

LEASE AGREEMENT NO. 13,753

THIS LEASE ("Lease") is made as of the 4th day of April, 198⁹, by and between the PASADENA SURPLUS PROPERTY AUTHORITY, a public body, corporate and politic ("Landlord"), and the WESTERN JUSTICE CENTER, a California non-profit corporation ("Tenant").

1. Premises.

1.1. Demise of Premises. Landlord hereby leases to Tenant, and Tenant leases from Landlord, for the term, at the rental, and upon all of the conditions set forth herein, that certain real property situated in the County of Los Angeles, State of California, commonly known as 55-85 South Grand Avenue, Pasadena, California, which real property is more fully described in Exhibit A attached hereto and incorporated herein by this reference. Said real property, including the land and all improvements thereon, is herein called "the Premises."

1.2. Relationship of the Parties. Landlord is entering into this Lease as a means of benefiting the citizens of the City of Pasadena (the "City") and its environs through a center for the study of dispute resolution and the administration of justice, to provide additional employment and revenues to the local economy, to provide for improvements in both the local, regional, national, and international components of the legal system, and to provide a forum for educational research. Landlord is also entering into this Lease for the purpose of insuring the restoration and historic preservation of the Premises. A detailed copy of Landlord's goals is attached in the Plan of Public Use for Surplus Property attached hereto as Exhibit B. Tenant is entering into this Lease, rather than directly purchasing the Premises, because the Tenant does not qualify as an organization eligible to purchase the Premises. It is the intent that neither Landlord nor the City of Pasadena shall be required to contribute general funds to the acquisition, restoration or renovation of the Premises, but nothing contained herein shall be construed as prohibiting or restricting the City against assisting Tenant in applying to third parties for grants of funds to be used for restoring the Premises. This Lease is not entered into as a commercial transaction by either party, but Landlord wants to ensure that its goals are met, that the operations of Tenant do not constitute a nuisance or otherwise disturb the neighborhood, and that the Premises are properly maintained and protected.

2. Term.

2.1. Term. The term of this Lease shall be for fifty-five (55) years, commencing on the date Landlord tenders possession of the Premises to Tenant pursuant to Exhibit C, attached hereto (the "Commencement Date"), and ending fifty-five (55) years

thereafter, unless sooner terminated pursuant to any provision hereof.

2.2. Delay. It is acknowledged Landlord does not presently own the Premises, but Landlord is offering to purchase the Premises from the General Services Administration (the "GSA"). If Landlord is unable to deliver to Tenant possession of the Premises by December 31, 1989, Landlord shall not be liable for any damage caused thereby. In such event, this Lease shall not be void or voidable, provided that possession is tendered to Tenant December 31, 1989; subject to further extensions aggregating no more than ninety (90) days due to acts of God, war, labor strikes, and other occurrences beyond the control of Landlord, plus any period of time due to delays caused by Tenant. In the event of such late delivery of the Premises, the commencement of the term of this Lease shall be postponed by the length of such delay in delivering possession, and the liability of Tenant for rent (other than the initial payment under Section 3.1) shall be postponed until the newly determined Commencement Date. In the event that Landlord has not tendered possession to Tenant within the period in which such delay is excused as set forth herein, this Lease shall be voidable without further obligation at the option of either party upon written notice to the other party. In the event either party elects to void the Lease under this Section 2.2, the initial rental payment provided in Section 3 shall be returned to Tenant by the Landlord.

2.3. Option to Extend Term. Tenant shall have one (1) option to extend the term of this Lease for a period of forty-four (44) years. This extension option shall be personal to Tenant and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than Tenant unless Landlord specifically consents to such assignment; the option herein granted to Tenant shall not be assignable separate and apart from this Lease. Tenant may exercise this option by delivering written notice thereof to Landlord at least ten (10) days prior to the expiration of the initial 55 year term of this Lease.

3. Rent.

3.1. Rent. Tenant covenants to pay to Landlord during the term hereof, at Landlord's address set forth in Section 24 hereof or to such other persons or at such other places as directed from time to time by written notice to Tenant from Landlord, a rental sufficient to reimburse Landlord and pay all out-of-pocket costs and expenses (including the purchase price) arising from Landlord's acquisition of the Premises from the GSA. The Landlord is contemporaneously herewith entering into an agreement to purchase the Premises from the General Services Administration for the total purchase price of \$412,000, payable by an initial down payment of \$82,400.00, and the balance due in equal

quarterly installments of principal and interest, over a term of ten (10) years, with interest at a rate thereon being equal to the yield rate on ten (10) year Treasury maturities as reported by the Federal Reserve Board in "Federal Reserve Statistical Release H.15" plus 1-1/2 percentage points, rounded to the nearest 1/8%, as of the date of acceptance of the City's offer to purchase the Premises from the GSA. This latter sum shall be evidenced by a promissory note (the "Note") to the GSA. Accordingly, Tenant shall pay the Landlord rent as follows:

3.1.1. Tenant shall deliver to Landlord upon execution of this Lease an initial payment of rent in the sum of \$82,400, which is not to be attributable to any period of time for Tenant's use of the Premises, but is consideration for this Lease.

3.1.2. In addition, within 30 days after receipt of an invoice therefor, Tenant shall pay to Landlord as additional rent (i) all out-of-pocket costs and expenses (other than legal fees) incurred by Landlord in acquiring the Premises, obtaining the extension of credit described in Section 3.1 hereof for acquiring the Premises, and preparing and entering into this Lease, including but not limited to closing fees and costs, and (ii) all costs and expenses incurred by Landlord in holding the Premises for the period from the Landlord's acquisition of possession of the Premises through the Commencement Date, including but not limited to maintenance, utility and security costs, plus any additional sums paid to the GSA.

3.1.3. Tenant shall deliver additional payments of rent to the Landlord quarterly, within thirty (30) days prior to the due date of any installment of principal and interest on the Note to the GSA, in the amount of the next following payment due on the Note, until such time as the obligation to the GSA has been paid in full.

3.1.4. Tenant shall deliver to the Landlord from time to time, within thirty (30) days after receipt of demand therefor, additional rent equal to all out-of-pocket costs and expenses incurred by Landlord in supervising this Lease and in monitoring the Premises, and all sums advanced by Landlord on behalf of Tenant where such sums are required hereunder to be expended by Tenant but Tenant failed to do so. No cost for general overhead or employee salaries of Landlord or City shall be included in such additional rent.

All rent shall be payable in lawful money of the United States to Landlord at the address stated herein or to such other persons or at such other places as Landlord may designate in writing.

3.2. **Special Net Lease.** This Lease is what is commonly called a "Net, Net, Net Lease," it being understood that Landlord shall receive the rent set forth in Section 3.1 free and clear of any and all other impositions, taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership and operation of the Premises. In addition to the rent set forth in Section 3.1, Tenant shall pay to the respective entities entitled thereto all taxes, impositions, insurance premiums, operating charges, maintenance charges, construction costs, and any other charges, costs and expenses which arise in connection with the use or occupancy of the Premises or which may be contemplated under any provisions of this Lease during the term hereof. If any such charges, costs and expenses shall constitute a lien or charge against the Premises, or if any such fees, charges, costs or expenses are customary fees imposed from time to time on the general public by the City, then such fees, charges, costs or expenses shall constitute additional rent, and upon the failure of Tenant to pay any of such fees, costs, charges or expenses, Landlord shall have the same rights and remedies as otherwise provided in this Lease for the failure of Tenant to pay rent. It is the intention of the parties hereto that Tenant shall not be entitled to any offset, abatement of, or reduction in any rent payable under this Lease, except as herein expressly provided. Any present or future law to the contrary shall not alter this agreement of the parties.

4. **Quiet Possession.** Upon Tenant paying the rent and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the term hereof subject to all of the provisions of this Lease.

5. **Use.**

5.1. **Use.** The Premises shall be used and occupied by Tenant and its sublessees only for the purposes described in the Plan of Public Use for Surplus Property, including but not limited to the following non-profit law related functions: (i) operation of a center for the study of the following matters: alternative dispute resolution, administration of justice, delivery of legal services, and other legally oriented issues; (ii) providing space to non-profit entities for legal seminars, meetings, conferences, hearing rooms, deposition rooms, arbitration rooms, law library, research space; (iii) residential and office facilities for legal researchers and scholars and ancillary services such as dining facilities; and (iv) for subleasing portions of the Premises to tax exempt organizations providing law related services, and for no other purposes whatsoever. Tenant is expressly prohibited from leasing the Premises or any portion thereof to lawyers offering legal services for profit or allowing the Premises or any portion thereof to be used for any for profit activities. Tenant shall continuously during the term of this Lease following

completion of all Tenant Improvements (as herein defined) use the Premises for these purposes during ordinary business hours. Nothing herein precludes Tenant from using the Premises for community meetings and other purposes during non-business hours.

5.2. Compliance with Law. Tenant shall, at Tenant's expense, comply promptly with all applicable statutes, ordinances, rules, regulations, orders, covenants and restrictions of record, and requirements of any governmental authority in effect during the term hereof, regulating the use by Tenant of the Premises. If any bureau, department or official of the state, county or city government or any governmental authority having jurisdiction, requires in the exercise of its valid authority that any changes, modifications, replacements, alterations, or additional equipment be made or supplied in or to any portion of the Premises by reason of Tenant's use thereof, or the location of partitions, trade fixtures, or other contents of the Premises, Tenant shall, at Tenant's cost and expense, make and supply such changes, modifications, replacements, alterations or additional equipment. Tenant shall not use nor permit the use of the Premises in any manner that will tend to create waste or a nuisance.

5.3. Condition of Premises.

5.3.1. Tenant hereby accepts the Premises in their condition existing as of the Commencement Date or the date that Tenant takes possession of the Premises, whichever is earlier, subject to all applicable municipal, county and state laws, ordinances and regulations governing and regulating the use of the Premises, and any covenants, conditions, or restrictions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Tenant acknowledges that Landlord has not made any representation or warranty, express or implied, as to the condition of the Premises, their fitness for any purpose, the presence or absence of any hazardous substances at the Premises, or the present or future suitability of the Premises for Tenant's use thereof. Tenant has had a full, reasonable opportunity to study and investigate the Premises and Tenant accepts the Premises in their "as-is" condition. Tenant acknowledges that Landlord shall not be receiving any net cash flow from this Lease and Tenant understands and agrees that the rent is set at this level because Tenant shall be responsible for improving the Premises to a usable condition. Landlord shall have no obligation to correct any condition or alleged defects.

5.3.2. Landlord hereby notifies Tenant of the presence of certain toxic or hazardous substances or materials in, on or about the Premises. With the exception of asbestos-containing materials, Landlord has no actual knowledge of the presence of any other hazardous substances located in, on, or under the

Premises, but, because the definition of hazardous substance is vague and broad, Landlord also notifies Tenant of the possibility of the presence of other hazardous substances in, on or about the Premises. Tenant shall perform all actions required by law (including obligations of an owner of real property), to describe to any persons of the presences of hazardous or toxic substances materials at the Premises, including disclosures required to be made to subtenants, workers, and the general public. As set forth above, Landlord makes no warranty as to the absence of any type of toxic or hazardous substances or materials, and transfers any duty to clean-up, remove, or store any such substance directly to the Tenant. Further, Landlord shall have no obligation to compensate Tenant for such acts.

5.3.3. Tenant agrees to take all action required by any federal, state, or local law to clean-up, remove, abate, and/or store any toxic or hazardous substances or materials located in, on or about the Premises and to indemnify Landlord against and hold Landlord free and harmless from any liability arising out of Tenant's failure to do so.

5.3.4. Tenant shall remove from the Premises of all asbestos and asbestos-containing materials prior to opening the Premises for business. Tenant shall obtain the services of a licensed contractor, registered with the State of California Division of Industrial Safety, to perform such abatement and any necessary monitoring activities in accordance with all federal, state, and local health and safety regulations. Tenant shall insure that the contractor make proper notification to all appropriate regulatory agencies, including the Environmental Protection Agency ("EPA"), Air Quality Management Division ("AQMD"), California Department of Health Services ("DOHS"), Cal-OSHA, and State of California Division of Industrial Safety, to the extent required by law. Tenant shall also engage the services of a qualified firm to sample air quality and monitor work site activities during the period of asbestos abatement. Landlord will obtain an EPA Site Identification Number, and will provide performance standard criteria for selection of the contractor. Landlord retains the right of review and approval of Tenant's choice of its asbestos abatement contractor and environmental testing firms, prior to Landlord's awarding contracts.

6. **Rehabilitation of the Premises.** Tenant acknowledges and agrees that the Premises require extensive reconstruction and rehabilitation. Attached hereto as Exhibit C is a schedule (the "Improvement Schedule") under which Tenant shall submit plans and proceed with constructing improvements ("Tenant Improvements") for the reconstruction and rehabilitation of the Premises. To this end, Tenant agrees that it shall construct or cause to be constructed at its sole cost and expense all Tenant Improvements on the Premises in accordance with all plans and specifications submitted by Tenant to Landlord pursuant to this Lease. Tenant

may reconstruct and rehabilitate the Premises in phases, provided the various elements are completed within the times set forth in the Improvement Schedule. Notwithstanding the foregoing, Landlord's designated staff members may approve extensions of time in the Improvement Schedule, so long as the rehabilitation of the Premises is fully completed within thirty-six (36) months after the Commencement Date of this Lease. All plans submitted hereunder shall be submitted to Landlord's and City's review bodies as required by City ordinance. Landlord shall exercise its best efforts to cause City to expedite all governmental approvals relating to the renovation of the Premises.

6.1. Historic Preservation Requirements.

Tenant acknowledges that the Premises are listed in the National Register of Historic Places, and therefore, Tenant agrees that all Tenant Improvements and other modifications, alterations and additions to the Premises shall be performed in accordance with the regulations of the Advisory Council on Historic Preservation (the "Council"), "Protection of Historic and Cultural Properties" (36 C.F.R. Part 800), the California State Historic Preservation Officer ("SHPO"), and the National Historic Preservation Act of 1966, as amended (16 U.S.C. Sec. 470f). Tenant further agrees to the following covenants, and agrees to be bound to these covenants, restrictions and limitations.

(a) The structures on the Premises will be preserved and maintained in accordance with plans approved in writing by the California SHPO.

(b) No physical or structural changes or changes of color or surfacing will be made to the exterior of the structures on the Premises, or to architecturally or historically significant interior features, as determined by the California SHPO, without the written approval of the California SHPO.

(c) In the event of a violation of the above restrictions, GSA or the California SHPO, as well as Landlord, may institute a suit against Tenant to enjoin such violation or for damages by reason of any breach thereof.

(d) The above restrictions shall be binding on the parties hereto, their heirs, successors, and assigns in perpetuity; however, the California SHPO may, for good cause, modify or cancel any or all of the foregoing restrictions upon written application of Tenant and Landlord.

6.2. Plans, Permits and Entitlements for Use. Tenant shall apply for and pursue in a timely and diligent manner all permits and other entitlements for use which may be required by the City, the California SHPO, the Council, or any other public entity or

regulatory body, in connection with the construction of the Tenant Improvements in accordance with the Improvement Schedule.

6.3. **Basic Concept Drawings.** Tenant shall prepare and submit to the Landlord, the California SHPO, and the Council, for review and approval Basic Concept Drawings and related documents in accordance with the Improvement Schedule. The Basic Concept Drawings shall be subject to the review and approval of the Landlord, the California SHPO and the Council, and, to the extent required by local law, the City, which review and approval shall include aesthetic considerations of the Landlord and the City. The construction of the Tenant Improvements shall be as generally established in the Basic Concept Drawings except for such changes as may be mutually agreed upon by Tenant, Landlord, the California SHPO, and the Council. Approved Basic Concept Drawings will be the basis for preparation of Preliminary Drawings to initiate further detail and design features on a larger scale.

6.4. **Preliminary Drawings.** Tenant shall prepare for Landlord's, the Council's and the California SHPO's review and approval Preliminary Drawings based upon the approved Basic Concept Drawings within the time period set forth in the Improvement Schedule.

6.5. **Landscaping.** Tenant shall prepare and submit to Landlord, for Landlord's review and approval, preliminary and final Landscaping Plans for the Premises at the times established in the Improvement Schedule.

6.6. **Final Construction Drawings and Related Documents.** At the time established in the Improvement Schedule, Tenant shall prepare and submit five sets of Final Construction Drawings, including complete construction documents, site elevations, final outline specifications, and final construction cost estimate summaries, together with one set of appropriate structural computations identical to those required by the Landlord's Building and Development Services Division incident to issuance of building permits, to Landlord, for review by Landlord, the Council, the California SHPO, and other review bodies having legal authority over the Premises, for architectural review and written approval. Final Construction Drawings are hereby defined as those in sufficient detail to obtain necessary building permits. Tenant shall concurrently file duplicate copies thereof with the Landlord's Building and Development Services Division together with required applications for building permits.

6.7. **Approval of Plans.** Any items submitted to and approved by Landlord shall not be subject to subsequent disapproval. Landlord may designate any staff member of Landlord as having authority to approve or disapprove concepts, drawings and plans on behalf of Landlord. Following approval of the Basic

Concept Drawings, approval of progressively more detailed drawings and specifications will be granted by Landlord if developed as a logical evolution of the documents previously approved. Any disapproval by Landlord shall include in reasonable detail written reasons for disapproval. Tenant, upon receipt of a disapproval, shall revise such portions as are rejected and resubmit them to Landlord within thirty (30) days thereafter, and the time periods set out in the Improvement Schedule shall be tolled accordingly. Approvals shall not unreasonably be withheld.

6.8. Changes in Construction Drawings.

6.8.1. All construction of the Tenant Improvements shall in all respects be performed in compliance with the approved Final Construction Drawings. If Tenant desires to make any changes in the Final Construction Drawings and related documents after their approval by the Landlord, Tenant shall submit the proposed change to the Landlord for its approval. If approved, Landlord shall notify Tenant of such approval in writing within thirty (30) days after submission to the Landlord. Tenant, upon receipt of a disapproval shall revise such portions as are rejected and resubmit revised plans to Landlord within thirty (30) days after receipt of the disapproval notice within the time period set out in the Improvement Schedule. Nothing contained herein shall be construed as permitting Tenant to deviate from approved construction drawings.

6.9. Statement of Final Construction Costs and "As-Built Plans. Within sixty (60) days following completion of the Tenant Improvements on the Premises, Tenant shall furnish to Landlord a complete set of "As-Built" plans and an itemized statement of the actual construction costs of the Tenant Improvements.

6.10. Construction Security. Tenant shall furnish to Landlord either (i) a contractor's performance bond in an amount not less than 100% of the cost of the Tenant Improvements, and a payment bond guaranteeing the contractor's completion of the Tenant Improvements free from liens of materialmen, contractors, subcontractors, mechanics, laborers, and other similar liens; or (ii) other security acceptable to Landlord. Said bonds shall be issued by a responsible surety company, licensed to do business in California, with a financial strength and credit rating acceptable to Landlord, and shall remain in effect until the entire costs for constructing the Tenant Improvements shall have been paid in full. Any such bonds shall be in a form satisfactory to Landlord's City Attorney.

7. Maintenance, Repairs and Alterations.

7.1. Tenant's Obligations. Tenant shall keep in good order, condition and repair, (with replacement, if necessary) the

Premises and every part thereof, structural and nonstructural (whether or not such portion of the Premises requiring repair, or the means of repairing the same, are reasonably or readily accessible to Tenant and whether or not the need for such repairs occurs as a result of Tenant's use, any prior use, the elements, or the age of such portion of the Premises), including, without limiting the generality of the foregoing, all plumbing, heating, air conditioning, ventilating, ducting, electrical, lighting facilities and equipment within the Premises, fixtures, walls (interior and exterior), foundations, ceilings, roofs (interior and exterior), floors, windows, doors, plate glass and skylights located within the Premises, and all landscaping, driveways, fences and signs located on the Premises and sidewalks and parkways adjacent to the Premises.

7.2. Surrender. On the last day of the term hereof, or any sooner termination, Tenant shall surrender the Premises to Landlord in the same condition as when the Tenant Improvements were completed, clean and free of debris, ordinary wear and tear and damage by casualty excepted. Tenant shall repair any damage to the Premises occasioned by the installation or removal of Tenant's trade fixtures, furnishings and equipment. Notwithstanding anything to the contrary otherwise stated in this Lease, Tenant shall leave the ducting, power panels, electrical distribution systems, lighting fixtures, space heaters, heating and air conditioning systems, plumbing and fencing on the Premises in good operating condition.

7.3. Landlord's Obligations. Except for the obligations of Landlord set forth in Section 9 (relating to destruction) and Section 14 (relating to condemnation of the Premises) it is intended by the parties hereto that Landlord have no obligation, in any manner whatsoever, to repair and maintain the Premises nor the buildings located thereon nor the equipment therein, whether structural or non-structural, all of which obligations are intended to be that of Tenant under Section 7.1 hereof. Tenant expressly waives the benefit of any statute now or hereinafter in effect which would otherwise afford Tenant the right to make repairs at Landlord's expense or to terminate this Lease because of Landlord's failure to keep the Premises in good order, condition and repair.

7.4. Alterations and Additions.

7.4.1. After the initial construction of the Tenant Improvements, Tenant shall not, without Landlord's prior written consent make any alterations, improvements, additions, or Utility Installations in, on or about the Premises, except for repair or replacement of interior items which are not a part of the Premises' structure or systems and which cumulatively do not cost in excess of \$50,000.00 in any calendar year, which Tenant may make without Landlord's prior written consent provided Tenant

furnishes Landlord with written notice of such repairs, replacements, alterations, additions or improvements. Tenant shall make no change or alteration to the exterior of any buildings on the Premises without Landlord's prior written consent. Notwithstanding anything provided herein to the contrary, Tenant shall not make any alterations, improvements, additions or Utility Installations whatsoever that may affect architecturally or historically significant interior features, as determined by the California SHPO, without Landlord's prior written approval. As used in this Section 7.4.1, the term "Utility Installation" shall mean carpeting, window coverings, HVAC ducting, power panels, electrical distribution systems, lighting fixtures, space heaters, air conditioning, plumbing, and fencing. Landlord may require Tenant to provide Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to 100% of the estimated cost of such improvements, to insure Landlord and the Premises against any liability for mechanic's and materialmen's liens and to insure completion of the work. Should Tenant make any alterations, improvements, additions or Utility Installations without the prior approval of Landlord, Landlord may require that Tenant immediately remove any or all of the same.

7.4.2. Any alterations, improvements, additions or Utility Installations in, on, or about the Premises that Tenant shall desire to make shall be presented to Landlord in written form, with proposed detailed plans. If Landlord shall give its consent, the consent shall be deemed conditioned upon Tenant acquiring a permit to do so from appropriate governmental agencies, the furnishing of a copy thereof to Landlord prior to the commencement of the work, and the compliance by Tenant of all conditions of said permit in a prompt and expeditious manner.

7.4.3. All alterations, improvements, additions and Utility Installations (whether or not such Utility Installations constitute trade fixtures of Tenant), which may be made on the Premises, shall be the property of Tenant until the expiration or sooner termination of this Lease, at which time all such alterations, improvements, additions, and Utility Installations shall then become the property of Landlord, and they shall remain upon and be surrendered with the Premises at the expiration of the term. Notwithstanding the provisions of this Section 7.4, Tenant's furniture, fixture and equipment, other than that which is affixed to the Premises so that it cannot be removed without material damage to the Premises, shall remain the property of Tenant and may be removed by Tenant (subject to the provisions of Section 7.2.)

7.4.4. Notwithstanding anything provided herein to the contrary, Tenant shall not make any alterations or additions that may violate the terms, covenants, and restrictions of Section 6.1 of this Agreement.

7.4.5. The amount of interior, non-structural, non-systemic changes that Tenant may make in each calendar year without obtaining Landlord's prior written consent shall be increased annually in accordance with the percentage increase in the Consumer Price Index for All Urban Consumers, Los Angeles-Anaheim-Riverside Area, 1982-84=100, as prepared by the Bureau of Labor Statistics of the United States Department of Labor (the "CPI"); or if such agency shall cease to prepare such index, then any comparable index covering the Los Angeles County area prepared by any other federal or state agency which is approved by Landlord. The new amount of each calendar year shall be determined by multiplying the sum of \$50,000.00 times a fraction, the numerator of which is the CPI for the month of January of the current calendar year, and the denominator of which is the CPI for the month of January, 1989.

7.5. Mechanic's Liens

7.5.1. Tenant shall pay, when due, all claims for labor or materials furnished to or for Tenant at or for use in the Premises, which claims are or may be secured by any mechanics' or materialmen's lien against the Premises or any interest therein. Tenant further covenants and agrees that should any mechanic's lien be filed against the Premises for work claimed to have been done for, or materials claimed to have been furnished to Tenant, said lien will be discharged by Tenant, by bond or otherwise, within ten (10) days after the filing thereof, at the cost and expense of Tenant. Tenant shall give Landlord not less than ten (10) days' notice prior to the commencement of any work in the Premises, and Landlord shall have the right to post notices of non-responsibility in or on the Premises as provided by law. If Tenant shall, in good faith, contest the validity of any such lien, claim or demand, then Tenant shall, at its sole expense defend itself and Landlord against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against Landlord or the Premises, upon the condition that if Landlord shall require, Tenant shall furnish to Landlord a surety bond satisfactory to Landlord in an amount equal to such contested lien claim or demand indemnifying Landlord against liability for the same and holding the Premises free from the effect of such lien or claim. In addition, Landlord may require Tenant to pay Landlord's attorneys fees and costs in participating in such action if Landlord shall decide it is to its best interest to do so.

8. Insurance and Indemnity.

8.1. Liability Insurance.

8.1.1. Tenant shall procure at its sole cost and expense, and keep in effect from the date of this Lease and at all times until the end of the term Comprehensive Public Liability Insurance applying to the use and occupancy of the Premises, or any part thereof, and the business operated by Tenant, its sublessees, licensees, employees, agents, or any other occupant, on the Premises. Such insurance shall include Blanket Contractual Liability coverage. Such coverage shall have a minimum combined single limit of liability of at least One Million Dollars (\$1,000,000). All such policies shall be written to apply to all bodily injury, property damage, personal injury and other covered loss, however occasioned, occurring during the policy term, shall be endorsed to add Landlord and the City, their members, officers, directors, employees and agents as additional insureds, and to provide that such coverage shall be primary and that any insurance maintained by Landlord shall be excess insurance only. Such coverage shall be endorsed to waive the insurer's rights of subrogation against Landlord.

8.1.2. The Comprehensive Public Liability insurance shall be in force the first day of the term of this Lease.

8.1.3. Tenant shall also maintain Workers' Compensation insurance in accordance with California law, and an employer's liability insurance endorsement with customary limits. Any policy shall be endorsed with a waiver of subrogation clause for Landlord and the City and their directors, officers, employees, and agents.

8.1.4. All insurance described in this Section shall be endorsed to provide Landlord with 15 days' advance notice of cancellation or change in its terms.

8.1.5. If at any time during the term the amount or coverage of insurance which Tenant is required to carry under this Section is, in Landlord's reasonable judgment, materially less than the amount or type of insurance coverage typically carried by owners or lessees of properties located in Pasadena, California, which are similar to and operated for similar purposes as the Premises, Landlord shall have the right to require Tenant to increase the amount or change the types of insurance coverage required under this Section. Such requirements shall be reasonable and economically feasible and shall be designed to assure protection from and against the kind and extent of risk which exist at the time a change in insurance is required, provided that in no event shall Tenant be required to provide insurance which exceeds the product of \$1,000,000 times a fraction, the numerator of which is the CPI for the month

of January for the then current calendar year, and the denominator of which is the CPI for the month of January, 1989.

8.1.6. Landlord shall notify Tenant in writing of changes in insurance requirements and, if Tenant does not deposit certificates evidencing acceptable insurance policies with Landlord incorporating such changes within sixty (60) calendar days of receipt of such notice, this Tenant shall be in default under this Lease without the requirement of further notice to Tenant, and Landlord shall be entitled to exercise all legal remedies.

8.1.7. If Tenant fails or refuses to maintain insurance as required hereunder, or fails to provide the proof of insurance, Landlord shall have the right to declare this Lease in default without further notice to Tenant, and Landlord shall be entitled to exercise all legal remedies for breach of this Lease.

8.1.8. The procuring of such required policies of insurance shall not be construed to limit Tenant's liability hereunder, nor to fulfill the indemnification provisions and requirements of this Lease. Notwithstanding said insurance policies, Tenant shall be obligated for the full and total amount of any damage, injury, or loss caused by negligence or neglect connected with this Lease or with the use or occupancy of the Premises.

8.2. Property Insurance.

8.2.1. Tenant shall obtain and keep in force during the term of this Lease a policy of insurance covering loss or damage to the Premises, including the Tenant Improvements and all subsequent and additional improvements thereon, and all personal property of Tenant, in the amount of the full replacement value thereof, as the same may exist from time to time, but in no event less than the total amount required by lenders having liens on the Premises, against all perils included within the classification of fire, extended coverage, builder's risk, vandalism, malicious mischief. In addition, during the period from the Commencement Date until Landlord's final payment on its obligation to the GSA arising from Landlord's acquisition of the Premises, and the release of any lien in favor of the GSA, Tenant shall obtain an endorsement for earthquake and special extended perils ("all risk" as the term is used in the insurance industry), if such endorsement is available at commercially reasonable rates. Tenant shall, in addition, obtain and keep in force during the term of this Lease a policy of rental value insurance covering a period of one year, with loss payable to Landlord, which insurance shall also cover all real estate taxes and insurance costs for said period. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$10,000 per occurrence, and Tenant shall be liable for such

deductible amount. The maximum deductible amount may be increased annually to an amount determined by multiplying the original deductible (viz., \$10,000) by a fraction, the numerator of which is the CPI for the month of January for the then current calendar year, and the denominator of which is the CPI for the month of January, 1989.

8.2.2. In addition to the foregoing, Tenant shall insure its furniture, fixtures, and equipment in their full replacement value.

8.2.3. Not less often than every two and one-half (2-1/2) years during the term of this Lease, Tenant and Landlord shall agree in writing on the full replacement cost of the Premises and all improvements thereon. If, in the opinion of Landlord, the amount or type of property damage insurance coverage, or an other amount or type of insurance at that time is not adequate or not provided for herein, Tenant shall either acquire or increase the insurance coverage as required by Landlord so long as the increased or new coverage is available at commercially reasonable rates.

8.2.4. If Tenant is unable to obtain any fire and extended coverage insurance at commercially reasonable rates between the period from the Commencement Date through the date which is one (1) year thereafter, Landlord shall arrange to insure the Premises through Landlord's umbrella fire and extended coverage insurance policy during such period until the time Tenant is able to acquire its own insurance for the Premises. During the period that Landlord is making available for such insurance, Tenant shall pay to Landlord upon demand the amount of any increase in Landlord's insurance premium attributable solely to Landlord's insuring the Premises, and Tenant shall be responsible for any deductible at Tenant's sole cost and expense.

8.3. Insurance Policies.

8.3.1. If Tenant shall fail to obtain any insurance required hereunder, Landlord may, at its election, obtain such insurance and Tenant shall, as additional rent, reimburse Landlord for the cost thereof plus a ten percent (10%) handling charge, within five (5) days following demand therefor. Insurance required hereunder shall be issued by companies reasonably satisfactory to Landlord. Tenant shall deliver to Landlord copies of policies of such insurance or certificates evidencing the existence and amounts of such insurance with loss payable clauses as required by this Section 8. No such policy shall be cancellable or subject to reduction of coverage or other modification except after fifteen (15) days' prior written notice to Landlord. Tenant shall, at least thirty (30) days prior to the expiration of such policies, furnish Landlord with renewals or "binders" thereof. Tenant shall not do or permit to be done

anything which shall invalidate the insurance policies referred to in this Section 8. If Tenant does or permits to be done anything which shall increase the cost of the insurance policies referred to in Section 8, then Tenant shall forthwith upon Landlord's demand reimburse Landlord for any additional premiums attributable to any act or omission or operation of Tenant causing such increase in the cost of insurance. All policies of insurance shall name Landlord, City, and, at Landlord's option, any additional parties designated by Landlord, as an additional insured, except that during the period from the Commencement Date until the date Landlord has paid in full its obligation to the GSA, the fire and extended coverage insurance shall name Landlord as loss payee. After issuance of the final certificate of occupancy, Tenant may be named as loss payee. All insurance required to be provided hereunder is in addition to, and not in lieu of, the indemnity provisions of Section 8.5 and 8.6 hereof.

8.3.2. Tenant shall not use the Premises in any manner, even if the use is for purposes permitted herein, that will result in the cancellation of any insurance which within five (5) calendar days cannot be renewed or replaced. Tenant further agrees not to keep on the Premises or permit to be kept, used, or sold thereon, anything prohibited by any fire or other insurance policy covering the Premises. Tenant shall, at Tenant's sole cost and expense, comply with any and all requirements, in regard to the Premises, of any insurance organization necessary for maintaining fire and extended coverage insurance.

8.4. **Waiver of Subrogation.** Tenant and Landlord each hereby release and relieve the other, and waive their entire right of recovery against the other for loss or damage arising out of or incident to the perils insured against under Section 8.2, which perils occur in, on, or about the Premises, whether due to the negligence of Landlord or Tenant or their agents, employees, contractors and/or invitees. Tenant and Landlord shall, upon obtaining the policies of insurance required hereunder, give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease.

8.5. **Indemnity.** Tenant shall indemnify, defend, protect, and hold harmless Landlord from and against any and all claims, losses, proceedings, damages, causes of action, liability, costs and expenses, (including attorneys' fees) arising from or in connection with, or caused by (i) any act, omission or negligence of Tenant or any sublessee of Tenant, or their respective contractors, licensees, invitees, agents, servants or employees, wheresoever the same may occur; (ii) any use of the Premises, or any accident, injury, death or damage to any person or property occurring in, on or about the Premises, or any part thereof, or from the conduct of Tenant's business or from any activity, work or thing done, permitted or suffered by Tenant or its sublessees,

contractors, employees, or invitees, in or about the Premises or elsewhere (other than arising as a result of Landlord's gross negligence or intentional misconduct); and (iii) any breach or default in the performance of any obligations on Tenant's part to be performed under the terms of this Lease, or arising from any negligence of Tenant, or any such claim or any action or proceeding brought thereon; and in case any action or proceeding be brought against Landlord by reason of any such claim, Tenant upon notice from Landlord shall defend the same at Tenant's expense by counsel satisfactory to Landlord. Tenant, as a material part of the consideration to Landlord, hereby assumes all risk of damage to property or injury to persons in, upon or about the Premises arising from any cause other than Landlord's gross negligence or intentional acts, and Tenant hereby waives all claims in respect thereof against Landlord. These provisions are in addition to, and not in lieu of, the insurance required to be provided by Sections 8.1, 8.2 and 8.3 hereof.

8.6. Exemption of Landlord from Liability. Tenant hereby assumes all risks and liabilities of a landowner in the possession, use or operation of the Premises. Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business or any loss of income therefrom or for damage to the goods, wares, merchandise or other property of Tenant, Tenant's employees, invitees, customers, contractors, workers, or any other person in or about the Premises, including any liability arising from the physical condition of the Premises or the presence of any hazardous or toxic materials or substances on the Premises, nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents or contractors, whether such damage or injury is caused by or results from hazardous or toxic materials or substances, fire, steam, electricity, gas, water, or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether the said damage or injury results from conditions arising upon the Premises or from other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Tenant. These provisions are in addition to, and not in lieu of, the insurance required to be provided by Sections 8.1, 8.2 and 8.3 hereof. Nothing contained herein shall be construed as excusing Landlord from liability for its gross negligence or intentional misconduct.

9. Damage or Destruction.

9.1. Obligation to Rebuild. If some or all of the improvements constituting a part of the Premises or the Premises itself are damaged or destroyed, partially or totally, from any cause whatsoever, then Tenant shall repair, restore and rebuild the Premises, to the extent of available insurance proceeds plus the sum of the applicable deductible under any policy of

insurance hereunder, to its condition and to the design standards existing immediately prior to such damage or destruction, and this Lease shall remain in full force and effect. Such repair, restoration and rebuilding (all of which are herein called "repair") shall be commenced within a reasonable time after such damage or destruction has occurred and shall be diligently pursued to completion.

9.2. Total Destruction of the Premises. Notwithstanding anything provided herein to the contrary, in the event the improvements constituting the Premises are damaged or destroyed by any casualty and the cost of repairing and restoring the Premises exceeds 50% of the replacement cost of the improvements constituting the Premises, or if the Premises cannot be repaired, restored or rebuilt to a usable condition with the available insurance proceeds plus the sum of the applicable deductible, then Tenant shall have the option of terminating this Lease as of the date of such damage. Any election to terminate this Lease under such circumstances must be made in writing, and delivered to Landlord within sixty (60) days after the date of occurrence of such damage or destruction. In the event of any such termination, all insurance proceeds shall be paid to Landlord and may be retained by Landlord, and Tenant shall have no further claim on such insurance proceeds, nor shall Landlord have any claim against Tenant for the repair, restoration or rebuilding of the Premises.

9.3. Insurance Proceeds. If Landlord has received the insurance proceeds, the proceeds of any insurance maintained under Section 8.2 hereof shall be made available to Tenant for payment of costs and expense of repair, provided however, that such proceeds may be made available to Tenant subject to reasonable conditions, including, but not limited to architect's certification of cost, retention of percentage of such proceeds pending recordation of a notice of completion, and a lien and completion bond to insure against mechanic's or materialmen's liens arising out of the repair, and to insure completion of the repair, all at the expense of Tenant. Regardless of whether Landlord or Tenant is the loss payee, if the insurance proceeds are not made available to Tenant within 120 days after such damage or destruction, unless the amount of insurance coverage is in dispute with the insurance carrier, Tenant shall have the option for 30 days commencing on the expiration of such 120 day period, of cancelling this Lease. If Tenant shall exercise such option, Tenant shall have no further obligation hereunder and shall have no claim against Landlord. Tenant, in order to exercise said option, shall exercise said option by giving written notice to Landlord within said 30 day period, time being of the essence.

9.4. Damage Near End of Term. If at any time during the last twelve (12) months of the term of this Lease there is damage

to the Premises of any amount, either party may cancel and terminate this Lease as of the date of occurrence of such damage by giving written notice to the other party of such party's election to do so within thirty (30) days after the date of occurrence of such damage; provided, however, this Lease shall not be terminated if the casualty occurs during the initial 55 year term hereof and if Tenant exercises its option to extend the term hereof prior to the expiration of such thirty (30) day period, provided Tenant is entitled to exercise such option pursuant to the provisions of Section 2.3 hereof.

9.5. Abatement of Rent; Tenant's Remedies. Notwithstanding the partial or total destruction of the Premises and any part thereof, and notwithstanding whether the casualty is insured or not, there shall be no abatement of rent or of any other obligation of Tenant hereunder by reason of such damage or destruction unless the Lease is terminated by virtue of any other provision of this Lease.

9.6. Waiver. Landlord and Tenant waive the provisions of any statutes which relate to termination of leases when leased property is destroyed and agree that such event shall be governed by the terms of this Lease.

10. Real Property Taxes.

10.1. Payment of Taxes. Tenant shall pay the real property tax, if any, as defined in Section 10.2, applicable to the Premises during the term of this Lease. All such payments shall be made at least thirty (30) days prior to the delinquency date of such payment. Tenant shall promptly furnish Landlord with satisfactory evidence that such taxes have been paid. If any such taxes paid by Tenant shall cover any period of time prior to or after the expiration of the term hereof, Tenant's share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal year during which this Lease shall be in effect, and Landlord shall reimburse Tenant to the extent required. If Tenant shall fail to pay any such taxes, Landlord shall have the right to pay the same, in which case Tenant shall repay such amount to Landlord within ten (10) days after receipt of an invoice therefor.

10.2. Definition of "Real Property Tax." As used herein, the term "real property tax" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any possessory interest tax, license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed on the Premises by an authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable

interest of Landlord in the Premises or in the real property of which the Premises are a part, or as against Landlord's right to rent or other income therefrom. The term "real property tax" shall also include any tax, fee, levy, assessment or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge hereinabove included within the definition of "real property tax," or (ii) the nature of which was hereinbefore included within the definition of "real property tax," or (iii) which is imposed for a service or right not charged prior to June 1, 1978, or, if previously charged, has been increased since June 1, 1978, or (iv) which is imposed as a result of a tax or charge hereinbefore included within the definition of real property tax by reason of such transfer, or (v) which is imposed by reason of this transaction, any modifications or changes hereto, or any transfers hereof.

10.3. Joint Assessment. If the Premises are not separately assessed, Tenant's liability shall be an equitable proportion of the real property taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Landlord from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Landlord's reasonable determination thereof, in good faith, shall be conclusive.

10.4. Personal Property Taxes.

10.4.1. Tenant shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Tenant contained in the Premises or elsewhere. When possible, Tenant shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Landlord.

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

11. Utilities. Tenant shall pay for all electricity, water, gas, heat, light, power, telephone, cable television, and other utilities and services supplied to the Premises, together with any taxes thereon.

12. Assignment and Subletting.

12.1. **Assignment.** Tenant shall not either voluntarily, or by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Lease or any interest therein, or any right or privilege appurtenant thereto, without first obtaining the written consent of Landlord. A consent to one assignment, occupation or use by any other person shall not be deemed to be a consent to any subsequent assignment. Consent to any such assignment shall in no way relieve Tenant of any liability under this Lease. The acceptance of rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision hereof. In the event of default by any assignee of Tenant in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against said assignee or sublessee. Landlord may consent to subsequent assignments of this Lease or amendments or modifications of this Lease with assignees of Tenant, without notifying Tenant, or any successor of Tenant, and without obtaining Tenant's or its successor's consent thereto and such action shall not relieve Tenant of liability under this Lease. Any dissolution, merger, consolidation, or other reorganization of Tenant, other than a transfer of the controlling interest to the members of the immediate family of such controlling persons, or a transfer of the controlling interest to an inter vivos trust in which such controlling person is the trustee of the trust, or the sale or other transfer of substantially all of the assets of Tenant, shall be deemed an assignment of this Lease. If any successor of Tenant is a partnership, a transfer of any interest of a general partner or a withdrawal of any general partner from the partnership which changes the controlling ownership of the partnership, or the dissolution of the partnership, shall be deemed to be an assignment of this Lease. Any such assignment without such consent shall be void, and shall, at the option of the Landlord, constitute a default under the terms of this Lease.

12.2. **Subletting.** Tenant may sublease portions of the Premises without obtaining Landlord's consent provided the sublease complies with the following terms:

12.2.1. The sublease executed by the sublessee shall be in a form of sublease agreement previously approved by Landlord; provided, however, after Landlord approves the sublease form, Landlord's designated staff and employees may approve modifications to the form;

12.2.2. No sublease of the Premises or portion thereof shall be for a period of less than one (1) year nor shall any sublease extend beyond the expiration date of the term hereof, except for subleases to visiting scholars or subleases for research project uses, in which event the sublease term may be for any reasonable period;

12.2.3. All subleases shall provide for the sublessee to purchase the same liability insurance in the same amounts as required in this Lease;

12.2.4. All subleases shall provide for the sublessees to release Landlord herein from all liability concerning the condition and use of the Premises, and to look solely to Tenant herein in the event of any claim or cause of action concerning the Premises;

12.2.5. All subleases shall include indemnification provisions by the sublessee in favor of Landlord hereunder, to the same extent as set forth in this Lease;

12.2.6. Each sublease shall contain a provision, satisfactory to Landlord, requiring the sublessee to attorn to Landlord and acknowledging that such attornment may be terminated by Landlord without cause upon 30 days' written notice given at any time after the date of termination of this Lease;

12.2.7. Each sublease shall contain an express acknowledgment and agreement by the sublessee that in the event the sublessee is required to attorn as provided above, or otherwise permitted to attorn, not more than two (2) months' rent (including security deposits) theretofore actually prepaid by the sublessee to Tenant will be recognized or allowed as a credit against any rent or other sums which the person to whom the sublessee attorns is entitled to receive or recover;

12.2.8. No Sublessee shall use the subleased premises for a purpose other than a use permitted by this Lease; and

12.2.9. Tenant shall, promptly after execution of each sublease or amendment thereto, notify Landlord of such execution and of the name and mailing address of the sublessee and shall provide Landlord with a copy of the sublease or amendment.

12.3. **Additional Terms.** The foregoing is not intended to imply any waiver or Landlord's reservation of the absolute right to disapprove assignments or subleases for uses that differ in any respect from the use expressly permitted in Section 5 of Lease. Landlord also agrees not to unreasonably withhold consent to a sublease of the entire Premises to a non-profit corporation that will issue tax-exempt Certificates of Participation that will be used to finance the payment of rent and construction of the Tenant Improvements. No assignment or subletting by Tenant shall relieve Tenant of any obligation to be performed by Tenant under this Lease, whether occurring before or after such consent, assignment or subletting. No assignment shall be binding on Landlord unless such assignee shall deliver to Landlord a

counterpart of such assignment (and any related collateral agreement) and an instrument in recordable form which contains a covenant of assumption by the assignee satisfactory in substance and form to Landlord. The failure or refusal of the assignee to execute such an instrument of assumption shall not waive, release or discharge the assignee from its liability.

12.4. Assignment as a Result of Tenant's Bankruptcy.

12.4.1. In the event this Lease is assigned to any person or entity pursuant to provisions of the Bankruptcy Code, 11 USC Section 101, et seq., (the "Bankruptcy Code"), any and all monies or other consideration payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord, shall remain the exclusive property of Landlord, and shall not constitute property of Tenant or of the estate of Tenant within the meaning of the Bankruptcy Code. Any and all monies or other consideration constituting Landlord's property under the preceding sentence not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and promptly be paid to or turned over to Landlord.

12.4.2. If Tenant, pursuant to this Lease, proposes to assign the same pursuant to the provisions of the Bankruptcy Code, to any person or entity who shall have made a bona fide offer to accept an assignment of this Lease on terms acceptable to Landlord, then notice of the proposed assignment setting forth (i) the name and address of such person (ii) all of the terms and conditions of such offer, and (iii) the assurances referred to in Section 365(b) and 365(f) of the Bankruptcy Code, shall be given to the Landlord by Tenant no later than twenty (20) days after receipt of such offer by Tenant, but in any event no later than ten (10) days prior to the date that Tenant shall make application to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and Landlord shall thereupon have the prior right and option, to be exercised by notice to Tenant given at any time prior to the effective date of such proposed assignment, to accept an assignment of this Lease upon the same terms and conditions and for same consideration, if any, as the bona fide offer made by such person, less any brokerage commissions which may be payable out of the consideration to be paid such person for the assignment of this Lease.

12.4.3. Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on or after the date of such assignment. Any such assignee shall, upon demand, execute and deliver to Landlord an instrument confirming such assumption.

12.4.4. The following factors may be considered by the

Landlord as necessary in order to determine whether or not the proposed assignee has furnished Landlord with adequate assurance of its ability to perform the obligations of this Lease:

12.4.4.1. The adequacy of a security deposit.

12.4.4.2. Net worth and other financial elements of the proposed assignee.

12.4.5. In the event Landlord rejects the proposed assignee, the rights and obligations of the parties hereto shall continue to be governed by the terms of this Lease, and Tenant shall have all the rights of a tenant under applicable state law.

12.5. **Assignment by Landlord.** During the term of this Lease, Landlord agrees not to encumber the Premises except as herein provided to the GSA, nor to assign its interest herein to any entity that is not affiliated with the City of Pasadena, without Tenant's prior written consent.

13. Defaults and Remedies.

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

13.1.1. The vacating or abandonment of the Premises by Tenant.

13.1.2. The failure by Tenant to make any payment of rent or any payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of five (5) days after written notice thereof from Landlord to Tenant. In the event that Landlord serves Tenant with a three-day notice to pay rent or quit pursuant to California Code of Civil Procedure 1161, or any successor unlawful detainer statute, such notice to pay rent or quit shall also constitute the notice required by this subparagraph.

13.1.3. The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant, other than described in paragraph 3.1.2 above, where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant; provided, however that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commenced such cure within said 30-day period and thereafter diligently prosecutes such cure to completion.

13.1.4. (i) The making by Tenant of any general

arrangement or assignment for the benefit of creditor;
(ii) Tenant becomes a "debtor" as defined in 11 U.S.C. §101 or any successor statute thereto (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days. Provided, however, in the event that any provision of this Section 13.1.4 is contrary to any applicable law, such provision shall be of no force or effect.

13.1.5. The discovery by Landlord that any financial statement given to Landlord by Tenant, any assignee of Tenant, any successor in interest of Tenant or any guarantor of Tenant's obligations hereunder, or any of them, was materially false.

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

13.2.1. Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default including, but not limited to, the cost of recovering possession of the Premises; expenses of reletting, including reasonable attorney's fees, and any real estate commission actually paid in connection with such reletting; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid rent for the balance of the term after the time of such award exceeds the amount of such rental loss for the same period that Tenant proves could reasonably be avoided.

13.2.2. Maintain Tenant's right to possession in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In such event Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder. For the purposes of this Section 13.2.2, Landlord shall not unreasonably withhold consent to a subletting of the Premises, under the terms set forth in Section 12.3 hereof. For purposes of this Section 13.2.2, the following acts by Landlord shall not constitute a termination of Tenant's right to possession: (i) acts of maintenance or preservation or

efforts to relet the Premises; or (ii) the appointment of a receiver under the initiative of Landlord to protect Landlord's interest under this Lease.

13.2.3. Pursue any other remedy now or hereafter available to Landlord under the laws of judicial decisions of the State of California. Unpaid installments of rent and other unpaid monetary obligations of Tenant under the terms of this Lease shall bear interest from the date due at the maximum rate then allowable by law.

13.3. Landlord's Right to Cure Tenant's Defaults. All covenants and agreements to be performed by Tenant under any of the terms of the Lease shall be at Tenant's sole cost and expense and, except as otherwise specifically provided herein, without any abatement of rent. If Tenant shall fail to pay any sum of money, other than rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for ten (10) days after notice thereof by Landlord, Landlord may, but shall not be obligated so to do, and without waiving any rights of Landlord or releasing Tenant from any obligations of Tenant hereunder, make such payment or enter onto the Premises and perform such other act on Tenant's behalf and at Tenant's cost as Landlord deems necessary. All sums so paid by Landlord and all such necessary incidental costs together with interest thereon from the date of such payment by Landlord in connection with the performance of any such act by Landlord shall be considered additional rent hereunder. Except as otherwise in this Lease expressly provided, such rent shall be payable to Landlord on demand, or at the option of Landlord, in such installments as Landlord may elect and may be added to any other rent then due or thereafter becoming due under this Lease, and Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of the nonpayment thereof by Tenant as in the case of default by Tenant in the payment of any other rent due hereunder.

13.4. Default by Landlord. Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord 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 obligation; provided, however, that 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 30-day period and thereafter diligently prosecutes the same to completion. However, until the date that Landlord's obligation to the GSA under the Note for the purchase price of the Premises has been paid in full, Tenant shall not be entitled to terminate this Lease by reason of Landlord's default and Tenant's remedies shall be limited to an

action for monetary damages at law.

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

13.6. Impounds. In the event that a late charge is payable hereunder, whether or not collected, for three (3) installments of Rent or any other monetary obligation of Tenant under the terms of this Lease, Tenant shall pay to Landlord, if Landlord shall so request, in addition to any other payments required under this Lease, an advance installment, payable monthly, as estimated by Landlord, for real property tax and insurance expenses on the Premises which are payable by Tenant under the terms of this Lease. Such fund shall be established to insure payment when due, before delinquency, of any or all such real property taxes and insurance premiums. If the amounts paid to Landlord by Tenant under the provisions of this Section are insufficient to discharge the obligations of Tenant to pay such real property taxes and insurance premiums as the same become due, Tenant shall pay to Landlord, upon Landlord's demand, such additional sums necessary to pay such obligations. All moneys paid to Landlord under this Section may be intermingled with other moneys of Landlord and shall not bear interest. In the event of a default in the obligations of Tenant to perform under this Lease, then any balance remaining from funds paid to Landlord under the provisions of this Section may, at the option of Landlord, be applied to the payment of any monetary default of Tenant in lieu of being applied to the payment of real property tax and insurance premiums.

14. Condemnation. If the Premises or any portion are taken under the power of eminent domain, or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or

taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than twenty-five percent (25%) of the rentable area of any building on the Premises, or such portion of the land area of the Premises which is not occupied by any building as would make use of the building unusable or undesirable for the uses described in Section 5, above, is taken by condemnation, Landlord or Tenant may, at either party's option, to be exercised in writing only within ten (10) days after Landlord shall have given Tenant written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken such possession) terminate this Lease as to the portion of the Premises so affected by such condemnation as of the date the condemning authority takes such possession. If neither party terminates this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, and there shall be no reduction in rent payable hereunder. Any award for, or payment attributable to, the bonus value of Tenant's leasehold interest shall be the property of Tenant; provided, however, one-half (1/2) of any award attributable to the bonus value of Tenant's leasehold interest in the Premises shall be payable to Landlord if (i) the condemning authority is an entity other than Landlord, the City, or an entity affiliated with the City, and (ii) Tenant relocates at a location other than within the City of Pasadena. Moreover, Tenant shall receive any award for the value of any improvements to the Premises constructed by Tenant. Any remaining award for the underlying fee interest shall be paid to Landlord. Notwithstanding anything provided herein to the contrary, if the award to Landlord is insufficient to pay the unpaid balance of Landlord's obligation to the GSA, Landlord shall receive at least such amount as is required for Landlord to pay the balance of any obligation to the GSA. In any event, Tenant shall be entitled to any award for loss of or damage to Tenant's trade fixtures and removable personal property. If this Lease is not terminated by reason of such condemnation, then Tenant shall, to the extent of severance damages received by Tenant in connection with such condemnation, repair any damage to the Premises caused by such taking. Nothing contained herein shall be construed as waiving Landlord's right to acquire Tenant's interest in this lease by eminent domain.

15. **Brokers.** Landlord represents and warrants to Tenant that Landlord has used no broker, agent, finder or other person in connection with this Lease to whom a brokerage or other commission or fee may be payable. Tenant represents and warrants to Landlord that Tenant has used no broker, agent, finder or other person in connection with this Lease to whom a brokerage or other commission or fee may be payable. Each party indemnifies and agrees to defend and hold the other harmless from any claims resulting from any breach by the indemnifying party of the warranties, representations and covenants in this Section.

16. **Easements.** This Lease and all rights given hereunder are subject to all easements and rights-of-way of record prior to the date of Landlord's receipt of fee title to the Premises, and shall be subject to future easements and rights-of-way for access, gas, electricity, water, sewer, drainage, telephone, telegraph, television, transmission, or other public facilities, as may be reasonably determined from time-to-time by Landlord. Landlord agrees that an effort shall be made or cause to be made so that such future easements and right-of-way shall be located and facilities installed as to produce a minimum amount of interference to Tenant's use of the Premises. Tenant shall not be entitled to any monetary payment or other remuneration for any such future easements from Landlord, except for damage directly resulting from actions on the Premises solely by Landlord which deny access to the Premises by Tenant's customers, and only those damages occurring during such denial of access.

17. **Estoppel Certificate and Financial Statements.**

17.1. Tenant or Landlord, as the case may be, shall from time to time upon not less than thirty (30) days' prior written notice from the other party, execute, acknowledge and deliver to the requesting party a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, (ii) acknowledging that there are not, to the knowledge of the party issuing the certificate, any uncured defaults on the part of the other party hereunder, or specifying such defaults if any are claimed, and (iii) certifying any other matters relating to the Lease, the Premises, or Tenant's business or financial condition which the requesting party may request. Any such statement may be conclusively relied upon by any prospective purchaser of the Premises.

17.2. At the option of the requesting party, failure to deliver such statement within such time shall be a material breach of this Lease, or shall be conclusive upon the party obligated to issue such certificate (i) that this Lease is in full force and effect, without modification except as may be represented by the requesting party, (ii) that there are no uncured defaults in the requesting party's performance, and (iii) that not more than one installment of rent has been paid in advance.

17.3. From time to time, upon thirty (30) days notice from Landlord, Tenant shall deliver to Landlord the most recently compiled financial statement of Tenant, and, if requested by Landlord, the past three years' financial statements of Tenant. All such financial statements shall be received by Landlord in

confidence and shall be used only for the purposes herein set forth.

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

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

20. **Interest on Past-due Obligations.** Except as expressly herein provided, any amount due to Landlord not paid when due shall bear interest at the maximum rate then allowable to be charged by non-exempt lenders under the usury laws of the State of California from the date due. Payment of such interest shall not excuse or cure any default by Tenant under this Lease.

21. **Time of Essence.** Time is of the essence.

22. **Additional Rent.** Any monetary obligations of Tenant to Landlord under the terms of this Lease shall be deemed to be rent.

23. **Force Majeure.** Whenever a day is appointed herein on which, or a period of time is appointed within which, either party hereto is required to do or complete any act, matter or thing, the time for the doing or completion thereof shall be extended by a period of time equal to the number of days on or during which such party is prevented from, or is unreasonably interfered with, the doing or completion of such act, matter or thing because of strikes, lock-outs, embargoes, unavailability of labor or materials, wars, insurrections, rebellions, civil disorder, declaration of national emergencies, acts of God, or other causes beyond such party's reasonable control (financial inability excepted); provided, however, and nothing contained in this Section shall excuse Tenant from the prompt payment of any rental or other charge required of Tenant hereunder.

24. **Incorporation of Prior Agreements; Amendments.** This Lease contains all agreements of the parties with respect to any matter

mentioned herein. No prior agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification. Except as otherwise stated in this Lease, Tenant hereby acknowledges that neither Landlord nor any employees or agents of any of said persons has made any oral or written warranties or representations to Tenant relative to the condition or use by Tenant of said Premises and Tenant acknowledges that Tenant assumes all responsibility regarding the Occupational Safety Health Act, the legal use and adaptability of the Premises and the compliance thereof with all applicable laws and regulations in effect during the term of this Lease except as otherwise specifically stated in this Lease. Landlord agrees to review and consider in good faith modifications to this Lease as may be required by prospective lenders or donors as a condition to a loan or gift, but nothing shall be construed as obligating Landlord to accept any such request for modification.

25. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and may be given by personal delivery or by certified mail, return receipt requested, postage prepaid and if given personally or by mail, shall be deemed sufficiently given if addressed to Tenant or to Landlord at the following address:

If to Landlord: City of Pasadena
 100 North Garfield Avenue
 Pasadena, CA 91109
 Attn: City Manager

If to Tenant: Western Justice Center
 Federal Building, Suite 112
 125 South Grand Avenue
 Pasadena, California 91105
 Attention: Judge Dorothy Nelson

With a copy to: Latham & Watkins
 555 S. Flower St.
 45th Floor
 Los Angeles, CA 90071
 Attention: Don Baker, Esq.

Either party may by notice to the other specify a different address for notice purposes except that upon Tenant's taking possession of the Premises, the Premises shall constitute Tenant's address for notice purposes. Any such notice shall be deemed delivered three (3) days after the deposit of same with the U.S. Postal Service. A copy of all notices required or permitted to be given to Landlord hereunder shall be concurrently transmitted to such party or parties at such addresses as Landlord may from time to time hereafter designate by notice to Tenant.

26. **Parking.** The Premises lack sufficient on-site parking. Prior to applying for a building permit for construction of the Tenant Improvements, Tenant shall make arrangements to satisfy off-street parking requirements of the City of Pasadena Municipal Code. It is acknowledged and agreed that the City of Pasadena shall not be required to issue a building permit for construction of the Tenant Improvements until Tenant has satisfied the off-street parking requirements of the City.

27. **Waivers.**

27.1. No waiver by Landlord or any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Tenant of the same or any other provision. No delay or omission in the exercise of any right or remedy by either party to this Lease on the occurrence of any default by the other party to this Lease shall impair such a right or remedy or be construed as a waiver. Landlord's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act by Tenant. The acceptance of rent hereunder by Landlord shall not be a waiver of any preceding breach by Tenant of any provision hereof, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent.

No act or conduct of Landlord, including, without limitation, the acceptance of the keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the term. Only written notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish a termination of the Lease. Any waiver by either party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of the Lease.

27.2. No acceptance by Landlord of a lesser sum than the rent and any additional rent then due shall be deemed to be other than on account of the earliest installment of such rent due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy in this Lease provided.

28. **Recording.** Tenant shall not record this Lease or any memorandum thereof without Landlord's prior written consent.

29. **Holding Over.** If Tenant, with Landlord's consent, remains in possession of the Premises or any part thereof after the

expiration of the term hereof, such occupancy shall be a tenancy from month to month upon all the provisions of this Lease pertaining to the obligations of Tenant.

30. Inspection Of Books and Records. Landlord shall have the right at all reasonable times to inspect the books and records of Tenant relevant to the purposes of this Lease.

31. Equal Employment Opportunity. Tenant herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, that there shall be no discrimination against any employee or applicant for employment with Tenant because of race, color, religion, sex, physical handicap, or national origin and that there shall be affirmative action undertaken to assure applicants are employed and that employees are treated during employment without regard to race, color, religion, sex, physical handicap or national origin. Tenant, its successors and assigns, and all persons claiming under or through them, shall submit to Landlord for review and approval a written affirmative action program to attain improved employment for racial and ethnic minorities and women and during the term of this Lease shall further make available employment records to Landlord upon request. Tenant, its successors and assigns, and all persons claiming under or through them, shall certify in writing to Landlord that Tenant, its successors and assigns, and all persons claiming under or through them, are in compliance and throughout the term of this Lease will comply with Title VII of the Civil Rights Act of 1964, as amended, the California Fair Employment Practices Act, and any other applicable Federal, State, and local law, regulation and policy (including without limitation those adopted by Landlord) relating to equal opportunity and affirmative action programs, including any such law, regulation, and policy hereinafter enacted. Compliance and performance by Tenant, its successors and assigns, and all persons claiming under or through them, of the equal employment opportunity and affirmative action program provision of this Lease is an express condition hereof and any failure by Tenant to so comply and perform shall be a default as provided in said Lease and Landlord may exercise any right as provided therein and as otherwise provided by law.

32. Affirmative Action in Contracting. In carrying out this Lease, the Tenant shall establish and carry out an Affirmative Action Plan for equal employment opportunity and affirmative action in contracting satisfactory to Landlord consistent with the requirements of Chapter 4.09 of the Pasadena Municipal Code and the rules and regulations promulgated thereunder. Tenant shall also comply with the Equal Opportunity Employment Practices provisions attached hereto as Exhibit D. Prior to entering into construction contracts and subcontracts for the Tenant Improvements, Tenant shall prepare and submit to Landlord a plan for affirmative action in contracting which complies with said

Ordinance as determined by the City's Equal Employment Administrator. Tenant also shall require its contractors and subcontractors to comply with Chapter 4.09 of the Pasadena Municipal Code and the Affirmative Action Plan as approved by the Equal Employment Administrator.

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

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

35. **Binding Effect; Choice of Law.** Subject to the provisions of Section 18, this Lease shall bind the parties, their personal representatives, heirs, successors and assigns. This Lease shall be governed by the laws of the State of California.

36. **Subordination.**

36.1. This Lease, at Landlord's option, shall be subordinate to the deed of trust securing the loan from the GSA to the Landlord the proceeds of which were used to acquire the real property of which the Premises are a part, and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. Notwithstanding such subordination, Tenant's right to quiet possession of the Premises shall not be disturbed if Tenant is not in default and so long as Tenant shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms. If the GSA shall elect to have this Lease prior to the lien of its deed of trust, and shall give written notice thereof to Tenant, this Lease shall be deemed prior to such deed of trust, whether this Lease is dated prior or subsequent to the date of said deed of trust or the date of recording thereof.

36.2. Tenant agrees to execute any documents required to effectuate an attornment, a subordination or to make this Lease inferior to the lien of GSA's deed of trust. Tenant's failure to execute such documents within five (5) days after written demand shall constitute a material default by Tenant hereunder, or, at Landlord's option, Landlord shall execute such documents on behalf of Tenant as Tenant's attorney-in-fact. Tenant does hereby make, constitute and irrevocably appoint Landlord as Tenant's attorney-in-fact and in Tenant's name, place and stead, to execute such documents in accordance with this Section 35.

37. **Attorney's Fees.** If either party brings an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such arbitration or action, on trial or

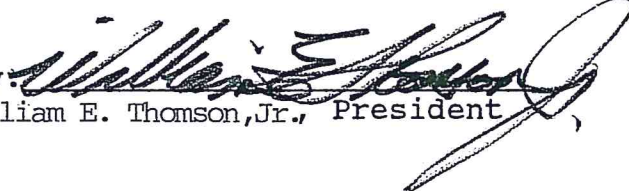
appeal, shall be entitled to his reasonable attorney's fees to be paid by the losing party as fixed by the court or arbitrators.

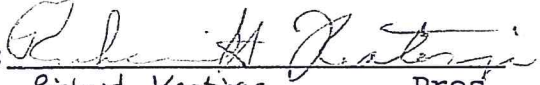
38. **Landlord's Access.** Landlord and Landlord's agents shall have the right to enter the Premises at reasonable times for the purpose of inspecting the same, showing the same to prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises or to the building improved thereon as Landlord may deem necessary or desirable.
39. **Auctions.** Tenant shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises without first having obtained Landlord's prior written consent.
40. **Signs.** Tenant shall not place any sign upon the Premises without Landlord's prior written consent.
41. **Merger.** The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, or a termination by Landlord, shall not work a merger, and shall, at the option of Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.
42. **Security Measures.** Tenant hereby acknowledges that the rental payable to Landlord hereunder does not include the cost of guard service or other security measures, and that Landlord shall have no obligation whatsoever to provide same. Tenant assumes all responsibility for the protection of Tenant, its agents and invitees from acts of third parties.
43. **Authority.** Each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of said entity.
44. **Conflict.** Any conflict between the provisions of this Lease and any addendum hereto shall be controlled by the addendum hereto.
45. **Consents and Approvals.** Consents and approvals of Landlord and Tenant under this Lease shall not unreasonably be withheld.
46. **Limitation of Liability.** Landlord acknowledges that Tenant is a California non-profit corporation and that no officer, director, agent, employee or member of Tenant shall be or be deemed to be a guarantor of the obligations of Tenant under this Lease or to be personally liable to Landlord under this Lease or for the performance or non-performance of Tenant hereunder.

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

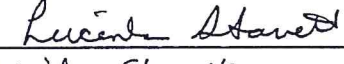
Pasadena Surplus Property Authority

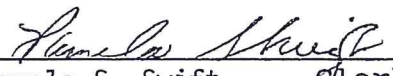
Western Justice Center, a California non-profit corporation

By: 
William E. Thomson, Jr., President

By: 
Richard Keatinge, Pres.

Attest:

By: 
Lucinda Stanett, Sec.


Pamela S. Swift, Clerk

4/5/89

By:


Donald F. McIntyre Executive Director

- Exhibit A - Legal Description
- Exhibit B - Plan of Public Use for Surplus Property
- Exhibit C - Improvement Schedule
- Exhibit D - Equal Opportunity Employment Practices

EXHIBIT A

LEGAL DESCRIPTION

THAT PORTION OF LOTS 2 AND 3 OF BERRY AND ELLIOTT'S SUBDIVISION, DIVISION "D", OF SAN GABRIEL ORANGE GROVE ASSOCIATION LANDS, IN THE CITY OF PASADENA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA AS PER MAP RECORDED IN BOOK 32 PAGE 55, AND IN BOOK 2 PAGE 600, ALL OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF LOT 1 OF VISTA CREST, AS PER MAP RECORDED IN BOOK 5, PAGE 34 OF MAPS, RECORDS OF SAID COUNTY, SAID CORNER BEING ON THE WESTERLY LINE OF GRAND AVENUE (70 FEET WIDE); THENCE NORTH 3 DEGREES 13 MINUTES 59 SECONDS EAST, 142.77 FEET ALONG THE WEST LINE OF GRAND AVENUE TO THE BEGINNING OF A TANGENT CURVE, CONCAVE WESTERLY, HAVING A RADIUS OF 250.00 FEET; THENCE NORTHERLY ALONG SAID CURVE, AN ARC DISTANCE OF 86.18 FEET; THENCE LEAVING THE WESTERLY LINE OF SAID GRAND AVENUE SOUTH 86 DEGREES 25 MINUTES 41 SECONDS WEST, 111.41 FEET; THENCE SOUTH 0 DEGREES 46 MINUTES 02 SECONDS WEST, 8.97 FEET; THENCE SOUTH 89 DEGREES 10 MINUTES 09 SECONDS WEST, 19.79 FEET; THENCE SOUTH 0 DEGREES 34 MINUTES 26 SECONDS EAST, 90.38 FEET; THENCE SOUTH 89 DEGREES 47 MINUTES 20 SECONDS WEST, 23.83 FEET; THENCE SOUTH 0 DEGREES 12 MINUTES 40 SECONDS EAST, 137.76 FEET; THENCE NORTH 89 DEGREES 47 MINUTES 20 SECONDS EAST, 152.45 FEET TO THE WESTERLY LINE OF SAID GRAND AVENUE; THENCE NORTH 8 DEGREES 27 MINUTES 30 SECONDS EAST, 16.32 FEET TO THE POINT OF BEGINNING.

AREA COMPRISES 35,768.83 SQ. FT: 0.82 ACRES

PLAN OF PUBLIC USE FOR SURPLUS PROPERTY:

GRAND AVENUE, PASADENA, CALIFORNIA

The City of Pasadena's purchase of the site of four historic buildings in the Vista del Arroyo complex will make possible restoration of the buildings as offices for nonprofit groups dedicated to law reform. The complex, called the Western Justice Center, is intended to improve America's legal system.

Western Justice Center Concept: The historic buildings are listed in the National Register. They are adjacent to the Federal Building at 125 South Grand Avenue, which houses facilities of the Ninth Circuit Court of Appeals (the "Court"). After the successful renovation of the Federal Building, Judges of the Court initiated the Western Justice Center as an appropriate use for these adjacent buildings. Tenant organizations, which must be nonprofits with law-related purposes, will occupy the buildings and thus interact in a campus setting.

The creation of a Western Justice Center campus will encourage collaborative work and research among these organizations which are presently dispersed all across the United States, primarily in the East. Organizations which stimulate research and development in judicial administration and education, alternative forms of dispute resolution, continuing education of the Bar, international legal issues and other area of justice reform will be eligible to lease space in the Center. Visiting scholars from the United States and abroad will engage in research, run pilot projects and test methods of dispute resolution. Seminars and conferences aimed at producing concrete proposals for improving the justice system will be based at the Center.

Center organizations will have access to the excellent library facilities of the Ninth Circuit Court of Appeals as well as proximity to judges and court personnel. The Center site is close to more courts (state and federal) and law schools than any other location in the United States. The Center will bring great prestige not only to the Ninth Circuit and Pasadena but also to the United States.

Benefits to the City of Pasadena. The proposed site of the Western Justice Center is a site of important historic and architectural significance within a stable residential neighborhood of low and medium density. The neighborhood is a compatible mix of large homes on spacious lots, condominiums and institutional uses including the Court of Appeals building. The Center will be a welcome addition to this neighborhood and would

EXHIBIT B

be associated with the City's long tradition of harmoniously joining fine institutions with neighborhoods of architectural and environmental sensitivity. The Western Justice Center's stated commitment to high design quality and sensitive re-use of the historic buildings will maintain the historic integrity of the Vista del Arroyo complex within its neighborhood context.

The present condition of the site is extremely poor. The buildings have not been used or maintained for a period exceeding twenty years. The use of the site by the Western Justice Center will resolve the many problems associated with this neglect including its attraction to vagrants and other trespassers. Use by the Center will ensure that the property is upgraded in a manner consistent with precedent of high quality set by the General Services Administration in its rehabilitation of the Court of Appeals building. Because of their poor condition, it is important that improvements to these buildings take place as soon as possible while preservation is still feasible.

The Western Justice Center will provide important local services in addition to serving as a national and regional resource. It will serve as the home of the Community Dispute Resolution Center. This institution has played an important role by providing alternatives to the use of our over-burdened court system in solving many disputes. The Community Dispute Resolution Center is used to resolve over 450 conflicts per year. The City specifically contracts with the Center to mediate disputes between landlords and tenants. In addition to this City contract the Center handles all types of disputes for Pasadena residents for a very nominal fee. The current fee schedule for the Community Dispute Resolution Center is \$10 for the filing fee and the actual hearing fee is based upon income with a sliding scale of \$18 to \$50 an hour to be shared by the disputants. Low income residents and retired persons on a fixed income do not pay any hearing fee. Mr. Frank Zupan, the Executive Director of the Center, projects that with the move to the Western Justice Center, the caseload can be nearly doubled to approximately 800 cases per year.

Pasadena is a City of great institutions including the California Institute of Technology, Art Center College of Design and Ambassador College. Each of these have found a hospitable home in Pasadena which has provided a full range of housing for employees, excellent accommodations for visitors and outstanding cultural resources for all. The City anticipates that the Western Justice Center will bring visiting scholars to its campus and that ancillary activities such as legal conferences will also result.

The City's Conference Center will probably be utilized to a greater degree and the direct and indirect economic benefits of these activities will improve the City's revenue base. It is estimated that the average visitor to Pasadena generates \$478 in direct and indirect activity in the City of Pasadena during an

average stay of 2.1 days. The Western Justice Center anticipates an average of 1000 visitors per year in its initial start-up, generating approximately \$478,000 a year to the Pasadena economy. This number will increase as such ancillary activities such as seminars, conferences and conventions are produced in association with the Center. In addition, the Western Justice Center projects a labor force of approximately 40-50 people, thus adding jobs and spending to the local economy.

Organizations Seeking to Locate at the Western Justice Center. The Department of Justice has expressed interest in this site as one of four sites for research and development into alternative forms of dispute resolution. The American Bar Association is also reviewing the site as its Western location. Others expected to locate at the Center include:

- American Arbitration Association
- Institute of Judicial Administration (New York)
- Institute of Judicial Administration (Sydney, Australia)
- ABA Committee on Alternative Dispute Resolution
- Private Adjudication (Durham, North Carolina)
- Community Dispute Resolution Center (S.G. Valley)
- The Los Angeles Center for International Commercial Arbitration
- American Law Institute-American Bar Association Committee on continuing Professional Education (ALI-ABA)
- California Commission on Lawyer Competence and Legal Education

The Foundation. The City will master lease the site to the Western Justice Center Foundation, a California nonprofit corporation formed by Ninth Circuit Court of Appeals judges and prominent Southern California lawyers. The Foundation will then sublease to the eligible organizations described above.

Summary. Purchase of the property by the City of Pasadena will provide increased and improved legal services to the citizens of Pasadena and its environs through an improved Dispute Resolution Center operation, provide additional employment and revenues to the local economy, provide for improvements in both the local, regional, national, and international components of the legal system, provide a forum for educational research, and bring prestige to the City of Pasadena.

VISTA2/JW4

IMPROVEMENT SCHEDULE

<u>Action</u>	<u>Date</u>
1. Execution of Lease	April 4, 1989
2. Landlord receives possession of the Premises ("Commencement Date")	Approximately 20 days after GSA's delivery to Landlord of possession of the Premises
3. Submission by Tenant to Landlord for Approval of:	
a. Basic Concept Drawings	___ days after Commencement Date
b. Preliminary Drawings	___ days after receipt of approval of Basic Concept Drawings
c. Landscaping and Grading Plans	___ days after receipt of approval of Preliminary Drawings
4. Submit Working Drawings/ Application for Building Permits to City	___ days after receipt of approval of all previously submitted plans
5. Issuance of Building Permits	20 days after receipt of application (assuming drawings comply with code requirements)
6. Commencement of Construction	30 days after receipt of Building Permits
7. Improvements Completed and Open for Business	36 months after the Commencement Date

RESOLUTION

A RESOLUTION OF THE PASADENA SURPLUS PROPERTY AUTHORITY COMMISSION AUTHORIZING THE PRESIDENT TO SUBMIT AN OFFER TO PURCHASE SURPLUS FEDERAL PROPERTY AT 55-85 GRAND AVE., PASADENA, CALIFORNIA

WHEREAS, the Pasadena Surplus Property Authority was formed pursuant to the authority of California Government Code §§40500 et seq. for the purpose of acquiring, owning, maintaining, operating, improving and disposing of surplus real properties of the United States which are located within, or contiguous to, the boundaries of the City of Pasadena; and

WHEREAS, the Pasadena Surplus Property Authority ("Authority") desires to purchase the Maxwell House and other associated federal surplus property generally located at 55-85 Grand Ave., and described in Exhibit A of the Offer to Purchase (the "property"); and

WHEREAS, the Authority has allocated and will allocate funds to acquire said property; and

WHEREAS, the Authority is required by the General Services Administration ("GSA") pursuant to 40 U.S.C. 484 (e) (3) (H) to adopt this resolution.

NOW THEREFORE, the Commission of the Pasadena Surplus Property Authority does hereby resolve as follows:

Section 1. The Commission hereby empowers and authorized the President to sign and submit to GSA on behalf of the Authority an offer to purchase the property for \$412,000.00. The President is also authorized to sign and submit such other documents as may be necessary to complete the transaction.

Section 2. The amount of \$82,400.00 is hereby authorized to be paid to GSA as an earnest money deposit with the offer to purchase.

Section 3. The Authority will set aside the amount of \$32,960.00 each year for ten years to fund the remaining purchase price of \$329,600.00.

PASSED, APPROVED AND ADOPTED this 4th day of April, 1989.

EXHIBIT F

FIRST AMENDMENT TO LEASE AGREEMENT NO. 14,048

This First Amendment to Lease Agreement (hereinafter the "First Amendment") is entered into this 13th day of February, 1990, by and between the Pasadena Surplus Property Authority, a public body, corporate and politic ("Landlord"), and the Western Justice Center, a California non-profit corporation ("Tenant"), with reference to the following:

A. On April 4, 1989, the Landlord and Tenant entered into that certain Lease Agreement (Agreement No. 13,753) (hereinafter the "Agreement") for the lease to the Tenant of that certain real property situated in the City of Pasadena and commonly known as 55-85 South Grand Avenue (hereinafter the "Premises"), under which Agreement the Tenant agreed to rehabilitate and/or construct certain "Tenant Improvements" in accordance with certain plans and specifications and an "Improvement Schedule."

B. On September 17, 1989, Landlord acquired title to the Premises from the United States General Services Administration and the Agreement became fully effective.

B. The purpose of this First Amendment is to modify the terms and provisions of the Agreement in certain particulars as agreed upon between the parties and to set forth the terms and provisions of such modifications and amendments in order to reflect the commencement date and improvement schedule in light of the date on which title to the Premises was obtained by the Landlord.

NOW, THEREFORE, the Landlord and the Tenant hereby agree as follows:

1. The Purpose of this First Amendment. The purpose of this First Amendment is to implement the Agreement. Defined terms in this First Amendment shall have the same meaning as those terms have in the Agreement.

2. Revised Improvement Schedule. The Improvement Schedule, Exhibit "C" to the Agreement, is hereby deleted in its entirety and the revised Improvement Schedule, attached hereto and incorporated herein by this reference, is hereby substituted in its place. All references to the Improvement Schedule or the revised Improvement Schedule herein and in the Agreement shall be to the revised Improvement Schedule.

*Wissalim
3/1/90
Amended*

3. Progress Reports. Paragraph "6. Rehabilitation of the Premises" of the Agreement is hereby amended by the addition of the following new sentence, to read in full as follows:

"Commencing on March 16, 1990 and continuing thereafter on a semi-annual basis during the period of rehabilitation and/or construction, the Tenant shall submit to the Executive Director of the Landlord a written report of the progress of the construction and/or rehabilitation of the Tenant Improvements."

4. Effect of this First Amendment. Except as specifically set forth in this First Amendment, all other provisions of the Agreement not inconsistent herewith shall remain in full force and effect.

WHEREFORE, the parties hereto have caused this First Amendment to be executed by their respective representatives thereunto duly authorized as of the date first written above.

"LANDLORD"

PASADENA SURPLUS PROPERTY AUTHORITY

ATTEST:

Marvell L. Herren
Marvell L. Herren
Authority Clerk

By: Donald F. McIntyre
Donald F. McIntyre
Executive Director

APPROVED AS TO FORM:

VICTOR J. KALETA
Authority General Counsel

By: Theodore J. Reynolds
Theodore J. Reynolds
Assistant General Counsel

"TENANT"

WESTERN JUSTICE CENTER

By: Richard H. Oates
Its: President
By: David K. Rebnio

Its: Vice President

TJR:js
LEASE:AGR

SECOND AMENDMENT TO LEASE AGREEMENT NO. 13753-2

This Second Amendment to Lease Agreement is made and entered into as of this 20th day of July, 1993 by and between the Pasadena Surplus Property Authority ("Landlord") and corporation ("Tenant") Agreement.

1. The "Improvement Schedule" referred to in paragraph 6 of the Lease Agreement dated April 4, 1989, as amended by the First Amendment to Lease Agreement dated December 5, 1989 by and between the Pasadena Surplus Property Authority and the Western Justice Center (the "Lease"), is hereby amended by substituting for the "Improvement Schedule" attached to the Lease as Exhibit C the "Revised Improvement Schedule" attached to this Second Amendment to Lease Agreement as Exhibit A.

2. Except as expressly set forth herein, the Lease shall be in full force and effect.

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

Pasadena Surplus
Property Authority

Western Justice Center,
a California non-profit
organization

BY:

Rick Cole
Rick Cole
President

BY:

[Signature]
President

BY:

[Signature]
Secretary

Attest:

BY:

[Signature]
Maria Stewart 8/16/94
City Clerk

APPROVED AS TO FORM:

BY:

[Signature]
Victor J. Kaleta
Authority General Counsel

IMPROVEMENT SCHEDULE

	<u>Action</u>	<u>Date</u>
1.	Execution of Lease	April 4, 1989
2.	Obtain Conditional Use Permit and variances for office use, collective parking, 10 year lease requirement and reduced parking	October 22, 1991
3.	Obtain building permit for 85 South Grand Avenue	December 10, 1992
4.	Commence construction on 85 South Grand Avenue	January 1, 1993
5.	Complete construction on 85 South Grand Avenue	December 31, 1993
6.	Obtain building permit for 75 South Grand Avenue	April 1, 1994
7.	Commence construction on 75 South Grand Avenue	June 1, 1994
8.	Complete construction on 75 South Grand Avenue	December 31, 1994
9.	Obtain building permit for 65 South Grand Avenue	January 15, 1995
10.	Commence construction on 65 South Grand Avenue	April 1, 1995
11.	Complete construction on 65 South Grand Avenue	December 31, 1995
12.	Obtain building permit for 55 South Grand Avenue	April 1, 1995
13.	Commence construction on 55 South Grand Avenue	June 1, 1995
14.	Complete construction on 55 South Grand Avenue	July 1, 1996

c:western:ss

DRAFT

SECOND AMENDMENT TO LEASE AGREEMENT

This Second Amendment to Lease Agreement is made and entered into as of this _____ day of _____, 1993 by and between the Pasadena Surplus Property Authority ("Landlord") and the Western Justice Center Foundation, a California non-profit corporation ("Tenant") Agreement.

1. The "Improvement Schedule" referred to in paragraph 6 of the Lease Agreement dated April 4, 1989, as amended by the First Amendment to Lease Agreement dated December 5, 1989 by and between the Pasadena Surplus Property Authority and the Western Justice Center (the "Lease"), is hereby amended by substituting for the "Improvement Schedule" attached to the Lease as Exhibit C the "Revised Improvement Schedule" attached to this Second Amendment to Lease Agreement as Exhibit A.

2. Except as expressly setforth herein, the Lease shall be in full force and effect.

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

Pasadena Surplus
Property Authority

Western Justice Center,
a California non-profit
organization

BY: _____
President

By: _____
President

Attest:

By: _____
Secretary

By: _____
Clerk

DRAFT

IMPROVEMENT SCHEDULE

	<u>Action</u>	<u>Date</u>
1.	Execution of Lease	April 4, 1989
2.	Obtain Conditional Use Permit and variances for office use, collective parking, 10 year lease requirement and reduced parking	October 22, 1991
3.	Obtain building permit for 85 South Grand Avenue	December 10, 1992
4.	Commence construction on 85 South Grand Avenue	January 1, 1993
5.	Complete construction on 85 South Grand Avenue	December 31, 1993
6.	Obtain building permit for 75 South Grand Avenue	April 1, 1994
7.	Commence construction on 75 South Grand Avenue	June 1, 1994
8.	Complete construction on 75 South Grand Avenue	December 31, 1994
9.	Obtain building permit for 65 South Grand Avenue	January 15, 1994
10.	Commence construction on 65 South Grand Avenue	April 1, 1995
11.	Complete construction on 65 South Grand Avenue	December 31, 1995
12.	Obtain building permit for 55 South Grand Avenue	April 1, 1995
13.	Commence construction on 55 South Grand Avenue	June 1, 1995
14.	Complete construction on 55 South Grand Avenue	July 1, 1996

THIRD AMENDMENT TO LEASE AGREEMENT NO. 13,753-3

THIS THIRD AMENDMENT TO LEASE AGREEMENT ("Third Amendment") is made and entered into as of the 18th day of July, 1994, by and between the CITY OF PASADENA, a municipal corporation ("Landlord"), and the WESTERN JUSTICE CENTER, a California non-profit corporation ("Tenant").

Recitals

A. Landlord's predecessor in interest, the Pasadena Surplus Property Authority, and Tenant are parties to that certain Lease Agreement (No. 13,753) (the "Lease") dated as of April 4, 1989, concerning that certain real property commonly known as 55-85 South Grand Avenue, Pasadena, California.

B. The Lease was amended by that certain First Amendment to Lease Agreement (No. 14,048) dated February 13, 1990, and by that certain Second Amendment to Lease Agreement (No. 13753-2) dated July 20, 1993.

C. The parties wish to further amend the Lease as herein provided.

NOW, THEREFORE, the parties hereto agree as follows:

1. Purpose of this Third Amendment. The purpose of this Third Amendment is to implement the Lease. Capitalized terms used in this Third Amendment shall have the meanings ascribed to such terms in the Lease.

2. Rent. From and after April 1, 1994, the provisions of Section 3.1 ("Rent") of the Lease are hereby restated to read in full as follows; provided, however, there shall be no change or modification to rent that was due through March 31, 1994, it being intended that the original provisions of Section 3.1 shall remain in effect through March 31, 1994, and that this new provision concerning Section 3.1 shall be effective only from and after April 1, 1994:

3.1 Rent.

3.1.1. Tenant covenants to pay to Landlord during the term hereof, at Landlord's address set forth in Section 24 hereof, or to such other persons or at such other places as directed from time to time by written notice to Tenant from Landlord, a base rent as follows: (a) During the period from the date hereof through March 31, 1996, there shall not be any payments of base rent due; (b) During the period from April 1, 1996 through March 31, 2014 (the "Payment Period"),

Tenant shall pay monthly, in advance, on the first day of each calendar month, rent in the sum of (i) \$1,552.96 per month ("Base Rent"), plus (ii) the amount (the "TI Rent") required to amortize the sum of all advances made by Landlord on account of the Tenant Improvement Allowance (described below) plus interest thereon at the rate of 5.33% per annum from the date of the advance, in equal monthly payments of principal and interest, wherein interest accrues from the date of the advance at the rate of 5.33% per annum. (By way of example, if Landlord advances the sum of \$350,000 to Tenant on account of the Tenant Improvement Allowance in one installment on April 1, 1995, then as of April 1, 1996, accrued interest thereon shall be the sum of \$18,655.00; thus, the TI Rent shall be the sum of \$2,657.92 per month during the Payment Period.)

3.1.2 In addition, Tenant shall deliver to the Landlord from time to time, within thirty (30) days after receipt of demand therefor, additional rent equal to all out-of-pocket costs and expenses incurred by Landlord in supervising this Lease and in monitoring the Premises, and all sums advanced by Landlord on behalf of Tenant where such sums are required hereunder to be expended by Tenant but Tenant failed to do so. No cost for general overhead or employee salaries of Landlord or City shall be included in such additional rent.

All rent shall be payable in lawful money of the United States to Landlord at the address stated herein or to such other persons or at such other places as Landlord may designate in writing.

3. Tenant Improvement Allowance. A new Section 6.11 is hereby added to Section 6 ("Rehabilitation of the Premises") of the Lease, to read as follows:

6.11. Tenant Improvement Allowance.

6.11.1 Landlord hereby agrees to provide to Tenant an allowance (the "Tenant Improvement Allowance") in an amount not to exceed the sum of \$458,000, the proceeds of which shall be utilized only for the reconstruction and rehabilitation of the Premises described in this Section 6, in accordance with plans and specifications which have been approved by Landlord pursuant to Sections 6.3, 6.4, 6.5, 6.6, and 6.8 hereof.

6.11.2 On or before September 1, 1994, Tenant shall deliver to Landlord, for Landlord's review and approval, (i) plans and specifications required for Tenant to obtain all necessary building permits required to

construct the Tenant Improvements ("Final Construction Drawings") for each building within the Premises for which the Tenant Improvement Allowance will be utilized, and (ii) a cost breakdown of the work described in the Final Construction Drawings for which the Tenant Improvement Allowance will be utilized. Tenant shall not change or consent to any material change of the plans and specifications without the prior written consent of Landlord. As used herein, a "material change" is one which increases the overall costs of an individual item of the Tenant Improvements by more than \$5,000.00, or which, when taken with all prior non-material changes, will result in an increase in the cost of the Tenant Improvements by \$20,000.00 or more. The cost breakdown shall describe the projected development costs theretofore and thereafter to be incurred for which the cost thereof shall be paid from the Tenant Improvement Allowance. Landlord shall also have the right to review and approve all contracts and subcontracts, to confirm that they are consistent with the cost breakdown.

6.11.3 Landlord shall distribute the proceeds of the Tenant Improvement Allowance only for the actual costs incurred pursuant to the cost breakdown and construction contracts and subcontracts to be furnished to Landlord. Landlord shall have no obligation to disburse any funds (including reimbursement for amounts expended for buildings for which rehabilitation has been completed) until Landlord has approved the cost breakdown and construction contracts and subcontracts. The amount to be disbursed from the Tenant Improvement Allowance for each item shall not exceed the amount specified therefor in the cost breakdown; provided, however, Tenant may deviate from the amount of a particular line item if, and only to the extent that, Tenant can demonstrate to Landlord's satisfaction that any increase in such item will be offset by an equivalent decrease in one or more other line item amounts or that Tenant shall obtain funds from a different source to pay for the additional amounts. Disbursements will be made from time to time as necessary to pay for work and material actually performed. Disbursements from the Tenant Improvement Allowance shall also be permitted in reimbursement of costs expended for work performed prior to the Landlord's approval of the Third Amendment to Lease. Landlord shall also have the right to audit all contracts and subcontracts and, with respect to "cost plus" items, to withhold disbursement on account of any costs charged that Landlord reasonably believes to be unreasonable, and to perform inspections to verify the construction, and Landlord shall charge to, and deduct from, the Tenant Improvement Allowance any costs incurred by Landlord in performing such audit and verifying the amounts

to be reimbursed to Tenant. Tenant shall designate one or more Designated Representatives, and only the Designated Representatives of Tenant are authorized to sign Loan Draw Requests. Prior to disbursement, Landlord may require signed mechanics or materialmen lien waivers as a condition to delivering funds, and shall provide Landlord with copies of same, and Landlord reserves the right to condition any future disbursements at any time upon receipt of such waivers for all amounts previously advanced by Landlord. At Landlord's request, Tenant shall provide Landlord with copies of contracts, bills, invoices or other documentation supporting the amount requested. Landlord shall at all times have the right to enter upon the Premises during construction to confirm that the work is in conformance with the approved plans and specifications. Tenant agrees to comply with all applicable laws concerning the utilization of public funds in construction of the Tenant Improvements, including prevailing wage and public bidding requirements, to the extent applicable to Tenant.

6.11.4 Tenant may, at Landlord's option, receive reimbursement from the Tenant Improvement Allowance for site and infrastructure improvements (including, without limitation, installation of electrical, water, telephone, sewer and fire-life safety systems, including City fees therefor) installed in the Premises prior to the date of the Third Amendment to Lease upon presentation to Landlord of evidence of payment for installation of such items.

6.11.5 Tenant agrees from time to time upon the request of Landlord to deliver to Landlord a report detailing the status of the Tenant Improvements, including percentage of completion by phase and budget category, percentage of funds expended to date (including sums for which reimbursement is being sought), description of third party defaults, and any deviations in budget or time schedules. Tenant shall also deliver reports to Landlord without Landlord's prior request any time following third party defaults and other material matters which might or could either delay construction of the Tenant Improvements or increase the cost thereof.

4. Effect of this Third Amendment. Except as specifically set forth in this Third Amendment, all other provisions of the Lease and the Third Amendment not inconsistent with this Third Amendment shall remain in full force and effect.

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

CITY OF PASADENA, a public body, corporate and politic

WESTERN JUSTICE CENTER, a California non-profit corporation

By: Kathryn Mack
Kathryn Mack, Mayor

[Signature]
_____, Pres.

Attest:

By: David B. Robinson
_____, Sec.

Maria M. Stewart
Maria Stewart, City Clerk 8/16/94

APPROVED AS TO FORM
[Signature]
Deputy City Attorney
DATE 7/11/94