

GROUND LEASE
KAISER FOUNDATION HOSPITALS
AND
THE JW HOUSE

This Ground Lease is made as of the 1st day of September, 2005, between KAISER FOUNDATION HOSPITALS, a California nonprofit public benefit corporation (“Landlord”) and THE JW HOUSE, a California nonprofit corporation (“Tenant”).

1. PREMISES

Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the real property constituting approximately 21,780 square feet of unimproved land on the Kaiser Permanente Santa Clara Medical Center campus on Homestead Drive, across the creek off of Swallow Way, as depicted on **Exhibit A** hereto (the “Premises”), and all rights, privileges and easements appurtenant thereto necessary for the construction, maintenance and use of a residential complex to be constructed by Tenant pursuant to Section 10 hereof (the “Improvements”) for the use of families of pediatric patients receiving services at the Kaiser Permanente Santa Clara Medical Center, and space permitting, nearby community hospitals.

2. TERM

(a) **Interim Term:** The Interim Term of the term of this Lease shall commence on the execution date of this Lease and shall terminate on the date Tenant obtains a certificate of occupancy for the Improvements from the City of Santa Clara and all of the conditions precedent set forth in Section 21 have been either satisfied or waived.

(b) **Primary Term:** The Primary Term of this Lease shall commence immediately upon the expiration of the Interim Term and shall terminate twenty (20) years thereafter. When the actual commencement date of the Primary Term is determined, the parties hereto shall execute and record a memorandum setting forth the commencement and expiration dates of the Primary Term.

(c) **Landlord’s Extension Term:** The Landlord’s Extension Term shall be Landlord’s right to either extend the lease by up to two, ten year increments. If Landlord does not exercise its right to extend the Primary Term, Landlord shall purchase the Improvements from Tenant, in the manner set forth below in Section 2(d) below. The parties acknowledge that Kaiser desires generally to continue to renew the Primary Term and exercise Landlord’s Extension Terms, provided that the Premises is not needed for hospital or medical purposes, as determined by

Kaiser, or unless Tenant has not complied with the spirit of its visions and goals, as stated in the JW House articles of incorporation. No less than six (6) months prior to the expiration of the Primary Term and the first Landlord's Extension Term, Landlord shall have the right to extend the Lease by ten (10) years by the delivery of said 6 month written notice to Tenant. The Landlord's Extension Term shall commence immediately upon the expiration of the Primary Term.

(d) If Landlord elects not to enter into the first Landlord's Extension Term, Landlord shall purchase the Improvements from Tenant for the depreciated cost of the Improvements, present valued, or \$250,000, whichever is greater, and Tenant shall concurrently quitclaim its interest in the Premises to Landlord.

3. RENTAL

(a) **Interim Term:** During the Interim Term, Tenant shall not pay any minimum rental, as provided for in subsection 3(b) below, or any additional rental, as provided for in Section 5 of this Lease, or any other charges of any kind.

(b) **Primary Term:** During the Primary Term, and provided that Tenant is not in breach of any of its obligations hereunder, Tenant shall pay to Landlord, the nominal sum of \$1.00 per month as rent.

(c) **Default Rent.** If Tenant is in default under the terms of this lease during the Primary Term and such default remains uncured for 30 days, the rent during the primary term shall become fair market rent as of the date of the default, as determined by comparable rental rates for multi-family residential units in the county.

4. TAXES AND OTHER CHARGES

Landlord and Tenant shall cooperate and use their best efforts to have the Premises and Improvements separately assessed. Anything herein to the contrary notwithstanding, Tenant shall not be required to pay any property tax for the land or any franchise, business or transfer tax of Landlord, any time during the term of this Lease, provided that Tenant maintains its nonprofit tax status and is not in default under the terms of this Lease. Tenant shall pay taxes associated with the Improvements, including property tax, if any.

5. LANDLORD'S WARRANTY OF TITLE AND QUIET ENJOYMENT

Landlord hereby covenants and warrants to Tenant that Landlord has good and marketable fee simple title to the Premises, subject to all liens and encumbrances of record as shown on Exhibit B attached hereto. Upon Tenant observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Landlord covenants and warrants that Tenant

shall peaceably hold and quietly enjoy the Premises for the entire term hereof, without hindrance or interruption by Landlord.

6. USE

The use the Premises shall be limited to operation of The JW House, a charitable residential facility primarily but not exclusively for the families of seriously ill pediatric patients receiving services at the Kaiser Permanente Santa Clara Medical Center, owned and operated by Tenant. Space permitting, the families of seriously ill pediatric patients from nearby community hospitals may also be housed at the Property. The change of ownership of Tenant, the sale of any portion of Tenant's interest hereunder, or any other assignment or transfer shall be deemed to be a violation of the use provision of this Lease, it being the express intent of the parties to limit the use of the Premises to the operation of The JW House managed by Tenant. The failure of Tenant to comply with its bylaws, articles or rules and regulations promulgated by its Board shall be deemed to be a material breach hereunder and shall subject Tenant to the termination of this Lease.

7. TENANT'S IMPROVEMENTS

(a) Tenant's Improvements shall consist of a residential living facility suitable for the families meeting JW House criteria.

(b) All work on the Improvements shall be constructed in a workmanlike manner by Tenant and shall comply with all applicable governmental permits, laws, ordinances and regulations. Landlord shall take the lead and Tenant shall cooperate in obtaining the environmental clearances, permits and approvals from the City of Santa Clara and other applicable agencies for the Improvements in a timely manner, in accordance with this Lease.

(c) At no time during the term of this Lease may Tenant construct Improvements, or make new Improvements on the Premises or demolish, remove, alter, reconstruct, or add to the Improvements in whole or in part, without the prior written approval of the Landlord. Tenant shall give Landlord notice of its intent to begin major alterations and repairs at least ten days prior to the date of commencement of such work and Landlord may withhold approval of any major alterations or repairs in its sole and absolute discretion.

(d) Tenant may not place any signs in and upon the interior and exterior of the Premises and Improvements, including signs on the roof of the Improvements, without first obtaining Landlord's approval to determine consistency with the existing signage at Kaiser Permanente without the prior written approval of Landlord, which approval Landlord may withhold or modify in its sole discretion.

8. MECHANICS' AND OTHER LIENS

Tenant shall keep the Premises free and clear of any and all mechanics', materialmen's and other liens for work or labor done, services performed or materials used on or about the Premises for or in connection with any operations of Tenant, any alterations, improvements, repairs or additions which Tenant may make or permit or cause to be made, or any work or construction by, for or permitted by Tenant on or about the Premises, provided that Landlord shall be responsible for any claims or liens arising out of any of Landlord's work.

9. TENANT'S MAINTENANCE OF IMPROVEMENTS

Throughout the term of this Lease, Tenant shall, at its own expense, maintain the Improvements in good condition and repair, ordinary wear and tear excepted, and in accordance with all applicable laws, ordinances and regulations of federal, state and local governmental agencies having or claiming jurisdiction over the Premises. Tenant and Landlord shall jointly ensure that the Premises are appropriately segregated from the balance of Landlord's medical center campus and shall be maintained as a first class residential facility.

10. OWNERSHIP OF IMPROVEMENTS

All Improvements constructed on the Premises by Tenant shall be owned by Tenant until expiration of the term or sooner termination of this Lease. Tenant shall not, however, remove any of the Improvements from the Premises or waste, destroy, or modify any of the Improvements on the Premises. All Improvements on the Premises at the expiration of the term of this Lease shall become Landlord's property, provided that Landlord shall be required to purchase the Improvements from Tenant for the depreciated cost of the Improvements, present valued, or \$250,000, whichever is greater. All trade fixtures ("Trade Fixtures") shall remain on the Premises and be transferred to Landlord upon the payment of the purchase price set forth above, include but not be limited to teller lines, vaults, vault doors, safe deposit box nests, vault ventilators, alarm systems, fixtures, exterior and interior signs, and other equipment and personal property installed or placed in or on the Premises or Improvements whether or not permanently attached to the real property. Trade Fixtures, however, shall not include movable partitions, furniture, furnishings and ornaments placed in the Premises ("Furnishings"). Notwithstanding any provision, Furnishings shall remain owned by the Tenant which shall have a reasonable opportunity to move or otherwise dispose of the Furnishings upon expiration of this Lease. Each party agrees to execute, acknowledge and deliver any instrument required by the other to evidence the respective interests of the parties hereto as stated in this Section.

11. ASSIGNMENT AND SUBLEASING

At no time shall Tenant shall have the right to assign or otherwise transfer all or any part of Tenant's interest in this Lease or to sublease the Premises, or any part thereof. Tenant acknowledges that the Premises constitute a portion of the Kaiser Permanente Medical Center campus, has been leased to Tenant for nominal consideration, and is needed by Landlord for the provision of health care to its members. Landlord has entered into this Lease for the express purpose of helping to create the JW House in recognition of the relationship between JW Knapen and Kaiser Permanente and the Foundation created to manage the JW House, and this Lease would not be otherwise entered into for similar uses by another entity. Hence Landlord reserves the right to withhold its approval of any assignment of any portion of Tenant's interest, including the sale or lease of the Improvements, for any reason or no reason, in Landlord's sole and arbitrary discretion, provided that Tenant shall have the right to terminate the Lease, in which event Landlord agrees to pay the greater of the depreciated value of the Improvements to Tenant, present valued, or \$250,000, upon the exercise of its refusal to permit an assignment.

12. TENANT'S INSURANCE

(a) During the term of this Lease, Tenant agrees at its own expense to insure and keep insured the Improvements against loss or damage by fire and such other hazards as are embraced by the standard extended coverage endorsement approved for use in the State of California, for the full replacement cost of the Improvements, provided such insurance is ordinarily and customarily available and further provided that earthquake and rental or business interruption insurance shall not be required.

(b) Tenant shall also maintain and keep in force general public liability insurance against claims for personal injury, death, or property damage occurring in or on the Premises, with limits of not less than \$5,000,000 combined single limits.

(c) All insurance provided for in this Section shall be under valid and enforceable policies issued by insurers authorized to do business in the State of California and the public liability policy shall name Landlord as an additional insured. A certificate of each insurance policy shall be provided to Landlord upon commencement of the term of this Lease and upon the renewal of each policy. Tenant may provide any insurance required hereunder by a blanket insurance policy covering the Premises and any other properties of Tenant.

(d) Landlord and Tenant hereby waive all claims for recovery from the other party for any loss or damage to any property of either Landlord or Tenant insured under valid and collectible insurance policies, covering loss by fire or any of the perils insured under the standard extended coverage rider. Landlord and its affiliates Kaiser Foundation Health Plan, Inc. and the Permanente Medical Group, Inc. shall be named as an additional insured party on all Tenant's insurance.

(e) All amounts that shall be received by Landlord or Tenant under any property damage insurance policy required under this Section shall be first applied to the payment of the cost of repair, reconstruction or replacement of any part of the Improvements that is damaged or destroyed.

13. DAMAGE TO OR DESTRUCTION OF IMPROVEMENTS

(a) No loss or damage by fire or other cause, resulting in either partial or total destruction of the Improvements on the Premises, shall, except as otherwise provided herein, operate to terminate this Lease, or to relieve or discharge Tenant from the performance and observance of any of the agreements, covenants and conditions herein contained on the part of Tenant to be performed and observed; provided, however, Tenant shall be entitled to an equitable abatement of rent until repair, reconstruction or replacement of the Improvements is completed, if such damage or destruction is caused by the negligence or misconduct of Landlord or its agents or to the extent that the Landlord or its agents delay or interfere with such repair, reconstruction or replacement.

(b) If any Improvements located on the Premises at any time during the term of this Lease shall be damaged or destroyed by fire or other cause and Tenant does not terminate this Lease pursuant to subsection 17(c) below, then Tenant shall repair, reconstruct or replace such Improvements to a condition substantially similar to their condition immediately prior to such destruction, in accordance with subsection 10(c). All such repair, reconstruction or replacement shall be at the sole expense of Tenant and, upon completion thereof, shall be (subject to the provisions of Section 23 hereof) free and clear of all liens and encumbrances, including mechanics' liens.

(c) If (i) the Improvements now or hereafter located on the Premises are destroyed in their entirety or in substantial part (i.e., more than 20% destroyed or in Tenant's reasonable judgment rendered unsuitable for Tenant's continued business operations) by a cause not covered by insurance of the nature described in subsection 16(a) above, or (ii) the then existing laws would not permit the repair, reconstruction or replacement of such Improvements, or would permit the same only subject to new and materially burdensome conditions, or all necessary governmental approvals cannot reasonably be obtained within 180 days from the date of destruction, or (iii) such total or substantial destruction occurs during the last five (5) years of the original term of this Lease or at any time during any Option Term of this Lease, then, in any of such events, Tenant may, at its option, either repair, reconstruct or replace such Improvements or elect to terminate this Lease effective as of the date of such destruction by giving Landlord notice thereof within ninety (90) days after the date of such destruction. If Tenant elects to terminate this Lease, then the proceeds, if any, of insurance recovered by or payable to Tenant on account of such destruction under policies carried by Tenant pursuant to Section 16 shall be divided between Tenant and Landlord. The Tenant shall receive that amount of the proceeds of any such insurance that is specifically designated as payable on account

of any loss of Tenant's interest or, if no proceeds are specifically so designated, that amount of the proceeds of any such insurance necessary to reimburse Tenant for the loss of its interest in the Premises; the Landlord shall receive the balance of the proceeds of any such insurance.

14. DEFAULT

(a) If

(i) default shall be made by Tenant in the payment when due of any rent or other moneys due hereunder and shall continue for a period of thirty (30) business days after written notice thereof to Tenant; or

(ii) default shall be made by Tenant in the performance or observance of any of the other agreements, covenants or conditions of this Lease on the part of Tenant to be performed and observed, including without limitation, a violation of the use provision, an unpermitted transfer or assignment, or a failure to maintain the Premises, the failure to operate by its Bylaws, articles and rules and regulations promulgated by the Board of Tenant and such default shall continue for a period of thirty (30) business days after written notice thereof to Tenant; or

(iii) Tenant shall admit in writing its inability to pay its debts generally as they become due, file a petition in bankruptcy, insolvency, reorganization, readjustment of debt, dissolution or liquidation under any law or statute of the federal government or any state government or any subdivision thereof either now or hereafter in effect, make an assignment for the benefit of its creditors, or consent to or acquiesce in the appointment of a receiver of itself; or

(iv) a court of competent jurisdiction shall enter an order, judgment or decree appointing a receiver of Tenant or of the whole or any substantial part of the Premises occupied by Tenant, and such order, judgment or decree shall not be vacated, set aside or stayed within ninety (90) days from the date of entry of such order, judgment or decree, or a stay thereof be thereafter set aside; or

(v) a court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against Tenant under any bankruptcy, insolvency, reorganization, readjustment of debt, dissolution or liquidation law or statute of the federal government or any state government or any subdivision of either now or hereafter in effect, and such order, judgment or decree shall not be vacated, set aside or stayed within ninety (90) days from the date of entry of such order, judgment or decree, or a stay thereof be thereafter set aside;

then any such event shall constitute an event of default by Tenant.

(b) Upon the occurrence of any such event of default by Tenant and so long as the same shall not have been remedied by Tenant, Landlord shall have the following

rights and remedies, in addition to all other rights and remedies of Landlord provided hereunder or by law:

(i) The right to terminate this Lease, in which event Tenant shall immediately surrender possession of the Premises, assign to Landlord its interest in any construction, architectural and other contracts relating to any construction or maintenance services for the Premises, and pay to Landlord all rent and all other amounts payable by Tenant hereunder to the date of such termination and quitclaim to Landlord Tenant's interest in the Improvements;

(ii) The remedies described in California Civil Code Section 1951.2, including, without limitation, the right to recover the worth at the time of award of the amount by which the unpaid fair market rent for the balance of the term from the date of the default after the time of award exceeds the amount of such rental loss for the same period that Tenant proves could be reasonably avoided, as computed pursuant to subdivision (b) of said Section 1951.2;

(iii) So long as Landlord has not terminated Tenant's right to possession of the Premises, the remedies described in California Civil Code Section 1951.4, including, without limitation, the right to collect, by suit or otherwise, each installment of fair market rent or other sums that become due hereunder as of the date of the default, or to enforce, by suit or otherwise, performance or observance of any agreement, covenant or condition hereof on the part of Tenant to be performed or observed; or

(iv) The right to cause a receiver to be appointed in any action against Tenant to take possession of the Premises or to collect the rents or profits therefrom. Neither appointment of such receiver nor any other action taken by Landlord shall constitute an election on the part of Landlord to terminate this Lease unless written notice of termination is given to Tenant.

(v) Notwithstanding such rights and remedies, upon the execution of a quitclaim deed by Tenant, in the event of a breach during the Primary Term, Landlord agrees to pay Tenant the greater of the depreciated value of the Improvements to Tenant, present valued, or \$250,000, upon the termination of the Lease after a default.

15. RIGHT TO CONTEST

(a) Tenant shall have the right to contest the amount or validity of any lien against the Premises arising during the Lease Term, or any law, ordinance or regulation applicable to Tenant or to its use of or construction or other activities on the Premises arising during the Lease Term, by giving Landlord written notice of Tenant's intention to do so within thirty (30) days after receipt of notice thereof from any governmental authority or the Landlord, as the case may be. The right to

contest shall not apply to any liens and encumbrances existing as of the date of the Lease.

(b) In the event of any such contest, Tenant shall protect and indemnify Landlord against all loss, cost, expense and damage resulting therefrom. Landlord shall not be required to join in any proceeding to contest the amount or validity of any such lien.

16. ARBITRATION

(a) Either party may require the arbitration of disputes arising under or in connection with this Lease by giving written notice of the demand for arbitration to the other party. Except as provided below or otherwise agreed by the parties, the arbitration shall be in conformity with and subject to applicable rules and procedures of the American Arbitration Association, provided that the provisions of California Code of Civil Procedure Section 1283.05, or any successor or amended statute or law containing similar provisions, shall be applicable in any such arbitration. If the American Arbitration Association is not then in existence or for any reason fails or refuses to act, the arbitration shall be in conformity with and subject to provisions of the California Code of Civil Procedure relating to arbitration as it stands amended at the time of the notice. The arbitrators shall be bound by this Lease. Each party shall pay half the cost of arbitration, including arbitrators' fees. Attorneys' fees incurred in connection with such arbitration, if any, shall be paid for by the party incurring the same.

(b) If the parties have not agreed upon a single arbitrator within fifteen (15) days after delivery of the notice demanding arbitration, there shall be three arbitrators appointed as follows:

(i) Within twenty-five (25) days after delivery of the notice demanding arbitration, each party shall appoint one arbitrator and give written notice of the appointment to the other party.

(ii) The two arbitrators shall choose a third arbitrator within ten (10) days after appointment of the second.

(iii) If either party fails to appoint an arbitrator, or if the two arbitrators fail to choose a third, the appointment shall be made by the then presiding judge of the superior court for the county in which the Premises are located, acting in his individual and nonofficial capacity on the application of either party and on ten (10) days' written notice to the other party; provided that either party may, by written notice given before commencement of the arbitration hearing, consent to arbitration by the arbitrator appointed by the other party, and in that event, no further appointments of arbitrators shall be made, and any other arbitrators previously appointed shall be dismissed.

(c) All arbitrators shall be members of the American Institute of Real Estate Appraisers (MAI) who are familiar with appraisal procedures and with commercial property values in the area of the Premises if the matter to be arbitrated concerns the valuation of property.

(d) The decision of the arbitrators shall be final and binding on both parties and may be enforced in any court having jurisdiction thereof whether or not one party fails to appear in the arbitration proceeding.

(e) Notwithstanding anything to the contrary hereinbefore contained in this Section 20 or anywhere else in this Lease, there shall be no arbitration, under the terms of this Section 20 or otherwise, of any dispute regarding the payment by Tenant of the rental provided for in Sections 3, 4 and 7 of this Lease.

17. EMINENT DOMAIN

(a) If, during the term of this Lease, any part of the Premises, Improvements thereon, or any access thereto shall be taken as a result of the exercise of the right of eminent domain, and such taking renders the Premises unsuitable in Tenant's reasonable judgment for Tenant's business operations or the Improvements on the Premises cannot in Tenant's reasonable judgment be repaired, restored, or replaced at a reasonable expense to an economically profitable unit, this Lease may at the option of Tenant be terminated as of the date of such taking by written notice to Landlord within sixty (60) days of such taking, and the rights of the Landlord and Tenant in and to the award or awards upon any such taking shall be determined in accordance with subsection 21(c) below. As used herein, the terms "**taken**" or "**taking**" shall mean an acquisition and/or damaging, including severance damage, by eminent domain, or by inverse condemnation, or by deed or transfer in lieu thereof, or for any public or quasi-public use under any statute or law; and the taking shall be considered to take place as of the earlier of (i) the date actual physical possession is taken by the condemnor, or (ii) the date on which title vests in the condemnor.

(b) The rights of Landlord and Tenant in and to any award or awards upon any such taking shall be determined as follows:

(i) In the event of any taking of the nature covered by subsection 21(a) above, all compensation and damages therefor shall be payable as follows:

Landlord shall receive the value of the condemned land, which as to the Premises shall be treated as unimproved and encumbered by this Lease; and Tenant, subject to the rights of any Lender, shall receive the value of the leasehold estate under this Lease and any buildings and Improvements on the Premises.

(c) Landlord and Tenant shall give each other prompt notice of any condemnation action or threat thereof. Landlord, Tenant and any Lender shall all

have the right to participate in any settlement of awards, compensation and damages and may contest any such awards, compensation and damages and prosecute appeals therefrom. Each party shall bear its own cost thereof. Any Lender shall be entitled to notice from both Tenant and Landlord with regard to any condemnation action, threat thereof, or settlement proceedings.

18. MORTGAGE OF LEASEHOLD

(a) Tenant shall not have the right to encumber the leasehold estate created by this Lease by a mortgage, deed of trust or other security instrument (“**Leasehold Mortgage**”) to secure repayment of any loan or associated obligations of Tenant though a security instrument recorded against the Premises. A memorandum of this provision may be recorded by Landlord against the Premises. The parties acknowledge that Landlord shall not permit financing liens or encumbrances against the Premises.

19. GENERAL PROVISIONS

(a) If any term or provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease shall not be affected thereby.

(b) The terms, conditions and covenants of this Lease shall be binding upon and shall inure to the benefit of each of the parties hereto, their heirs, personal representatives, successors and assigns, and shall run with the land, and where more than one party shall be Landlord under this Lease, the word Landlord whenever used in this Lease shall be deemed to include all such parties hereto, jointly and severally.

(c) No waivers, alterations or modifications of this Lease or any agreements in connection therewith shall be valid unless in writing duly executed by both Landlord and Tenant.

(d) The captions appearing in this Lease are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of such paragraphs of this Lease or in any way affect this Lease. The use of the singular herein shall be deemed to include the plural and, conversely, the plural shall be deemed to include the singular.

(e) If at any time after the execution of this Lease, it shall become necessary or convenient for one of the parties hereto to serve any notice, demand or communication upon the other party, such notice, demand or communication shall be in writing and shall be served personally or by depositing the same in the registered or certified United States mail, return receipt requested, postage prepaid and (i) if intended for Landlord shall be addressed to:

Kaiser Foundation Health Plan, Inc.

One Kaiser Plaza, 12th Fl.

Oakland, CA 94612

Attn: Matthew R. Harrison, Real Estate Area
Manager

and (ii) if intended for Tenant shall be addressed to:

Gert and Anne Marie Knapen

c/o Barbara Mount

Mount & Stoelker

333 West San Carlos, 17th Fl.

San Jose, CA 95110

Attn: The JW House Foundation

or to such other address as either party may have furnished to the other in writing as a place for the service of notice. Any notice so mailed shall be deemed to have been given as of the time the same is deposited in the United States mail, except that any notice of a change in the address to which notices are to be sent shall be effective only upon receipt. Notice or communication to any Lender shall be addressed to such Lender at such address as it shall from time to time designate by notice to Landlord.

(f) In the event that at any time during the term of this Lease either the Landlord or the Tenant shall institute any action or proceeding against the other relating to the provisions of this Lease, or any default hereunder, then and in that event, the unsuccessful party in such action or proceeding shall reimburse the successful party for the reasonable expenses of attorneys' fees and disbursements incurred therein by the successful party.

(g) If both Landlord's and Tenant's estates in the Premises or the Improvements or both become vested in the same owner, this Lease shall nevertheless not be destroyed by application of the doctrine of merger except at the express election of the owner and the consent of the mortgagee or mortgagees under any fee and leasehold mortgages permitted by this Lease and then existing.

(h) This Lease constitutes the entire agreement between Landlord and Tenant with respect to the subject matter hereof and supersedes all prior offers and negotiations, oral and written. This Lease may not be amended or modified in any respect whatsoever except by an instrument in writing signed by Landlord and Tenant.

(i) Landlord, upon at least twenty-four hours notice to Tenant, may enter the Premises and Improvements for purposes of inspection or to permit potential buyers

of the real property to inspect the Premises during regular business hours; provided, however, a representative of Tenant shall be given an opportunity to accompany such an inspection and such inspection occurs during normal business hours, does not unduly interfere with Tenant's business and operations.

(j) This Lease shall be interpreted in accordance with and governed by the laws of the State of California. The language in all parts of this Lease shall be, in all cases, construed according to its fair meaning and not strictly for or against Landlord or Tenant.

(k) Landlord and Tenant agree to enter into a Memorandum of Lease in the form of **Exhibit D** attached hereto, which is to be recorded in order that third parties may have notice of the estate and rights of Tenant and of the existence of this Lease.

(l) Time is of the essence of each and all of the agreements, covenants and conditions of this Lease.

20. CONDITIONS PRECEDENT

(a) Anything contained anywhere in this Lease to the contrary notwithstanding, any and all obligations of Tenant hereunder are subject to the occurrence and/or Landlord's or Tenant's written waiver of each of the following conditions precedent, as applicable, on or before the opening of the Kaiser Permanente hospital on the campus, unless expressly provided to the contrary below:

(i) Within one hundred and twenty (120) days after the date hereof, Tenant's written approval of a survey of the Premises, obtained at Landlord's expense and delivered to Tenant within sixty (60) days after the date hereof.

(ii) Compliance by Landlord, at its expense, with any applicable statutes, laws, ordinances, or regulations creating a separate legal half acre parcel constituting the Premises, for the purposes contemplated in this Lease shall be a condition subsequent to the enforceability of this Lease.

(iii) The obtaining, in form and substance approved by Landlord and Tenant, of all necessary governmental and regulatory approvals and permits for the proposed development of the Premises and Tenant's use thereof, including without limitation, certification of environmental review, approval of site layout, ingress and egress, zoning, building permits and a certificate of occupancy for the Improvements.

(iv) Evidence that the first years' operating revenue net of the day charges, or approximately \$50,000, has been established in advance in an operating budget to be established by the Board of Directors of Tenant, or has been pledged in writing by charitable contributors.

(v) Approval by Landlord of the construction and operating budget for the project, as prepared by Tenant, including a business plan for the operation of JW House after occupancy.

(vi) Evidence satisfactory to Landlord that Tenant has obtained financial commitments for all of the construction and start-up costs for the construction of the Improvements and that Tenant has a sufficient reserve of operating capital for at least the first year of operations.

(vii) Approval by Landlord of conceptual and final schematic designs and plans and specifications for the Improvements prepared by an architect approved by Landlord. Landlord shall have the right to disapprove designs that are not, in the opinion of Landlord, consistent with the design themes for Landlord's adjacent Medical Center.

(viii) Approval of a Management Agreement or other agreement acceptable to Landlord for the Management of the JW House.

(b) Landlord shall cooperate in making and executing any applications that may be requested by Tenant in order to obtain any governmental or regulatory approvals referred to above.

(c) Each of Landlord's or Tenant's approvals which is a condition precedent to Landlord's or Tenant's obligations hereunder may be given or withheld at the appropriate party's sole and absolute discretion. If all the conditions precedent have not occurred or have not been waived by Tenant or Landlord, the obligations hereunder shall terminate at the option of the approving party.

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

LANDLORD: KAISER FOUNDATION HOSPITALS
a California nonprofit public benefit
corporation

By: _____

Its: _____

Date: _____

TENANT: THE JW HOUSE
a California nonprofit corporation

By: _____

Its: _____

Date: _____

By: _____

Its: _____

Date: _____

Supported and Endorsed by The Permanente Medical Group

The Permanente Medical Group, Inc.

By: _____

Its: _____

Date: _____