

U.S. GOVERNMENT
LEASE FOR REAL PROPERTY

DATE OF LEASE: Dec 08, 2009

LEASE No. GS-09B-02392

THIS LEASE, made and entered into this date between NOGALES IMPERIAL, LLC

whose address is: 7825 Fay Avenue, Suite 250, La Jolla, CA 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:
24,152 rentable square feet (r.s.f.), yielding approximately 23,393 ANSI/BOMA Office Area square feet and related space located on the Portion of Lot "L, Block 149, Rio Rico Estates #8, Rio Rico, AZ 85648, together with thirty seven (37) onsite secured structured parking spaces, to be used for SUCH PURPOSES AS DETERMINED BY THE GENERAL SERVICES ADMINISTRATION.
2. TO HAVE AND TO HOLD the said premises with their appurtenance for the term beginning on the space is certified and accepted by the Government as complete and ready for occupancy through the following fifteen (15) years, ten (10) years firm, in accordance with Paragraph 17 entitled "Inspection of Premises" herein, subject to termination and renewal rights as may be hereinafter set forth.
3. The Government shall pay the Lessor annual rent of \$1,013,176.40 at the rate of \$84,431.37 per month in arrears for years one (1) through fifteen (15) Rent for a lesser period shall be prorated.

| | Annual Rent (yrs 1-10) | | Monthly (yrs 1-10) Annual Rent (yrs 11-15) Monthly (yrs 11-15) | |
|--------------------------|------------------------|-------------|--|-------------|
| Shell Rental Rate | \$742,915.52 | \$61,909.63 | \$873,094.80 | \$72,757.90 |
| TI Rental Rate | \$130,179.28 | \$10,848.27 | — | — |
| Base Operating Cost Rate | \$140,081.60 | \$11,673.47 | \$140,081.60 | \$11,673.47 |
| Full Service Rent | \$1,013,176.40 | \$84,431.37 | \$1,013,176.40 | \$84,431.37 |

Rent checks shall be payable to: Nogales Imperial, LLC 7825 Fay Avenue, Suite 250, La Jolla, CA 92037

4. The Government may terminate this lease in whole or in part effective any time after the tenth (10th) year of this lease 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

Initial

NE
Lessor

PJ
Government

6. The Lessor shall furnish to the Government as part of the rental consideration, the following:

- A. The total number of provided on sites shall be eighty (80) parking spaces.
- B. All labor, materials, equipment, design, professional fees, permit fees, inspection fees, utilities, construction drawings (including, without limitation, plans and specifications), construction costs and services and all other similar costs and expenses associated with making the space, common areas, and related facilities ready for occupancy in accordance with the requirements of this lease and the Government's final constructions drawings. Rent is subject to adjustment in accordance with Paragraph 3.3, "Tenant Improvement Rental Adjustment" of the SFO. All cost associated with services, utilities, maintenance, repair, replacement, inspections, improvements and other requirements as required by the Solicitation For Offers No. 4AZ1041 and its attachments.
- C. Adequate space for telecommunications antennae and transmission devices in accordance with Paragraph entitled, "Telecommunications: Local Exchange Access," of the Solicitation for Offers.

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) The Solicitation For Offers Number 4AZ0141 (pages 1-56) (all references to SFO shall also refer to any Special Requirements and Amendments);
- b) Special Requirements (pages 1-246);
- c) Amendment Number 1 (pages 1);
- d) Amendment Number 2 (pages 2);
- e) GSA Form 3517 (pages 1-2);
- f) GSA Form 3518 (pages 1-7);
- g) Sheet no. 1-2 containing Paragraphs 9-21;
- h) Davis Bacon Wages;
- i) First generation Blue-Line Plan (Exhibit "B");
- j) Site Plan (Exhibit "A")

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

Paragraph 5 OF this STANDARD FORM 2 was deleted in their entirety. Paragraphs 9 through 21 have been added.

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

LESSOR: NOGALES IMPERIAL, LLC

BY

(Signature)

Paul Engh

(Signature)

IN PRESENCE OF

(Signature)

7825 Fay Ave, *250, La Jolla, CA 92037
(Address)

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

BY

CONTRACTING OFFICER, GSA

SHEET NUMBER 1 ATTACHED TO AND FORMING A PART OF LEASE NO. GS-09B-02392

9. The Lessor shall have one-hundred-twenty (120) calendar days from the receipt of the Tenant Improvement Notice to Proceed to complete the build-out of the entire space. All items specified in Lease Agreement and as delineated on the Government Approved Design Intent Drawings shall be provided by the Lessor.
10. **TAX ADJUSTMENT:** Pursuant to Paragraph 4.2, "Tax Adjustment GSAM 552.270-24," for purposes of tax escalation, the Government occupies 24,152/24,152 rentable square feet (100%).
11. **OPERATING COST:** Pursuant to Paragraph 4.3, "Operating Cost", the base rate for purposes of operating cost escalation is established at \$5.80 per rentable square foot per annum.
12. **ADJUSTMENT FOR VACANT PREMISES:** Pursuant to Paragraph 4.4, "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. The Adjustment for Vacant Premises rate shall be escalated annually based upon Paragraph 4.3, "Operating Costs."
13. **OVERTIME USAGE:** Pursuant to Paragraph 4.6, "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 (8:00 a.m. - 6:00 p.m., Monday through Friday, and except Federal Holidays ("Normal Hours")), at a rate of \$20.00 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 Lessor must submit a proper invoice quarterly to GSA Building Manager or designee located at General Services Administration, San Diego Service Center, Realty Services Branch, 300 West Congress Street, Suite 5-W, Tucson, AZ 85701, to receive payment.
14. **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 \$0.05 per hour after "Normal Hours".
15. **TENANT IMPROVEMENT ALLOWANCE:** The maximum Tenant Improvement Allowance has been established by Paragraph 3.0, "How To Offer." The Tenant Improvement Allowance shall be amortized over the ten (10) year firm term of the lease agreement at an interest rate (amortization rate) of 8.75% per year.
16. **BUDGET AND PRICE PROPOSALS/CONSTRUCTION SCHEDULE**
 - A. Budget and Price Proposals for Tenant Improvements
 - (1) The Lessor shall submit to the Government a tenant improvement budget proposal with the Government Approved Design Intent Drawings which shall meet the requirements of the Lease Agreement. The cost estimate must be submitted in Construction Specification Institute (CSI) Format.
 - (2) 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. Lessor shall submit the price proposal together with 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 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" shall not include the period from December 15 through January 1 of any calendar year.
 - D. Lessor shall provide to the Government the final total costs of the completed Tenant Improvements in a format meeting the requirements 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.
17. **INSPECTION OF PREMISES:**
 - A. The Lessor shall notify the Government ten (10) days in advance of the anticipated substantial completion date as defined in Paragraph 1 of the GSA Form 3517. Within five (5) 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

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Lessor Government

SHEET NUMBER 2 ATTACHED TO AND FORMING A PART OF LEASE NO. GS-09B-02392

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.

18. **OCCUPANCY REPORTS:**

- A. **Building Systems:** In accordance with Paragraph 8.2 "Building Systems," of the Solicitation For Offers No. 4AZ0141, 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 6.8 "Acoustical Requirements" of the Solicitation For Offers No. 4AZ0141, the Lessor shall furnish at no cost to the Government the required acoustical reports prior to the Government's occupancy of the Premises.

19. **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 **Nogales 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.**

20. 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".

21. **COMMISSION AND COMMISSION CREDIT:**

The Lessor and the Broker have agreed to a cooperating lease commission of [REDACTED] of the first five years of the firm term value of this lease and [REDACTED] of the second five years of the firm term value of this lease. The total amount of the commission is [REDACTED]. The Lessor shall pay the Broker no additional commissions associated with this lease transaction. In accordance with the "Broker Commission and Commission Credit" paragraph, the Broker has agreed to forego [REDACTED] of the commission that it is entitled to receive in connection with this lease transaction ("Commission Credit"). The Commission Credit is [REDACTED]. 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 and continue as indicated in this schedule for adjusted Monthly Rent:

First Month's Rental Payment \$84,431.37 minus prorated Commission Credit of [REDACTED] equals [REDACTED] adjusted First Month's Rent

Second Month's Rental Payment \$84,431.37 minus prorated Commission Credit of [REDACTED] equals [REDACTED] adjusted Second Month's Rent

Third Month's Rental Payment \$84,431.37 minus prorated Commission Credit of [REDACTED] equals [REDACTED] adjusted Third Month's Rent

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Lessor Government