

US GOVERNMENT LEASE FOR REAL PROPERTY

DATE OF LEASE

September 16, 2010

LEASE NO.

LWA07206

BUILDING NO.

WA7998

THIS LEASE, made and entered into this date between **CARDINAL EQUITIES LLC**

whose address is: **260 S BEVERLY DR STE 201**

BEVERLY HILLS, CA 90212-3812

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:

3,680 rentable square feet (r.s.f.), yielding approximately 3,200 ANSI/BOMA Office Area square feet and related space located at the Pacific First Federal Building, 1126 Pacific Avenue, Tacoma, WA 98402-4304, together with 15 on-site, secured Government reserved parking spaces (with an estimated value of \$30,600.00 annually or \$2,040.00 per space per year at no additional cost to the Government), as depicted on the attached Site Plan (Exhibit A) (the "Premises"), to be used for SUCH PURPOSES AS DETERMINED BY THE GENERAL SERVICES ADMINISTRATION.

2. TO HAVE AND TO HOLD the Premises with their appurtenances for the term beginning upon beneficial occupancy and continuing for 10 years, subject to termination and renewal rights as may be hereinafter set forth, subject to beneficial occupancy. The lease term is ten (10) years, five (5) years firm, effective upon the completion of tenant improvements and the Government's acceptance of space for beneficial occupancy.

3. Government shall pay the Lessor annual rent of \$128,947.20 for years 1-5 and \$91,374.40 for years 6-10. The total cost for build out of Tenant Improvements (\$162,016.00) is amortized into the rental rate over the first five (5) years of this lease; per Paragraph 15 herein. Rent breakdown for the ten (10) year lease term is as follows:

For months 1 through 2, monthly rent shall be reduced by the amount of the commission credit agreed to in this lease, and shall be paid based upon the adjusted rent schedule stated in Paragraph 22 herein.

For months 3 through 60, rent shall be structured as follows:

Rent Breakdown (Years 1 - 5)	Annual Rent	Monthly Rent
Shell Rent	\$74,777.60	\$6,231.47
Operating Cost (subject to CPI adjustments)	\$16,596.80	\$1,383.07
Amortization of TI	\$37,572.80	\$3,131.07
Full Service Rent	\$128,947.20	\$10,745.60

For months 61 through 120, rent shall be structured as follows:

Rent Breakdown (Years 6 - 10)	Annual Rent	Monthly Rent
Shell Rent	\$74,777.60	\$6,231.47
Operating Cost (subject to CPI adjustments)	\$16,596.80	\$1,383.07
Amortization of TI	\$00.00	\$00.00
Full Service Rent	\$91,374.40	\$7,614.53

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

LESSOR
CARDINAL EQUITIES LLC

IN PRESENCE OF

(Signature)

(Signature)

MANAGER

(Title)

260 S. BEVERLY DR #201
BEVERLY HILLS, CA 90212

UNITED STATES OF AMERICA

BY

(Signature)

Contracting Officer, General Services Administration

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

CARDINAL EQUITIES LLC
260 S BEVERLY DR STE 201
BEVERLY HILLS, CA 90212-3812

4. The Government may terminate this lease in whole or in part effective at any time on or after the fifth (5th) year of this lease by giving at least 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. There are no renewal options included in this lease.
6. The Lessor shall furnish to the Government as part of the rental consideration, the following:
- A. 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 construction drawings. Rent is subject to adjustment in accordance with Paragraph 3.3, "Tenant Improvements 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. 9WA2289 and its attachments.
 - B. 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) Standard Form 2 (pages 1-5);
 - b) The Solicitation For Offers Number 9WA2289 (pages 1-48);
 - c) GSA Form 3517 (pages 1-33);
 - d) GSA Form 3518 (pages 1-7);
 - e) Site Plan (Exhibit "A", Page 1);
 - f) Floor Plan (Exhibit "B", Page 1).
8. **TENANT IMPROVEMENT ALLOWANCE:** The maximum Tenant Improvement Allowance has been established by Paragraph 3.2, "Tenant Improvements Included in Offer". The Total Tenant Improvement Allowance is \$162,016.00 and shall be amortized over the 5 year firm term of the lease agreement at an interest rate (amortization rate) of 6% per year. If the entire T/I of \$162,016.00 is not used, the Government will adjust the rental rate downward to off-set the difference in the tenant improvement.
9. **PERCENTAGE OF OCCUPANCY:** Pursuant to Paragraph 4.2.B.9, "Percentage of Occupancy", the percentage of Government occupancy is established as 10.919% (3,680 RSF/33,701 RSF).
10. **OPERATING COST:** Pursuant to Paragraph 4.3, "Operating Costs", the base rate for purposes of operating cost escalation is established at ~~\$4.54~~ ^{\$4.50} rentable square foot per annum.
11. **COMMON AREA FACTOR:** Pursuant to Paragraph 4.1.C, "Common Area Factor", the common area factor is established as (3,600/3,200) 1.15%.

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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 \$1.50 per Usable Square Foot. 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 (7:00 a.m. – 5:00 p.m., Monday through Friday, and except Federal Holidays ("Normal Hours")), at a rate of \$40.00 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.
14. THERE ARE NO SECURITY COSTS INCLUDED IN THIS LEASE.
15. **TAX ADJUSTMENT:** Pursuant to Paragraph 4.2, "Tax Adjustment (AUG 2008)," for purposes of tax escalation, the Government occupies 3,680 / 33,701 (10.919%) rentable square feet. Base year taxes are established at \$4,859.00. Taxes shall be increased or decreased from the base pursuant to annual adjustment per Section 4.2 of the SFO. Tax parcel number is identified as 2011040050.
16. The Lessor hereby waives and forever relinquishes any right to make a claim against the Government for waste, damages or restoration arising from or related to any alteration or removal of any alteration by the Government during the term of this lease or any extensions. Alterations may be completed by either the Government and/or the Lessor including initial build out of the leased space and/or any subsequent modifications required during the lease period. At the Government's sole discretion, property remaining in leased space after termination of the lease contract will become the property of the Lessor.
- The Premises is to be built out in accordance with the provisions hereinafter set forth in this lease. The actual amount of build out will be determined by the Government approved layout. No deviation from this layout will be allowed except for those changes approved in writing by the General Services Administration Contracting Officer. Upon completion of the improvements to the Premises by the Lessor, and acceptance by the Government, the new annual rent, the Lease Commencement and Lease Expiration dates shall be established by Supplemental Lease Agreement (SLA).
17. **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 \$1.00 per hour, per room, after "Normal Hours."

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18. BUDGET AND PRICE PROPOSALS/CONSTRUCTION SCHEDULE

A. Budget and Price Proposals for Tenant Improvements

- (1) In accordance with Paragraph entitled 5.9, "Construction Schedule and Acceptance of Tenant Improvements" of the Solicitation For Offers, Lessor shall submit to the Government a 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) Paragraph 5.9, "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. 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 required in Paragraph 5.9, "Construction Schedule and Acceptance 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 5.9, "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.
- D.** In addition to the submission requirements specified under Paragraph 5.9, "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 A, 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.

19. 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 fifteen (15) working days after the date the Lessor notifies the Government that the space is "substantially complete," the Government shall inspect the Premises and appurtenances. Within ten (10) 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.

20. OCCUPANCY REPORTS:

- A. Building Systems:** In accordance with Paragraph 8.2 "Building Systems," of the Solicitation For Offers No. 9WA2289, 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. 9WA2289, the Lessor shall furnish at no cost to the Government the required acoustical reports prior to the Government's occupancy of the Premises.

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21. **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 Cardinal Equities, 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.**

22. 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".

23. **COMMISSION AND COMMISSION CREDIT:**

The Lessor and the Broker have agreed to a cooperating lease commission of 5% 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 \$10,745.60 minus prorated Commission Credit of [REDACTED] equals [REDACTED] adjusted First Month's Rent

Second Month's Rent Payment \$10,745.00 minus prorated Commission Credit of [REDACTED] equals [REDACTED] adjusted Second Month's Rent

The lessor agrees that the commission of [REDACTED] is due and payable to Jones Lang LaSalle pursuant to that certain Broker Commission Agreement dated April 22, 2010.

The Premises is to be built out in accordance with the provisions hereinafter set forth in this lease. The actual amount of build out will be determined by the Government approved layout. No deviation from this layout will be allowed except for those changes approved in writing by the General Services Administration Contracting Officer. Upon completion of the improvements to the Premises by the Lessor, and acceptance by the Government, the new annual rent, the Lease Commencement and Lease Expiration dates shall be established by Supplemental Lease Agreement (SLA).

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