

# US GOVERNMENT LEASE FOR REAL PROPERTY

DATE OF LEASE

LEASE NO

GS-09B-02612

THIS LEASE, made and entered into this date by and between DEG, LLC, A DELAW 117 PGS PANY

Whose address is 808 WILSHIRE BLVD., 2<sup>ND</sup> 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 cal

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 6,160 rentable square feet (RSF) of office and related space, which yields 5,310 ANSI/BOMA Office Area square feet (USF) and related space located on the 6<sup>th</sup> Floor (Suite 601) at Bishop Place, 1132 Bishop Street, Honolulu HI, 96813, together with one (1) onsite structured, reserved parking space, 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 on or after the fifth (5<sup>th</sup>) year of this lease by giving at least 60 days' notice in writing to the Lessor and no rental shall accrue after the effective date of termination. Said notice shall be computed commencing with the day after the date of mailing.

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

LESSOR  
DEG, LLC A DELAWARE LIMITED LIABILITY COMPANY

BY [Signature]  
(Signature)

SVP  
(Title)

IN PRESENCE OF [Signature]  
(Signature)

808 Wilshire Blvd #200  
Santa Monica, CA 90401  
(Address)

UNITED STATES OF AMERICA

BY [Signature]  
(Signature)

Cathy Fugua  
(Contracting Officer, GSA)

0

5. PARAGRAPH 5 IS INTENTIONALLY OMITTED.

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

- A. The parking space 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; provided that the Government shall make payments for lump sum items identified in Paragraph 18 of the attachment sheets in the amounts specified therein. Rent is subject to adjustment in accordance with SFO Paragraph 3.3, "Tenant Improvement Rental Adjustment". All cost associated with services, utilities, maintenance, repair, replacement, inspections, improvements and other requirements as required by the Solicitation For Offers No. 9HI2081 and its attachments.
- C. Adequate space for telecommunications antennae and transmission devices in accordance with SFO Paragraph 8.13 entitled, "Telecommunications: Local Exchange Access," of the Solicitation for Offers.

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

- A. Solicitation for Offers 9HI2081 dated April 12, 2010 (all references to SFO shall also refer to any Special Requirements and Amendments);
- B. GSA Form 3517B ;
- C. GSA Form 3518;
- D. Special Requirements;
- E. Amendment Number 1 dated June 1, 2010;
- F. Amendment Number 2 dated August 11, 2010;
- G. Sheet no.1- containing Paragraphs 9- 21;
- H. Site Plan (Exhibit "A");
- I. First Generation Blue-Line Plan (Exhibit "B")
- J. Small Business Plan.

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 21 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.

LESSOR

UNITED STATES OF AMERICA

BY \_\_\_\_\_

*[Handwritten Signature]*

(Initial)

BY \_\_\_\_\_

*[Handwritten Signature]*

(Initial)

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 1-60 annual rent of \$268,264.14 at the rate of \$22,355.35 per month in arrears
- For Months 61-120 annual rent of \$208,917.97 at the rate of \$17,409.83 per month in arrears
- Rent for a lesser period shall be prorated. Rent shall be payable to:

DEG, LLC  
808 Wilshire Boulevard, 2<sup>nd</sup> Floor  
Santa Monica, CA 90401

11. The Lessor shall have 120 working 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:** "Tax Adjustment GSAM 552-270-24," for purposes of tax escalation, the Government occupies 6,160/462,081 rentable square feet (1.33%).

**A. Purpose:**

This paragraph provides for adjustment in the rent ("Tax Adjustment") to account for increases or decreases in Real Estate Taxes for the Property after the establishment of the Real Estate Tax Base, as those terms are defined herein. Tax Adjustments shall be calculated in accordance with this Clause.

**B. Definitions:**

The following definitions apply to the use of capitalized terms within this paragraph:

1. "Property" is the land, buildings and other improvements of which the premises (as fully described in the U.S. Government Lease for Real Property, SF2) form all or a part.
2. "Real Estate Taxes" are those taxes that are levied upon the owners of real property by a Taxing Authority (as hereinafter defined) of a State or local Government on an ad valorem basis to raise general revenue for funding the provision of government services. The term excludes, without limitation, special assessments for specific purposes, assessments for business improvement districts, and/or community development assessments.
3. "Taxing Authority" is a State, Commonwealth, Territory, County, City, Parish, or political subdivision thereof, authorized by law to levy, assess, and collect Real Estate Taxes.
4. "Tax Year" refers to the 12-month period adopted by a Taxing Authority as its fiscal year for the purpose of assessing Real Estate Taxes on an annual basis.
5. "Tax Abatement" is an authorized reduction in the Lessor's liability for Real Estate Taxes below that determined by applying the generally applicable Real Estate Tax rate to the Fully Assessed (as hereinafter defined) valuation of the Property.
6. "Unadjusted Real Estate Taxes" are the full amount of Real Estate Taxes that would be assessed for the Property for one full Tax Year without regard to the Lessor's entitlement to any Tax Abatements (except if such Tax Abatement came into effect after the date of award of the Lease), and not including any late charges, interest or penalties. If a Tax Abatement comes into effect after the date of award of the Lease, "Unadjusted Real Estate Taxes" are the full amount of Real Estate Taxes assessed for the Property for one full Tax Year, less the amount of such Tax Abatement, and not including any late charges, interest or penalties.
7. "Real Estate Tax Base" is the Unadjusted Real Estate Taxes for the first full Tax Year following the commencement of the Lease term. If the Real Estate Taxes for that Tax Year are not based upon a Full Assessment of the Property, then the Real Estate Tax Base shall be the Unadjusted Real Estate Taxes for the Property for the first full Tax Year for which the Real Estate Taxes are based upon a Full Assessment. Such first full Tax Year may be hereinafter referred to as the "Tax Base Year." Alternatively, the Real Estate Tax Base may be an amount negotiated by the parties that reflects an agreed upon base for a Fully Assessed value of the property.

Initials:   
Lessor

  
Government

8. The Property is deemed to be "Fully Assessed" (and Real Estate Taxes are deemed to be based on a "Full Assessment") only when a Taxing Authority has, for the purpose of determining the Lessor's liability for Real Estate Taxes, determined a value for the Property taking into account the value of all improvements contemplated for the Property pursuant to the Lease, and issued to the Lessor a tax bill or other notice of levy wherein the Real Estate Taxes for the full Tax Year are based upon such Full Assessment. At no time prior to the issuance of such a bill or notice shall the Property be deemed Fully Assessed.
9. "Percentage of Occupancy" refers to that portion of the Property exclusively occupied or used by the Government pursuant to the Lease. For buildings, the Percentage of Occupancy is determined by calculating the ratio of the rentable square feet occupied by the Government pursuant to the Lease to the total rentable square feet in the building or buildings so occupied, and shall not take into account the Government's ancillary rights including, but not limited to, parking or roof space for antennas (unless facilities for such ancillary rights are separately assessed). This percentage shall be subject to adjustment to take into account increases or decreases in the amount of space leased by the Government or in the amount of rentable space on the Property.

C. Adjustment for Changes in Real Estate Taxes:

1. After the Property is Fully Assessed, the Government shall pay its share of any increases and shall receive its share of any decreases in the Real Estate Taxes for the Property, such share of increases or decreases to be referred to herein as "Tax Adjustment." The amount of the Tax Adjustment shall be determined by multiplying the Government's Percentage of Occupancy by the difference between the current year Unadjusted Real Estate Taxes and the Real Estate Tax Base, less the portion of such difference not paid due to a Tax Abatement (except if a Tax Abatement comes into effect after the date of award of the Lease). If a Tax Abatement comes into effect after the date of award of the Lease, the amount of the Tax Adjustment shall be determined by multiplying the Government's Percentage of Occupancy by the difference between the current year Unadjusted Real Estate Taxes and the Real Estate Tax Base. The Government shall pay the Tax Adjustment in a single annual lump sum payment to the Lessor. In the event that this Tax Adjustment results in a credit owed to the Government, the Government may elect to receive payment in the form of a rental credit or lump sum payment.
2. If the Property contains more than one separately assessed parcel, then more than one Tax Adjustment shall be determined based upon the Percentage of Occupancy, Real Estate Tax Base, and Real Estate Taxes for each respective parcel.
3. After commencement of the Lease term, the Lessor shall provide to the Contracting Officer copies of all Real Estate Tax bills for the Property, all documentation of Tax Abatements, credits, or refunds, if any, and all notices which may affect the assessed valuation of the Property, for the Tax Year prior to the commencement of the Lease Term, and all such documentation for every year following. Lessor acknowledges that the Contracting Officer shall rely on the completeness and accuracy of these submissions in order to establish the Real Estate Tax Base and to determine Tax Adjustments. The Contracting Officer may memorialize the establishment of the Real Estate Tax Base by issuing a unilateral administrative Supplemental Lease Agreement indicating the Base Year, the amount of the Real Estate Tax Base, and the Government's Percentage of Occupancy.
4. The Real Estate Tax Base is subject to adjustment when increases or decreases to Real Estate Taxes in any Tax Year are attributable to a) improvements or renovations to the Property not required by this Lease, or b) changes in net operating income for the Property not derived from this Lease. If either condition results in a change to the Real Estate Taxes, the Contracting Officer may re-establish the Real Estate Tax Base as the Unadjusted Real Estate Taxes for the Tax Year the Property is reassessed under such condition, less the amount by which the Unadjusted Real Estate Taxes for the Tax Year prior to reassessment exceeds the prior Real Estate Tax Base.
5. If this Lease includes any options to renew the term of the Lease, or be otherwise extended, the Real Estate Tax Base for the purpose of determining Tax Adjustments during the renewal term or extension shall be the last Real Estate Tax Base established during the base term of the Lease.
6. If any Real Estate Taxes for the Property are retroactively reduced by a Taxing Authority during the term of the Lease, the Government shall be entitled to a proportional share of any tax refunds to which the Lessor is entitled, calculated in accordance with this Clause.
7. Lessor acknowledges that it has an affirmative duty to disclose to the Government any decreases in the Real Estate Taxes paid for the Property during the term of the Lease. Lessor shall annually provide to the Contracting Officer all relevant tax records for determining whether a Tax Adjustment is due, irrespective of whether it seeks an adjustment in any Tax Year.
8. If the Lease terminates before the end of a Tax Year, or if rent has been suspended, payment for the Real Estate Tax increase due as a result of this section for the Tax Year will be prorated based on the number of days that the Lease and the rent were in effect. Any credit due the Government after the expiration or earlier termination of the Lease shall be made by

Initials: J & CMA  
 Lessor Government

a lump sum payment to the Government or as a rental credit to any succeeding lease, as determined in the Contracting Officer's sole discretion. Lessor shall remit any lump sum payment to the Government within 15 calendar days of payment or credit by the Taxing Authority to Lessor or Lessor's designee. If the credit due to the Government is not paid by the due date, interest shall accrue on the late payment at the rate established by the Secretary of the Treasury under Section 12 of the Contract Disputes Act of 1978, as amended (41 USC § 611), that is in effect on the day after the due date. The interest penalty shall accrue daily on the amount of the credit and shall be compounded in 30-day increments inclusive from the first day after the due date through the payment date. The Government shall have the right to pursue the outstanding balance of any tax credit using all such collection methods as are available to the United States to collect debts. Such collection rights shall survive the expiration of this Lease.

9. In order to obtain a Tax Adjustment, the Lessor shall furnish the Contracting Officer with copies of all paid tax receipts, or other similar evidence of payment acceptable to the Contracting Officer, and a proper invoice (as described in GSA Form 3517, General Clauses, 552.232-75, Prompt Payment) for the requested Tax Adjustment, including the calculation thereof. All such documents must be received by the Contracting Officer within 60 calendar days after the last date the Real Estate Tax payment is due from the Lessor to the Taxing Authority without payment of penalty or interest. FAILURE TO SUBMIT THE PROPER INVOICE AND EVIDENCE OF PAYMENT WITHIN SUCH TIME FRAME SHALL CONSTITUTE A WAIVER OF THE LESSOR'S RIGHT TO RECEIVE A TAX ADJUSTMENT PURSUANT TO THIS CLAUSE FOR THE TAX YEAR AFFECTED.

**D. Tax Appeals:**

If the Government occupies more than 50% of the Building by virtue of this and any other Government lease(s), the Government may, upon reasonable notice, direct the Lessor to initiate a tax appeal, or the Government may elect to contest the assessed valuation on its own behalf or jointly on behalf of Government and the Lessor. If the Government elects to contest the assessed valuation on its own behalf or on behalf of the Government and the Lessor, the Lessor shall cooperate fully with this effort, including, without limitation, furnishing to the Government information necessary to contest the assessed valuation in accordance with the filing requirements of the Taxing Authority, executing documents, providing documentary and testimonial evidence, and verifying the accuracy and completeness of records. If the Lessor initiates an appeal at the direction of the Government, the Government shall have the right to approve the selection of counsel who shall represent the Lessor with regard to such appeal, which approval shall not be unreasonably withheld, conditioned or delayed, and the Lessor shall be entitled to a credit in the amount of its reasonable expenses in pursuing the appeal.

**13. OPERATING COST:** The base rate for purposes of operating cost escalation is established at \$9.43 per rentable square foot per annum.

**A. The base for the operating costs adjustment will be established during negotiations based upon ANSI/BOMA Office Area square feet.**

1. Beginning with the second year of the lease and each year thereafter, the Government shall pay annual incremental adjusted rent for changes in costs for cleaning services, supplies, materials, maintenance, trash removal, landscaping, water, sewer charges, heating, electricity, and certain administrative expenses attributable to occupancy. Applicable costs listed on GSA Form 1217, Lessor's Annual Cost Statement, when negotiated and agreed upon, will be used to determine the base rate for operating costs adjustment.
2. The amount of adjustment will be determined by multiplying the base rate by the annual percent of change in the Cost of Living Index. The percent change will be computed by comparing the index figure published for the month prior to the lease commencement date with the index figure published for the month prior which begins each successive 12-month period. For example, a lease which commences in June of 2005 would use the index published for May of 2005, and that figure would be compared with the index published for May of 2006, May of 2007, and so on, to determine the percent change. The Cost of Living Index will be measured by the Department of Labor revised Consumer Price Index for urban wage earners and clerical workers, U.S. city average, all items figure, (1982 to 1984 = 100) published by the Bureau of Labor Statistics. Payment will be made with the monthly installment of fixed rent. Rental adjustments will be effective on the anniversary date of the lease; however payment of the adjusted rental rate will become due on the first workday of the second month following the publication of the Cost of Living Index for the month prior to the commencement of each 12-month period.
3. In the event of any decreases in the Cost of Living Index occurring during the term of the occupancy under the lease, the rental amount will be reduced accordingly. The amount of such reductions will be determined in the same manner as increases in rent provided under this paragraph.
4. The offer shall clearly state whether the rental is firm throughout the term of the lease or if it is subject to annual adjustment of operating costs as indicated above. If operating costs will be subject to adjustment, those costs shall be specified on GSA Form 1364, Proposal to Lease Space, referenced in this solicitation.

Initials:   
Lessor

&   
Government

- B. If the Government exercises an option to extend the lease term at the same rate as that of the original term, the option price will be based on the adjustment during the original term. Annual adjustments will continue.
14. **ADJUSTMENT FOR VACANT PREMISES:** Pursuant to SFO Paragraph 4.2, "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 ABOA square foot per annum for operating expenses. The Adjustment for Vacant Premises rate shall be escalated annually based upon Paragraph 10, "Operating Costs."
15. **OVERTIME USAGE:** Pursuant to SFO Paragraph 4.4, "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 (7:30 a.m. – 5:30 p.m., Monday through Friday except Federal Holidays ("Normal Hours"), at a rate of \$65.00 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 c/o GSA, 300 Ala Moana Blvd, #1-336, Honolulu, HI 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.
17. **TENANT IMPROVEMENT ALLOWANCE:** The maximum Tenant Improvement Allowance has been established by SFO Paragraph 3.2.A, "Tenant Improvements Included in Offer." The Tenant Improvement Allowance shall be amortized over the 5 year firm term for the lease agreement at an interest rate (amortization rate) of 2.73% per year. Once the actual Government tenant improvement costs are calculated and the space is accepted for occupancy by the Government, the full tenant improvement amortization may be adjusted downward Per SFO Paragraph 3.3, "Tenant Improvement Rental Adjustment" if the entire allowance was not used and a Supplementary Lease Agreement (SLA) will be drafted to memorialize this adjustment to actual costs and adjust the annual rental rate. If the actual Government tenant improvement costs exceed the maximum tenant improvement allowance, the Government can pay the overage or re-engineer to stay within the allowance.
18. **OCCUPANCY REPORTS:**
- A. **Building Systems:** In accordance with SFO Paragraph 8.2 "Building Systems," 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 SFO Paragraph 6.8 "Acoustical Requirements," 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 (GSA) 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 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. Pursuant to SFO Paragraph 5.4, "Subsequent Tenant Alterations \$100,000 or Less", 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.

Initials:  &   
Lessor Government