

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

SUBJECT: City Manager – Consent to sublease of City-owned property located at 3445 Pacific Coast Highway, Suite 100.

RECOMMENDATION

Recommendation of the City Manager that City Council consent to a sublease by and between The Regents of the University of California (Tenant) and JAS Madison I, LLC (Landlord) for City-owned property located at 3445 Pacific Coast Highway, Suite 100.

Funding

Funding is not required for this transaction.

BACKGROUND/ANALYSIS

The Lease requires consent to subleases that consist of an area greater than 10% of the total facility or greater than 10 years. The proposed sublease is for medical use in the medical office building. The campus that it will serve is UCLA. The term is for an initial 10 years with two 5-year options and the sublease area is 5,891 square feet which is greater than 10% of the total leasable area; both of which trigger the consent clause in the Master Lease.

The proposed tenant meets the requirements of the Master Lease and consent is recommended.

Respectfully submitted,

LeROY J. JACKSON
CITY MANAGER

By 
Brian K. Sunshine
Assistant to the City Manager

CONCUR:


LeRoy J. Jackson
City Manager

Attachments: A) Letter requesting consent dated September 13, 2012
B) Sub-lease



September 13, 2012

VIA HAND DELIVERY

Brian Sunshine
Assistant to the City Manager
City of Torrance
City Hall
3031 Torrance Blvd.
Torrance, CA 90503

RE: Lease Approval for Ground Lease at 3445 Pacific Coast Highway

Dear Brian:

Per our conversation last week, we represent JAS Madison I, LLC at the above reference property. We have attached signed letter of intent and proposed lease document with UCLA for Suite 100, containing approximately 5,891 square feet. As the lease is for 10 years and the suite represents greater than 10% of the square footage of the building, we are required per the ground lease to submit for city approval.

Please contact us with any questions.

Sincerely,

CORE REALTY HOLDINGS MANAGEMENT, INC.

Nels P. Billsten
Vice President of Leasing and Dispositions

cc: Steve Miller

THEREGENTS OF THE UNIVERSITY OF CALIFORNIA
STANDARD LEASE FORM
THE REGENTS AS TENANT

Lease covers Premises located at: 3445 Pacific Coast Highway
Torrance, CA 90505

Campus for which the space is leased: UCLA

Landlord's Name, Address & Telephone Number: CORE Realty Holdings Management, Inc., as
Managing agent for JAS Madison I, LLC
1600 Dove Street, #450
Newport Beach, CA 92660
(949) 863-1031

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Addendum 3 Rent Adjustments
Addendum 4 Work Letter
Addendum 5 Exclusions of Operating Expense

SUMMARY OF LEASE TERMS

Tenant: THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

Landlord: CORE Realty Holdings Management, Inc., as managing agent
for JAS Madison I, LLC, a California corporation

Address of Premises: 3445 Pacific Coast Highway, #100 (Article 1)
Torrance, CA 90505

Rentable Square Feet
of Premises: 5,891 (Article 1)

Rentable Square Feet
in Building 40,760 (Article 1)

Premises Percentage
of Building: 14.5% (Article 1)

Commencement Date: Targeted for November 1, 2012 (Article 2)

Expiration Date: Targeted for October 31, 2022 (Article 2)

Extended Term: Two 5-year option terms at 95% of fair market value (Article 2)

Monthly Rent: \$16,789.35 (Article 3)

Addresses or Notices:
Landlord: JAS Madison I, LLC c/o (Article 6)
CORE Realty Holdings Management, Inc.
1600 Dove Street, #450
Newport Beach, CA 92660

Tenant: The Regents of the University of California c/o UCLA Real Estate
10920 Wilshire Blvd., Suite 810, Los Angeles, CA 90024

With a copy to: _____

Use: Medical Office Space (Article 10)

Base Year for Operating Expenses: 2013 (Article 11)

**THE REGENTS OF THE UNIVERSITY OF CALIFORNIA STANDARD
LEASE FORM THE REGENTS AS TENANT**

PREAMBLE

THIS LEASE is made as of 12th day of September, 2012, by and between JAS Madison I, LLC, a California corporation ("Landlord") and THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, a California corporation ("Tenant"). Landlord and Tenant hereby agree as follows:

ARTICLE 1 - PREMISES

1.1 Description. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, upon the terms and conditions herein set forth, that certain real property and its appurtenances, situated in the County of Los Angeles, State of California, and described as follows: a portion of a medical office building consisting of 5,891 rentable square feet and 5,260 useable square feet of medical office space, Suite 100, (the "Premises"), located at 3445 Pacific Coast Highway, Torrance, CA 90505 which contains approximately 40,760 rentable square feet ("Building") as designated in Exhibit A, which is attached and incorporated. The term "rentable square feet" shall be used as defined from time to time by the Building Owners and Managers Association ("BOMA"). The Premises represent fourteen point five percent (14.5%) of the Building. As a condition precedent to Tenant's obligations under this Lease, Tenant shall conduct its own seismic evaluation of the Building. Landlord shall cooperate with Tenant by providing access to the Building and existing construction plans. Tenant's seismic evaluation is attached as Exhibit B.

1.2 Non-Exclusive Use Areas. Tenant shall also have the non-exclusive right to use, in common with other tenants in the Building, any and all of the following areas which may be appurtenant to the Premises: common entrances, lobbies, elevators, stairways and access ways, loading and unloading areas, visitor parking areas, ramps, drives, platforms, public restrooms, and common walkways and sidewalks necessary for access to the Premises.

1.3 Parking Areas. The Premises include, for Tenant's exclusive use, (30) parking spaces, as designated on Exhibit A and under those terms as described in Addendum 1.

1.4 Area of Premises. Within thirty (30) days of the date that this Lease is executed by Landlord and Tenant, Landlord shall measure the Premises. Provided the amount differs from that set forth in Article 1.1, Landlord and Tenant will execute a letter agreement setting forth the rentable square feet of the Premises. It is agreed that when the rentable square feet of the Premises is determined, changes and modifications to this Lease may be required including, but not limited to, Article 3, Article 7, Article 11, Exhibit A, Addendum 1, Addendum 2, Addendum 3, and Addendum 4.

ARTICLE 2 – TERM

2.1 Lease Term. The term of this Lease (the "Lease Term") shall be for 120 months, commencing as specified in Exhibit C ("Lease Commencement Date") and ending 120 months later ("Lease Expiration Date"), with such rights of termination and extension of the Lease Term as are hereinafter set forth.

2.2 Extended Term. Tenant shall have the option to extend the Lease Term for: two (2) five (5) year terms ("Extended Term"). Such option shall be exercised no earlier than nine (9) months nor later than

six (6) months prior to the last day of the Lease Term (or Extended Term) by written notice to Landlord. All other terms shall be specified in Addendum 2. All other terms and conditions of this Lease not outlined in Addendum 2 shall remain in full force and effect during the Extended Term.

ARTICLE 3 - RENT

Tenant shall pay to Landlord as Monthly Base Rent for the Premises the sum of Sixteen thousand seven hundred eighty nine dollars (\$16,789.35) payable in advance on or before the first day of each month, beginning as stated in Exhibit C ("Rent Commencement Date") per the table below.

YEAR	SQ.FT.	PER SQ.FT.	MONTHLY RENT	ANNUAL RENT
1	5,891	\$2.85	\$16,789.35	\$201,472.20
2	5,891	\$2.94	\$17,293.03	\$207,516.37
3	5,891	\$3.02	\$17,811.82	\$213,741.86
4	5,891	\$3.11	\$18,346.18	\$220,154.11
5	5,891	\$3.21	\$18,896.56	\$226,758.74
6	5,891	\$3.30	\$19,463.46	\$233,561.50
7	5,891	\$3.40	\$20,047.36	\$240,568.34
8	5,891	\$3.51	\$20,648.78	\$247,785.39
9	5,891	\$3.61	\$21,268.25	\$255,218.96
10	5,891	\$3.72	\$21,906.29	\$262,875.52

If the Term commences on a day other than the first day of a calendar month or terminates on a day other than the last day of a calendar month, the monthly Base Rent for the month shall be prorated based on the number of days in such calendar month. Rent shall be payable to Landlord at the address specified in Article 6 or at such other address as Landlord may from time to time designate in writing.

3.2 Rent Abatement - Notwithstanding the terms of Section 2.1 above, Tenant's obligation to pay the monthly Base Rent shall be abated for by fifty percent (50%) in months two (2) through seven (7) of the initial Lease Term, provided Tenant is not then in default under this Lease. For the avoidance of doubt the Monthly Base Rent shall be \$8,394.68 per month for months two (2) through seven (7).

ARTICLE 4 - EARLY TERMINATION

Tenant may terminate this Lease effective at the expiration of the seventy-second (72nd) month following the Lease Commencement Date (the "Lease Early Termination Date") by (i) providing Landlord written notice one hundred eighty (180) days prior to the Lease Early Termination Date, and (ii) Tenant remitting to Landlord, no later than the Lease Termination Date, a fee equal to Landlord's unamortized Tenant Improvement Allowance (which is \$45.00 per useable square foot), leasing commissions, and \$58,390.38 (which represents three months of rent in year six), collectively the "Lease Early Termination Fee".

ARTICLE 5 - PROPERTY TAX EXEMPTION

Landlord hereby affirms that the eligibility of the Premises for exemption from property tax pursuant to Article XIII, Section 3(d) of the California Constitution was not taken into account in fixing the rental to be paid by the Tenant hereunder; and Landlord agrees neither to file a claim for such exemption nor to claim the benefit thereof by any other means. The parties mutually agree that property taxes on the Premises shall be paid in full by Landlord and that the Tenant shall thereafter apply to the County of Los

Angeles, California, for direct refund to the Tenant of taxes paid, in the amount of said exemption, as provided by Section 202.2 of the California Revenue and Taxation Code. Landlord agrees to cooperate with Tenant and do all acts reasonably necessary and appropriate to secure and maintain the said tax exemption of the Premises.

ARTICLE 6 - NOTICES

All notices or correspondence provided for herein shall be effective only if made in writing, personally delivered with an executed acknowledgment of receipt or deposited in the United States mail, certified, postage prepaid, and addressed as follows:

To Landlord:

JAS Madison I, LLC, a California corporation
c/o CORE Realty Holdings Management, Inc
1600 Dove Street, #450
Newport Beach, CA 92660

Attn: Nels P. Billsten

To Tenant:

The Regents of the University of California
c/o UCLA Real Estate
10920 Wilshire Blvd., Suite 810
Los Angeles, CA 90024

Attn: Director of Real Estate

and a copy to:

Mr. Richard Azar
Director of Transition Planning
200 Med Plaza, Suite 202-8
Los Angeles, CA 90095-7369

Rent payments shall be made to (need not be sent certified):

JAS Madison I, LLC
c/o CORE Realty Holdings Management, Inc
1600 Dove Street, #450
Newport Beach, CA 92660

Attn: Nels P. Billsten

Any notice shall be deemed delivered (i) five (5) days after notice is mailed, or (ii) if personally delivered, when acknowledgment of receipt is signed, as provided above, or (iii) for any notice by overnight courier, the next business day after deposit with the courier. By written notice to the other, either party may change its own mailing address.

ARTICLE 7 - TENANT IMPROVEMENTS

7.1 Tenant Improvements. Prior to the Lease Commencement Date, Landlord shall construct tenant improvements and make installations in the Premises in accordance with plans and specifications approved by Tenant and Landlord ("Plans and Specifications") and in accordance with those provisions of the attached Addendum 4 which describe construction. The work described in the preceding sentences and the resulting installations are referred to in this Lease as the "Tenant Improvements", and Addendum 4 is referred to herein as the "Work Agreement."

7.2 Cost of Tenant Improvements. Landlord shall provide to Tenant a Tenant Improvement Allowance of forty five dollars (\$ 45.00) per useable square foot (the "Tenant Improvement Allowance") towards the actual costs incurred by Landlord for the Tenant Improvements on the terms and conditions provided for in the Work Agreement. If the construction costs for Tenant Improvements under the Work Agreement exceed the Tenant Improvement Allowance, and if such costs are not the result of defective or inadequate design by Landlord, Tenant shall be solely responsible for such excess costs ("Excess Costs"). Tenant shall pay Landlord all Excess Costs up to a maximum of 100% of the amount approved by Tenant pursuant to Section 3(c) of the Work Agreement without imposition of overhead by Landlord. Any failure of Tenant to pay Landlord for such Excess Costs shall constitute a default under the terms of this Lease. If the construction costs for the Tenant Improvements are less than the Tenant Improvement Allowance, all such unutilized Tenant Improvement Allowance amounts shall be credited to the rent otherwise payable by Tenant. Construction costs resulting from defective or inadequate design by Landlord shall be paid by Landlord. Landlord shall not charge any mark up or construction supervision fee of any kind. Tenant may use any portion of the Tenant Improvement Allowance toward the costs of cabling, furniture, moving, signage or any other purpose related to the development of the Premises.

7.3 Base Building. Exclusive of the Tenant Improvement Allowance, Landlord, at its sole cost and expense, shall do the following:

1. Provide sprinklers according to Building code;
2. Provide fire protection alarm and communication systems according to Building Code;
3. Provide any life safety support systems as may be required by Building Code;
4. Provide sufficient electrical equipment, including panels, breakers, transformers, and switch gear to provide for standard lighting, HVAC and normal equipment use;
5. HVAC systems in good working order, condition and repair

7.4 Tenant Improvement Warranties. Landlord warrants to Tenant that all materials and equipment furnished by Landlord in its improvement of the Premises shall be new unless otherwise specified in the Work Agreement, and that all of Landlord's work to be performed under the Work Agreement shall be of good and workmanlike quality, free from faults and defects, and in accordance with the final Plans and Specifications and the requirements of the Work Agreement. Any of Landlord's work not conforming to the above standards shall be considered defective.

For one (1) year after the date of substantial completion of Tenant Improvements, Landlord shall, following written notice from Tenant, unconditionally make any repair, replacement, correction or other alteration of any nature necessary by virtue of any defective construction of the Premises or defective materials used therein. Thereafter, Landlord shall promptly make or cause to be made all repairs, replacements, corrections or alterations, at no expense to Tenant, to correct latent defects in the Premises caused by a nonconformance with the Plans and Specifications other than as approved by Tenant.

ARTICLE 8 - NOTICE OF COMPLETION

Landlord shall complete construction of the Tenant Improvements within thirty (30) days after the Plans and Specifications have been approved by Landlord and Tenant. The period for completion of

construction shall be extended by the time needed to perform the additional construction required by any change order requested by Tenant and authorized by Landlord pursuant to the terms of the Work Agreement and also by any delay resulting from causes specified in Article 9. Landlord shall immediately upon completion of construction give written notice to Tenant of such completion. Within sixty (60) days after Landlord has notified Tenant that the Tenant Improvements have been substantially completed, Tenant shall deliver to Landlord a list of items that Tenant deems necessary that Landlord complete or correct in order for the Premises to be acceptable. Landlord shall immediately commence to complete or to correct such items and diligently prosecute the same to completion. Unless otherwise agreed to by Landlord and Tenant, Landlord's completion or correction of such items shall constitute substantial completion of the Premises. If Tenant does not deliver the list to Landlord within the ninety (90) day period, Tenant shall be deemed to have accepted possession of the Premises, subject however to Landlord's warranty as set forth above in Article 7.3.

ARTICLE 9 - TIME LIMIT AND PRIOR TENANCY

On the Lease Commencement Date, Landlord shall deliver possession of the Premises to Tenant in the condition required by Article 10.2 with construction completed as required in Addendum 4, the Work Agreement. No rent shall accrue under this Lease, nor shall Tenant have any obligation to perform the covenants or observe the conditions herein contained until the Premises have been so delivered. If Landlord fails to secure any and all necessary governmental approvals and does not deliver possession of the Premises, ready for occupancy by Tenant on or before December 1, 2012, then Tenant, in addition to any other remedies available, may terminate this Lease by notifying Landlord in writing before Landlord delivers possession of the Premises to Tenant. If Landlord's ability to deliver possession by the date as set forth in this provision is delayed as a result of any of the following causes, the date for delivery shall be postponed without penalty to Landlord for a period of time equivalent to the period caused by such delay:

- a. acts of Tenant, its agents, or employees;
- b. acts of God which Landlord could not reasonably have foreseen or guarded against;
- c. any strikes, boycotts or like obstructive actions by employees or labor organizations and which are beyond the control of Landlord and which cannot be reasonably overcome; or
- d. restrictive regulations by the Federal Government which are enforced in connection with a national emergency.

It shall be Landlord's responsibility to remove any prior tenant in the Premises.

ARTICLE 10 - USE

10.1 Use. Tenant shall use the Premises for General medical office purposes and purposes incidental thereto. Tenant may alter said use to any medical office lawful purpose, upon the written consent of Landlord, which consent shall not be unreasonably withheld. During the initial term and during any extensions Tenant shall have the exclusive right to practice endocrinology in the Building.

10.2 Compliance With Laws. Landlord represents and warrants to Tenant that, to the best of Landlord's knowledge, the construction (including all Landlord-constructed Tenant Improvements), the current and proposed uses, and the operation of the Building are in full compliance with applicable building and seismic codes, environmental, zoning and land use laws, and other applicable local, state and federal laws, regulations and ordinances, except as follows:_____.

10.3 Hazardous Substances. Tenant shall have no liability or responsibility for toxic or hazardous materials or substances in existence in, on, or about the Premises prior to Tenant's occupancy of the Premises or which result from Landlord's acts or omissions or which occur on any portion of Landlord's

property not occupied by Tenant, unless caused by Tenant, its agents, employees, invitees or guests. Landlord specifically warrants that at the time of execution of this Lease there are no known areas in, on, or about the Building where hazardous or toxic materials or substances (including asbestos or PCBs) have been used, stored, or deposited. Tenant will comply with all applicable laws concerning the handling or discharge of hazardous materials. Prior to occupancy, if any hazardous materials exist or are found on the Property or in the Building, then Landlord shall remove such hazardous materials at its own cost and expenses. These expenses shall not be included in any Operating Expense pass throughs to Tenant.

ARTICLE 11 - OPERATING EXPENSES

11.1 Definitions. For the purposes of this Article, the following definitions shall apply:

- a. Tenant's Percentage: The portion of the Building occupied by Tenant pursuant to this Lease, which percentage is hereby set forth in Article 1.1.
- b. Base Year: 2013
- c. Comparison Year: Each year of the Lease Term after the Base Year.
- d. Direct Expenses: "Direct Expenses" shall mean, with respect to the Base Year and each Comparison Year, and assuming the Building is at least one hundred percent (100%) occupied and fully assessed for tax purposes: all costs of management (including direct and reasonable costs of employees at the level of building manager and below), operation, maintenance, and repair of the Building, and shall include the following costs by way of illustration but not limitation: water and sewer charges; insurance premiums; license, permit, and inspection fees; air conditioning (including repair) heat; electricity and other utilities; labor; janitorial services; landscaping, guard services (if any); supplies; materials; equipment and tools; real estate taxes and all other taxes applicable to the Building. It shall also include the cost or portion thereof of any capital improvements made to the Building by Landlord during the Lease Term, that are (i) intended to reduce the operation or maintenance costs of the Building, or any portion thereof, but only to the extent of any actual savings in Direct Expenses resulting from such capital improvement (as determined over the useful life of such capital improvements, as opposed to on a year-to-year basis), or (ii) required under any governmental law or regulation that was not applicable to the Building at Lease Commencement Date; provided, however, that, subject to the terms of this sentence, any such capital expenditure shall be amortized over a reasonable period of time with interest not to exceed three percent (3%) on the unamortized balance over its useful life as determined by GAAP procedures.
- e. **Exclusions from Direct Expenses:**
Notwithstanding anything contained in the definition in subsection 11.1(d), above, Direct Expenses shall not include the following:
 - i) Any ground lease rental;
 - ii) The cost of repairs to the Building, if the cost of such repairs is reimbursed by the insurance carried by Landlord or subject to award under any eminent domain proceeding;
 - iii) Costs, including marketing and leasing costs, permit, license and inspection costs, incurred with respect to the installation of Tenant's or other occupant's improvements or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for Tenant or other occupants of the Building;
 - iv) Depreciation, amortization and interest payments, except as specifically permitted herein or except on materials, tools supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services. In such a circumstance, the inclusion of all depreciation, amortization and interest payments shall be determined

- pursuant to generally accepted accounting principles, consistently applied, amortized over the reasonably anticipated useful life of the capital item for which such amortization, depreciation or interest allocation was calculated;
- v) Leasing commissions, attorneys' fees incurred in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Building;
 - vi) Expenses for services not offered to Tenant or for which Tenant is charged directly, whether or not such services or other benefits are provided to another tenant or occupant of the Building;
 - vii) Costs incurred due to Landlord's or any tenant of the Building's violation, other than Tenant, of the terms and conditions of any lease or rental agreement in the Building;
 - viii) That portion of any billing by Landlord, its subsidiaries or affiliates for goods and/or services in the Building, to the extent that such billing is unreasonable;
 - ix) Costs incurred by Landlord for structural earthquake repairs necessitated by the January 17, 1994 or any subsequent earthquakes that occur in the vicinity of the Building;
 - x) Interest, principal, points and fees on debts or amortization on any mortgage or mortgages or any other debt instrument encumbering the Building or the land thereunder;
 - xi) Costs associated with operating the entity which constitutes Landlord, as the same are distinguished from the costs of operation of the Building, including partnership accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Building, costs (including attorneys' fees and costs of settlement judgments and payments in lieu thereof) arising from claims, disputes or potential disputes in connection with potential or actual claims, litigation or arbitration pertaining to Landlord's ownership of the Building;
 - xii) Advertising and promotional expenditures, and costs of signs in or on the Building identifying the owner of the Building, or other tenants' signs;
 - xiii) Electric, gas or other power costs for which Landlord has been directly reimbursed by another tenant or occupant of the Building, or for which any tenant directly contracts with the local public service company;
 - xiv) Tax penalties and interest incurred as a result of Landlord's negligence or willful failure to make payments and/or to file any income tax or informational return(s) when due, unless such non-payment is due to Tenant's nonpayment of rent;
 - xv) Costs incurred by Landlord to comply with notices of violation of the Americans With Disabilities Act, as amended, when such notices are for conditions existing prior to the Commencement Date;
 - xvi) Any charitable or political contributions;
 - xvii) The purchase or rental price of any sculpture, paintings or other object of art, whether or not installed in, on or upon the Building;
 - xviii) Any compensation paid or expenses reimbursed to clerks, attendants or other persons working in any commercial concession(s) operated by Landlord, and any services provided, taxes attributable to and costs incurred in connection with the operation of any retail or restaurant operations in the Building;
 - xix) Any accelerated payment(s) made at Landlord's election on obligations undertaken by of which would not otherwise become due, to the extent that such accelerated payment(s) exceed(s) the amount otherwise payable had Landlord not elected to accelerate payment thereof. Notwithstanding such exclusion, the balance of such accelerated payment shall be included by Landlord in operating expense calculations for succeeding years, as if the payment had been made when originally due prior to such acceleration.

- xx) Costs, including attorneys' fees and settlement judgments and/or payments in lieu thereof, arising from actual or potential claims, disputes, litigation or arbitration pertaining to Landlord and/or the Building;
- xxi) Insurance deductibles in excess of reasonable and customary deductible amounts, and/or whether or not reasonable and/or customary, in excess of \$250,000 in any calendar year;
- xxii) The Base Year shall be adjusted, in any subsequent year, that the Landlord has purchased additional insurance coverage not previously covered under the original policy acquired in the Base Year and shall add such premium costs as a result of such purchase to the Base Year. In addition should the Landlord, in any subsequent year, choose not to continue with the additional insurance coverage, i.e. earthquake insurance coverage, the Base Year will be adjusted to reflect the same;
- xxiii) Costs of repairs which would have been covered by casualty insurance but for Landlord's failure to maintain casualty insurance to cover the replacement value of the Building as required by this Lease;
- xxiv) Capital expenditures not otherwise permitted hereunder; and
- xxv) The assessment or billing of operating expenses that results in Landlord being reimbursed more than one hundred percent (100%) of the total expenses for the calendar year in question.

Notwithstanding anything to the contrary set forth in this Article 11, in the event Landlord elects, at any time following the expiration of the Base Year, to purchase any new insurance coverage (as opposed to increased or modified forms of existing insurance), including, without limitation, earthquake insurance, that was not included during the Base Year, Landlord shall gross-up the Base Year Direct Expenses to include the premium for such insurance that would have been included in the Base Year if it was obtained during the Base Year.

11.2 Additional Rent. If the Direct Expenses for any Comparison Year are in excess of the Direct Expenses for the Base Year, Tenant shall pay Tenant's Percentage of such excess as additional rent to Landlord.

As soon as possible after the end of the Base Year, Landlord shall provide Tenant with a written statement of the estimated Direct Expenses for the Comparison Year. Beginning in the thirteenth (13th) month of the Lease Term, Tenant shall pay as additional monthly rent an amount equal to one-twelfth (1/12) of Tenant's Percentage of the estimated increase in Direct Expenses for the Comparison Year. No later than one hundred eighty days after the end of the Comparison Year, Landlord shall provide Tenant with a written statement showing the actual Direct Expenses for such Comparison Year broken down by category of expenses and the Direct Expenses for the Base Year broken down by such categories of expenses (a "**Reconciliation Statement**"). Any overpayments shall be credited against subsequent rent payments and any underpayments shall be paid by Tenant in a lump sum within thirty (30) days of receipt of said statement. Tenant maintains the right to audit Landlord's records in order to verify the accuracy of Direct Expenses passed through.

ARTICLE 12 - SERVICES, UTILITIES

Services and utilities shall be furnished and the cost borne as outlined in Exhibit D. In the event of failure by Landlord to furnish, in a satisfactory manner, any of the services and utilities to the Premises for which Landlord is responsible, Tenant may furnish the same if Landlord has not undertaken to correct such failure within three (3) days after written notice, and, in addition to any other remedy Tenant may have, may deduct the amount thereof, including Tenant's service costs, from rent or other remuneration due Landlord hereunder.

ARTICLE 13 - INDEMNIFICATION

13.1 **Landlord's Obligation.** Landlord shall indemnify, defend and hold harmless Tenant, its officers, agents, and employees from and against any claims, damages, costs, expenses, or liabilities (collectively "Claims") arising out of or in any way connected with this Lease including, without limitation, Claims for loss or damage to any property, or for death or injury to any person or persons, but only in proportion to and to the extent that such Claims arise from the negligent or wrongful acts or omissions of Landlord, its officers, partners, agents, or employees.

13.2 **Tenant's Obligation.** Tenant shall indemnify, defend and hold harmless Landlord, its officers, partners, agents, and employees from and against any Claims arising out of or in any way connected with this Lease including, without limitation, Claims for loss or damage to any property or for death or injury to any person or persons, but only in proportion to and to the extent that such Claims arise from the negligent or wrongful acts or omissions of Tenant, its officers, agents, or employees.

ARTICLE 14 - INSURANCE REQUIREMENTS

14.1 **Tenant's Insurance.** Tenant, at its sole cost and expense, shall insure its activities in connection with this Lease and obtain, keep in force and maintain insurance as follows:

- a. General Liability Self-Insurance Program (contractual liability included) with minimum limits as follows:

1. Each Occurrence	\$ 2,000,000.00
2. Products/Completed Operations Aggregate	\$ 5,000,000.00
3. Personal and Advertising Injury	\$ 2,000,000.00
4. General Aggregate	\$ 5,000,000.00

- b. Business Automobile Liability Self-Insurance Program for owned, non-owned, or hired automobiles with a combined single limit of not less than One Million Dollars (\$1,000,000.00) per occurrence.

- c. Property, Fire and Extended Coverage Self-Insurance Program in an amount sufficient to reimburse Tenant for all of its equipment, trade fixtures, inventory, fixtures and other personal property located on or in the Premises including leasehold improvements hereinafter constructed or installed.

- d. Workers' Compensation as required by California law.

The coverages referred to under a., b. and c. of this Article 14.1 shall include Landlord as additional insured. Such a provision shall apply only in proportion to and to the extent of the negligent acts or omissions of Tenant, its officers, agents and employees. Tenant, upon the execution of this Lease and each year thereafter through the Lease Term and any extensions of the Lease Term, shall furnish Landlord with certificates of self- insurance evidencing compliance with all requirements. Certificates of self insurance shall provide for thirty (30) days advance written notice to Landlord of any material modification, change or cancellation of any of the above insurance coverages.

The coverages required herein shall not limit the liability of Tenant.

14.2 **Landlord's Insurance.** Landlord, at its sole cost and expense, shall insure its activities in connection with this Lease and obtain, keep in force and maintain insurance as follows:

- a. Commercial Form General Liability Insurance (contractual liability included) with minimum limits as follows:

1. Each Occurrence	\$ 2,000,000.00
2. Products/Completed Operations Aggregate	\$ 5,000,000.00
3. Personal Injury	\$ 2,000,000.00
4. General Aggregate	\$ 5,000,000.00

If the above insurance is written on a claims-made form, it shall continue for three (3) years following termination of this Lease. The insurance shall have a retroactive date of placement prior to or coinciding with the Lease Commencement Date.

- b. Business Automobile Liability Insurance for owned, scheduled, non-owned, or hired automobiles with a combined single limit of not less than One Million Dollars (\$1,000,000.00) per occurrence.
- c. Property, Fire and Extended Coverage Insurance in an amount equal to one hundred percent (100%) of the full replacement value of the Building to conform with then current codes and the costs of demolition and debris removal, excluding land and the footings, foundations and installations below the basement level.
- d. Workers' Compensation as required by California law.

Landlord shall also have issued an additional insured endorsement naming "The Regents of the University of California" as an additional under its commercial general liability, business automobile liability, and property, fire extended coverage policies of insurance. Per occurrence form including ISO Form CG2010 (11/85) or its equivalent are acceptable additional insured endorsement forms. Naming The Regents as an additional insured on the certificates of insurance alone shall not be considered as compliance with The Regents' insurance requirements.

In addition to the above, The Regents of the University of California shall be listed as an additional insured in Landlord's policies of insurance pertaining to the Premises and shall have issued a Certificate of Insurance identifying "The Regents of the University of California" as the Certificate Holder. The Description of Operations/Locations/Vehicles/Exclusion Added by Endorsement/Special Provisions section of the Certificate of Insurance shall state, "It is agreed between Tenant and Landlord that The Regents of the University of California are named as additional insureds as provided in the Lease for the Premises." The address to be used should be: The Regents of the University of California, 10920 Wilshire Blvd., Suite 810, Los Angeles, CA 90024 Attn: UCLA Real Estate. Landlord shall also have issued an additional insured endorsement naming "The Regents of the University of California" as an additional under its commercial general liability and business automobile liability policies of insurance. Per occurrence form including ISO Form CG2010 (11/85) or its equivalent are acceptable additional insured endorsement forms. Naming The Regents as an additional insured on the certificates of insurance alone shall not be considered as compliance with The Regents' insurance requirements.

ARTICLE 15 - WAIVERS OF SUBROGATION

Landlord and Tenant each hereby waives any right of recovery against the other due to loss of or damage to the property of either Landlord or Tenant when such loss of or damage to property arises out of the acts of God or any of the property perils whether or not such perils have been insured, self-insured or non-insured.

ARTICLE 16 - REPAIR AND MAINTENANCE

16.1 Landlord and Tenant Obligations. The respective repair and maintenance responsibilities of Landlord and Tenant are set forth in Exhibit E, Summary of Repair and Maintenance Responsibilities, which by this reference is incorporated herein.

16.2 Failure of Landlord to Make Repairs. If Landlord fails to maintain the Premises or fails to start to make the necessary repairs within fifteen (15) days after written notice from Tenant, Tenant may perform such maintenance or make such repairs at its expense and deduct the reasonable cost thereof from the rent due hereunder. In cases of emergency, Tenant will notify Landlord and will start to make the necessary repairs immediately to avoid any other damage.

If the nature of repair is such that more than fifteen (15) days are required for performance, then Tenant may not exercise its rights under this provision if Landlord commences performance of the repairs within such fifteen (15) day period and thereafter diligently pursues the same to completion.

ARTICLE 17 - ALTERATIONS, MECHANICS' LIENS

17.1 Alterations. No structural alterations or improvements in excess of Thirty Thousand Dollars (\$30,000.00) shall be made to the Premises by Tenant or at Tenant's request without the prior written consent of Landlord, which consent shall not be unreasonably withheld. If Tenant requests alterations to be made to the Premises, Landlord at the time of the asking, will inform Tenant if said alterations will have to be removed at the expiration of the Lease and the Premises returned to their prior condition. Tenant will then elect to proceed with the alterations, or not, as the case may be.

17.2 Condition at Termination. Tenant may remove any fixtures, machinery and equipment installed in the Premises by Tenant upon termination of this Lease, if Tenant is not then in default under this Lease and if Tenant repairs any damage to the Premises caused by such removal. Upon termination of this Lease, Tenant shall return the Premises in the same condition as when delivered to Tenant, reasonable wear and tear, damage by casualty, and alterations approved by Landlord excepted.

17.3 Mechanic's Liens. The parties shall keep the Premises free from any liens arising out of any work performed by, materials furnished to, or obligations incurred by the parties.

ARTICLE 18 - ASSIGNMENT AND SUBLETTING

Tenant shall have the right during the Lease Term and any option period(s) to sublease or assign all or any portion of the Premises to a related entity, affiliate or successor organization to the Regents of the University of California without first obtaining Landlord's consent.

If Tenant wishes to sublet, assign or transfer to a non-related entity, it shall have such right in whole or in part, under the initial Term and any Option Period(s), after first obtaining Landlord's prior consent, which consent may not be unreasonably withheld or delayed. Landlord shall not impose any restrictions on the terms and conditions of such assignment and subleasing rights (such as minimum rent or further sub-subletting and/or assigning).

Landlord and Tenant shall share any profits from this Sublease or Assignment on a fifty- fifty basis after first deducting all marketing, tenant improvement and brokerage costs.

ARTICLE 19 - ENTRY BY LANDLORD

Tenant shall permit Landlord and Landlord's agents to enter the Premises, with reasonable advance written notice (except in the case of emergency), provided such entry is made in a reasonable manner and does not unreasonably interfere with the conduct of Tenant's business.

ARTICLE 20 - DESTRUCTION

If the Premises are totally destroyed by fire or other casualty, either party may terminate this Lease immediately by giving notice to the other party.

If such casualty shall render ten percent (10%) or less of the floor space of the Premises unusable for the purpose intended, Landlord shall effect restoration of the Premises as quickly as is reasonably possible, but in any event within thirty (30) days after such destruction.

If such casualty shall render more than ten percent (10%) of such floor space unusable but not constitute total destruction, Landlord shall forthwith give notice to Tenant of the specific number of days required to repair the same. If Landlord under such circumstances shall not give such notice within fifteen (15) calendar days after such destruction, or if such notice shall specify that such repairs will require more than ninety (90) days to complete from the date such notice is given, Tenant, in either such event, at its option, may terminate this Lease.

In the event of any such destruction other than total, where Tenant has not terminated the Lease as herein provided, Landlord shall diligently prosecute the repair of the Premises and, in any event, if said repairs are not completed within the period of thirty (30) days for destruction aggregating ten percent (10%) or less of the floor space, or within the period specified herein in connection with partial destruction aggregating more than ten percent (10%), Tenant shall have the option to terminate this Lease.

If Tenant remains in possession of the Premises though partially destroyed, the rent for said Premises as herein provided, during restoration, shall be reduced by the same ratio as the usable square feet Tenant is thus precluded from occupying bears to the total usable square feet in the Premises. "Usable square feet" shall mean actual inside dimensions and shall not include public corridors, stairwells, elevators, and restrooms.

ARTICLE 21 - PUBLIC WORKS LAWS

It is the practice of Tenant to require payment of prevailing wage rates pursuant to any construction contract to improve space to be leased by The Regents of the University of California if The Regents will be a tenant using more than 50 percent of the assignable square feet of the project in which the construction will be performed. The word "project" shall include, but not be limited to, the entire building in which the leased Premises are located. If applicable, Landlord shall comply with provisions of law governing public works including, without limitation, Labor Code sections 1773, 1773.2, 1773.3, 1773.8, 1775 (payment of prevailing wages), 1776 (payroll records), and 1777.5 (employment of apprentices).

ARTICLE 22 - SERVICE COMPANIES

Within thirty (30) days after occupancy of the Premises by Tenant, Landlord shall give Tenant notice of the name, address and telephone number of an agency or person as a local source of service with regard to Landlord's responsibilities under this Lease as to repairs, maintenance, and servicing of the Premises and any or all related equipment, fixtures and appurtenances. If Landlord fails to provide such notice, Tenant may choose service companies as needed and without penalty from Landlord.

If Tenant has need for services that Landlord is to provide, Tenant shall contact Landlord's designated person who is responsible for the management of the Building. If that person is not available or does not respond within twenty four (24) hours, Tenant shall contact Landlord's vendor directly for its services.

In cases of emergency, where the twenty-four (24) hour period would cause irreparable harm, Tenant will contact Landlord's vendor directly with notice to Landlord's designated person. If Landlord's representative and/or vendor are not available, then Tenant shall contact the vendor of its choice that provides similar services to first class office building. In all cases Landlord shall pay for the service necessary as provided for in Exhibits D & E attached hereto and incorporated herein and made a part of the Lease, if and to the extent Landlord is obligated to make any such payment.

ARTICLE 23 - DEFAULT BY TENANT

23.1 **Default.** If any of the following events occur, each such event shall constitute a material breach of this Lease, and Landlord may, at Landlord's option, exercise any or all rights available to a landlord under the laws of the State of California:

- a. a default in the payment of rent when such default continues for a period of thirty (30) days after written notice; or
- b. Tenant fails to faithfully perform or observe any other covenant or undertaking required under this Lease and such failure continues for a period of thirty (30) days after written notice thereof. If the nature of Tenant's obligation is such that more than thirty (30) days are required for performance, then Tenant shall not be in default if Tenant commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion; or
- c. Tenant is adjudicated bankrupt; or
- d. Tenant's lease interest is sold under execution of judgment.

23.2 **Remedies.** If this Lease terminates pursuant to a default by Tenant hereunder, Landlord may immediately enter upon and repossess the Premises in accordance with applicable laws and cause any personal property of Tenant to be removed from the Premises and stored in any public warehouse at the risk and expense of Tenant.

ARTICLE 24 - DEFAULT BY LANDLORD

24.1 **Default.** Landlord shall not be in default unless Landlord fails to perform its obligations under this Lease within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant to Landlord specifying wherein Landlord has failed to perform such obligations. If the nature of Landlord's obligation is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such thirty (30) days period and thereafter diligently prosecutes the same to completion. Tenant's obligation to provide written notice to Landlord of a default by Landlord is limited to those instances where knowledge of Landlord's default is within the actual knowledge of Tenant.

24.2 **Remedies.** If Landlord fails to cure a prospective default within the thirty (30) day period, Tenant shall have the option to cure the default or to terminate this Lease, in addition to any other remedies at law not inconsistent herewith. Should Tenant elect to cure the default itself, all costs associated with such cure, including reasonable attorneys' fees (if any), shall be reimbursed by Landlord to Tenant within thirty (30) days of receipt of Tenant's invoice for said costs. However, upon Landlord's failure to so reimburse, at Tenant's option, said costs shall be held from rent due hereunder. If Landlord's default hereunder

prevents Tenant's use of the Premises, there shall be an abatement of rental payments for the period of such non-use.

ARTICLE 25 - CONDEMNATION

If any part of the Premises is taken or condemned for a public or quasi-public use, this Lease shall terminate at the option of Tenant as of the date title shall vest in the condemnor.

ARTICLE 26 - HOLDING OVER

If Tenant, with Landlord's consent, remains in possession of the Premises after the Lease Term or any Extended Term, this Lease shall automatically be extended on a month-to-month basis at the same monthly rental rate in effect as of the expiration of the Lease Term, subject to termination by either party upon thirty (30) days advance written notice. If Tenant, without Landlord's consent, remains in possession of the Premises after the Lease Term or any Extended Term, the monthly rental rate following the expiration of the Lease Term or Extended Term, as applicable, shall equal one hundred twenty five percent (125%) of the monthly rent applicable to the Premises during the last month of the Lease Term or Extended Term (as applicable), excluding any rent abatement that may apply during such period. All other terms and conditions shall remain in full force and effect during such month-to-month tenancy.

ARTICLE 27 - WAIVER

The waiver by Landlord or Tenant of any term, covenant or condition herein contained shall not be deemed to be a waiver of any other term, covenant or condition, nor shall either party's consent to any breach of any term, covenant or condition be deemed to constitute or imply its consent to any subsequent breach of the same or other term, covenant or condition herein contained.

ARTICLE 28 - ATTORNEYS' FEES

In the event Landlord or Tenant bring suit against the other to enforce any rights under this Lease, the prevailing party shall recover from the other, in addition to any other award, an amount equal to reasonable attorneys' fees to be fixed by the court.

ARTICLE 29 - QUIET POSSESSION

As long as Tenant keeps and performs the covenants in this Lease, Tenant shall at all times during the term of this Lease peaceably and quietly have, hold and enjoy the Premises, without suit, trouble or hindrance from Landlord or any person claiming under Landlord.

ARTICLE 30 - SUBORDINATION

This Lease shall be subject and subordinated to the lien of any mortgages and deeds of trust which are hereafter placed against the Landlord's interest or estate in the property provided that the mortgagee or beneficiary under such mortgage or deed of trust shall agree in writing that, in the event of a foreclosure of same or of any other such action or proceeding for the enforcement thereof, or of any sale thereunder, this Lease shall not be barred, terminated, cut off, or foreclosed, nor will the rights and possession of Tenant hereunder be disturbed if Tenant shall not then be in default under the terms of this Lease, and Tenant shall attorn to the purchaser at such foreclosure, sale or other action or proceeding, provided that such purchaser shall assume the obligations of Landlord hereunder. The foregoing subordination shall be effective without the necessity of having any further instruments executed by Tenant, but Tenant shall nonetheless execute, upon demand, such further instruments evidencing such subordination as may be

reasonably requested by Landlord or any mortgagee or beneficiary.

ARTICLE 31 - ESTOPPEL CERTIFICATE

Within thirty (30) days of written notice by one party to the other, each will execute, acknowledge and deliver to the other an estoppel certificate in writing declaring any modifications, defaults or advance payments and whether the lease, as may be modified, is in full force and effect. Any such certificate may be conclusively relied upon for the intended transaction for which the statement was requested.

ARTICLE 32 - MISCELLANEOUS PROVISIONS

32.1 **No Amendments.** No amendment of this Lease shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreement not incorporated herein shall be binding on either party hereto.

32.2 **Time of the Essence.** Time is of the essence of each term and provision of this Lease.

32.3 **Binding Effect.** Subject to any provision hereof restricting assignment or subletting by Tenant, this Lease shall bind the parties, their personal representatives, successors, and assigns.

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

32.5 **Brokers.** Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, excepting only Newmark of Southern California, Inc., d/b/a Newmark Grubb Knight Frank ("Tenant's Broker") and the Steve Miller Company ("Landlord's Broker"), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Lease. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including without limitation reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent other than the above referenced brokers. Landlord shall be responsible for the payment of all commissions owing to Tenant's Broker and Landlord's Broker in connection with this Lease.

32.6 **Security Deposit.** Tenant shall not be required to pay a security deposit for the term of the Lease or any Option Period(s).

32.7 **Warranty of Authority.** If Landlord is a corporation, the person executing this lease on behalf of Landlord hereby covenants and warrants that Landlord is a duly authorized and existing corporation and that he/she is duly authorized to execute this Lease.

32.8 **Addendum.** In the event of conflict between this Lease and any Addendum or Exhibit attached hereto, the provisions of such Addendum or Exhibit shall control.

TENANT:

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

By: _____

Its: _____

LANDLORD:

CORE Realty Holdings Management, Inc., as managing agent for
JAS Madison I, LLC, a California corporation

By _____

Its: _____

EXHIBIT A

DESCRIPTION OF PREMISES

(Floor Plan with Dimensions)

(Parking location or plan)

(Site Map)

(to be provided by Landlord)

EXHIBIT B

UNIVERSITY OF CALIFORNIA

**VERIFICATION OF THE BUILDING'S COMPLIANCE WITH THE
UC SEISMIC SAFETY POLICY FOR PURCHASED AND LEASED BUILDINGS**

(INDEPENDENT REVIEW)

OR

(CERTIFICATE OF APPLICABLE CODE)

EXHIBIT C

CONFIRMATION OF LEASE TERM

This Confirmation of Lease Term is entered into as of _____, 20____
between _____, ("Landlord"), and The Regents of the University of California
("Tenant").

WHEREAS, Landlord and Tenant entered into that certain Lease dated _____ for
the Premises located at _____ (the "Lease").

NOW, THEREFORE, in consideration of the mutual covenants herein, the parties hereto agree as
follows:

1. Lease Term. Landlord and Tenant agree that the Lease Term as defined in the Lease commences on _____ (Lease Commencement Date) and ends on _____ (Lease Termination Date).
2. Lease Early Termination Date. Pursuant to Article 4 of the Lease, the Lease Early Termination Date shall be _____ and the Lease Early Termination Date shall be given no later than _____.

The parties have caused this Confirmation of Lease Term to be executed as of the date first set forth above.

TENANT:

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

By: _____

Title: _____

Dated: _____

LANDLORD:

CORE Realty Holdings Management, Inc. as managing agent for
JAS Madison I, LLC, a California corporation

By: _____

Title: _____

Dated: _____

EXHIBIT D
SUMMARY OF SERVICES AND UTILITIES

The following is a summary of service and utility responsibilities of Landlord and Tenant:

	N O T A P P L I C A B L E	L A N D L O R D	T E N A N T	F R E Q U E N C Y
Paper Supplies, dispensers and waste containers (Premises & restrooms)		X		
Light bulbs & fluorescent light tubes and starters		X		
Ballasts and transformers for fluorescent lights, light switches and electrical outlets		X		
Heating and air conditioning control switches		X		
Janitorial service for interior of Premises (dust, waste removal, vacuum, mop, cleaning)		X		
Janitorial service for exterior of Premises and common areas		X		
Carpet, tile and linoleum		X		
Gas		X		
Electric (common areas)		X		
Electric (within Premises)			X	
Water		X		
Window washing – interior		X		
Window washing - exterior		X		
Landscaping and gardening		X		
Cleaning of drapes, blinds, window shades			X	
Kitchen appliances			X	
Refuse, rubbish & garbage disposal		X		
Pest control (Premises and Common Area)		X		

EXHIBIT E
SUMMARY OF REPAIR AND MAINTENANCE RESPONSIBILITIES

The following is a summary of repairs and maintenance responsibilities of Landlord and Tenant:

	Landlord	Tenant	Not Applicable
Foundations	X		
Exterior & Bearing Walls	X		
Roof	X		
Electrical Systems	X		
Lighting Systems	X		
Plumbing Systems	X		
Heating Systems	X		
Ventilation Systems	X		
Air Conditioning Systems	X		
Alarm Systems in Building	X		
Plate Glass	X		
Windows & Window Frames	X		
Gutters, Drains, Downspouts	X		
Elevators	X		
Floor Slabs	X		
Common Areas	X		
Ceilings	X		
Interior Walls	X		
Interior Doors	X		
Interior Surfaces & Windows	X		
Appliances & Fixtures		X	
Repainting of Interior Walls (every ____ years)	X		
Base and/or moldings	X		
Parking Lot Area	X		

**ADDENDUM 1 - PARKING PROVISIONS
TO LEASE AGREEMENT DATED September 12, 2012
BY AND BETWEEN
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA**

AND

**CORE Realty Holdings Management, Inc. as managing agent for
JAS Madison I, LLC, a California corporation**

Tenant shall have the right to lease up to thirty (30) parking spaces at no charge during the initial term or any extension options exercised.

**ADDENDUM 2 - RENT FOR EXTENDED TERM(S)
TO LEASE AGREEMENT DATED September 12, 2012**

**BY AND BETWEEN
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA**

AND

**CORE Realty Holdings Management, Inc. as managing agent for
JAS Madison I, LLC, a California corporation**

Tenant shall have the option to extend the Lease Term for two (2) five (5) year options (the "**Extended Terms**") as set forth in Article 2.2. Tenant shall give Landlord no more than nine (9) months not less than six (6) months written notice of its intent to renew. The Base Rent for the Extended Terms shall be ninety –five percent (95%) of fair market rent for the option periods.

(a) Option Rent. The rent payable by Tenant during the Extended Terms ("**Option Rent**") shall be equal to ninety-five percent (95%) of the "Market Rent", as that term is defined below, for the Premises as of the commencement date of the Extended Terms. Subject to the foregoing, the "**Market Rent**" shall be equal to the annual rent (including additional rent and considering any "base year" or "expense stop" applicable thereto), including all escalations, at which tenants, as of the commencement of the Extended Term, are leasing non-sublease, non-encumbered, non-equity space comparable in size, location and quality to the Premises for a term of five (5) years, taking into consideration only the following concessions (collectively, the "**Concessions**"): (a) rental abatement concessions, if any, being granted such tenants in connection with such comparable space, (b) tenant improvements or allowances provided or to be provided for such comparable space, taking into account, and deducting the value of, the existing improvements in the Premises, such value to be based upon the age, quality and layout of the improvements and the extent to which the same could be utilized by Tenant based upon the fact that the precise tenant improvements existing in the Premises are specifically suitable to Tenant, and (c) other reasonable monetary concessions being granted such tenants in connection with such comparable space.

(b) Exercise of Option. The Option shall be exercised by Tenant only in the following manner: (i) Tenant shall not be in uncured monetary default on the delivery date of the Interest Notice and Tenant's Acceptance; (ii) Tenant shall deliver written notice ("**Interest Notice**") to Landlord not more than nine (9) months nor less than six (6) months prior to the Expiration Date, (iii) within fifteen (15) business days of Landlord's receipt of the Interest Notice, Landlord shall deliver notice ("**Option Rent Notice**") to Tenant setting forth the Option Rent for the Extended Term; and (iv) if Tenant desires to exercise such Option, Tenant shall provide Landlord written notice within fifteen (15) business days after receipt of the Option Rent Notice ("**Tenant's Acceptance**") of Tenant's election to irrevocably exercise the Option, and upon, and concurrent with such exercise, Tenant may, at its option, object to the Option Rent contained in the Option Rent Notice. Tenant's failure to deliver the Interest Notice or Tenant's Acceptance on or before the date specified above shall be deemed to constitute Tenant's election not to exercise the Option. If Tenant timely and properly exercises its Option, the Lease Term shall be extended for the Extended Term upon all of the terms and conditions set forth in this Lease, except that the rent for the applicable Extended Term shall be as indicated in the Option Rent Notice unless Tenant, concurrently with Tenant's Acceptance, objects to the Option Rent contained in the Option Rent Notice, in which case the parties shall follow the procedure and the Option Rent shall be determined, as set forth in Section (c) below.

(c) Determination of Market Rent. If Tenant timely and appropriately objects to the Market Rent in Tenant's Acceptance, Landlord and Tenant shall attempt to agree upon the Market Rent for the Extended

Term using their best good-faith efforts. If Landlord and Tenant fail to reach agreement within twenty-one (21) business days following Tenant's Acceptance ("**Outside Agreement Date**"), then each party shall make a separate determination of the Market Rent for the Extended Term which shall be submitted to each other and to arbitration in accordance with the following items (i) through (vii) below:

(i) Landlord and Tenant shall each appoint, within ten (10) business days of the Outside Agreement Date, one arbitrator who shall by profession be a current real estate broker of comparable commercial properties in the immediate vicinity of the Building, and who has been active in such field over the last seven (7) years. The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Tenant's submitted Market Rent for the Extended Term is the closest to the actual Market Rent as determined by the arbitrators, taking into account the requirements of item (a), above.

(ii) The two (2) arbitrators so appointed shall within five (5) business days of the date of the appointment of the last appointed arbitrator agree upon and appoint a third arbitrator who shall be qualified under the same criteria set forth hereinabove for qualification of the initial two (2) arbitrators.

(iii) The three (3) arbitrators shall within fifteen (15) days of the appointment of the third arbitrator reach a decision as to whether the parties shall use Landlord's or Tenant's submitted Market Rent, and shall notify Landlord and Tenant thereof.

(iv) The decision of the majority of the three (3) arbitrators shall be binding upon Landlord and Tenant.

(v) If either Landlord or Tenant fails to appoint an arbitrator within ten (10) business days after the Outside Agreement Date, the arbitrator appointed by one of them shall reach a decision, notify Landlord and Tenant thereof, and such arbitrator's decision shall be binding upon Landlord and Tenant.

(vi) If the two (2) arbitrators fail to agree upon and appoint a third (3rd) arbitrator, or both parties fail to appoint an arbitrator, then the appointment of the third arbitrator or any arbitrator shall be dismissed and the matter to be decided shall be forthwith submitted to arbitration under the provisions of the American Arbitration Association, but subject to the instruction set forth in this item (c).

(vii) The cost of arbitration shall be paid by Landlord and Tenant equally.

**ADDENDUM 3 - RENT ADJUSTMENTS
TO LEASE AGREEMENT DATED September 12, 2012**

**BY AND BETWEEN
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA**

AND

**CORE Realty Holdings Management, Inc. as managing agent for
JAS Madison I, LLC, a California corporation**

See Article 3

**ADDENDUM 4 - WORK AGREEMENT
TO LEASE AGREEMENT DATED September 12, 2012
BY AND BETWEEN
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA**

AND

**CORE Realty Holdings Management, Inc. as managing agent for
JAS Madison I, LLC, a California corporation**

WORK AGREEMENT

THIS WORK AGREEMENT, dated September 12, 2012, is by and between JAS Madison I, LLC, a California corporation ("Landlord"), and, THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, a California corporation ("Tenant").

1. Definitions. The terms used in this Work Agreement shall have the meanings as defined in the Lease dated September 12, 2012, by and between Landlord and Tenant (the "Lease").
2. Tenant Improvements. Landlord shall construct all Tenant Improvements in accordance with the Plans and Specifications and the conditions of any applicable governmental approval. Tenant Improvements must satisfy the State Building Code and Federal Americans with Disabilities Act.
3. Construction Plans, Landlord Review, Estimated Costs, Changes and Delay:
 - a. Landlord, for Tenant's approval, which approval shall not be unreasonably withheld, shall provide the complete and detailed proposed Plans and Specifications for the Premises the design of which shall conform to Tenant's approved program for use of the Premises as summarized in the attached Exhibit A. Landlord shall submit the proposed Plans and Specifications to Tenant on or before (TBD), 2012.
 - b. Tenant shall provide Landlord with written notice of its approval or disapproval of the Plans and Specifications within ten (10) business days after receipt of such Plans and Specifications from Landlord. If Tenant disapproves the Plans and Specifications, Tenant shall notify Landlord thereof within the ten (10) business day period of any matters as to which the Plans and Specifications fail to conform to Tenant's construction requirements or otherwise fail to meet with Tenant's reasonable approval. Landlord shall also provide to Tenant an estimate of the costs for completion of the work required by the Plans and Specifications ("Work"), and a schedule for the Work showing principle milestones and the estimated date of completion.
 - c. Prior to commencement of any Work by Landlord, Tenant shall have approved, by notice to Landlord, Landlord's estimate of the cost of completing such Work. Tenant shall approve or disapprove such estimates within five (5) business days of receipt. Landlord shall competitively bid the tenant improvement work and shall obtain no less than three (3) bids.
 - d. Construction shall commence in accordance with Article 8 of the Lease.

- e. During construction Landlord and Tenant's Representative (as defined below) shall confer periodically regarding the progress of the Work and the approximate cost of the Work completed and the estimated total cost of the Work. Tenant's Representative may request changes, modifications or alterations to the Plans and Specifications by written change order delivered to Landlord, but no such change shall be made without the written approval of Landlord, which approval shall not be unreasonably withheld. Landlord shall approve or deny each Tenant change order within two (2) business days, and Landlord shall also provide to Tenant's designated representative, Richard Azar, or such other person substituted for Richard Azar ("Tenant's Representative"), by written notice to Landlord, with an estimate of the maximum cost of each change order within five (5) business days after the delivery of the change order to Landlord. No Work based upon a change order shall be undertaken unless and until Tenant's Representative shall have approved (by notice to Landlord) Landlord's cost estimate.
- f. If Landlord determines that a change proposed by Tenant will delay completion of the construction beyond the period allocated for such construction in Article 8 of the Lease, Landlord shall, within one (1) business day, notify Tenant's representative of the estimated length of delay caused by Tenant's request. Tenant's Representative shall advise Landlord within one (1) business day after receipt of such notice as to whether Landlord shall proceed with requested change, modification or alteration. Landlord shall not make the requested change to the Plans and Specifications without Tenant's approval of any proposed time extensions.
- g. If Landlord requests that Tenant clarify or refine the Plans and Specifications, then Tenant's Representative shall meet with Landlord for the purpose of clarifying or refining the Plans and Specifications within two (2) business days after Tenant's receipt of Landlord's request therefor. No such clarification or refinement shall be deemed to be a change order.
- h. If Landlord determines that the Plans and Specifications must be changed as a result of omissions or errors in the Plans and Specifications, then Landlord shall, at Landlord's cost, prepare and submit to Tenant revised Plans and Specifications correcting any such omission or error. Tenant shall approve or disapprove such revised Plans and Specifications within two (2) business days after receipt and shall not unreasonably withhold its approval.

Landlord shall not be responsible for any delays in the time for completion of construction resulting from Tenant's Delay. For purposes herein, Tenant's Delay means any actual delay in the completion of the construction of the Tenant Improvements that may arise solely as a result of: (i) Tenant's failure to comply with its obligations set forth in subsections (b), (c), (f), (g), and (h), above, within the time specified; (ii) any change made after notification to Tenant that a change will delay completion of the construction as provided in subsection (f) or (h), above; or (iii) extra time required to obtain any long lead items specified by Tenant. For purposes herein, an item shall be considered a long-lead item if Landlord notifies Tenant within ten (10) business days after receipt of Tenant's approval of the Plans and Specifications that such item is not readily available or readily installable after the same is requested by Tenant.

- 4. Approval of Plans by Public Authorities. Landlord shall obtain approval of the Plans and Specifications for the Premises from all appropriate government agencies, and a copy of the Plans and Specifications, as approved, shall be dated and initialed by both Landlord and Tenant. Landlord shall exercise due diligence in obtaining any such approval.

5. Quality of Work. All Work performed hereunder shall be done in a good and workmanlike manner, free from faults and defects and in accordance with the Plans and Specifications. All materials and equipment installed in the Tenant Improvements shall be new unless otherwise specified in the Plans and Specifications.
6. Acceptance of Premises. At any time during the construction of the Tenant Improvements, Tenant may reject any Work that does not conform to the Plans and Specifications. Within ten (10) business days after Landlord delivers to Tenant a list of Work items remaining to be done or corrected and notifies Tenant that the Tenant Improvements are ready for inspection by Tenant's Representative pursuant to Article 8 of the Lease, Tenant shall deliver to Landlord a list of items that Tenant shall have reasonably determined that Landlord must complete or correct prior to Tenant's acceptance of possession in order for the Work to conform to the Plans and specifications. Landlord shall immediately commence to complete or correct the items listed by Tenant, except those it contends are not justified. If Tenant fails to deliver such a list within the ten (10) business day period, Tenant shall be deemed to have accepted the Premises subject to completion of the corrections on Landlord's list of corrections and, other than as provided for in Article 8 of the Lease, to have approved the construction. Failure of Landlord and Tenant to agree on the items to be corrected or completed within thirty (30) days after Tenant delivers its list of items shall entitle Tenant to initiate arbitration to be conducted pursuant to the Construction Industry Arbitration Rules of the American Arbitration Association, and judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction.
7. Tenant's Access During Construction. Tenant and its agents and contractors shall have access to the Premises during the construction of the Tenant Improvements for activities and purposes related to construction of the Premises or preparation of the Premises for occupancy. Landlord shall provide to Tenant, at the earliest practicable time but in no event later than thirty (30) business days prior to the date of Substantial Completion, Landlord's best estimate of the date of Substantial Completion. Tenant may, beginning five (5) business days prior to Landlord's best estimate of the date of Substantial Completion, enter the Premises for the purpose of installing furniture, fixtures, and equipment. Tenant's representatives on the Premises during construction shall cooperate with Landlord's contractor and not delay in any way the performance by Landlord's contractor or Landlord's representatives of any Work (including but not limited to the construction of Tenant Improvements). Notwithstanding the foregoing, so long as it does not interfere with the Work, Tenant may enter the Premises upon full execution of the lease in order to install Tenant's cabling.
8. Notices. All notices required or permitted hereunder shall be in writing and shall be delivered as follows:
- (a) If to Tenant, to: 10920 Wilshire Boulevard, #810
Los Angeles, CA 90024
- Attention: UCLA Real Estate
with a copy to: _____
- (b) If to Landlord, to: JAS Madison I, LLC, a California corporation
c/o CORE Realty Holdings Management, Inc
1600 Dove Street, #450
Newport Beach, CA 92660

Attn: Nels P. Billsten

- 9. Notice of Non-Responsibility. Landlord may post such notices of non-responsibility as it reasonably deems appropriate in the Premises during the construction provided for herein.
- 10. Responsibility for Damage. If Tenant installs equipment in the Premises prior to completion of the Work hereunder, Tenant shall bear the risk of loss to such equipment other than as a result of negligence or willful misconduct by Landlord, its agent or contractors.

IN WITNESS WHEREOF, the parties have executed this Work Agreement as of the date first above written.

TENANT: _____

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

By: _____

Its: _____

LANDLORD:

CORE Realty Holdings Management, Inc. as managing agent for
JAS Madison I, LLC, a California corporation

By: _____

Its: _____

