

DATE OF LEASE:

AUG 26 2011

LEASE No. GS-09B-02784

THIS LEASE, made and entered into this date between **IN PALM SPRING, LLC**

whose address is: 1336 Jay CT
West Linn, OR 97068-4577

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:

A total of approximately 18,922 rentable square feet (rsf) of office and related space, consisting of approximately 17,657 ANSI/BOMA Office Area square feet and related space located at 5810 Newton Drive, Carlsbad, CA 92008-7311, together with sixty (61), secured garage parking spaces to be used for SUCH PURPOSES AS DETERMINED BY THE GENERAL SERVICES ADMINISTRATION.

2. PARAGRAPH 2 IS INTENTIONALLY OMMITTED,

3. The Government shall pay the Lessor annual rent of \$635,401.00 (\$33.58 per rsf) at the rate of \$52,950.08 per month in arrears for Years 1 – 5 of the Lease and \$558,783.74 (\$29.53 per rsf) at the rate of \$46,565.31 per month in arrears for Years 6 - 10. Rent for a lesser period shall be prorated.

Years	Shell Rate RSFPY (rentable square foot per year)	Ti Amortization	Services RSFPY	Total Rent RSFPY	Total Monthly Rent	Total Annual Rent
1-5	\$22.39	\$4.05	\$7.14	\$33.58	\$52,950.08	\$635,401.00
6-10	\$22.39	\$0.00	\$7.14	\$29.53	\$46,565.31	\$558,783.74

Rent payments shall be made payable to:

IN PALM SPRING, LLC
1336 Jay CT
West Linn, OR 97068-4577

Prior to final occupancy and commencement of rent, Lessor may sign up for electronic funds transfer.

4. The Government may terminate this lease in whole or in part effective after the fifth year of this lease 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 OMMITTED

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 ten (10) years in accordance with Paragraph 16 entitled "Acceptance Of Space" herein, subject to termination rights as may be hereinafter set forth.
10. **PERCENTAGE OF OCCUPANCY:** The Government occupies 18,922 rentable square feet of space of the 18,922 rentable square foot building, which is 100% of occupancy in the building.
11. **ADJUSTMENT FOR VACANT PREMISES:** Pursuant to Paragraph 4.3, "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 \$2.00 per rentable square foot per annum for operating expenses.
12. **OPERATING COSTS:** Pursuant to Paragraph 4.2, "Operating Cost", the base rate for purposes of operating cost escalation is established at \$7.14 per rentable square foot per annum.
13. **OVERTIME USAGE:** Pursuant to Paragraph 4.5, "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. – 7:00 p.m., Monday through Friday and 7:00 a.m. – 12:00 p.m. Saturday, and except Federal Holidays ("Normal Hours")), at a rate of \$15.00 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 880 Front Street, Suite 4236, San Diego, CA 92121, 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 at any time beyond normal service hours (7:00 a.m. – 7:00 p.m., Monday through Friday and 7:00 a.m. – 12:00 p.m. Saturday, and except Federal Holidays ("Normal Hours")). The charges for heating and cooling of these areas shall be provided at the rate of \$1.75 per hour.
15. **TENANT IMPROVEMENT ALLOWANCE:** The maximum Tenant Improvement Allowance has been established by Paragraph 3.2, "How To Offer." The Tenant Improvement Allowance shall be amortized over the five (5) year firm term of the lease agreement at an interest rate (amortization rate) of 3.25% per year.
16. **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.
17. **UNAUTHORIZED IMPROVEMENTS:** All questions pertaining to this lease agreement shall be referred in writing to the GSA Contracting Officer. This contract is between GSA and the Arden Realty Limited Partnership. 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.**

Initials: HC, DK & [Signature]
Lessor Government

18. 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".
19. **WAIVER OF RESTORATION:** The Lessor hereby waives, releases and discharges, and forever relinquishes any right to make a claim against the Government for waste, damages, or restoration arising from or related to (a) the Government's normal and customary use of the leased premises during the term of the lease (including any extensions thereof), as well as (b) any initial or subsequent alteration to the leased premises, including cabling, or removal thereof, during the term of this lease (including any extensions thereof), where such alterations or removals are performed by the Lessor or by the Government with the Lessor's consent, which shall not be unreasonably withheld. The Government may, at its sole option, abandon property in the leased space following expiration of the Lease, in which case the property will become the property of the Lessor and the Government will be relieved of any liability in connection therewith.
20. **FIRE ALARM SYSTEM WITH OCCUPANT NOTIFICATION**
- A. A fire alarm system containing occupant notification appliances is required.
- B. The Lessor, prior to occupancy and at Lessor's sole expense, pursuant to NFPA 101 (2009), section 39.3.4.1, shall install and maintain a fire alarm system meeting the requirements of section 39.3.4.3.
- C. The Lessor, per the schedule identified in paragraph 5.9 "**CONSTRUCTION SCHEDULE AND ACCEPTANCE OF TENANT IMPROVEMENTS (SEP 2009)**" will provide related drawings, such as but not limited to fire alarm system and sprinkler layout, at the Lessor's sole expense, to GSA for review by the GSA Fire Protection Office.

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