

U.S. GOVERNMENT
LEASE FOR REAL PROPERTY

DATE OF LEASE: 3/13/2009

LEASE No. GS-09B-01701

THIS LEASE, made and entered into this date between Tucson Imperial LLC

whose address is: 7825 Fay Avenue, Suite 250, La Jolla, California 92037

and whose interest in the property hereinafter described is that of OWNER, hereinafter called the LESSOR, and the UNITED STATES OF AMERICA, hereinafter called the GOVERNMENT:

WITNESSETH: The parties hereto for the considerations hereinafter mentioned, covenant and agree as follows:

1. The Lessor hereby leases to the Government the following described premises:

19,974 rentable square feet (r.s.f.), yielding approximately 19,954 ANSI/BOMA Office Area square feet and related space located on the 1st Floor of the building located at 2650 Park Marina Drive, Redding, CA 96002, together with six (6) reserved on-site parking spaces for Official Government Vehicles, as depicted on the attached Site Plan (the "Premises"), and 74 surface parking spaces as required by local code for exclusive use by the Government, to be used for SUCH PURPOSES AS DETERMINED BY THE GOVERNMENT.

2. PARAGRAPH 2 IS INTENTIONALLY OMITTED.

3. The Government shall pay the Lessor annual rent as follows: *GRD* *\$ 728,128.50* *\$ 60,677.38 GRD*

For years 1 through 10, annual rent of ~~\$728,052.30~~ at the rate of ~~\$60,671.03~~ per month in arrears;
For years 11 through 15, annual rent of \$787,974.30 at the rate of \$65,664.53 per month in arrears;

Firm Term Rent (Year 1- Year 10):

	RSF Rate	Annual Rent	Monthly Rent
Shell Rent	\$25.21	\$503,544.54	\$ 41,962.05
OpEx	\$ 5.28	\$105,462.72	\$ 8,788.56
Amortization of TI	\$ 5.96	\$119,121.24	\$ 9,926.77
Full Service Rent	\$36.45	\$728,052.30	\$60,671.03

Post Firm Term Rent (Year 11- Year 15)

	RSF Rate	Annual Rent	Monthly Rent
Shell Rent	\$31.17	\$622,589.58	\$51,882.47
OpEx	\$ 8.28	\$165,384.72	\$13,782.06
Full Service Rent	\$39.45	\$787,974.30	\$65,664.53

Rent for a lesser period shall be prorated. Rent checks shall be payable to:

Tucson Imperial LLC
7825 Fay Avenue, Suite 250
La Jolla, CA 92037

4. The Government may terminate this lease, in whole or in part, effective at any time on or after the initial ten (10) year firm term by giving at least ninety (90) days prior notice in writing to the Lessor. No rental shall accrue after the effective date of termination. Said notice shall be computed commencing with the day after the date of mailing.
5. PARAGRAPH 5 IS INTENTIONALLY OMITTED.
6. The Lessor shall furnish to the Government as part of the rental consideration, the following:
- A. The six (6) parking spaces for government vehicles and seventy-four (74) parking spaces required by local code as described in Paragraph 1.

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7. The following are attached and made a part hereof:

All terms, conditions, and obligations of the Lessor and the Government as set forth in the following:

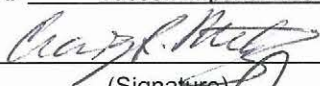
- a) Sheets no. 1-4 containing Paragraphs 9-27;
- b) The Solicitation For Offers Number 3CA0064 (Pages 1-42) (all references to SFO shall also refer to any Special Requirements and Amendments);
- c) SFO Amendments: Amendment 1 (Page 1) Amendment 2 (Pages 1-2) and Amendment 3 (Pages 1-3);
- d) Attachment 1 – Special Requirements (Pages 1-29);
- e) GSA Form 3517 (33 Pages);
- f) GSA Form 3518 (7 Pages);
- g) Exhibit "A," Site Plan (1 Page)

8. The following changes were made in this lease prior to its execution:


Paragraphs 2 and 5 of this STANDARD FORM 2 were deleted in their entirety. Paragraphs 9 through 25 have been added.

IN WITNESS WHEREOF, the parties hereto have hereunto subscribed their names as of the date first above written.

LESSOR: Tucson Imperial LLC

BY  (Signature) _____ (Signature)

IN PRESENCE OF:

 (Signature) 7825 Fay Ave., # 250, La Jolla, CA (Address)

UNITED STATES OF AMERICA: **GENERAL SERVICES ADMINISTRATION, Public Buildings Service:**

BY 
CONTRACTING OFFICER, GSA

9. **TO HAVE AND TO HOLD** the Premises with their appurtenances for the term beginning on the day the space is accepted by the Government as complete and ready for occupancy through the following fifteen (15) year term in accordance with the Paragraph entitled "Inspection of Premises" herein, subject to termination and renewal rights as may be hereinafter set forth.
10. Pursuant to Paragraph 3.16, "Construction Schedule and Acceptance of Tenant Improvements," the Lessor shall have **one hundred twenty (120) working days** from the Government's Notice To Proceed to have the space available for inspection and acceptance by the Government. All items specified in Lease Agreement and as delineated on the Government Approved Design Intent Drawings shall be provided by the Lessor.
11. **GOVERNMENT'S PERCENTAGE OF OCCUPANCY:** The Government occupies 19,974 rentable square feet, or **100%** in said building consisting of 19,974 rentable square feet (RSF). (19,974 RSF /19,974 RSF=100%)
12. **OPERATING COST:** The base rate is established at **\$5.28** per rentable square foot per annum. This cost does not include the cost of Overtime HVAC which will not be paid as part of the rental rate. The operating costs shall not be subject to annual CPI escalations.
13. **ADJUSTMENT FOR VACANT PREMISES:** Pursuant to Paragraph 3.13 of Solicitation for Offers 3CA0064 entitled "Adjustment for Vacant Premises", in the event of the Government vacating in whole or in part prior to lease expiration, the rental will be reduced by **\$4.00** per rentable square foot per annum for operating expenses.
14. **OVERTIME USAGE:** Pursuant to Paragraph 7.3 of Solicitation For Offers 3CA0064 entitled "Overtime Usage", upon request by the GSA Field Office Manager, the Lessor shall provide heating ventilation and air-conditioning (HVAC) at any time beyond normal service hours (7:00 a.m. to 5:30 p.m.), Monday through Friday, except Federal Holidays ("Normal Hours"), at a rate of **\$10.00** per hour. The Lessor will not charge the Government if Lessor otherwise provides these services to other building tenants during the Government's overtime hours. The cost of Overtime HVAC shall be paid by the Government via lump sum basis. The Lessor must submit a proper invoice quarterly to GSA Building Manager or designee located at 401 W. Washington Street, Suite 180, Phoenix, AZ 85003, to receive payment.
15. **24 HOUR ROOMS:** The Overtime Usage rate specified above shall not apply to any portion of the Premises that is required to have heating and cooling 24 hours per day as specified by the Lease. The charges for heating and cooling of these areas shall be provided at the rate of \$0.00 per hour after "Normal Hours."
16. **TENANT IMPROVEMENT ALLOWANCE:** The maximum Tenant Improvement Allowance has been established by Paragraph 1.9, "TENANT IMPROVEMENTS INCLUDED IN OFFER (MAR 2007)." The Tenant Improvement Allowance shall be \$894,138.74 amortized over 120 months at 6.00% payable monthly at the rate of \$9,926.77 or \$119,121.24 annually (\$5.96 per rentable) and is included in the annual rent payment identified in Paragraph 3 of this lease.
17. **BUDGET AND PRICE PROPOSALS/CONSTRUCTION SCHEDULE:**
 - A. Budget and Price Proposals for Tenant Improvements
 - (1) In accordance with Paragraph entitled [3.16 (E)], "Construction Schedule and acceptance of Tenant Improvements" of the SFO is hereby amended so that the price proposal referenced therein shall be a price proposal based on the Tenant Improvements and associated work shown on the Working Drawings/Construction Drawings. In accordance with Paragraph 3.2(B)(8), Tenant Improvements pricing requirements" of the SFO, the Lessor shall submit the price proposal within twenty (20) working days of delivery of the Working Drawings/Construction Drawings.
 - B. Failure to submit these budget and price proposals referenced above will constitute Lessor delay. In the event that either the budget proposal or price proposal exceeds the Tenant Improvement Allowance specified in the Lease, then the construction schedule shall be revised to afford the Government sufficient time to review and resolve the difference.
 - C. The construction schedule required in Paragraph [3.16(F)], "Construction of Tenant Improvements" of the SFO shall also include adequate time for additional review by the Government of revised design intent drawings and Working Drawings/Construction Drawings. All references to "working days" in Paragraph 3.16, "Construction Schedule of Tenant Improvements" of the SFO and this SF-2 shall not include the period from December 15 through January 1 of any calendar year.
 - D. In addition to the submission requirements specified under Paragraph [3.16(G)], "Construction Schedule and Acceptance of Tenant Improvements" of the SFO, Acceptance of Space, Lessor shall provide to the Government the final total costs of the completed Tenant Improvements in a format meeting the requirements of Paragraph 3.16(G)(1) ten (10) working days prior to "Substantial Completion". Lessor acknowledges that the Government will not be responsible for the payment of any changes to the Tenant Improvements not approved in writing by the Contracting Officer in accordance with the terms of this Lease.

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18. **INSPECTION OF PREMISES:**

- A. The Lessor shall notify the Government five (5) days in advance of the anticipated substantial completion date as defined in Paragraph 1 of the GSA Form 3517. Within seven (7) business days after the date the Lessor notifies the Government that the space is "substantially complete," the Government shall inspect the Premises and appurtenances. Within five (5) business days after the inspection, the Government shall notify the Lessor of any deficiencies in the Premises and appurtenances and the Lessor shall thereafter diligently pursue remedying any defects. If any subsequent Government inspection is required to confirm conformance with the results of a prior inspection, any such subsequent inspection and notification of the results of such inspection shall be made in accordance with the foregoing procedure and the time frames.
- B. The period during which rent shall be deemed to have commenced for the Premises shall be the date that the entire space is accepted for occupancy by the Government (or the date accepted for occupancy, subject to completion of a written punchlist of items not materially affecting beneficial occupancy which are yet to be finished.) The space will not be considered acceptable for occupancy until the Government receives the final tenant improvement cost. Any items to be completed or corrected that have been identified at the acceptance of the space as a punchlist item and which do not affect beneficial occupancy shall be completed by the Lessor within 30 calendar days of acceptance.
- C. Neither the Government's acceptance of the Premises for occupancy or acceptance of related appurtenances, nor the Government's occupancy of the Premises, shall be construed as a waiver of any requirement or right of the Government under this lease, or as otherwise prejudicing the Government with respect to any such requirement or right, or as an acceptance of any latent defect or condition.

19. **OCCUPANCY REPORTS:**

- A. **Building Systems:** In accordance with Paragraph 4.6 "Building Systems," of the Solicitation For Offers No. 3CA0064, the Lessor shall furnish at no cost to the Government the required building system reports prior to the Government's occupancy of the Premises.
- B. **Acoustical Requirements:** In accordance with Paragraph 5.20 "Acoustical Requirements" of the Solicitation For Offers No. 3CA0064, the Lessor may be requested to furnish at no cost to the Government the required acoustical reports to ensure that the acoustical requirements of the SFO have been met.

20. **UNAUTHORIZED IMPROVEMENTS:** All questions pertaining to this lease agreement shall be referred in writing to the General Service Administration Contracting Officer. This contract is between GSA and Tucson Imperial LLC. GSA assumes no financial responsibility for any cost incurred by the Lessor except as provided by the term of the lease agreement or authorized in writing by the GSA Contracting Officer. **If Lessor delivers space with improvements not authorized or requested in writing by the GSA Contracting Officer, then Lessor shall not be entitled to compensation if the improvements remain in place after the Government's acceptance of the space.**

21. Wherever the words "Offeror", "Lessor" or "successful offeror" appear in this Lease, they shall be deemed to mean "Lessor"; wherever the words "solicitation", "Solicitation for Offers", or "SFO" appear in this Lease, they shall be deemed to mean "this Lease"; wherever the words "space offered for lease" appear in this Lease, they shall be deemed to mean "Premises".

22. Pursuant to Paragraph 3.1, "**Unit Costs for Adjustment**", the following negotiated amounts may be used, during the first year of the lease to price alterations costing \$100,000 or less. These prices may be indexed or renegotiated to apply to subsequent years of the lease upon mutual agreement of the Lessor and the Government.

ITEM	UNIT COST
The cost per linear foot for subdividing ceiling-high partitioning wall	\$ 9.25 LF
The cost per floor mounted duplex electrical outlet	\$ 77.50 Each
The cost per wall mounted duplex electrical outlet	\$ 62.50 Each
The cost per floor mounted fourplex (double duplex) electrical outlet	\$ 87.50 Each
The cost per wall mounted fourplex (double duplex) electrical outlet	\$ 77.50 Each
The cost per dedicated clean electrical computer receptacle	\$ 112.50 Each
The cost per floor-mounted telephone outlet / data outlet	\$ 97.50 Each
The cost per wall-mounted telephone outlet/ data outlet	\$ 62.50 Each
The cost per interior door including framing, hardware & standard lockset	\$ 850.00 Each

23. **COMMISSION AND COMMISSION CREDIT:**

The Lessor and the Broker have agreed to a cooperating lease commission of 3% of the firm term value of this lease. The total amount of the commission payable to Jones Lang LaSalle is \$218,415.69. The Lessor shall pay the Broker no additional

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commissions associated with this lease transaction. In accordance with the "Broker Commission and Commission Credit" paragraph, the Broker has agreed to forego 26% of the commission that it is entitled to receive in connection with this lease transaction ("Commission Credit"). The Commission Credit is \$56,788.08. The Lessor agrees to pay the Commission less the Commission Credit to the Broker in accordance with the "Broker Commission and Commission Credit" paragraph in the SFO attached to and forming a part of this lease.

Notwithstanding Paragraph 3 of this Standard Form 2, the shell rental payments due and owing under this lease shall be reduced to fully recapture this Commission Credit. The reduction in shell rent shall commence with the first month of the rental payments following the rental abatement period and continue as indicated in this schedule for adjusted Monthly Rent:

First Month's Rental Payment \$60,671.03 minus prorated Commission Credit of \$41,962.05 equals \$18,708.98 adjusted First Month's Rent

Second Month's Rental Payment \$60,671.03 minus prorated Commission Credit of \$14,826.03 equals \$45,845.00 adjusted Second Month's Rent

24. **NO RESTORATION OF INITIAL IMPROVEMENTS:** It is understood and agreed that title to the initial improvements installed in the demised premises shall vest in the Government and can be removed by the Government at its expense at any time during the initial term of the Lease or any extension thereof. Further, Lessor waives its rights to require the Government to restore the leased premises upon such removal. If the Government elects to leave the initial improvements in place upon vacating the leased premises, title to the items shall vest in the Lessor. The Lessor shall remain responsible for maintenance, repair and replacement of any installed items under this lease. This paragraph shall also apply throughout the term of the lease to any work requested by the Government after occupancy.
25. **SEISMIC SAFETY FOR NEW CONSTRUCTION:** The following seismic safety language shall apply to this lease:
- A. DEFINITIONS, FOR THE PURPOSE OF THIS PARAGRAPH:
1. "Engineer" means a professional civil or structural engineer licensed in the state where the property is located.
 2. "Seismic Certificate" means a certificate executed by an Engineer on the Certificate of Seismic Compliance form included with this solicitation as Attachment A, together with any required attachments.
- B. The design and construction of new buildings, or addition to existing buildings shall conform to the seismic provisions of the latest edition of the applicable State or local government codes.
- C. At the time of "Substantial Completion," the Lessor shall provide a written certificate (Attachment A) from an Engineer affirming that the building design and construction conform to the seismic provisions of the latest edition of the applicable State or local government codes.
- D. All design and construction documents, including structural calculations, drawings, specifications, geotechnical report(s), etc. shall be made available to the Government.

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