put in a false or sham Application/Proposal. The Applicant/Proposer has not directly or indirectly colluded, conspired, connived, or agreed with any Applicant/Proposer or anyone else to put in a sham Application/Proposal, or to refrain from Proposing. The Applicant/Proposer has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the Application/Proposal price of the Applicant/Proposer or any other Applicant/Proposer, or to fix any overhead, profit, or cost element of the Application/Proposal price, or of that of any other Applicant/Proposer. All statements contained in the Application/Proposal are true. The Applicant/Proposer has not, directly or indirectly, submitted his or her Application/Proposal price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, to any corporation, partnership, company association, organization, Application/Proposal depository, or to any member or agent thereof to effectuate a collusive or sham Application/Proposal, and has not paid, and will not pay, any person or entity for such purpose.

Any person executing this declaration on behalf of an Applicant/Proposer that is a corporation, partnership, joint venture, limited liability company, limited liability partnership, or any other entity, hereby represents that he or she has full power to execute, and does execute, this declaration on behalf of the Applicant/Proposer.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on _____ [date], at _____ [city], _____ [state]."

Date

[Name of Applicant/Proposer]

[Signature of Applicant/Proposer (if individual) or its Officer]

[Typed Name of Person Signing]

[Office or Title]

NON-DISCRIMINATION DECLARATION

Applicant/Proposer hereby certifies that in performing work or providing services for the District, there shall be no discrimination in its hiring or employment practices because of age, sex, race, color, ancestry, national origin, religious creed, physical handicap, medical condition, marital status, or sexual orientation, except as provided for in Section 12940 of the California Government Code. Applicant/Proposer shall comply with applicable federal and California anti-discrimination laws, including but not limited to the California Fair Employment and Housing Act, beginning with Section 12900 of the California Government Code.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on _____ [date], at _____ [city], _____ [state]."

Date

[Name of Applicant/Proposer]

[Signature of Applicant/Proposer (if individual) or its Officer]

[Typed Name of Person Signing]

[Office or Title]

GROUND LEASE

This GROUND LEASE ("Lease") is entered into as of _____, 2016, by and between the COVINA-VALLEY UNIFIED SCHOOL DISTRICT, a political subdivision of the State of California ("Lessor"), and _____ ("Lessee").

WHEREAS, Lessor is the owner of that certain real property located in the City of Covina, County of Los Angeles, State of California, commonly known as 1024 W. Workman Avenue, West Covina, California, and more particularly described in Exhibit "A" attached hereto and hereby made a part hereof, comprised of approximately 8.07 acres (Lessee to independently review and confirm the actual size which, if different than said estimate, shall not impact or affect the Rent or any other terms and conditions of this Lease) (hereinafter referred to as the "Land");

WHEREAS, pursuant to resolution 15-16-10, passed on September 21, 2015, the Board of Education of the Lessor declared that the Land is not currently needed for school purposes and therefore is surplus property;

WHEREAS, the Board of Education of the Lessor has declared its intention to offer the Land for lease; and

WHEREAS, Lessor desires to lease the land to Lessee and Lessee desires to lease the Land from Lessor and demolish the existing structures on the Land and construct or cause to be constructed various improvements on the Land;

NOW, THEREFORE, in consideration of the rents, covenants, agreements and conditions set forth in this Lease, Lessor hereby demises, leases and lets the Land to Lessee, and Lessee hereby takes and hires the Land from Lessor, and the parties hereto (hereinafter sometimes jointly referred to as the "Parties" and each sometimes referred to as a "Party") hereby agree as follows:

ARTICLE 1 TERM AND INSPECTION PERIOD

1.1 Inspection Period. Within thirty (30) days after the execution and delivery of this Lease by Lessor and Lessee, Lessor shall deliver to Lessee the "Due Diligence Information", defined as all information relating to the Land (including, without limitation, title information, surveys, environmental reports, engineering studies, tax bills, legal notices, permits, and approvals), which information is in Lessor's possession or under Lessor's control; provided however, Lessor is making no representations or warranties regarding the accuracy or correctness of the Due Diligence Information.

1.1.1 Upon execution of the Lease, Lessee shall deposit with Lessor the sum of two hundred fifty thousand dollars (\$250,000.00)(which shall include the initial deposit of \$50,000.00 made by Lessee), as a non-refundable deposit to have the right to conduct Lessee's due diligence at the Land ("Initial Deposit"). Lessee shall have the right for up to twelve (12) months ("Initial Inspection Period") after the execution and delivery of this Lease by Lessor and Lessee to: inspect

and investigate the Land and to perform soil, groundwater, and other tests thereon; review and evaluate the Applicable Laws applicable to the Land and the availability and probability of Lessee's receipt of all necessary governmental approvals; obtain surveys and other similar materials; obtain, review, and conduct a title search, order a title insurance commitment and evaluate any title insurance commitment for the Land; review and evaluate the availability of utilities and drainage facilities and easements therefor; review and evaluate the impact of the Applicable Laws and/or conditions of the site on the economic or other feasibility of constructing and operating the project on the Land; review and evaluate the access to the Land and matters such as curb cuts, crossovers, traffic signalization and the like; review and evaluate any environmental conditions of the Land; review and evaluate any other matter relating to Lessee's anticipated use of the Land and Lessee's improvements and/or the value, cost, utility or feasibility thereof; and obtain all Permits. For an additional non-refundable deposit paid to Lessor of two hundred fifty thousand dollars (\$250,000.00)("Additional Deposit")(the Initial Deposit and the Additional Deposit shall be referred to herein collectively as the "Deposit"), Lessee may extend the Initial Inspection Period prior to its expiration by written notice to Lessor, for an additional twelve (12) months ("Extended Inspection Period") (the Initial Inspection Period and the Extended Inspection Period shall be referred to herein collectively, the "Inspection Period"). During the Inspection Period, Lessee may terminate this Lease for any reason by sending written notice of termination to Lessor on or before the last day of the Inspection Period ("Termination Notice"), in which event the Parties shall have no further rights or liabilities under this Lease (except for any that expressly survive termination of this Lease) and Lessor shall be entitled to retain the entire Deposit. In the event that Lessee approves of the condition of the Land and wants the lease to commence, Lessee shall provide Lessor with an approval notice ("Approval Notice"), on or before the termination of the Inspection Period. In the event that Lessee has not delivered to Lessor the Termination Notice before the expiration of the Inspection Period, it shall be deemed that Lessee has accepted and approved all inspections of the Land. As used herein, "Permits" shall mean Lessee's building permit and any other licenses, permits or approvals issued by any governmental or quasi-governmental authority necessary to enable Lessee to perform any demolition, alteration, improvement and construction pursuant to this Lease or necessary for Lessee to operate its desired business at the Land, including, without limitation, installation of Lessee's signage, any zoning variance, other special use permit, street or alley abandonment, or the like. At any time during the Inspection Period Lessor shall have the right to terminate this Lease upon sixty (60) days written notice to Lessee ("Lessor Termination Notice"). After receiving the Lessor Termination Notice, Lessee shall have the right for thirty (30) days to from receipt of the Lessor Termination Notice to waive all contingencies and the Inspection Period in a written notice to Lessor ("Lessee Waiver Notice"), in which case the Lessor Termination Notice shall be null and void. In the event that Lessor terminates the Lease pursuant to the Lessor Termination Notice, and Lessor has not received a Lessee Waiver Notice, Lessor shall return any Deposit to the Lessee.

1.1.2 Whether or not this Lease shall be terminated pursuant to this Section, or any other section of the Lease, and notwithstanding anything in this Lease to the contrary, Lessee shall be solely responsible for the remediation and/or removal of any hazardous substances or underground storage tanks on the Land. Lessor shall have no liability with respect to any Hazardous Substances or underground storage tanks discovered as a result of any tests, inspections or studies performed by Lessee hereunder or any violation of any Environmental

Laws. As used herein, "Environmental Laws" shall mean any federal, state or local laws, ordinances, regulations or policies relating to the environment, health and safety, and/or Hazardous Substances (including, without limitation, the use, handling, transportation, production, disposal, discharge or storage thereof) or to industrial hygiene or the environmental conditions on, under or about the Land, including, without limitation, soil, groundwater and indoor and ambient air conditions, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. §9601 et seq.) ("CERCLA"), the Resource Conservation and Recovery Act of 1976 (42 U.S.C. §6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. §1251 et seq.), the Clean Air Act (42 U.S.C. § 7401 et seq.), the Emergency Planning and Community-Right-to-Know Act (42 U.S.C. § 11001 et seq.), the Endangered Species Act (16 U.S.C. § 1531 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), the Occupational Safety and Health Act (29 U.S.C. § 651 et seq.) and the Hazardous Materials Transportation Act (49 U.S.C. §1801 et seq.), and those relating to lead based paint.

1.1.3. Subject to the qualifications below, Lessee and Lessee's designated employees, agents and contractors shall be permitted to enter the Land at any time and conduct tests, inspections, surveys and studies (including, without limitation, soil, environmental, physical, mechanical and structural) which Lessee may deem appropriate to determine the suitability of the Land for Lessee's use. Prior to taking any soil or groundwater samples or conducting any other invasive testing of the Land, Lessee shall provide Lessor with written notice advising of the date, time and nature of the activity, and Lessor shall have the right to cause one or more representatives of Lessor to be present at the Land to observe the activity. Lessor shall have the right to approve of any person entering upon the Land to do any such testing and any such employees, agents and contractors shall be properly licensed to do such tests, inspections, surveys and studies and shall have insurance in such amounts and coverages as approved and required by Lessor. Notwithstanding anything in this Lease to the contrary, any entry on the Land must be approved by Lessor prior to such entry. Lessee acknowledges and agrees that the Land is being used for school purposes and any entry onto the Land shall not interfere with this purpose. Any Lessee employees, agents, consultants, and contractors ("Lessee Personnel") who will have access to the Land must be authorized as provided in this section. Lessee will provide Lessor with a list of the names of Lessee Personnel (and copies of each individual's driver's license) who will be on the Land and may have contact with Lessor pupils in the performance of services hereunder, and will update this list for changes in Lessee Personnel. Lessee will require each person to submit to live scan fingerprinting in accordance with standard Lessor protocols, and will prohibit all persons from entering the Land until Lessor has obtained necessary clearances (typically about two weeks). Lessor will obtain a report confirming that such Lessee Personnel has not been convicted of a serious crime. In addition to the foregoing, Lessor may require that Lessee Personnel submit to tuberculosis testing and additional background checks and testing at Lessor's sole and absolute discretion. Any clearance granted by Lessor may be revoked in its sole and absolute discretion. Lessee shall provide Lessor with any necessary affidavits required by Lessor to ensure compliance with this section. Lessee shall ensure that all individuals employed, contracted, and/or otherwise engaged by Lessee to provide services described herein hold the legally required license(s), certificate(s), or permit(s). In addition, Lessee shall comply with all legal requirements imposed upon Lessee due to Lessee's interaction with Lessor's pupils, including, but not limited to, any legal requirements of the California Department of Education.

1.2 Term. The initial term of this Lease ("Initial Term") shall commence on the execution of this Lease ("Lease Commencement Date") and, unless earlier terminated as elsewhere expressly provided herein, at midnight on the date which is _____ (___) years after the Lease Commencement Date.

1.3 Option to Renew. On the express condition that: (i) Lessee is not then in default under this Lease, (ii) there has been no monetary Event of Default, including but not limited to the payment of rent or taxes, and there has not been a failure by Lessee to provide insurance required hereunder that becomes an Event of Default, within twelve (12) months immediately prior to the delivery of notice of the exercise of the option to renew as set forth below, and (iii) there is no Event of Default from the date of such notice through the first day of the applicable Renewal Term (as defined herein), Lessee shall have the right to renew this Lease for three (3) separate ten (10) year terms (individually, the "Renewal Term" and collectively the "Renewal Terms"). Lessee shall give written notice of the exercise of the option to renew no more than twenty-four (24) months and no less than twelve (12) months before the expiration of the Initial Term or the preceding applicable Renewal Term. The Renewal Terms shall be on all the same terms and conditions contained in this Lease, except that Base Rent shall be as set forth in Section 2, below. Lessee shall not be entitled to extend the Term of this Lease for any extension period unless Lessee shall have extended the Term of this Lease for the preceding extension period, if any. Notwithstanding anything to the contrary contained herein, Lessee's right to extend the Initial Term hereunder can be terminated by Lessor at any time if Lessor requires the use of the Land for school related uses upon one hundred eighty (180) days written notice to Lessee. If any option to extend has already been exercised and/or is in effect, Lessor can terminate the Lease on one hundred eighty (180) days written notice to Lessee if Lessor requires the use of the Land for school related uses.

ARTICLE 2 RENT

2.1 Base Rent During Initial Term. Commencing on the Rent Commencement Date through the Initial Term, Lessee shall pay to Lessor annual base rent ("Base Rent") for the use of the Land in the sum of _____ (\$_____) per month on the first day of each month. The Base Rent each year during the Term or Renewal Term shall be increased by the increase in the Consumer Price for All Urban Consumers in the Los Angeles area; provided, however, in no event shall any annual rent increase be less than two percent (2%) or more than six percent (6%). The Base Rent for any Renewal Term shall be equal to the Fair Rental Value of the Premises as agreed to by Lessor and Lessee. In the event that the Lessor and the Lessee cannot agree on the Base Rent at least nine (9) months before the Renewal Term is to commence, the Renewal Term shall be cancelled and this Lease shall terminate at the end of the Initial Term or a Renewal Term, as the case may be. Base Rent for the entire Initial Term and each Renewal Term shall be paid on the first of each month, in lawful money of the United States, to Lessor at the notice address specified in Section 26, below or, at Lessor's option, at such other place as Lessor may from time to time designate in writing.

2.2 Rent Commence Date. Unless extended as provided in this Lease, the "Rent Commencement Date" shall be the Property Delivery Date.

2.3 Additional Rents. In addition to the rentals specified in Section 2.1 hereof, any and all other payments which Lessee is required to make hereunder, to or for the benefit of Lessor, including, without limitation, any payments required under Articles 5 and 20 hereof, shall be deemed to be additional rents (hereinafter collectively referred to as "Additional Rents"). The rentals specified in Section 2.1 hereof, and all Additional Rents payable hereunder (hereinafter collectively referred to as the "Rent") shall be deemed rents reserved by lessor and all remedies now or hereafter given to Lessor by the laws of the State of California for collection of such rents shall exist in favor of Lessor, in addition to any rights and remedies specified herein. All Additional Rents shall be payable in accordance with the provisions of the Articles specifying Additional Rents.

2.4 Payment of Rent. All of the Rent which is payable to Lessor hereunder shall be delivered to Lessor or to such other person or place as Lessor may from time- to-time designate by written notice to Lessee at the time required by Section 2.1, above.

ARTICLE 3 SECURITY DEPOSIT

Lessee shall deposit the sum of _____ dollars (\$ _____) ("Security Deposit"), on the Rent Commencement Date which shall be held by Lessor as security for Lessee's faithful performance of Lessee's obligations under this Lease. The Security Deposit shall be held in a non-interest bearing account. If an Event of Default occurs under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any actual liability, cost, expense, loss or damage (including reasonable attorneys' fees) which Lessor may suffer or incur by reason thereof or as a result of such Default. If Lessor uses or applies all or any portion of said Security Deposit, Lessee shall, within ten (10) days after written request therefor from Lessor, deposit moneys with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. The Security Deposit shall be equal to four (4) months' rent. Lessee shall have the right to provide an irrevocable stand-by letter of credit in the amount required as the Security Deposit. Any unused portion of the Security Deposit will be returned to Lessee within thirty (30) days of the expiration of this Lease.

ARTICLE 4

Lessee acknowledges and agrees that the Land will not be available until January 31, 2017. In the event that the Land is not available on such date, Lessee shall have no right to terminate this Lease. The date that Lessor delivers the Land to the Lessee is referred to herein as the "Property Delivery Date."

ARTICLE 5 TAXES AND OTHER CHARGES

5.1 Taxes and Assessments. Lessee shall be responsible for paying all taxes related to the Land. In the event Lessor receives any tax bills related to the Land, Lessee agrees to pay, as Additional Rent, before any interest, penalty, fine or cost may be added for nonpayment, all real property taxes (including but not limited to taxes imposed or caused by the Improvements and any other construction by Lessee), personal property taxes, assessments (including, without limitation, assessments for public improvements or benefits) and all other governmental taxes, assessments, impositions and charges of every kind and nature (hereinafter referred to as "Governmental Taxes"), which at any time during the Term shall be or become due and payable by Lessor or Lessee and which shall be levied, assessed or imposed:

(i) upon or with respect to, or shall be or become liens upon, the Land, the Improvements or both the Land and Improvements (as defined in Section 9.2) (hereinafter collectively referred to as the "Premises") or any portion thereof or any interest of Lessor or Lessee therein or under this Lease;

(ii) upon or with respect to the possession, operation, management, maintenance, alteration, repair, rebuilding, occupancy or use of the Premises or any portion thereof; or

(iii) upon the Rent, this transaction or any document to which Lessee is a party creating or transferring an interest or an estate in the Premises or any portion thereof, under or by virtue of any present or future law, statute, charter, ordinance, rule, regulation or requirement of any governmental authority, whether federal, state, county, city, municipal or otherwise.

(iv) upon Lessor's receipt of rental hereunder; provided, however, that such Governmental Taxes shall be paid by Lessee only to the extent that same would be taxed if the Premises were the only property of Lessor and the rental hereunder the only income of Lessor.

(v) upon the transfer evidenced by this Lease, including but not limited to any leasehold/documentary transfer tax.

Governmental Taxes include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during this Lease, including but not limited to, a change in ownership of the Premises or any part or portion thereof. Lessee shall not be required to pay any increase or adjustment in taxes resulting from the change of ownership of the fee title to the Land; provided, however, Lessee shall be required to pay for any taxes resulting from the execution of this Lease and any extensions or renewals hereunder. Nothing contained herein shall prevent or preclude Lessee from protesting the assessment of taxes, provided, however, that Lessee shall pay any taxes under protest, bond over or otherwise take such action to preclude and avoid the sale or transfer of Lessor's interest in the Premises.

5.2 Income and Estate Taxes Excluded. Notwithstanding any provision contained in Section 5.1 to the contrary, it is expressly understood and agreed that Lessee shall not be required to pay, or reimburse Lessor for: (i) any local, state or federal franchise tax, income tax or profits tax imposed on Lessor, unless such tax

is in lieu of or a substitute for any other levy, tax or impost upon or with respect to the Premises or any portion thereof, the Rent or this Lease which, if such other levy, tax or impost were in effect, would be payable by Lessee under the provisions hereof, or (ii) any estate, inheritance, or gift tax which may be imposed upon or with respect to any transfer of Lessor's interest in the Premises or any portion thereof.

5.3 Utility Charges. Lessee shall pay, or cause to be paid, prior to the delinquency date for payment, all charges for gas, water, sewer, electricity, light, heat, power, telephone and other utilities and services installed, used, rendered, or supplied to, upon or in connection with the Premises, and shall comply with all contracts relating to any such services.

5.4 Payment. Lessee shall pay all taxes and utility charges which are payable by Lessee as provided in this Article 5 directly to the appropriate authority. Lessee shall, within ten (10) days after written demand by Lessor, provide Lessor with written evidence of the payment of any utilities and shall, no less than fifteen (15) days after payment thereof, provide Lessor with written evidence confirming the payment of said taxes.

5.5 Installments. If, by law, any Governmental Taxes which shall be assessed or become due upon the Premises or any portion thereof may at the option of the taxpayer be paid in installments, Lessee may (subject to the provisions in Section 5.4 hereof) exercise such option, and, in such event, Lessee shall give Lessor prompt written notice of such exercise and shall pay all such installments (and interest, if any) becoming due during the Term as the same respectively becomes due and before any further interest or any penalty, fine or cost may be added thereto.

5.6 Prorations. Lessee shall pay all Governmental Taxes accruing from and after the Lease Commencement Date, and The Governmental Taxes shall be prorated as of that date, and upon the expiration or earlier termination of this Lease, except for any termination upon Lessee's default hereunder, the Governmental Taxes shall be prorated as of the date of such expiration or earlier termination, and after each such proration.

ARTICLE 6 WARRANTIES

6.1 Authority. Lessor hereby represents and warrants that Lessor has full authority to enter into this Lease and perform Lessor's obligations hereunder during the Term.

6.2 Quiet Environment. Subject to the exceptions to title and any reservations herein contained, Lessor covenants and agrees that Lessee, upon paying the Rent and upon observing and keeping all of the covenants, agreements and conditions of this Lease on its part to be observed and kept, shall lawfully and quietly hold, occupy and enjoy the Premises during the Term without hindrance or molestation by or from anyone claiming by, through or under Lessor.

6.3 No Other Warranties. Except for the warranty of authority and the warranty of quiet enjoyment contained in Sections 6.1 and 6.2 hereof, respectively, Lessor makes no warranties whatsoever regarding the Land, the condition thereof, the usefulness thereof for Lessee's purposes, the state of Lessor's title thereto or

any other matter whatsoever. Lessee hereby acknowledges that: (i) prior to entering into this Lease, it made an independent investigation of the pertinent facts, conditions, legal requirements and restrictions concerning the Land and was, therefore, fully aware of the condition of the Land as of the Lease Commencement Date, (ii) it accepts the Land in such condition, and (iii) in entering into this Lease, and in accepting the Land in such condition, it has not relied upon any representation, statement, act or omission of Lessor or of any employee, broker, attorney, or other agent of, or acting for, Lessor. Lessee acknowledges that Lessor has no independent knowledge of any of the conditions of the Land. Lessee acknowledges that the Land is being leased in its present condition, "As Is" and "With All Faults" condition, without any representations or warranties, express or implied, of any kind or nature whatsoever, other than as expressly set forth herein. Pursuant to the terms of this Lease, Lessee has or within the time provided in the Lease, will have conducted any and all necessary inspections and investigations of the Land as it deems necessary or appropriate concerning any and all conditions of the Land, expressly including, without limitation, environmental conditions, including any conditions relating to the existence of the Hazardous Substances as more particularly defined in Section 22.1 below, in, on, under or about the Land. Lessee further acknowledges that Lessor has not made any representations or warranties regarding the conditions of the Land, including, without limitation, the existence of Hazardous Substances in, on, under or about the Land, other than as expressly set forth herein. Lessee further acknowledges and agrees that it is not relying, in any way, upon any information as may now or hereafter have been provided by Lessor other than as expressly set forth herein. Lessee acknowledges and understands that the Land is currently used as a school site and while Lessor and Lessee intend that all improvements associated with such use, if any, will be removed by Lessee, Lessee expressly understands, acknowledges and agrees that Lessor is not responsible for such removal or any environmental investigation, removal and/or remediation activities and agrees that Lessor has no obligation to remove, demolish or destroy any of such improvements or to investigate, remove or remediate any environmental conditions at the Land as Lessee is solely obligated to do so. Lessor has provided to Lessee and Lessee acknowledges receipt of copies of any reports in Lessor's possession or control concerning the existence or potential existence, if any, of any Hazardous Substance in, on, under or about the Land and copies of any correspondence with governmental agencies concerning any such Hazardous Substance in, on, under or about the Land. Lessor makes no representations or warranties concerning the accuracy or reliability of any of said reports. Lessee acknowledges and agrees that the foregoing constitutes written notice in satisfaction of California Health and Safety Code Section 25359.7.

ARTICLE 7 USE OF PREMISES

7.1 Permitted Uses. Subject to Sections 7.2 through 7.4 and Article 8 hereof, Lessee shall demolish all existing improvements on the Land and develop the Land and occupy and use the Premises during the Term and any Renewal Terms (collectively the "Term") for _____ use to include parking or other ancillary or related uses as is reasonably necessary for the occupancy and use of the Premises for such purposes ("Permitted Use"). Without Lessor's prior written consent which consent shall be in the sole and absolute discretion of Lessor, Lessee shall not use the Land for any of the following uses:

(a) Industrial or manufacturing, distilling, assembling, refining, smelting or mining operation; (b) "Second hand" store, "surplus" store or pawn shop; (c) Mobile home park, trailer court, labor camp, junkyard, recycling facility or stockyard; (d) Dumping, disposing, incineration or reduction of garbage; (e) Dry cleaning or laundry plant; provided, however, this prohibition shall not be applicable to nominal supportive facilities for on-site service oriented to pickup and delivery by the ultimate consumer; (f) Gasoline or other fuel station or storage operation or other operation involving the storage or use of hazardous materials other than on an ancillary basis in the ordinary course of the operation of another primary use and in compliance with all applicable laws; (g) Automobile, truck, trailer or other vehicle service, repair or body shop operation, except as may be incidental to a vehicle showroom use; (h) Motor vehicle or boat storage facility, except as may be incidental to a vehicle showroom use; (i) Cemetery, mortuary, crematory or funeral home; (j) Massage parlor, adult entertainment facility, establishment selling or exhibiting "obscene" material, or establishment that exhibits either live or by other means, nude or partially clothed dancers or wait staff; (k) Establishment selling or exhibiting drug-related paraphernalia; (l) Flea market, amusement or video arcade, pool or billiard hall; (m) Gambling facility, including on site gambling such as off-track or sports betting parlor; table games such as blackjack or poker; slot machines, video poker/blackjack/keno machines or similar devices; (n) Oil or mineral drilling, refining or exploration; (o) Any business that transacts in alcohol or drug related businesses, and (p) Any operation or condition that induces, breeds or harbors infectious plant diseases, rodents or noxious insects

7.2 Uses Consistent with Zoning. Any use of the Premises shall be consistent with the development and uses permitted under, and the restrictions, controls and requirements contained in, the zoning rules and regulations applicable to the Premises including any authorized and approved variances to such rules and regulations.

7.3 Cessation of Impermissible Uses. In the event that, at any time during the Term, Lessor reasonably determines that the Premises are being used in violation of the provisions of Section 7.1 hereof, then Lessee shall, upon notice from Lessor and at Lessee's sole cost and expense, immediately cause such uses to cease.

7.4 Signs. Lessee, at its sole cost and expense, shall have the right to place and maintain signs and other advertising devices on the Premises, provided the placement and maintenance thereof comply with all laws and governmental requirements and regulations.

ARTICLE 8 LESSEE'S DEVELOPMENT

Lessee shall only have the right to develop the Land for the Permitted Use. Any other use of the Land shall be subject to Lessor's prior written approval (which approval shall be deemed denied if Lessor does not provide Lessee written notice of approval within ten (10) business days (i.e., any day which is not a Saturday, Sunday or State or Federal observed Holiday) of Lessee's request therefor.

As of the execution of this Lease, the Permitted Use has been determined; however, Lessee has not determined the exact nature or extent of its intended

development. At such time as Lessee shall determine the nature and extent of development and the improvements Lessee intends to construct on the Land, Lessee shall inform Lessor thereof (the improvements to be constructed bring herein called the "Initial Improvements"). During the development process, Lessee shall keep Lessor reasonably informed as to the status thereof and shall from time to time provide Lessor with estimated development and construction timetables and copies of material conceptual plans and drawings for such Initial Improvements.

Lessee shall use reputable architects and general contractors in connection with the Initial Improvements and shall cause any such Initial Improvements to be of high quality, to comply with all applicable laws and to be completed in a good and substantial manner free of all mechanic's or materialmen's liens.

Lessor acknowledges that the governmental agencies having jurisdiction over the development of the Premises may require that Lessor join in applications and filings to be made in connection with such development. Lessor agrees, timely, to join in such applications to the extent consistent with the approved documents; provided, however, that such joinder shall be at no cost, expense or liability to Lessor.

Lessee shall be responsible, at its expense, for obtaining any building permits and other approvals necessary to construct the Initial Improvements and operate its business thereon. However, at Lessee's sole cost and expense, Lessor agrees to cooperate with Lessee (including, without limitation, by signing applications) in obtaining any necessary Permits for any work (including, without limitation, sign installation) that Lessee is permitted to perform pursuant to this Lease. In addition, Lessee shall, at Lessee's sole cost and expense, be responsible for any other developmental or zoning approvals required for such construction or use. Lessor will cooperate (at no cost or expense to Lessor) in obtaining any zoning approvals, building permits or approvals referenced in this paragraph. If the construction and operation of the Initial Improvements constitutes a "project" under the California Environmental Quality Act ("CEQA"), then: (a) Lessee shall be the party responsible for preparing any EIR or other mitigation measure, reports, notices, studies, findings or declarations required under CEQA and for paying all costs and fees associated therewith, and (b) Lessor shall be the lead agency for CEQA purposes and shall be responsible for making policy decisions under CEQA (including without limitation approving any draft and final EIR for publication and circulation, approving any related documents, and making decisions with regard to pursuing the project or any alternative project described in any EIR). Lessee shall reimburse Lessor for all costs and expenses incurred by Lessor as the lead agency under CEQA.

ARTICLE 9 IMPROVEMENTS BY LESSEE

9.1 Lessee's Work. All work performed by Lessee pursuant to Article 8 hereof, all changes, alterations and additions in or to the Improvements permitted by Section 9.2 hereof, all Repairs (as defined in Section 10.2 hereof) required by Article 10 hereof and all restorations required by Article 11 hereof (hereinafter collectively referred to as "Lessee's Work") shall, in all cases, be subject to Article 7 hereof and Sections 9.2 through 9.12 hereof, inclusive.

9.2 Changes, Alterations and Additions to the Improvements. Subject to all the terms and conditions of this Article 9 below, Lessee shall have the right to make, at its sole cost and expense, changes, alterations and additions in or to the Initial Improvements and to construct additional improvements on the Land (all of the improvements, changes, alterations, additions and additional improvements are referred to herein as the "Improvements"), provided that Lessee is not in default in any respect hereunder, that the value, rental value or rentability of the Premises after the making of such changes, alterations and additions or construction of such additional Improvements is at least as great as the value or rental value prior thereto, and that such changes, alterations and additions, or such additional Improvements, and the making or construction thereof, otherwise comply with the provisions of this Lease.

9.3 Approval of Work. No Lessee's Work shall be undertaken without compliance with Article 8 with respect to the Initial Improvements and with respect to any other Work, without Lessee providing Lessor with design drawings, plans, specifications and related documents for such Work and Lessor's prior written approval. Lessor's written approval hereunder shall be at Lessor's sole and absolute discretion. Lessor may disapprove any documents submitted by Lessee for Lessor's approval pursuant to this Section 9.3, or such documents shall be deemed disapproved, if not approved by Lessor within thirty (30) days of receipt by Lessor. Lessee shall reimburse Lessor for all costs and expenses incurred by Lessor in reviewing any such documents.

9.4 Notice of Work. No Lessee's Work shall be undertaken during the Term without the delivery by Lessee to Lessor of prior written notice thereof. Lessor hereby appoints Lessee as Lessor's attorney-in-fact for the purpose of posting in conspicuous places and recording with the Los Angeles County Recorder, in the name and on behalf of Lessor, notices of non-responsibility, and Lessee shall be obligated so to post and record the same, at Lessee's sole cost and expense, within ten (10) days after any Lessee's Work is commenced under this Section 9.4.

9.5 Permits and Authorizations. No Lessee's Work shall be undertaken until Lessee shall have procured and paid for, so far as the same may be required, all permits and authorizations of all municipal departments and governmental agencies having jurisdiction over the Land, including, but not limited to, the California Division of State Architect (the "Agencies"). Lessor shall join in the application for such permits or authorizations whenever such action is necessary; provided that such joinder shall be at no cost, expense or liability to Lessor.

9.6 Diligent Completion. Once Lessee commences any Lessee's Work, Lessee shall, with reasonable diligence, prosecute to completion such Lessee's Work. No Lessee's Work shall, when completed, deviate in any material respect from the design drawings, plans, specifications and related documents delivered to Lessor and approved by the Agencies (if such approval was required) and Lessor.

9.7 Manner of Work. Any Lessee's Work shall be performed promptly and diligently with first-class materials and in a professional and workmanlike manner and in compliance with all applicable permits and authorizations and building and zoning laws and all other laws, statutes, charters, ordinances, orders, rules, regulations and requirements of all federal, state, county, city and municipal governments, departments, commissions, boards and officers, any national or

local Board of Fire Underwriters, or any other body hereafter exercising functions similar to those of any of the foregoing and in accordance with all applicable covenants, conditions and restrictions affecting the Premises and substantially in accordance with the design drawings, plans, specifications and related documents concerning such Work delivered to Lessor and approved by Lessor and the Agencies.

9.8 Removal of Mechanic's Liens by Lessee. The cost of all Lessee's Work shall be promptly paid by Lessee. If, however, at any time, any mechanic's, materialmen's or other lien arising pursuant to Section 3110 of the California Civil Code (or successor legislation), or any other provision of law, is filed against any portion of the Premises in connection with the performance of such Lessee's Work, Lessee shall cause such lien to be removed within sixty (60) days after the date on which the claim of lien is recorded.

9.9 Insurance Requirement. Before commencement of any Lessee's Work, Lessee shall obtain and maintain in effect (or cause to be obtained and maintained in effect), until such Work is completed, the insurance specified in Sections 12.1 and 12.2 hereof. Such insurance shall be subject to the provisions of Sections 12.4 through 12.7 hereof.

9.10 Bond. Lessee's Work shall not be undertaken during the Term without Lessee first furnishing to Lessor, at Lessee's sole cost and expense, a completion and performance bond in favor of Lessor, issued by a surety company and in a form acceptable to Lessor, in an amount at least equal to one hundred twenty-five percent (125%) of the estimated cost of such work, and guaranteeing the completion thereof within a reasonable time, free and clear of all liens, encumbrances, chattel mortgages, conditional bills of sale and other charges, and substantially in accordance with the construction drawings, plans, specifications and related documents approved by Lessor and the Agencies, or, in lieu of such performance bond, such other security or evidence of available funds (e.g. available funds in the form of deposits or construction loan from a reputable lender), as is reasonably satisfactory to Lessor. Lessee shall be permitted to provide bonds in accordance with the foregoing through Lessee's general contractor.

9.11 Notice of Completion. Immediately upon the completion of any Lessee's Work, Lessee shall file, or cause to be filed, a Notice of Completion. Lessee hereby appoints Lessor as Lessee's attorney-in-fact for purposes of filing the Notice of Completion in the event Lessee fails to do so immediately upon the completion of such Work.

9.12 "As Built" Drawings. Upon completion of any Lessee's Work, including but not limited to the Improvements, Lessee shall deliver to Lessor "as built" drawings of such Work.

ARTICLE 10 MAINTENANCE AND REPAIRS

10.1 Lessee's Obligation. Lessee shall, at its sole cost and expense, maintain the Premises, together with the fixtures, machinery and facilities therein and the sidewalks, driveways, curbs and fencing adjoining or situated upon the Land and the landscaping on the Land in good order and condition and in accordance with all applicable laws, statutes, charters, ordinances, orders, rules, regulations and requirements of all federal, state, county, city and municipal governments, and make all necessary Repairs (as defined in Section 10.2 hereof) thereto, interior and exterior, structural and nonstructural, ordinary and extraordinary, foreseen and unforeseen. Lessee shall perform such maintenance or repair in such a manner as not to otherwise adversely affect, in a material respect, any other persons right to the use of the Premises. Lessee agrees to indemnify Lessor against and save Lessor harmless from any and all demands, claims and causes of action, and any and all actual expenses (including, without limitation, reasonable attorneys' fees) incurred by Lessor in connection therewith, for injury to person, loss of life, damage to or loss of use of property, including, without limitation, the Premises, or the Land or any portion thereof, arising out of or related to the performance of such maintenance or repair, unless such occurrences are attributable to an intentional tort or act of gross negligence on the part of Lessor or the employees of Lessor. Lessee further agrees to repair any damage to the Premises, or the Land or any portion thereof, arising out of or related to Lessee's performance of such maintenance or repair, unless such damage is attributable to an intentional tort or act of gross negligence on the part of Lessor or the employees of Lessor. Lessee shall be responsible for maintaining the Premises in compliance with all Applicable Laws.

10.2 Repairs. As used herein, the term "Repairs" shall include weatherproofing, any work necessary to the preservation of the structural integrity of the Improvements or the appearance of the facades thereto or the safety thereof, any work required as a condition to the continued use of the Premises or any portion thereof or in order to avoid the loss of any permit with respect thereto, any work required by any order of any governmental agency, noncompliance with which would result in condemnation of the Premises, and any other similarly necessary replacement and renewal, alteration, addition, or betterment. All Repairs made by Lessee shall be equal in quality and class to the original work, and all work required by this Article 10 shall be performed in accordance with Article 9, as applicable. Lessee shall repair and maintain the Premises in the same condition as exists when all Initial Improvements and Improvements have been completed, reasonable wear and tear excepted.

10.3 No Repairs by Lessor. Lessor shall not be required to furnish any services or facilities, or to make any Repairs to any portion of the Premises, and Lessee hereby waives any and all rights, whether conferred by statute or otherwise, including, without limitation, any rights which Lessee may have under Sections 1941 and 1942 of the California Civil Code (or successor legislation), to make any Repairs to any portion of the Premises at the expense of Lessor. Lessee acknowledges and agrees that its obligations hereunder to maintain the Premises in good order and condition and its release hereunder of any obligations on Lessor's part to make any Repairs to any portion of the Premises are part of the consideration to Lessor for entering into this Lease.

10.4 Demolition. Lessee shall not at any time, without the prior written approval of Lessor, demolish all or any portion of the Premises except in connection with making the changes, alterations or additions in or to the Improvements permitted by Articles 8 and 9, the Repairs required by this Article 10, the restorations required by Article 11 hereof or the restorations, repairs or replacements required by Article 17 hereof.

ARTICLE 11 RECONSTRUCTION OF DAMAGED OR DESTROYED IMPROVEMENTS

11.1 Insured Casualty. Subject to Section 11.4 hereof, if, at any time during the Term, any part of the Improvements is damaged or destroyed by any casualty insured under any policy or policies of insurance required to be maintained hereunder, then all proceeds from such policies (unless the cost of the reconstruction or restoration set forth in the opinion referred to in Clause (i) below is less than Two Hundred Fifty Thousand Dollars (\$250,000)) shall be deposited in trust with an escrow company, a reputable bank or other financial institution selected by Lessor (hereinafter referred to as the "Trustee"), and all such proceeds (whether or not deposited in trust with the Trustee) shall be used by Lessee to reconstruct and restore such part of the Improvements as hereinafter provided:

(i) Lessee shall deliver to Lessor, as soon as practicable, but, in any event, within thirty (30) days after such damage or destruction, the written opinion of a reputable licensed architectural firm, as to the cost of reconstructing and restoring the Improvements to the condition in which they existed immediately prior to such damage or destruction. If the cost of such reconstruction and restoration set forth in such opinion exceeds the proceeds of such policy or policies, and if such proceeds are required to be deposited in trust with the Trustee, as hereinabove provided, Lessee shall, within ten (10) days after delivery of such opinion, deposit in trust with the Trustee an amount equal to the additional cost (in excess of such proceeds) so required to reconstruct and restore the Improvements or provide other evidence of available funds reasonably acceptable to Lessor; and,

(ii) Notwithstanding such damage or destruction, this Lease shall continue in full force and effect, and Lessee shall promptly commence and with reasonable diligence prosecute to completion the reconstruction and restoration of the Improvements, so far as practicable, to the condition in which they existed immediately prior to such damage or destruction.

The amount of Two Hundred Fifty Thousand Dollars (\$250,000) as set forth herein shall be increased by ten percent (10%) on the 10th anniversary of the Commencement Date and every ten (10) years thereafter during the Initial Term and any Renewal Term(s) as applicable.

11.2 Disposition of Insurance Proceeds and Lessee's Funds. All proceeds from policies of insurance required to be maintained hereunder which are not required to be deposited with the Trustee under Section 11.1 hereof shall be paid to Lessee. All such proceeds which are required to be deposited with the Trustee under said Section 11.1 and any additional amounts required to be deposited with the Trustee by Lessee under Section 11.1(i) and any amount required to be deposited with the Trustee by Lessee under Section 11.3(i) hereof shall be paid by the Trustee to Lessee, in accordance with disbursement procedures as Lessor

reasonably determines, as reimbursement for the cost of the reconstruction and restoration required by Section 11.1 hereof or Section 11.3 hereof, as the case may be, which payments shall be made from time to time as the work progresses, upon the written request of Lessee accompanied by such additional certificates and documents, including architect's certificates, lien waivers and statements of contractors or subcontractors, materialmen and engineers, as Lessor may reasonably request the Trustee to obtain from Lessee. In the event that the estimated cost to complete such work at any time exceeds the available proceeds held by the Trustee in trust, Lessee shall, within ten (10) days after receipt of notice from Lessor, deposit such additional sums or provide other evidence of available funds reasonably acceptable to Lessor, as are necessary to insure that the total costs will be paid. Upon receipt by the Trustee of evidence that the total work of restoration and reconstruction has been completed and paid for in full, that there are no liens of any character against the Premises or any portion thereof arising out of or in any way related to such work and that all potential lien claimants of the type enumerated in Section 3110 of the California Civil Code (or successor legislation), or any other provision of law, have been paid in full, any balance held by the Trustee in trust shall be paid to Lessee.

11.3 Uninsured Casualty. Subject to Section 11.4 hereof, if, at any time during the Term, any part of the Improvements is damaged or destroyed by earthquake, flood, or any other casualty not insured under any policy or policies of insurance required to be maintained hereunder, then Lessee shall, at its sole cost and expense, reconstruct and restore such part of the Improvements as provided hereinafter:

(i) Lessee shall deliver to Lessor, as soon as practicable, but, in any event, within thirty (30) days after such damage or destruction, the written opinion of a reputable licensed architectural firm, as to the cost of reconstructing and restoring the Improvements to the condition in which they existed immediately prior to such damage or destruction, and within thirty (30) days after the delivery of such architect's opinion, Lessee shall (unless the cost of such reconstruction and restoration set forth in such opinion is less than Two Hundred Fifty Thousand Dollars (\$250,000)) deposit in trust with the Trustee or provide other evidence of available funds reasonably acceptable to Lessor of an amount equal to such cost. The amount of Two Hundred Fifty Thousand Dollars (\$250,000) as set forth herein shall be increased by ten percent (10%) on the tenth (10th) anniversary of the Commencement Date and every ten (10) years thereafter during the Initial Term and any Renewal Term(s) as applicable; and,

(ii) Notwithstanding such damage or destruction, this Lease shall continue in full force and effect, and Lessee shall promptly commence and with reasonable diligence prosecute to completion the reconstruction and restoration of the Improvements, so far as practicable, to the condition in which they existed immediately prior to such damage or destruction.

11.4 Limitation on Obligation to Reconstruct. Except as provided below, if, during the last two (2) years of the Initial Term or any Renewal Term, as applicable, the Improvements are damaged or destroyed to the extent of one-third (1/3) or more of the then replacement cost of the Improvements (excluding any foundation) by any casualty insured under any policy or policies of insurance required to be maintained hereunder, or if, at any time during the Term, the Improvements are damaged or destroyed to such an extent by any casualty not so insured, then either Party may, at its option, elect to terminate this Lease within sixty (60) days after

the date of such damage or destruction by giving the other Party notice of such termination, setting forth the bases on which this Section 11.4 is involved and specifying the date on which such termination is to become effective, which date shall not be less than thirty (30) days after the date on which such notice is given; provided, however, (i) that if, at the time of any desired exercise by Lessee of said option (or any purported exercise thereof) if an Event of Default has occurred and is continuing under this Lease, then Lessee shall not be entitled to exercise said option (and any purported exercise thereof shall be void and of no force or effect whatsoever), (ii) that if, at the time of any exercise by Lessee of said option, no Event of Default exists but an Event of Default exists as of the specified date of termination, then such exercise shall be void and of no further force or effect, and (iii) that if, prior to any exercise by Lessor of said option (or within fifteen (15) days after any purported exercise thereof), Lessee gives Lessor notice that it shall (and thereafter proceeds to) reconstruct and restore the damaged or destroyed Improvements in the manner provided in Section 11.1 or Section 11.3 hereof, as the case may be, then this Lease shall continue in full force and effect. In the event that either Party exercises said option to terminate this Lease, Lessee shall not be obligated to reconstruct and restore the damaged or destroyed Improvements, but Lessee shall, at the request of Lessor, be obligated to raze the same at Lessee's sole cost and expense and deliver the Property to Lessor in a construction ready condition. In the event that such damage or destruction is caused by a casualty insured under any policy or policies of insurance required to be maintained hereunder, and either Party effectively exercises said option, then the insurance proceeds payable in connection with such damage or destruction shall be paid as follows:

(a) In the event that Lessor requests Lessee to raze the damaged or destroyed Improvements, first to Lessee to the extent of the cost of such razing;

(b) Then to Lessor to the extent of: (1) the decrease in the present value (as of the date of the payment of such proceeds) of Lessor's reversionary interest in the Improvements resulting from such damage or destruction, and (2) the present value (as of such date) of the rentals which would have become due to Lessor under Sections 2.1 through 2.4 hereof during the remainder of the Term, had this Lease not been terminated under this Section 11.4; and,

(c) Then the remainder, if any, to Lessee.

In making present value calculations under this Section 11.4, the discount rate specified for application to Section 15.2(i)(c) hereof shall be used. Notwithstanding anything in this Lease to the contrary, in the event any damage or casualty is caused due to the acts or omissions of Lessee, or Lessee's agents or employees, Lessee shall have no right to terminate this Lease.

11.5 Rent Unabated. Lessee shall not be entitled to any damages or reduction or abatement in Rent by reason of any inconvenience or loss sustained by Lessee as a result of damage to or destruction of the Improvements or the loss of the use of the Premises or any portion thereof during any period of reconstruction and restoration; provided, however, that in the event that this Lease is terminated in accordance with Section 11.4 hereof, then Lessee shall not be required to pay any Rent which would have otherwise become payable hereunder with respect to any period after the date of such termination, except as provided in Section 11.4.

ARTICLE 12 INSURANCE

12.1 Prior to Construction and During the Term. Upon commencement of and at all times during the Term, in addition to the insurance coverages required under Sections 12.2 and 12.3 below, Lessee shall obtain and maintain in effect (or cause to be obtained and maintained in effect):

(i) Workers' Compensation adequate to fully satisfy Lessee's legal obligations under any applicable laws, regulations and requirements relating to such insurance, and employers' liability insurance in an amount of not less than One Million Dollars (\$1,000,000);

(ii) Commercial General Liability insurance, including primary and excess/umbrella coverage (including automobile liability, operations liability, independent contractors' protective liability, contractual liability, completed operations liability (with broad form property damage coverage, not excluding "blasting or explosion," "collapse" or "underground" coverage) and personal injury liability insurance) against claims for bodily injury, death or property damage, occurring as the result of the occupancy and use of the Premises or any portion thereof by Lessee or the sublessees, or as the result of any activities on the Premises by Lessee or the sublessees or by the employees, agents or contractors of Lessee or the sublessees or by the invitees or licensees of Lessee or the sublessees or by any other person, or as the result of any conditions arising on the Premises or created thereon by any person (including, without limitation, Lessor or the employees or agents of Lessor), which insurance shall be in such amounts as may, from time to time, be reasonable in view of the amounts customarily maintained in connection with development projects substantially similar to the one contemplated hereunder occurring in the area in which the Premises are located, but in no event less than Five Million Dollars (\$5,000,000) (combined single limit) in respect of bodily injury, death or property damage arising out of one occurrence; provided, however, that so long as such automobile liability insurance is under a comprehensive liability policy, such policy shall include coverage with respect to "owned vehicles," "hired vehicles" and "employers' non-ownership liability," and that if at any time during the Term such automobile liability insurance becomes written under a "business auto" policy, such policy shall include coverage with respect to "any auto" and shall be in such amounts as may, from time to time, be reasonable in view of the amounts customarily maintained in connection with development projects substantially similar to the one contemplated hereunder, occurring in the area in which the Premises are located; and

(iii) Business Interruption, loss of income, extra expense, and loss of rent insurance coverage for a period of not less than twelve (12) months.

(iv) Environmental Insurance in such amounts and with coverage required by Lessor.

(v) Such other insurance as required by Lessor.

12.2 During Construction. Prior to the commencement of the construction of any Improvements, Lessee shall obtain and maintain in effect (or cause to be obtained and maintained in effect) with respect to such Improvements, until their

completion, builders' risk insurance on an "all risk" basis, including Flood and Earth Movement coverage in an amount equal to the greater of the full cost of the Improvements or the estimated value of the Improvements upon completion.

12.3 After Completion of Construction. Except as otherwise expressly provided hereinbelow, after the completion of the construction of any Improvements, Lessee shall obtain and maintain in effect (or cause to be obtained and maintained in effect) with respect to such Improvements, until the expiration of the Term:

(i) Fire, extended coverage and vandalism insurance in an amount equal to the then full replacement cost of such Improvements;

(ii) Prior to the installation in such Improvements and operation of any boilers and steam piping, boiler insurance with respect thereto in such amount in respect of any one accident as may, from time to time, be reasonable in view of the amount customarily maintained in connection with development projects substantially similar to the one contemplated hereunder, occurring in the area in which the Premises are located, but in no event less than Five Million Dollars (\$5,000,000); and,

(iii) During any period in which Lessee or any sublessee conducts or permits activities or brings, operates or permits equipment on or about the Premises involving unusual hazards, such unusual hazard insurance as may be reasonably sufficient to cover the risks incidental to such hazards; provided, however, that Lessor's demand for unusual hazard insurance shall not constitute a waiver of Lessor's right, if Lessor would otherwise have such right, to demand the removal, cessation or abatement of such hazards.

(iv) Lost rents coverage for at an amount of not less than twelve (12) months of the then applicable Base Rent for the Premises.

12.4 Form of Insurance; Lessor as Loss Payee and Additional Insured. All insurance policies maintained by Lessee hereunder shall be with insurance carriers which have, according to the most current A. M. Best's Insurance Reports, a rating of A-VII and, with the exception of the Workers' Compensation and employers' liability insurance policies, all such policies shall name Lessor and Lessee as insureds as their respective interests may appear, as an additional insured, and as a loss payee, as applicable. Also, all such policies shall provide that no cancellation or nonrenewal of such policies shall be effective until at least thirty (30) days after receipt of written notice thereof by Lessor. Further, Lessee shall obtain policies which provide (except for a loss of less than Ten Thousand Dollars (\$10,000) under liability policies) that Lessor and Lessee shall participate in the adjustment of claims. Prior to the time that such policies are required to be effective hereunder, and thereafter not less than ten (10) days prior to the expiration dates of the expiring policies theretofore delivered hereunder, Lessee shall deliver to Lessor, in a form reasonably satisfactory to Lessor, originals or certified copies of the policies or renewal policies, or binders and all endorsements thereto, including but not limited to insured, additional insured and loss payee endorsements, as the case may be, and Certificates of Insurance with respect to such policies, required by this Lease.

12.5 Waivers of Subrogation. Lessee shall obtain from each of the insurers under all policies of insurance required hereunder, a waiver of all rights of

subrogation which the insurers under such policies might otherwise have as against Lessor, said waiver to be in writing and for the express benefit of Lessor.

12.6 Effect of Compliance. In no event shall compliance by Lessee with Sections 12.1 through 12.5 hereof release Lessee from any other obligations of Lessee under this Lease or be construed as giving Lessee or employees or agents of Lessee the right to engage in, permit or suffer any activity or conduct otherwise prohibited by this Lease. Any insurance policy of Lessee does not limit the liability of Lessee under the terms of this Lease.

12.7 Blanket Policies of Insurance. All insurance policies maintained by Lessee hereunder may at any time during the Term be under blanket policies of insurance covering liabilities and properties other than those specified herein and covering insureds other than Lessee and Lessor, provided such policies otherwise comply with all the provisions of this Article 12.

ARTICLE 13 INDEMNIFICATION

Lessee agrees to indemnify, hold harmless and defend Lessor from and against any and all demands, claims and causes of actions for injury to person, loss of life, damage to or loss of use of property including, without limitation, the Premises or any portion thereof, from and against any and all penalties, fines and prosecutions, and from and against any and all suit for abatement of any public or private nuisance, as well as any costs or expenses (including, without limitation, reasonable attorneys' fees) incurred in connection with any such demand, claim, cause of action, penalty, fine, prosecution and suit (hereinafter commonly referred to as any "Demands"), whether or not asserted during or after the Initial Term or any Renewal Term, occurring as the result of the construction of the Improvements and/or the occupancy and use of the Premises or any portion thereof by Lessee or the sublessees, or as the result of any activities on the Premises by Lessee or the sublessees or by the employees, agents or independent contractors of Lessee or the sublessees or by the invitees or licensees of Lessee or the sublessees or by any other person, or as the result of actions by Lessor or employees or agents of Lessor which are made necessary as the result of any conditions arising on the Premises due to any of the foregoing activities or actions, or as the result of any failure by Lessee to perform or comply with any of the terms and conditions contained in this Lease or to comply with any applicable law, statute, charter, ordinance, rule, regulation or requirement of any governmental authority, whether federal, state, county, city or municipal or otherwise with respect to the use or occupancy of or activities, actions or conditions on the Premises, or as the result of the entry by Lessee or any sublessee or by the employees, agents or independent contractors of Lessee or any sublessee upon the Premises or any portion thereof arising out of or in connection with Lessee's development of the Land, including, without limitation, any entry for the purpose of carrying out Lessee's obligations hereunder; provided, however, that Lessee shall not be obligated to indemnify, hold harmless and defend Lessor against any Demand arising out of an intentional tort or gross negligence on the part of Lessor or the employees of Lessor. In the event that Lessee fails to promptly and diligently defend any Demand, Lessor shall be entitled, but not obligated, to assume the entire defense thereof, and Lessee shall be liable for all reasonable expenses incurred by Lessor in connection with said defense (including, without limitation, reasonable attorneys' fees). Lessee further agrees to repair any damage to the

Premises or any portion thereof, arising out of any of the causes described above in this Article 13; provided, however, that Lessor shall pay or reimburse Lessee for the reasonable cost of repairing any such damage arising out of an intentional tort or act of gross negligence on the part of Lessor or the employees of Lessor.

ARTICLE 14 ASSIGNMENTS AND SUBLEASES

14.1 Assignment and Sublease by Lessee. Lessee shall have the right to assign or sublease all or portion of any interest under this Lease or in the Premises or any portion thereof, for the entire balance of the Term or any portion thereof only with the prior written consent of Lessor. Any assignment of the Lease or sublease shall be expressly conditioned upon the written assumption by the assignee or sublessee, as applicable, of all obligations under this Lease applicable to such assignment or sublease, with respect to the portion of the Premises assigned or subleased. Whether or not a written assumption has been received by Lessor, any assignee shall, upon receipt and acceptance of the assignment, sublease and/or taking possession of all or any portion of the Premises, be conclusively presumed to have expressly assumed all such obligations.

14.2 Assignment by Lessor. Lessor shall have the right, at all times during the Term, to sell, transfer, hypothecate, encumber or assign (as security or otherwise) its interests in the Premises or any portion thereof; provided, however, that Lessor shall not encumber any such interest unless the holder of such encumbrance agrees that such encumbrance shall be subject to all of Lessee's rights and interests under this Lease and in the Premises and all of the rights and interests in the Premises of any person or entity claiming by, through or under Lessee. In the event that Lessor assigns any interest in the Premises, Lessor or Lessor's assignee shall give Lessee written notice thereof, stating the name and address of the assignee. Any such assignee shall assume all obligations of Lessor from and after the effective date of the assignment. Conditioned upon the assignee's assumption hereunder, Lessor shall be released from any future obligations from and after such assignment from and after the effective date of such assignment.

ARTICLE 15 LESSEE'S DEFAULT

15.1 Events of Default. Each of the following events (herein sometimes referred to as "Events of Default") shall constitute a material default and breach of this Lease by Lessee:

(i) Lessee fails to make payment of the Rent or any part thereof when the same is due and payable hereunder, and such failure continues for a period of three (3) days after written notice thereof from Lessor to Lessee;

(ii) Lessee fails to perform or observe any of the terms or conditions on Lessee's part to be performed or observed under this Lease (other than a default in the payment of the Rent), and such failure continues for a period of thirty (30) days after written notice thereof from Lessor to Lessee; provided, however, that in connection with a default susceptible of being cured, but not (even with due diligence) within thirty (30) days, the time of Lessee within which to cure

the same shall be extended for such time as may be necessary to cure the same with all due diligence, provided Lessee commences within such thirty (30) days, and thereafter proceeds diligently, to cure the same.

(iii) Lessee files a voluntary petition in bankruptcy or is adjudicated a bankrupt or insolvent, or files any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy act or any other present or future federal, state or other statute or law, or seeks or consents to or acquiesces in the appointment of any trustee, receiver or liquidator of Lessee or of all or any substantial part of its properties or of the Premises or any interest of Lessee therein, or becomes unable to pay its obligations as they fall due;

(iv) within ninety (90) days after the commencement of any proceeding against Lessee seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the present or any future federal bankruptcy act or any other present or future federal, state or other statute or law, such proceedings have not been dismissed, or within ninety (90) days after the appointment without the consent or acquiescence of Lessee of any trustee, receiver or liquidator of Lessee or of all or any substantial part of its properties or of the Premises or any interest of Lessee therein, such appointment has not been vacated; or

(v) Lessee abandons the Premises and fails to maintain the Premises in a clean, safe and sightly manner. For purposes of Subsection (v) of this Section 15.1, the Premises shall be deemed abandoned by Lessee if Lessor gives written notice of its belief of abandonment in the form and manner provided in Section 1951.3 of the California Civil Code (or any successor legislation) and Lessee fails to give Lessor written notice, prior to the date of termination specified in Lessor's notice, stating that Lessee does not intend to abandon the Premises and stating an address at which Lessee may be served by certified mail in any action for unlawful detainer of real property. Lessor may give a notice of belief of abandonment to Lessee under said Civil Code section 1951.3 where the Rent on the Premises has been due and unpaid for at least fourteen (14) consecutive days and Lessor reasonably believes that Lessee has abandoned the Premises.

15.2 Remedies of Lessor. If any Event of Default occurs, Lessor shall have all rights and remedies available at law or equity, including the right, at Lessor's option, to re-enter the Premises and take possession thereof from Lessee by legal proceedings or otherwise, and to remove all persons and property therefrom, any such property to be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Lessee. If Lessor terminates Lessee's right to possession of the Premises, in accordance with the preceding sentence, because of any such Event of Default, this Lease shall terminate. Upon such termination, Lessor may recover from Lessee:

(a) The worth at the time of award of the unpaid Rent which had been earned at the time 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 termination until the time of award exceeds the amount of such rental loss that Lessee proves could have been reasonably avoided;

(c) The worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Lessee proves could be reasonably avoided; and,

(d) Any other amount necessary to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom.

The "worth at the time of award" of the amounts referred to in Subdivisions (a) and (b) of this Subsection (i) is computed by allowing interest at the maximum rate which Lessor may lawfully charge to Lessee. The worth at the time of award of the amount referred to in Subdivision (c) of this Subsection is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (100 basis points or 1%). Efforts by Lessor to mitigate the damages caused by Lessee's breach of this Lease shall not constitute a waiver of Lessor's right to recover damages under this Subsection. Nothing in this Subsection shall affect Lessor's rights to indemnification under any of the other provisions of this Lease. Lessor also has the remedy described in California Civil Code Section 1951.4 (Lessor may continue the Lease in effect after Lessee's breach and abandonment and recover Rent as it becomes due, if Lessee has the right to sublease or assign, subject only to reasonable limitations). If any Event of Default occurs and shall continue (and whether or not Lessee has abandoned the Premises), this Lease shall continue in full force and effect, for so long as Lessor does not exercise Lessor's right to terminate Lessee's right to possession of the Premises, and Lessor may enforce all Lessor's rights and remedies under this Lease, including the right to recover Rent as it becomes due under this Lease. For purposes of this Subsection, the following acts by Lessor do not constitute a termination of Lessee's right to possession of the Premises:

(a) Acts of maintenance or preservation or efforts to relet the Premises;

(b) The appointment of a receiver upon the initiative of Lessor to protect Lessor's interest under this Lease; or

(c) Withholding consent to a subletting or assignment, or terminating a subletting or assignment, if the withholding or termination does not violate the rights of Lessee as specified herein.

15.3 Breach or Threatened Breach. In the event of any breach or threatened breach by Lessee of any of the terms or conditions on Lessee's part to be performed or observed under this Lease, Lessor shall be entitled to enjoin such breach or threatened breach and shall have the right to invoke any right and remedy allowed at law or in equity or by statute or otherwise as though re-entry, summary proceedings and other remedies were not provided for in this Lease.

15.4 Interest on Delayed Payments. Interest at the rate of ten percent (10%) per annum will be charged to Lessee and shall accrue upon any Rent payable under this Lease during any period in which the payment thereof by Lessee may be delayed. For purposes of this Section 15.4, the maximum rate shall be determined as if Lessor had loaned Lessee the amount of the delinquent Rent on the date such Rent was due hereunder.

15.5 Rights and Remedies Cumulative. Each right and remedy of Lessor provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise. Except as otherwise specifically provided herein, the exercise or beginning of the exercise by Lessor of any one or more of the rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, shall not preclude the simultaneous or later exercise by Lessor of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

ARTICLE 16 LESSOR'S DEFAULT

Any failure by Lessor to perform or observe any of the terms or conditions on Lessor's part to be performed or observed under this Lease which continues for a period of thirty (30) days after written notice thereof from Lessee to Lessor shall constitute a material default and breach of this Lease by Lessor; provided, however, that in connection with a default susceptible of being cured, but not (even with due diligence) within thirty (30) days, the time of Lessor within which to cure the same shall be extended for such time as may be necessary to cure the same with all due diligence, provided Lessor commences within such thirty (30) days, and thereafter proceeds diligently to cure the same. Lessor shall be liable to Lessee for the amount necessary to compensate Lessee for all the detriment proximately caused by Lessor's failure to perform or observe its obligations under this Lease as hereinabove provided or which in the ordinary course of things would be likely to result therefrom; provided, however, Lessor shall not be liable for any special or consequential damages, or for any damages caused by Lessor's negligence. Notwithstanding anything in this Lease to the contrary, Lessor's liability shall not exceed the value of the Land.

ARTICLE 17 CONDEMNATION

17.1 Definitions. The terms "Condemnation" and "Eminent Domain," as used in this Article 17, mean a taking of any interest in the Premises by condemnation proceedings, including inverse condemnation actions, or by any right of eminent domain or similar power of any governmental agency, including a voluntary conveyance under threat of exercise of any such power.

The term "Total Taking," as used in this Article 17, means a taking by Eminent Domain either of all the Premises or of such portion of the Premises, the remainder of which cannot, in the reasonable determination of Lessee, as supported by a detailed written analysis furnished to Lessor, be economically restored so that it is usable for the purposes for which it was used prior to such taking.

The term "Partial Taking," as used in this Article 17, means any taking of the Premises by Eminent Domain which is not a Total Taking.

17.2 Total Taking. In the event of a Total Taking, this Lease shall terminate and expire on the date of such Taking and all Rent is to be paid to the date of such Taking.

The rights in and to the compensation awarded for such Total Taking shall be as follows: That part of the compensation which is awarded for the Condemnation of the Land shall belong to Lessor. That part of the compensation which is awarded for the Condemnation of the Improvements and for dislocation of Lessee's business on the Premises shall be disbursed as follows: first to Lessee to the extent of: (i) Lessee's unamortized costs for all items of construction, (ii) any relocation expenses of Lessee and any sublessees, and (iii) the present value (as of the date of such award) of the amount by which the fair rental value of the Premises for the balance of the Term (had this Lease not been terminated under this Section 17.2) exceeds the rentals which would have been payable by Lessee under Article 2 hereof during such balance; then to Lessor to the extent of the present value (as of the date of such award) of Lessor's reversionary interest in the Improvements; and the remainder, if any, to Lessee.

17.3 Partial Taking. In the event of a Partial Taking, this Lease shall terminate as to the portion of the Premises so taken, but otherwise, this Lease shall continue in full force and effect; provided, however, that for purposes of calculating the rental payable under Sections 2.1 through 2.4 hereof, the Base Rent shall be reduced to the amount which results from multiplying the same by a fraction, the numerator of which is the market value of the Premises immediately following such Partial Taking and the denominator of which is the market value of the Premises immediately prior to such Partial Taking. Until the amount of such reduction has been finally determined, Lessee shall continue to pay to Lessor the full rental specified in Sections 2.1 through 2.4 hereof. When such reduction is determined, Lessor shall immediately refund any excess payments to Lessee. The rights in and to the compensation awarded for such Partial Taking shall be as follows: That part of the compensation which is awarded for the Condemnation of any portion of the Land shall belong to Lessor. That part of the compensation which is awarded for the Condemnation of any portion of the Improvements shall be paid to Trustee and shall be disbursed in accordance with the immediately succeeding paragraph below.

The Trustee shall distribute the amount paid to the Trustee in trust in the same manner and subject to the same conditions as for insurance proceeds under Section 11.2 hereof. Upon receipt by the Trustee of evidence that the total work to restore, repair, replace or rebuild as described in the immediately preceding paragraph has been completed and paid for in full, that there are no liens of any character against the Premises or any portion thereof arising out of or in any way related to such work and that all potential lien claimants of the type enumerated in Section 3110 of the California Civil Code (or any successor legislation) have been paid in full, any balance held by the Trustee in trust shall be paid first to Lessee to the extent of: (i) Lessee's unamortized costs for all items of construction with respect to the portion of the Improvements so taken, (ii) any relocation expenses of Lessee and any sublessees, and (iii) the present value (as of the date of such award) of the amount by which the fair rental value for the balance of the term of the portion of the Premises taken (had this Lease not been terminated under this Section 17.3 as to such portion) exceeds the rentals which would have been payable by Lessee under Article 2 hereof during such balance with respect to such portion; then to Lessor to the extent of the decrease in the present value (as of the date of such award) of Lessor's reversionary interest in the Improvements resulting from such Partial Taking or any razing consequent thereto; and the remainder, if any, to Lessee.

In all events, Lessee shall proceed with due diligence to restore, repair, replace and rebuild the remaining portion of the Improvements to substantially their condition immediately prior to such Partial Taking, in accordance with the provisions of Article 9 hereof and other applicable provisions of this Lease; provided, however, that in the event that the Condemnation proceeds available to Lessee for restoration are not sufficient to accomplish the same, then Lessee shall proceed with due diligence to restore, repair, replace and rebuild such portion only to such condition as can reasonably be accomplished with such proceeds.

Notwithstanding anything contained hereinabove to the contrary, if, during the last two (2) years of the Term, a Partial Taking occurs with respect to one-third (1/3) or more of the then replacement cost of the Improvements (excluding any foundation), then either Party may, at its option, elect to terminate this Lease in the same manner and on the same terms and conditions specified in the first sentence of Section 11.4 hereof concerning damage or destruction to the Improvements by casualty. In the event that this Lease is so terminated, Lessee shall not be obligated to restore, repair, replace and rebuild the portion of the Improvements remaining after such Partial Taking, but Lessee shall, at the request of Lessor, be obligated to raze, at Lessee's sole cost and expense, any portion of the Improvements rendered substantially useless by such taking. In the event of such termination, the rights in and to the compensation awarded for such Partial Taking shall be as follows: That part of the compensation which is awarded for the Condemnation of the Land shall belong to Lessor. That part of the compensation which is awarded for the Condemnation of the Improvements shall belong: first to Lessee to the extent of: (i) Lessee's unamortized costs for all items of construction with respect to the portion of the Improvements so taken, (ii) any relocation expenses of Lessee and any sublessees, (iii) the present value (as of the date of such award) of the amount by which the fair rental value of the Premises for the balance of the Term (had this Lease not been terminated under this Section 17.3) exceeds the rentals which would have been payable by Lessee under Article 2 hereof during such balance, and (iv) if Lessor requests that Lessee raze any portion of the Improvements, the cost of razing such portion; then to Lessor to the extent of the decrease in the present value (as of the date of such award) of Lessor's reversionary interest in the Improvements resulting from such Partial Taking or from any razing consequent thereto; and the remainder, if any, to Lessee.

17.4 Temporary Taking. In the event of a temporary Total or Partial Taking, Lessee shall give prompt notice thereof to Lessor. The Term shall not be reduced or affected in any way, and Lessee shall continue to pay in full all of the Rent specified in this Lease, without reduction or abatement, and if such Taking is for a period not extending beyond the Term and results in changes, alterations or damage to the Premises, Lessee shall, upon Lessor's request and at Lessee's sole cost and expense, proceed with due diligence to restore, repair and rebuild the Premises (when such Taking ceases) to the condition immediately prior to such Taking in accordance with the provisions of Article 9 hereof and other applicable provisions of this Lease; provided, however, that in the event that the Condemnation proceeds available to Lessee for restoration are not sufficient to accomplish the same, then Lessee shall proceed with due diligence to restore, repair and rebuild the Premises only to such condition as can reasonably be accomplished with such proceeds. Lessee shall be entitled to receive any compensation awarded for such Taking; provided, however, that:

(i) If such Taking is for a period not extending beyond the Term, and if such award is made in a lump sum, then the proceeds of such award shall be deposited in an interest-bearing escrow account and, to the extent such sum is sufficient, the Rent becoming due hereunder during the period of such Taking shall be paid to Lessor from such escrow account, and at the end of such period, the amount, if any, not so paid to Lessor from such escrow account shall be paid to Lessee; and

(ii) If such Taking is for a period extending beyond the Term, such Taking shall be deemed to be a Total Taking and shall be governed by the provisions of Section 17.2 hereof.

17.5 Arbitration. With respect to the determination of the value of any interests in the Premises taken, the value of the Land, the Improvements or any part thereof at any relevant time, the allocation of any award between the Land, the Improvements, or the amounts of the award due Lessor and Lessee under the provisions of this Article 17, any special determination made in the eminent domain or condemnation proceedings shall be binding, but if not specifically determined, then such determination shall be made by agreement between Lessor and Lessee. If Lessor and Lessee fail to agree on such allocations or valuations, such issues shall be arbitrated in accordance with Article 23, below.

17.6 Documentation. Lessor and Lessee each agrees to sign such documents and take such action as may be reasonably requested by the other Party in order that any compensation awarded for any condemnation be paid in accordance with the provisions of this Article 17.

ARTICLE 18 OWNERSHIP OF IMPROVEMENTS AND SURRENDER

18.1 Ownership of Improvements. The Improvements shall, during the Term, be and remain the property of Lessee for all purposes, including, without limitation, for purposes of depreciation. Upon the expiration or earlier termination of this Lease, the Improvements shall become the property of Lessor, free and clear from any liens, encumbrances or claims whatsoever, without the payment to Lessee of any compensation therefor.

18.2 Surrender of Premises. Upon the expiration or earlier termination of this Lease, Lessee shall peaceably and quietly leave and surrender the Premises to Lessor, broom clean and in good order, condition and repair, reasonable wear and tear and obsolescence excepted. Lessee shall leave in place and in good order, condition and repair all permanent furnishings, permanent fixtures and permanent machinery constituting a part of the Premises; provided, however, that Lessor may, at its option and upon the delivery of written notice to Lessee prior to such expiration or earlier termination, require Lessee to remove such permanent furnishings, permanent fixtures and permanent machinery that are not reasonably necessary for the convenient and reasonable use of the Premises in its then current usage, at Lessee's sole cost and expense. Notwithstanding any language to the contrary in this Lease, within one hundred eighty (180) days before the termination of this Lease, Lessor shall notify Lessee of Lessor's election that upon termination of the Lease that Lessee is to: (i) surrender the Premises to Lessor in a ready for construction condition (meaning that all improvements to the Premises have been demolished and the Land is ready for construction), or (ii) on the last

day or sooner termination of the Term of this Lease, Lessee shall quit and surrender the Premises, and the buildings and permanent improvements then thereon, ordinary wear and tear excepted.

18.3 Delivery of Documents and Funds. Upon the expiration or earlier termination of this Lease, Lessee shall promptly, upon Lessor's request, deliver to Lessor the following:

(i) Such documents, instruments and conveyances as Lessor deems reasonably necessary to enable Lessor's ownership of the Improvements to be reflected of record, including, without limitation, a quitclaim deed, in recordable form, to the Improvements;

(ii) An assignment of Lessee's interest as lessor in (any or all) subleases relating to the Premises, which assignment shall state that Lessor shall not be obligated for any prior default of Lessee under said subleases;

(iii) All deposits, prepaid rents or other amounts held by Lessee for the benefit of sublessees; and,

(iv) All advertising literature, construction plans, surveys, permits and other documents relating to and necessary or convenient for the operation and use of the Premises, which are in Lessee's possession or control.

All documents required to be delivered by Lessee to Lessor pursuant to Clauses (i) and (ii) above shall be in a form reasonably satisfactory to Lessor.

18.4 Abandoned Personal Property. Any personal property of Lessee or any sublessee or any other person which remains on the property after the expiration or earlier termination of this Lease for ten (10) days after request by Lessor for removal, may, at Lessor's option, be deemed to have been abandoned and may be retained by Lessor as its property or be disposed of without accountability, in such a manner as Lessor may see fit, and if the cost of such removal exceeds any proceeds from the sale thereof, such costs shall be paid by Lessee to Lessor.

18.5 Holding Over. If Lessee holds over or refuses to surrender possession of the Premises after the expiration or earlier termination of this Lease, Lessor may, at its option, treat such holding over as a tenancy at sufferance during which period Lessee shall remain obligated to pay to Lessor one hundred fifty percent (150%) of the monthly Base Rent specified in Sections 2.1 through 2.2 hereof, and all the other terms and conditions of this Lease (except those relating to the Term and to the termination hereof) shall remain in effect.

ARTICLE 19 NON-MERGER OF ESTATES

There shall be no merger of Lessee's interest in this Lease nor the leasehold estate created by this Lease with the fee estate in the Premises or any part thereof by reason of the fact that the same person may acquire or own or hold, directly or indirectly: (i) Lessee's interest in this Lease or the leasehold estate created by this Lease or any interest therein, and (ii) the fee estate in the Premises or any part thereof or any interest therein; and, no such merger shall occur unless and until all

persons having any interest in the ownership interests described in Clauses (i) and (ii) above join in a written instrument effecting such merger and duly record the same.

ARTICLE 20 LESSOR'S RIGHT TO PERFORM LESSEE'S OBLIGATIONS

20.1 Right to Perform. If Lessee shall at any time fail to pay any utility charges or Governmental Taxes in accordance with the provisions hereof or to pay for or maintain any of the insurance policies required to be carried by Lessee hereunder, or to make any other payment or perform any other act on its part to be made or performed hereunder, subject to any cure rights available to Lessee hereunder, then Lessor, after thirty (30) days' notice to Lessee (or, in case of any emergency, on such notice, or without notice, as may be reasonable under the circumstances) and Lessee's failure to perform such act after receipt of any such notice, and without waiving or releasing Lessee from any obligation of Lessee hereunder, may (but shall not be obligated to):

- (i) Pay any utility charges and Governmental Taxes payable by Lessee hereunder;
- (ii) Pay for any premiums and obtain any insurance policies required to be carried by Lessee hereunder;
- (iii) Perform necessary maintenance or repairs to the Premises; or
- (iv) Make any other payment or perform any other act on Lessee's part to be made or performed as provided in this Lease; and
- (v) Enter upon the Premises for the purpose of taking all such action thereon as may be necessary therefor, without being deemed to terminate Lessee's possession of the Premises by reason thereof.

20.2 Lessor's Costs: Failure to Maintain Insurance. All reasonable sums so paid by Lessor and all reasonable costs and expenses incurred by Lessor in connection with the performance of any act specified in Section 20.1 hereof, together with interest thereon at the maximum rate Lessor may lawfully charge to Lessee, from the respective dates of Lessor's making of each such payment or incurring of each such cost and expense, shall constitute Additional Rent payable by Lessee under this Lease and shall be paid by Lessee to Lessor on demand. Lessor shall not be limited in the proof of any damages which Lessor may claim against Lessee arising out of Lessee's failure to provide and keep in force any insurance required to be carried by Lessee under this Lease to the amount of the insurance premium or premiums not paid by Lessee and which would have been payable upon such insurance, but shall be entitled to recover as damages for such breach, the uninsured amount of any loss (to the extent of any deficiency in the insurance required by the provisions of this Lease) occurring during any period when Lessee failed to provide such insurance and reasonable costs and expenses (including reasonable attorneys' fees) incurred in connection with such recovery. The provisions of this Section 20.2 shall not be construed as limiting Lessee's obligations under this Lease to repair, replace or reconstruct any damaged Improvements.

ARTICLE 21 ENTRY BY LESSOR

In addition to Lessor's right under Articles 15 and 20 hereof to enter the Premises, Lessor shall have the right to enter the Premises or any portion thereof at any time during the Term: (i) for the purpose of inspecting the same, and (ii) for the purpose of showing the Premises to prospective purchasers, or mortgagees and, at any time within nine (9) months prior to the expiration of the Term, for the purpose of showing the Premises to prospective lessees; provided, however, that except in the case of emergency, Lessor shall give Lessee twenty-four (24) hours' prior written or telephonic notice of any intended entry, and Lessor shall enter the Premises only during business hours. No such entry shall constitute an eviction, constructive or otherwise of Lessee.

ARTICLE 22 HAZARDOUS SUBSTANCES

22.1 Reportable Uses Require Consent. Lessee shall not engage in any activity in, on or about the Premises which constitutes a Reportable Use (as hereinafter defined) of Hazardous Substances without the express prior written consent of Lessor and compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Law (as defined in Article 24).

Notwithstanding the foregoing, Lessee may, without Lessor's prior consent, but in compliance with all Applicable Law, use any ordinary and customary materials reasonably required to be used by Lessee in the normal course of Lessee's business permitted on the Premises, so long as such use is not a Reportable Use and does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may (but without any obligation to do so) condition its consent to the use or presence of any Hazardous Substance, activity or storage tank by Lessee upon Lessee's giving Lessor such additional assurance as Lessor, in its reasonable discretion, deems reasonably necessary to protect itself, the public, the Premises and the environment against damage, contamination or injury and/or liability therefrom or therefor, including, but not limited to, the installation (and removal on or before Lease expiration or earlier termination) of reasonably necessary protective modifications to the Premises (such as concrete encasements) and/or appropriate and adequate insurance reasonably acceptable to Lessor and, to the extent such insurance is not obtained and provided by Lessee, an increase in the amount of the Security Deposit.

The term "Hazardous Substance," as used in this Lease, shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, storage, disposal, transportation, spill, release or effect, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substance shall include, but not be limited to,

hydrocarbons, petroleum, gasoline, crude oil or any products, by-products or fractions thereof.

"Reportable Use" shall mean: (i) the installation or use of any above or below- ground storage tank(s), (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority. Reportable Use also shall include Lessee's being responsible for the presence in, on or about the Premises of a Hazardous Substance with respect to which any Applicable Law requires that a notice be given to persons entering or occupying the Premises or neighboring properties.

22.2 Duty to Inform Lessor. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance, or a condition involving or resulting from same, has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall promptly give written notice of such fact to Lessor. Lessee also shall promptly give Lessor a copy of any statement, report, notice, registration, application, permit, business plan, license, claim, action or proceeding given to, or received from, any governmental authority or private party, or persons entering or occupying the Premises, concerning the presence, spill, release, discharge of, or exposure to, any Hazardous Substance or contamination in, on, or about the Premises, including, but not limited to, all such documents as may be involved in any Reportable Uses involving the Premises. Lessee shall be solely responsible for any damages caused by Hazardous Substances and the removal of Hazardous Substances from the Premises.

22.3 Indemnification. Lessee shall indemnify, protect, defend and hold Lessor, its agents, representatives, employees and lenders, if any, and the Premises, harmless from and against any and all actual loss of rents and/or actual damages, liabilities, judgments, costs, claims, liens, expenses, penalties, permits and attorneys' and consultants' fees arising out of or involving any Hazardous Substance or storage tank on the Premises. Lessee's obligations under this Article 22 shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the reasonable cost of investigation (including reasonable consultants' and attorneys' fees and testing), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances or storage tanks, unless specifically so agreed by Lessor in writing at the time of such agreement.

ARTICLE 23 ARBITRATION PROCEDURE

23.1 Selection of Arbitrators. Any dispute required to be resolved by arbitration hereunder (it being expressly understood and agreed that nothing herein shall require that a claim for unlawful detainer be subject to arbitration) shall, upon the written demand of either Party to the other therefor, be submitted to arbitration by three (3) arbitrators, one selected by Lessor, one selected by Lessee, and a third selected by such first two arbitrators. If either Party fails to select an arbitrator within fifteen (15) days after the other has given such written

demand naming its arbitrator therein, or if the two arbitrators, selected as provided herein, shall fail to select a third within twenty (20) days after the appointment of the second of them, then in the first instance the Party having named its arbitrator and in the second instance either or both of the Parties may apply to the then Presiding Judge of the Superior Court of Los Angeles County, California, and said Judge shall appoint such arbitrator, as the case may be, and if such Judge shall decline or fail to make such selection, such Party or Parties may apply to the American Arbitration Association to make such selection, in accordance with the rules and regulations thereof. No person shall be eligible for appointment as such third arbitrator who is an officer, employee or shareholder of, or is otherwise interested in, either of the Parties, or has an interest in the matter to be arbitrated.

23.2 Decision and Binding Effect. The determination of two or more of the arbitrators on any dispute submitted to them shall be final and binding upon the Parties and may be enforced by either Party in any court of competent jurisdiction. Arbitration proceedings hereunder shall, except as specifically provided otherwise herein, comply with the Commercial Rules of the American Arbitration Association.

23.3 Costs. In any arbitration, Lessor and Lessee shall each pay the expenses of its own arbitrator, and all other costs thereof shall be divided equally between them, subject to the right of the prevailing party to receive all costs and expenses under Section 26.10 below.

23.4 Suspension of Period for Cure. In the event that whether a default in Lessee's obligations has occurred hereunder depends on the determination of any dispute required to be resolved by arbitration hereunder, none of the time permitted under this Lease for cure of such default shall be deemed to elapse during the period commencing from the date either Party gives the other written demand for arbitration under Section 23.1 hereof and ending ten (10) days after the arbitrators have notified Lessee of their final determination of such dispute.

23.5 Discovery. In any arbitration, each Party shall have the right to obtain copies of any documents in the possession of the other Party which are relevant to the resolution of the dispute being arbitrated, including, without limitation, documents relating to the value of the Premises or any portion thereof, and shall have all rights pursuant to Section 1283.05 of the California Code of Civil Procedure. The arbitrators selected hereunder shall have the power to issue orders to the Parties for the production of such documents.

ARTICLE 24 COMPLIANCE WITH LAWS, ORDINANCES, ETC.

During the Term, Lessee, at its sole cost and expense, shall promptly comply with all present and future laws, statutes, charters, ordinances, orders, rules, regulations and requirements (hereinafter referred to as "Applicable Law") of all federal, state, county, city and municipal governments, courts, departments, commissions, boards and officers, any national or local Board of Fire Underwriters, or any other body exercising similar functions, foreseen or unforeseen, ordinary as well as extraordinary, and with any covenants, conditions and restrictions which may be applicable to the Premises, or to the use or manner of use of the Premises or to Lessor's, Lessee's or any sublessee's interest in the Premises. The foregoing shall be applicable whether or not such Applicable Law necessitates structural changes or improvements, or the removal of any encroachments or projections,

ornamental, structural, or otherwise, onto or over the streets adjacent to the Premises, or onto or over other contiguous property.

**ARTICLE 25
RIGHT OF FIRST REFUSAL**

Due to the applicable provisions of the California Education Code and the California Government Code which would require that Lessor sale the property to the highest bidder, Lessee shall not have a right of first refusal to purchase the Premises.

**ARTICLE 26
GENERAL PROVISIONS**

26.1 Notices. Except as expressly provided to the contrary herein, any notice, approval, consent, objection, report, demand, request, document or other item to be given, delivered, submitted, furnished or received hereunder shall be deemed given, delivered, submitted, furnished and received: (i) when personally delivered to the applicable Party, (ii) one (1) day after deposit with a recognized overnight carrier service (e.g. Fed Ex, UPS,) for next day delivery, or (iii) two (2) days after delivery to the same by the United States Postal Service for delivery as registered or certified mail, first class, postage prepaid, return receipt requested. In either case, such notice or other item shall be delivered to the address or addresses specified below for such Party or to such other address as such Party may from time to time designate by written notice to the other.

If to Lessor:

COVINA VALLEY UNIFIED SCHOOL DISTRICT
Attention: Chief Business Officer
519 E. Badillo Street
Covina, California 91723

with a copy to:

BERGMAN DACEY GOLDSMITH
Attention: Robert D. Bergman, Esq.
10880 Wilshire Blvd., 9th Floor
Los Angeles, California 90024

If to Lessee:

with a copy to:

26.2 Estoppel Certificate. Each Party at any time upon thirty (30) days' prior written notice from the other, will execute, acknowledge and deliver to the other for the benefit of the other and any mortgagee or purchaser, or proposed mortgagee or proposed purchaser, or any other person, firm or entity specified in such notice, a certificate, in recordable form, certifying: (a) that this Lease is unmodified and in full force and effect (or, if there have been amendments, that this Lease is in full force, as amended); (b) as to whether this Lease is in full force and effect (and, if it is alleged that this Lease is not in full force and effect, specifying the reasons therefor); (c) that there are no existing defaults or condition that with the giving of notice or passage of time would constitute a default, no existing offsets and no existing defenses known to that Party, or if there are any, specifying the same in detail; (d) the dates, if any, to which the Base Rent or other monetary charges due under this Lease have been paid in advance; (e) as to the commencement and expiration dates of the Term and the number of outstanding options to extend the Term; (f) as to whether or not all work required to be performed by Lessee with respect to the construction and development of any improvement(s) on the Premises has been performed in accordance with the terms of this Lease; and (g) as to such other matters as reasonably may be requested. Any such certificate may be relied upon by the Party requesting it and such mortgagee, purchaser, proposed mortgagee, proposed purchaser, or any other person, firm or entity specified in such notice from the requesting Party, and the contents of such certificate shall be binding on the party executing same.

26.3 Memorandum of Lease. This Lease shall not be recorded. A memorandum of Lease shall not be recorded unless agreed to by Lessor and Lessee.

26.4 Definition of Lessor. The term "Lessor" shall mean the owner or owners at the time in question of the fee title to the Land. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or assignment of letter of credit) any unused Security Deposit held by Lessor and the transferee or assignee shall assume all obligations of Lessor under this Lease to be performed after the effective date of such assignment or transfer. Upon such transfer or assignment and delivery of the Security Deposit (if any) the prior Lessor shall be relieved of all liability with respect to the obligations and covenants under this Lease thereafter to be performed by Lessor.

26.5 Limits on Liability. The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, or its members, partners, directors, officers, shareholders, representatives, employees or agents and Lessee shall look solely to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to or arising out of this Lease, the Land or the Premises and Lessee shall not seek recourse against Lessor's members, partners, directors, officers, shareholders, representatives, employees or agents or any of their personal assets for such satisfaction. The Lessor shall not be liable or responsible for any special or consequential damages or any damages caused by the negligence of the Lessor.

26.6 Encumbrance of Leasehold; No Subordination of Fee Interest. In no event shall Lessor be required to nor shall its interest be subordinated to any encumbrance or assignment of the leasehold estate held by Lessee, without Lessor's prior written consent, which may be withheld or conditioned in Lessor's sole and absolute discretion. Subject to such non-subordination of the Lessor's fee

interest, Lessee shall have the right to encumber Lessee's leasehold estate for financing purposes in an amount not to exceed eighty percent (80%) of the fair market value of the leasehold estate.

26.7 Force Majeure. Notwithstanding any other provision hereof, each party shall be excused for any delay in the performance of any obligation required to be performed hereunder (other than the payment of any Rent due hereunder) caused by acts of God, acts of the Public Enemy, acts of any government acting in its sovereign capacity, fires, earthquakes, floods, epidemics, riots, quarantine restrictions, strikes, freight embargoes, unusually severe weather and any other acts beyond the control and reasonable anticipation of such Party, and the time for performing such obligation shall, upon the written request by such Party delivered to the other Party within ten (10) days after the occurrence of the event causing such delay, be extended for an amount of time equal to the duration of such delay.

26.8 Non-Waiver of Rights and Defaults. No failure or delay of either Party in the exercise of any right given hereunder to such Party shall constitute a waiver thereof unless the time, if any, specified herein for exercise of such right has expired, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. With respect to the payment of Rent, the partial acceptance by Lessor of any Rent in default hereunder, or acceptance by Lessor of payment of any Rent while Lessee is in default of any other such payment or other obligation hereunder shall not constitute a waiver by Lessor of such default. The waiver by a Party of any default hereunder of the other Party shall not be deemed to be a waiver of any such subsequent default, or other default of such other Party. No waiver, release or extension of time for performance of any obligation hereunder shall be binding against a Party, or admissible in evidence against such Party in any action brought to enforce any provision hereof or for damages by reason of an alleged default of any obligation hereunder, unless such waiver, release or extension is contained in a writing signed by such Party.

26.9 Consent and Approval. Whenever the consent or approval of a party is required hereunder, the determination of such consent or approval shall be subject to a commercially reasonable standard (unless otherwise set forth herein). Unless a lesser amount of time is set forth herein, in the event that a request for consent or approval of either party has been made, said party shall be deemed to have given disapproval or not consent, as applicable, if said party has not provided written approval within ten (10) days of the request therefor.

26.10 Attorneys' Fees. Subject to Article 23 hereof, should either Party institute any action or proceeding to enforce any provision hereof or for damages by reason of an alleged default in any obligation hereunder, the prevailing Party shall be entitled to receive all reasonable costs and expenses (including reasonable attorneys' fees) incurred by such prevailing Party in connection with such action or proceeding, or any appeal thereof.

26.11 Broker's Fees.

(a) Lessee shall be solely responsible for the payment of any Brokers' commissions and fees related to this Lease.

(b) Lessee agrees to defend, indemnify and hold harmless Lessor from and against any and all claims, demands, and actual losses, costs and expenses

of any kind whatsoever in connection with any claim for a broker's fee or commission, with respect to this Lease or any transaction contemplated herein.

26.12 Headings. Article and Section headings herein are used for convenience of reference only and shall not affect the construction of any provision of this Lease.

26.13 Definitions; Gender and Number. Terms defined in any part of this Lease shall have the defined meanings wherever they appear herein. As used in this Lease, the terms "herein," "hereof," and "hereunder" shall refer to this Lease in its entirety and are not limited to any specific Sections. Wherever appropriate in this Lease, the singular shall be deemed to refer to the plural and the plural to the singular, and pronouns of certain gender shall be deemed to comprehend either or both of the other genders. As used herein, the term "person" shall be deemed to refer to any individual person, combination of persons or other legal entity.

26.14 Entire Agreement; Modification. This Lease constitutes the entire agreement between the Parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings and representations of the Parties with respect to the subject matter hereof. This Lease may not be modified, amended, supplemented or otherwise changed, except by a writing executed by both of the Parties.

26.15 Further Instruments. Each Party shall from time to time execute and deliver such further instruments as the other Party or its counsel may reasonably request to effectuate the intent of this Lease.

26.16 Governing Law. This Lease shall be deemed to be a contract and lease made under the laws of the State of California and for all purposes shall be governed by and construed in accordance with such laws.

26.17 Execution in Counterparts. This Lease may be executed in any number of counterparts and by each Party on separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute but one and the same instrument.

26.18 Binding Effect. Subject to Article 14 hereof, this Lease shall bind and inure to the benefit of the Parties and their respective representatives, successors and assigns. Nothing herein contained shall entitle any person other than the Parties and their representatives, successors and assigns to any claim, cause of action, remedy or right of any kind.

26.19 Time is of the Essence. The times provided for in this Lease for the performance of any act shall be strictly construed, time being of the essence.

IN WITNESS WHEREOF, the Parties have caused this Lease to be executed and delivered as of the date first above written.

Lessor:

Covina-Valley Unified School District

By: _____
Its: _____

Lessee:

By: _____
Its: _____

Exhibit A

To be added at a later date.

PRICING PROPOSAL AND USE FORM

Name of Proposer/Bidder

I. INSTRUCTIONS

A. Generally.

1. This Pricing Proposal Form is Attachment 7 to the Request for Proposals/Bids issued for the ground lease of:

1024 W. Workman Avenue
West Covina, California 91790

2. The Proposer will include in its Proposal/Bid this completed and signed Pricing Proposal Form in a separate sealed envelope as required by the RFP; and
3. Pricing information shall be expressed below **in both words and figures**. In case of a discrepancy, the amount written in words shall govern.

II. PRICING AND USE PROPOSAL

TO: The Covina-Valley Unified School District, acting by and through its Board of Education, herein called the "District":

The undersigned Proposer, has carefully examined the RFP Documents, and all Attachments, and exhibits and other attachments to all of the foregoing, all of which are part of the RFP, and has taken into consideration: all matters disclosed thereby; all matters of which Proposer is charged with knowledge by the terms thereof; and all matters that are reasonably ascertainable by Proposer in the exercise of our duties of inquiry or investigation created by the terms set forth therein. As such, we hereby propose and agree to furnish everything necessary to lease the real property at 1024 W. Workman Avenue, West Covina, California 91790 ("Property"), all in strict conformity with the RFP Documents and Ground Lease, including, without limitation, all Addenda issued by District, for the following prices shown below:

The Proposer agrees to lease the Property for a term of _____ years (up to fifty years), at an annual rental rate of _____ (a minimum annual rate of six hundred seventy five thousand dollars is required).

The Proposer agrees to lease the Property for the following use:

_____.

4. Except as otherwise permitted by the instructions to Proposer, this Proposal shall remain open for a period of ninety (90) Days after the Deadline for Submission of Proposals (as defined in the RFP Documents) and during that period of time shall not, without the written consent of the District, be modified, withdrawn or canceled by the Proposer.

5. Proposer adopts and incorporates into this Proposal all of the representations set forth in the instructions to Proposer and other documents submitted as part of its Proposal and hereby warrants that all such representations are true and correct.

6. Proposer warrants and represents that this Proposal is submitted in accordance with, is subject to and complies with the requirements of the RFP Documents, including, without limitation, the instructions to Proposer.

7. Proposer has notified the District of any errors or omissions in, or questions it has concerning the meaning of the RFP Documents, has fully informed itself of the requirements of the RFP Documents and other documents referred to in the RFP Documents.

8. Proposer takes no exception to any portion of the RFP Documents.

The undersigned hereby declares, under penalty of perjury under the laws of the State of California, that all of the statements and representations made, or incorporated by reference, in this Proposal and in the attachments submitted with this Proposal are true and correct.

Use one, and the appropriate, signature page for your entity.

Attach the correct signature page to your Pricing Proposal Form.

See following pages for the correct signature page for your entity.

Individual Proposer

Name of Proposer: _____

By: _____
(Signature)

Print Name: _____

Title: _____

Date: _____

Business Address: _____

Business Telephone: _____

Business E-mail: _____

Corporation Proposer

Corporate Name of Proposer: _____

State of Incorporation: _____

By: _____
(Signature)

Print Name: _____

Title: _____

Date: _____

[Space for Corporate Seal and Attestation]

Business Address: _____

Business Telephone: _____

Business E-mail: _____

Limited Liability Company Proposer

Name of LLC Proposer: _____

Formed Under the Laws of Which State: _____

By: _____
(Signature)

Print Name: _____

Title: _____

Date: _____

Business Address: _____

Business Telephone: _____

Business E-mail: _____

Partnership Proposer

Name of Proposer: _____

By: _____
(Signature)

Print Name: _____

Title: _____

Date: _____

Business Address: _____

Business Telephone: _____

Business E-mail: _____

(If additional partners are signing, attach additional sheets setting forth the above signature information for each signing partner.)

If the partner or partners signing on behalf of the Proposer is/are a corporation and/or a LLC., then for each such corporate partner complete the following additional sheets as shown on the next page (attach additional sheets, if necessary):

Corporate/LLC. Name of Partner: _____

State of Incorporation or registered Origin: _____

By: _____
(Signature)

Print Name: _____

Title: _____

Date: _____

[Space for Corporate Seal and Attestation]

Business Address: _____

Business Telephone: _____

Business E-mail: _____

Joint Venture Proposer

Name of Proposer: _____

By: _____
(Signature)

Print Name: _____

Title: _____

Date: _____

Business Address: _____

Business Telephone: _____

Business E-mail: _____

(If additional joint venture partners are signing, attach additional sheets setting forth the above signature information for each signing joint venture partner)

If the joint venture partner or partners signing on behalf of the Proposer is/are a corporation and/or an LLC., then for each such corporate joint venture partner complete the following (attach additional sheets, if necessary):

Corporate/LLC. Name of Partner: _____

State of Incorporation or registered Origin: _____

By: _____
(Signature)

Print Name: _____

Title: _____

Date: _____

[Space for Corporate Seal and Attestation]

Business Address: _____

Business Telephone: _____

Business E-mail: _____