STANDARD FORM 2 FEBRUARY 1965 EDITION GENERAL SERVICES ADMINISTRATION FPR (41CFR) 1D16.601	**U.S. GOVERNMENT** **LEASE FOR REAL PROPERTY**
DATE OF LEASE: JUL 16 2010	LEASE No. GS-09B-02424

THIS LEASE, made and entered into this date between DEG, LLC, A DELWARE LIMITED LIABILITY COMPANY

whose address is: 808 WILSHIRE BLVD 2ND FLOOR
SANTA MONICA, CA 90401

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:

   10,464 rentable square feet (r.s.f.), yielding approximately 9,021 ANSI/BOMA Office Area square feet and related space located on the 14th Floor (Suite 1400) at the Bishop Place, 1132 Bishop Street, Honolulu, Hawaii, 96813, together with two (2) onsite inside parking spaces as depicted on the attached Exhibit A (Site Plan) and Exhibit B ("Premises") as shown on the first-generation blue line plan to be used for SUCH PURPOSES AS DETERMINED BY THE GENERAL SERVICES ADMINISTRATION.

2. PARAGRAPH 2 IS INTENTIONALLY OMITTED.

3. PARAGRAPH 3 IS INTENTIONALLY OMITTED.

4. The Government may terminate this lease in whole or in part effective at any time after the sixth (6th) year of this lease by giving at least 60 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.

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 10 year term in accordance with the Paragraph entitled "Acceptance of Space" herein, subject to termination rights as may be hereinafter set forth.

10. The Government shall pay the Lessor annual rent as follows:

    - For Months 1 through 60 annual rent of $425,262.56 at the rate of $35,438.55 per month in arrears.
    - For Months 61 through 120 annual rent of $353,678.94 at the rate of $29,473.25 per month in arrears.
    - Rent for a lesser period shall be prorated. Rent shall be payable to:

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11. The Lessor shall have 90 calendar days from the receipt of the Government's 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.

12. **TAX ADJUSTMENT:** Pursuant to Paragraph 4.2, "Tax Adjustment," for purposes of tax escalation, the Government occupies 10,464/462,073 rentable square feet (2.26%)

13. **OPERATING COST**: Pursuant to Paragraph 4.3, "Operating Costs", the base rate for purposes of operating cost escalation is established at $9.30 per rentable square foot per annum.

14. **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 $4.24 per ANSI/BOMA square foot per annum for operating expenses. The Adjustment for Vacant Premises rate shall be escalated annually based upon Paragraph 4.3 "Operating Costs."

15. **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 (6:30 a.m. – 6:30 p.m., Monday through Friday on Saturday from 8:00 a.m. to 2:00 p.m. and except Federal Holidays ("Normal Hours")), at a rate of $65 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 300 Ala Moana Boulevard, Suite 1-336, Honolulu, Hawaii 96850 to receive payment.

16. **24 HOUR ROOMS**:

    A. 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.

    B. The Lessor as part of the Building Shell Cost shall install, maintain, replace and repair a separate sub-meter to monitor the electrical use of the 24-Hour HVAC Server Units. The sub-meter shall monitor the actual electrical consumption of the 24 Hour HVAC Units. The Government will pay actual electrical costs associated with the actual electrical consumption of the 24-Hour HVAC Units after "Normal Hours." The Lessor must submit a proper invoice with back-up on a quarterly basis, to the GSA Building Manager or designee located at 300 Ala Moana Boulevard, Suite 1-336, Honolulu, Hawaii 96850 to receive payment.

    C. In order to ensure accuracy in billing, the invoice must address the exact rate per kilowatt hour charged by the local utility company for the 24-Hour HVAC Units. The sub-meter shall be capable of monitoring the circuit for the 24-Hour HVAC Units. No other electrical outlet or item shall be tied to these circuits for the 24-Hour HVAC Units. The Lessor shall submit to the Government, 5 days prior to the acceptance of the installation of the 24-Hour HVAC Units, a circuit diagram demonstrating that only the circuit associated with the 24-Hour HVAC Units are on a single circuit and how the sub-meter will monitor the actual electrical consumption.

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17. **TENANT IMPROVEMENT ALLOWANCE**: The maximum Tenant Improvement Allowance has been established by Paragraph 3.2, "Tenant Improvements Included in Offer." The Tenant Improvement Allowance shall be amortized over the 5 year firm term of the lease agreement at an interest rate (amortization rate) of 2.73 % per year.

18. **BUDGET AND PRICE PROPOSALS/CONSTRUCTION SCHEDULE:**

    A. The Lessor shall submit to the Government a budget proposal together with the Design Intent Drawings in accordance with SFO Paragraph 5.10 (B), "Design Intent Drawings." The budget proposal must be submitted in Construction Specification Institute (CSI) Format.

    B. The price proposal required to be provided by Lessor in SFO Paragraph 5.10 (E), "Tenant Improvements Price Proposal," must be based upon the results of a competitive proposal process meeting all of the requirements of SFO Paragraph 5.2 A (1) through (10), entitled, "Tenant Improvements Pricing Requirements." The Government has the right, but not the obligation, to accept cost or pricing data as described in GSA Form 3517 in lieu of a competitive price proposal.

    C. Failure to submit these budgets 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.

    D. The construction schedule required in Paragraph 5.10 (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 5.10, "Construction Schedule and Acceptance of Tenant Improvements" of the SFO shall not include the period from December 15 through January 1 of any calendar year.

    E. In addition to the submission requirements specified under Paragraph 5.10, "Construction Schedule and Acceptance of Tenant Improvements," Lessor shall provide to the Government the final total costs of the completed Tenant Improvements in CSI format 20 working days prior to "Substantial Completion". The space will not be considered acceptable for inspection until the Government receives the final tenant improvement costs.

19. **ACCEPTANCE OF SPACE:**

    A. The following is added to Paragraph 5. 10 G (1), "Acceptance of Space and Certificate of Occupancy": Subsequent Government inspections and notification of the results of such inspections shall be made in accordance with the foregoing procedure. Time frames for subsequent inspections will be established by the Government.

    B. Any items that have been identified at the acceptance of the space as punchlist items to be completed or corrected 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.

20. **UNAUTHORIZED IMPROVEMENTS:** All questions pertaining to this lease agreement shall be referred in writing to the General Services Administration Contracting Officer. This contract is between GSA and the Lessor. GSA assumes no financial responsibility for any cost incurred by the Lessor except as provided by the terms 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.**

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. **OCCUPANCY REPORTS**:

    A. BUILDING SYSTEMS: As part of its obligations under SFO, Paragraph 8.2 "Building Systems," of the SFO, the Lessor shall furnish at no cost to the Government a required building system report prior to the Government's occupancy of the Premises.

    B. ACOUSTICAL REQUIREMENTS: As part of its obligations under SFO, Paragraph 6.8 "Acoustical Requirements" of the SFO, the Lessor shall furnish at no cost to the Government a required acoustical report prior to the Government's occupancy of the Premises.

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C. SCHEDULE OF PERIODIC SERVICES: As part of its obligations under SFO, Paragraph 4.9 "Schedule of Periodic Services" of the SFO, the Lessor shall furnish at no cost to the Government a required detailed written schedule of all periodic services and maintenance prior to the Government's occupancy of the Premises.

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

A. The parking space(s) described in Paragraph 1 and parking spaces required by local code.

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 approved Design Intent 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. LHI02424 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 LHI02424 (pages 1-45) (all references to SFO shall also refer to any Special Requirements and Amendments);

b) Special Requirements (pages 1-15);

c) Sheet no. 1-3 containing Paragraphs 9-22;

d) Amendment Number 1 (pages 1-2);

e) Amendment Number 2 (pages 1-1);

f) GSA Form 3517 (pages 1-33);

g) GSA Form 3518 (pages 1-7,);

h) Small Business Plan;

i) First generation Blue-Line Plan (Exhibit "A", page 1);

j) Site Plan (Exhibit "B", page 1).

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

Paragraphs 2 , 3, and 5 of this STANDARD FORM 2 were deleted in their entirety. Paragraphs 9 through 22 have been added. The words "in whole or in part" have been added after the word "lease" in Paragraph 4 prior to lease execution. The words "at any time" have been added after the word "effective" in Paragraph 4 prior to lease execution.

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

LESSOR: **DEG, LLC, A DELWARE LIMITED LIABILITY COMPANY**

BY _____ _____

(Signature) (Signature)

IN PRESENCE OF:

_____ 808 Wilshire Blvd #200
Santa Monica, CA 90401

(Signature) (Address)

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

BY _____

CONTRACTING OFFICER, GSA