EXECUTION VERSION

Ground Lease

between

BEACH CITIES HEALTH DISTRICT, Landlord

and

WRC PMB Redondo Beach LLC, a Delaware limited liability company, Tenant

dated as of

October 19, 2022

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Ground Lease Agreement

THIS GROUND LEASE AGREEMENT (the "**Lease**") dated as of October 19, 2022 (the "**Commencement Date**"), by and between BEACH CITIES HEALTH CARE DISTRICT, a California health care district ("**Landlord**") and WRC PMB Redondo Beach LLC, a Delaware limited liability company ("**Tenant**") (Landlord and Tenant are herein collectively referred to herein as the "**Parties**").

RECITALS

A. Landlord is a public entity that desires to lease certain land located on its campus in Redondo Beach, California, for the purpose of developing, constructing and operating a licensed residential care facility for the elderly and to provide space for other services, including a PACE program, youth wellness center and community services center to address the health care needs of the community it serves. These services constitute Phase 1 of a two-phase project, to transform the Landlord's campus into a Healthy Living Campus for the community.

B. In furtherance of its goal of establishing the Healthy Living Campus, Landlord has completed a Request for Proposal process to identify and engage a qualified entity to develop and own the Phase 1 building ("**Phase 1 Building**") for the RCFE and other space consisting of approximately two hundred eighty thousand (280,000) square feet and to operate the RCFE.

C. PMB LLC, a California limited liability company (hereinafter, "**PMB**") and Watermark Freshwater Group, LLC, a Delaware limited liability company (hereinafter "**Watermark**") responded to the RFP and proposed to form a "joint venture" for the primary purpose of raising equity capital to finance the construction of the Phase 1 Building. For that purpose, PMB and Watermark through their respective Affiliates have formed WRC PMB I LLC, a Delaware limited liability company ("**Parent LLC**").

D. PMB and Watermark through their respective Affiliates have also formed Tenant, which is a wholly owned subsidiary of Parent LLC, for the purpose of constructing and owning the Phase 1 Building. Upon completion of construction, Tenant intends to sublease a portion of the Phase 1 Building to another wholly owned subsidiary of Parent LLC for operation of the RCFE.

E. PMB and Watermark possess the qualifications and expertise necessary to provide successful operation of the RCFE and the RCFE's ongoing availability to serve needs of the community. It is the intent of the Parties that this Lease will provide for a high quality of care at the RCFE for the duration of this Lease notwithstanding any changes in the structure, ownership or management of the Tenant, Operator or RCFE Manager.

F. Landlord and Tenant desire to enter into this Lease to effectuate the development, construction and operation of the RCFE and the development and construction of the other space in the Phase 1 building that will be leased to the Landlord for use as a PACE center, youth wellness center and community services center.

WITNESSETH:

In consideration of the rents reserved and covenants made herein, the sufficiency of which is acknowledged, Landlord and Tenant, for themselves, and their legal representatives, and their permitted successors and assigns, hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions. The following terms, as used in this Lease, shall have the meanings set forth below:

"**Additional Rent**" shall mean all amounts payable by Tenant under this Lease, other than Base Rent, and whether or not expressly designated as Additional Rent in this Lease.

"**Affected Tenant Mezzanine Lenders**" shall have the meaning set forth in Section 13.15 hereof.

"**Affiliate**" shall mean a Person which shall Control, be under the Control of, or be under common Control with the Person in question.

"**Alteration**" or "**Alterations**" shall have the meaning set forth in Section 9.2 hereof.

"**Anti-Kickback Statute**" shall have the meaning set forth in Section 8.12(d) hereof.

"**Appurtenant Rights**" shall have the meaning set forth in Section 2.1 hereof.

"**Approval Date**" shall mean the date that all of the Approvals are Finally Approved.

"**Approval Delay**" shall mean the period of time of a delay in the Tenant's obligations under this Lease that are due solely to the acts or omissions of Governmental Authorities in reviewing, processing, making a decision on, and approving the Approvals.

"**Approvals**" shall mean all approvals of Governmental Authorities (including, without limitation, the Conditional Use Permit and the building permits) required for the construction of the Facility and for any Alteration, if applicable.

"**Arbitration**" shall mean in such cases where this Lease expressly provides for the resolution of a dispute or a question through arbitration, and only in such cases, the Parties promptly shall appoint a single arbitrator in the County of Los Angeles acceptable to both Parties in their reasonable judgment in accordance with the rules of JAMS, or any successor body of similar function. Landlord shall also provide a copy of such notice to any Leasehold Mortgagee who is then entitled to receive copies of any notice of default at the same time and in the same manner as notice is provided to Tenant. The arbitrator shall, within the applicable time period specified in this Lease, or if no time period is specified, as promptly as possible, determine the matter which is the subject of the arbitration and the decision of the arbitrator shall be a conclusive, final, non-appealable decision binding on all Parties and judgment upon the award may be entered in any court having jurisdiction. The arbitration shall be conducted in the offices of JAMS in the

County of Los Angeles, State of California and, to the extent applicable and consistent with this Lease, shall be in accordance with JAMS Comprehensive Arbitration Rules and Procedures. The expenses of Arbitration shall be shared equally by Landlord and Tenant but each Party shall be responsible for the fees and disbursements of its own attorneys and the expenses of its own proof. Landlord and Tenant shall sign all documents and do all other things necessary to submit any such matter to arbitration and further shall, and hereby do, waive any and all rights they or either of them may at any time have to revoke their agreement hereunder to submit to arbitration and to abide by the decision rendered thereunder. The arbitrator shall have no power to vary or modify any of the provisions of this Lease and their jurisdiction is limited accordingly. The Parties hereby acknowledge and agree that any Leasehold Mortgagee may participate in any Arbitration for or with Tenant.

"**Bankruptcy Code**" shall have the meaning set forth in Section 13.17 hereof.

"**Base Rent**" shall have the meaning set forth in Section 3.1 hereof.

"**Building 514**" shall mean that certain building located at 514 N. Prospect Avenue, Redondo Beach, California 90277.

"**Building 514 Leases**" shall mean those certain leases and occupancy agreements existing as of the Commencement Date affecting Building 514 described on Exhibit A attached hereto.

"**Business Day**" shall mean any day that is not a Saturday, Sunday, or a day observed as a holiday by either the State or the federal government.

"**Casualty**" shall have the meaning set forth in Section 16.1 hereof.

"**Certificate of Occupancy**" shall mean a certificate issued by the appropriate Governmental Authority permitting the occupancy of the Facility. For purposes hereof, a temporary Certificate of Occupancy shall be deemed to be a Certificate of Occupancy but shall be replaced with a permanent Certificate of Occupancy before the expiration of such temporary Certificate of Occupancy.

"**CGL**" shall have the meaning set forth in Section 10.4 hereof.

"**Commencement Date**" shall have the meaning set forth in the introductory paragraph of this Lease.

"**Commencement of Construction**" shall mean the date on which on-site construction of the Facility shall commence, including any excavation or pile driving but not including test borings, test pilings, surveys, and similar pre-construction activities.

"**Complete Taking**" shall have the meaning set forth in Section 17.1 (a) hereof.

"**Completion Date**" shall mean no later than April 5, 2028, as such date may be extended for Unavoidable Delay and Landlord Delay.

"**Condemnation**" shall mean the taking or appropriation of all or any part of the Premises, or any interest therein or right accruing thereto including any right of access, by or on behalf of any Governmental Authority or by any entity granted the authority to take property in the exercise of the power or right of eminent domain granted by statute, or any agreement that conveys to the condemning authority all or any part of the Premises as the result of, in lieu of, or in anticipation of, the exercise of a right of condemnation or eminent domain. Such term shall also be deemed to include, to the extent not otherwise defined herein, a temporary taking of the Premises or any part thereof or the Improvements thereon for a period of three (3) years or more, and the taking of the leasehold interest created herein.

"**Conditional Use Permit**" shall mean the conditional use permit from the City of Redondo Beach permitting the use of the Land for operation of the Facility, including the RCFE.

"**Construction Commencement Date**" shall mean the date that is six (6) months following the Approval Date.

"**Consumer Price Index**" shall mean The Consumer Price Index for All Urban Consumers: All Items published for the Los Angeles Metropolitan Area by the United States Department of Labor, Bureau of Labor Statistics, or any successor or substitute index, appropriately adjusted; provided that if there shall be no successor or substitute index and Landlord and Tenant fail to agree on a substitute index within thirty (30) days, or if Landlord and Tenant fail to agree upon the appropriate adjustment of such successor or substitute index within thirty (30) days, a substitute index or the appropriate adjustment of such successor or substitute index, as the case may be, shall be determined by Arbitration.

"**Contract Documents**" shall have the meaning set forth in Section 7.4 hereof.

"**Contractor**" shall mean Suffolk Construction, who has entered into or will enter into the Design-Build Agreement for the design, construction and development of the Premises.

"**Control**" shall mean the power to direct or cause the direction of the day-to-day operations or management of a Person.

"**Date of Taking**" shall mean the earlier of the date, pursuant to the provisions of applicable State or federal Law, on which: (a) actual possession of all or part of the Premises, as the case may be, is acquired by the applicable Governmental Authority; or (b) title to all or part of the Premises, as the case may be, is vested in the applicable Governmental Authority.

"**Depository**" shall mean the Leasehold Mortgagee holding the Leasehold Mortgage having the highest priority. If there is no Leasehold Mortgagee, or if Leasehold Mortgagee declines to act as Depository, then the Depository shall mean a savings bank, savings and loan association, commercial bank, or trust company designated by Tenant and approved by Landlord, which approval shall not be unreasonably withheld, conditioned, or delayed to serve as Depository pursuant to an agreement reasonably acceptable to Landlord and Tenant. If Tenant shall fail to designate a Depository within ten (10) Business Days after the request of Landlord, Landlord shall have the right to designate such Depository.

"**Design-Build Agreement**" shall mean that certain agreement to be entered into by Landlord with Contractor for the design, development and construction of the Facility and certain property adjacent to the Land, and assigned to the Tenant, which shall require the Contractor to comply with the requirements of Public Contract Code Section 22166 in awarding contracts to subcontractors. A copy of the form of the Design-Build Agreement is attached hereto and incorporated herein as Exhibit B.

"**Designated Lender**" shall have the meaning set forth in Section 13.8 hereof.

"**Due Date**" shall mean with respect to: (a) Base Rent and Additional Rent, the date on which such Base Rent or Additional Rent payment is due as provided in this Lease; and (b) any Imposition, the last date on which such Imposition can be paid without any fine, penalty, interest, or cost being added thereto or imposed by Law for the non-payment thereof.

"**Embargoed Person**" shall have the meaning set forth in Section 29.10.

"**Environmental Laws**" shall mean all Laws: (a) relating to the environment, human health, or natural resources; (b) regulating, controlling, or imposing liability or standards of conduct concerning any Hazardous Materials; (c) relating to Remedial Action; and (d) requiring notification or disclosure of releases of Hazardous Materials or of the existence of any environmental conditions on or at the Premises, as any of the foregoing may be amended, supplemented, or supplanted from time to time.

"**Environmental Liabilities**" shall mean any loss, cost, expense, claim, demand, liability, obligation, action, or other responsibility of whatever kind, based upon or required under Environmental Laws or otherwise relating to: (a) any environmental, health, or safety matter or condition (including, but not limited to, on-site or off-site pollution or contamination, the welfare, safety, and health of people at the Premises or elsewhere, and the regulation of chemical substances or products); (b) fines, penalties, judgments, awards, settlements, legal or administrative proceedings, damages, losses, claims, demands, responses, and remedial, investigative, or inspection costs and expenses arising under or caused by application of Environmental Laws (including, but not limited to, fees for attorneys, engineers, and other professionals); (c) financial responsibility under Environmental Laws for Remedial Action or for any damages to natural resources; or (d) any other Remedial Actions required under Environmental Laws.

"**Environmental Reports**" shall have the meaning set forth in Section 29.1(r) hereof.

"**Escrow Holder**" shall have the meaning set forth in Section 12.6(c) hereof.

"**Exclusion**" shall have the meaning set forth in Section 8.12(c) hereof.

"**Executive Orde**r" shall have the meaning set forth in Section 29.10 hereof.

"**Expiration Date**" shall mean the last day of the month in which occurs the Sixty-Fifth (65^{th}) anniversary of the Term Commencement Date, as the same may be extended pursuant to ARTICLE XXVIII hereof, or such earlier date on which the Term shall sooner end pursuant to any of the terms, covenants, or conditions of this Lease or pursuant to Law.

"**Extension Notice**" shall have the meaning set forth in Section 28.2 hereof.

"**Extension Option**" shall have the meaning set forth in Section 28.1 hereof.

"**Extension Rent**" shall have the meaning set forth in Section 28.2 hereof.

"**Extension Term**" shall have the meaning set forth in Section 28.1 hereof.

"**Event of Default**" shall have the meaning set forth in Section 14.1 hereof.

"**Facility**" shall mean the six (6) story approximately two hundred seventy thousand gross square foot building to be constructed on the Land by Tenant pursuant to this Lease that includes an RCFE (which may include, at Tenant's option, a single level of subterranean parking), together with all fixtures now or in the future installed or erected upon the Land or Improvements.

"**Fee Mortgage**" shall mean any financing obtained by Landlord, as evidenced by any mortgage, deed of trust, assignment of leases and rents, or other instruments, and secured by the fee ownership interest of Landlord in the Property, including any extensions, modifications, amendments, replacements, supplements, renewals, refinancings, and consolidations thereof.

"**Fee Mortgagee**" shall mean the holder of a Fee Mortgage.

"**Final Approval**" shall mean the Approvals have been issued for the construction of the Facility and all applicable and legally valid periods for the filing of an administrative appeal, judicial challenge, referendum petition or request for reconsideration (each an "**Entitlement Challenge**") against the Approvals have expired without the filing of an Entitlement Challenge by a third party, or if an Entitlement Challenge is filed by a third party or otherwise arises, that such Entitlement Challenge is resolved on terms that do not constitute a Material Adverse Event and that will allow Tenant to construct and operate the Facility for the Permitted Use.

"**Force Majeure Event**" shall mean causes or events beyond Tenant's reasonable control, including: (a) acts of God; (b) floods, fires, earthquakes, explosions, or other natural disasters; (c) war, invasions, hostilities (whether war is declared or not), terrorist threats or acts, riots or other civil unrest; (d) strikes or labor stoppages; (e) governmental restrictions, regulations or controls adopted after the Commencement Date which are applicable area-wide, not project-specific (e.g. restrictions on construction hours); (f) delays by utility companies in bringing utility service to the Premises, or delays in governmental infrastructure work, due to no fault of the applicable party or its general contractor; (g) Material Site Defects unknown to Tenant or Contractor prior to the Construction Commencement Date; (h) pandemic, epidemic, quarantine restrictions, or state(s) of emergency (including those relating to or resulting from the current outbreak known as "severe acute respiratory syndrome coronavirus 2", SARS-CoV-2, Coronavirus or COVID-19 or any other virus or similar illness), as declared by the government in the jurisdiction where the parties to perform under this Lease are located or where performance is to take place, but only to the extent that an applicable governmental authority in response thereto issues an order or orders to cease construction or operations; (i) supply chain disruptions and/or delays in deliveries, or shortages in supplies, materials and/or equipment; (j) adverse weather conditions and (k) solvencies of contractors, subcontractors, suppliers, or consultants; provided, in no event shall any party be

entitled to more than nine (9) months of delay due to any individual or related series of conditions, causes, or events constituting a Force Majeure Event.

"**Governmental Authority or Governmental Authorities**" shall mean the United States of America, the State of California, the County of Los Angeles, the City of Redondo Beach, any political subdivision of any of the foregoing, and any other governmental or regulatory authority, agency, board, department, or any other public or quasi-public authority, having jurisdiction over the Premises or the matter at issue.

"**Hazardous Materials**" shall mean any and all substances, materials, chemicals, or wastes that now or hereafter are classified or considered to be hazardous or toxic under any Environmental Law, or that are or become regulated by any Governmental Authority because of toxicity, infectiousness, radioactivity, explosiveness, ignitability, corrosiveness, or reactivity under any Environmental Law applicable to the Premises, and shall also include: (a) gasoline, diesel fuel, and any other petroleum hydrocarbons; (b) asbestos and asbestos containing materials, in any form, whether friable or non-friable; (c) polychlorinated biphenyls; (d) radon gas; and (e) flammable liquids and explosives.

"**HIPPA**" shall have the meaning set forth in Section 8.12(a) hereof.

"**Impositions**" shall mean any and all: (a) property taxes of every kind and nature (including payments in lieu of taxes), including without limitation any property tax on a possessory interest; (b) property assessments (whether general, special, business improvement district, or otherwise); (c) personal property taxes; (d) occupancy and rent taxes; (e) water, water meter, sewer rents, rates, and charges; and (f) any and all other governmental levies, fees, rents, assessments, or taxes and charges, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever, and any interest or costs with respect thereto, which at any time during the Term are, or, if the Premises or any part thereof or the owner thereof were not exempt therefrom, would have been assessed, levied, confirmed, imposed upon, or would have become due and payable out of or in respect of, or would have been charged with respect to, the Premises. Notwithstanding anything to the contrary contained in this Lease, Tenant shall not have any responsibility to pay, and "Impositions" shall not include: (i) any tax imposed on Landlord's net income, (ii) any recording tax imposed with respect to any Fee Mortgage, (iii) franchise taxes, excess profits taxes, capital gains taxes, and taxes on doing business that are imposed on Landlord, (iv) any gift, estate, wealth, inheritance, transfer (such as those owing pursuant to California Revenue and Taxation Code sections 11911 and 11925 or otherwise), or (v) any capital gains taxes imposed in connection with the execution of this Lease.

"**Improvements**" shall mean all buildings and other improvements now located, or hereafter erected, on the Land (including the Facility), together with all fixtures now or in the future installed or erected in or upon the Land or such improvements owned or leased by Landlord or Tenant.

"**Indemnitees**" shall have the meaning set forth in Section 11.1 hereof.

"**Initial Construction**" shall mean the design, development, and construction of the Facility (including, without limitation, the tenant improvements within the RCFE, but excluding

the tenant improvements within the Landlord Designated Space which shall be delivered to the Landlord under the applicable Space Lease in gray shell condition), the Open Space and the Surface Parking, including in each case all related demolition and excavation, including without limitation demolition of Building 514.

"**Interest Rate**" shall mean the Prime Rate plus two percent (2%) per annum but, in no event, in excess of the maximum permissible interest rate then in effect in the State.

"**Land**" shall mean all that certain plot, piece, or parcel of land located in the City of Redondo Beach, County of Los Angeles, State of California and which land is depicted in Exhibit C attached hereto and incorporated herein, the exact configuration of which shall be mutually determined by the Parties during the Investigation Period and the legal description of which shall be prepared by the Landlord and attached hereto as Exhibit D prior to the expiration of the Investigation Period.

"**Land Value**" shall mean Twenty-Five Million Dollars ($25,000,000).

"**Landlord Designated Spaces**" shall mean collectively, (a) an approximately Eighteen Thousand (18,000) square feet in the Facility to be designed, developed and constructed for intended use as a PACE Center participating in the Centers for Medicare & Medicaid Services Program of All-Inclusive Care for the Elderly (the "**PACE Designated Space**"); (b) an approximately Nine Thousand One Hundred (9,100) square feet in the Facility to be designed, developed and constructed for intended use as a youth wellness center (the "**YWC Designated Space**") and (c) an approximately Six Thousand Two Hundred Seventy (6,270) square feet in the Facility to be designed, developed and constructed for intended use as a community services center (the "**CSC Designated Space**").

"**Landlord Delay**" shall mean any delay by Tenant in performance of the Tenant's obligations under this Lease to the extent resulting from (i) failure of Landlord to timely approve or disapprove any plans, specifications, drawings or other aspects of any Improvements within the time periods set forth in this Lease or, if no time period is stated, then within thirty (30) Business Days after Landlord's receipt of an approval request; (ii) interference by Landlord with the completion of any Improvements; (iii) breach of this Lease by Landlord; (iv) [intentionally deleted]; (v) negligence or willful misconduct of Landlord, (vi) failure by Landlord to timely cause the vacation of Building 514 or complete the Remediation Work. As used in this definition, "Landlord" shall mean and include the Landlord entity named in this Lease and any affiliate of Landlord that is a Subtenant under a Sublease.

"**Landlord's Estate**" shall have the meaning set forth in Section 13.2 hereof.

"**Law**" or "**Laws**" shall mean any present or future applicable law, statute, ordinance, regulation (including zoning regulations), code, building code, judgment, injunction, arbitration award, order, rule, common law, codes and ordinances of any Governmental Authorities affecting the Premises as of the date of this Lease or subsequent thereto.

"**Leasehold Mortgage**" shall mean any loan financing obtained by Tenant, as evidenced by any mortgage, deed of trust, or other instrument and secured by Tenant's interest in this Lease

and the leasehold estate created hereby, including any extensions, modifications, amendments, replacements, supplements, renewals, and refinancing thereof.

"**Leasehold Mortgage Documents**" shall have the meaning set forth in Section 13.4 hereof.

"**Leasehold Mortgagee**" shall mean the holder of a Leasehold Mortgage.

"**Legal Requirements**" shall mean all requirements of Law.

"**Letter of Credit**" shall have the meaning set forth in Section 5.1 hereof.

"**Liabilities**" shall mean all losses, claims, suits, demands, costs, liabilities, and expenses, including reasonable attorneys' fees, penalties, interest, fines, judgment amounts, fees, and damages, of whatever kind or nature.

"**Long Term Landlord Sublease(s)**" means, individually and collectively, each (i) new lease that Landlord elects to enter into, and (ii) Short Term Landlord Sublease that Landlord elects to convert into a long term lease, in each case pursuant to Section 12.7.

"**Major Sublease**" shall mean a Sublease of the RCFE which individually, or in the aggregate with other Subleases, exceeds ten percent (10%) or more of the total rentable square feet of the RCFE, excluding the RCFE Sublease and resident agreements.

"**Major Subtenant**" shall mean a Subtenant under a Major Sublease.

"**Material Adverse Event**" shall be deemed to occur if it is no longer financially feasible, when taking into account the Tenant's obligations under this Lease, including under the Site Improvement Agreement and pay the Reimbursement Amount, to construct, use or operate the Facility or the RCFE for the intended use because (a) a Governmental Authority imposing material changes to the Facility, or conditions or requirements through, or refusing to approve, the Conditional Use Permit or the other Approvals on before the Final Approval Date, (b) building permit proceedings, or (c) Material Site Defects or conditions that are unknown prior to the Construction Commencement Date.

"**Material Site Defect**" means any material title defect, adverse environmental condition, adverse soil or underground condition or applicable laws, including zoning, that will have a material adverse effect on the ability to construct the Project and utilize the same for its intended purpose; excepting, however, the existence of any asbestos containing materials ("ACM") within the 514 Building that Tenant will raze in connection with the Project and the abatement thereof in compliance with Applicable Laws (the "**Abatement**").

"**Memory Care Units**" shall mean at least twenty-four (24) living units reserved for residents with dementia (as defined by California Code of Regulations, Title 22 § 87101(d)(4)) and providing services to those residents consistent with the requirements set forth in California Code of Regulations, Title 22 § 87705 (as such regulations may be updated or revised from time to time and pursuant to any successor regulations).

"**Mezzanine Lender**" shall have the meaning set forth in Section 13.15 hereof.

"**Mezzanine Loan**" shall have the meaning set forth in Section 13.15 hereof.

"**Notice of Assumption**" shall have the meaning set forth in Section 13.17 hereof.

"**Notice to Terminate**" shall have the meaning set forth in Section 16.3 hereof.

"**Open Space**" shall mean the outdoor space and related improvements to be constructed by Tenant pursuant to this Lease and Off-Site Improvement Agreement on that certain plot, piece, or parcel of land adjacent to the Land as further described in Exhibit E attached hereto and incorporated herein.

"**Operator**" shall mean a legal entity wholly owned and controlled directly or indirectly by Parent LLC and that has a possessory interest in the RCFE under the RCFE Sublease and any Major Subtenant.

"**Other Party**" shall have the meaning set forth in Section 12.9 hereof.

"**Partial Taking**" shall have the meaning set forth in Section 17.2 hereof.

"**Patriot Act**" shall have the meaning set forth in Section 29.10 hereof.

"**Permitted Sublease**" shall have the meaning set forth in Section 12.2(a) hereof.

"**Permitted Transfer**" shall mean any of the following Transfers:

(i) The Transfer of a direct ownership interest (including a majority ownership interest) in Parent LLC to or by a capital partner selected by the members of Parent LLC provided that (a) PMB LLC or Watermark or their respective Affiliates maintain direct or indirect Control of Tenant, and (b) Watermark or its Affiliate remains responsible for the operations and management of the RCFE;

(ii) Any Transfer of direct or indirect interests in the owners or members of Parent LLC provided that (a) PMB LLC and/or Watermark and/or their respective Affiliates maintain direct or indirect Control of Tenant, and (b) either Watermark or its Affiliate remains responsible for the operations and management of the RCFE or the provisions set forth in Section 8.4(d) otherwise remain satisfied;

(iii) An issuance or a transfer of stock through the "over the counter" market or through any recognized national stock exchange or a transfer of ownership interests in Tenant provided that (a) PMB LLC or Watermark or their respective Affiliates maintain direct or indirect Control of Tenant, and (b) Watermark or its Affiliate remains responsible for the operations and management of the RCFE;

(iv) A Transfer following a foreclosure or transfer in lieu of foreclosure, subject to the terms and conditions set forth in this Lease; and

(v) A Permitted Sublease.

"**Permitted Use**" shall mean the use of the Premises in accordance with all applicable Laws as a RCFE and such other uses as may be approved in writing by Landlord, including, without limitation, as permitted by the Short Term Landlord Subleases and the Long Term Landlord Subleases.

"**Person**" shall mean any individual, corporation, partnership, firm, or other legal entity.

"**Personalty**" shall mean all machinery, equipment, appliances, furniture, and any other personal property of any kind or description owned or leased by Landlord or Tenant located on the Premises and used in the operation of the Premises, excluding trucks and cars.

"**PHI**" shall have the meaning set forth in Section 8.12(a) hereof.

"**Plans**" shall have the meaning set forth in Section 7.5 hereof.

"**Premises**" shall mean the Land and any Improvements thereon (including the Facility, as applicable).

"**Prevailing Party**" shall have the meaning set forth in Section 29.3 hereof.

"**Prime Rate**" shall mean the prime or base rate announced as such from time to time by *The Wall Street Journal*, and if not available, a comparable rate reasonably selected by Landlord. Any interest payable under this Lease with reference to the Prime Rate shall be adjusted on a daily basis, based upon the Prime Rate in effect at the time in question, and shall be calculated on the basis of a 360-day year with twelve (12) months of thirty (30) days each.

"**Prohibited Person**" shall have the meaning set forth in Section 29.10 hereof.

"**Property Reports**" shall have the meaning set forth in Section 7.15 hereof.

"**Qualified Appraiser**" shall mean an individual that: (a) is duly licensed in the jurisdiction in which the Premises are located; (b) has at least ten (10) years' experience leasing or valuing commercial space in the same general geographic area as that in which the Premises are located; (c) is independent and has no then-pending or past brokerage relationship with any or all of Landlord, Tenant, and any Affiliates of either or both of Landlord and Tenant and (d) has experience with appraisal of senior living facilities.

"**Quality Requirements**" means whether individually, or in combination with the applicable Person's Affiliates: (i) having the requisite experience necessary to operate the RCFE in the State, including at least five (5) consecutive years of operations of a RCFE; (ii) having sufficient financial resources for the operation of a RCFE; (iii) never having any license, accreditation or certification for operation of a residential care facility for the elderly or equivalent facility denied, suspended or revoked during the prior ten (10) years; (iv) no individual owning more than a five percent (5%) direct or indirect interest in the license holder for the RCFE has been convicted of or pled guilty within the prior ten (10) years to a felony involving financial

crime, insurance or health care fraud or been excluded from participation in any federal or state health care program.

"**RCFE**" means the approximately Two Hundred Forty Thousand (240,000) gross square feet of space in the Facility for the operation of a Residential Care Facility for the Elderly including approximately 185 assisted living units and the Memory Care Units licensed by the California Department of Social Services and all other applicable Governmental Authorities comprising approximately, but not exceeding, 217 units.

"**RCFE Manager**" shall mean the entity engaged as the manager for the RCFE.

"**RCFE Sublease**" means the Sublease for the RCFE between Tenant and Operator that meets the requirements of this Lease, and shall contain provisions obligating the Operator to comply and cause its RCFE Manager, if any, to (a) comply with all covenants in this Lease relating to operation of the RCFE, including Section 8.4 and the insurance requirements in Sections 10.4, 10.5 and 10.10 to the extent applicable to the RCFE, Section 12.2 and Article XXII to the extent applicable to the RCFE, and (b) indemnify the Landlord for any Claim, as defined in Section 11.1, subject to the limitations therein.

"**Recognition Agreement**" shall have the meaning set forth in Section 13.12 hereof.

"**Referral Source**" shall have the meaning set forth in Section 8.12(b) hereof.

"**Release**" shall mean the release or threatened release of any Hazardous Materials into, upon, under, or above any land, water, or air, or otherwise into the environment, including by means of burial, disposal, discharge, emission, spillage, leakage, seepage, leaching, or dumping.

"**Remedial Action**" shall mean the investigation, response, clean up, remediation, prevention, mitigation, or removal of any Hazardous Materials necessary to comply with any Environmental Laws.

"**Rent**" shall mean Base Rent and Additional Rent.

"**Rent Commencement Date**" shall mean the earlier of (i) date on which the Certificate of Occupancy for the Facility is issued or (ii) the Completion Date.

"**Restoration**" shall have the meaning set forth in Section 16.1 hereof.

"**Restoration Funds**" shall have the meaning set forth in Section 16.4 hereof.

"**Restoration Work**" shall have the meaning set forth in Section 16.2 hereof.

"**ROFR Escrow**" shall have the meaning set forth in Section 12.6(c) hereof.

"**Sale**" shall mean a sale, exchange, or assignment (other than a Permitted Transfer) of either (i) one hundred percent (100%) of the Tenant's leasehold interest in the Premises or (ii) one hundred percent (100%) of Operator's interest in the RCFE Sublease.

"**Security**" shall mean the amount of two times the then-current annual Base Rent; provided, that such amount shall be reduced by the future rent payments owed by Landlord to Tenant for the Landlord Designated Spaces during such two-year period, if any.

"**Schedule of Performance**" shall have the meaning set forth in Section 7.4 hereof.

"**Short Term Landlord Sublease(s)**" shall have the meaning set forth in Section 2.5(c) hereof.

"**Stabilization**" means the date on which occupancy with respect to the living units in the RCFE, on a combined basis, have reached ninety percent (90%) occupancy for two consecutive quarters.

"**State**" shall mean the State of California.

"**Sublease**" shall mean any lease, sublease, occupancy, license, or concession agreement for the use or occupancy of space in the Improvements (other than this Lease).

"**Subsidiary Transfer**" shall have the meaning set forth in Section 13.16 hereof.

"**Substantial Completion, Substantially Complete, and Substantially Completed**" shall mean, with respect to the Initial Construction and all Alterations, the satisfaction of the following conditions: (a) Tenant shall have obtained and delivered to Landlord all Approvals required by Law to be issued in connection with the Initial Construction or Alteration, as applicable, including any Certificate of Occupancy or amendment of the Certificate of Occupancy with respect to the RCFE and the Facility (excluding any of the Landlord Designated Space which shall be delivered to the Landlord under the applicable Space Lease in gray shell condition); and (b) Tenant delivers to Landlord a final release and waiver of mechanics' liens covering all of the Initial Construction or Alteration, as applicable, in form and substance reasonably satisfactory to Landlord, executed by each of the general contractor, construction manager, design builder, contractors, and subcontractors.

"**Substantially all of the Premises**" shall mean: (a) the whole of the Premises, (b)any portion of the Premises in excess of fifty percent (50%) of the total rentable area of the Improvements or a material portion of the Premises or Improvements to the extent that (i) Tenant cannot reasonably adapt and economically operate the remaining portion of the Facility for the purposes and in a substantially similar manner as it was operated prior to the taking, or (ii) access to the Premises is so materially impaired as a result of the taking that no reasonable alternate access can be provided; and (c) any portion(s) of the HLC parking areas such that Tenant cannot satisfy the code required parking for the Facility. If there is any dispute as to whether or not "substantially all of the Premises" has been taken, such dispute shall be submitted to and determined by Arbitration.

"**Subtenant**" shall mean any tenant, subtenant, licensee, or other occupant of space in the Improvements (other than Tenant).

"**Subtenant NDA Agreement**" shall have the meaning set forth in Section 12.4(b) hereof.

"**Subtenant NDA Criteria**" shall have the meaning set forth in Section 12.4(b) hereof.

"**Subtenant NDA Request Notice**" shall have the meaning set forth in Section 12.4(a) hereof.

"**Surface Parking**" shall mean the eighty-six (86) surface lot parking spaces and related improvements to be constructed by Tenant pursuant to this Lease and the Off-Site Improvement Agreement on that certain plot, piece, or parcel of land adjacent to the Land as further described in Exhibit F attached hereto and incorporated herein.

"**Term**" shall mean the term of this Lease commencing on the Term Commencement Date and ending on the Expiration Date.

"**Term Commencement Date**" shall have the date of the Commencement of Construction, if this Lease is not terminated by Tenant before such date, or such earlier date as Landlord and Tenant may mutually agree in writing.

"**Termination Notice**" shall have the meaning set forth in Section 13.7 hereof.

"**Threshold Amount**" shall mean the amount of One Million and 00/100 Dollars ($1,000,000) adjusted annually on each anniversary of the Commencement Date by the percentage increase of the Consumer Price Index from the Commencement Date to the anniversary in question.

"**Transfer**" shall mean any (i) sale, exchange, or assignment of Tenant's leasehold interest in the Premises or Operator's subleasehold interest in the Premises, or (ii) sale, exchange, assignment or other transaction or series of transactions of the direct or indirect ownership interests in Tenant or Operator (including any assignment, transfer, issuance, or redemption of any ownership interest, or any merger, consolidation, or dissolution), that results in a change of Control of Tenant or Operator, as applicable.

"**Transferee**" shall have the meaning set forth in Section 12.1 hereof.

"**Unavoidable Delays**" shall mean delays incurred by Tenant due to a Force Majeure Event or an Approval Delay. Tenant shall (a) notify Landlord not later than thirty (30) days after the commencement of the Force Majeure Event, explaining the nature or cause of the delay and stating the period of time the delay is expected to continue; (b) use reasonable efforts to minimize the effects of such Force Majeure Event and (c), after Tenant's payment of debt service then due and owing to third-party Persons who are unrelated to Tenant, pay Landlord twenty percent (20%) of all liquidated damages received from Contractor related to such Force Majeure Event.

ARTICLE II
LEASE OF PREMISES; CONDITION OF PREMISES; COMMENCEMENT DATE AGREEMENT; FAILURE TO DELIVER POSSESSION

Section 2.1 Lease of Premises. Subject to the terms and conditions of this Lease, Landlord leases to Tenant, and Tenant leases from Landlord, the Premises for a Term that shall commence on the Term Commencement Date and end on the Expiration Date (as such Term may

be extended from time to time pursuant to ARTICLE XXVIII hereof), subject to earlier termination pursuant to any of the terms, covenants, or conditions of this Lease or pursuant to Law.

Along with the Premises, as of the Term Commencement Date, Landlord also hereby grants Tenant use and enjoyment of ingress and egress easements and appurtenances (including, without limitation, all appurtenant rights of Landlord in adjacent land, highways, roads, streets, lanes, whether public or private, required for the installation, maintenance, operation and service of sewers, water, gas, drainage, electricity and other utilities and for driveways and approaches to and from abutting highways), for the use and benefit of the Premises, on a non-exclusive basis, together with any and all right, title and interest of the Landlord in and to all interests of Landlord to the center of any public street adjoining the Lease Area ("**Appurtenant Rights**"); provided, however, the Appurtenant Rights shall exclude all minerals, oil, gas and other hydrocarbon substances on the Premises and rights related thereto. The Appurtenant Rights shall include and Landlord covenants to provide adequate non-exclusive and unassigned parking, but not less than the code required parking for the Facility, on the Premises and other adjacent property to satisfy the parking requirements with respect to the Facility at all times during the Term pursuant to Section 8.6, in the areas depicted on Exhibit G attached hereto and incorporated herein.

Section 2.2 Condition of Premises. Except for Landlord's express representations, warranties, and covenants in this Lease, Tenant has inspected the Premises and accepts possession of the Premises in its "**AS IS**" condition on the Term Commencement Date. Except as otherwise expressly provided in this Lease, Tenant has full responsibility for the repair, alteration, maintenance, and replacement of the Premises. Tenant expressly acknowledges and agrees that Landlord has not made and is not making, and Tenant is not relying upon, any warranties or representations regarding the Premises, except to the extent the same are expressly set forth in the Lease. Tenant shall own legal title to the improvements on the Premises until the expiration or earlier termination of this Lease.

Section 2.3 Commencement Date Agreement. Within ten (10) days following the Rent Commencement Date, Landlord and Tenant shall enter into an agreement, in the form attached hereto and incorporated herein as Exhibit H, confirming the Commencement Date, the Term Commencement Date, the Rent Commencement Date, and the initial Expiration Date; provided, however, the failure of Landlord or Tenant, or both, to execute and deliver such agreement shall not affect the Commencement Date, the Term Commencement Date, the Rent Commencement Date, or the initial Expiration Date.

Section 2.4 Delivery of Possession. Landlord shall deliver vacant possession of the Premises on the Term Commencement Date or such earlier date as Landlord and Tenant shall mutually agree in writing. For the avoidance of doubt, (i) through the Term Commencement Date, Landlord shall solely be deemed to own, control and be liable for the Premises, and Tenant shall merely have a temporary license to perform diligence and entitlement activities with respect to the Premises, the Open Space and Surface Parking in accordance with this ARTICLE II, and (ii) upon the Term Commencement Date, Tenant shall be deemed to possess and occupy the Premises in accordance with this Lease. Until the Term Commencement Date, Tenant shall maintain Workers' Compensation and Employer's Liability Insurance and CGL insurance required by ARTICLE X.

Section 2.5 Tenant's Right to Investigation and Conditions to Tenant's Obligations. Controlling over any contrary provisions contained in this Lease, the Tenant's occupancy and possession of the Premises and the Tenant's obligation to commence construction of the Facility in accordance with the terms of this Lease are expressly conditioned on the satisfaction of the following conditions precedent (individually and collectively, the "**Delivery Conditions**"):

(a) On or before the date which is one hundred twenty (120) days after the Commencement Date (the "**Investigation Period**"), Tenant shall have approved in Tenant's sole and absolute discretion, the feasibility of the Premises for Tenant's intended development, use and operation. During the Investigation Period, Tenant, at Tenant's sole cost and expense, will have the right to conduct feasibility, engineering, economic, surveying, soils, development, zoning, environmental and such other physical inspections and/or studies upon and about the Premises, the Open Space and Surface Parking as Tenant shall deem appropriate or necessary. Tenant and Tenant's agents, contractors, professional consultants and employees shall have the right, at any time, to enter upon any portion of the Premises, the Open Space and Surface Parking for the purpose of conducting any inspections, studies and tests. If Tenant shall determine, in Tenant's sole and absolute discretion, that the Premises is not suitable for Tenant's intended use, Tenant may declare this Lease terminated by written notice delivered to Landlord prior to the expiration of the Investigation Period, at which time this Lease shall terminate, and the parties shall have no further liability or obligation under this Lease. If Tenant fails to timely deliver the foregoing notice of termination, then this Lease shall remain in full force and effect.

Notwithstanding anything to the contrary contained herein, prior to the Term Commencement Date Tenant shall have the right to drill such soil test borings as Tenant deems necessary to determine the suitability of the Premises, the Open Space and Surface Parking for development purposes without the prior consent of the Landlord. It is agreed by Tenant that all such tests and studies shall be conducted in a reasonable manner so as not to interfere or disrupt Landlord's possession and quiet enjoyment of the Premises. If Tenant exercises its right to terminate this Lease pursuant to Section 15.3 below, then Tenant shall return the Premises, the Open Space and Surface Parking to substantially the same condition as it was prior to the performance of such tests and studies. Tenant agrees to indemnify and hold Landlord harmless from any and all liabilities, costs, expenses and/or charges (including reasonable attorneys' fees) arising out of or results from personal injury or property damage to the extent caused by the actions or omissions (where there is a duty to act) of Tenant or Tenant's agents, employees, contractors or consultants in connection with their investigations; provided, however, Tenant's indemnification and hold harmless obligations shall not apply to Liabilities arising from (i) Landlord's acts or omissions or (ii) Tenant's mere discovery of adverse physical conditions affecting the Property, including, without limitation, any Hazardous Materials (as defined below) conditions.

(b) Tenant shall have obtained the Final Approval of the Approvals. Notwithstanding anything to the contrary herein, the parties acknowledge that it could take several years to obtain the Approvals. If the Approvals have not been Finally Approved by December 31, 2024 ("**Anticipated Final Approval Date**"), as extended by an Approval Delay, then Tenant shall have a right to either (i) terminate this Lease, whereupon the

parties shall have no further liability or obligation under this Lease, or (ii) extend its entitlement period by providing written notice to Landlord until the date which is thirty (30) days following the Approval Date, subject to Section 15.3.

(c) Landlord or Landlord's Affiliates shall have entered into one or more Subleases for an estimated Thirty-Three Thousand Three Hundred-Seventy (33,370) square feet in the Facility for the Landlord Designated Space (each a "**Short Term Landlord Sublease**") no later than the date on which Investigation Period terminates, unless this condition is waived by Tenant in its sole discretion. The form of each Short Term Landlord Sublease shall be substantially similar to the form of this Lease, and shall be for a term of twenty (20) years. The initial annual base rental rate for each Short Term Landlord Sublease shall be calculated on a per square foot basis concurrently with the execution of the Design Build Amendment by multiplying the total cost of construction of the Initial Construction attributable to the non-RCFE space by seven percent (7%) divided by the total square footage of the non-RCFE space. Tenant shall provide each of the Short Term Landlord Sublease tenants access to the applicable premises on a base rent-free basis for a limited period of time sufficient to allow the applicable Short Term Landlord Sublease tenant to perform the tenant improvements with respect the applicable premises, as further described in such Short Term Landlord Sublease, but in no event greater than one hundred (180) days after Tenant delivers possession of the Landlord Designated Space to Landlord or any Landlord Subtenant or such earlier date that Landlord or the Landlord Subtenant commences business operations in the Landlord Designated Space. In addition to base rent, each Subtenant under the Short Term Landlord Subleases shall pay customary building operating expenses allocable on a per square foot basis, including the cost of maintenance, repairs and insurance, but excluding property taxes to the extent they are exempted from payment due to Landlord's tax exempt status as a public entity. Base rent and additional rent payments shall commence upon the Rent Commencement Date. Such base rent payments shall increase by 2% each year on the last day of the month in which occurs each anniversary of the Rent Commencement Date of the applicable Short Term Landlord Sublease. Unless this condition is waived in writing by Tenant, in which case Section 12.7 of this Lease shall be of no further force or effect, if Landlord shall fail to timely execute the Short Term Landlord Subleases, this Lease shall terminate and the parties shall have no further liability or obligation under this Lease.

(d) Tenant shall have obtained and closed a construction loan to finance the Initial Construction ("**Construction Loan**"). Tenant shall not be deemed to have been unable to obtain a Construction Loan unless a Construction Loan is not available to Tenant on a reasonable timeframe prior to the Commencement of Construction on terms no less favorable to Tenant than the following: (i) 65% loan-to-cost, (ii) an interest rate equal to the then current SOFR rate plus a customary loan spread per annum, but in no event shall the interest rate (inclusive of SOFR and the loan spread) exceed seven percent (7.00%) at the time of execution of definitive agreements for the Construction Loan, and (iii) interest only period of four (4) years, with a total term of five (5) years, for the Initial Construction. If Tenant is unable to obtain and close the Construction Loan on or before the Construction Commencement Date after using diligent efforts (excluding for a failure by Tenant to meet the minimum contribution requirement in Section 7.1(b)), then Tenant shall have a right to terminate this Lease, whereupon the parties shall have no further liability or obligation

under this Lease, except that Landlord shall be entitled to obtain the Initial Reimbursement Payment, and Tenant shall, upon Landlord's request, assign to the Landlord without representation or warranty all of Tenant's interest in the Design Build Agreement, including without limitation, any work product that has been prepared under the Design Build Agreement, and any other third party consultant agreements with respect to the design and construction of the Facility.

(e) The Remediation Work (as defined below) shall have been completed by Landlord in accordance with Section 7.20.

(f) Landlord shall have awarded the Design Build Agreement to the Contractor.

Section 2.6 Documents and Terms to be Negotiated. During the Investigation Period or such longer period of time as the Parties may mutually agree in writing, Landlord and Tenant shall use good faith efforts to negotiate and finalize terms related to the following, and if applicable, agree upon the form of the related documents or agreements:

(a) The timing regarding demolition of the Building 514, termination of the Building 514 leases, and vacancy of the tenants thereunder, after taking into consideration Landlord's lost income from the Building 514, the Tenant's anticipated schedule for construction, desire to park during construction on the land currently occupied by the Building 514 (following demolition of the Building 514), safety considerations, and feasibility of the maintaining occupancy by any tenant in Building 514 following the Construction Commencement Date;

(b) The Landlord Subleases, including the Tenant's basis of design for the shell and core condition and any modifications that are required to accommodate building standards applied to clinics that are licensed pursuant to Health and Safety Code Section 1200 *et seq*. (e.g., OSHPD 3 requirements), the increased cost of which with respect to the shell and core shall be paid by the Tenant, it being understood that Landlord shall be solely responsible (at Landlord's cost) for the tenant improvements relating space to the spaces subject to Landlord Subleases;

(c) Unless the Parties mutually agree otherwise, Tenant shall cause Contractor to provide Landlord payment and performance bonds from a California-admitted surety approved by Landlord, in accordance with the Design-Build Agreement, to include requiring the Contractor and appropriate subcontractors to provide payment and performance bonds; provided, that the bonds shall be dual obligee bonds payable in favor of Tenant as obligee and Landlord as obligee and the amount of the payment bond shall not be less than the amount of the performance bond;

(d) All exhibits and schedules to this Lease that are not finalized on the Commencement Date.

Upon finalization of such terms and documents, Landlord and Tenant shall enter into a subsequent amendment to this Lease evidencing the same, and if applicable, attaching the form of related documents or agreements.

Section 2.7 Pre-Construction Covenants. At all times, Tenant shall have the right and, if legally required for development, construction and use of the Facility, the obligation to pursue, at its sole cost and expense, entitlements for Tenant's intended development and uses of the Premises including without limitation building permits, conditional use permits, land development plans and site plans, elevations, conceptual grading plan, conceptual landscape plan, permitting, access easements and rights of way, storm water management plans and approvals, wetlands permitting, storm water and utility easements, and permits, licenses, approvals and/or waivers from state, regional and local governmental authorities as may be required for the development of the Premises. Landlord as the real property owner shall, upon written request from Tenant from time to time, fully cooperate with, sign and consent to all applications for Approvals. Upon reasonable advance notice, Landlord's designated/authorized representative shall appear at any public hearings, city council meetings, or other administrative proceedings to support applications for the Approvals to the extent reasonably requested by Tenant. Upon expiration of the Investigation Period, unless this Lease is terminated prior to the date thereof, PMB LLC ("**PMB**") shall join in this Lease ("**Joinder Agreement**") solely for the purpose of PMB being jointly and severally liable with Tenant with respect Tenant's obligations under this Section 2.7 and under the Design Build Agreement pursuant to the Assignment, Assumption and Release Agreement, but not as to any other aspect or obligation of Tenant under the Lease.

Section 2.8 Independent Consideration. On the Commencement Date, Tenant shall deliver to Landlord One Hundred and No/100 Dollars ($100.00) as non-refundable "**Independent Consideration**." The Independent Consideration has been bargained for and agreed to by the parties as consideration for Landlord's execution and delivery of this Lease and for the rights and privileges granted to Tenant herein, including any and all rights granted to Tenant to terminate this Lease during certain periods hereunder.

ARTICLE III
BASE RENT; RENT PAYABLE TO LANDLORD; NET LEASE

Section 3.1 Base Rent.

(a) Tenant covenants and agrees to pay base rent to Landlord throughout the Term of this Lease as follows ("**Base Rent**") and as adjusted as provided herein:

(i) for the period commencing on the Rent Commencement Date and ending on the initial Expiration Date, an amount equal to One Million Five Hundred Thousand and 00/100 Dollars ($1,500,000) per annum as adjusted pursuant to this Section or Article XXVIII, payable (subject to Section 3.2(c)) in advance on the first day of each month in equal monthly installments of One Hundred Twenty-Five Thousand and 00/100 Dollars ($125,000) per month, as adjusted;

(ii) subject only to the adjustment set forth in Section 3.1(a)(iii) and otherwise in addition to other adjustments provided herein, on the last day of the month in which occurs each subsequent fifth (5^{th}) anniversary of the Rent Commencement Date, the Base Rent payable hereunder shall be increased to one hundred ten percent (110%) of the Base Rent immediately prior to such adjustment; and

(iii) on the last day of the month in which occurs each subsequent twentieth (20^{th}) anniversary of the Rent Commencement Date, the Base Rent payable hereunder shall be adjusted to the then-current Fair Market Rent Value of the Land as determined pursuant to Exhibit I. Such annual Base Rent shall be calculated by multiplying the appraised value of the Land by 6%.

(b) Notwithstanding the adjustment set forth in Section 1(a)(iii), the adjusted Base Rent shall not be less than 95% of the Base Rent for the preceding lease year nor more than 110% of the Base Rent for the preceding lease year.

(c) If Tenant exercises an Extension Option in accordance with the terms of ARTICLE XXVIII of this Lease and the Lease Term is extended, the Base Rent payable with respect to such Extension Term shall be an amount as determined pursuant to ARTICLE XXVIII hereof.

(d) During the period of time that a Letter of Credit is required to be maintained, Base Rent shall be adjusted by the amount determined pursuant to Section 5.3 below.

Section 3.2 Rent Payable to Landlord.

(a) Tenant shall pay Base Rent to Landlord in equal monthly installments, in advance, commencing on the first day of each month during the Term, without notice or demand.

(b) Notwithstanding the foregoing, Tenant shall not be required to pay Base Rent for the period commencing on the Commencement Date and ending on the Rent Commencement Date.

(c) Base Rent due for any period of less than twelve (12) months (or any monthly installment of Base Rent due for any period of less than a full month) shall be appropriately apportioned based upon a 360-day year (or based upon the number of days in such month).

(d) Tenant shall pay to Landlord all Additional Rent that is payable to Landlord pursuant to the terms and conditions of this Lease within thirty (30) days after written demand therefor from Landlord, unless a different time period is specified in this Lease.

(e) All Base Rent and Additional Rent (such Additional Rent that is due and owing to Landlord pursuant to the terms and conditions of this Lease) shall be paid: (i) by good check drawn on an account at a bank in currency that at the time of payment is legal tender for public and private debts in the United States of America, made payable to Landlord at Landlord's address set forth in Section 19.1 herein or to such other parties and at such other addresses as Landlord shall direct by notice to Tenant from time to time; or (ii) by wire transfer of immediately available funds to an account at a bank designated in writing by Landlord.

(f) If any installment of Base Rent or Additional Rent that is due and owing to Landlord is not paid within thirty (30) days of the applicable Due Date, Tenant shall pay

to Landlord, as Additional Rent, the following charges that Tenant hereby acknowledges are reasonable:

(i) a late charge equal to five percent (5%) of the overdue amount to Landlord in order to defray the expenses incident to handling such delinquent payments. Such payment shall be in addition to, and not in lieu of, any other remedy Landlord may have. Notwithstanding the foregoing, Landlord agrees to provide Tenant with one written notice each Lease Year upon the first occurrence of a certain installment of Base Rent or Additional Rent being delinquent as set forth herein and payable under this Lease. Provided that Tenant pays such delinquent amount within five (5) days from receipt of such notice, no late charge will be imposed; and

(ii) interest on the overdue amount to Landlord at the Interest Rate. Such overdue Rent shall bear interest from the Due Date, without regard to any grace period, until the date such Rent is paid. Such payment shall be in addition to, and not in lieu of, any other remedy Landlord may have.

Section 3.3 Net Lease. This Lease is an absolute net lease. Tenant shall pay as Additional Rent all expenses of every kind and nature whatsoever relating to or arising from the Premises, including Impositions, and all expenses arising from the leasing, operation, management, construction, maintenance, repair, use, and occupancy of the Premises, except as otherwise expressly provided in this Lease. Notwithstanding the foregoing, Landlord agrees to pay the following expenses: (a) any expenses expressly agreed to be paid by Landlord in this Lease; (b) debt service and other payments with respect to any Fee Mortgage; (c) expenses incurred by Landlord to monitor and administer this Lease; (d) expenses incurred by Landlord prior to the Term Commencement Date; and (e) expenses that are personal to Landlord.

ARTICLE IV
PAYMENT OF IMPOSITIONS; REDUCTION OF ASSESSED VALUATION; UTILITIES

Section 4.1 Payment of Impositions and Taxes.

(a) Commencing on the Term Commencement Date and thereafter during the Term of this Lease, Tenant shall pay or shall cause to be paid all Impositions directly to the Governmental Authority charged with the collection thereof. Without limiting the generality of the foregoing, Tenant expressly agrees and acknowledges that (i) Tenant's possessory interest in the Premises may be subject to property taxation; (ii) Tenant shall pay all property taxes levied on such interest, if any, and (iii) this sentence provides sufficient notice to Tenant of Tenant's obligations to pay property taxes associated with the possessory interest in the Premises as contemplated under California Revenue and Taxation Code Section 107.6. Each Imposition, or installment thereof, during the Term shall be paid not later than the Due Date thereof. If, by Law, any Imposition may at the option of the taxpayer be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Tenant may exercise the option to pay the same in such installments and shall be responsible for the payment of such installments only, together with applicable interest, if any; provided that all such installment payments

together with applicable interest, if any, relating to periods prior to the Expiration Date shall be made prior to the Expiration Date. Tenant shall promptly notify Landlord if Tenant shall have elected to pay any such Imposition in installments.

(b) Within thirty (30) days after request by Landlord, Tenant shall furnish to Landlord official receipts of the appropriate Governmental Authority, or other evidence reasonably satisfactory to Landlord, evidencing the payment of such Impositions.

(c) Any Imposition relating to a period, a part of which is included within the Term and a part of which is included in a period of time before the Term Commencement Date or after the Expiration Date shall be apportioned between Landlord and Tenant as of the Term Commencement Date or Expiration Date (other than an Expiration Date arising by reason of Tenant's default), as the case may be, so that Tenant shall pay only that portion of such Imposition which that part of such fiscal period included in the period of time after the Term Commencement Date or before the Expiration Date bears to such fiscal period, and Landlord shall pay the remainder thereof.

(d) Tenant shall have the right to contest the amount or validity, in whole or in part, of any Imposition by appropriate proceedings diligently conducted in good faith, in which event, notwithstanding the provisions of this ARTICLE IV, payment of such Imposition shall be postponed if, and only as long as:

(i) neither the Premises nor any part thereof, or interest therein or any income therefrom (except to the extent covered by security deposited in accordance with this Section 4.1(d)) would by reason of such postponement or deferment, be, in the reasonable judgment of Landlord, in imminent danger of being forfeited or lost or subject to any lien, encumbrance, or charge, and neither Landlord nor Tenant would by reason thereof be subject to any civil or criminal liability;

(ii) no Event of Default has occurred and is continuing (in which event only Landlord may commence such proceedings but shall have no obligation to do so); and

(iii) such contest shall be conducted in accordance with the applicable terms and conditions of the Leasehold Mortgage.

(e) Upon the termination of such proceedings, it shall be the obligation of Tenant to pay the amount of such Imposition or part thereof as finally determined in such proceedings, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees (including reasonable attorneys' fees and disbursements), interest, penalties, or other liabilities in connection therewith.

(f) Landlord shall not be required to join in any proceedings referred to in this ARTICLE IV unless the provisions of any Law at the time in effect shall require that such proceedings be brought by or in the name of Landlord, in which event, Landlord shall join and reasonably cooperate in such proceedings or permit the same to be brought in its name but shall not be liable for the payment of any costs or expenses in connection with any such proceedings and Tenant shall reimburse Landlord for any and all costs or expenses which

Landlord may reasonably sustain or incur in connection with any such proceedings, including reasonable attorneys' fees and disbursements.

(g) If a Leasehold Mortgagee shall require Tenant to deposit funds with such Leasehold Mortgagee to ensure payment of Impositions, any amount so deposited by Tenant with such Leasehold Mortgagee shall be credited against the amount, if any, which Tenant would otherwise be required to deposit under this Section 4.1.

(h) If there shall be any refunds or rebates on account of any Impositions paid by Landlord or Tenant, such refund or rebate shall belong to the party that paid the Imposition.

(i) Tenant shall be responsible for paying for all state, county or city documentary or other transfer taxes relating to execution of this Lease and commencement of the Term.

Section 4.2 Reduction of Assessed Valuation. Subject to the provisions of any Leasehold Mortgage, Tenant may, at Tenant's sole cost and expense, endeavor from time to time to reduce the assessed valuation of the Premises for the purpose of reducing the Impositions payable by Tenant. Landlord agrees to offer no objection to such contest or proceeding and, at the request of Tenant, to reasonably cooperate with Tenant in pursuing such contest or proceeding, but without expense to Landlord. Tenant agrees to indemnify and hold Landlord harmless from all Liabilities arising by reason of or in connection with any such contest or proceeding. If all or any part of an Imposition is refunded to either Landlord or Tenant (whether through cash payment or credit against Impositions), the party who paid the Imposition to which the refund relates shall be entitled to such refund to the extent such refund relates to any Imposition paid by such party.

ARTICLE V
SECURITY; LETTER OF CREDIT

Section 5.1 Security. Within ten (10) Business Days after the Rent Commencement Date, Tenant shall deliver to Landlord, as security for Tenant's compliance with this Lease, the Security in the form of a clean, irrevocable, and unconditional standby letter of credit on the terms, and substantially in the form, attached to this Lease as Exhibit J with a bank reasonably acceptable to Landlord (the "**Letter of Credit**"); provided that Landlord may elect upon written notice by Landlord to Tenant, to terminate the Letter of Credit requirement, and effective as of the date of such election by Landlord, the Tenant shall not be required to maintain any Letter of Credit as security for this Lease, the Tenant's obligation to maintain the Letter of Credit shall automatically terminate, and the requirements of this Article 5 shall be of no further force and effect. Upon the occurrence and continuance of an Event of Default, Landlord may use all or any portion of the Security to cure the default or for the payment of any other amount due and payable from Tenant to Landlord in accordance with this Lease, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default, including, without limitation, prospective damages and damages recoverable pursuant to California Civil Code Section 1951.2. In such event, Tenant shall, within fifteen (15) days following Landlord's notice, deposit with Landlord a Letter of Credit in an amount sufficient to restore the full amount of the Security (without giving consideration to any interest accrued on the Security). Landlord shall not, unless

required by any Law, pay interest to Tenant on the Security, and if Landlord is required to maintain the Security in an interest bearing account or pay any interest to Tenant, Landlord shall retain the maximum amount of interest permitted under any Law (which Landlord may withdraw and retain annually or at any other times). Landlord shall not be required to exhaust its remedies against Tenant or the Security before having recourse to Tenant, the Security, or any other security held by Landlord, or before exercising any right or remedy. If there is then no uncured default, the Security and any accrued and unpaid interest thereon, or any balance, shall be paid or delivered to Tenant promptly after the Expiration Date and Tenant's vacating of the Premises in accordance with this Lease. If Landlord's interest in the Premises is sold or leased, Landlord shall transfer the Security and any accrued and unpaid interest thereon, or any balance, to the new landlord and, upon such transfer, the assignor shall thereupon be automatically released by Tenant from all liability for the return of the Security or any interest (and Tenant agrees to look solely to the assignee for the return of the Security or any interest). Landlord and Tenant acknowledge and agree that in no event or circumstance shall the Letter of Credit, any renewal thereof or substitute therefor, or the proceeds thereof be deemed to be or treated as a security deposit within the meaning of California Civil Code Section 1950.7, subject to the terms of such Section 1950.7, or intended to serve as a security deposit within the meaning of such Section 1950.7. Tenant waives the provisions of California Civil Code Section 1950.7, or any similar or successor laws now or hereinafter in effect that may restrict Landlord's use or application of the Letter of Credit or provide specific time periods for return of the Letter of Credit.

Section 5.2 Requirements of the Letter of Credit.

(a) The Letter of Credit shall be for an amount equivalent to (i) two (2) years of the initial Base Rent, less (ii) the amount of base rent due under the Landlord Designated Spaces during such two year period.

(b) If the bank issuing the Letter of Credit shall notify Landlord that the term of the Letter of Credit shall not be renewed, Tenant shall, no fewer than thirty (30) days prior to the expiration date of the Letter of Credit, replace the Letter of Credit with a new Letter of Credit having an initial expiration date at least three (3) year(s) from the date of the new Letter of Credit. Otherwise, Landlord may draw the full amount of the Letter of Credit and hold the cash as the Security.

(c) If, for any reason, other than Landlord's failure to comply with the requirements of the Letter of Credit, the bank issuing the Letter of Credit shall fail or refuse to honor any demand, Tenant shall within thirty (30) days following Landlord's notice to Tenant of such failure or refusal, at Landlord's option, either: (i) deposit with Landlord the Security in cash; or (ii) replace the Letter of Credit with a new Letter of Credit (having an initial expiration date at least three (3) year(s) from the date of the new Letter of Credit).

(d) If Landlord shall transfer its interest in the Premises, Tenant shall, at the request of the transferor or transferee, replace or amend the Letter of Credit within thirty (30) days following such request, so that the transferee is named as the beneficiary. Any transfer fee or charge imposed by the bank issuing the Letter of Credit shall be reimbursed to Landlord (or, at Landlord's option, paid) by Tenant within thirty (30) days following Landlord's request.

Section 5.3 Credit Against Base Rent. Tenant shall receive a credit against Base Rent for all bank costs and expenses incurred by Tenant in obtaining and maintaining the Security in accordance with this Lease. Such credit shall be applicable against Base Rent becoming due for the month following the month in which such costs and expenses are incurred.

ARTICLE VI
PERMITTED USE

Section 6.1 Permitted Use.

(a) Subject to all applicable Laws and this Lease, Tenant shall use the Premises only for the Permitted Use; provided, however, (i) the Permitted Use with respect to any Landlord Designated Space shall include all uses expressly allowed by the Short Term Landlord Sublease for such Landlord Designated Space, and (ii) in the event Landlord fails to either (A) enter into any Short Term Landlord Sublease with respect to any Landlord Designated Space, or (B) timely exercise its option to convert any Short Term Landlord Sublease into a Long Term Landlord Sublease for any Landlord Designated Space, then Tenant may use such applicable Landlord Designated Space for any use allowed by Law and shall not be limited by the Permitted Use with respect to such Landlord Designated Space.

(b) Tenant shall not use or occupy, nor permit or suffer the Premises or any part thereof to be used or occupied for any unlawful, illegal, disreputable or extra hazardous business, use, or purpose, or in such manner as to constitute a nuisance of any kind (public or private), or for any purpose or in any way in violation of the Certificate of Occupancy or of any Laws, or which may make void or voidable any insurance then in force on the Premises. Tenant shall take, immediately upon the discovery of any such unpermitted, unlawful, illegal, or extra hazardous use, all necessary actions, legal and equitable, to compel the discontinuance of such use.

ARTICLE VII
CONSTRUCTION OF FACILITY

Section 7.1 Preconditions to Commencing Construction. Tenant shall not commence construction of the Facility, Open Space and Surface Parking until Tenant has satisfied all of the following conditions ("**Construction Preconditions**"):

(a) Tenant shall have provided to Landlord (i) if Tenant is obtaining financing for the construction, (A) a copy of a financing commitment letter from a Leasehold Mortgagee; and (B) a written certification from Tenant that the financing commitment is in full force and effect, and (ii) evidence of Tenant's contribution required under Section 7.3.

(b) Tenant has provided to Landlord written evidence that Tenant has sufficient funds available to it to complete the construction after taking into account the financing commitment and other financing sources.

(c) Landlord has approved the final Plans in accordance with Section 7.5 below.

(d) The Delivery Conditions in Section 2.5 shall have been satisfied or waived by Tenant.

(e) Landlord, Tenant and Contractor shall have executed an Assignment, Assumption and Release Agreement by which Landlord assigns and Tenant accepts assignment of the Design-Build Agreement and Tenant and Contractor release Landlord from all obligations thereunder first arising after the date of the Assignment, Assumption and Release Agreement.

(f) Tenant has provided to Landlord copies of all Approvals required by all applicable Governmental Authorities for the construction or evidence of the availability of the same subject only to the payment of applicable fees.

(g) Tenant has provided to Landlord copies of one or more Project Labor Agreements reasonably acceptable to Landlord by which Tenant agrees to use union labor for a majority of the construction.

(h) Tenant has delivered to Landlord the Completion Guaranty executed and acknowledged by Guarantor, as required by Section 7.9 below.

Tenant has obtained, and has caused its general contractors, construction managers, architects, and subcontractors to obtain, the insurance required under ARTICLE X and has delivered to Landlord certificates (or certified copies of policies, if requested by Landlord) evidencing such insurance.

Section 7.2 Development and Construction of Facility, Open Space and Surface Parking. Tenant shall be responsible for developing and financing the Initial Construction and shall perform all development services in consultation with Landlord and, at Landlord's request, shall provide Landlord with periodic updates on the status of the foregoing. Tenant shall bear all costs, expenses and financial risk associated with the development and construction of the Initial Construction including, but not limited to, pre-construction activities which include securing a Approvals from the City of Redondo Beach and such other local agency approvals required for the Initial Construction. Tenant shall cooperate with Landlord's architect who was involved in developing the campus master plan and the information necessary for the environmental impact report. Landlord may engage additional advisors and consultants, at its own expense, to advise Landlord regarding the ongoing development of the campus master plan and public communications. Tenant's development and construction responsibilities shall include the following:

(a) Tenant shall accept assignment of and be bound by the Design Build Agreement.

(b) Tenant shall promptly provide to Landlord copies of any proposed material changes, amendments or modifications to the Design-Build Agreement for Landlord's approval. As used in this paragraph, "material" means a substantial change, amendment or modification to the approved plans that affects the exterior of the Project or scope of the Project, or changes in overall square footage of the Building by 5,000 square feet or more, or affects the Landlord Designated Space. Landlord agrees not to unreasonably withhold,

condition, or delay its approval of each of said changes, amendments or modifications, provided that Landlord may not disapprove of any of the foregoing that are a result of a requirement of any governmental authority. Landlord shall have a period of ten (10) Business Days after receipt to approve or reject such submissions. Failure to approve or reject any submissions within such ten (10) Business Day period shall be deemed approval by Landlord. Upon the rejection of any submissions, Tenant may request from Landlord a description of measures to be taken by Tenant that will result in approval on resubmission (or why resubmission of any similar proposal would be rejected) and thereafter Tenant may resubmit such submission for approval in accordance with this Section. On request by Landlord, Tenant shall provide copies of change order logs for all other non-material changes to the Design Build Agreement.

(c) Tenant shall use good faith efforts to provide Landlord cost estimates per the schematic design level requirements, review and confirm the initial budget and provide continuous cost management.

(d) Tenant shall develop a space usage program for the Initial Construction.

(e) Tenant shall cause Design Builder to confirm that all Project criteria are appropriate and fully detailed.

(f) Tenant shall provide Landlord with the final construction phasing and schedule for the Initial Construction which shall be consistent with the Schedule of Performance (as defined below).

(g) Intentionally deleted.

(h) Tenant shall cause the Design-Builder to provide preconstruction and construction quality assurance.

(i) Tenant shall manage and administer the Initial Construction to achieve Substantial Completion by the Completion Date in accordance with Section 7.7.

(j) Tenant shall assure that the Contractor has made a commitment enforceable by Landlord that the Contractor and its subcontractors at every tier will use a skilled and trained workforce to perform all work on the Initial Construction that falls within an apprenticeable occupation in the building and construction trades in accordance with Chapter 2.9 (commencing with Section 2600) of Part I of the California Public Contract Code.

Section 7.3 Tenant Contribution. Tenant shall provide evidence of Tenant's contribution to the Facility in an amount of not less than twenty percent (20%) of the cost of the Facility.

Section 7.4 Commencement of Construction. Tenant shall commence and pursue the Initial Construction to Substantial Completion in accordance with the "Contract Documents" as defined in the Design-Build Agreement as amended with Landlord's approval (the "**Contract Documents**") and in accordance with the construction schedule set forth in the Design-Build

Agreement (subject to Unavoidable Delays and Landlord Delays) (the "**Schedule of Performance**").

Section 7.5 Construction Approvals By Landlord.

(a) Tenant shall deliver to Landlord for its approval two (2) sets of the Tenant approved preliminary design documents for the Facility, Open Space and Surface Parking (collectively, the "**Preliminary Plans**"), fully identifying and describing all mechanical, electrical, and plumbing systems, materials, signage, design, and including, without limitation, those items listed on Exhibit K, attached hereto and incorporated herein and made a part hereof. Landlord shall have a period of fifteen (15) Business Days after receipt to approve or reject such submissions. Failure to approve or reject any submissions within such fifteen (15) Business Day period shall be deemed approval by Landlord. Upon the rejection of any submissions, Tenant may request from Landlord a description of measures to be taken by Tenant that will result in approval on resubmission (or why resubmission of any similar proposal would be rejected) and thereafter Tenant may resubmit such submission for approval in accordance with this Section. Landlord agrees not to unreasonably withhold, condition, or delay the approval required by this Section 7.5.

(b) Prior to commencing any excavation, construction, paving, or any other work associated with the Initial Construction, Tenant shall prepare final plans and specifications for the Facility, Open Space and Surface Parking substantially conforming to Preliminary Plans previously approved by Landlord (collectively, the "**Plans**"), and deliver them to Landlord prior to submitting them to the appropriate Governmental Authorities for approval. Landlord (or, at Landlord's election, Landlord's architect) shall review and approve the Plans within a period of ten (10) Business Days after receipt of such Plans; provided, that Landlord shall approve that portion of the Plans that does not relate to the Landlord Designated Space if such portion of the Plans substantially conforms to the Preliminary Plans. Failure to approve or reject any submissions within such ten (10) Business Day period shall be deemed approval by Landlord. Upon the rejection of any submissions, Tenant may request from Landlord a description of measures to be taken by Tenant that will result in approval on resubmission (or why resubmission of any similar proposal would be rejected) and thereafter Tenant may resubmit such submission for approval in accordance with this Section. Landlord agrees not to unreasonably withhold, condition, or delay the approval required by this Section 7.5. Upon approval by Landlord, Tenant shall submit the Plans to the appropriate Governmental Authorities and deliver to Landlord one (1) complete set of the Plans as approved by such Governmental Authorities.

Section 7.6 Intentionally Omitted.

Section 7.7 Construction According to Approved Plans. All building materials must be new and of good quality (unless otherwise required by the Contract Documents) in accordance with the Contract Documents and Plans. All construction will be performed in a good and workmanlike manner and only by contractors and subcontractors that are properly licensed (as required by the State or municipality), and bonded, registered, and insured in California to perform their respective work. Tenant shall cause to be used union labor for a majority of construction and shall comply with the terms of all applicable Project Labor Agreements and shall cause Contractor and any subcontractors to pay prevailing wage rates. Landlord reserves the right to monitor and

inspect the Initial Construction from its inception to its completion at reasonable times and reasonable advance written notice, and, on request, have Landlord's representative participate in monthly meetings with the Contractor. Access to the construction site will be limited to those involved with the work, except for representatives of Landlord for purposes of inspection and monitoring. Prior to commencing construction, Tenant will provide a chain link security fence (which may not contain razor or barbed wire) with lockable gates at the perimeter of the construction site and staging area, with a minimum mutually agreed-upon height.

Section 7.8 Liens Subordinate to Landlord. Tenant shall not create or permit to be created or to remain, and shall promptly discharge, any lien, encumbrance, or charge levied on account of any mechanics, laborer's, or materialman's lien which might or does constitute a lien, encumbrance, or charge upon the Premises, or any part thereof, or the income therefrom, all to the extent created by or under Tenant, having a priority or preference over or ranking on a parity with the estate, rights, or interest of Landlord in the Premises or any part thereof, or the income therefrom. Nothing in this Lease shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to the filing of any lien against the Premises by any contractor, subcontractor, laborer, materialman, architect, engineer, or other Person for the performance of any labor or the furnishing of any materials or services for or in connection with the Premises or any part thereof.

Section 7.9 Completion of Construction by Landlord. Before Commencement of Construction, Tenant shall provide to Landlord a completion guaranty for the Initial Construction (the "**Completion Guaranty**") from the entity (the "**Guarantor**") that will guaranty financing for the Initial Construction, in the form attached hereto as Exhibit L. Tenant's failure to Substantially Complete the Facility, Open Space and Surface Parking by the Completion Date (subject to Unavoidable Delays and Landlord Delays) shall be deemed to be a material default under this Lease and Landlord shall have the right to pursue any and all of its remedies under the Completion Guaranty.

Section 7.10 Title to the Improvements and the Personalty. The title to all Improvements and Personalty now or hereafter located on the Premises, including the Improvements that are to be constructed in accordance with the Plans and Contract Documents, shall be vested in Tenant until either the termination or expiration of this Lease, at which time all title to and ownership of the Improvements and Personalty shall automatically and immediately vest (without the necessity of any further action being taken by Tenant or Landlord or any instrument being executed and delivered by Tenant to Landlord) in Landlord.

Section 7.11 Architects, Engineers, Contractors, Specialists, and Consultants. Tenant shall require any architects, engineers, contractors, subcontractors, specialists, and consultants engaged in connection with the construction of the Facility, Open Space and Surface Parking to perform their respective obligations under the terms of the Contract Documents, to be licensed in accordance with the Laws of the State, and to obtain and maintain for a period of five (5) years after the Substantial Completion of the Facility, Open Space and Surface Parking errors and omissions insurance pursuant to Section 10.5 and payment and performance bonds pursuant to Section 7.13 of this Lease.

Section 7.12 Permits, Laws, and Ordinances. Tenant shall cause the Initial Construction to comply with all Laws of all Governmental Authorities and the Approvals, including without limitation prevailing wage requirements, and in material respects with all provisions of the Contract Documents.

Section 7.13 Reimbursement of Landlord's Pre-Development Expenses. Upon the close of the Construction Loan, Tenant shall reimburse Landlord for actual, reasonable, out-of-pocket costs or expenses incurred by Landlord prior to the Commencement Date for pre-development activities relating to the Phase 1 of Landlord's Healthy Living Campus consisting of the Premises, RCFE, Landlord Designated Spaces, Open Space and Surface Parking in the amount of $8,500,000.00 ("**Reimbursement Amount**"). Such costs and expenses may include, but not be limited to, design, architecture, engineering, appraisals, market and feasibility studies, environmental reports, analyses and studies, site testing, community outreach and communications, financial analyses and consultation, project management support, and parking studies. Landlord shall provide Tenant with documentation and information that Tenant may reasonably request to verify such expenses and the Reimbursement Amount; provided, however, Tenant will provide Landlord an initial reimbursement payment equal to $750,000 within thirty (30) days following issuance of the Conditional Use Permit ("**Initial Reimbursement Payment**"), which Initial Reimbursement Payment shall be deducted from the actual Reimbursement Amount due and payable on the close of the Construction Loan.

Section 7.14 Reports and Information. Tenant shall deliver or cause to be delivered to Landlord copies of all soil reports, surveys, hazardous wastes or toxic materials reports, feasibility studies, notices and other similar written materials prepared for Tenant pursuant to the Contract Documents and any notices from Contractor to Tenant with respect to the construction (collectively, the "**Property Reports**") within ten (10) days after receipt by Tenant.

Section 7.15 Additional Compliance Obligations. Tenant has received and reviewed a copy of the final environmental impact report associated with the development of the Premises, a digital copy of which is available on Landlord's website at https://bchd.blob.core.windows.net/docs/hlc/BCHD_FEIR_For%20Print_090221.pdf (the "**EIR**"). At all times, Tenant shall comply, and shall require Contractor and all other Persons working at the direction of Tenant or Contractor to comply, with the requirements of the EIR and the Mitigation and Reporting Program approved by Landlord's Board of Directors, and shall provide Landlord with monthly status reports on the Mitigation and Reporting Program. Prior to Substantial Completion, Tenant shall not permit its agents, employees, contractors or others working at the direction of Tenant, including without limitation Contractor and Contractor's agents, employees, contractors or others working at the direction of Contractor, to park on any property owned or held by Landlord. Tenant shall comply with, and ensure that Contractor and all agents, employees, contractors or others working at the direction of Tenant or Contractor, comply with the terms of Landlord's parking agreements with third parties, copies of which are attached hereto as Exhibit M.

Section 7.16 Environmental Sustainability. Tenant and Landlord shall use good faith efforts to cooperate with each other to identify opportunities and implement processes to promote and encourage environmental sustainability in connection with the Project, including during Initial Construction at no material additional cost to Tenant.

Section 7.17 Financing. Prior to Stabilization, Tenant shall not permit more than 80% of the total hard and soft costs of Initial Construction to be funded through indebtedness from an institutional lender. Following Stabilization, Tenant shall not permit any debt from an institutional lender secured by the Premises to exceed eighty percent (80%) of the most recent appraised value of the Premises.

Section 7.18 Substantial Completion of Initial Construction. As soon as is practicable (however, in no event to exceed one hundred twenty (120) days) after the Substantial Completion of the Initial Construction, Tenant will furnish to Landlord:

(a) One complete set of final "as-built" plans and specifications of the completed improvements in auto-CAD format; and

(b) A current, accurate, properly labeled, and certified (by the hereafter stated surveyor or engineer), "as-built" plat of survey prepared by a California registered land surveyor or professional engineer depicting to scale the location of the completed improvements, as the same have been constructed.

Section 7.19 Remediation Work.

(a) Landlord and Tenant, as applicable, shall use commercially reasonable and diligent efforts to perform and complete on that portion of the Land all remediation as recommended in that certain Soil Management Plan prepared for BCHD and approved by LA County Fire and submitted to City of Redondo Beach and obtain a conditional No Further Action Letter or similar document from the Fire Department of the County of Los Angeles or other applicable regulatory agency(ies), all by the date that is no later than Construction Commencement Date, and (ii) obtain a final No Further Action Letter or similar document from the Fire Department of the County of Los Angeles or other applicable regulatory agency(ies) after Tenant has completed the grading of the Land. For the avoidance of doubt, Landlord shall be responsible for costs and expenses of any remediation work to the extent the conditions requiring such remediation work arise prior to Commencement of Construction from the oil well located on the vacant parcel at Flagler Lane and Beryl Street adjacent to the Land, including without limitation the recapping of the oil well to facilitate redevelopment as described in the aforementioned Soil Management Plan.

(b) As part of its obligations with respect to Initial Construction, Tenant shall excavate and remove the underground storage tank (the "**UST**") located on or adjacent to the Land as described in Exhibit N (the "**UST Site**") as recommended in that certain Soil Management Plan prepared for BCHD and approved by LA County Fire and submitted to City of Redondo Beach; provided, that Tenant shall cooperate with Landlord to ensure that Landlord's site monitor is available to observe excavation and removal of the UST at the UST Site. The Parties shall discuss and mutually agree upon the timing for excavation and removal of the UST from the UST Site in connection with the broader agreement regarding timing of the demolition of the Building 514. After Tenant's removal of the UST from the UST Site, Landlord and Tenant shall cooperate and use commercially reasonable and diligent efforts to obtain a conditional No Further Action Letter or similar document from

the Fire Department of the County of Los Angeles or other applicable regulatory agency(ies). Although the Parties do not anticipate any obligation to perform remediation work, Landlord shall be responsible for costs and expenses of any such required remediation work to the extent the conditions requiring such remediation work arise from the use of the UST or any release from the UST on the UST Site prior to Commencement of Construction. Tenant shall be responsible for all other costs and expenses associated with the excavation and removal of the UST, including without limitation any costs and expenses arising from improper excavation or improper removal of the UST.

(c) From and after the Term Commencement Date, Tenant grants Landlord a non-exclusive, temporary license (the "**Remediation License**") to enter upon and use those portions of the Premises that are reasonably required from time to time in connection with the performance of Landlord's remediation obligations under this Section 7.20, if any (the "**Remediation Work**"). The term of the Remediation License shall be for a period commencing on the Term Commencement Date and shall continue until the final completion of the Remediation Work. Each portion of the Premises over which Landlord requires access or use from time to time pursuant to the Remediation License shall be referred to herein as a "**License Area**". Landlord shall use commercially reasonable efforts to ensure that performance of the Remediation Work does not unreasonably interfere with the design, construction, access to and use of Premises by Tenant.

(d) If Landlord fails to use commercially reasonable and diligent efforts to complete the Remediation Work and completion of the same is no longer possible prior to the timing and deadlines set forth in this Section 7.20, then Tenant may (but shall not be obligated to) elect to (i) treat such failure as a Landlord Delay or (ii), to the extent permitted by Law, complete the Remediation Work by delivering thirty (30) days prior written notice thereof to Landlord. If Tenant exercises such self-help right in accordance with this Section, to the extent permitted by Law, (A) Landlord shall cease performing the Remediation Work; (B) Landlord shall reasonably cooperate in transitioning the performance of Remediation Work to Tenant, including, without limitation, using commercially reasonable efforts to assign to Tenant all contracts related thereto and grant Tenant necessary construction and access rights over neighboring Landlord-owned property; and (C) Tenant shall be entitled to receive from Landlord an amount equal to one hundred percent (100%) of the reasonable and documented out-of-pocket costs actually paid by Tenant (or its affiliates) to unrelated third-party Persons in completing the Remediation Work (the "**Tenant's Self-Help Costs**"). The undisputed amount of the Tenant's Self-Help Costs shall be due and payable by Landlord within thirty (30) days of demand by Tenant provided that such demand is accompanied by invoices or other written documentation that reasonably evidences the costs so paid by Tenant (or its affiliate).

ARTICLE VIII
OPERATION OF THE PREMISES

Section 8.1 Tenant's Operation of the Premises. Upon completion of construction of the Facility, subject to repair, maintenance, adverse licensure events pursuant to Section 8.5, and Force Majeure Events, Tenant shall cause the Premises to be operated in accordance with all Laws governing the Premises. Tenant may contest the validity of any such Laws at Tenant's or

Operator's cost provided that no contest proceedings initiated shall be conducted in such a manner as to cause a lien against the Premises or the risk of loss of the Premises through sale or forfeiture or subject Landlord to any fines, penalties or liability, including criminal liability. Except as otherwise expressly set forth herein, as between Landlord and Tenant, Tenant shall bear all costs, expenses and financial risk arising from the operation and maintenance of the Premises. Tenant shall not do, bring, or keep anything in, on or about the Premises that will cause a cancellation of any insurance policies covering the Premises or the activities thereon, and Tenant shall comply with all requirements imposed by any such insurance companies. Tenant shall maintain financial stability, including without limitation access to liquidity reserves sufficient to continuously operate the Facility and fund annual capital expenditures reasonably necessary to maintain the Facility, provide Landlord with quarterly unaudited financial statements within thirty (30) days of each quarter end, annual unaudited financial statements within one hundred twenty (120) days of each fiscal year end, and capital and operating budgets prior to the start of each fiscal year. All financial statements delivered to Landlord will be prepared in accordance with United States generally accepted accounting principles in effect from time to time and applied on a consistent basis throughout the period involved, subject, in the case of the quarterly financial statements, to normal and recurring year-end adjustments (the effect of which will not be material) and, for all financial statements, the absence of notes that, if presented, would not be material. All financial statements will be based on the books and records of Tenant or Operator (if applicable) and will fairly present the financial condition of such entities as of the respective dates they are prepared and the results of the operations for the periods indicated.

Section 8.2 Mechanics' Liens. Tenant shall keep the Premises and this Lease free from any lien or other encumbrance filed or recorded in favor of any mechanic, materialman, architect, or engineer on account of work done for Tenant or persons claiming under Tenant.

Section 8.3 Utilities. Tenant shall obtain and pay for all utilities directly from and to the utilities and vendors serving the Premises, including fuel, gas, electric, water and sewer service, trash collection, telephone, and internet service, that Tenant deems necessary for the Premises.

Section 8.4 RCFE Requirements.

(a) General. Tenant shall, or shall cause the Operator to, (i) cause the RCFE to admit, retain and provide services to residents with all applicable health-related conditions for which a RCFE may provide services pursuant to California Code of Regulations, Title 22 § 87100 *et seq*. (as the same may be updated or revised from time to time and pursuant to any successor regulations) consistent with Operator's normal admission and retention policies regarding payment and living unit availability; (ii) provide, or cause to be provided, quality services to residents of the RCFE, including without limitation by providing adequate staffing and provide Landlord with prior written notice of material changes to programming, services, pricing, staffing and similar operational matters in connection with the RCFE; (iii) monitor quality of care standards at the RCFE and provide Landlord with quarterly reports provided to investors in the RCFE, which shall address financial performance, operational matters, and updates regarding quality improvement or assurance programs for the RCFE; and (iv) meet with Landlord from time to time (upon request of Landlord not to be made more than four times per year) to discuss the quality of care provided in the RCFE. Tenant shall, or as applicable shall cause the Operator to, cause

the RCFE portion of the Premises conform to the requirements and provisions of all Laws concerning the use of RCFE (after giving effect to any applicable notice and cure period), including without limitation the obligation, to alter, maintain, replace or restore the RCFE or any part thereof in compliance and conformity with all Laws relating to the condition, use or occupancy of the RCFE during the Term. Tenant shall or shall cause the Operator to operate the RCFE in compliance with any mandatory and industry standard accreditation requirements applicable to such facilities. Tenant shall or shall cause the Operator to maintain, at all times during the Term beginning on the date on which the first resident occupies the RCFE, including any holdover periods, all licenses, permits and authorizations necessary for the establishment and operation of the RCFE, including without limitation maintenance of a license to operate as a RCFE, accept new residents and bill and collect for items and services provided to residents (after giving effect to any applicable notice and cure period) (collectively, "**Required Licenses**"). Neither Tenant or Operator shall, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed, cause or permit any change in the license category or status of the RCFE. Landlord shall not unreasonably withhold Landlord's consent to Tenant's or Operator's obtaining of an additional license for additional health care related services provided that the acquisition of that additional license and/or the provision of additional services will not impair the retention by the Facility of its existing license as an RCFE or be inconsistent with or in violation of the other terms of this Lease. For the avoidance of doubt, (a) Operator's normal admission and retention policies are subject to compliance with law and nondiscrimination, including without limitation as set forth in ARTICLE XXII; and (b) it shall not be a default or breach by Tenant under this Lease if Operator fails to maintain the Required License (after exhausting all applicable appeal and challenge rights), and in such event, Tenant shall, upon the request of Landlord (which shall be Landlord's sole remedy in the event of such failure) or on its own initiative, cause the Operator to be replaced as subtenant and/or cause the Operator to replace the RCFE Manager with a Person that satisfies the Quality Requirements so that the successor subtenant or operator can continue to operate the RCFE.

(b) Notice of Adverse Licensure Events. Tenant agrees that if Tenant, the Operator or the RCFE Manager is notified in writing, or otherwise learns or reasonably believes, that the Department of Social Services or any other Governmental Authority intends to close the RCFE operating in the Facility, require transfer of seventy five percent (75%) or more residents of the RCFE operating in the Facility (because of a pending closure or deemed noncompliance) or suspend, revoke or terminate any Required Licenses, Tenant will or will cause the Operator and the RCFE Manager (if any) to reasonably cooperate with Landlord and any all applicable Governmental Authorities to take any and all actions necessary to preempt and avoid such closure, transfer or loss of such Required Licenses, so long as such action is not in derogation of Tenant's rights. If (A) such closure or transfer is imminent (within thirty (30) days) or (B) suspension (resulting in the imminent relocation of RCFE residents), revocation or termination of a Required License (after exhaustion of all applicable appeals) is imminent (within thirty (30) days), then in either case, it shall be a material default under this Lease, and as Landlord's sole and exclusive remedy, Tenant shall or shall cause its Operator to permit a party reasonably acceptable to Landlord, Leasehold Mortgagee and the applicable Governmental Authorities, to immediately assume management of the RCFE under a management

arrangement with Tenant, Operator, or a third-party manager (as may be applicable), until Tenant, Operator, or the RCFE Manager is again allowed to resume operation of the RCFE.

(c) RCFE Unit Offerings. Tenant shall cause Operator to cause the RCFE to maintain and operate no more than 217 living units, including (i) at least ten percent (10%) of non-memory care living units that are made available at below market rates not to exceed sixty percent (60%) of the housing rate for the equivalent market-rate unit and (ii) not less than twenty four (24) Memory Care Units. Subject to the foregoing, Tenant or its Operator shall determine the ultimate unit mix and square footage per unit; provided, that Tenant shall or shall cause its Operator to ensure that the units meet all requirements set forth in the EIR.

(d) RCFE Representations and Warranties. Tenant represents and warrants that at all times (unless expressly specified to the contrary) (i) the Operator and the RCFE Manager have the requisite experience necessary to operate the RCFE in the State, including at least five (5) consecutive years of operations of a RCFE; (ii) Tenant and Operator shall have sufficient financial resources for the operation of the RCFE; (iii) neither the Tenant, the Operator nor the RCFE Manager has ever had any license, accreditation or certification for operation of a residential care facility for the elderly or equivalent facility denied, suspended or revoked during the prior ten (10) years; and (iv) as of the Commencement Date, no individual owning more than a five percent (5%) direct or, to Tenant's knowledge, no individual owning more than a five percent (5%) indirect interest in the license holder for the RCFE has been convicted of or pled guilty within the prior ten (10) years to a felony involving financial crime, insurance or health care fraud or been excluded from participation in any federal or state health care program; provided, that the Parties acknowledge and agree that the Operator as of the Commencement Date shall be deemed to have the requisite experience necessary under the preceding clause (i) notwithstanding its status as newly formed entity. After the Commencement Date, Tenant shall not knowingly permit (via Transfer or otherwise), any individual to own more than a five percent (5%) direct or indirect interest in the license holder for the RCFE if such individual has been convicted of or pled guilty within the prior ten (10) years to a felony involving financial crime, insurance or health care fraud or been excluded from participation in any federal or state health care program. Any breaches of the representation in the foregoing clause (iv) or the covenant in the immediately preceding sentence shall be subject to Tenant's notice and cure rights in Section 14.1(c). If, at any time after the Commencement Date, Tenant obtains actual knowledge that any individual who owns more than a five percent (5%) direct or indirect interest in the license holder for the RCFE has been convicted of or pled guilty within the prior ten (10) years to a felony involving financial crime, insurance or health care fraud, or been excluded from participation in any federal or state health care program, then Tenant shall not be in default under this Lease so long as Tenant uses diligent efforts to remove, or cause the removal of, any such individual.

(e) Other Business Ventures. Tenant (and any successor-in-interest to Tenant) agrees that, for so long as Tenant operates, or causes to be operated, the RCFE at the Facility, Tenant will not and shall not permit the Operator or the RCFE Manager to, directly or indirectly, without the express written consent of Landlord, own or operate another

residential care facility for the elderly in the Cities of Hermosa Beach, Manhattan Beach and Redondo Beach ("**Competitor**"). Notwithstanding the foregoing a "Competitor" shall not include (i) any direct or indirect non-Controlling owner of Parent LLC or direct or indirect non-Controlling owner of the RCFE Manager; (ii) any passive owner of a residential care facility for the elderly so long as neither such passive owner, nor any Affiliate thereof, is engaged in providing management or operational services for such residential care facility for the elderly; (iii) any bank or institutional lender that acquires a Competitor or an interest therein by foreclosure or deed or assignment in lieu of foreclosure of a bona fide lien given to secure arm's length loan and not to circumvent the provisions of this Section; (iv) any other elderly care facility that is not licensed as a residential care facility for the elderly and does not offer assisted living or memory care services, or (v) any independent living or active adult community that is not licensed as a residential care facility for the elderly and does not offer assisted living or memory care services. For the avoidance of doubt, neither Ventas, HSRE, nor any Affiliate of Ventas or HSRE, will be deemed a "Competitor" so long as Ventas, HSRE, or such Affiliate owns facilities providing the foregoing services, but leases all such facilities to third parties that are not Affiliates to provide such services, and so long as neither Ventas, HSRE, nor any Affiliate of Ventas or HSRE provides such services. The restrictions set forth in this Section 8.4(e) shall no longer apply to Watermark or any Affiliate of Watermark from and after the date that an Affiliate of Watermark is no longer the RCFE Manager and does not have any direct or indirect controlling ownership in Operator. Tenant acknowledges and agrees that it has carefully read and considered the provisions of this Section 8.8 and, having done so, agrees that the restrictions set forth herein (including, but not limited to, the time periods and scope restrictions herein) are fair and reasonable and are reasonably required for the protection of the interests of the Facility. If any of the provisions of this Section 8.8 are held to be invalid or unenforceable, the remaining provisions will nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included therein. If any provision of this Section 8.8 relating to time period and/or scope of restriction will be declared by a court of competent jurisdiction to exceed the maximum time period or scope such court deems reasonable and enforceable, said time period and/or scope of restriction will be deemed to become and thereafter be the maximum time period and/or scope which such court deems reasonable and enforceable. Notwithstanding the foregoing, nothing in this Section 8.4(e) shall prohibit the passive ownership of a such a facility, or any bank or institutional lender that acquires such a facility or an interest therein by foreclosure or deed or assignment in lieu of foreclosure of a bona fide lien given to secure arm's length loan and not to circumvent the provisions of this Section.

(f) Tenant shall cause Operator to maintain financial stability, including without limitation access to commercially reasonable and customary working capital reserves sufficient to continuously operate the RCFE and, unless otherwise funded by Tenant, to fund annual capital expenditures reasonably necessary to maintain the RCFE, and provide Landlord with quarterly unaudited financial statements within thirty (30) days of each quarter end, annual unaudited financial statements within one hundred twenty (120) days of each fiscal year end, and capital and operating budgets prior to the start of each fiscal year.

Section 8.5 Public Access to Premises. Tenant acknowledges and agrees that the Premises are a key component of Landlord's development of the proposed Healthy Living Campus ("**HLC**"), and that Tenant shall cooperate with Landlord in the development and implementation of programming to strategically and operationally integrate the Premises with the HLC, including through collaborative and intergenerational activities within the Facility and across the HLC; provided, that any access plan for the Facility shall maintain resident safety and security. Without limiting the generality of the foregoing, Tenant shall, promote and encourage public access to the Facility's rooftop garden, café and other food service amenities as further described in Exhibit O.

Section 8.6 Access to Open Space and Parking. Tenant acknowledges and agrees that, notwithstanding Tenant's development and construction of the Open Space and Surface Parking pursuant to the Off-Site Improvement Agreement, the Open Space and Surface Parking are not included in the Premises, and notwithstanding anything to the contrary in this Lease, Tenant shall have no maintenance, repair, replacement, indemnity or operation obligations with respect to the Open Space or the Surface Parking under this Lease. The Parties' rights and responsibilities regarding maintenance and operation of the Open Space and the Surface Parking shall be as set forth in one or more separate use agreements between the Parties in substantially the form attached hereto as Exhibit P. Upon completion of Initial Construction, Landlord shall provide the HLC with approximately 603 parking spaces (inclusive of parking spaces in the Surface Parking, all other surface parking, parking structures, and subterranean parking not located under the Premises) for use by all visitors, residents and employees as described in and supported by the EIR and related parking study. Tenant may propose, and Landlord shall reasonably agree to, construction of parking spaces in excess of the 603 spaces that may include subterranean parking under the Premises, at its sole cost and expense. None of the parking spaces will be exclusive or specifically assigned, but Landlord and Tenant will cooperate to provide for designated parking spaces for limited short-term and accessible parking. All parking shall be within the limits of the EIR and shall abide by restrictions in Landlord's parking agreements with any unrelated party.

Section 8.7 Branding. Neither Party may use the other Party's brand or logo without prior written consent of the other Party; provided, that the Parties agree to discuss potential co-branding opportunities, which may include permitted use of the other Party's trademarks, branding and other intellectual property. Tenant shall obtain and maintain certification as a Blue Zones Project for the Facility through Blue Zones, LLC.

Section 8.8 Regulatory Compliance.

(a) Protected Health Information. Landlord acknowledges that the Operator of the RCFE is subject to the provisions of the Health Insurance Portability and Accountability Act of 1996 and related regulations ("**HIPAA**"), and that HIPAA requires Operator to ensure the safety and confidentiality of protected health information ("**PHI**"). Landlord further acknowledges that, in order for Operator to comply with HIPAA, Operator must restrict access to the portions of the Premises where PHI is kept or stored, which may include the installation of locks or other security devices to prevent unauthorized entry to such areas. Landlord hereby agrees that, notwithstanding the entry rights granted to Landlord pursuant to this Lease, except when accompanied by an authorized representative of Tenant, Operator or the RCFE Manager, or in case of emergency, neither Landlord nor its employees, agents, representatives, or contractors shall

be permitted to enter those areas of the Premises designated by Operator as locations where PHI is kept and/or stored or where such entry is prohibited by applicable Law, and neither Tenant, Operator nor RCFE Manager shall be required to provide Landlord with door keys or other entry devices for access to such locations. Landlord further agrees to comply with the applicable provisions of HIPAA in connection with Landlord's entry into the Premises, to the extent notified in writing of such provisions by Tenant or Operator. Landlord will use commercially reasonable efforts, in each case, not use or disclose, and cause its employees or assigns not to use or disclose, PHI for any purpose unless in accordance with the requirements of HIPAA and all other applicable laws pertaining to medical privacy.

(b) Referral Source Representation. Landlord represents and warrants to Tenant and Operator that Landlord is not a "referring physician" or a "referral source" as to Tenant or Operator for services paid for by Medicare or a state healthcare program, as the terms are defined under any federal or state healthcare anti-referral or anti-kickback, regulation, interpretation or opinion ("**Referral Source**"). Landlord covenants, during the Term, it will not knowingly (i) take any action that would cause it to become a Referral Source as to Tenant or Operator, or (ii) sell, exchange or transfer the Premises to any individual or entity who is a Referral Source as to Tenant or Operator without providing Tenant and Operator with thirty (30) days' written notice prior to the closing of any such sale, exchange or transfer such notice to include the name of the buyer or transferee to whom such interest is being sold or transferred, or with whom such interest is being exchanged.

(c) Parties Not Excluded. Each party represents and warrants that: (i) it is not currently excluded from participation in any "federal healthcare program," as defined under 42 U.S.C. Section 1320a-7b; (ii) it is not currently excluded, debarred, suspended, or otherwise ineligible to participate in federal procurement and non-procurement programs; or (iii) it has not been convicted of a criminal offense that falls within the scope of 42 U.S.C. Section 1320a-7(a), but has not yet been excluded, debarred, suspended or otherwise declared ineligible (each, an "**Exclusion**"), and agrees to notify the other party within two (2) Business Days of learning of any such Exclusion or any basis therefore. In the event of learning of such Exclusion, either party shall have the right to immediately terminate this Lease without further liability. Landlord agrees that Tenant or Operator may screen Landlord against applicable Exclusion databases on an annual basis.

(d) Compliance with Law. The parties enter into this Lease with the intent of conducting their relationship in full compliance with applicable Laws, including, without limitation, the Medicare/Medicaid Anti-Kickback statute, Section 1877 of the Social Security Act (the "Anti-Kickback Statute"), and agree and certify that neither party shall violate the Anti-Kickback Statute in performing under this Lease. Landlord agrees not to request an advisory opinion from the Office of Inspector General, Centers for Medicare and Medicaid Services or any applicable local or state regulatory agencies related to the legality of this Lease without the approval of Tenant or Operator. If a change in applicable health care laws or reimbursement systems affects the legality of this Lease, Tenant and Landlord shall make a good faith effort to amend the Lease to bring the Lease into conformity with the change in applicable health care laws or reimbursement systems. If Tenant and Landlord are unable to amend the Lease to conform with the change in

applicable health care laws or reimbursement systems within sixty (60) days, then Tenant may terminate this Lease. Landlord shall notify Tenant of, and cooperate with, any request from a duly authorized government representative (e.g., Secretary of Health and Human Services, Comptroller General) for access to books, documents and/or records related to this Lease.

(e) Cooperation with Tenant's Cost Reporting Responsibilities. Landlord's full cooperation with applicable governmental authorities in connection with cost reporting is essential for Tenant's and Operator's continued operation of its business. Therefore, Landlord agrees to provide to Tenant or Operator (as applicable), within thirty (30) days of Tenant's or Operator's request, any and all information that is reasonably necessary and reasonably related to this Lease or the Premises for Tenant to fulfill its cost reporting requirements to such applicable governmental authorities.

(f) Lease Unrelated to Referrals. In the event Landlord becomes a Referral Source, this paragraph shall be effective. Landlord and Tenant agree that it is not the purpose of this Lease to exert any influence over the reason or judgment of any party with respect to the referral of patients or other business between Landlord and Tenant, but that it is the parties' expectation that any referrals which may be made between the parties shall be and are based solely upon the medical judgment and discretion of the patient's physician. The parties further agree and acknowledge that (i) Base Rent (A) is set forth in advance; (B) is consistent with fair market value in an arms-length transaction; (C) does not take into account the volume or value of any referrals or other business generated between the Parties; and (D) would be reasonable even if no referrals were made between the parties, and (ii) the rentable area of the Premises does not exceed the reasonable square footage needed for the legitimate business plans of Tenant.

Section 8.9 Building 514 Leases. Landlord represents and warrants to Tenant that (i) except for the Building 514 Leases, there are no leases, rental agreements or other such contracts of any kind or nature affecting possession or occupancy of the Premises or Building 514; (ii) the Building 514 Leases are in full force and effect and have not been amended except as disclosed to Tenant; (iii) no tenant under any Building 514 Lease has any ownership interest or option or right of first refusal to acquire any ownership interest in the Premises or Building 514 or any portion thereof; and (iv) Landlord has not received written notice from any tenant under any Building 514 Lease asserting that Landlord is in default under its lease which default has not been cured. Landlord shall not amend or renew the Building 514 Leases, or enter into any new leases or occupancy agreements affecting Building 514 during the term of this Lease which are not terminable on twelve (12) months prior notice by Landlord but in no event later than on or before the date required for the demolition of the Building 514 as agreed upon by the Parties during the Investigation Period. Landlord may terminate any Building 514 Lease. Tenant shall provide Landlord not less than thirteen (13) months prior notice of the demolition of the Building 514**.**

Section 8.10 Easements and Encumbrances. In accordance with all applicable Laws and during the Term, Tenant shall have the right to acquire, create or grant (a) utility easements to public or private utility companies in connection with furnishing gas, electricity, steam, telecommunications or other utility services to the Premises, (b) access easements in connection with the operation, maintenance or repair of the Facility and any other improvements upon the

Premises installed by Tenant (or any subtenant), and (c) any additional or other easements or similar encumbrances so long as the granting of the same would not reasonably be expected to have a material adverse effect on the Premises. At Tenant's request, Landlord will join with Tenant, at Tenant's sole cost and expense, in the acquisition, creation or granting of any such easement or encumbrance.

ARTICLE IX
MAINTENANCE, REPAIRS, AND ALTERATIONS

Section 9.1 Maintenance and Repair of the Premises. Tenant shall, at all times during the Term of this Lease, at Tenant's sole cost and expense, keep and maintain the Premises, including the Improvements, appurtenances, and every part thereof that may exist on, in, or be made a part of the Premises, in good order and in a decent, safe and sanitary condition, ordinary wear and tear, casualty and condemnation excepted, and make all necessary repairs thereto, interior and exterior, structural and non-structural, ordinary and extraordinary, and foreseen and unforeseen. If Tenant fails to keep and maintain the Premises and the Improvements as required by this Lease, and such failure is not cured within thirty (30) days after written notice from Landlord, Landlord may (but shall not be required to) perform and satisfy same, and Tenant hereby agrees to reimburse Landlord, as Additional Rent, for the reasonable cost thereof promptly upon demand. Tenant shall not permit any material waste of the Premises. Tenant shall keep the entire Premises, including adjoining sidewalks, substantially free of any accumulation of dirt, rubbish, or similar hazards. Unless otherwise expressly provided in this Lease, Landlord is not required to maintain, repair, clean, alter, or improve the Premises, or to provide any services to the Premises. Tenant hereby expressly waives all right to make repairs at Landlord's expense under California Civil Code Sections 1941 and 1942, or any similar or successor laws now or hereinafter in effect.

Section 9.2 Alterations. Tenant may, at its sole cost and expense, alter, replace, or remodel any Improvements upon the Premises ("**Alterations**"), provided that: (a) the Alterations are made in compliance with all Laws; (b) the Alterations are completed in accordance with generally accepted construction standards; (c) any remodeling shall not materially diminish the value of Improvements or the Premises; (d) Tenant shall not allow mechanic's or materialmen's liens to affix to the Premises because of the Alterations and (e) no material Alteration of the exterior of the Building shall be made without Landlord's prior written consent, which shall not be unreasonably withheld, delayed or denied.

ARTICLE X
INSURANCE

Section 10.1 Insurance. It is the intent of the parties that all risk of loss for the Premises be shifted to insurance to the maximum extent practicable. Accordingly, unless Landlord otherwise agrees in its sole discretion, during the Term (unless expressly provided otherwise in this Lease), Tenant shall maintain, or cause to be maintained, insurance covering the risks enumerated below. The premiums for such insurance shall be paid by Tenant, except for the coverages set forth in Section 10.10 below, which will be the responsibility of the party providing such insurance coverage. Such insurance shall be written on an occurrence basis unless Landlord otherwise consents in writing, but for CGL (defined below) and errors and omissions insurance, which may be issued on a claims-made basis. The policy shall provide that: (a) such insurance shall be primary

coverage without reduction or right of offset or contribution on account of any insurance provided by Landlord to itself or its officers, officials, or employees; (b) such insurance shall not be altered or cancelled without thirty (30) days' written notice to Landlord; (c) such insurance shall name Landlord as an additional insured; (d) any Fee Mortgagee and Leasehold Mortgagee shall be named as: (i) a loss payee or mortgagee on Tenant's property damage insurance policy under a standard mortgagee clause; and (ii) an additional insured on Tenant's liability insurance policies. The insurance policies purchased by Tenant must be issued by a company authorized to conduct business in the State or by a company acceptable to Landlord and which has a rating of A- VII or better by A.M. Best.

Section 10.2 Workers' Compensation and Employer's Liability; Automobile Insurance. At all times prior to the expiration or earlier termination of this Lease during any construction or Alteration conducted by or on behalf of Tenant in or on the Premises, Tenant shall maintain, and cause its contractors to maintain, Workers' Compensation Insurance as required by the Laws of the State and Employer's Liability Insurance with limits of $1,000,000, which insurance policies shall include waivers of subrogation in favor of Landlord and its officers, officials, and employees. Tenant shall require all subcontractors performing work under this Lease to obtain an insurance certificate showing proof of Workers' Compensation and Employer's Liability Insurance and waiver of subrogation as required hereunder. Tenant shall maintain, and cause its contractors to maintain, Business Automobile Liability insurance including Insurance Services Office Form CA 0001 covering Code 1 (any auto) covering all owned, hired, and nonowned vehicles and equipment used by or on behalf of Tenant with a minimum combined single limit of liability of $1,000,000 for injury and/or death and/or property damage.

Section 10.3 Property and Business Interruption Insurance. Tenant shall, at its sole cost and expense throughout the entire Term of this Lease:

(a) Keep the Improvements insured against loss or damage by fire, windstorm, flood, earthquake, and such other, further, and additional risks as now are or hereafter may be embraced by the ISO special form and Builder's Risk extended coverage form or endorsements, with a deductible of no more than Seventy-Five Thousand and 00/100 Dollars ($75,000) (adjusted annually on each anniversary of the Commencement Date by the percentage increase of the Consumer Price Index from the Commencement Date to the anniversary in question) per occurrence, in each case in amounts equal to the full replacement cost of the Improvements from time to time. The full replacement cost shall be redetermined from time to time (but not more frequently than every ten (10) years) at the request of Landlord, by a Qualified Appraiser designated by Tenant and approved by Landlord; and

(b) Maintain business interruption insurance (and/or extended period of indemnity) covering loss of revenues or other income by Tenant due to total or partial suspension of, or interruption in, the operation of the Premises caused by damage or destruction of the Premises in an amount sufficient to meet rent payments and other recurring payments for one (1) year, subject to the reasonable discretion of Landlord.

Section 10.4 Public Liability. At all times during the Term of this Lease, Tenant shall maintain a primary commercial general liability and professional liability insurance ("CGL")

policy covering all claims for bodily injury (including death) and property damage (including damage to intellectual property), including loss of use thereof, in an amount not less than One Million and 00/100 Dollars ($1,000,000.00) per occurrence and Two Million and 00/100 Dollars ($2,000,000.00) aggregate, with deductible provisions not to exceed Ten Thousand and 00/100 Dollars ($10,000.00) per occurrence, to include personal injury, general aggregate, products, and contract liability to cover all insurable obligations in this Lease. The policy limits shall be reasonably adjusted every ten (10) years from the Term Commencement Date. Coverage shall be specific for this project or, upon approval of Landlord, covered under umbrella or pooled policies. The policy or policies may be carried on a claims-made basis. The CGL policy shall include contractual liability coverage, which shall be endorsed to state that indemnity obligations specified in this Lease are insured by the carrier.

Section 10.5 Errors and Omissions. At all times during the Term of this Lease, Tenant shall obtain and maintain or cause to be obtained and maintained Professional Errors and Omissions Insurance covering Tenant, Operator and RCFE Manager in an amount of $1,000,000 per occurrence or claim and with coverage subject to the reasonable approval of Landlord. At all times during the Term of this Lease, Tenant shall cause to be obtained and maintained Professional Errors and Omissions Insurance covering all architects, engineers, specialists, and consultants performing work in connection with the RCFE in an amount of $1,000,000 per occurrence or claim and with coverage subject to the reasonable approval of Landlord. Coverages shall be specific for this project and not aggregated with insurance for other undertakings of the insureds.

Section 10.6 Umbrella. At all times during the Term of this Lease, Tenant shall obtain and maintain excess or umbrella liability insurance in an amount of Ten Million and 00/100 Dollars ($10,000,000.00) for any one occurrence and Ten Million and 00/100 Dollars ($10,000,000.00) in the aggregate, which shall include all insured coverages required by this ARTICLE X. The policy limits shall be adjusted every five (5) years from the Term Commencement Date.

Section 10.7 Delivery of Insurance Certificates. Upon the Commencement Date with respect to Workers' Compensation, Employer's Liability Insurance, Auto Liability, CGL and Umbrella insurance, and upon the commencement of the Term this Lease with respect to all other required insurance, and at each policy renewal date, Tenant shall furnish to Landlord, any Fee Mortgagee, and any Leasehold Mortgagee, at the addresses set forth in Section 19.1 of this Lease, insurance certificates or renewal certificates, including applicable endorsements, or, if requested by Landlord, Fee Mortgagee, or Leasehold Mortgagee, certified copies of policies, evidencing all insurance required to be carried by Tenant in accordance with the Lease. Such certificates or policies shall name Landlord as an insured and shall name any Fee Mortgagee and Leasehold Mortgagee as mortgagee and loss payee, in accordance with the requirements contained in this ARTICLE X. The insurance certificate or polices, as applicable, must document that the liability insurance coverage purchased by Tenant includes contractual liability coverage to insure the indemnity agreement as stated. If Tenant maintains broader coverage or policy limits higher than the minimums required hereunder, then Landlord shall be entitled to such broader coverage and higher policy limits maintained by Tenant and any insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be made available to Landlord.

Section 10.8 Evidence of Payment of Premiums. Upon request by Landlord, Tenant shall furnish to Landlord duplicate receipts or satisfactory evidence of the payment of all premiums

on any and all insurance required to be carried by Tenant in accordance with this Lease. The insurance carrier shall give Landlord, any Fee Mortgagee, and all Leasehold Mortgagees sixty (60) days' prior notice of carrier-elected non-renewal, and thirty (30) days' prior notice (with respect to nonpayment of premiums) of cancellation, modification, or non-renewal.

Section 10.9 Payments for Tenant by Landlord. If Tenant fails to procure the insurance required to be procured by Tenant under this Lease, or fails to pay any premium of insurance, Impositions, or any other sum in this Lease required to be paid by Tenant (other than Rent), Landlord may, after expiration of the applicable cure period, at Landlord's option, procure on behalf of Tenant any such insurance, and pay on behalf of Tenant any such payment or payments as may be necessary. Any sum(s) so paid or expended by Landlord on behalf of Tenant shall immediately be reimbursed and paid by Tenant to Landlord, as Additional Rent, within fifteen (15) days after demand by Landlord.

Section 10.10 Insurance Requirements for Subtenants and Contractors. Tenant also shall require the Persons described below to carry the following insurance:

(a) Tenant shall require all its Subtenants to:

(i) if Subtenant provides professional services, maintain professional liability insurance in an amount not less than One Million and 00/100 Dollars ($1,000,000.00) per occurrence and Three Million and 00/100 Dollars ($3,000,000.00) aggregate, with deductible provisions not to exceed Ten Thousand and 00/100 Dollars ($10,000.00) per occurrence, to include personal injury and all other damages that could arise in the performance of such professional services;

(ii) maintain customary insurance required of tenants in similar properties (which insurance, as to any tenant serving liquor, shall include liquor law sales and dram shop coverage);

(iii) include Landlord and Tenant as additional insureds on their commercial general liability policies (or equivalent policies), which shall provide coverage with a form at least as broad as CG 20 38 04 13;

(iv) obtain a waiver of subrogation endorsement in all policies in favor of Landlord and Tenant; and

(v) include any Fee Mortgagee and Leasehold Mortgagee as: (A) a loss payee or mortgagee on each Subtenant's property damage insurance policy under a standard mortgagee clause; and (B) an additional insured on each Subtenant's liability insurance policies.

(b) Tenant shall require all its Major Subtenants' (and use commercially reasonable efforts to require all other Subtenants') contractors, subcontractors, designbuilders, construction managers, consultants, and other entities providing services, materials, or labor to all or any portion of the Premises to:

(i) include Landlord and Tenant as additional insureds in their commercial general liability policies, which shall provide coverage with a form at least as broad as CG 20 38 04 13; and

(ii) obtain a waiver of subrogation endorsement in all policies in favor of Landlord and Tenant.

The policy limits set forth above shall be reasonably adjusted every ten (10) years from the Term Commencement Date. Each of the required coverages, excluding the professional liability insurance, fidelity insurance, and automobile liability insurance, shall contain a waiver of subrogation endorsement, in form and substance reasonably satisfactory to Landlord, in favor of Landlord and Tenant.

Section 10.11 Threshold Amount. The loss under all policies required by this Lease insuring against damage to the Premises by fire or other casualty shall be payable to Depository, except that amounts of less than the Threshold Amount shall be payable in trust directly to Tenant for application to the cost of Restoration in accordance with this Lease. Proceeds of business interruption insurance shall be paid to Depository and shall be applied to the Rent payable by Tenant under this Lease until completion of such Restoration by Tenant.

Section 10.12 Insurance Market Provisions. Notwithstanding anything to the contrary contained in this Lease:

(a) Tenant may carry (or cause the applicable Subtenant or RCFE Manager to carry) the insurance required under this Article X under one or more blanket policies of insurance, provided that (i) the coverage afforded thereunder otherwise meets all of the requirements of this Article X, including without limitation each individual policy coverage amount without duplication (i.e., amounts satisfying coverage limits for one policy may not be counted toward satisfaction of coverage limits for another policy, and (ii) Tenant obtains (or causes the applicable Subtenant or RCFE Manager to obtain) one or more "per-location aggregate" endorsements or similar endorsements or coverages sufficient to ensure that the amounts available to satisfy coverage limits required under this Lease will not be compromised, reduced, or diminished because of claims submitted by other persons under such blanket policies of insurance.

(b) Tenant may obtain the Insurance Program through a combination of Primary and Excess Liability policies and/or using RCFE Manager's master policy or a master policy of an Affiliate of Tenant or RCFE Manager, which may also cover other facilities managed by RCFE Manager or such Affiliate.

(c) If CGL coverage is carried on a claims-made basis, Tenant shall either, (i) maintain such claims-made coverage for the greater of (A) two (2) years after the expiration or earlier termination of this Lease or (B) the period of the statute of limitations in the State of California for any potential claim thereunder, or (ii) purchase an extended reporting "tail" period under, or at Tenant's election, a discontinued operations endorsement to, the policy in force at the expiration or earlier termination of this Lease, in either case to cause all such policies and coverages to remain in effect for the greater of two (2) years after the

expiration or earlier termination of this Lease or the period of the statute of limitations in the State of California for any potential claim thereunder.

(d) If insurance with the policy limits set forth in this Article X is not commercially available in the seniors housing market at the time a policy is obtained or renewed, then the limits on such insurance shall be in the amounts reasonably required by Landlord.

ARTICLE XI
INDEMNIFICATION

Section 11.1 Tenant Indemnification Obligation. Tenant hereby agrees to indemnify and hold harmless Landlord and all of its trustees, officers, members, managers, partners, operators, employees, directors, agents, and consultants (hereinafter collectively referred to as the "**Indemnitees**") of and from any and all claims, demands, liabilities, losses, costs, or expenses for any loss including but not limited to bodily injury (including death), personal injury, property damage, expenses, and reasonable attorneys' fees, caused by, growing out of, or otherwise occurring in connection with this Lease, arising from (i) any negligence or willful misconduct on the part of Tenant, its agents, employees, contractors or others working at the direction of Tenant, on its behalf; (ii) violation beyond any applicable notice and cure period of any pertinent federal, State, or local Law by Tenant, its agents, employees, contractors or others working at the direction of Tenant, on its behalf, and (iii) the design, engineering or construction of the Facility undertaken by Tenant on the Premises; provided, however, Tenant's indemnification obligations exclude matters to the extent covered by Landlord's indemnification obligation below or otherwise attributable to the gross negligence, willful misconduct, fraud, bad faith or illegal act or omission of Landlord or any of Landlord's Indemnitees. In case any action or proceeding is brought against Landlord due to any claim mentioned in this Section 11.1, Tenant, upon notice from Landlord and at Tenant's expense, shall resist or defend such action or proceeding in Landlord's name, if necessary, by counsel for the insurance company, if such claim is covered by insurance, or otherwise by counsel reasonably approved by Landlord. Landlord agrees to give Tenant prompt notice of any such claim or proceeding. This indemnification is binding on the successors and assigns of Tenant, and this indemnification survives the expiration or earlier termination of this Lease, or the dissolution or, to the extent allowed by Law, the bankruptcy of Tenant. This indemnification does not extend beyond the scope of this Lease and the Contract Documents and the work undertaken thereunder, and does not extend to claims exclusively between the undersigned parties arising from the terms, or regarding the interpretation of, this Lease. This indemnification shall specifically exclude any Liabilities where the facts and/or events giving rise to the accrual of such Liabilities occur after the termination of this Lease and surrender of possession of the Premises by Tenant in accordance with the terms of this Lease, or after foreclosure or other taking of possession of the Premises by any Leasehold Mortgage, its nominee, or designee or by a purchaser of the leasehold interest in the Premises in such action or in connection with an eminent domain or proceeding.

Section 11.2 Landlord Indemnification Obligation. Landlord hereby releases and agrees to indemnify and hold harmless Tenant and all of its Indemnitees of and from any and all claims, demands, liabilities, losses, costs, or expenses for any loss including but not limited to bodily injury (including death), personal injury, property damage, expenses, and reasonable

attorneys' fees, caused by, growing out of, or otherwise occurring in connection with this Lease, arising from, to the extent permitted by Law, (i) any negligence or willful misconduct on the part of Landlord, its agents, employees, contractors or others working at the direction of Landlord, on its behalf; (ii) the access onto the Premises and performance of the Remediation Work by Landlord, its agents, employees, contractors or others working at the direction of Landlord, on its behalf; (iii) Landlord's non-compliance with the California Public Contracts Code or any other relevant laws and regulations regarding the award of this Lease and the right to develop, construct, and operate the Project to Tenant; and (iv) violation beyond any applicable notice and cure period of any pertinent federal, State, or local Law by Landlord, its agents, employees, contractors or others working at the direction of Landlord that would, in each case, materially and adversely impact Tenant's development, construction or operation of the Premises; provided, however, Landlord's indemnification obligations exclude matters to the extent attributable to the gross negligence, willful misconduct, fraud, bad faith or illegal act or omission of Tenant or any of Tenant's Indemnitees. In case any action or proceeding is brought against Tenant due to any claim mentioned in this Section 11.2, Landlord, upon notice from Landlord and at Tenant's expense, shall resist or defend such action or proceeding in Tenant's name, if necessary, by counsel for the insurance company, if such claim is covered by insurance, or otherwise by counsel reasonably approved by Tenant. Tenant agrees to give Landlord prompt notice of any such claim or proceeding. This indemnification is binding on the successors and assigns of Landlord, and this indemnification survives the expiration or earlier termination of this Lease, or the dissolution or, to the extent allowed by Law, the bankruptcy of Landlord. This indemnification does not extend beyond the scope of this Lease and the Contract Documents and the work undertaken thereunder, and does not extend to claims exclusively between the undersigned parties arising from the terms, or regarding the interpretation of, this Lease.

ARTICLE XII
ASSIGNMENT; SUBLEASE; NON-DISTURBANCE; ADDITIONAL RIGHTS OF LANDLORD AND TENANT

Section 12.1 Transfer; Major Sublease. Except as provided in this ARTICLE XII, no Transfer or Major Sublease shall occur without the consent of Landlord. Notwithstanding the foregoing, (i) in no event shall any Permitted Transfer require Landlord consent and (ii) Tenant, upon obtaining the prior written consent of Landlord (not to be unreasonably withheld, conditioned or delayed), shall have the right, subject to the applicable provisions of this ARTICLE XII, to enter into a Transfer or Major Sublease with a Person (hereinafter called the "**Transferee**") provided that: (a) the Facility is Substantially Completed; (b) the Transferee is not a debtor or debtor-in-possession in a voluntary or an involuntary bankruptcy proceeding; and (c) with respect to a direct Transfer of Tenant's interest in this Lease, the Transferee assumes all of Tenant's obligations under this Lease thereafter arising and Landlord is provided with a fully executed copy of the assignment and assumption agreement. Notwithstanding anything herein to the contrary, Landlord shall not unreasonably withhold, condition or delay its consent to any Transfer to a Transferee that is a reputable and qualified third party that meets the requirements set forth under Section 8.4(d). If Tenant's interest in this Lease is Transferred in violation of the provisions of this ARTICLE XII, such Transfer shall be void and of no force and effect against Landlord. Neither any direct or indirect Transfer of this Lease, nor any subleasing, occupancy, or use of the Premises or any part thereof by any Person, nor any collection of Rent by Landlord from any Person other than Tenant, nor any application of any such Rent shall, in any circumstances, relieve Tenant of its obligations

under this Lease on Tenant's part to be observed and performed. At all times after commencement of operations of the RCFE, the Operator and RCFE Manager shall satisfy the Quality Requirements.

Section 12.2 Subleases.

(a) Tenant and Operator, shall have the right, subject to the applicable provisions of this ARTICLE XII, without the consent of Landlord, to enter into Subleases (other than Major Subleases) with any Person who is not a debtor or debtor-in-possession in a voluntary or involuntary bankruptcy proceeding at the commencement of the Sublease term for the use permitted by this Lease (each, a "**Permitted Sublease**").

(b) Each Sublease shall provide that: (i) it is subordinate and subject to this Lease; (ii) the fixed expiration date thereunder shall not extend beyond the Expiration Date, and (iii) the Sublease premises shall not be used for any other use other than the Permitted Use without the Landlord's prior written consent.

(c) Tenant shall not, and shall not permit Operator, without Landlord's prior written consent, amend or modify any Sublease in a manner which would cause such Sublease (as amended or modified) to violate the provisions of this ARTICLE XII and Tenant shall deliver to Landlord, or shall cause to be delivered to Landlord, within five (5) Business Days after the full execution and delivery thereof, a true and complete copy of any executed Sublease or any material amendment and modification thereto.

(d) Each Sublease shall include provisions with respect to insurance requirements in Sections 10.4, 10.5 and 10.10 to the extent applicable, Section 12.2 and Article XXII to the extent applicable (including Section 22.2), and indemnity in favor of the Landlord as follows: "Subtenant hereby agrees to indemnify and hold harmless Landlord and all of its trustees, officers, members, managers, partners, operators, employees, directors, agents, and consultants (hereinafter collectively referred to as the "**Indemnitees**") of and from any and all claims, demands, liabilities, losses, costs, or expenses for any loss including but not limited to bodily injury (including death), personal injury, property damage, expenses, and reasonable attorneys' fees, caused by, growing out of, or otherwise occurring in connection with this Sublease, arising from (i) any negligence or willful misconduct on the part of Subtenant, its agents, employees, contractors or others working at the direction of Subtenant, on its behalf; (ii) violation beyond any applicable notice and cure period of any pertinent federal, State, or local Law by Subtenant, its agents, employees, contractors or others working at the direction of Subtenant, on its behalf, and (iii) any design, engineering or construction in connection with the Facility undertaken by Subtenant on the Premises; provided, however, Subtenant's indemnification obligations exclude matters to the attributable to the gross negligence, willful misconduct, fraud, bad faith or illegal act or omission of Landlord or any of Landlord's Indemnitees. In case any action or proceeding is brought against Landlord due to any claim mentioned in this Section, Subtenant, upon notice from Landlord and at Subtenant's expense, shall resist or defend such action or proceeding in Landlord's name, if necessary, by counsel for the insurance company, if such claim is covered by insurance, or otherwise by counsel reasonably approved by Landlord. Landlord agrees to give Subtenant prompt notice of any

such claim or proceeding. This indemnification is binding on the successors and assigns of Subtenant, and this indemnification survives the expiration or earlier termination of this Lease, or the dissolution or, to the extent allowed by Law, the bankruptcy of Subtenant."

Section 12.3 Copies to Landlord. Tenant shall deliver to Landlord, or shall cause to be delivered to Landlord, within five (5) Business Days after the effective date of an assignment of this Lease or the commencement date of a Major Sublease: (a) in the case of an assignment of this Lease, a fully executed copy of the instrument of assignment and assumption; or (b) in the case of a Major Sublease, a fully executed copy of the Major Sublease

Section 12.4 NDA Request Notice.

(a) Tenant, from time to time, may request, by notice to Landlord, that Landlord grant non-disturbance protection to a Subtenant (other than an Affiliate of Tenant) under a particular Sublease, which notice shall be accompanied by a true and complete copy of the fully executed Sublease in question (any such notice being herein called a "**Subtenant NDA Request Notice**").

(b) Landlord, subject to and in the manner provided in this Section 12.4(b), agrees to enter into a subordination, non-disturbance, and attornment agreement (a "**Subtenant SNDA Agreement**") in form and substance reasonably acceptable to Landlord with the Subtenant under the Sublease described in the Subtenant NDA Request Notice, provided that such Sublease satisfies all the following criteria (herein collectively called the "**Subtenant SNDA Criteria**"), as applicable:

(i) such Sublease shall be in form and substance reasonably satisfactory to Landlord; (A) Landlord may only review Subleases to verify compliance with the requirements of this Lease, and (B) failure to approve or reject any Sublease within ten (10) Business Days after Tenant's request for approval shall be deemed approval by Landlord provided, however, that with respect to the Major Sublease, such time period shall be extended for such time as may be reasonably necessary to accommodate Landlord's review of conformance with the requirements of such Major Sublease set forth in this Lease but not to exceed thirty (30) days.

(ii) such Subtenant shall be a creditworthy entity with sufficient assets to satisfy its obligations under such Sublease (and Landlord shall have been provided with reasonably satisfactory proof thereof), and such Sublease shall not provide for the Subtenant to be relieved of liability upon an assignment of its interest in such Sublease.

(c) If: (i) Landlord receives a Subtenant NDA Request Notice and ii) the Sublease described in, and accompanying, such notice satisfies the Subtenant NDA Criteria then: (A) Landlord, within fifteen (15) Business Days after its receipt of a Subtenant NDA Request Notice, shall prepare and deliver to Tenant a Subtenant NDA Agreement (unexecuted) between Landlord, Tenant, and such Subtenant in the form of Exhibit Q attached hereto; and (B) Landlord, promptly after it shall receive: (1) back such form of Subtenant NDA Agreement fully executed by Tenant and such Subtenant; and (2) payment of the reasonable actual out-of-pocket costs, including without limitation, reasonable

attorneys' fees and disbursements, incurred by Landlord in connection with the review of any Subleases under this Section 12.4(c) and the preparation and execution of any Subtenant NDA Agreement, shall counter-execute the same and return the same to Tenant (for delivery to such Subtenant); provided, however, that Landlord shall have no obligations under this Section 12.4(c) during any period that an Event of Default shall have occurred and be continuing.

Section 12.5 Assignment to Leasehold Mortgagee. Any other provisions of this Lease to the contrary notwithstanding, Tenant, and its permitted successors and assigns, shall have the right to Transfer this Lease or any interest herein or any right or privilege appurtenant hereto which Tenant desires to Transfer to a Leasehold Mortgagee, to the extent permitted in ARTICLE XIII of this Lease. Landlord agrees to recognize any Leasehold Mortgagee as Tenant for the performance of all duties and obligations arising due to the interest of this Lease being so Transferred; provided, however, it is hereby agreed and acknowledged by Landlord and Tenant that Tenant and its permitted successors and assigns shall not be relieved of its liability for the performance of such duties or obligations by any such Transfer.

Section 12.6 Landlord's Right of First Refusal.

(a) In the event of any Sale, other than a transaction with Tenant's Affiliate or a rental of space to residents of the Facility, Tenant shall give written notice to Landlord of the proposed Sale. Such notice shall set forth the terms of the offer or contract proposed with respect to such Sale and such other information as may be reasonably requested by Landlord. For sixty (60) days following receipt of the notice of the proposed sale, Landlord shall have the right to exercise an option to purchase at the price and on the same terms and conditions as set forth in the offer or proposed contract associated with such Sale (the "**Landlord First Right**"). Landlord shall exercise the Landlord First Right by giving written notice of such exercise to Tenant within the aforementioned sixty (60) day period. For the avoidance of doubt, Landlord may only exercise its Landlord First Right, if at all, with respect to the entire Sale transaction described in such notice (*i.e.*, if Tenant's sale notice contemplates both a sale of Tenant's interest in this Lease and Operator's interest in the RCFE Sublease, then Landlord must exercise its Landlord First Right with respect to both transactions as opposed to one or the other). Such purchase by Landlord shall not operate so as to extinguish any Leasehold Mortgage unless the debt secured by the Leasehold Mortgage is paid in full; provided, further, that if the Sale is in connection with Tenant's default under the Leasehold Mortgage, then Tenant shall be obligated to sell to Landlord at a purchase price sufficient to pay in full the Leasehold Mortgage irrespective of terms of the offer or contract proposed with respect to such Sale.

(b) If Landlord exercises the Landlord First Right hereunder, then Landlord shall have three (3) months from the date of Landlord's exercise of the Landlord First Right to complete the Sale to Landlord. Concurrently with such exercise, Landlord shall make a non-refundable deposit (except in the event of a Tenant default) of Two Hundred Fifty Thousand Dollars ($250,000) in connection with the applicable Sale. For purposes of this Agreement, completion of the Sale to Landlord shall mean the date on which the grant deed conveying the property subject to such Sale is recorded in the Official Records of Los Angeles County. If Landlord fails to timely exercise the Landlord First Right hereunder,

Landlord shall be deemed to have waived such right only with respect to the Sale contemplated by the notice and Tenant shall notwithstanding the restrictions otherwise set forth in Section 12.1, be free to pursue and consummate the Sale described in such notice of Sale (subject in all cases to the requirement that any transferee shall be bound by and shall comply with all of the terms of this Lease, including without limitation the Quality Requirements and the restrictions in Section 29.15); provided, however, the Landlord First Right shall remain in effect for any future Sale by Tenant or its assigns or successors-in-interest; and further provided, that if the proposed transferee and Tenant subsequently agree to close such Sale on terms more favorable than those initially presented to Landlord pursuant to this Section, then the Tenant, prior to any such closing, shall give Landlord notice of such more favorable terms and/or proposed date of closing, and Landlord shall have the option, on the same basis as provided above, to purchase on such revised terms or proposed date of closing, as the case may be. For purposes of this Section, "more favorable terms" means any decrease of more than five percent (5%) in the purchase price.

(c) If Landlord timely exercises its Landlord First Right, then Landlord and Tenant shall, immediately after Landlord's delivery of a notice of exercise, open an escrow (the "**ROFR Escrow**") at a San Diego office of First American Title Insurance Company ("**Escrow Holder**"), by delivering a signed copy of this Lease and such notice of exercise to Escrow Holder. This Lease shall constitute joint escrow instructions to Escrow Holder. The Parties shall execute such additional instructions, not inconsistent with the provisions of this Lease, as Escrow Holder may require. All real property taxes and assessments shall be prorated as of the closing of the Sale. Landlord shall each pay for the Escrow Holder fees, the cost of recording the deed conveying the property subject to the Sale and any other costs which, in the opinion of Escrow Holder, are customarily borne by buyers of real property in Los Angeles County.

(d) The property subject to the Sale shall be conveyed on an as-is where-is basis.

Section 12.7 Landlord's Long Term Lease Rights.

(a) [Intentionally Deleted.]

(b) Landlord shall have the option to convert each Short Term Landlord Sublease into a Long Term Landlord Sublease for each of the Landlord Designated Spaces, each with a term that is co-terminus with the initial Term of this Lease; provided, that Landlord shall exercise its option to convert each Short Term Landlord Sublease, if at all, either (A) at or prior to close of Tenant's financing of the construction of the Facility; (B) on the last day of the month in which occurs the tenth (10^{th}) anniversary or twentieth (20^{th}) anniversary of the Term Commencement Date; or (C) at Landlord's funding of Phase 2 of the HLC (each, a "**Long Term Option Event**"). Tenant shall provide Landlord written notice of any financing or refinancing that would constitute a Long Term Option Event, and Landlord shall have a period of sixty (60) days from the date of such notice to determine whether to convert one or more of the Short Term Landlord Subleases into a Long Term Landlord Sublease in connection with such Long Term Option Event. If Landlord exercises its right to convert any Short Term Landlord Sublease into a Long Term

Landlord Sublease in connection with such Long Term Option Event, then (1) Landlord shall have the right to complete such conversion upon Substantial Completion of the Initial Construction, and (2) such lease shall be on an as-is where-is basis.

(c) If Landlord converts the Short Term Landlord Sublease for the PACE Designated Space into a Long Term Landlord Sublease, Landlord shall prepay all base rent with respect to such Long Term Landlord Sublease in an amount determined by the following formula: the product of the then current monthly base rental rate under Short Term Landlord Sublease for the PACE Designated Space multiplied by 12 multiplied by the rental square footage of the PACE Designated Space and divided by six percent (6%).

(d) If Landlord converts the Short Term Landlord Sublease for the YWC Designated Space into a Long Term Landlord Sublease, Landlord shall prepay all base rent with respect to such Long Term Landlord Sublease in an amount determined by the following formula: the product of the then current monthly base rental rate under Short Term Landlord Sublease for the YWC Designated Space multiplied by 12 multiplied by the rentable square footage of the YWC Designated Space and divided by six percent (6%).

(e) If Landlord converts the Short Term Landlord Sublease for the CSC Designated Space into a Long Term Landlord Sublease, Landlord shall prepay all base rent with respect to such Long Term Landlord Sublease in an amount determined by the following formula: the product of the then current monthly base rental rate under Short Term Landlord Sublease for the CSC Designated Space multiplied by 12 multiplied by the rentable square footage of the CSC Designated Space and divided by six percent (6%).

(f) If Landlord converts any Short Term Landlord Sublease into a Long Term Landlord Sublease, such conversion shall be made via an amendment to the Short Term Landlord Sublease. Landlord and Tenant shall use commercially reasonable efforts to enter into each such amendment within ten (10) Business Days after Landlord's conversion election. Any prepaid base rent shall be paid by Landlord to Tenant within ten (10) Business Days after Landlord's conversion election.

(g) If Landlord converts any Short Term Landlord Sublease into a Long Term Landlord Sublease, then the then-current Base Rent payable hereunder shall not be reduced (and shall continue to be an operating expense payable by the applicable Subtenant under the Long Term Sublease, along with the other operating expenses under the terms of the Short Term Sublease).

(h) Tenant and Landlord will discuss in good faith to determine opportunities to use the Landlord's available grant funds for construction of the Landlord Designated Spaces.

Section 12.8 Landlord Transfers. For so long as the Tenant or Operator operates an RCFE at the Premises, then without the Tenant's prior written consent, Landlord shall not directly or indirectly, sell, assign or transfer, whether voluntarily, involuntarily, or by operation of law, its fee ownership interest in the Land, during the Term to any Person (other than a Governmental Authority or Affiliate of Landlord) who is in direct competition with the operation of the RCFE.

Notwithstanding anything to the contrary herein, nothing in this Section shall prohibit or restrict Landlord or any of Landlord's Affiliates and their respective related parties from providing any and all manner of services that may be provided by such Persons under applicable Law or taking any action or engaging in any conduct with respect to the Landlord Designated Spaces; provided, that Landlord shall not directly or indirectly engage in the development, management, or operations of a licensed residential care facility for the elderly on the Landlord's Healthy Living Campus.

Section 12.9 Landlord Lien Waiver. Landlord hereby waives all statutory liens to which Landlord might be entitled on Tenant's or any sublessee's personal property, goods, equipment, inventory, furnishings, chattels, accounts and other assets that are not permanently affixed to the Premises. An asset is not permanently affixed to the Premises if its removal will not damage the Premises or the improvements thereon. Landlord agrees that any Leasehold Mortgagee or other individual, person or entity ("**Other Party**") shall have the right to file and/or record one or more financing statements against, and to take security interests in, any and all any and all fixtures (unless a part of the improvements), furniture, equipment, apparatus and other similar personal property and any and all renewals, replacements or, additions to and substitutions therefor and located in, attached or affixed to and used in connection with the improvements or the operation thereof; excluding, however, any such items belonging to present or future subtenants (collectively, "**Personal Property**") at any time located at the on the Premises and the proceeds of such Personal Property, and further that the Leasehold Mortgagee or Other Party may enter upon the Premises to remove the same from the Premises or to conduct sales of the same at the Premises, whenever the Leasehold Mortgagee or Other Party elects to enforce such security interest, if given by Tenant; provided, however, the Leasehold Mortgagee or Other Party shall (i) provide Landlord with evidence of commercially reasonable liability insurance naming Landlord as an additional insured prior to entering the Premises and (ii) repair any damage to the Premises caused by the removal of any such Personal Property to the reasonable satisfaction of Landlord. Such rights will continue for ninety (90) days after the Leasehold Mortgagee or Other Party receives notice in writing from Landlord that Tenant no longer is in lawful possession of the Premises. Landlord hereby disclaims any title to or rights in such Personal Property of Tenant (or the proceeds thereof) and subordinates to the security interest of any and all Leasehold Mortgagees and Other Parties, if any, Landlord may have pursuant to any Landlord's lien, encumbrance or other interest which Landlord may now or hereafter acquire in such Personal Property, whether acquiring the same pursuant to this Lease or pursuant to applicable law.

ARTICLE XIII
FEE MORTGAGES; LEASEHOLD MORTGAGES

Section 13.1 Fee Mortgages. In the event Landlord shall enter into or grant any Fee Mortgage, then this Lease, any Leasehold Mortgages and any renewals, amendments and replacements hereof or thereof, including, without limitation, any new lease made pursuant to the provisions of Section 13.9 shall be prior in interest to any such Fee Mortgage. The Fee Mortgagee shall recognize all of Tenant's (and any Leasehold Mortgagee's and Tenant Mezzanine Lender's) rights hereunder, and any Fee Mortgagee's rights shall be subject to this Lease and any renewals, amendments and replacements hereof, including, without limitation, any new lease made pursuant to the provisions of Section 13.9 and the term, rights and leasehold estate of Tenant hereunder and thereunder and to any Leasehold Mortgages but subject in any event to the rights of Landlord under

this Lease. The provisions of this Section 13.1 shall be self-operative, without the necessity of any other written consent or subordination by the holder of any Fee Mortgage. However, upon written request of Tenant, Landlord shall at any time or times use commercially reasonable efforts to cause the holder of each Fee Mortgage to execute, acknowledge and deliver to Tenant, each Leasehold Mortgagee and each Tenant Mezzanine Lender, provided that Tenant pays any reasonable costs incurred by Landlord in respect thereof, any instrument reasonably required by Tenant, any Leasehold Mortgagee or any Tenant Mezzanine Lender to confirm such subordination.

Section 13.2 Mortgaging of the Leasehold. Notwithstanding any provision of this Lease to the contrary, Tenant shall have the right, at any time and from time to time during the Term, and in each case without the consent of Landlord, to mortgage all or any portion of Tenant's leasehold estate created by this Lease (whether or not such mortgage shall also cover other properties), and give as collateral to Leasehold Mortgagee(s) an assignment of and security interest in (i) the Facility and any other Improvements constructed on the Premises by Tenant and Tenant's interest (as ground tenant) in and to the Premises, (ii) the rents, income, receipts, revenues, issues and profits due to Tenant from the Premises, (iii) any subleases entered into by Tenant, and (iv) Tenant's entire interest in this Lease and the leasehold estate created hereby; provided, however, that, in order for such mortgage to be a Leasehold Mortgage entitled to the benefits hereof: (x) no such mortgage shall be a lien on all or any portion of Landlord's fee simple interest in the Premises ("**Landlord's Estate**"), and (y) a copy of such mortgage shall be delivered to Landlord (together with written notice specifying the name and address of the Leasehold Mortgagee). Notwithstanding the foregoing, Tenant shall not have the right in any circumstance to encumber or subordinate Landlord's Estate, Landlord's interest in this Lease or the rent and other amounts due Landlord under this Lease. Nothing contained in this ARTICLE XIII shall be deemed to grant any lien or other encumbrance encumbering Landlord's Estate. Tenant shall promptly deliver to Landlord all notices of default under any Leasehold Mortgage that are delivered to Tenant by the Leasehold Mortgagee. In negotiating any Leasehold Mortgage, Tenant shall use commercially reasonable efforts to cause such mortgage to include provisions (A) affording Landlord the right (but not the obligation) to cure any Tenant defaults and recover all costs and expenses associated with curing such default from Tenant, and (B) requiring Leasehold Mortgagee to send all notices of default to Tenant thereunder concurrently to Landlord; provided, however, Tenant shall not be in breach of this sentence if Leasehold Mortgagee does not agree to include such provisions in the Leasehold Mortgage.

Section 13.3 Consent to Amendment. Notwithstanding any provision of this Lease to the contrary, foreclosure of a Leasehold Mortgage or any Leasehold Mortgagee's sale of Tenant's right, title and interest in, to and under this Lease and the Premises in connection with a foreclosure of a Leasehold Mortgage, whether by judicial proceedings or by virtue of any power of sale contained in the Leasehold Mortgage, or any conveyance by a Leasehold Mortgagee of Tenant's right, title and interest in, to and under this Lease and Tenant's interest in the Premises from Tenant to the Leasehold Mortgagee or its nominee or designee by virtue of or in lieu of foreclosure or other appropriate proceedings, or the appointment of a receiver, shall not require the consent or approval of Landlord or constitute a breach of any provision of or a default under this Lease.

Section 13.4 Notices to Leasehold Mortgagees. For so long as any Leasehold Mortgage shall be in effect there shall be no cancellation, termination, waiver, surrender, acceptance of surrender, amendment, change or modification of this Lease by joint action of Landlord and Tenant

or by Landlord alone without, in each case, the prior written consent of Leasehold Mortgagee (and if any such action is taken without the prior written consent of a Leasehold Mortgagee, then such action shall not be effective as against such Leasehold Mortgagee, unless the same is permitted without consent under the terms of the loan documents of the Leasehold Mortgage, the loan agreement or credit agreement, and all other documents and instruments delivered by Tenant to Leasehold Mortgagee in connection with any indebtedness secured by the Leasehold Mortgage (collectively, the "**Leasehold Mortgage Documents**")). The foregoing shall not apply with respect to: (i) any right of Landlord to cancel or terminate this Lease in connection with Landlord's exercise of remedies for a Tenant default under ARTICLE XIV, but subject to the rights of Leasehold Mortgagee and/or Tenant Mezzanine Lender under Sections 13.6, 13.7, 13.8, 13.9 and 13.15 hereof, (ii) the termination of this Lease upon the expiration of the Term, (iii) amendments hereto as to the scheduled increases in Base Rent as provided in ARTICLE III, or (iv) Tenant exercising its right to extend the Term as provided in this Lease.

Section 13.5 Curative Rights of Leasehold Mortgagees. For so long as any Leasehold Mortgage shall be in effect, there shall be no merger of (i) Landlord's fee title to the Premises, on the one hand, with (ii) this Lease and the Tenant's leasehold estate, on the other hand, notwithstanding that said fee title and this Lease or leasehold estate may be owned by the same person(s) or entity(ies). Without limiting the generality of the foregoing, no merger shall result from the acquisition by Tenant of the Land (or the devolution upon any one entity of both the fee interest of Landlord and the leasehold estate of Tenant).

Section 13.6 Limitation Upon Termination Rights of Landlord. Landlord shall, upon serving Tenant with any default or termination notices, simultaneously serve a copy of such notice upon each Leasehold Mortgagee, and no such notice of default or termination to Tenant shall be effective unless and until a copy is so served upon Leasehold Mortgagee in the manner provided in this Lease for the giving of notices. Each notice of default given by Landlord will state the amounts of whatever rent and other payments herein provided for are then claimed to be in default (or, in the case of any other default, shall describe the default(s) with reasonable specificity). Notwithstanding anything to the contrary in this Lease, any Leasehold Mortgagee following the occurrence of a default under the Leasehold Mortgage may (but shall not be obligated to) exercise all of Tenant's rights under this Lease.

Section 13.7 Limitation Upon Termination Rights of Landlord. Notwithstanding any provisions of ARTICLE XIV to the contrary, Landlord shall have no right to terminate this Lease for a default by Tenant without first delivering a notice to Tenant and each Leasehold Mortgagee that expressly states that Landlord will terminate this Lease if the default that is the subject of the notice is not cured pursuant to this Section 13.7 (a "**Termination Notice**"), so long as:

(a) if the default is the failure to pay any rental, taxes, insurance premiums, utility charges or any other sum of money, within the fifteen (15) day period following the date Landlord duly delivers its Termination Notice, the Leasehold Mortgagee cures such default by paying or causing to be paid such sum of money, together with any late fee or interest payable thereon, and all rent and other payments which may become due during such fifteen (15) day period; or

(b) if the default cannot be cured by the payment of money, but is otherwise curable, within the thirty (30) day period following the date Landlord duly delivers its Termination Notice, the Leasehold Mortgagee cures such default, provided, however, (x) if the curing of such default reasonably requires activity over a longer period of time, such thirty (30) day period shall be extended for such additional time as may be reasonably necessary to cure such default, but in no event longer than ninety (90) days, so long as the Leasehold Mortgagee commences a cure within such thirty (30) day period and thereafter continues to use due diligence to perform whatever acts may be reasonably required to cure such default, or (y) if the curing of such default reasonably requires the Leasehold Mortgagee to be in possession of the Premises (for which purpose Landlord hereby grants Leasehold Mortgagee a non-exclusive license to access and enter the Premises), such thirty (30) day period shall be extended to include the reasonable period of time required by the Leasehold Mortgagee to obtain such possession with due diligence, so long as the Leasehold Mortgagee obtains possession as soon as is reasonably possible under applicable Laws and performs whatever acts may be reasonably required to cure such default, provided further that, in the instance of either (x) or (y) above, the Leasehold Mortgagee makes payments of Base Rent and any other monetary payments otherwise due from Tenant in accordance with the terms and within the time frames set forth in this Lease; or

(c) if the default cannot be cured by the payment of money and is otherwise not susceptible to cure, such default shall be waived temporarily by Landlord so long as the Leasehold Mortgagee notifies Landlord within the thirty (30) day period following the date Landlord duly delivers its Termination Notice of its intent to commence foreclosure of Leasehold Mortgagee's interest, and within thirty (30) days after the mailing of such notice, the Leasehold Mortgagee (x) actually commences foreclosure proceedings and prosecutes the same thereafter with due diligence, or (y) if the Leasehold Mortgagee is prevented from commencing or continuing foreclosure proceedings by any bankruptcy stay, or any order, judgment or decree or any court or regulatory body of competent jurisdiction, and the Leasehold Mortgagee diligently seeks release from or reversal of such stay, order, judgment or decree, provided that, in the instance of either (x) or (y) above, the Leasehold Mortgagee makes payments of Base Rent and any other monetary payments otherwise due from Tenant in accordance with the terms and within the time frames set forth in this Lease.

Section 13.8 Agreement Between Landlord and Leasehold Mortgagee. Notwithstanding the foregoing provisions of Section 13.7, nothing contained herein shall be deemed to impose upon any Leasehold Mortgagee the obligation to perform any obligation of Tenant under this Lease or to remedy any default by Tenant hereunder. Landlord, however, shall accept such performance from a Leasehold Mortgagee as if it had been done by Tenant. Any such cure by Leasehold Mortgagee shall not cause Leasehold Mortgagee to incur any liability to Tenant hereunder. Any provision of this Lease to the contrary notwithstanding, no performance by or on behalf of a Leasehold Mortgagee shall cause it to become a "mortgagee in possession" or otherwise cause it to be deemed to be in possession of the Premises or bound by or liable under this Lease. In addition, the parties agree that if there is more than one (1) Leasehold Mortgagee (or collateral assignee), or if there are Leasehold Mortgages and loans made by Tenant Mezzanine Lenders (as hereinafter defined), then only one Leasehold Mortgagee or Tenant Mezzanine Lender designated as the lead lender by intercreditor agreement among the Leasehold Mortgagees and Tenant Mezzanine Lender (the "**Designated Lender**") (in which event, for purpose of Section 13.7 and

this Section 13.8, references therein to Leasehold Mortgagee shall mean the Designated Lender) shall be entitled to exercise the cure rights described in Section 13.7 on behalf of all Leasehold Mortgagees and Tenant' Mezzanine Lenders; and if there is no such intercreditor agreement then the holder of the senior most Leasehold Mortgage shall have such right (provided, Landlord shall accept cure from any Leasehold Mortgagee or Tenant Mezzanine Lender, if proffered). Nothing herein shall be construed to require a Leasehold Mortgagee to continue or to discontinue foreclosure or other enforcement proceedings after a default has been cured. If a default is cured or waived, this Lease shall continue in full force and effect as if no default by Tenant had occurred.

Section 13.9 No Merger. The event of a termination of this Lease for any reason whatsoever or upon rejection or disaffirmance of this Lease by Tenant or a trustee or other successor to Tenant pursuant to bankruptcy or other law affecting creditors' rights, Landlord will promptly notify the Leasehold Mortgagee of the amount of any sums then due to Landlord under this Lease (as further described below), and the Leasehold Mortgagee shall have, within a period of sixty (60) days), the right to require Landlord to (and Landlord shall) enter into a new lease of the Premises with the Leasehold Mortgagee or its nominee (or the Designated Lender (or its nominee), if there are multiple Leasehold Mortgages and/or loans made by Tenant Mezzanine Lenders) in accordance with the following provisions:

(a) the Leasehold Mortgagee or its nominee shall be entitled to such new lease if the Leasehold Mortgagee shall make written request upon Landlord for such new lease on or before the date which is thirty (30) days after the date on which the Leasehold Mortgagee shall have received the notice from Landlord or knowledge of rejection or disaffirmance of this Lease and if such written request is accompanied by the Leasehold Mortgagee's written agreement to pay to Landlord simultaneously with the execution and delivery of the new lease, and as a condition precedent to the effectiveness thereof, all sums then due to Landlord under this Lease (to the extent not previously paid by Tenant), including all Rent then due, plus all Rent due for the first full calendar month after the commencement date for the new lease, plus all actual and estimated out-of-pocket expenses of Landlord in connection with the termination of this Lease and entering into the new lease, including without limitation reasonable attorneys' fees and reasonable court costs incurred by Landlord in connection with any and all defaults by Tenant hereunder, the termination of this Lease and the preparation of the new lease but expressly excluding unpaid amounts relating to Tenant's indemnification obligations under this Lease. So long as the Leasehold Mortgagee has paid Landlord all sums contemplated under this Section 13.9, neither Leasehold Mortgagee nor its nominee or designee party to such new lease shall (x) be liable for any previous act or omission of Tenant under this Lease which is not reasonably susceptible of being cured by Leasehold Mortgagee or its nominee or designee party, (y) be subject to any off-set, defense or counterclaim which shall have theretofore accrued to Landlord against Tenant, or (z) be bound by any modification of this Lease unless such modification shall have been expressly approved in writing by such Leasehold Mortgagee.

(b) Such new lease shall be for what would have been the remainder of the Term (if this Lease had not been terminated), effective as of the date of such termination, and at the same rent and upon the same terms, provisions, covenants and agreements as herein contained, including, without limitation, the same terms and conditions of this

Section 13.9 and all rights and options herein contained (including the extension or renewal rights granted hereunder).

(c) Such new lease shall have priority over any Fee Mortgage or other lien, charge or encumbrance on Landlord's Estate. Such new lease shall, however, otherwise be subject to the same conditions of title as this Lease on the date immediately preceding such termination. Upon written request from Tenant or any Leasehold Mortgagee, Landlord shall use reasonable efforts to cause the holder of any Fee Mortgage or other lien, charge or encumbrance on the Landlord's Estate to execute and deliver a subordination agreement in form reasonably acceptable to Tenant and such Leasehold Mortgagee confirming its subordination to the new lease.

(d) If more than one Leasehold Mortgagee makes written request upon Landlord in accordance with the provisions hereof for a new lease, the new lease shall be delivered pursuant to the request of the most senior in priority Leasehold Mortgagee (unless the most senior Leasehold Mortgagee otherwise agrees in writing).

(e) The conveyance or assignment by the Leasehold Mortgagee or its nominee or designee of its interest as tenant under the new lease and in and to the Premises shall be permitted in accordance with the terms of this Lease.

(f) Landlord shall credit to the tenant named therein all monies, if any, then held by Landlord that Tenant would have been entitled to receive but for the termination of this Lease (including all Rents received from subtenants during such period) to the payment of Rent due from Tenant, except to the extent that Tenant, upon a filing of bankruptcy or appointment of a trustee in Tenant's bankruptcy, has a claim to such monies.

(g) Upon the execution and delivery of a new lease under this Section 13.9, all subleases at the Premises which have become direct leases between Landlord and the subtenant shall thereupon be assigned and transferred without recourse, representation or warranty by Landlord to the tenant named in such new lease. Between the date of termination of this Lease and the earlier of (x) the date of execution and delivery of the new lease and (y) the date such Leasehold Mortgagee's option to request a new lease pursuant to this Section 13.9 expires if such Leasehold Mortgagee does not exercise such option, Landlord shall not enter into any new leases or subleases of any portion of the Premises, cancel or modify any then-existing subleases (other than termination by reason of subtenant default), or accept any cancellation, termination or surrender thereof without the prior written consent of each Leasehold Mortgagee, not to be unreasonably withheld, conditioned or delayed. After any termination of this Lease that entitles a Leasehold Mortgagee or its designee to a new lease and until the date that the new lease has commenced, Landlord shall, at Leasehold Mortgagee's sole cost and expense, retain all rent and other payments Landlord receives from all subtenants in trust for the Leasehold Mortgagee, and upon execution of a new lease, shall account to the tenant thereunder for such amounts and shall cooperate with such tenant to transfer all such amounts, all subleases and all operational contracts (if any) entered into by Landlord with respect to the Premises to such Leasehold Mortgagee or such designee.

(h) Except as set forth in Section 13.9(a), the tenant under a new lease shall be liable to perform the obligations imposed on the "Tenant" under such new lease only during the period that such new tenant has ownership of the leasehold estate thereunder. Accordingly, from and after the assignment by such new tenant of all of its right, title and interest in and to such new lease in accordance with the applicable provisions hereof, such new tenant shall have no liability to perform any obligations imposed on the "Tenant" under such new lease to the extent such obligations accrue from and after the date of such assignment, provided that the assignee of such new tenant's right, title and interest in and to such new lease assumes such obligations pursuant to a written assignment and assumption agreement.

Section 13.10 Settlement Claims. No property insurance claims related to the Facility or any Improvements constructed on the Premises by Tenant shall be settled, and no agreements will be made in respect of any condemnation award without, in each case, the prior written consent of the Leasehold Mortgagee, not to be unreasonably withheld, conditioned or delayed, unless otherwise provided in the applicable Leasehold Mortgage.

Section 13.11 Participation in Proceedings. In the event of any arbitration, appraisal or other dispute resolution proceeding, or any proceeding or dispute relating to the application or determination of any insurance, casualty or condemnation proceeds, to which Landlord and Tenant are parties, each Leasehold Mortgagee shall be entitled to (but not obligated to) participate in such proceeding. Such participation shall, to the extent reasonably required by the Leasehold Mortgage, and subject to the rights of third parties, include: (i) the right to receive copies of all notices, demands, and other written communications and documents at the same time they are served upon or delivered to Landlord and Tenant; (ii) filing any papers contemplated or permitted by such proceedings; and (iii) attending and participating in all hearings, meetings, and other sessions or proceedings relating to such dispute resolution; provided, however, that the Leasehold Mortgagee shall have no greater rights in such proceeding than Tenant. Landlord, however, shall not be obligated to pay or reimburse Leasehold Mortgagee or Tenant for any fees, costs or expenses incurred or caused by Leasehold Mortgagee in connection with deciding whether to participate and/or participating in such proceeding.

Section 13.12 Recognition Agreement. Upon the request of Tenant, Landlord shall execute and deliver to any Leasehold Mortgagee a recognition agreement and/or an estoppel certificate and agreement (regardless of form, a "**Recognition Agreement**") in form reasonably acceptable to Landlord and such Leasehold Mortgagee. Such Recognition Agreement shall (i) be consistent with the provisions of this Lease regarding Leasehold Mortgages and the rights of Leasehold Mortgagee(s), (ii) confirm that this Lease is senior in priority to any Fee Mortgage and (iii) provide, among other things, for the continuation of this Lease in the event that the Landlord sells, transfers or assigns Landlord's Estate, or is the subject of any bankruptcy proceeding or any foreclosure of a Fee Mortgage by the Fee Mortgagee.

Section 13.13 No Deemed Assignment or Transfer. Notwithstanding any provision of this Lease to the contrary, Tenant's making of a Leasehold Mortgage shall not be deemed to constitute an assignment or transfer of this Lease, nor shall any Leasehold Mortgagee, as such, or in the exercise of its rights under this Lease, be deemed to be an assignee or transferee of this Lease so as to require such Leasehold Mortgagee, as such, to assume or otherwise be obligated to perform

any of Tenant's obligations hereunder except when, and then only for so long as, such Leasehold Mortgagee has acquired Tenant's leasehold estate pursuant to a foreclosure or other exercise of rights or remedies under its Leasehold Mortgage or assignment in lieu of foreclosure (as distinct from its rights under this Lease to cure defaults of Tenant hereunder). In no event shall any Leasehold Mortgagee's liability as an assignee or transferee of this Lease exceed such Leasehold Mortgagee's interest in the leasehold estate under this Lease.

Section 13.14 Further Assurances. Upon written request by Tenant or by any existing or prospective Leasehold Mortgagee (and provided that Tenant pays any reasonable and actual out-of-pocket costs incurred by Landlord and/or Fee Mortgagee in respect thereof), subject to the written consent of the Fee Mortgagee if required (which consent Landlord shall use reasonable efforts to obtain), Landlord shall deliver to the requesting party such documents and agreements as the requesting party shall reasonably request to further effectuate the intentions of the parties with respect to Leasehold Mortgage(s) as set forth in this Lease, including a separate written instrument signed by Landlord setting forth and confirming, directly for the benefit of specified Leasehold Mortgagee(s), any or all rights of Leasehold Mortgagee(s), provided any such document or instrument does not diminish or adversely affect any of Landlord's or the Fee Mortgagee's rights, benefits or protections under this Lease or increase in any material respect the obligations of Landlord.

Section 13.15 Mezzanine Financing. Tenant and the direct and indirect owners of Tenant shall have the right, upon prior notice to, but without consent or approval from, Landlord, to enter into one or more mezzanine loans (each, a "**Mezzanine Loan**"). Neither the pledge of any equity interests in the direct and/or indirect owners of Tenant nor the foreclosure of any such pledge of equity interests shall be deemed to constitute an assignment or transfer of this Lease or the leasehold estate created hereunder nor shall a Tenant Mezzanine Lender (as hereinafter defined) by foreclosing on a pledge of equity interests, and assuming ownership of such equity interests, be deemed to be an assignee or transferee or mortgagee in possession of the leasehold estate created hereunder in violation of this Lease, it being acknowledged that any such foreclosure by such Tenant Mezzanine Lender shall not be deemed to violate this Lease or require the consent or approval of, or notice to, Landlord. Provided Tenant provides to Landlord a notice setting forth the name and address of any Tenant Mezzanine Lender having a security interest in the direct or indirect equity or other ownership interest in Tenant (whether or not such security interest shall also cover other equity or ownership interests in one or more other person or entity) (each, a "**Tenant Mezzanine Lender**"), Landlord shall thereafter deliver to each Tenant Mezzanine Lender a copy of each notice of default or Lease termination given to Tenant at the same time as, and whenever any such notice of default or notice of termination shall thereafter be given by Landlord to Tenant, and no such notice of default or notice of termination by Landlord shall be deemed to have been duly given to Tenant unless and until a copy thereof shall have been so given to each such Tenant Mezzanine Lender. Subject to the terms of this ARTICLE XIII, Tenant Mezzanine Lenders shall (i) thereupon have a single period (for all Tenant Mezzanine Lenders) of ten (10) days more than the cure period afforded to Tenant in the case of a default in the payment of Rent and thirty (30) days more than the cure period afforded to Tenant in the case of any other default which is capable of being cured by a Tenant Mezzanine Lender, after notice of such default is given to Tenant Mezzanine Lenders, for curing the default, causing the same to be cured by Tenant or otherwise, and (ii) within such period and otherwise as herein provided, have the right to cure such default, cause the same to be cured by Tenant or otherwise or cause an action to cure

a default to be commenced, and Landlord shall not have the right to terminate this Lease, by reason of a default by Tenant, until the cure period has expired without a cure having been made; provided, however, that nothing contained herein shall be deemed to impose upon any Tenant Mezzanine Lender the obligation to perform any obligation of Tenant under this Lease or to remedy any default by Tenant hereunder. Landlord shall accept performance by a Tenant Mezzanine Lender of any covenant, condition or agreement on Tenant's part to be performed hereunder with the same force and effect as though performed by Tenant. Any provision of this Lease to the contrary notwithstanding, no performance by or on behalf of a Tenant Mezzanine Lender shall cause it to become a "mortgagee in possession" or otherwise cause it to be deemed to be in possession of the Premises or bound by or liable under this Lease. Notwithstanding any provision of this Lease to the contrary, (x) the rights of any Tenant Mezzanine Lenders (as described in this Section 13.15 or elsewhere in this Lease) shall be subject to the rights of any Leasehold Mortgagee, whose rights shall take precedence and (y) in the event that a Leasehold Mortgagee and one or more Tenant Mezzanine Lenders (the "**Affected Tenant Mezzanine Lenders**") have loans outstanding to Tenant or any Affiliate of Tenant, respectively, and the obligations of Tenant under the Leasehold Mortgage Documents have been paid and satisfied in full (and no new Leasehold Mortgage or Leasehold Mortgages are being granted in connection therewith), then, all rights granted to such Leasehold Mortgagee under this Lease shall be deemed granted to the Affected Tenant Mezzanine Lenders until the mezzanine loans made by such Affected Tenant Mezzanine Lenders have been paid and satisfied in full or a new Leasehold Mortgage has been granted.

Section 13.16 Foreclosure Transfers. For purposes of this Section 13.16, a "**Foreclosure Transfer**" shall mean any transfer of the entire leasehold estate of Tenant under this Lease or of all of the ownership interests in Tenant to any person or entity that is not an Affiliate of Landlord, Tenant or any subtenant, pursuant to any judicial or nonjudicial foreclosure or other enforcement of remedies under or with respect to a Leasehold Mortgage or with respect to the exercise of remedies by a Tenant Mezzanine Lender, or by voluntary transfer in lieu thereof in either case. A "**Foreclosure Purchaser**" shall mean any transferee (including without limitation a Leasehold Mortgagee) that acquires the entire leasehold estate under this Lease or to all of the ownership interests in Tenant pursuant to a Foreclosure Transfer or Subsidiary Transfer (as defined below), as applicable. Notwithstanding anything to the contrary in this Lease, the consent of Landlord shall not be required with respect to any Foreclosure Transfer or, following a Foreclosure Transfer in which the Foreclosure Purchaser was a Leasehold Mortgagee or a Tenant Mezzanine Lender, to any subsequent transfer of this Lease or the ownership interests in Tenant to a wholly-owned subsidiary of such Leasehold Mortgagee (a "**Subsidiary Transfer**"). With respect to a single subsequent transfer of this Lease or the ownership interests in Tenant to any third party following a Foreclosure Transfer in which the Foreclosure Purchaser was a Leasehold Mortgagee or following a Subsidiary Transfer the consent of Landlord shall not be required. In any event, any such transferee shall assume the obligations of Tenant under this Lease arising from and after the date of transfer to such transferee, and expressly confirm in writing that the same are in full force and effect and otherwise satisfy the requirements of this Section 13.16 and all other provisions of this Lease concerning an assignment hereof, excluding, however, the requirement to obtain Landlord's consent pursuant to ARTICLE XII. Upon such sale or assignment, the Foreclosure Purchaser shall be relieved of all obligations under this Lease accruing from and after the date of such transfer.

Section 13.17 Tenant Bankruptcy. If Tenant or any trustee of Tenant appointed in bankruptcy proceedings rejects this Lease pursuant to the Federal Bankruptcy Code, Title 11 U.S.C. ("**Bankruptcy Code**"), then, within thirty (30) days following the bankruptcy court's approval of such rejection of the Lease, the Leasehold Mortgagee shall have the right to deliver written notice to Landlord requesting that Landlord inform the Leasehold Mortgagee of the sums then owing by Tenant under this Lease and any and all other defaults of Tenant under this Lease, and Landlord shall, within ten (10) days following Landlord's receipt of such notice, deliver written notice to the Leasehold Mortgagee of the sums then known by Landlord as being owed by Tenant (the "**Monetary Cure Costs**") and the other defaults of Tenant under the Lease then known by Landlord. The Leasehold Mortgagee shall have the right, but not the obligation, to serve on Landlord within ten (10) days after Leasehold Mortgagee's receipt of the notice provided in the preceding sentence, a written notice ("**Notice of Assumption**") that the Leasehold Mortgagee elects to (i) assume this Lease, and (ii) cure all defaults outstanding thereunder, except such defaults which are not material and not reasonably susceptible of cure or performance by the Leasehold Mortgagee. Leasehold Mortgagee must also pay the Monetary Cure Costs to Landlord prior to the expiration of the deadline to send Landlord the Notice of Assumption. If the Leasehold Mortgagee fails to serve the Notice of Assumption and pay Landlord all Monetary Cure Costs within such ten (10) day period, the Leasehold Mortgagee shall be deemed to have waived the rights to assume the Lease pursuant to this Section 13.17. If the Leasehold Mortgagee timely serves such Notice of Assumption to Landlord and timely pays all Monetary Cure Costs, then, as between the Landlord and the Leasehold Mortgagee (v) the rejection of this Lease in bankruptcy proceedings of Tenant shall not constitute a termination of this Lease, (w) the Leasehold Mortgagee shall be deemed to have assumed the obligations of Tenant under this Lease without any instrument or assignment of transfer from Tenant being necessary, (x) this Lease shall be deemed in full force and effect as a direct Lease between the Leasehold Mortgagee and Landlord, effective retroactively to the rejection date, (y) the Leasehold Mortgagee's rights under this Lease shall be subject to the rights of parties in possession, and (z) the Leasehold Mortgagee shall consummate the assumption of this Lease. The Leasehold Mortgagee may assign this Lease to a transferee pursuant to the provisions of Section 13.16 hereof, to the same extent as if the Leasehold Mortgagee were a Foreclosure Purchaser under such paragraph. Upon a subsequent assignment of this Lease by the Leasehold Mortgagee in accordance with Section 13.16 hereof and the transferee's assumption of all Tenant obligations under this Lease arising from and after the date of transfer, the Leasehold Mortgagee shall be relieved of all obligations and liabilities arising from and after the date of such transfer. Nothing contained in this Section 13.17 shall affect, limit, modify or supersede the rights of any Leasehold Mortgagee under the Bankruptcy Code except as may be expressly provided in this Section 13.17, nor affect, limit, modify or supersede the rights of any Leasehold Mortgagee or its designee to obtain a new lease under Section 13.9.

Section 13.18 Landlord Bankruptcy. In the event Landlord becomes a debtor in a case under the Bankruptcy Code (or any other or successor law providing similar relief), and Landlord or any trustee of Landlord rejects or seeks authority to reject this Lease under 11 U.S.C. § 365 (or any other or successor provision permitting any similar relief): (i) Tenant shall elect, and hereby does elect, and will serve notice Landlord's bankruptcy case of Tenant's election, unless the most senior Leasehold Mortgagee consents in writing to any other election, to remain in possession for the balance of the Term, pursuant to 11 U.S.C. § 365(h) (and any other or successor provision permitting a similar election); (ii) any other purported election by Tenant to treat this Lease as terminated shall be void and of no effect, unless the most senior Leasehold Mortgagee consent in

writing thereto; and (iii) the lien of the Leasehold Mortgage shall not be impaired by such rejection by Landlord or the trustee appointed in Landlord's bankruptcy proceedings.

Section 13.19 Mortgagee Clauses. A standard mortgagee clause naming each Leasehold Mortgagee and Tenant Mezzanine Lender may be added to any and all insurance policies required to be carried by Tenant hereunder on condition that the insurance proceeds are to be applied in the manner specified in the Leasehold Mortgage.

Section 13.20 Notice and Right Intervene. Landlord shall give each Leasehold Mortgagee and Tenant Mezzanine Lender whose name and address for notice has been given to Landlord, prompt notice of any legal proceedings between Landlord and Tenant involving the enforcement or declaration of obligations under this Lease. Each Leasehold Mortgagee and Tenant Mezzanine Lender shall have the right to intervene, at their sole cost and expense, in any such proceedings and be made a party to such proceedings, and the parties hereto do hereby consent to such intervention. Landlord shall not be obligated to pay or reimburse Tenant, any Leasehold Mortgagee or any Tenant Mezzanine Lender for any fees, costs or expenses incurred or caused by such Person's decision to intervene. In the event that any Leasehold Mortgagee or Tenant Mezzanine Lender shall elect not to intervene or become a party to any such proceedings, Landlord shall give the Leasehold Mortgagee and Tenant Mezzanine Lender notice of, and a copy of, any award or decision made in any such proceedings, which shall be binding on all Leasehold Mortgagees and Tenant Mezzanine Lenders not intervening after receipt of such notice of such proceedings.

Section 13.21 Landlord Cooperation. Landlord will reasonably cooperate with Tenant's efforts to obtain financing in connection with the Premises, both as to the initial construction of the Improvements and as to any replacement financing thereafter. In connection therewith as it relates to Tenant's financings, Landlord will consider on a good-faith basis, any modifications and amendments to this Lease as may be required by a proposed Leasehold Mortgagee in order for this Lease to be financeable by Tenant from time to time.

Section 13.22 Enforcement of Rights. A Leasehold Mortgagee may enforce its Leasehold Mortgage and any Leasehold Mortgagee rights created by this Lease in any lawful way and, pending foreclosure of such Leasehold Mortgage, such Leasehold Mortgagee may take possession of up to Tenant's interest in the Premises and improvements thereon and operate the same, performing all obligations of Tenant under this Lease arising from and after the date such Leasehold Mortgagee takes possession of the Premises and improvements thereon, and upon foreclosure of such Leasehold Mortgage by power of sale, judicial foreclosure, or upon acquisition of the leasehold estate by deed and/or assignment in lieu of foreclosure, the Leasehold Mortgagee may, upon written notice to Landlord, sell and assign the leasehold estate hereby created, provided however that any such sale or assignment shall be consistent with the terms and provisions of this Lease. Without limiting the foregoing, any Leasehold Mortgagee shall have all rights and remedies under its Leasehold Mortgage and the other loan documents referenced therein.

Section 13.23 Tenant and Operator Rights. For purposes of this ARTICLE XIII, all rights granted to Tenant regarding leasehold financing are also granted to Operator.

Section 13.24 Controlling Provision. In the event of any conflict between the provisions of this ARTICLE XIII and any other provisions of this Lease, the provisions of this ARTICLE XIII shall control.

ARTICLE XIV
DEFAULT; REMEDIES

Section 14.1 Events of Default. Each of the following events shall be an event of default if and only if any one or more of the following events occurs during the Term and is not caused, in whole or in part by the breach of Landlord or any Affiliate of Landlord as a Subtenant under a Sublease ("**Event of Default**"):

(a) If Tenant shall fail to pay any item of Rent, or any part thereof, when the same shall become due and payable and such failure shall continue for ten (10) days after written notice from Landlord to Tenant.

(b) If (i) the Construction Preconditions have been satisfied and Commencement of Construction shall not have occurred on or before the Construction Commencement Date (subject to Unavoidable Delays and Landlord Delays) and such failure shall continue for ninety (90) days after notice from Landlord to Tenant or (ii) following the Commencement of Construction, the Substantial Completion of the Facility shall not have occurred on or before the Completion Date (subject to Unavoidable Delays and Landlord Delays) and such failure shall continue for ninety (90) days after notice from Landlord to Tenant.

(c) If Tenant shall fail to observe or perform one or more of the other terms, conditions, covenants, or agreements contained in this Lease, and such failure shall continue for a period of thirty (30) days after notice thereof by Landlord to Tenant specifying such failure unless such failure requires work to be performed, acts to be done, or conditions to be removed which cannot by their nature or because of Unavoidable Delays reasonably be performed, done, or removed, as the case may be, within such thirty (30) day period, in which case no Event of Default shall be deemed to exist as long as Tenant shall have commenced curing the same within such thirty (30) day period and shall, subject to Unavoidable Delays, diligently, continuously, and in good faith prosecute the same to completion.

(d) If Tenant shall make an assignment for the benefit of creditors.

(e) The filing of any voluntary petition in bankruptcy by Tenant, or the filing of any involuntary petition by Tenant's creditors, which involuntary petition remains undischarged for a period of thirty (30) days.

(f) If within thirty (30) days after the commencement of any proceeding against Tenant seeking any reorganization, liquidation, dissolution, or similar relief under any present or future statute, law, or regulation, such proceeding shall not have been dismissed.

(g) If Tenant shall abandon the Premises for greater than thirty (30) days; however, the Tenant shall not be deemed to have abandoned the Premises if the Premises

becomes uninhabitable as a result of Landlord's default under this Lease or as a result of a casualty, repair, maintenance, replacement, or Force Majeure Events.

(h) If a levy under execution or attachment shall be made against the Premises and such execution or attachment shall not be vacated or removed by court order, bonding, or otherwise within a period of ninety (90) days.

(i) If there shall occur any Transfer (other than a Permitted Transfer or other Transfer not requiring Landlord consent or approval) that, in each case, is not cured within thirty (30) days after written notice thereof by Landlord to Tenant.

Tenant acknowledges and agrees that, notwithstanding any other provision of this Lease: (i) Tenant shall be in default for purposes of Section 1161 of the California Code of Civil Procedure immediately upon occurrence of an Event of Default; (ii) any notices required to be given by Landlord under this Section 14.1, in each case, shall be in lieu of, and not in addition to, any notice required under Section 1161 of the California Code of Civil Procedure or any similar or successor Law, and shall be deemed to satisfy the requirement, if any, that notice be given pursuant to such Laws and Landlord shall not be required to give any additional notice to commence an unlawful detainer proceeding; and (iii) service of a notice in the manner required by Section 19.1 of this Lease shall satisfy any statutory service-of-notice procedures, including those required by Section 1162 of the California Code of Civil Procedure or any similar or successor Law.

Section 14.2 Remedies. Upon the occurrence of any Event of Default, and subject to the rights of Leasehold Mortgagees set forth in this Lease, Landlord shall cumulatively have all rights and remedies available to a landlord at law or in equity upon the default of a tenant; and the right, at Landlord's election, then or at any time thereafter, to exercise any one or more of the following remedies to the fullest extent allowed by applicable Law:

(a) Landlord, without releasing Tenant from any obligations under this Lease, may make any payment or take any action as Landlord may deem necessary or desirable to cure any such Event of Default in such manner and to such extent as Landlord may deem necessary or desirable, and Landlord may do so without demand on, or written notice to, Tenant and without giving Tenant an opportunity to cure such Event of Default. Tenant covenants and agrees to pay to Landlord, within five (5) days after demand, all advances, costs, and expenses of Landlord in connection with the making of any such payment or the taking of any such action, including reasonable attorneys' fees, together with interest at the Interest Rate from the date of payment of any such advances, costs, and expenses by Landlord.

(b) Subject to the rights of Leasehold Mortgagees, Landlord may terminate this Lease and Tenant's right to possession of the Premises and recover all of the following:

(i) The worth at the time of award of all unpaid Rent which had been earned at the time of termination;

(ii) The worth at the time of award of the amount by which all unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such Rent loss that Tenant proves could have been reasonably avoided;

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

(iv) All other amounts necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform all of Tenant's obligations under this Lease or which in the ordinary course of things would be likely to result therefrom.

The "**worth at the time of award**" of the amounts referred to in paragraphs (i) and (ii) above shall be computed by allowing interest at the Default Rate. The "**worth at the time of award**" of the amount referred to in paragraph (iii) above shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%). Any rents or other amounts Landlord shall receive from Subtenants shall be credited against Tenant's Rent obligations under this Lease.

(c) Landlord may reenter and take possession of the Premises or any part thereof, without demand or notice, and repossess the same and expel Tenant and any party claiming by, under, or through Tenant, and remove the effects of both, by unlawful detainer or other summary proceedings, or as otherwise permitted by Law. Landlord shall have the right to have a receiver appointed for Tenant, upon application by Landlord, to take possession of the Premises, to apply any rental collected from the Premises and to exercise all other rights and remedies granted to Landlord pursuant to this Lease. No notice or other act by Landlord shall be construed as an election by Landlord to terminate this Lease unless a written notice of such intention is given to Tenant. No notice from Landlord hereunder or under an unlawful detainer statute or similar law shall constitute an election by Landlord to terminate this Lease unless such notice specifically so states.

(d) Landlord shall have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has right to sublet or assign, subject only to reasonable limitations). Without limiting the generality of the foregoing, Landlord shall have the right to continue this Lease in effect after Tenant's abandonment of the Premises or Event of Default hereunder and enforce all of Landlord's rights and remedies under this Lease, including the right to recover all Rent as it becomes due hereunder. Acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver upon Landlord's initiative to protect its interest under this Lease shall not constitute a termination of Tenant's right to possession of the Premises.

(e) Notwithstanding the foregoing, Landlord may only exercise its remedy to terminate this Lease solely upon an Event of Default under Section 14.1(a) or any other

Event of Default that cannot be cured by Landlord's self-help right expressly provided in this Lease.

(f) Notwithstanding anything in this Lease to the contrary, Tenant shall not be deemed in breach or default of this Lease if the alleged reason for such breach of default is caused by Landlord or its agents, employees, contractors or others working at the direction of Landlord, including, without limitation, a breach or default under any of the Landlord Subleases.

Section 14.3 Tenant Waiver of Forfeiture. Tenant hereby waives Section 1179 of the California Code of Civil Procedure, Section 3275 of the California Civil Code, and all similar Laws now or hereafter enacted which would entitle Tenant to seek relief against forfeiture in connection with any termination of this Lease.

Section 14.4 Counterclaims. If Landlord commences summary proceedings in the nature of a forcible entry and detainer or unlawful detainer for non-payment of Rent or for Tenant's failure to perform its other obligations hereunder, Tenant covenants that it shall not file a counterclaim against Landlord in the summary proceedings, nor shall Tenant consolidate claims against Landlord in said proceedings; however, Tenant does not waive its right hereunder to bring any later action against Landlord for damages. If Tenant should contest such summary proceedings, it shall post a bond in favor of Landlord for the amount of Rent due and for future damages upon termination of this Lease.

Section 14.5 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.

Section 14.6 Exhaustion of Remedies. Upon any Event of Default, Landlord may proceed directly against Tenant or any other party guaranteeing or responsible for the performance or Tenant's obligations under this Lease, including any assignee or subtenant, without first exhausting Landlord's remedies against any other person or entity responsible therefor to Landlord, or any security held by Landlord.

ARTICLE XV
EXPIRATION OR TERMINATION

Section 15.1 Extinguishment of Tenant's Rights. Upon the termination or expiration of this Lease from any cause, all rights and interests of Tenant, and all persons whomsoever claiming by, through, or under Tenant (with the exception of the rights of Leasehold Mortgagees arising under ARTICLE XIII and the rights of Landlord arising under Section 14.2), shall immediately cease and terminate, and the Premises, all Improvements, and all Personalty located thereon, shall thence forward constitute and belong to and be the absolute property of Landlord or Landlord's successors and assigns, without further act or conveyance, and without liability to make such compensation to Tenant or to anyone whomsoever, and free and discharged from all and every lien, encumbrance, claim, and charge of any character created or attempted to be created by Tenant at any time; provided, that Landlord shall credit the fair market value of any furniture and equipment transferred by Tenant pursuant to this Section 15.1 against the outstanding balance of unpaid Base Rent due and owing to Landlord. Tenant agrees, at the termination of this Lease, to

surrender unto Landlord, all and singular the Premises with the then existing Improvements constructed and located thereon and therein, in the same condition as when the construction of Improvements was completed, only normal wear and tear excepted, unless Tenant shall be relieved of Tenant's obligation to repair, reconstruct, restore, or replace damaged or destroyed buildings, other structures, or improvements pursuant to ARTICLE XVI hereof. Notwithstanding the foregoing, at the request of Landlord, Tenant, at its sole cost and expense, shall cause Operator or the RCFE Manager to continue to operate the RCFE in the ordinary course of business to the extent permitted by Law for a period not to exceed the earlier of (a) completion of the transfer, issuance of a replacement license or permit, or entering into a commercially reasonable interim licensing and management structure acceptable to Landlord and Operator or RCFE Manager, as applicable, plus a reasonable amount of additional time or (b) six (6) months, in each case to facilitate the smooth transition of RCFE operations and maintain continuity of care for residents (the "**Transition Period**"). Tenant shall cooperate with Landlord during the Transition Period to facilitate the transfer of RCFE operations to Landlord or a new operator designated by Landlord, including the hiring by Landlord or its designee of any staff and personnel then providing services at the RCFE.

Section 15.2 Items Assigned. Upon the expiration of the Term of this Lease, or upon the prior termination of this Lease from any cause, and subject to the requirements of any Leasehold Mortgagee and at Landlord's sole election, Tenant shall execute and deliver to Landlord an assignment of all of Tenant's right, title, and interest in and to the Design-Build Agreement, the Plans, the Contract Documents, and all intellectual property rights related thereto, such assignment to be in form and substance reasonably acceptable to Landlord.

Section 15.3 Tenant's Termination Rights. Tenant may terminate this Lease as follows: (i) if Landlord shall fail to observes or perform one or more of the other terms, conditions, covenants, or agreements contained in this Lease, and such failure shall continue for a period of thirty (30) days after notice thereof by Tenant to Landlord specifying such failure unless such failure requires work to be performed, acts to be done, or conditions to be removed which cannot by their nature or because of unavoidable delays reasonably be performed, done, or removed, as the case may be, within such thirty (30) day period, in which case no breach shall be deemed to exist as long as Landlord shall have commenced curing the same within such thirty (30) day period and shall, subject to Unavoidable Delays, diligently, continuously, and in good faith prosecute the same to completion or (ii) if, prior to the Construction Commencement Date, there has been a Material Adverse Event. Notwithstanding clause (ii) of the foregoing, this Lease may not be terminated unless the Parties have first entered into good faith negotiations to modify the terms of this Lease to mitigate the expected financial losses to the reasonable satisfaction of both Parties and such negotiation is unsuccessful after a period of thirty (30) days.

Section 15.4 Landlord's Early Termination Rights

Landlord shall have the right to terminate this Lease by written notice to Tenant at any time prior to the date that is thirty (30) days after the Commencement Date if Landlord has not approved in its sole and absolute discretion the Deign-Build Agreement or if Tenant and Contractor have not executed an Assignment, Assumption and Release Agreement satisfactory to Landlord by which Landlord assigns and Tenant accepts assignment of the Design-Build

Agreement and Tenant and Contractor release Landlord from all obligations thereunder first arising after the date of the Assignment, Assumption and Release Agreement.

ARTICLE XVI
DAMAGE AND DESTRUCTION

Section 16.1 Damage and Destruction. If all or any part of the Premises shall be destroyed or damaged in whole or in part by fire or other casualty (including any casualty for which insurance was not obtained or obtainable) of any kind or nature, ordinary or extraordinary, foreseen or unforeseen ("**Casualty**"), Tenant shall give to Landlord notice thereof within ten (10) days after such Casualty occurs, except that no notice shall be required if Tenant reasonably estimates the cost of repairs, alterations, restorations, replacements, and rebuilding the Premises or portion thereof so damaged or destroyed (collectively, "**Restoration**") to be less than the Threshold Amount. In the event of a Casualty, the following provisions shall apply:

(a) In the event of an uninsured Casualty in excess of the Threshold Amount and the damage, destruction, or loss is not capable of being repaired or restored within two hundred seventy (270) days as reasonably determined by Tenant, Tenant will have the option to terminate this Lease if it also terminates each sublease, which option is exercisable by written notice to Landlord within ninety (90) days after the occurrence of such event. As used in this Section 16.1(a), "uninsured" means either (i) a Casualty that is not a covered peril under the terms of the applicable insurance required to be maintained by Tenant hereunder, or (ii) a Casualty that is a covered peril under such insurance but the proceeds of such insurance are, for whatever reason (other than a failure of Tenant to fulfill its obligations under ARTICLE X above), insufficient to cover the reasonably anticipated cost of the repair or restoration work (as determined after consideration of any deductible amount under any such policy).

(b) In the event of a Casualty not described by Section 16.1(a) above and the damage, destruction, or loss is not capable of being repaired or restored within twenty-four (24) months as reasonably determined by Tenant, Tenant will have the option to terminate this Lease if Tenant also terminates each sublease, which option is exercisable by written notice to Landlord within ninety (90) days after the occurrence of such event..

Section 16.2 Restoration Work. Any exercise by Tenant of a termination option set forth above shall require the prior written consent of any Leasehold Mortgagee. In the event Tenant does not exercise such termination option or in the event that such damage, destruction, or loss (whether uninsured or insured) is capable of being repaired within the applicable time periods specified above, then Tenant shall repair, restore, replace, rebuild, or alter the same (the "**Restoration Work**") as nearly as possible to the value, condition, and character existing immediately prior to such damage or destruction (provided, however, Tenant shall not be required to restore elements of the buildings or other improvements that have become obsolete since such buildings or other improvements were originally constructed or most recently altered). Notwithstanding the foregoing, such requirement to perform the Restoration Work shall be void and of no further force or effect if such Casualty occurs during the last five (5) years of the Term of this Lease if Tenant, in the exercise of its sole discretion, elects to terminate this Lease by providing written notice to Landlord within ninety (90) days after the occurrence of such event,

and if Tenant also terminates each sublease, subject to Section 16.3. In the event Tenant does exercise such termination option, then all available insurance proceeds (less the cost to Tenant of removing improvements and debris) shall be disbursed according to the following priority: first, to any Leasehold Mortgagee, according to its rights under the applicable Loan documents; second, any remaining insurance proceeds to Landlord.

Section 16.3 Notice to Terminate. If Tenant exercises its right to terminate this Lease under this ARTICLE XVI (for purposes of this paragraph, such notice from Tenant to Landlord shall be referred to as the "**Notice to Terminate**"), Landlord shall have the right, exercisable in its sole discretion by delivering written notice to Tenant within thirty (30) days of Landlord's receipt of the Notice to Terminate, to require Tenant to remove some or all of the improvements (or debris from any damaged improvements) from the Premises at Tenant's sole cost within sixty (60) days following such termination.

Section 16.4 Restoration Funds.

(a) Subject to the provisions of this ARTICLE XVI, in the case of any Restoration Work, Depository shall pay over to Tenant from time to time, upon the following terms, any monies which may be received by Depository from insurance provided by Tenant (other than business interruption insurance) or cash or the proceeds of any security deposited with Depository (collectively, the "**Restoration Funds**"); provided, however, that Depository, before paying such moneys over to Tenant, shall be entitled to reimburse itself, Landlord, and Leasehold Mortgagee therefrom to the extent, if any, of the necessary, reasonable and proper expenses (including, without limitation, reasonable attorneys' fees) paid or incurred by Depository, Landlord, and Leasehold Mortgagee in the collection of such monies. Depository shall pay to Tenant, as hereinafter provided, the Restoration Funds, for the purpose of the Restoration.

(b) Prior to commencing any Restoration Work, Tenant shall furnish Landlord with an estimate of the cost of such Restoration Work, prepared by a licensed professional engineer or registered architect selected by Tenant and approved by Landlord.

(c) Subject to the provisions of this ARTICLE XVI, the Restoration Funds shall be paid to Tenant in installments as the Restoration Work progresses, less retainage equal to ten percent (10%) of such installment until completion of ninety percent (90%) of the Restoration Work and five percent (5%) of each installment thereafter until completion of the Restoration Work, upon application to be submitted by Tenant to Depository and, for information only, to Landlord, showing the cost of labor and materials purchased and delivered to the Premises for incorporation in the Restoration Work, or incorporated therein since the last previous application, and due and payable or paid by Tenant. If any vendor's, mechanic's, laborer's, or materialman's lien is filed against the Premises or any part thereof, or if any public improvement lien relating to the Restoration Work of the Premises is created or permitted to be created by Tenant and is filed against Landlord, or any assets of, or funds appropriated to, Landlord, Tenant shall not be entitled to receive any further installment until such lien is satisfied or discharged (by bonding or otherwise). Notwithstanding the foregoing, the existence of any such lien shall not preclude Tenant from receiving any installment of Restoration Funds, provided: (i) such lien will be

discharged with funds from such installment; or (ii) if Depository shall be holding funds for the Restoration Work: (A) Depository certifies that it is retaining, in addition to amounts required to be retained hereunder, an amount equal to the funds required to satisfy or discharge such lien; and (B) failure to pay or discharge such lien will not result in the imminent loss or forfeiture of the Premises or the termination of Tenant's interest under this Lease and will not subject Tenant or Landlord to any civil or criminal penalty or liability.

(d) Upon completion of and payment for the Restoration Work by Tenant, the balance of the Restoration Funds shall be paid over to Tenant.

Section 16.5 Restoration Costs Exceed the Threshold Amount. If any Casualty occurs, the cost of Restoration Work of which equals or exceeds the Threshold Amount in the aggregate, in addition to the other requirements contained in this ARTICLE XVI, Tenant shall furnish to Landlord the documents and shall comply with the requirements set forth in Section 7.5 through Section 7.16 of this Lease as required for the initial construction of the Facility.

Section 16.6 No Termination; No Abatement. Except as otherwise expressly provided in this ARTICLE XVI, this Lease shall not terminate, be forfeited, or be affected in any manner, and there shall be no reduction or abatement of the Rent, by reason of damage to or total, substantial, or partial destruction of the Premises or any part thereof or by reason of the untenantability of the same or any part thereof, for or due to any reason or cause whatsoever, and Tenant, notwithstanding any Law, waives any and all rights to quit or surrender the Premises or any part thereof. Tenant expressly agrees that its obligations hereunder, including the payment of Rent, shall continue as though the Premises had not been damaged or destroyed and without abatement, suspension, diminution, or reduction of any kind.

Section 16.7 Waiver of Statutory Termination Rights. The provisions of this Lease constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises. Any Laws or common law with respect to any rights or obligations concerning damage or destruction, including, without limitation, California Civil Code Sections 1932(2), 1933(4), 1941, and 1942, or any similar or successor Laws now or hereinafter in effect, shall have no application to this Lease or any damage to or destruction of all or any part of the Premises and are hereby waived.

ARTICLE XVII
CONDEMNATION

Section 17.1 Total Taking.

(a) If all or Substantially all of the Premises shall be taken for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation, eminent domain, or by agreement among Landlord, Tenant, and those authorized to exercise such right (a "**Complete Taking**"), this Lease shall terminate on the Date of Taking and the Rent payable by Tenant hereunder shall be equitably apportioned as of the date of such taking.

Section 17.2 Partial Taking. If less than Substantially all of the Premises shall be so taken (a "**Partial Taking**"), this Lease and the Term shall continue as to the portion of the Premises remaining without diminution of any of Tenant's obligations hereunder, but the Base Rent shall be changed (subject to increase as provided in ARTICLE XXVIII) to the Base Rent reduced by the percentage of usable area of the Premises taken. Tenant, whether or not the award or awards, if any, shall be sufficient for the purpose shall (subject to Unavoidable Delays) proceed diligently to Restore any remaining part of the Premises not so taken so that the latter shall be a complete, operable, and self-contained architectural unit in good condition and repair in conformity with this Land. In the event of any taking pursuant to this Section 17.2, the entire award shall be paid to Landlord and Tenant in accordance with Section 17.3, except that if such balance shall be less than the Threshold Amount, such balance shall be payable, in trust, to Tenant for application to the cost of Restoration of the part of the Premises not so taken. Subject to the provisions and limitations in this ARTICLE XVII, Depository shall make available to Tenant as much of that portion of the award actually received and held by Depository, if any, less all necessary and proper expenses paid or incurred by Depository, the Leasehold Mortgagee most senior in lien, and Landlord in the condemnation proceedings, as may be necessary to pay the cost of Restoration of the part of the Premises remaining. Such Restoration shall be done in accordance with and subject to the provisions of ARTICLE XVI. Payments to Tenant as aforesaid shall be disbursed in the manner and subject to the conditions set forth in ARTICLE XVI. Any balance of the award held by Depository and any cash and the proceeds of any security deposited with Depository remaining after completion of the Restoration shall be paid to Tenant. Each of the parties shall execute any and all documents that may be reasonably required in order to facilitate collection by them of such awards.

Section 17.3 Condemnation Award.

(a) If the event of a Complete Taking or Partial Taking, the award, awards or damages in respect thereof shall be apportioned as follows: Landlord and Tenant shall each receive, respectively on a pro rata basis, the Value of the Fee Estate and the Value of the Leasehold Estate (both as defined below), together with interest thereon from the date of taking to the date of payment at the rate paid on the award, and attorney's fees and other costs to the extent awarded. The Value of the Premises shall be established by the same court of law or other trier of fact that establishes the amount of the condemnation award, but if there is no court of law available or willing to so determine the Value of the Premises, the Value of the Premises shall be determined by Arbitration. Such Value of the Premises shall be determined without regard to any early termination of this Lease due to any taking or condemnation. If Landlord and Tenant are unable to agree on the Value of the Premises within thirty (30) days after the deposit of the sums awarded with the escrow agent, then within thirty (30) days thereafter, each Party shall submit its good faith estimate of the Value of the Premises as of the date of the Complete Taking or Partial Taking. If the higher of such estimates is not more than one hundred five percent (105%) of the lower of such estimates, the Value of the Premises shall be the average of the submitted estimates. If otherwise, then the dispute shall be submitted to binding Arbitration.

(b) As used herein, the term **"Value of the Fee Estate"** means the Land Value. As used herein, the term **"Value of the Leasehold Estate"** means the Value of the Premises (as defined below) less the Value of the Fee Estate. As used herein, the term

"Value of the Premises" means the current market value of the portion of the Premises subject to such taking and all Facilities thereon, determined as if the Premises were not encumbered by this Lease or any lien representing a monetary obligation, and no taking was pending, threatened or under consideration. The Value of the Premises and Value of the Leasehold Estate shall each be determined immediately prior to title vesting in the condemning authority or its designee.

(c) Each of the parties shall execute any and all documents that may be reasonably required in order to facilitate collection by them of such awards.

Section 17.4 Depository. With respect to any Restoration required by the terms of Section 17.2, the cost of which, as determined in the manner set forth in Section 16.2(b), exceeds both: (a) the Threshold Amount; and (b) the balance of the condemnation award after payment of the expenses set forth in Section 17.2, then, prior to the commencement of such Restoration, Tenant shall deposit with Depository a bond, cash, or other security reasonably satisfactory to Landlord in the amount of such excess, to be held and applied by Depository in accordance with the provisions of Section 17.2, as security for the completion of the Restoration.

Section 17.5 Temporary Taking. If the temporary use of the whole or any part of the Premises shall be taken for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain or by agreement between Tenant and those authorized to exercise such right, Tenant shall give prompt notice thereof to Landlord, the Term shall not be reduced or affected in any way, Tenant shall continue to pay in full the Rent payable by Tenant hereunder without reduction or abatement, and Tenant shall be entitled to receive for itself any award or payments for such use; provided, however, that:

(a) If the taking is for a period not extending beyond the Term and if such award or payment is made less frequently than in monthly installments, the same shall be paid to and held by Depository as a fund which Depository shall apply from time to time to the payment of Rent, except that, if such taking results in changes or alterations in the Premises which would necessitate an expenditure to Restore the Premises to its former condition, then, a portion of such award or payment considered by Landlord, in its reasonable opinion, as appropriate to cover the expenses of the Restoration shall be retained by Depository, without application as aforesaid, and applied and paid over toward the Restoration of the Premises to its former condition, substantially in the same manner and subject to the same conditions as provided in Section 17.2; and any portion of such award or payment which shall not be required pursuant to this Section 17.5(a) to be applied to the Restoration of the Building or to the payment of Rent until the end of the Term (or, if the taking is for a period terminating prior to the end of the Term, until the end of such period), shall be paid to Tenant.

(b) If the taking is for a period extending beyond the Term, such award or payment shall be apportioned between Landlord and Tenant as of the Expiration Date, and Landlord's and Tenant's share thereof, if paid less frequently than in monthly installments, shall be paid to Depository and applied in accordance with the provisions of this Section 17.5; provided, however, that the amount of any award or payment allowed or

retained for the Restoration of the Premises and not previously applied for such purpose shall remain the property of Landlord if this Lease shall expire prior to such Restoration.

Section 17.6 Negotiated Sale in Lieu of Condemnation. In the event of a negotiated sale of all or a portion of the Premises in lieu of condemnation, the proceeds shall be distributed as provided in cases of condemnation.

Section 17.7 Participation in Condemnation Proceeding. Landlord, Tenant, and any Leasehold Mortgagee shall be entitled to file a claim and otherwise participate in any condemnation or similar proceeding and all hearings, trials, and appeals in respect thereof. No agreement, settlement, sale or transfer to or with the condemning authority shall be made without the prior written consent of Landlord, Tenant and Leasehold Mortgagee, which consent shall not be unreasonably withheld. Landlord and Tenant agree to execute and deliver to the other any instruments that may be required to effectuate or facilitate any of the provisions of this Section 17.7, provided that such execution or delivery will not adversely affect the right of such party to receive just compensation for any loss in such negotiation or proceeding.

Section 17.8 Rights of Tenant and Subtenants to File Claims. Notwithstanding anything to the contrary contained in this ARTICLE XVII, in the event of any permanent or temporary taking of all or any part of the Premises, Tenant and its Subtenants shall have the exclusive right to assert claims for any trade Improvements, fixtures and personal property so taken which were the property of Tenant or its Subtenants and for relocation expenses of Tenant or its Subtenants, all awards and damages in respect thereof shall belong to Tenant and its Subtenants, and Landlord hereby waives any and all claims to any part thereof; provided, however, that if there shall be no separate award or allocation for such trade fixtures or personal property, then such claims of Tenant and its Subtenants, or awards and damages, shall be subject and subordinate to Landlord's claims under this ARTICLE XVII.

Section 17.9 Waiver of Statutory Termination Right. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of the California Code of Civil Procedure or any similar or successor laws now or hereinafter in effect respect to termination rights upon a taking of all or any part of the Premises.

ARTICLE XVIII
ESTOPPEL CERTIFICATES

Section 18.1 Estoppel Certificates. Landlord and Tenant will execute, acknowledge, and deliver to the other promptly upon written request, a certificate certifying as to the following:

(a) That this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the modifications).

(b) The dates through which the Rent under this Lease has been paid.

(c) The amount of the Rent then payable.

(d) That no notice has been given by Landlord to Tenant of any Event of Default under this Lease that has not been cured and to the best of the certifying party's knowledge and belief no Event of Default exists (or, if there has been any notice given or an Event of Default exists, describing the same).

Certificates from Landlord and Tenant pertaining to the same matters may be relied upon by any prospective Leasehold Mortgagee, Tenant Mezzanine Lender, or Fee Mortgagee, by any prospective assignee of an interest under this Lease, or by any prospective subtenant of all or any portion of the Premises.

ARTICLE XIX
NOTICES

Section 19.1 Notices. Until a different address is provided in a notice to the other party, all notices, demands, or requests made by either party to the other which are required or permitted by the provisions of this Lease shall be in writing and shall be deemed sufficiently given if: (a) delivered by hand (against a signed receipt); (b) mailed by United States certified or registered mail, return receipt requested, postage prepaid; or (c) sent by nationally recognized commercial overnight delivery service at the following address:

Landlord:	Beach Cities Health District 1200 Del Amo Street Redondo Beach, CA 90277 Attn: Chief Executive Officer
with a copy to:	Hooper, Lundy & Bookman, P.C. 1875 Century Park East, Suite 1600 Los Angeles, CA 90067 Attn: Robert W. Lundy and Robert F. Miller
Tenant:	c/o PMB LLC 3394 Carmel Mountain Road, Suite 200 San Diego, CA 92121 Attention: Legal Department
with a copy to:	c/o Watermark Retirement Communities, LLC 2020 W. Rudasill Road Tucson, AZ 85704 Attention: CEO and General Counsel With a copy to: Cox, Castle & Nicholson LLP 2029 Century Park East, 21st Floor Los Angeles, CA 90067 Attention: Kevin S. Kinigstein, Esq.

Notwithstanding anything contained in this Lease to the contrary, any notice required to be given by Landlord or Tenant hereunder shall be deemed to be effective as of the date such notice is received or refused as reflected on said notice.

All notices that are required or desired to be given by either party to any Leasehold Mortgagee, Fee Mortgagee, or Tenant Mezzanine Lender shall be in writing. All notices to any Leasehold Mortgagee, Fee Mortgagee, or Tenant Mezzanine Lender shall be sent by a nationally recognized overnight delivery service, or by United States registered or certified mail, return receipt requested, postage prepaid, addressed to such Leasehold Mortgagee, Fee Mortgagee or Tenant Mezzanine Lender at its address set forth in its respective mortgage or loan agreement of which, in the case of Leasehold Mortgages or Tenant Mezzanine Lender, Landlord shall have been notified, and in case of Fee Mortgages, Tenant shall have been notified, or personally delivered to such address, or at such other address as the mortgagee or mezzanine lender in question may from time to time designate in a written notice to the party giving such notice. Notices, which are served upon any Leasehold Mortgagee, Fee Mortgagee, or Tenant Mezzanine Lender in the manner aforesaid, shall be deemed to have been given or served for all purposes hereunder on the business day received by such Leasehold Mortgagee, Fee Mortgagee, or Tenant Mezzanine Lender.

ARTICLE XX
SUBMISSION OF MATTERS TO LANDLORD FOR APPROVAL

Section 20.1 Submission of Matters to Landlord for Approval. Any matter which must be submitted to and consented to or approved in writing by Landlord or any matter which must be submitted to Landlord which may become effective if not denied by Landlord, as required under this Lease, shall be submitted to Landlord in the manner and to the address of Landlord designated for the giving of notice to Landlord under ARTICLE XIX of this Lease and shall either be approved or rejected by Landlord within thirty (30) days after receipt unless a shorter period of time is expressly stated elsewhere in this Lease. If Landlord should fail so to approve or reject within such thirty (30) day period as provided for herein, Landlord's approval shall be deemed granted. Upon Tenant's written request, Landlord shall inform Tenant in writing of its rejection or approval of such submitted matter in the manner and to the address of Tenant designated for the giving of notice to Tenant under ARTICLE XIX of this Lease. Any review by Landlord of any matter submitted to Landlord is for Landlord's own convenience and purpose only. By undertaking such review, Landlord does not obtain or have any liability to Tenant or any other person, including, without limitation, the insurers and lenders of Tenant.

ARTICLE XXI
HOLDING OVER

Section 21.1 Holding Over By Tenant. Tenant shall not use or remain in possession of the Premises after the expiration or sooner termination of this Lease. Any holding over, or continued use or occupancy by Tenant after the termination of this Lease, without the written consent of Landlord, shall not constitute a tenant-at-will interest on behalf of Tenant, but Tenant shall become a tenant-at-sufferance and liable for Base Rent hereunder shall be equal to one hundred fifty percent (150%) of the then current Base Rent. There shall be no renewal whatsoever of this Lease by operation of Law.

ARTICLE XXII
COMPLIANCE WITH LAWS; ENVIRONMENTAL LAWS

Section 22.1 Compliance with Laws. Tenant warrants and agrees that, during the entire Term of this Lease and at its expense: (a) Tenant shall comply, and shall cause the Facility to be operated in compliance with all applicable Laws; (b) Tenant will neither do nor permit any act or omission which could cause the Premises and Tenant's use thereof to fail to be in full compliance with all applicable Laws; and (c) Tenant will neither do nor permit any act or omission which could cause any Environmental Liabilities to exist or be asserted against Landlord or the Premises. Without limiting the foregoing, Tenant shall promptly cure all violations of Law for which Tenant has received notice or a public notice of violation has been issued and pay all fines, penalties, interest, or other costs imposed by any Governmental Authorities in connection with any violation or requirement of any Law.

Section 22.2 Nondiscrimination. Tenant shall practice nondiscrimination on the basis of actual or perceived race, religious creed (including religious dress and grooming), sex (including pregnancy), national origin, ancestry, physical or mental disability, marital status, age (40 and over), gender (including gender nonconformity, a transgender, transsexual, or non-binary), sexual orientation, citizenship, genetic information, past, current or prospective service in the uniformed services, or other category protected by Law, except that residents may be admitted to the RCFE consistent with age and physical/cognitive limitations or criteria consistent with licensure requirements and applicable Law.

Section 22.3 Environmental Laws.

(a) Tenant shall notify Landlord promptly in writing if: (i) Tenant becomes aware of the presence or Release of any Hazardous Material at, on, under, over, emanating from, or migrating to the Premises in any quantity or manner which could reasonably be expected to violate, in any material respect, any Environmental Law or give rise to any material Liability or the obligation to take Remedial Action; or (ii) Tenant receives any written notice, claim, demand, request for information, or other communication from a Governmental Authority regarding the presence or Release of any Hazardous Material at, on, under, over, emanating from, or migrating to the Premises.

(b) Except as otherwise set forth under Section 22.3(e) and notwithstanding anything to the contrary, Tenant shall be responsible for causing the Premises to comply with Environmental Laws during the Term and shall take and complete any Remedial Action with respect to the Premises in full compliance with all Laws and shall, when such Remedial Action is completed, submit to Landlord written confirmation from the applicable Governmental Authority that no further Remedial Action is required.

(c) Tenant shall provide Landlord with copies of all tests, studies, notices, claims, demands, requests for information, or other communications relating to the presence or Release of any Hazardous Materials at, on, under, over, emanating from, or migrating to the Premises.

(d) Landlord warrants and agrees that, during the entire Term of this Lease and at its expense: (i) Landlord will conduct Landlord's business and activities on or near to the Premises only in full compliance with all Environmental Laws; and (ii) Landlord will neither do nor permit any act or omission which could reasonably be expected to cause any Environmental Liabilities to exist or be asserted against Tenant or the Premises.

(e) Tenant shall not be responsible or liable for any pre-existing Hazardous Materials or Releases identified in the Environmental Reports, completion of the Remediation Work or for any Release on or after the Commencement Date resulting from the acts or omissions of Landlord, or its trustees, officers, members, managers, partners, operators, employees, directors, agents, contractors, and consultants.

ARTICLE XXIII
BROKERS

Section 23.1 Brokers. Landlord and Tenant each represent and warrant to the other that it has not dealt with any broker in connection with this Lease. Landlord and Tenant shall each indemnify and hold harmless the other from and against any and all claims for any brokerage fee or commission with respect to this Lease transaction by any broker with whom either Landlord or Tenant has dealt or is alleged to have dealt. The provisions of this Section 23.1 shall survive any termination of this Lease.

ARTICLE XXIV
NO IMPAIRMENT OF LANDLORD'S TITLE

Section 24.1 No Impairment of Landlord's Title. Tenant shall not permit the Premises to be used by any Person at any time or times during the Term of this Lease in such a manner as would impair Landlord's title to or interest in the Premises or in such a manner as would cause a claim or claims of adverse possession, adverse use, prescription, or other similar claims of, in, to, or with respect to the Premises.

ARTICLE XXV
QUIET ENJOYMENT

Section 25.1 Quiet Enjoyment. Landlord covenants and agrees that, if and so long as Tenant observes and performs each and every covenant, agreement, provision, and condition of this Lease on the part of Tenant to be observed and performed throughout the Term of this Lease subject to all applicable notice and cure periods, Tenant may peaceably and quietly enjoy the Premises without hindrance or molestation of Landlord or any Person acting through Landlord. Notwithstanding the foregoing, upon reasonable advance notice to Tenant, Tenant shall permit Landlord or its representatives to enter the Premises during business hours to inspect the Premises, and Tenant may require that its representative accompany Landlord's representative on any such inspection.

ARTICLE XXVI
LIMITATION OF LIABILITY

Section 26.1 Limitation of Landlord's Liability.

(a) If Landlord sells, assigns, or otherwise transfers (whether by operation of Law or otherwise) all or part of its interests in the Premises or this Lease: (i) Landlord shall be relieved of all obligations and Liabilities of Landlord under this Lease accruing after the effective date of such transfer; and (ii) the transferee shall be deemed to have assumed all of Landlord's obligations and Liabilities under this Lease effective from and after the effective date of the transfer.

(b) Landlord's partners, members, shareholders, officers, directors, and principals, whether disclosed or undisclosed, shall have no personal liability whatsoever under or in connection with this Lease without distinction as to the person whose negligence is responsible for any damage or injury hereunder; provided, however, nothing in this subsection is intended to limit the liability of obligations of the Landlord. Tenant agrees that the amount of damages recoverable by Tenant under this Lease shall be limited to the value of Landlord's interest in the Premises and this Lease.

(c) Tenant's partners, members, managers, operators, shareholders, officers, directors, and principals, whether disclosed or undisclosed, shall have no personal liability whatsoever under or in connection with this Lease without distinction as to the person whose negligence is responsible for any damage or injury hereunder.

Section 26.2 Limitation of Tenant's Liability. Notwithstanding anything in this Lease to the contrary, Tenant shall not be liable to Landlord for consequential damages or special damages, such as lost profits or interruption of Landlord's business (except to the extent of consequential, punitive, exemplary or similar special damages, lost profits, or lost opportunity cost awarded to a third party); and the parties acknowledge and agree that Tenant's receipt of sublease rent is a fundamental purpose of this Lease and that any loss of such sublease rent as a result of a Landlord default shall, notwithstanding anything to the contrary herein, be regarded as direct and actual (and not consequential) damages.

ARTICLE XXVII
MEMORANDUM

Section 27.1 Memorandum. The parties will, on the Commencement Date, execute in duplicate, and Tenant may record, a short form or memorandum of lease in the form of Exhibit R attached hereto. On the Term Commencement Date, the parties will execute in duplicate, and Tenant may record, a memorandum of lease in the form of Exhibit S attached hereto. Each party shall, upon the request of the other, join in the execution of a memorandum of this Lease or a memorandum of any amendment or modification of this Lease in proper form for recordation together with any transfer tax returns or forms necessary for such recordation. The party requesting such memorandum of Lease shall be responsible for the payment of any recording fees. Upon the expiration or sooner termination of this Lease, Tenant covenants that it will, at the request of Landlord, execute, acknowledge, and deliver an instrument canceling any memorandum of Lease

that is recorded and all other documentation required to record same. If Tenant fails or refuses to execute, acknowledge, and deliver such instrument of cancellation, then Tenant hereby appoints Landlord as Tenant's attorney-in-fact, coupled with an interest, to execute, acknowledge, and deliver such instrument of cancellation on Tenant's behalf.

ARTICLE XXVIII
EXTENSION OPTIONS

Section 28.1 Option to Extend. Provided no Event of Default shall have occurred and be continuing at the time of exercise or at the expiration of the Term or, if applicable, the immediately preceding extension period of the Term, Tenant shall have two (2) options to extend the Term of the Lease, each for a period of fifteen (15) years on the same terms and provisions of this Lease then in effect (each such additional term being referred to as an "**Extension Term**" and each such option being referred to as an "**Extension Option**"), except that Base Rent for any extension period shall be the then annual Fair Market Rent Value of the Land as determined pursuant to Exhibit T. Notwithstanding the adjustment set forth in this Section above, the adjusted Base Rent for each Extension Term shall not be less than 95% of the Base Rent for the preceding lease year nor more than 110% of the Base Rent for the preceding lease year.

Section 28.2 Terms of Extension. Tenant shall exercise an extension option by giving notice to Landlord of Tenant's intention to do so not more than three hundred sixty (360) days or less than one hundred eighty (180) days prior to the expiration of the Lease Term or the then applicable Extension Term (the "**Extension Notice**"). If the Base Rent for any Extension Term (the **"Extension Rent**") is not determined by the expiration of the current Term, then Tenant shall pay monthly Base Rent to Landlord at a rate equal to One Hundred and Five percent (105%) of the most recent rate of monthly Base Rent in effect on the expiration date of the current Term or the immediately preceding Extension Term, as applicable, until a final decision is reached, and then Landlord and Tenant shall adjust payments made for the Extension Rent with Tenant paying Landlord any amount due within ten (10) days of the final decision, and Landlord shall apply any amount owed to Tenant to the next installment or installments of Base Rent due and payable.

Section 28.3 Failure to Exercise. If Tenant fails to timely notify Landlord of its election to exercise its extension option in the manner set forth above, this Lease shall terminate on the last day of the Lease Term or, if applicable, the last day of the then applicable extension of the Lease Term.

ARTICLE XXIX
MISCELLANEOUS

Section 29.1 Landlord and Tenant Representations and Warranties. As applicable to each, Landlord and Tenant each represent and warrant that:

(a) This Lease has been duly authorized, executed, and delivered by such party and constitutes the legal, valid, and binding obligation of such party.

(b) The consummation of the transactions hereby contemplated and the performance of this Lease will not result in any breach or violation of, or constitute a default under, any lease or financing agreement.

(c) No consent of any third party is required in order for Landlord to perform any of its obligations hereunder, other than any consent that has been obtained prior to or concurrently with the execution of this Lease by Landlord.

(d) Possession of the entire Premises will be delivered to Tenant, and the same shall be free and clear from all leases, liens, monetary encumbrances, and defects in title, except as set forth on Exhibit U.

(e) The execution and entry into this Lease, the execution and delivery of the documents and instruments to be executed and delivered by Landlord hereunder, and the performance by Landlord of Landlord's duties and obligations under this Lease and of all other acts necessary and appropriate for the full consummation of the Lease of the Premises as contemplated herein, are consistent with and not in violation of, and will not create any adverse condition under, any contract, agreement or other instrument to which Landlord is a party, or any judicial order or judgment of any nature by which Landlord is bound.

(f) Landlord has received no notice of, nor does Landlord have any knowledge of, any pending, threatened or contemplated action by any governmental authority or agency having the power of eminent domain, which might result in all or any part of the Premises being taken by condemnation or conveyed in lieu thereof.

(g) There are no pending actions, suits, arbitrations, claims or proceedings, at law, in equity or otherwise, affecting (i) Landlord which does or will affect Landlord's ability to perform its obligations under this Lease or any documents entered into pursuant to this Lease or (ii) the Premises, including, but not limited to, judicial, municipal or administrative proceedings in eminent domain, collection actions, claims relating to alleged building code violations or health and safety violations, federal, state or local agency actions regarding environmental matters, lease disputes, claims relating to federal environmental protection agency or zoning violations or actions relating to personal injuries or property damage alleged to have occurred at the Premises or by reason of the condition or use of or construction on the Premises.

(h) No taxes or assessments have been made against any portion of the Premises which are unpaid. Landlord has received no written notice of any special assessments or charges which have been levied against the Premises or which will result from work, activities or improvements done to or for the benefit of the Premises. Landlord has received no written notice of any intended public improvements which will result in any charge being levied against, or in the creation of any lien upon, the Premises or any portion thereof.

(i) There is no dispute involving or concerning the boundaries or location of the lines and corners of the Premises.

(j) Landlord has not received notice of any, and, to Landlord's knowledge, there are no, violations of state or federal law, municipal or county ordinances, or other Laws with respect to the Premises.

(k) No prior options, or rights of first refusal have been granted by Landlord to any third parties to purchase or lease any interest in the Premises, or any part thereof.

(l) To Landlord's actual knowledge, Landlord is not indebted to any contractor, laborer, mechanic, materialmen, architect or engineer for work, labor or services performed or rendered, or for materials supplied or furnished, in connection with the Premises, for which any person could claim a lien against the Premises, and has not done any work on the Premises within one hundred eighty (180) days prior to the Commencent Date.

(m) Landlord has delivered to Tenant true, correct and complete copies of all environmental documents in its possession or control relating to the Premises.

(n) There are no security interests affecting Landlord's right and authority to enter into or perform its obligations under this Lease.

(o) Except as identified in the Environmental Reports, Landlord has not received written notice from any governmental authority asserting that the Premises or any portion thereof is in violation of any Environmental Laws.

(p) There are no protests or appeals currently pending with respect to any real estate or personal property taxes related to the Premises, and Landlord will not commence any such proceedings with respect to the Premises.

(q) Landlord has not been adjudicated insolvent or bankrupt, or petitioned or applied to any tribunal for the appointment of any receiver or trustee; nor has Landlord commenced any proceeding relative to the reorganization, dissolution or liquidation of Landlord.

(r) Except as identified on Exhibit V attached hereto (collectively, the "**Environmental Reports**"), (i) Landlord has no actual knowledge that the Premises contain Hazardous Materials in excess of legally permitted maximum thresholds under Environmental Laws, and (ii) Landlord has no actual knowledge that any condition on or with respect to the Premises is in violation of any Laws.

(s) Except as identified in the Environmental Reports, Landlord has not received any written notice from any governmental authority claiming any violation of any Environmental Laws with respect to the Premises, which violation has not been remedied.

Each of the representations and warranties of Landlord set forth in this Lease shall be deemed to be remade and restated on the Term Commencement Date.

Tenant agrees that it shall provide to Landlord, upon Landlord's request, evidence that the execution and delivery of this Lease have been duly authorized by Tenant. Tenant also represents and warrants that there are no actions, suits, or proceedings pending or, to the knowledge of Tenant, threatened against or affecting Tenant, at law or at equity or before any Governmental Authority that would impair Tenant's ability to perform its obligations under this Lease.

Section 29.2 No Waiver; Cumulative Rights of Landlord.

(a) No failure of Landlord to exercise any power given Landlord hereunder or to insist upon strict compliance by Tenant with its undertakings, duties, and obligations

hereunder, and no custom or practice of the parties hereto at variance with the provisions hereof shall constitute a waiver of Landlord's right to demand exact compliance with the provisions contained in this Lease.

(b) All rights, powers, and privileges conferred herein upon both parties hereto are cumulative and are in addition to and not in substitution for any other rights and remedies available at law, in equity, or otherwise.

Section 29.3 Attorneys' Fees. If either Party brings an action or proceeding involving the Premises to enforce the terms hereof or to declare rights hereunder, then the Prevailing Party (as hereafter defined) shall be entitled to reasonable attorneys' fees in any such proceeding, action, or appeal thereon. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "**Prevailing Party**" shall include, without limitation, a Party that substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other party of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Landlord shall be entitled to attorneys' fees, costs, and expenses incurred in the preparation and service of certificates of estoppel, notices of default and performance of Landlord's similar obligations and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection therewith.

Section 29.4 Provisions Are Binding Upon Successors and Assigns. It is mutually covenanted, understood, and agreed by and between the Parties hereto, that each of the provisions of this Lease shall apply to, extend to, be binding upon, and inure to the benefit or detriment of not only the Parties hereto, but also the legal representatives, successors, and assigns of Landlord and Tenant, and shall be deemed and treated as covenants running with the Premises during the term of this Lease. Whenever a reference to the Parties hereto is made, such reference shall be deemed to include the legal representatives, successors, and assigns of said Party, the same as if in each case expressed.

Section 29.5 Applicable Law. This Lease shall be governed, construed, performed, and enforced in accordance with the Laws of the State.

Section 29.6 Waiver of Jury Trial. TO THE EXTENT ALLOWABLE BY LAW, LANDLORD AND TENANT EACH WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY EITHER AGAINST THE OTHER ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, OR TENANT'S USE OR OCCUPANCY OF THE PREMISES.

Section 29.7 Interpretation and Construction. This Lease shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting an instrument or causing any instrument to be drafted. Any captions or headings used in this Lease are for convenience only and do not define or limit the scope of this Lease. The singular of any term, including any defined term, shall include the plural and the plural of any term shall include

the singular. Whenever the singular or plural number, or masculine or feminine gender is used in this Lease, it shall equally apply to, extend to, and include the other.

Section 29.8 Severability. In the event any provision, or any portion of any provision of this Lease is held invalid, the other provisions of this Lease and the remaining portion of said provision, shall not be affected thereby and shall continue in full force and effect.

Section 29.9 Time Is of the Essence. All time limits stated in this Lease are of the essence of this Lease.

Section 29.10 Patriot Act. Tenant hereby represents and warrants to Landlord that at all times Tenant, Operator and RCFE Manager: (i) are in compliance with the Office of Foreign Assets Control sanctions and regulations promulgated under the authority granted by the Trading with the Enemy Act, 12 U.S.C. § 95(a) *et seq*., and the International Emergency Economic Powers Act, 50 U.S.C. § 1701 *et seq*., as the same apply to it or its activities; (ii) are in compliance with the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended from time to time (the "**Patriot Act**") and all rules and regulations promulgated under the Patriot Act applicable to such Persons; and (iii) (A) are not now, nor have ever been, under investigation by any Governmental Authority for, nor have been charged with or convicted of a crime under, 18 U.S.C. §§ 1956 or 1957 or any predicate offense thereunder; (B) have never been assessed a civil penalty under any anti-money laundering laws or predicate offenses thereunder; and (C) have not had any of their funds seized, frozen, or forfeited in any action relating to any anti-money laundering laws or predicate offenses thereunder. Neither Tenant, Operator nor RCFE Manager is in violation of the Executive Order or the Patriot Act. Neither Tenant, Operator nor RCFE Manager is: (w) listed in the Annex to, or otherwise subject to the provisions of, that certain Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (the "**Executive Order**"); (x) named as a "specifically designated national (SDN)" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website (https://www.treasury.gov/ofac/downloads/sdnlist.pdf) or at any replacement website or other replacement official publication of such list or that is named on any other Governmental Authority list issued post 9/11/01; (y) acting, directly or indirectly for terrorist organizations or narcotics traffickers, including those persons that are included on any relevant lists maintained by the United Nations, North Atlantic Treaty Organization, Financial Action Task Force on Money Laundering, U.S. Office of Foreign Assets Control, U.S. Securities and Exchange Commission, U.S. Federal Bureau of Investigation, U.S. Central Intelligence Agency, U.S. Internal Revenue Service, all as may be amended or superseded from time to time; or (z) owned or controlled by, or acting for or on behalf of, any person described in clauses (w), (x), or (y) above (a "**Prohibited Person**"). None of the funds or other assets of Tenant, Operator or RCFE Manager constitute property of any person, entity, or government subject to trade restrictions under U.S. Law, including but not limited to: (1) the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 *et seq*.; (2) The Trading with the Enemy Act, 50 U.S.C. App. 1 *et seq*.; and (3) any Executive Orders or regulations promulgated thereunder, with the result that sale by Tenant or other Persons (whether directly or indirectly), is prohibited by law (an "**Embargoed Person**"). No Embargoed Person has any interest of any nature whatsoever in Tenant, Operator or RCFE Manager, and none of the funds of Tenant, Operator or RCFE Manager have been derived from any unlawful activity with the result

that an investment in Tenant, Operator or RCFE Manager (whether directly or indirectly) or sale by Tenant Operator or RCFE Manager, is prohibited by Law or that execution, delivery, and performance of this Lease or any of the transactions or other documents contemplated hereby or thereby is in violation of Law.

Section 29.11 No Agency. Nothing in this Lease is intended, or shall in any way be construed, so as to create any form of partnership or agency relationship between the Parties. The Parties hereby expressly disclaim any intention of any kind to create any partnership or agency relationship between themselves. Nothing in this Lease shall be construed to make either Party liable for any of the indebtedness of the other, except as specifically provided in this Lease.

Section 29.12 Entire Agreement. The making, execution, and delivery of this Lease by Tenant has not been induced by any representations, statements, covenants, or warranties by Landlord except for those contained in this Lease. This Lease constitutes the full, complete, and entire agreement between and among the Parties hereto. No agent, employee, officer, representative, or attorney of the Parties hereto has authority to make, or has made, any statement, agreement, representation, or contemporaneous agreement, oral or written, in connection herewith modifying, adding to, or changing the provisions of this Lease. No amendment of this Lease shall be binding unless such amendment shall be in writing, signed by both Parties hereto (subject to the rights of Leasehold Mortgagee as set forth in ARTICLE XIII hereof) and attached to, incorporated in, and by reference made a part of this Lease.

Section 29.13 Counterparts. This Lease may be executed in counterparts, including by electronic means or otherwise, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

Section 29.14 Third-Party Beneficiaries. Except for Leasehold Mortgagees and Tenant Mezzanine Lenders, this Lease is not intended to be a third party beneficiary contract for the benefit of any third parties, and shall not be deemed to confer any rights upon any person or entity other than the parties to this Lease, nor obligate the parties to this Lease to any person or entity other than the parties to this Lease.

Section 29.15 Acceptable Persons. Notwithstanding anything to the contrary, at no time shall any Person become a Transferee or have or exert Control over PMB, Watermark, Parent LLC, Tenant, Operator or the RCFE Manager who (i) has been convicted of a criminal offense that could result in exclusion under 42 U.S.C. Section 1320a-7 or otherwise constitutes a crime of moral turpitude or (ii) operates a business promoting, marketing, selling or otherwise directly profiting from the sale of tobacco or cannabis products.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the Commencement Date.

LANDLORD:

BEACH CITIES HEALTH DISTRICT,
a California health care district

By: _____
Name: Tom Bakaly
Title: Chief Executive Officer

TENANT:

WRC PMB Redondo Beach LLC, a Delaware limited liability company

By: _____
Name: Mark Toothacre
Title: Authorized Signatory

PARENT LLC:

WRC PMB I LLC, a Delaware limited liability company

By: PMB Redondo Beach LLC, a Delaware limited liability company, its Manager

By: PMB LLC, a California limited liability company, its Manager

By: _____
Name: Mark Toothacre
Title: President

EXHIBITS

Exhibit A	Building 514 Leases
Exhibit B	Design-Build Agreement
Exhibit C	Land Depiction
Exhibit D	Land (Legal Description)
Exhibit E	Open Space Description
Exhibit F	Surface Parking
Exhibit G	Lease of Premises
Exhibit H	Commencement Date Agreement
Exhibit I	Base Rent (Fair Market Rent Value Determination)
Exhibit J	Letter of Credit
Exhibit K	List of Preliminary Plans
Exhibit L	Completion Guaranty
Exhibit M	Additional Compliance Obligations (Terms of Landlord's Parking Agreements with Third Parties)
Exhibit N	Remediation Work-UST Site
Exhibit O	Public Access Amenities
Exhibit P	Form of Open Space and Parking Maintenance Agreements
Exhibit Q	Form of Subtenant NDA Agreement
Exhibit R	Form of Memorandum of Lease (Commencement Date)
Exhibit S	Form of Memorandum of Lease (Term Commencement Date)
Exhibit T	Option to Extend
Exhibit U	Exceptions to Representations and Warranties (Section 29.1(d))
Exhibit V	Exceptions to Representations and Warranties (Section 29.1(r))

EXHIBIT C

LAND DEPICTION

[ATTACHED HERETO]

EXHIBIT C


Beryl St
Flagler Ln
Park
520
Existing
Parking
510
N Prospect Ave

EXHIBIT I

FAIR MARKET RENT VALUE DETERMINATION

1. Determination of Fair Market Rent Value. Whenever Fair Market Rent Value is to be determined herein, Tenant and Landlord shall negotiate in good faith to determine and mutually agree upon such Fair Market Rent Value. As used herein, "Fair Market Rent Value" shall mean the market rental rate for the Land, taking into account: (i) the transaction is an "arm's length" transaction; (ii) ground leases of unimproved real property of similar size and configuration, location and quality as the Land in comparable markets in California; (iii) the real property will be used for purposes this Lease will allow and (iv) the date of the valuation is no more than sixty (60) days prior to the rent adjustment date; provided, however, under no circumstances shall the value of any entitlements, improvements (*e.g.*, the Facility) or other items of value funded, procured or provided by Tenant (or any subtenant) be considered in connection with the determination of the Fair Market Rent Value, nor shall the rentals payable pursuant to any Sublease of the Premises be taken into account in determining Fair Market Rent Value.

If Landlord and Tenant are unable to agree upon the Fair Market Rent Value on or before 60 days prior to the date that such Fair Market Rent Value is to take effect under the Lease ("FMRV Deadline"), then Landlord and Tenant shall be irrevocably bound by the determination of Fair Market Rent Value set forth hereinafter in this Exhibit A. On the FMRV Deadline, Landlord and Tenant shall each simultaneously present to the other party their final determinations of the Fair Market Rent Value for the applicable period for which it will apply (the "Final Offers"). If the Fair Market Rent Value as determined by the lower of the two (2) proposed Final Offers is not more than ten percent (10%) below the higher, then the Fair Market Rent Value shall be determined by averaging the two (2) Final Offers. If the lower of the two (2) proposed Final Offers is more than ten percent (10%) below the higher, then the Fair Market Rent Value shall be determined by Baseball Arbitration (as hereinafter defined) in accordance with the procedure set forth below.

2. Baseball Arbitration. For all purposes of this Lease, "Baseball Arbitration" shall follow the following procedures:

(a) If there is a discrepancy greater than ten percent (10%) of the higher of the two (2) proposed Final Offers, within thirty (30) days after the FMRV Deadline, Landlord and Tenant shall each select a Qualified Appraiser.

(b) Landlord's Qualified Appraiser and Tenant's Qualified Appraiser shall name a third Qualified Appraiser, similarly qualified and impartial, within ten (10) days after the appointment of Landlord's Qualified Appraiser and Tenant's Qualified Appraiser.

(c) Said third Qualified Appraiser shall, after due consideration of the factors to be taken into account under the definition of Fair Market Rent Value set forth above and hearing whatever evidence the Qualified Appraiser deems appropriate from Landlord, Tenant and others, and obtaining any other information the Qualified Appraiser deems necessary, in good faith, make its own determination of the Fair Market Rent Value for the Premises as of the commencement of the applicable period for which it will apply (the "Qualified Appraiser's Initial Determination") and thereafter select either Landlord's Final Offer or the Tenant's Final Offer, but no other,

whichever is closest to the Qualified Appraiser's Initial Determination (the "Final Determination"), such determination to be made within thirty (30) days after the appointment of the third Qualified Appraiser. The Qualified Appraiser's Initial Determination, Final Determination and the market information upon which such determinations are based shall be in writing and counterparts thereof shall be delivered to Landlord and Tenant within said thirty (30) day period. The arbitrator shall have no right or ability to determine the Fair Market Rent Value in any other manner. The Final Determination shall be binding upon the parties hereto.

(d) The costs and fees of the third Qualified Appraiser shall be paid by Landlord if the Final Determination shall be Tenant's Final Offer or by Tenant if the Final Determination shall be Landlord's Final Offer.

(e) If Tenant fails to appoint Tenant's Qualified Appraiser in the manner and within the time specified in subparagraph (a), then the Fair Market Rent Value for the applicable period for which it will apply shall be the Fair Market Rent Value contained in the Landlord's Final Offer. If Landlord fails to appoint Landlord's Qualified Appraiser in the manner and within the time specified in subparagraph (a) above, then the Fair Market Rent Value for the applicable period for which it will apply shall be the Fair Market Rent Value contained in the Tenant's Final Offer. If Tenant's Qualified Appraiser and Landlord's Qualified Appraiser fail to appoint the third arbitrator within the time and in the manner prescribed in herein, then Landlord and Tenant shall jointly and promptly apply to the local office of the American Arbitration Association for the appointment of the third Qualified Appraiser.

EXHIBIT R

MEMORANDUM OF LEASE

RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO: _____, LLC _____ _____ _____	

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

MEMORANDUM OF LEASE

This MEMORANDUM OF LEASE concerns a Ground Lease Agreement dated _____, 2022 (the "Lease") made and entered into by and between _____ ("Landlord"), and _____, LLC, a Delaware limited liability company ("Tenant").

1. Landlord and Tenant have entered into the Lease with respect to that certain premises (the "Premises") described in Exhibit A attached hereto.

2. The Lease has a site investigation and entitlement period that will not exceed _____ days from the date hereof, during which period Tenant shall have a right to either (i) terminate the Lease or (ii) continue to lease the Premises upon the terms more fully set forth in the Lease. Accordingly, Tenant does not currently have a possessory or leasehold interest in the Premises.

3. This Memorandum of Lease is intended for recordation in the real property records of Los Angeles County, California, in order to create constructive notice of the existence of the Lease. This Memorandum of Lease is not intended to supplement or amend the Lease and shall not be used to contradict or interpret the Lease.

4. The Lease contains provisions providing for a new lease in the event the Lease terminates in certain circumstances, and the new lease shall have a priority that is co-equal to the priority of the Lease as represented by this Memorandum of Lease. All liens, security interests and other interest in the Premises filed after the date hereof are filed subject to the provisions of the Lease and any such new lease.

5. This Memorandum of Lease may be executed in several counterparts, each of which may be deemed an original, and all such counterparts together shall constitute one and the same Memorandum of Lease.

[Signatures and acknowledgements on the following pages.]

IN WITNESS WHEREOF, the persons whose names appear below have affixed their signatures hereto on behalf of their respective principals as of the date shown.

"**LANDLORD**"

,
a _____

By: _____
Name: _____
Title: _____

[NTD: Attach requisite notary block]

IN WITNESS WHEREOF, the person whose name appears below has affixed his signature hereto on behalf of his respective principals as of the date shown.

TENANT:

_____, LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____
Date: _____

[NTD: Attach requisite notary block]

EXHIBIT A

LEGAL DESCRIPTION OF PREMISES

EXHIBIT S
MEMORANDUM OF LEASE

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

_____, LLC
_____
_____
_____

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

MEMORANDUM OF LEASE

This MEMORANDUM OF LEASE concerns a Ground Lease Agreement dated _____, 202__ (the "Lease") made and entered into by and between _____ ("Landlord"), and _____, LLC, a Delaware limited liability company ("Tenant").

1. Reference is made to that certain Memorandum of Lease between Landlord and Tenant recorded on or about _____ in _____ of the Real Property Records of Los Angeles County, California as document number _____("Original Memorandum"). The Original Memorandum is hereby terminated.

2. Landlord, in consideration of the rents reserved and agreed to be paid by Tenant, and of the covenants, agreements, conditions and understandings to be performed and observed by Tenant, all as more fully set out in the Lease, hereby leases to Tenant certain premises (the "Premises") described in Exhibit A attached hereto.

3. The Lease has a term of 65 years, commencing on _____. The Lease grants Tenant two (2) options to extend the initial 65- year term of the Lease, each for a period of fifteen (15) years.

4. This Memorandum of Lease is intended for recordation in the real property records of Los Angeles County, California, in order to create constructive notice of the existence of a leasehold interest in the Premises. This Memorandum of Lease is not intended to amend the Lease and shall not be used to contradict or interpret the Lease.

5. The Lease contains provisions providing for a new lease in the event the Lease terminates in certain circumstances, and the new lease shall have a priority that is co-equal to the priority of the Lease as represented by this Memorandum of Lease. All liens, security interests and other interest in the Premises filed after the date hereof are filed subject to the provisions of the Lease and any such new lease.

6. Upon certain terms and conditions set forth in Exhibit __ to the Lease, Tenant has a right of first offer and right of first refusal to purchase the Real Property during the term of the Lease.

7. This Memorandum of Lease may be executed in several counterparts, each of which may be deemed an original, and all such counterparts together shall constitute one and the same Memorandum of Lease.

[Signatures and acknowledgements on the following pages.]

IN WITNESS WHEREOF, the persons whose names appear below have affixed their signatures hereto on behalf of their respective principals as of the date shown.

"**LANDLORD**"

,
a _____

By: _____
Name: _____
Title: _____

[NTD: Attach requisite notary block]

IN WITNESS WHEREOF, the person whose name appears below has affixed his signature hereto on behalf of his respective principals as of the date shown.

TENANT:

_____, LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____
Date: _____

[NTD: Attach requisite notary block]

EXHIBIT A

LEGAL DESCRIPTION OF PREMISES