



CITY COUNCIL STAFF REPORT

DATE: July 16, 2014 CONSENT AGENDA

SUBJECT: APPROVE DOCUMENTS RELATED TO THE TRANSFER AND ASSIGNMENT OF AP PALM SPRINGS LLC, THE ABBEY COMPANY, LEASEHOLD INTERESTS IN LEASE NOS. A2528, A2529, A2636 TO MEDICAL PROPERTIES II PALM SPRINGS, LLC.

FROM: David H. Ready, City Manager

BY: AIRPORT DEPARTMENT

SUMMARY

This action will facilitate the transfer of leasehold interests held by The Abbey Company to Medical Properties II Palm Springs, LLC, involving three parcels of land owned by the City at Palm Springs International Airport, consisting of three buildings occupied by Desert Medical. This action also includes amendments to the three leases, including the addition of two, ten year extensions and modification of lease payments that will increase the existing lease payments by \$40,000 immediately, provide annual CPI adjustments, and require market appraisal adjustments every ten years.

RECOMMENDATION:

1. Approve the Amendment and Ground Lessor's Consent, Non-Disturbance and Attornment, and Estoppel Agreement with Medical Properties II Palm Springs, LLC.
2. Approve the Assignment and Assumption of Lease Agreements Nos. A2528, A2529, and A2530 and related Consents to Assignment.
3. Authorize the City Manager to execute all necessary documents as required.

STAFF ANALYSIS:

One of the more recognizable non-aviation leased parcels at Palm Springs International Airport contains the three Desert Medical buildings on El Cielo just north of the City's Cogeneration Plant and City Hall. This privately owned operation supports hundreds of jobs and serves customers from across the Valley. The current land lessee is The Abbey Company and it wishes to sell the buildings to a new owner, ROA Capital LLC, doing business in Palm Springs as Medical Properties II Palm Springs, LLC. The sale requires the City consent to the assignment of interests in the leases and to approve

ITEM NO. 2.R.

July 16, 2014

LEASE ASSIGNMENT AND ESTOPPEL AGREEMENT,
AP PALM SPRINGS LLC, THE ABBEY COMPANY LEASE NO. A2528, A2529, A2636
WITH ASSIGNMENT TO MEDICAL PROPERTIES II PALM SPRINGS, LLC

appropriate non-disturbance and estoppel documents. In this case, amendments to the leases are also contemplated that will provide for two ten year extensions of the leases, increase the current rent, provide annual cost of living increases (not to exceed 5% in any one year), and market appraisals every ten years to ensure that the rent of the property reflects current market values.

The original leases for these parcels commenced on May 1, 1988, with BA Properties, a Delaware Corporation. These leases were eventually assigned to the Abbey Company in January 2002. Abbey has successfully managed the property since that time, and about three years ago, built out the property with the addition of a third building. The Desert Medical facilities occupy the majority of the buildings and the complex includes a gift shop and post office. The Abbey Company has been a very good airport tenant and has operated in conformance with all City and Airport lease requirements. If there was one issue that has materialized over the years, it would be that the activity on the parcel has grown significantly and the demand for the medical facilities employee and public parking is exceeding capacity. Airport and City staff are working with Medical Properties to explore on and off-site parking opportunities that would be presented to Council at a later date.

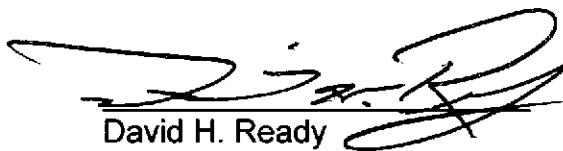
The proposed new lessee appears to have the financial strength and experience in managing medical office facilities and appears acumen and wherewithal to assume the responsibility of operating and maintaining the Desert Medical facility. The group specializes in asset monetization and medical property development and it recently acquired an approximately 45,000 square foot medical office building at 1100 North Palm Canyon Drive in Palm Springs. The acquisition of the airport parcel is consistent with their business model.

FISCAL IMPACT:

The current lease, including related extensions, will expire in 2055, and the airport receives approximately \$240,000 annually, with CPI increases every five years. The approval of the Amendment and its additional extensions will extend the lease to 2075, increase the annual rent to an amount equal to 8% of the market value of the property (not including improvements) which will be \$280,000 for the first year, and will include annual CPI adjustments (not to exceed 5% per year). The property will be subject to market appraisals every ten years at which time annual rent will be adjusted to an amount equal to 8% of market value.



Thomas Nolan
Executive Director, Airport



David H. Ready
City Manager

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Attention: _____

Space above for Recorder's use

AMENDMENT AND GROUND LESSOR'S CONSENT, NON-DISTURBANCE AND
ATTORNMENT, ANDESTOPPEL AGREEMENT

This Amendment and Ground Lessor's Consent, Non-Disturbance and Attornment, Recognition and Estoppel Agreement (this "Agreement") is dated as of July _____, 2014 by and among CITY OF PALM SPRINGS, a municipal corporation ("Lessor"), MEDICAL PROPERTIES II PALM SPRINGS, LLC, a Delaware limited liability company ("Lessee"), and GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation ("Agent") as agent for itself and each of the lenders (each a "Lender" and collectively "Lenders") under the Loan Agreement by and between Agent, Lenders and Lessee as "Borrower" dated as of July ____, 2014 ("Loan Agreement"), with reference to the following facts and circumstances:

A. Lessor and Lessee are parties to: (i) that certain Indenture of Lease Agreement No. 2528 dated as of May 1, 1988, as amended by that certain First Amendment to Lease Agreement #2528 dated as of April 28, 1993, that certain Second Amendment to Lease Agreement #2528 dated as of October 21, 1993, that certain Third Amendment to Lease Agreement #2528 dated as of December 15, 1993, that certain Fourth Amendment to Lease Agreement No. 2528 dated as of October 25, 2000, and that certain Agreement and Estoppel of Ground Lessor for Lease No. 2528 dated as of January 7, 2002, by and among the City of Palm Springs, as lessor, and Trustor, as lessee (collectively, "Lease 2528"); (ii) that certain Indenture of Lease Agreement No. 2529 dated as of May 1, 1988, as amended by that certain First Amendment to Lease Agreement #2529 dated as of April 28, 1993, that certain Second Amendment to Lease Agreement #2529 dated as of October 21, 1993, that certain Third Amendment to Lease Agreement #2529 dated as of December 15, 1993, that certain Fourth Amendment to Lease Agreement No. 2529 dated as of October 25, 2000, and that certain Agreement and Estoppel of Ground Lessor for Lease No. 2529 dated as of January 7, 2002, by and among the City of Palm Springs, as lessor, and Trustor, as lessee (collectively, "Lease 2529"); and (iii) that certain Indenture of Lease Agreement No. 2636 dated as of November 3, 1988, as amended by that certain Amendment No. 1 to Indenture of Lease Agreement No. 2528 dated as of January 2, 1991, that certain Second Amendment to Lease Agreement #2636 dated as of October 21, 1993, that certain Third Amendment to Lease Agreement #2636 dated as of December 15, 1993, that certain Fourth Amendment to Lease Agreement No. 2636 dated as of October 25, 2000, and that certain Agreement and Estoppel of Ground Lessor for Lease No. 2636 dated as of January 7, 2002 (collectively, "Lease 2636") (Lease 2528, Lease 2529 and Lease 2636, each as amended and as may be hereafter amended from time to time, individually, each a "Current Ground Lease" and collectively, the "Current Ground Leases"),

pursuant to which Lessor has leased to Lessee, and Lessee has leased from Lessor, certain real property in the City of Palm Springs, Riverside County, California, as more particularly described on Exhibit A attached hereto (the "Property"). Lessor and Lessee desire to amend the Current Ground Leases as more particularly set forth herein.

B. Pursuant to that certain Construction Deed of Trust, Assignment, Security Agreement and Fixture Filing (California) dated as of July ____, 2014 (the "Deed of Trust"), made by Lessee, as trustor, to First American Title Insurance Company, as trustee, for the benefit of Agent in its capacity as Agent for the Lenders as Beneficiary, Lessee is granting a lien to Agent, for the benefit of Lenders, on all of Lessee's right, title and interest in the Property and the Lease (the "Tenant's Estate"). It is the intent of Lessor and Lessee by way of this Agreement to provide certain rights to Agent (and any successor-in-interest to Agent, whether by designation, assignment, refinancing or otherwise) and Lenders with respect to the Current Ground Leases that they might not otherwise have as the holder of an encumbrance on the Property ("Encumbrance Holder"). Accordingly, this Agreement shall be interpreted as providing additional protections for the benefit of Agent, Lenders and their permitted assigns and the other parties hereto, Agent confirms and agrees that the Deed of Trust will not encumber or create a lien on the fee interest of Lessor in the Property or on any interest of Lessor as "Lessor" under the Current Ground Leases.

C. In this Agreement, (i) the term "Tenant" shall mean and be deemed to refer to the holder of Tenant's Estate during any time that any obligation of Lessee to Agent and/or Lenders which is secured by the Deed of Trust remains unsatisfied, (ii) the term "Transfer of the Property" shall mean any transfer of Tenant's interest in the Property, including, but not limited to Tenant's right, title and interest under the Current Ground Leases, by foreclosure, trustee's sale or other action or proceeding for the enforcement of the Leasehold Mortgage (as hereinafter defined) or by deed or assignment in lieu thereof, and (iii) the term "Purchaser", shall mean any transferee, including Leasehold Mortgagee (as hereinafter defined), of the interest of Tenant as a result of any such Transfer of the Property and also includes any and all successors and assigns, including Agent or Lenders, of such transferee, (iv) the term "Leasehold Mortgagee" shall mean Agent and Lenders, collectively, and any successor-in-interest to Agent or Lenders, whether by designation, assignment, refinancing or otherwise, and (v) the term "Leasehold Mortgage" shall mean the Deed of Trust and any corresponding successor thereto.

NOW, THEREFORE, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Lessor's Consent to Leasehold Mortgage. Lessor hereby consents to the lien of the Deed of Trust upon Lessee's interest under the Current Ground Leases, Agent confirms and agrees that the Deed of Trust will not encumber or create a lien on the fee interest of Lessor in the Property or on any interest of Lessor as "Lessor" under the Current Ground Leases. Lessor hereby consents to the assignment of the Lessee's leasehold interest under the Current Ground Leases pursuant to the terms of the Deed of Trust. Lessor acknowledges and agrees that any limitations set forth in the Current Ground Leases regarding the Transfer of the Property or the sale or transfer of Lessee's interest thereunder shall be inapplicable to any sale of Lessee's interest under the Current Ground Leases which may be effected in connection with any

judicial or non-judicial foreclosure of the Deed of Trust. The Current Ground Leases may be assigned without Lessor's further consent to Agent, any Lender or to any other person or entity, pursuant to a foreclosure of, or trustee's sale under the Deed of Trust, or pursuant to an assignment of Lessee's interest in Current Ground Leases in lieu of foreclosure.

2. Request for Notices. Agent shall be deemed to have requested notice under the Current Ground Leases for all notices that are either required to be given under the terms of the Current Ground Leases or which are specifically authorized to be given under Current Ground Leases in order for a party to pursue its rights. This includes, without limitation, any notice of default, notice to terminate and any other notice under the Current Ground Leases which is required to implement any term of the Current Ground Leases or to make any election provided in the Current Ground Leases. Lessor and Lessee shall deliver or mail in the United States mail, postage prepaid, to Agent a duplicate and concurrent copy of any such notice. Agent shall not be required to make any further request for notice.

3. Non-Disturbance. Lessor agrees that the enforcement of the Deed of Trust shall not terminate the Current Ground Leases or disturb any Purchaser, including Agent or any Lender if it should be the Purchaser, in obtaining the right of, and continuing as, lessee (as successor-in-interest to Lessee) in the possession and use of the Property, unless, after such foreclosure, such Purchaser fails to cure any default under the Current Ground Leases susceptible to cure by such Purchaser, in accordance with the terms of this Agreement. This non-disturbance applies to any option to extend or renew the Current Ground Leases term which is set forth in the Current Ground Leases as of the date of this Agreement, or which is later entered into between Lessor and Lessee with the consent of Agent. This non-disturbance shall be effective and self-operative without the execution of any further instruments upon Purchaser's succeeding to the interest of the lessee under the Current Ground Leases. Upon completion of any foreclosure or trustee's sale proceedings by Agent or Lenders under the Deed of Trust (or completion of an assignment of the Current Ground Leases in lieu of foreclosure), Lessor will recognize Agent, Lenders, or any successor thereby to Lessee's interest in the Current Ground Leases, as the lessee under the terms of the Current Ground Leases for all purposes thereunder and for the remaining term thereof.

4. Attornment. Subject to Section 3 above, if any Transfer of the Property should occur, any Purchaser, including Agent or Lenders, if either should be the Purchaser, shall, and hereby does, attorn to Lessor, as the landlord under the Current Ground Leases, and Purchaser shall be bound to Lessor under all of the terms, covenants and conditions of the Current Ground Leases for the balance of the Current Ground Leases' respective terms and any extensions or renewals of it which may then or later be in effect under any validly exercised extension or renewal option contained in the Current Ground Leases, all with the same force and effect as if Purchaser had been the original lessee under the Current Ground Leases.

5. Limitation on Agent's Performance; Agent's Rights Prior to Foreclosure. Nothing in this Agreement shall be deemed to construed to be an agreement by Agent or Lenders to perform any covenant of Lessee as lessee under the Current Ground Leases, unless and until Agent or Lenders become a Purchaser and succeeds to the rights and obligations of lessee under the Current Ground Leases Lessor agrees that, if Agent or Lenders become a Purchaser, then, upon subsequent transfer of the Property by Agent or Lenders to a new owner, Agent or

Lenders shall have no further liability under the Current Ground Leases after said transfer. Agent or Lenders may, but shall not be required to, pay any of the rent due under the Current Ground Leases, procure and maintain any insurance, pay any taxes or other impositions, make any repairs or improvements, make any election (such as an election to extend the term or coverage of the Current Ground Leases, if that were provided in the Current Ground Leases), and do any other act required of Lessee by the terms of the Current Ground Leases in order to cure a default of Lessee, prevent a forfeiture of the Current Ground Leases, or otherwise protect its interest in the Tenant's Estate. Any such payment or act by Agent or Lenders shall be as effective hereunder as if done by Lessee, and may be done by Agent or Lenders without assuming the obligations of Lessee under the Current Ground Leases and without causing a default under the Current Ground Leases, and Lessor shall accept such payment or act by or at the instance of Agent or Lenders as if the same had been made by Lessee. In this regard, Agent or Lenders, pursuant to the terms of the Deed of Trust and for purposes of protecting its interest in the Tenant's Estate, may seek a court-appointed receiver to enter into possession and control of the Property.

6. Limitation of Agent's Obligations. Agent or Lenders, if they become the Purchaser or if they take possession under the Deed of Trust, or any other Purchaser, shall not (a) be liable for any damages or other relief attributable to any act or omission of any prior lessees under the Current Ground Leases, including Lessee (excepting the cure of existing defaults under the Current Ground Leases to the extent that such Purchaser has knowledge of such defaults and such defaults are susceptible to cure); or (b) be bound by any modification or amendment of or to the Current Ground Leases unless the amendment or modification shall have been approved in writing by Agent.

7. Mortgagee Protection Provisions. Agent or Lenders shall be deemed to be a third party beneficiary of the Current Ground Leases with respect to any and all provisions of the Current Ground Leases, if any, which benefit a lender ("Mortgagee Protection Provisions"). This section is intended to supplement and not to limit any Mortgagee Protection Provisions in the Current Ground Leases. Notwithstanding anything to the contrary in the Current Ground Leases, Lessor may terminate the Current Ground Leases because of a default thereunder (where termination is an available remedy under the Current Ground Leases) only after Lessor, in accordance with the Current Ground Leases and this Agreement, has delivered or mailed notice of such termination to Agent at the address set forth herein, specifying such default, and Agent and Lenders shall have the cure rights provided in the Mortgagee Protection Provisions of the Current Ground Leases.

8. No Amendments.

(a) So long as the Deed of Trust is in effect, then except with respect to termination of the Current Ground Leases as a result of a default as permitted herein, the Current Ground Leases will not be voluntarily canceled, surrendered, terminated, amended, modified or in any manner altered, or any provisions thereof waived or deferred by Lessee, without the prior written consent of Agent, which consent shall not be unreasonably withheld, conditioned or delayed.

(b) Lessor and Lessee covenant and agree to cooperate in executing such additional documents as may reasonably be requested by Agent as are reasonably necessary and are for

the purpose of implementing the Current Ground Leases and this Agreement, including, without limitation, the Mortgagee Protection Provisions contained in the Current Ground Leases or herein and allowing Agent reasonable means to protect or preserve the lien of the Deed of Trust on the occurrence of a default by Lessee hereunder.

9. No Merger. So long as the Deed of Trust is in effect, Tenant's Estate will not merge with Lessor's fee estate in the Property by reason of the fact that (a) Tenant's Estate is acquired by Lessor, or (b) Lessor's fee estate is acquired by Lessee, and no merger shall otherwise operate to defeat any lien held by Agent or Lenders. While the Deed of Trust is in effect, Lessor shall not transfer its fee interest in the Property unless such transfer is made subject to the Current Ground Leases and this Agreement.

10. Sublease. Lessor hereby consents to Lessee's grant to Agent and Lenders of a security interest in the personal property owned by Lessee and located at the Property and a collateral assignment of subleases by Lessee of all or any portion of the Property and the rents, issues and profits therefrom, if any. Lessor agrees that any interest Lessor may have in such personal property or subleases, as the case may be, whether granted pursuant to the Current Ground Leases or by statute, shall be subordinate to the interest of Agent and Lenders under the Deed of Trust. For so long as the Current Ground Leases or any new lease shall be in effect, Lessor shall not disturb the possession, interest or quiet enjoyment of any subtenant.

11. Insurance Proceeds; Condemnation Awards. Notwithstanding anything to the contrary in the Current Ground Leases, in the event of any damage to or destruction of the Property or any portion thereof or interest therein, upon the request of Agent, the proceeds of Lessee's insurance shall be deposited with Agent and shall be applied in accordance with the applicable provisions of the Deed of Trust. It is understood and acknowledged that the failure to apply the insurance proceeds to repair and reconstruction of the Property shall not limit, restrict or in any way waive Lessee's obligation to repair and reconstruct the Property following an event of damage and destruction as more specifically provided in the Current Ground Leases. Lessor acknowledges that Lessee's interest in its portion of any condemnation proceeds to which it is entitled under the Current Ground Leases shall be applied in accordance with the applicable provisions of the Deed of Trust and the Loan Documents (as defined in the Deed of Trust). Nothing herein shall be construed to effect, in any way, any separate insurance or condemnation proceeds payable to Lessor based upon Lessor's fee interest in the Property, or otherwise separate insurance or condemnation proceeds from those proceeds attributable to Lessee's leasehold estate in the Property and interest in the improvements located thereon.

12. Recourse Against Agent. Lessor's recourse against Agent or Lenders shall be expressly limited to Agent's or Lenders' interest in the Current Ground Leases.

13. Ground Lessor's Estoppel Certificate.

(a) True and Complete Lease. Lessor represents and warrants to Agent and Lenders that Recital A above accurately identifies the Current Ground Leases and all amendments, supplements, side letters and other agreements and memoranda pertaining to the Current Ground Leases, the leasehold estate and/or the Property.

(b) No Default. As of the date of this Agreement, Lessor represents and warrants that, to the best of Lessor's knowledge, there exist no events of default or events that, with notice or the passage of time or both, would be events of default under the Current Ground Leases on the part of Lessor or Lessee. Lessor represents and warrants that the Current Ground Leases are in full force and effect as of the date of this Agreement.

(c) No Other Leases. To the best of Lessor's knowledge and belief, as of the date of this Agreement, there are no leases, options or other agreements regarding transfer of any interest in, or otherwise materially affecting the Property other than the Current Ground Leases.

(d) Desert Oasis Leases. Lessor has approved (i) that certain lease agreement dated March 15, 2010 entered into by Desert Medical Group, Inc., a California corporation, as tenant, for certain premises located at 265 N. El Cielo Road, Palm Springs, California; and (ii) that certain lease agreement dated March 13, 1989 (as amended) entered into by Desert Medical Group, Inc., a California corporation, as tenant, for certain premises located at 255 and 275 N. El Cielo Road, Palm Springs, California.

(e) No Advance Payments. No rent or other sums payable under the Current Ground Leases have been paid more than thirty (30) days in advance.

(f) No Prior Assignments. Lessor has not received notice of any prior assignment, hypothecation or pledge of Lessee's interest in the Current Ground Leases.

(g) No Pending Litigation/Violations. Lessor has not received notice of any litigation pending, proposed or threatened against or in connection with the Property or the Current Ground Leases. Lessor has not sent or, to the best of Lessor's knowledge and belief, received any written notice that the Property, or any part thereof, is in violation of any laws, ordinances or regulations which could materially affect any of Lessee's rights or materially increase any of Lessee's obligations under the Current Ground Leases.

(h) Hazardous Substances. Except for such legal and commercially reasonable use by Lessor, Lessee and any subtenant, Lessor has no actual knowledge that any Hazardous Substance is present or has been used, generated, released, discharged, stored or disposed of by any party on, under, in or about the Property. As used herein, "Hazardous Substance" means any substance, material or waste (including petroleum and petroleum products), which is designated, classified or regulated as being "toxic" or "hazardous" or a "pollutant" or which is similarly designated, classified or regulated under any federal, state or local law, regulation or ordinance.

(i) Options to Extend. Except as specified in the Current Ground Leases, Lessee has no other option to extend or renew the term of the Current Ground Leases.

(j) Rent. The current monthly base rents currently payable under the Current Ground Leases for 2014 are as follows: (i) Lease 2528 - \$ _____; (ii) Lease 2529 - \$ _____; and (iii) Lease 2636 - \$ _____. There has been no percentage rent paid or payable under the Current Ground Leases for 2012 and 2013. As of the date of hereof, all other sums due and payable by Lessee under the Current Ground Leases have been paid.

(k) Purchase Option. Lessor has no purchase options under the Current Ground Leases.

(l) Expiration Date. The expiration dates for each Current Ground Lease is October 31, 2037, and each Current Ground Lease has two extension options, the first extension option being for ten (10) years and the second extension option being for eight (8) years.

(m) Construction. The construction of the buildings and related improvements on the Property as required by the terms and provisions of the Current Ground Lease has been completed to the satisfaction of Lessor.

14. Amendments to Current Ground Leases

(a) Notwithstanding anything to the contrary set forth in Lease 2636, Lessee shall be permitted to sublet all or any portion of the premises or improvements (or both) which are the subject of Lease 2636, and to assign, encumber, extend or renew any sublease without the prior consent of Lessor, provided that Lessee complies with the terms of Article X.B of Lease 2529.

(b) Notwithstanding anything to the contrary set forth in the Current Ground Leases, Lessee shall not be required to obtain the prior consent of Lessor with respect to any leasehold mortgage or similar encumbrance (including any amendment, replacement, modification and/or extension of the same) that does not exceed eighty-five percent (85%) of the value of the leasehold interest together with the estimated value of the improvements placed, or to be placed, thereon.

(c) Notwithstanding anything to the contrary contained in Article XI of Lease 2636, Article X of Lease 2529 and Article X of Lease 2528, Lessor, in determining whether or not to consent to Lessee's proposed assignment, sale or transfer of Lessee's interest in the applicable Current Ground Lease to a third party transferee (a "Transfer"), shall respond to Lessee's Transfer request within sixty (60) days following receipt of such written request. If Lessor has not responded in writing to Lessee to such Transfer request within forty-five (45) days after its receipt of such Transfer request then Lessee, at any time after such forty-five (45) day period, shall be permitted to send Lessor a second, written Transfer request, the purpose of which shall be to restate the initial request (a "Second Request"). If Lessor has not responded to such Transfer request within such sixty (60) day period, and provided that Lessee has also sent a Second Request, Lessor shall be deemed to have consented to the Transfer provided such third party transferee is (X) an accredited investor, as defined in Rule 501 of Regulation D of the Federal Securities Act of 1933 with adequate experience and sophistication in connection with owning and operating real estate; and (Y) not subject to trade restrictions under U.S. law, including but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., and any Executive Orders or regulations promulgated thereunder. The terms of this Section 14(c) shall not modify or limit the rights granted to Agent, Lenders or Purchaser in this Agreement and/or any mortgagee protection provisions contained herein.

(d) Rent.

A. Rent Commencing August 1, 2014. Notwithstanding anything to the contrary set forth in the applicable Current Ground Lease, Lessee, in consideration of the terms of this Agreement, including without limitation the term extensions provided herein, agrees to pay in lawful of the United States of America the “minimum annual rental” or “MAR” with respect to Lease 2529, Lease 2528 and Lease 2636 as follows:

(i) With respect to the remainder of calendar year 2014, commencing on August 1, 2014, (a) the amount of \$93,333.33 with respect to Lease 2636 payable in equally monthly installments, (b) the amount of \$93,333.33 with respect to Lease 2529 payable in equally monthly installments, and (c) the amount of \$93,333.33 with respect to Lease 2528 payable in equally monthly installments; and

(ii) With respect to calendar year 2015 and every year thereafter, the MAR with respect to each Current Ground Lease for the prior calendar year plus the Adjustment Factor as described in Paragraph B of this Subsection (d) payable in equally monthly installments.

B. The “Adjustment Factor” shall mean that the MAR shall be adjusted upward or downward at the end of each year (unless adjusted in accordance with Paragraph 4 of this Subsection (j)), beginning in 2015 and each year thereafter by the same percentage as the cost of living index has increased or decreased during the prior one year period. The cost of living index to be used is that reflected by the Revised Consumer Price Index for all Urban Consumers, all items, Los Angeles-Riverside-Orange Counties, California (1982-84=100), published by the Bureau of Labor Statistics of the U.S. Department of Labor. If for any reason whatsoever, there is any change in the method of calculation or formulation of said price index, or if that index shall no longer be published, then another index generally recognized as authoritative shall be substituted by agreement of the parties. In any event, the base used by any new index shall be reconciled to the 1982-84 Index. It is agreed for the purposes of this lease that the base index shall be December 2014. The cost of living adjustment to the MAR shall not exceed 5% from one lease year to the next.

C. Notwithstanding Paragraph B hereof, every ten (10) calendar years, beginning in calendar year 2025 and every ten (10) years following 2025, the MAR shall be brought to current market value as follows:

(i) An appraisal of the current value of the land (not including improvements) covered by the Current Ground Leases will be performed and completed by a California MAI licensed appraiser approved by both the Lessor and Lessee at least six (6) months prior to the time the MAR is to be adjusted in accordance with this Subsection (the “Initial Appraisal”). The date of value will be January 1 of the year preceding the year that the MAR is to be recalculated (“Valuation Date”) (i.e. for calendar year 2025 the parties agree that the valuation date used for the appraisal will be January 1, 2024). The Lessor and Lessee will each pay one-half (1/2) of the cost of the appraisal. Within thirty (30) days after the completion of the Initial Appraisal, Lessor and Lessee shall notify each other in writing whether they agree with the Initial Appraisal. If both the Lessor and Lessee agree with the

Initial Appraisal, then the MAR will be set at 8% of the total appraised value of the land (not including improvements) during the term of the applicable Current Ground Lease and any extensions thereof.

(ii) If either Lessor or Lessee disagree with the Initial Appraisal, then both parties shall hire their own California MAI licensed appraiser to value the land (not including improvements) as of the Valuation Date. The independent appraisals by both the Lessor and Lessee shall be completed at least two (2) months prior to the time that the MAR is to be adjusted in accordance with this Subsection and shall be mutually exchanged at the same time. Lessor and Lessee shall each bear their own cost of any appraisal performed pursuant to this Paragraph. The parties agree that the appraised value of the land (not including improvements) applicable to the Current Ground Leases shall be determined by taking the average value of the two (2) appraisals that have the least numerical difference (i.e., if the Initial Appraisal values the land at \$102, the Lessee's appraisal values the land at \$95, and the Lessor's Appraisal values the land at \$106, the value of the land would be determined by adding the amount of \$102 plus \$106 for a total of 208 and divide by 2 for a total assessed value of \$104). In the event that the numerical difference between the appraisals is the same, the assessed value of the land applicable to the Current Ground Leases will be determined by averaging the three (3) appraisals together. The MAR will be set at 8% of the total appraised value of the land (not including improvements) applicable to the Current Ground Leases.

(e) Extension of Term of Current Ground Lease.

A. Lease 2636. Article I of Lease 2636 is hereby deleted and replaced with the following:

"The initial term ("Initial Term") of this Agreement shall be for forty nine (49) years beginning on November 1, 1988 and ending on October 31, 2037 unless sooner terminated in accordance with the terms hereof. The Lessee may, at its option, extend the Lease for an additional ten (10) year period ("First Extended Period") by giving to Lessor a notice in writing of its intention to exercise such option, such written notice to be given to Lessor no less than one hundred twenty (120) days but no more than six (6) months before the expiration of the Initial Term ("First Option"). Provided the Lessee has exercised the First Option, the Lessee may at its option extend this Lease for an additional eight (8) year period ("Second Extended Period") commencing upon expiration of the First Extended Period by giving to Lessor a notice in writing of its intention to exercise such option such written notice to be given to Lessor no less than one hundred twenty (120) days prior but no more than six (6) months before the expiration of the First Extended Period (the "Second Option"). Provided the Lessee has exercised the Second Option, the Lessee may at its option extend this Lease for an additional ten (10) year period ("Third Extended Period") commencing upon expiration of the Second Extended Period by giving to Lessor a notice in writing of its intention to exercise such option such written notice to be given to Lessor no less than one hundred twenty (120) days prior but no more than six (6) months before the expiration of the Second Extended Period (the "Third Option"). Provided the Lessee has exercised the Third Option, the Lessee may at its option extend this Lease for an additional ten (10) year period ("Fourth Extended Period") commencing upon expiration of the Third Extended Period by giving to Lessor a notice in writing of its intention to exercise such option such written notice

to be given to Lessor no less than one hundred twenty (120) days prior but no more than six (6) months before the expiration of the Third Extended Period (the "Fourth Option")."

B. Lease 2529. Article II of Lease 2529 is hereby deleted and replaced with the following:

"The initial term ("Initial Term") of this Agreement shall be for forty-nine (49) years and six (6) months beginning on May 1, 1988 and ending on October 31, 2037 unless sooner terminated in accordance with the terms hereof. The Lessee may, at its option, extend the Lease for an additional ten (10) year period ("First Extended Period") by giving to Lessor a notice in writing of its intention to exercise such option, such written notice to be given to Lessor no less than one hundred twenty (120) days but no more than six (6) months before the expiration of the Initial Term ("First Option"). Provided the Lessee has exercised the First Option, the Lessee may at its option extend this Lease for an additional eight (8) year period ("Second Extended Period") commencing upon expiration of the First Extended Period by giving to Lessor a notice in writing of its intention to exercise such option such written notice to be given to Lessor no less than one hundred twenty (120) days prior but no more than six (6) months before the expiration of the First Extended Period ("Second Option"). Provided the Lessee has exercised the Second Option, the Lessee may at its option extend this Lease for an additional ten (10) year period ("Third Extended Period") commencing upon expiration of the Second Extended Period by giving to Lessor a notice in writing of its intention to exercise such option such written notice to be given to Lessor no less than one hundred twenty (120) days prior but no more than six (6) months before the expiration of the Second Extended Period (the "Third Option"). Provided the Lessee has exercised the Third Option, the Lessee may at its option extend this Lease for an additional ten (10) year period ("Fourth Extended Period") commencing upon expiration of the Third Extended Period by giving to Lessor a notice in writing of its intention to exercise such option such written notice to be given to Lessor no less than one hundred twenty (120) days prior but no more than six (6) months before the expiration of the Third Extended Period (the "Fourth Option")."

C. Lease 2528. Article II of Lease 2528 is hereby deleted and replaced with the following:

"The initial term ("Initial Term") of this Agreement shall be for forty-nine (49) years and six (6) months beginning on May 1, 1988 and ending on October 31, 2037 unless sooner terminated in accordance with the terms hereof. The Lessee may, at its option, extend the Lease for an additional ten (10) year period ("First Extended Period") by giving to Lessor a notice in writing of its intention to exercise such option, such written notice to be given to Lessor no less than one hundred twenty (120) days but no more than six (6) months before the expiration of the Initial Term ("First Option"). Provided the Lessee has exercised the First Option, the Lessee may at its option extend this Lease for an additional eight (8) year period ("Second Extended Period") commencing upon expiration of the First Extended Period by giving to Lessor a notice in writing of its intention to exercise such option such written notice to be given to Lessor no less than one hundred twenty (120) days prior but no more than six (6) months before the expiration of the First Extended Period ("Second Option"). Provided the Lessee has exercised the Second Option, the Lessee may at its option extend this Lease for an additional ten (10) year period ("Third Extended Period") commencing upon expiration of

the Second Extended Period by giving to Lessor a notice in writing of its intention to exercise such option such written notice to be given to Lessor no less than one hundred twenty (120) days prior but no more than six (6) months before the expiration of the Second Extended Period (the "Third Option"). Provided the Lessee has exercised the Third Option, the Lessee may at its option extend this Lease for an additional ten (10) year period ("Fourth Extended Period") commencing upon expiration of the Third Extended Period by giving to Lessor a notice in writing of its intention to exercise such option such written notice to be given to Lessor no less than one hundred twenty (120) days prior but no more than six (6) months before the expiration of the Third Extended Period (the "Fourth Option")."

(f) Except as modified herein, the Current Ground Leases and all of the terms and provisions thereof shall remain unmodified and in full force and effect as originally written. In the event of any conflict or inconsistency between the provisions of the Current Ground Leases and the provisions of this Agreement, the provisions of this Agreement shall control. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective beneficiaries, successors and assigns.

15. Authorization. Lessor and Lessee represent that Lessor and Lessee each have the necessary power and authority to execute this Agreement and each have obtained all of the consents or approvals of all parties necessary to effectuate the terms of this Agreement.

16. Termination of Agreement. This Agreement shall terminate when the obligations secured by the current Leasehold Mortgage have been paid in full; it being understood and agreed that this Agreement shall survive any transfer or assignment of Tenant's interest in the Current Ground Leases.

17. Address of Agent.

General Electric Capital Corporation
Loan No. 70004544
500 West Monroe Street, Chicago, Illinois 60661
Attn: James Seymour, Senior Managing Director
Facsimile: (513) 794-8332

with a copy to

General Electric Capital Corporation
Loan No. 70004544
5804 Trailridge Drive, Austin, Texas 78731
Attention: Diana Pennington, Chief Counsel – HFS Real Estate
Facsimile: (866) 221-0433

18. Integration. This Agreement integrates all of the terms and conditions of the parties' agreement regarding Lessor's consent to the Deed of Trust, attornment, nondisturbance, and the other matters contained herein. This Agreement supersedes and cancels all oral negotiations and prior and other writings with respect to such attornment, non-disturbance and other matters contained herein. This Agreement may not be modified or amended except by a written agreement signed by the parties or their respective successors-in interest.

19. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together constitutes one and the same instrument.

[Signatures appear on following page.]

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto as of the date first set forth above.

LESSOR:

CITY OF PALM SPRINGS, a
Municipal corporation

By: _____
Name: _____
Title: City Manager

APPROVED AS TO FORM

_____, City Attorney
Date: _____

APPROVED BY CITY COUNSEL

ATTEST:

_____, City Clerk

TENANT:

MEDICAL PROPERTIES II PALM SPRINGS,
LLC, a Delaware limited liability company

By: _____
Name: _____
Its: _____

APPROVED BY AGENT:

GENERAL ELECTRIC CAPITAL
CORPORATION,
a Delaware corporation

By: _____
Name: _____
Title: _____

CALIFORNIA ALL PURPOSE ACKNOWLEDGEMENT

State of)
) SS.
County of)

On _____ before me, _____, a Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

CALIFORNIA ALL PURPOSE ACKNOWLEDGEMENT

State of)
) SS.
County of)

On _____ before me, _____, a Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

CALIFORNIA ALL PURPOSE ACKNOWLEDGEMENT

State of)
) SS.
County of)

On _____ before me, _____, a Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A
LEGAL DESCRIPTION OF PROPERTY
[ATTACHED]

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Medical Properties II Palm Springs, LLC
c/o MB Real Estate
181 West Madison Street, 47th Floor
Chicago, Illinois 60602
Attn: Peter Westmeyer

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT NO. 2528
AND CONSENT TO ASSIGNMENT**

THIS ASSIGNMENT AND ASSUMPTION OF LEASE AND CONSENT TO ASSIGNMENT ("Assignment") is dated this ____ day of _____, 2014 ("Effective Date"), by and between the CITY OF PALM SPRINGS ("City" or "Lessor"), AP-Palm Springs Airport LLC, a Delaware limited liability company ("Assignor"), and Medical Properties II Palm Springs, LLC, a Delaware limited liability company ("Assignee") with reference to the following facts and purposes:

RECITALS

A. City entered into that certain Indenture of Lease Agreement No. 2528 dated May 1, 1988, as amended by the First Amendment to Lease Agreement #2528 entered April 28, 1993, Second Amendment to Lease Agreement #2528 entered October 21, 1993, Third Amendment to Lease Agreement #2528 entered December 15, 1993, Fourth Amendment to Lease Agreement No. 2528 dated October 25, 2000, the Assignment and Assumption of Lease Agreement No. 2528 and Consent to Assignment dated October 25, 2000, and the Agreement and Estoppel of Ground Lessor for Lease No. 2528 executed on January 7, 2002 (collectively the "Lease") covering a portion of those certain premises particularly described at Exhibit "A" attached hereto and incorporated hereby reference (the "Premises").

B. The Lease was duly assigned to Assignor, which assignment was recorded on October 31, 2000 in the Official Records of Riverside County, California as Instrument No. 00-430785.

C. Assignor wishes to assign the Lease, and Assignee wishes to accept such assignment pursuant to the terms of the Assignment.

D. Assignor and Assignee desire to obtain the City's specific consent to the assignment of the Lease, and City wishes to consent to the assignment of the Lease pursuant to the terms of this Assignment.

E. Concurrently herewith the City, Assignor and Assignee entered into that certain Assignment and Assumption of Lease Agreement No. 2529 and Consent to Assignment, whereby Assignor assigned to Assignee, and Assignee accepted such assignment, of all rights, title and interest in that certain Indenture of Lease Agreement No. 2529 dated May 1, 1988 entered into by City, as amended by the First Amendment to Lease Agreement #2529 entered April 28, 1993, the Second Amendment to Lease Agreement #2529 entered October 21, 1993, the Third Amendment to Lease Agreement #2529

entered December 15, 1993, the Fourth Amendment to Lease Agreement No. 2529 dated October 25, 2000, the Assignment and Assumption of Lease Agreement No. 2529 and Consent to Assignment dated October 25, 2000, and the Agreement and Estoppel of Ground Lessor for Lease No. 2529 (collectively "Lease #2529").

F. Concurrently herewith the City, Assignor and Assignee entered into that certain Assignment and Assumption of Lease Agreement No. 2636 and Consent to Assignment, whereby Assignor assigned to Assignee, and Assignee accepted such assignment, of all rights, title and interest in that certain Indenture of Lease Agreement No. 2636 dated November 3, 1988 entered into by City, as amended by Amendment No. 1 to Indenture of Lease Agreement No. 2636 entered January 2, 1991, the Second Amendment to Lease Agreement #2636 entered October 21, 1993, the Third Amendment to Lease Agreement #2636 entered December 15, 1993, the Fourth Amendment to Lease Agreement No. 2636 dated October 25, 2000, the Assignment and Assumption of Lease Agreement No. 2636 and Consent to Assignment dated October 25, 2000, and the Agreement and Estoppel of Ground Lessor for Lease No. 2636 (collectively "Lease #2636").

G. The Assignment and Assumption of Lease and Consent to Assignment for each of Lease #2529 and Lease #2636 are collectively referred to herein as the "Assignment Agreements".

H. The parties wish to assign the Lease pursuant to the terms of this Assignment.

NOW, THEREFORE, in consideration of the mutual promises of the parties hereto and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, City, Assignor and Assignee agree as follows:

1. Assignment. Assignor does hereby assign to Assignee all of its right, title and interest as lessee in the Lease as of the Effective Date, as defined above, subject to the terms and conditions herein contained.

2. Acceptance of Assignment. Assignee does hereby accept such assignment on the terms and conditions herein contained and agrees to timely keep, perform and discharge all of the obligations as the Lessee under the Lease that accrue from and after the Effective Date hereof.

3. Release of Liability. Upon the Effective Date, City agrees to release Assignor from all obligations and liability under the Lease accruing from and after the Effective Date. City reserves its rights to proceed against Assignor for all obligations under the Lease accruing prior to the Effective Date. City agrees that Assignee shall have no obligation or liability for any obligations of Assignor under the Lease accruing prior to the Effective Date.

4. City's Consent. City hereby consents to the assignment of the Lease by Assignor to Assignee subject to the terms and provisions of this Assignment. The parties hereto agree that City's consent to this assignment shall not constitute a waiver of the right of City to approve any further assignment, subletting or other transfer pursuant to the terms of the Lease.

5. Counterparts. This Assignment may be executed in one or more counterparts, all of which taken together shall constitute one instrument as though all signatures appear thereon.

6. Attorneys' Fees. If any party commences an action against any of the parties arising out of or in connection with this Assignment, the prevailing party or parties shall be entitled to recover from the losing party or parties reasonable attorneys' fees, expert witness fees and all other costs of suit.

7. Due Execution. The person(s) executing this Assignment on behalf of the parties hereto warrant that (i) such party has the legal right, power and authority to enter this Assignment and, if applicable, is duly organized and existing, (ii) they are duly authorized and have the legal right, power and actual authority to execute and delivery this Assignment on behalf of said party, (iii) by so executing this

Assignment, such party is formally bound to the provisions of this Assignment, (iv) the entering into this Assignment does not violate any provision of any other agreement to which said party is bound and (v) the consent of any trustee, trustor, judicial or administrative body, or governmental authority, or other party required for such person executing this Assignment or the party to be bound hereby has been obtained.

8. Integration; Amendments. This Assignment contains all of the agreements of the parties and cannot be modified, terminated or rescinded, in whole or in part, unless written and signed by authorized representatives of the parties hereto. No prior oral or written understanding shall be of any force with respect to those matters covered in this Assignment.

9. Governing Law. This Assignment and all matters pertaining thereto shall be construed according to the laws of the State of California.

10. Brokerage Commissions. Each party agrees to indemnify and hold the other harmless from and against all liabilities, costs, damages, and expenses, including, without limitation, attorneys' fees, resulting from any claims or fees or commissions, based upon agreements by it, if any, to pay a broker's commission and/or finder's fee.

11. Recording. This Assignment shall be recorded in the official Records of Riverside County, California.

SIGNATURES ON FOLLOWING PAGE

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

ATTEST:

"City"

City Clerk

CITY OF PALM SPRINGS,
a municipal corporation

APPROVED AS TO FORM:

By: _____

Name: _____

City Attorney

Its: _____

"Assignor"

AP-PALM SPRINGS AIRPORT, LLC,
a Delaware limited liability company

By: _____

Name: _____

Its: _____

"Assignee"

Medical Properties II Palm Springs, LLC,
a Delaware limited liability company

By: _____

Name: _____

Its: _____

EXHIBIT "A"

LOT 3 OF TRACT NO. 14573, IN THE CITY OF PALM SPRINGS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 109, PAGES 97 AND 98 OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

A NON-EXCLUSIVE EASEMENT FOR PEDESTRIAN INGRESS AND EGRESS, FOR VEHICULAR INGRESS AND EGRESS, AND FOR THE RIGHT TO USE DESIGNATED WALKWAYS, DRIVEWAYS AND PARKING AREAS, AS SUCH IMPROVEMENTS EXIST FROM TIME TO TIME, IN LOTS 1 AND 2 OF TRACT NO. 14573, AS SHOWN BY MAP ON FILE IN BOOK 109, PAGES 97 AND 98 OF TRACT MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, SUCH EASEMENT TO EXTEND TO LESSEE, ITS SUCCESSORS AND ASSIGNS, LESSEE'S SUBTENANTS, THEIR LICENSEES AND BUSINESS INVITEES.

State of California)
)
County of _____) SS.

On _____, 2014, before me, _____, a Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

State of California)
)
County of _____) SS.

On _____, 2014, before me, _____, a Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

State of California)
)
County of _____) SS.

On _____, 2014, before me, _____, a Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Medical Properties II Palm Springs, LLC
c/o MB Real Estate
181 West Madison Street, 47th Floor
Chicago, Illinois 60602
Attn: Peter Westmeyer

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT NO. 2529
AND CONSENT TO ASSIGNMENT**

THIS ASSIGNMENT AND ASSUMPTION OF LEASE AND CONSENT TO ASSIGNMENT ("Assignment") is dated this ____ day of _____, 2014 ("Effective Date"), by and between the CITY OF PALM SPRINGS ("City" or "Lessor"), AP-Palm Springs Airport LLC, a Delaware limited liability company ("Assignor"), and Medical Properties II Palm Springs, LLC, a Delaware limited liability company ("Assignee") with reference to the following facts and purposes:

RECITALS

A. City entered into that certain Indenture of Lease Agreement No. 2529 dated May 1, 1988 entered into by City, as amended by the First Amendment to Lease Agreement #2529 entered April 28, 1993, the Second Amendment to Lease Agreement #2529 entered October 21, 1993, the Third Amendment to Lease Agreement #2529 entered December 15, 1993, the Fourth Amendment to Lease Agreement No. 2529 dated October 25, 2000, the Assignment and Assumption of Lease Agreement No. 2529 and Consent to Assignment dated October 25, 2000, and the Agreement and Estoppel of Ground Lessor for Lease No. 2529 (collectively the "Lease") covering a portion of those certain premises particularly described at Exhibit "A" attached hereto and incorporated hereby reference (the "Premises").

B. The Lease was duly assigned to Assignor, which assignment was recorded on October 31, 2000 in the Official Records of Riverside County, California as Instrument No. 00-430783.

C. Assignor wishes to assign the Lease, and Assignee wishes to accept such assignment pursuant to the terms of the Assignment.

D. Assignor and Assignee desire to obtain the City's specific consent to the assignment of the Lease, and City wishes to consent to the assignment of the Lease pursuant to the terms of this Assignment.

E. Concurrently herewith the City, Assignor and Assignee entered into that certain Assignment and Assumption of Lease Agreement No. 2528 and Consent to Assignment, whereby Assignor assigned to Assignee, and Assignee accepted such assignment, of all rights, title and interest in that certain Indenture of Lease Agreement No. 2528 dated May 1, 1988, as amended by the First Amendment to Lease Agreement #2528 entered April 28, 1993, Second Amendment to Lease Agreement #2528 entered October 21, 1993, Third Amendment to Lease Agreement #2528 entered December 15,

1993, Fourth Amendment to Lease Agreement No. 2528 dated October 25, 2000, the Assignment and Assumption of Lease Agreement No. 2528 and Consent to Assignment dated October 25, 2000, and the Agreement and Estoppel of Ground Lessor for Lease No. 2528 executed on January 7, 2002 (collectively "Lease #2528").

F. Concurrently herewith the City, Assignor and Assignee entered into that certain Assignment and Assumption of Lease Agreement No. 2636 and Consent to Assignment, whereby Assignor assigned to Assignee, and Assignee accepted such assignment, of all rights, title and interest in that certain Indenture of Lease Agreement No. 2636 dated November 3, 1988 entered into by City, as amended by Amendment No. 1 to Indenture of Lease Agreement No. 2636 entered January 2, 1991, the Second Amendment to Lease Agreement #2636 entered October 21, 1993, the Third Amendment to Lease Agreement #2636 entered December 15, 1993, the Fourth Amendment to Lease Agreement No. 2636 dated October 25, 2000, the Assignment and Assumption of Lease Agreement No. 2636 and Consent to Assignment dated October 25, 2000, and the Agreement and Estoppel of Ground Lessor for Lease No. 2636 (collectively "Lease #2636").

G. The Assignment and Assumption of Lease and Consent to Assignment for each of Lease #2528 and Lease #2636 are collectively referred to herein as the "Assignment Agreements".

H. The parties wish to assign the Lease pursuant to the terms of this Assignment.

NOW, THEREFORE, in consideration of the mutual promises of the parties hereto and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, City, Assignor and Assignee agree as follows:

1. Assignment. Assignor does hereby assign to Assignee all of its right, title and interest as lessee in the Lease as of the Effective Date, as defined above, subject to the terms and conditions herein contained.

2. Acceptance of Assignment. Assignee does hereby accept such assignment on the terms and conditions herein contained and agrees to timely keep, perform and discharge all of the obligations as the Lessee under the Lease that accrue from and after the Effective Date hereof.

3. Release of Liability. Upon the Effective Date, City agrees to release Assignor from all obligations and liability under the Lease accruing from and after the Effective Date. City reserves its rights to proceed against Assignor for all obligations under the Lease accruing prior to the Effective Date. City agrees that Assignee shall have no obligation or liability for any obligations of Assignor under the Lease accruing prior to the Effective Date.

4. City's Consent. City hereby consents to the assignment of the Lease by Assignor to Assignee subject to the terms and provisions of this Assignment. The parties hereto agree that City's consent to this assignment shall not constitute a waiver of the right of City to approve any further assignment, subletting or other transfer pursuant to the terms of the Lease.

5. Counterparts. This Assignment may be executed in one or more counterparts, all of which taken together shall constitute one instrument as though all signatures appear thereon.

6. Attorneys' Fees. If any party commences an action against any of the parties arising out of or in connection with this Assignment, the prevailing party or parties shall be entitled to recover from the losing party or parties reasonable attorneys' fees, expert witness fees and all other costs of suit.

7. Due Execution. The person(s) executing this Assignment on behalf of the parties hereto warrant that (i) such party has the legal right, power and authority to enter this Assignment and, if applicable, is duly organized and existing, (ii) they are duly authorized and have the legal right, power and actual authority to execute and delivery this Assignment on behalf of said party, (iii) by so executing this

Assignment, such party is formally bound to the provisions of this Assignment, (iv) the entering into this Assignment does not violate any provision of any other agreement to which said party is bound and (v) the consent of any trustee, trustor, judicial or administrative body, or governmental authority, or other party required for such person executing this Assignment or the party to be bound hereby has been obtained.

8. Integration; Amendments. This Assignment contains all of the agreements of the parties and cannot be modified, terminated or rescinded, in whole or in part, unless written and signed by authorized representatives of the parties hereto. No prior oral or written understanding shall be of any force with respect to those matters covered in this Assignment.

9. Governing Law. This Assignment and all matters pertaining thereto shall be construed according to the laws of the State of California.

10. Brokerage Commissions. Each party agrees to indemnify and hold the other harmless from and against all liabilities, costs, damages, and expenses, including, without limitation, attorneys' fees, resulting from any claims or fees or commissions, based upon agreements by it, if any, to pay a broker's commission and/or finder's fee.

11. Recording. This Assignment shall be recorded in the official Records of Riverside County, California.

SIGNATURES ON FOLLOWING PAGE

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

ATTEST:

"City"

City Clerk

CITY OF PALM SPRINGS,
a municipal corporation

By: _____

APPROVED AS TO FORM:

Name: _____

City Attorney

Its: _____

"Assignor"

AP-PALM SPRINGS AIRPORT, LLC,
a Delaware limited liability company

By: _____

Name: _____

Its: _____

"Assignee"

Medical Properties II Palm Springs, LLC
a Delaware limited liability company

By: _____

Name: _____

Its: _____

EXHIBIT "A"

LOT 1 OF TRACT NO. 14573, IN THE CITY OF PALM SPRINGS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 109, PAGES 97 AND 98 OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

A NON-EXCLUSIVE EASEMENT FOR PEDESTRIAN INGRESS AND EGRESS, FOR VEHICULAR INGRESS AND EGRESS, AND FOR THE RIGHT TO USE DESIGNATED WALKWAYS, DRIVEWAYS AND PARKING AREAS, AS SUCH IMPROVEMENTS EXIST FROM TIME TO TIME, IN LOTS 2 AND 3 OF TRACT NO. 14573, AS SHOWN BY MAP ON FILE IN BOOK 109, PAGES 97 AND 98 OF TRACT MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, SUCH EASEMENT TO EXTEND TO LESSEE, ITS SUCCESSORS AND ASSIGNS, LESSEE'S SUBTENANTS, THEIR LICENSEES AND BUSINESS INVITEES.

State of California)
)
County of _____) SS.

On _____, 2014, before me, _____, a Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

State of California)
)
County of _____) SS.

On _____, 2014, before me, _____, a Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

State of California)
)
County of _____) SS.

On _____, 2014, before me, _____, a Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Medical Properties II Palm Springs, LLC
c/o MB Real Estate
181 West Madison Street, 47th Floor
Chicago, Illinois 60602
Attn: Peter Westmeyer

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT NO. 2636
AND CONSENT TO ASSIGNMENT**

THIS ASSIGNMENT AND ASSUMPTION OF LEASE AND CONSENT TO ASSIGNMENT ("Assignment") is dated this ___ day of _____, 2014 ("Effective Date"), by and between the CITY OF PALM SPRINGS ("City" or "Lessor"), AP-Palm Springs Airport LLC, a Delaware limited liability company ("Assignor"), and Medical Properties II Palm Springs, LLC, a Delaware limited liability company ("Assignee") with reference to the following facts and purposes:

RECITALS

A. City entered into that certain Indenture of Lease Agreement No. 2636 dated November 3, 1988 entered into by City, as amended by Amendment No. 1 to Indenture of Lease Agreement No. 2636 entered January 2, 1991, the Second Amendment to Lease Agreement #2636 entered October 21, 1993, the Third Amendment to Lease Agreement #2636 entered December 15, 1993, the Fourth Amendment to Lease Agreement No. 2636 dated October 25, 2000, the Assignment and Assumption of Lease Agreement No. 2636 and Consent to Assignment dated October 25, 2000, and the Agreement and Estoppel of Ground Lessor for Lease No. 2636 (collectively the "Lease") covering a portion of those certain premises particularly described at Exhibit "A" attached hereto and incorporated hereby reference (the "Premises").

B. The Lease was duly assigned to Assignor, which assignment was recorded on October 31, 2000 in the Official Records of Riverside County, California as Instrument No. 00-430784.

C. Assignor wishes to assign the Lease, and Assignee wishes to accept such assignment pursuant to the terms of the Assignment.

D. Assignor and Assignee desire to obtain the City's specific consent to the assignment of the Lease, and City wishes to consent to the assignment of the Lease pursuant to the terms of this Assignment.

E. Concurrently herewith the City, Assignor and Assignee entered into that certain Assignment and Assumption of Lease Agreement No. 2529 and Consent to Assignment, whereby Assignor assigned to Assignee, and Assignee accepted such assignment, of all rights, title and interest in that certain Indenture of Lease Agreement No. 2529 dated May 1, 1988 entered into by City, as amended by the First Amendment to Lease Agreement #2529 entered April 28, 1993, the Second Amendment to

Lease Agreement #2529 entered October 21, 1993, the Third Amendment to Lease Agreement #2529 entered December 15, 1993, the Fourth Amendment to Lease Agreement No. 2529 dated October 25, 2000, the Assignment and Assumption of Lease Agreement No. 2529 and Consent to Assignment dated October 25, 2000, and the Agreement and Estoppel of Ground Lessor for Lease No. 2529 (collectively "Lease #2529").

F. Concurrently herewith the City, Assignor and Assignee entered into that certain Assignment and Assumption of Lease Agreement No. 2528 and Consent to Assignment, whereby Assignor assigned to Assignee, and Assignee accepted such assignment, of all rights, title and interest in that certain Indenture of Lease Agreement No. 2528 dated May 1, 1988, as amended by the First Amendment to Lease Agreement #2528 entered April 28, 1993, Second Amendment to Lease Agreement #2528 entered October 21, 1993, Third Amendment to Lease Agreement #2528 entered December 15, 1993, Fourth Amendment to Lease Agreement No. 2528 dated October 25, 2000, the Assignment and Assumption of Lease Agreement No. 2528 and Consent to Assignment dated October 25, 2000, and the Agreement and Estoppel of Ground Lessor for Lease No. 2528 executed on January 7, 2002 (collectively "Lease #2528").

G. The Assignment and Assumption of Lease and Consent to Assignment for each of Lease #2529 and Lease #2528 are collectively referred to herein as the "Assignment Agreements".

H. The parties wish to assign the Lease pursuant to the terms of this Assignment.

NOW, THEREFORE, in consideration of the mutual promises of the parties hereto and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, City, Assignor and Assignee agree as follows:

1. Assignment. Assignor does hereby assign to Assignee all of its right, title and interest as lessee in the Lease as of the Effective Date, as defined above, subject to the terms and conditions herein contained.

2. Acceptance of Assignment. Assignee does hereby accept such assignment on the terms and conditions herein contained and agrees to timely keep, perform and discharge all of the obligations as the Lessee under the Lease that accrue from and after the Effective Date hereof.

3. Release of Liability. Upon the Effective Date, City agrees to release Assignor from all obligations and liability under the Lease accruing from and after the Effective Date. City reserves its rights to proceed against Assignor for all obligations under the Lease accruing prior to the Effective Date. City agrees that Assignee shall have no obligation or liability for any obligations of Assignor under the Lease accruing prior to the Effective Date.

4. City's Consent. City hereby consents to the assignment of the Lease by Assignor to Assignee subject to the terms and provisions of this Assignment. The parties hereto agree that City's consent to this assignment shall not constitute a waiver of the right of City to approve any further assignment, subletting or other transfer pursuant to the terms of the Lease.

5. Counterparts. This Assignment may be executed in one or more counterparts, all of which taken together shall constitute one instrument as though all signatures appear thereon.

6. Attorneys' Fees. If any party commences an action against any of the parties arising out of or in connection with this Assignment, the prevailing party or parties shall be entitled to recover from the losing party or parties reasonable attorneys' fees, expert witness fees and all other costs of suit.

7. Due Execution. The person(s) executing this Assignment on behalf of the parties hereto warrant that (i) such party has the legal right, power and authority to enter this Assignment and, if applicable, is duly organized and existing, (ii) they are duly authorized and have the legal right, power and

actual authority to execute and delivery this Assignment on behalf of said party, (iii) by so executing this Assignment, such party is formally bound to the provisions of this Assignment, (iv) the entering into this Assignment does not violate any provision of any other agreement to which said party is bound and (v) the consent of any trustee, trustor, judicial or administrative body, or governmental authority, or other party required for such person executing this Assignment or the party to be bound hereby has been obtained.

8. Integration; Amendments. This Assignment contains all of the agreements of the parties and cannot be modified, terminated or rescinded, in whole or in part, unless written and signed by authorized representatives of the parties hereto. No prior oral or written understanding shall be of any force with respect to those matters covered in this Assignment.

9. Governing Law. This Assignment and all matters pertaining thereto shall be construed according to the laws of the State of California.

10. Brokerage Commissions. Each party agrees to indemnify and hold the other harmless from and against all liabilities, costs, damages, and expenses, including, without limitation, attorneys' fees, resulting from any claims or fees or commissions, based upon agreements by it, if any, to pay a broker's commission and/or finder's fee.

11. Recording. This Assignment shall be recorded in the official Records of Riverside County, California.

SIGNATURES ON FOLLOWING PAGE

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

ATTEST:

"City"

City Clerk

CITY OF PALM SPRINGS,
a municipal corporation

APPROVED AS TO FORM:

By: _____

Name: _____

City Attorney

Its: _____

"Assignor"

AP-PALM SPRINGS AIRPORT, LLC,
a Delaware limited liability company

By: _____

Name: _____

Its: _____

"Assignee"

Medical Properties II Palm Springs, LLC
a Delaware limited liability company

By: _____

Name: _____

Its: _____

EXHIBIT "A"

LOT 2 OF TRACT NO. 14573, IN THE CITY OF PALM SPRINGS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 109, PAGES 97 AND 98 OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

A NONEXCLUSIVE EASEMENT FOR PEDESTRIAN INGRESS AND EGRESS, FOR VEHICULAR INGRESS AND EGRESS, AND FOR THE RIGHT TO USE DESIGNATED WALKWAYS, DRIVEWAYS AND PARKING AREAS, AS SUCH IMPROVEMENTS EXIST FROM TIME TO TIME, IN LOTS 1 AND 3 OF TRACT NO. 14573, ACCORDING TO MAP RECORDED IN BOOK 109, PAGES 97 AND 98 OF TRACT MAPS IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY, CALIFORNIA, SUCH EASEMENT TO EXTEND TO PRC, ITS SUCCESSORS AND ASSIGNS, PRC'S SUBTENANTS, THEIR LICENSEES AND BUSINESS INVITEES.

State of California)
)
County of _____) SS.

On _____, 2014, before me, _____, a Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

State of California)
)
County of _____) SS.

On _____, 2014, before me, _____, a Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

State of California)
)
County of _____) SS.

On _____, 2014, before me, _____, a Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)