

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NORTH TAHOE EVENT CENTER
BASIC LEASE INFORMATION (TRIPLE NET)**

LEASE DATE:

TENANT: Laulima Kings Beach Event Center, LLC, a California limited liability company

TENANT'S NOTICE ADDRESS: 111 Pine Street, Suite 1315
San Francisco, CA 94101
Attn: David Bouquillon

TENANT'S BILLING ADDRESS: 111 Pine Street, Suite 1315
San Francisco, CA 94101
Attn: David Bouquillon

TENANT CONTACT: **PHONE NUMBER:** (415) 517-1334
FAX NUMBER: N/A
EMAIL ADDRESS: davidb@laulimadevelopment.com

LANDLORD: North Tahoe Public Utility District, a Public Utility District incorporated and formed under California Utility Code Section 15701 *et seq.*

LANDLORD'S NOTICE ADDRESS: North Tahoe Public Utility District
P. O. Box 139
Tahoe Vista, CA 96148
Attn: General Manager

LANDLORD'S PAYMENT ADDRESS: North Tahoe Public Utility District
P. O. Box 139
Tahoe Vista, CA 96148

LANDLORD CONTACT: **PHONE NUMBER:** (530) 546-4212
FAX NUMBER: (530) 546-2652
EMAIL ADDRESS: ntpud@ntpud.org

Project Description: Lease, remodel, operation and maintenance of the North Tahoe Event Center ("Building") located at 8318 North Lake Boulevard, Kings Beach, California 96143, on the North Shore of Lake Tahoe adjacent to the Kings Beach State Recreation Area and all rights appurtenant thereto.

Building Description: The North Tahoe Event Center is a Building of approximately 16,160 square feet,

Premises: The Premises includes the Building, a three-foot strip around the Building, and an access easement between the Building and State Highway 28.

Permitted Use: Recreational, public and community activities, as further set forth in Paragraph 5.4 and 5.6.

Tenant's Business/Trade Name:

Rent Commencement Date: The earlier of (i) the date on which Tenant secures an Occupancy Permit for the Premises from the County of Placer following completion of the Tenant Improvements to be constructed by Tenant as provided herein, or (ii) two hundred seventy (270) days from the date of commencement of the Early Possession Period as defined in Paragraph 2.1.

Term (in years): Thirty (30) years Initial Term

Two (2) twenty (20) year Options to extend Term, as set forth in Paragraph 3.2

Expiration Date:

RENT:

Base Rent:

Year 1:	\$50,000
Year 2:	\$75,000
Year 3:	\$75,000
Year 4:	\$100,000
Year 5:	\$100,000
Year 6:	\$126,000
Year 7:	\$126,000
Year 8:	\$152,000
Year 9:	\$152,000
Year 10:	\$165,000

Year 11-Remainder of Term: Base Rent shall be adjusted annually based on the Consumer Price Index as more specifically set forth in Paragraph 7.1(A) hereof.

Security Deposit:

None

The foregoing Basic Lease Information is incorporated into and made a part of this Lease. Each reference in this Lease to any of the Basic Lease Information shall mean the respective information above and shall be construed to incorporate all of the terms provided under the particular Lease paragraph pertaining to such information. In the event of any conflict between the Basic Lease Information and the Lease, the latter shall control.

LANDLORD

North Tahoe Public Utility District,
a Public Utility District incorporated and formed
under California Public Utility Code Section 15701 *et*
seq.

TENANT

Laulima Kings Beach Event Center, LLC,
a California limited liability company

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

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Exhibits:

Exhibit A	Premises Legal Description
Exhibit B	Depiction of Premises
Exhibit C	Current Recreation Schedule

DRAFT

LEASE

THIS LEASE is made as of the ____ day of _____, 2017 (“**Effective Date**”), by and between **NORTH TAHOE PUBLIC UTILITY DISTRICT, a Public Utility District incorporated and formed under California Public Utility Code Section 15701 et seq.** (hereinafter called "**Landlord**" or "**District**"), and **LAULIMA KINGS BEACH EVENT CENTER, LLC, a California limited liability company** (hereinafter called "**Tenant**").

1. PREMISES. Landlord leases to Tenant and Tenant leases from Landlord, upon the terms and conditions hereinafter set forth, those premises (the "**Premises**") described on **Exhibit A**. The Premises shall be all of the North Tahoe Event Center building (the "**Building**") located at 8318 North Lake Boulevard, Kings, Beach, California, and the three foot (3') perimeter thereto as described in the Basic Lease Information. The Premises and the Building are shown on **Exhibit B**. Landlord and Tenant acknowledge that physical changes may occur from time to time in the Premises or Building, and that the additional facilities which constitute the Premises may change from time to time, and any such additional facilities or changes shall be deemed to be a part of and included within the Premises or Building, as applicable.

2. POSSESSION AND LEASE COMMENCEMENT.

2.1 Commencement of Lease. The Lease shall commence and be effective as of the Effective Date, and the parties shall commence with their respective obligations under this Lease upon such Effective Date. Tenant shall take possession of the Premises for the purpose of constructing the Tenant Improvements within ten (10) days of satisfaction of all the Conditions Precedent to Tenant Possession of the Premises as set forth in Paragraph 2.2 of this Lease, which date shall be confirmed in writing by the Landlord (the "**Early Possession Period**"). The rent commencement date ("**Rent Commencement Date**") shall be the earlier of (i) the date on which Tenant secures an Occupancy Permit for the Premises from the County of Placer following completion of the Tenant Improvements to be constructed by Tenant as provided herein, or (ii) two hundred seventy (270) days from the date of commencement of the Early Possession Period (subject to any Force Majeure events as described in Section 37 of this Lease, or delays caused solely and exclusively by Landlord).

2.2 Conditions Precedent to Tenant Possession of the Premises. Tenant shall not take possession of the Premises unless and until the following conditions have been satisfied or waived by Landlord, in addition to other conditions and requirements imposed by this Lease:

A. Landlord has approved in writing Tenant's Schematic Plans and Preliminary Budget, as more particularly required pursuant to Paragraph 5.2 of this Lease;

B. Tenant has obtained all required land use, planning, design and environmental entitlements, including but not limited to building permits and all other governmental approvals from the County of Placer and the Tahoe Regional Planning Agency as necessary for the construction of the Tenant Improvements;

C. Tenant has provided evidence satisfactory to Landlord that it has secured the insurance required by Article 9 of this Lease;

D. Tenant has deposited the Minimum TI Costs into an escrow or construction draw account, has delivered a letter of credit in a form reasonably acceptable to District in amounts as required pursuant to Paragraph 5.2 of this Lease, or has delivered to Landlord payment bonds and performance bonds in amounts as required pursuant to Paragraph 5.2 of this Lease, in accordance with Paragraph 5.2 of this Lease; and

E. A court of competent jurisdiction has issued a final judgment, in connection with the validation action initiated pursuant to Article 4 of this Lease, determining that this Lease is valid, and all applicable appeals periods have expired.

In the event that the Conditions Precedent described above are not satisfied and the Tenant has not taken possession of the Property on or before June 1, 2019 (the "**Outside Date**"), subject to extensions of time as set

forth in Paragraphs 4 and 37 of this Lease, Landlord or Tenant may terminate this lease by written notice to the other party, and neither party shall have any further obligations under this Lease, except for rights or obligations that specifically survive termination of this Lease.

3. TERM.

3.1 Term. The term of this Lease (the "**Term**") shall commence on the Commencement Date and continue in full force and effect for the number of years specified as the Length of Term in the Basic Lease Information or until this Lease is terminated as otherwise provided herein. If the Commencement Date is a date other than the first day of the calendar month, the Term shall be the number of months or years of the Length of Term in addition to the remainder of the calendar month following the Commencement Date.

3.2 Options to Extend. Landlord hereby grants to Tenant two (2) options (each, an "**Extension Option**") to extend the then current Term of this Lease with respect to the entire Premises for twenty (20) years each (each, an "**Option Term**"), on the same terms, covenants and conditions as provided for in this Lease during the initial Term (or prior Option Term, as the case may be). Each Extension Option must be exercised, if at all, by written notice ("**Extension Notice**") delivered by Tenant to Landlord no later than the date which is ninety (90) days prior to the expiration of the original Term of this Lease (or prior Option Term, as the case may be). Each Extension Option is not assignable separate and apart from this Lease, nor may any such Extension Option be separated from this Lease in any manner, either by reservation or otherwise. Tenant's exercise of any Extension Option may, at Landlord's option, be nullified by Landlord and deemed of no further force or effect, if Tenant shall be in Material Default (as defined below) under the terms of this Lease (after notice and expiration of all applicable cure periods) as of the date of Tenant's exercise of any such Extension Option. For purposes of this Paragraph 3.2, the term "**Material Default**" shall mean a monetary default or a material non-monetary default. Landlord and Tenant acknowledge and agree that the following defaults by Tenant (which continue beyond the expiration of all applicable notice and cure periods) shall be deemed to be included within the definition of Material Defaults as a material non-monetary default:

A. Tenant's failure to provide access to the PREMISES for Public and Non-Profit Events (as defined in Paragraph 5.6 below) mutually agreed upon by Landlord and Tenant; and

B. Tenant's failure to coordinate, participate in, and host the Citizen Advisory Committee meetings pursuant to a meeting schedule to be mutually approved by Landlord and Tenant (with Tenant agreeing to use good faith efforts to evaluate any bona-fide issues presented by the members of the general public attending such meetings).

4. VALIDATION ACTION

4.1 Filing of Action. Within thirty (30) days after the Effective Date, Landlord shall prepare, at Landlord's sole cost and expense, and shall thereafter file an action pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity of this Lease, including without limitation that the Lease of the Premises described herein does not violate and, due to the continued community purposes to which the Premises is to be devoted pursuant to this Lease, is consistent with the park purpose restriction to which the Property is subject based on the Quitclaim Deed executed by the County of Placer for the benefit of the North Tahoe Public Utility District and recorded in the Official Records of Placer County as Document #1979-15462 (the "**Validation Action**"). In the event that the legality or validity of this Lease is contested in the Validation Action, Tenant shall have the right to appear as an interested person, and each party shall be responsible for their own costs and attorneys' fees associated with the Validation Action. Either party shall have the right to request that Landlord appeal an unfavorable trial court decision; provided, however, that the parties shall, as a condition of filing such appeal, agree in writing on the responsibility of the parties for the costs and attorneys' fees for such appeal;

4.2 In the event that a court of competent jurisdiction issues a final judgment in connection with the Validation Action that this Lease is invalid, and all appeals have been exhausted or both parties hereto have decided not to file an appeal, this Lease shall terminate as of the date that the judgment is final and all appeals periods for the Validation Action have expired. In the event that Landlord has not received a final judgment on the Validation Action with all appeals completed or appeal periods expired by December 31, 2019, Tenant and Landlord shall each

have the right to terminate this Lease upon written notice to the other party, and neither party shall have any further obligations under this Lease, except for rights or obligations that specifically survive termination of this Lease.

4.3 In the event Landlord has not received a final judgment and all appeal periods have not expired by December 31, 2018, the Outside Date as set forth in Paragraph 2.2 shall be extended to one hundred eighty (180) days after the date that all appeals periods have expired for the final judgment on the Validation Action.

5. TENANT IMPROVEMENTS; USE; OPERATIONS.

5.1 Initial Design Concept. Not more than thirty (30) days after the Effective Date, Tenant shall submit to Landlord an initial design concept for the configuration and design of the Tenant Improvements for the Premises ("**Initial Design Concept**"). Within thirty (30) days from the submittal of the Initial Design Concept, the Landlord will hold a public meeting to solicit public comment on the initial design concept, and for the Board of Directors of the Landlord to provide comments on the Initial Design Concept.

5.2 Tenant Improvements. Not more than one hundred twenty (120) days after execution of this Lease by the parties, Tenant shall deliver to Landlord a set of schematic plans ("**Schematic Plans**") and a preliminary budget ("**Preliminary Budget**") consistent with the Initial Design Concept, provided that revisions to the Initial Design Concept may be made in response to comments from the public or the Board of Directors of the Landlord, for the construction of improvements to renovate the Building ("**Tenant Improvements**") for review and approval by Landlord, which approval shall not be unreasonably withheld. Following Landlord approval of the Schematic Plans and Preliminary Budget, but not later than one hundred eighty (180) days following the date that the judgment is final in the Validation Action and all applicable appeal periods have expired, Tenant shall furnish all labor and materials necessary and commence construction of the Tenant Improvements in a good, expeditious, workmanlike manner, in accordance with the Schematic Plans approved by Landlord. Completion of the Tenant Improvements and reopening of the Premises to the public shall occur not more than three hundred (300) days following the commencement of the Early Possession Period (subject to any Force Majeure events as described in Section 37 of this Lease, or delays caused solely and exclusively by Landlord). Tenant shall supervise and direct the work on all Tenant Improvements, using reasonable skill and attention. All work on the Tenant Improvements shall be performed in accordance with this Lease and in accordance with Law. Tenant agrees to expend not less than FIVE MILLION SIX HUNDRED THOUSAND DOLLARS (\$5,600,000) ("**Minimum TI Costs**") in third party hard and soft costs and expenses on the design and construction of the Tenant Improvements (which shall include, but not be limited to, architectural, engineering, third party project management, legal, construction and permit and inspection costs) to construct the Tenant Improvements. Prior to commencement of construction, Tenant shall either (a) deposit into a construction draw or escrow account an amount not less than the Minimum TI Costs, and sufficient to pay all costs for construction of the Tenant Improvements as set forth in the Construction Budget, (b) deliver a letter of credit in a form reasonably acceptable to District in an amount not less than One Hundred Ten Percent (110%) of the Minimum TI Costs, including labor, material and equipment used in the work of improvement; or (c) deliver to Landlord payment bonds and performance bonds, issued by a reputable bonding company licensed to do business in California, and reasonably acceptable to Landlord, in an amount not less than One Hundred Ten Percent (110%) of the Minimum TI Costs, including labor, material and equipment used in the work of improvement, and for the contractor's timely completion of the work of improvement of the Tenant Improvements. The payment and performance bonds shall name Landlord as a dual obligee. Further, the escrow agreement, letter of credit or bonds shall be conditioned to the effect that, should all Tenant Improvements required to be done hereby not be completed within the time herein specified, the District may, at its option, cause all uncompleted work to be done and utilize the security provided for in this Section for the payment of all necessary costs therefor.

5.3 Public Use Prior to Construction of Tenant Improvements. Prior to Tenant taking possession of the Premises and commencement of the Early Possession Period, Landlord shall be entitled to continue to use the Premises, including but not limited to providing use for private, public and non-profit events and Recreation Classes consistent with District's historic use of the Premises.

5.4 Use. Per the deed restriction, Tenant shall use the Premises for park purposes, including recreational, public and community activities, and shall be permitted to use the Premises for private events such as weddings, receptions, meetings, concerts, fundraisers and civic events, and any other events consistent with the character of a first-class event facility ("**Permitted Use**") as an ancillary use to the public availability of the Premises

for park purposes, and for no other use or purpose. Subject to the requirements of this Lease and as long as Tenant is occupying the Premises, Tenant and Tenant's employees, agents, customers, visitors, invitees, licensees, contractors, assignees and subtenants (collectively, "**Tenant's Parties**") shall have the exclusive right to use, in common with and subject to the rights of the public and the State of California, the driveways, parking lots, and other areas of the Building and Premises, and further subject to the terms of this Lease (including Tenant's obligations to the public as provided herein). Notwithstanding anything above to the contrary, any restrictions or limitations implemented by Tenant on public use must at all times be consistent with this Lease. Landlord acknowledges and agrees that there will be private events at the facility for private parties and public third party users for which the third party users are paying fees for such use to Tenant.

5.5 Management Duties. During the Term of this Lease, Tenant shall serve as manager of the Premises and shall manage all duties associated with possession of the Premises, including but not limited to maintenance and repair, property management, contracting for services, janitorial, employee management/labor relations, parking, advertising, signage, Operating Expense accounting, banking, collections, net revenue reporting, event scheduling, and any other duty reasonably determined by Tenant as necessary or desirable to appropriately and professionally manage the Premises as a first-class event center. Tenant shall have the duty to book events to maximize revenue and operating efficiency of the Premises. Because the Premises is to be considered a community resource, Tenant agrees to use good faith efforts (consistent with Tenant's good faith business judgment) to maximize Premises revenue while providing the community with a reasonably priced venue (as determined by Tenant in its good faith business judgment) for community events and public activities such as concerts and civic events.

5.6 Public and Non-Profit Events; District Recreational Programs. The Premises shall be available to host public events (each (as the case may be) a "**Public or Non-Profit Event**"), District Events, as defined below, and Recreation Classes, as defined below, consistent with the current usage levels, by local members of the community, public agencies and non-profit organizations, as more specifically described below.

A. A Public or Non-Profit Event is an event that is hosted by a public agency whose jurisdiction includes all or a portion of the Lake Tahoe basin, a non-profit organization that is registered with the State of California as being located at an address within the jurisdictional boundaries of the North Tahoe Public Utility District, or members of the public whose primary address is within the jurisdictional boundaries of the North Tahoe Public Utility District. Public or Non-Profit Events shall pay a rate not more than twenty-five percent (25%) less than the then-current published rate for use of the Premises (the "**Public/Non-Profit Rate**"). Landlord and Tenant acknowledge and agree that Tenant may give priority to private users that are paying the full rate for use of the Premises. Landlord and Tenant, in consultation with the Citizen Advisory Committee (defined in Paragraph 5.7), will jointly develop rules and procedures for reserving the Premises for Public or Non-Profit Events, to ensure that the Premises remains available for Public and Non-Profit Events in a manner consistent with usage of the Premises prior to the commencement of this Lease.

B. Landlord may additionally reserve space within the Premises in a room or rooms up to two thousand (2,000) square feet for up to 75 hours annually to be used for classes or other events at the District's discretion, as no charge (the "**District Events**"). Landlord will reserve rooms for District Events of a size as needed for the event being held. District Events may only be held Monday through Thursday, and may be rescheduled if a private user or a Public or Non-Profit Event is scheduled to be held at the same time as a District Event. Landlord and Tenant, in consultation with the Citizen Advisory Committee (defined in Paragraph 5.7), will jointly develop rules and procedures for reserving the Premises for District Events, including but not limited to the procedure that the District must use to reserve space for District Events, and the procedure for moving the time and location of District Events.

C. The Premises shall also be made available to host the District's recreation classes ("**Recreation Classes**"). Tenant shall make not less than two thousand (2,000) square feet (equivalent to the current size of one-half the Timberline Suite) of space in the Premises available for Recreation Classes for an amount of time annually that is consistent with current use. The current recreation schedule, including days, times and amount of space used, is attached hereto as **Exhibit C**. The availability of the Premises for Recreation Classes during the term of this Lease shall be roughly equivalent to the attached recreation schedule. The parties agree that the schedule for Recreation Classes may be restricted to low-demand days and times, such as weekdays and mornings, and that Recreation Classes may be cancelled from time for scheduled private or public/non-profit events. Recreation Classes

are currently held on Tuesdays and Thursdays, and will continue to be held on those days unless mutually agreed to between Landlord and Tenant. Landlord and Tenant, in consultation with the Citizen Advisory Committee (defined in Paragraph 5.7), shall reasonably agree upon a schedule for Recreation Classes and written procedures for cancellation or rescheduling of Recreation Classes. Tenant may charge the District or independent contractor/instructor utilizing the Premises an amount equal to 35% of registration fees received by the District or independent contractor from class participants. Landlord and Tenant shall develop a separate agreement to govern the rights and responsibilities of the Landlord, Tenant and independent contractor/instructor for use of the Premises for Recreation Classes, consistent with this Lease.

D. In the event that the Governor of California declares a state of emergency in Placer County that affects the Lake Tahoe Basin, Tenant shall also make the Premises available as a temporary emergency shelter if such temporary emergency shelter is requested by Placer County Office of Emergency Services, provided that Tenant shall not be required to cancel any previously scheduled events in order to make the Premises available for such temporary shelter use, and such temporary shelter use shall not exceed two weeks, except by the mutual written consent of Landlord and Tenant. As a component of the Tenant Improvements, Tenant shall, at Landlord's sole costs and in consultation with Landlord and Placer County Office of Emergency Services, provide an external connection for a portable generator that can provide electrical power to the Premises during a state of emergency.

5.7 Citizen Advisory Committee. Not less than one hundred eighty (180) days after the Effective Date, a Citizen Advisory Committee shall be established consisting of three (3) members, with two (2) members appointed by the Landlord and one (1) member appointed by the Tenant. The members of the Citizen Advisory Committee shall not be members, managers, partners, officers, employees, or board members of Landlord or Tenant, and shall serve at the pleasure of the party that appointed that member. The Citizen Advisory Committee will provide advisory oversight of the Premises to ensure that Premises continues to be made available for public purposes in accordance with the restrictions as set forth in this Lease. The Citizen Advisory Committee only provides advice (but not directives) to ensure the continued availability of the Premises for public purposes. The Citizen Advisory Committee shall assist the Landlord and Tenant to develop a policy for the reservation and scheduling of the Premises for Public and Non-Profit Events as set forth in Paragraph 5.6(A) above, shall advise the Board of the Landlord on matters related to the North Tahoe Event Center, and shall provide the Board of the Landlord, on an annual basis not later than April 1 of each year, a report on the public and non-profit use of the North Tahoe Event Center. Tenant agrees that it shall reasonably cooperate with the Citizen Advisory Committee and shall provide such information as is reasonably necessary for the Citizen Advisory Committee to conduct its responsibilities as set forth herein. Landlord or Tenant may, at their reasonable discretion, provide additional guidelines or direction regarding the responsibilities of the Citizen Advisory Committee.

5.8 Limitations. Except for customary odors in connection with Tenant's Permitted use of the Premises, Tenant shall not permit any odors, smoke, dust, gas, substances, noise or vibrations to emanate from the Premises or from any portion of the Building as a result of Tenant's or any Tenant's Party's use thereof, nor take any action which would constitute a nuisance. Tenant shall not use or allow the Premises to be used for any unlawful purpose, nor shall Tenant cause or maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or suffer the commission of any waste in, on or about the Premises. Tenant shall not place any loads upon the floors, walls or ceilings which could endanger the structure, or place any harmful substances in the drainage system of the Building or Premises. No waste, materials or refuse shall be dumped upon or permitted to remain outside the Premises (other than reasonable and customary waste or refuse associated with managing and operating a first-class event center with regularly scheduled removal by a reputable waste hauler in the area).

5.9 Compliance with Regulations. By taking possession of the Premises, Tenant accepts the Premises and Building in the condition existing as of the date of such possession. Tenant agrees that if, as a consequence of Landlord's ownership (or ownership of an interest) in the Building or in connection with any construction project on the Premises and/or Building, any legal requirements applicable to construction projects (a) undertaken by California public agencies, or (b) supported by public agency funds (including, but not limited to, competitive bidding requirements, prevailing wage requirements, and public works bonding requirements) are triggered, Tenant shall cause all such requirements to be fully complied with at Tenant's sole cost and expense. Any failure by Tenant to cause all such applicable requirements to be fully complied with shall be a material breach of this Lease. Tenant shall at its sole cost and expense strictly comply with all existing or future applicable municipal, state and federal and other governmental statutes, rules, requirements, regulations, laws and ordinances, including zoning

ordinances and regulations, and covenants, easements and restrictions of record governing and relating to the use, occupancy or possession of the Premises, or to the use, storage, generation or disposal of Hazardous Materials (hereinafter defined) (collectively "**Regulations**"). Tenant agrees to comply with all Regulations pertaining to prevailing wage, competitive bidding and public bonding requirements at its sole cost and expense which may be triggered due to this Lease. Tenant shall at its sole cost and expense obtain any and all licenses or permits necessary for Tenant's lease, improvements, use, operation and maintenance of the Premises. Tenant shall at its sole cost and expense promptly comply with the requirements of any board of fire underwriters or other similar body now or hereafter constituted. Tenant shall not do or permit anything to be done in, on, under or about the Premises or bring or keep anything which will in any way increase the rate of any insurance upon the Premises or Building or upon any contents therein or cause a cancellation of said insurance or otherwise affect said insurance in any manner. Tenant shall indemnify, defend (by counsel reasonably acceptable to Landlord), protect and hold Landlord harmless from and against any loss, cost, expense, damage, attorneys' fees or liability arising out of the failure of Tenant to comply with any Regulation. Tenant's obligations pursuant to the foregoing indemnity shall survive the expiration or earlier termination of this Lease.

5.10 Hazardous Materials. As used in this Lease, "**Hazardous Materials**" shall include, but not be limited to, hazardous, toxic and radioactive materials and those substances defined as "hazardous substances," "hazardous materials," "hazardous wastes," "toxic substances," or other similar designations in any Regulation. Tenant shall not cause, or allow any of Tenant's Parties to cause, any Hazardous Materials to be handled, used, generated, stored, released or disposed of in, on, under or about the Premises or the Building or surrounding land or environment in violation of any Regulations. Tenant must obtain Landlord's written consent prior to the introduction of any Hazardous Materials onto the Premises. Notwithstanding the foregoing, Tenant may handle, store, use and dispose of products containing small quantities of Hazardous Materials for "general office/retail purposes" (such as toner for copiers) to the extent customary and necessary for the Permitted Use of the Premises; provided that Tenant shall always handle, store, use, and dispose of any such Hazardous Materials in a safe and lawful manner and never allow such Hazardous Materials to contaminate the Premises or Building, or surrounding land or environment. Tenant shall immediately notify Landlord in writing of any Hazardous Materials' contamination of any portion of the Premises of which Tenant becomes aware, whether or not caused by Tenant. Landlord shall have the right at all reasonable times and if Landlord reasonably determines based on facts presented to Tenant, that Tenant may not be in compliance with this Paragraph 5.10 (with respect that a release of Hazardous Materials occurred in violation of Regulations) to inspect the Premises and to conduct tests and investigations to determine whether Tenant is in compliance with the foregoing provisions, the costs of all such inspections, tests and investigations to be borne by Tenant unless it is determined that Tenant was in material compliance with this Paragraph 5.10 (in which case such costs shall be borne by Landlord. Tenant shall indemnify, defend (by counsel reasonably acceptable to Landlord), protect and hold Landlord harmless from and against any and all claims, liabilities, losses, costs, loss of rents, liens, damages, injuries or expenses (including attorneys' and consultants' fees and court costs), demands, causes of action, or judgments directly or indirectly arising out of or related to the use, generation, storage, release, or disposal of Hazardous Materials by Tenant or any of Tenant's Parties in, on, under or about the Premises or the Building or surrounding land or environment, which indemnity shall include, without limitation, damages for personal or bodily injury, property damage, damage to the environment or natural resources occurring on or off the Premises, losses attributable to diminution in value or adverse effects on marketability, the cost of any investigation, monitoring, government oversight, repair, removal, remediation, restoration, abatement, and disposal, and the preparation of any closure or other required plans, whether such action is required or necessary prior to or following the expiration or earlier termination of this Lease. Neither the consent by Landlord to the use, generation, storage, release or disposal of Hazardous Materials nor the strict compliance by Tenant with all laws pertaining to Hazardous Materials shall excuse Tenant from Tenant's obligation of indemnification pursuant to this Paragraph 5.10. Landlord and its successors and assigns shall indemnify, defend, reimburse and hold Tenant harmless from and against any and all damages, including the cost of remediation, which result from Hazardous Materials which existed on the Premises prior to the date hereof or which are caused by the negligence or willful misconduct of Landlord or Landlord Parties or which migrate onto the Premises. Landlord's obligations, as and when required by the applicable law, shall survive the expiration or termination of this Lease. Notwithstanding anything to the contrary in this Lease, Tenant shall have no obligation to remediate, clean up, monitor, abate or to comply with any law regarding, or to which now or hereafter become regulated by any governmental authority or agency thereof and which Tenant or Tenant Parties did not store, dispose of, or transport in, use, or cause to be on the Premises including any preexisting underground storage tank. Tenant's and Landlord's obligations pursuant to the foregoing indemnity shall survive the expiration or earlier termination of this Lease.

5.11 Restricted Uses. Tenant shall warehouse, store and/or stock in the Premises only such goods, wares and merchandise as Tenant intends to use in the operation and maintenance of the Premises or use in preparation of goods or food items or services for sale at, in, from or upon the Premises. The Premises shall not be used for any purpose which shall interfere with or in any manner be inconsistent with that certain Quitclaim Deed executed by the County of Placer for the benefit of the North Tahoe Public Utility District and recorded in the Official Records of Placer County as Document #1979-15462, or any trusts upon which the Premises are now or may hereinafter be held by Landlord.

5.12 Refuse and Sewage. Tenant agrees not to keep any trash, garbage, waste or other refuse on the Premises, including any designated refuse collection area in the Premises, except in sanitary containers and agrees to regularly and frequently remove same from the Premises. Tenant shall keep all containers or other equipment used for storage of such materials in a clean and sanitary condition. Tenant shall properly dispose of all sanitary sewage and shall not use the sewage disposal system for the disposal of anything except sanitary sewage. Tenant shall keep the sewage disposal system free of all obstructions and in good operating condition. Tenant shall separately contract and pay directly for its trash disposal services.

5.13 District Regulatory Powers. The Landlord is entering into this Lease in its proprietary capacity, and not in its regulatory or governmental capacity. Nothing in this Lease shall be construed as restraining, impairing or restricting the District in its regulatory capacity, or granting any rights upon the Tenant with respect to the use, occupancy or operation of the Premises in a manner inconsistent with Law. This Lease does not grant any development rights upon the Tenant with respect to the Premises and any such development shall be subject to all applicable provisions of the Placer County Code.

6. VERIFICATION OF MINIMUM TI COSTS CONTINGENCY.

6.1 Landlord's obligations under this Lease are conditioned on, before or within sixty (60) days of the mutual execution and delivery of this Lease (the "**Contingency Period**"), Tenant's providing evidence and documentation to Landlord's financial consultant (subject to the agreed upon confidentiality agreement between Tenant and such consultant) for Landlord to verify (i) the cash equity necessary to fund the Minimum TI Costs for the Premises in accordance with Paragraph 5.2; (ii) Tenant's business plan and proposed management of the Property; and (iii) Tenant's operating entity structure, management team and operating/staffing plan. Tenant shall, at Tenant's expense, provide specific documentation to evidence (i) the source and existence of the funds to be used for the Minimum TI Costs, which may include but not be limited to tax returns, and the most recent two years' fiscal year-end financial statements, all to the extent the same are in existence; (ii) copies of Tenant's operating agreement, articles and bylaws, state filings and/or other organizational documents; (iii) five year business plan to operate the Premises, including operating budget, staffing, marketing and income and expense projections; (iv) job description and resume for proposed facility managers and any other proposed key management; (v) brief background for any member of Tenant with more than 25% ownership or executive management role.

6.2 Tenant submitted to Landlord a deposit (the "**Deposit**") in the amount of Fifty Thousand Dollars (\$50,000.00) pursuant to that certain Agreement to Negotiate Exclusively (the "**ANE**"), dated September 13, 2016 and entered into by and between Landlord and Tenant. Tenant and Landlord agree that notwithstanding any provisions to the contrary in the ANE, Landlord shall retain the Deposit and shall have the right to use the Deposit to pay Landlord's Costs (as defined in Section 103 of the ANE) incurred through the date of termination of this Lease, in the event that the Lease is terminated pursuant to Section 6.3 below.

6.3 If Tenant does not provide such evidence satisfactory to Landlord in its sole and absolute discretion on or before the end of the Contingency Period, Landlord shall have the right to terminate this Lease. In the event Tenant has not provided such information or satisfactory evidence to Landlord within the Contingency Period, Landlord shall have thirty (30) days following the expiration of the Contingency Period to send notice to Tenant of its decision to: (i) extend the Contingency Period; (ii) terminate the Lease effective the expiration of the 30 day period; (iii) waive the contingency or (iv) indicate satisfaction of the contingency such that the Lease shall continue in effect. If the Landlord waives the contingency, indicates satisfaction of the contingency such that the Lease shall continue in effect, or the Landlord takes no action within the 30 day period following the end of the Contingency Period, then Landlord shall return the Deposit to Tenant within 10 days of such event, and this Lease shall continue in full force and effect. If the Lease is terminated hereunder, Landlord shall use the Deposit to pay its

Costs as defined in Section 103 of the ANE, and provide Tenant with a summary report of the Costs incurred by the District through the date of termination of this Lease. In the event that a portion of the Deposit remains after payment of such Costs, that portion shall be returned to Tenant. Thereafter, neither party shall have any rights or liabilities under this Lease except for any obligations which expressly survive termination of this Lease.

7. RENT.

7.1 Tenant shall pay to Landlord and Landlord shall receive, without notice or demand throughout the Term, annual Rent as specified in the Basic Lease Information, payable in annual installments in advance on or before the anniversary of the Rent Commencement Date, in lawful money of the United States, without deduction or offset whatsoever, at the Payment Address specified in the Basic Lease Information or to such other place as Landlord may from time to time designate in writing. Rent for the first full year of the Term shall be paid by Tenant on the Rent Commencement Date. As used herein, the term "Rent" shall mean the Rent specified in the Basic Lease Information as it may be so adjusted from time to time. The Rent payable by Tenant hereunder is subject to adjustment as provided in Paragraph 7.1A.

A. Annual Adjustment. Beginning on July 1 following the eleventh anniversary of the Rent Commencement Date, and each July 1 thereafter for the Term of this Lease (each such date is referred to as an "Adjustment Date"), Rent shall increase annually as follows:

(1) For the first Adjustment Date, the Index (as defined below) for the May following the tenth anniversary of the Commencement Date occurs shall be the Beginning Index, and the Index for the May following the next anniversary of the Commencement Date shall be the Extension Index. As of the first Adjustment Date, Rent shall be the amount equal to the Rent payable during the previous year of the term multiplied by a fraction, the numerator of which is the applicable Extension Index and the denominator of which is the Beginning Index, subject to the limitation set forth in the final sentence of this subdivision. For each Adjustment Date thereafter, the Extension Index for the preceding year shall be the Beginning Index, and the Extension Index shall be the Index for the month when the relevant Adjustment Date occurs, subject to the final sentence of this subdivision. As of the relevant Adjustment Date, Base Rent shall be the amount equal to the Base Rent payable during the previous month of the term multiplied by a fraction, the numerator of which is the applicable Extension Index and the denominator of which is the applicable Beginning Index, subject to the limitation set forth in the final sentence of this subdivision. Notwithstanding the foregoing, the Rent shall not increase or decrease in an amount greater than two percent (2%) from the prior year's Rent.

(2) The Index for computing the rent increase shall be the following index published by the United States Department of Labor, Bureau of Labor Statistics, 1982-84 = 100: The Consumer Price ("All Items") Index for all Urban Consumers for the San Francisco-Oakland-San Jose Metropolitan Area (hereinafter referred to as the "Index"). If the Index is changed so that a base period other than 1982-84 shall equal 100, then such Index shall be converted in accordance with the conversion factors published by the United States Bureau of Labor Statistics. If such Index is discontinued or revised, the Index designated as the successor or substitute Index by the government of the United States shall be substituted. If no Index is so designated, Lessor shall reasonably designate an Index prepared by an appropriate government entity, corporation or other entity.

(3) If an applicable Index is not available as of an Adjustment Date, then (i) Lessee shall continue to pay the same amount of Base Rent as payable immediately prior to such Adjustment Date, and (ii) Lessor shall prepare and send to Lessee a reasonable time after the Index is available a statement of the actual increase (showing the method of calculation and attaching thereto a copy of the published Index), and (iii) Lessee shall within ten days of receipt of such statement pay to Lessor all additional amounts owed as of the relevant effective date, and (iv) the Base Rent shall be increased by the same amount until the next subsequent Adjustment Date or the end of the term, as appropriate.

(4) The Rent for any option term shall be increased according to this subparagraph 7.1(A).

8. OPERATING EXPENSES.

8.1 Operating Expenses. All water, gas, electricity, sewer, garbage and other public utilities or services used upon or furnished to the Premises during the Term of this Lease, and all other expenses and costs of every kind and nature which Landlord would normally pay or become obligated to pay, because of or in connection with the ownership, management, maintenance, repair, preservation, replacement and operation of the Building or Premises and its supporting facilities (collectively, "**Operating Expenses**") shall be promptly paid by Tenant as billed and prior to delinquency. Operating Expenses shall also include, but are not limited to, the cost of all taxes and assessments levied upon or assessed with respect to the real and personal property of, within and adjacent to the Premises or the Building. Operating Expenses shall also include any possessory interest taxes, sales taxes, business or license taxes or fees, gross receipts taxes, service payments in lieu of such taxes or fees, excises, reassessments or other fees or impositions with respect to the development, leasing, management, maintenance, alteration, repair, use or occupancy of the Premises or Building or any portion thereof, including, without limitation, by or for Tenant, and all increases therein or reassessments thereof whether the increases or reassessments result from increased rate and/or valuation (whether upon a transfer of the Building or Premises or any portion thereof or any interest therein or for any other reason). Operating Expenses shall also include:

A. Revenue & Taxation Code Section 107.6. Possessory Interest Tax. Tenant recognizes and understands that this Lease may create a possessory interest subject to property taxes and that, if a possessory interest is created, Tenant shall, in accordance with this Paragraph 8.1.A, be responsible for payment of property taxes levied against such possessory interest.

B. Insurance. All insurance premiums and costs, including, but not limited to, any deductible amounts, premiums and other costs of insurance incurred by Tenant or Landlord, including for the insurance coverage set forth in Paragraph 9.1 herein.

C. Maintenance.

(1) Repairs, replacements, supplies, utilities, and general maintenance of the Premises or Building which may include public restrooms, mechanical rooms, building exteriors, alarm systems, pest extermination, landscaped areas, service areas, driveways, sidewalks, loading areas, fire sprinkler systems, appurtenant buildings, sanitary and storm sewer lines, utility services, electrical, mechanical or other systems, telephone equipment and wiring servicing, plumbing, lighting, trash collection, security, extermination fees, signage, day porter, and any other items or areas which affect the operation or appearance of the Building or Premises.

(2) Repairs, replacements, and general maintenance shall include the cost of any improvements made to or assets acquired for the Premises or Building, including present or future repair work, are reasonably necessary for the health and safety of the occupants of the Building or Premises, or for the operation of the Building systems, services and equipment, or are required to comply with any Regulation.

(3) Payment under or for any easement, license, permit, operating agreement, declaration, restrictive covenant or instrument relating to the Building or Premises.

(4) All expenses and rental related to services and costs of supplies, materials and equipment used in operating, managing and maintaining the Premises and Building, the equipment therein and the adjacent sidewalks, driveways, parking areas, and service areas, including, without limitation, expenses related to service agreements regarding security, fire and other alarm systems, window cleaning, Building exterior maintenance, landscaping and expenses related to the administration, management and operation of the Premises, including without limitation salaries, wages and benefits and management office rent.

(5) The cost of supplying any services and utilities which benefit all or a portion of the Premises or Building, including without limitation services and utilities provided pursuant to Paragraph 17 hereof.

(6) A management and accounting cost recovery fee not to exceed five percent (5%) of the sum of the Premises' revenues whether managed by Landlord or third party management.

8.2 Exclusions from Operating Expenses. Operating Expenses shall not include the following: (i) Landlord's legal and auditing fees; (ii) depreciation, amortization and interest payments, (iii) any items for which Landlord is actually reimbursed by Insurance; (iv) costs of repairs or other work necessitated by fire, windstorm, or other casualty (excluding any deductibles) to the extent Landlord is actually reimbursed by Insurance; (v) costs of repair or other work necessitated by the exercise of the right of eminent domain to the extent Landlord is reimbursed by insurance proceeds of a condemnation; (vi) costs incurred to comply with applicable laws with respect to the cleanup, removal, investigation and/or remediation of any Hazardous Materials in, on or under the Premises to the extent such Hazardous Materials are not placed thereon by Tenant or any Tenant Parties (in which event such costs shall be paid by Tenant) and are: (1) in existence as of the Commencement Date and in violation of applicable laws in effect as of the Commencement Date; or (2) introduced onto the Premises after the Commencement Date by a party other than Tenant or Tenant's Parties, Landlord or any of Landlord's agents, employees, contractors or other tenants in violation of applicable laws in effect at the date of introduction; (vii) any reserves set aside by Landlord; (viii) costs, including penalties, fees and legal expenses incurred due to a violation by Landlord of applicable laws in effect as of the date hereof, that would not have been incurred but for any such violation by Landlord; (ix) any bad debt loss, rent loss, or reserves for bad debts or rent loss; or (x) tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments when due.

8.3 Net Lease. This shall be a triple net Lease and Base Rent shall be paid to Landlord absolutely net of all costs and expenses, except as specifically provided to the contrary in this Lease. The provisions for payment of Operating Expenses are intended to pass on to Tenant and reimburse Landlord for all costs and expenses of the nature described in Paragraph 8.1 incurred in connection with the ownership, management, maintenance, repair, preservation, replacement and operation of the Building and/or Premises and its supporting facilities.

9. INSURANCE AND INDEMNIFICATION.

9.1 Landlord's Insurance. If, and to the extent Landlord elects to do so (in Landlord's sole discretion and at Landlord's sole cost and expense), Landlord may maintain insurance through individual or blanket policies insuring the Building against fire and extended coverage (including, if Landlord elects, "all risk" coverage, earthquake/volcanic action, flood and/or surface water insurance) for all or a portion of the full replacement cost of the Building, with deductibles and the form and endorsements of such coverage as selected by Landlord, together with rental interruption insurance against loss of Rent. Landlord may, at Landlord's sole cost, also carry such other insurance as Landlord may deem prudent or advisable, including, without limitation, liability insurance in such amounts and on such terms as Landlord shall determine. All such insurance maintained by Landlord shall be for the exclusive benefit of Landlord and Tenant shall have no right or interest therein.

9.2 Tenant Insurance. Tenant shall, at Tenant's expense, obtain and keep in force at all times the following:

A. Commercial General Liability Insurance (Occurrence Form). A policy of commercial general liability insurance (occurrence form) having a combined single limit of not less than Two Million Dollars (\$2,000,000) per occurrence, Four Million Dollars (\$4,000,000) in aggregate, providing coverage for, among other things, blanket contractual liability, Premises, products/completed operations with an "Additional Insured-Managers or Lessors of Premises Endorsement" and containing the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire, and personal and advertising injury coverage, with deletion of (a) the exclusion for operations within fifty (50) feet of a railroad track (railroad protective liability), if applicable, and (b) the exclusion for explosion, collapse or underground hazard, if applicable. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, and shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Tenant's indemnity obligations under this Lease;

B. Automobile Liability Insurance. Business automobile liability insurance having a combined single limit of not less than One Million Dollars (\$1,000,000) per occurrence and insuring Tenant against liability for claims arising out of ownership, maintenance, or use of any owned, hired or non-owned automobiles;

C. Workers' Compensation and Employer's Liability Insurance. Workers' compensation insurance having limits not less than those required by state statute and federal statute, if applicable, and covering all persons employed by Tenant in the conduct of its operations on the Premises including coverage for all states and, if applicable, voluntary compensation, together with employer's liability insurance coverage in the amount of at least One Million Dollars (\$1,000,000);

D. Property Insurance. "All risk" property insurance including boiler and machinery comprehensive form, if applicable, covering damage to or loss of any of Tenant's personal property, fixtures, equipment and alterations, including electronic data processing equipment (collectively, "**Tenant's Property**") (and coverage for the full replacement cost thereof including business interruption of Tenant), together with, if the property of Tenant's invitees is to be kept in the Premises, warehouse's legal liability or bailee customers insurance for the full replacement cost of the property belonging to invitees and located in the Premises; and

E. Business Interruption. Loss of income and extra expense insurance in amounts as will reimburse Tenant for direct or indirect loss of earnings attributable to all peril commonly insured against by prudent Tenants in the business of Tenant or to prevention of access to the Premises as a result of such perils.

9.3 General.

A. Insurance Companies. Insurance required to be maintained by Tenant shall be written by companies licensed to do business in the state in which the Premises are located and having a "General Policyholders Rating" of at least "A-VIII" (or such higher rating as may be required by lender having a lien on the Premises) as set forth in the most current issue of "Best's Insurance Guide."

B. Certificates of Insurance. Tenant shall deliver to Landlord certificates of insurance for all insurance required to be maintained by Tenant in a form acceptable to Landlord in its sole discretion, no later than seven (7) days prior to the date of possession of the Premises. Tenant shall, at least ten (10) days prior to expiration of the policy, furnish Landlord with certificates of renewal or "binders" thereof. To the extent available under insurance industry custom and practice, each certificate shall expressly provide that such policies shall not be cancelable or otherwise subject to modification except after thirty (30) days' prior written notice to the parties named as additional insureds in this Lease (except in the case of cancellation for nonpayment of premium in which case cancellation shall not take effect until at least ten (10) days' notice has been given to Landlord). If Tenant fails to maintain any insurance required in this Lease, Tenant shall be liable for all losses and costs suffered or incurred by Landlord (including litigation costs and attorneys' fees and expenses) resulting from said failure.

C. Additional Insured. Landlord, Landlord's lender, if any, and any property management company of Landlord for the Premises shall be named as additional insureds on a form reasonably approved by Landlord under all of the policies required by Paragraph 9.2.1. The policies required under Paragraph 9.2.1 shall provide for severability of interest.

D. Primary Coverage. All insurance to be maintained by Tenant shall, except for workers' compensation and employer's liability insurance, be primary, without right of contribution from insurance of Landlord. Any umbrella liability policy or excess liability policy (which shall be in "following form") shall provide that if the underlying aggregate is exhausted, the excess coverage will drop down as primary insurance. The limits of insurance maintained by Tenant shall not limit Tenant's liability under this Lease.

E. Waiver of Subrogation. Tenant waives any right to recover against Landlord for claims for damages to Tenant's Property whether or not covered by insurance. This provision is intended to waive fully, and for the benefit of Landlord, any rights and/or claims which might give rise to a right of subrogation in favor of any insurance carrier. The coverage obtained by Tenant pursuant to this Lease shall include, without limitation, a waiver of subrogation endorsement attached to the certificate of insurance.

F. Notification of Incidents. Tenant shall notify Landlord immediately and as soon as practicable, but no later than within twenty-four (24) hours after the occurrence of any accidents or incidents in the Premises, which could give rise to a claim under any of the insurance policies required under this Paragraph 9.

9.4 Indemnity. Tenant shall indemnify, protect, defend (at Tenant's sole cost and with legal counsel acceptable to Landlord) and hold harmless, Landlord and Landlord's affiliated entities, and each of their respective members, managers, partners, officers, employees, council members, board members, lenders, agents, contractors, successors and assigns from and against any and all claims, judgments, causes of action, damages, penalties, costs, liabilities, and expenses, including all court costs and attorneys' fees, arising at any time during or after the Term, as a result (directly or indirectly) of or in connection with (i) default in the performance of any Obligation on Tenant's part to be performed under the terms of this Lease, or (ii) Tenant's use of the Premises, the conduct of Tenant's business or any activity, work or things done, permitted or suffered by Tenant or Tenant's employees, agents, customers, visitors, invitees, licensees, contractors, assignees or subtenants (individually, a "**Tenant Party**" and collectively, "**Tenant's Parties**") in or about the Premises, the Building, the Common Area or other portions of the Premises except as provided by law or for claims caused solely by Landlord's gross negligence or willful misconduct. Tenant's indemnity is not intended to nor shall it relieve any insurance carrier of its obligations under policies required to be carried by Licensee pursuant to the provisions of this Lease to the extent such policies cover the results of negligent acts or omissions of Landlord, its employees, agents, contractors, council members, board members and officers or the failure of Landlord to perform any of its obligations under this Lease. The obligations of Tenant under this Paragraph 9.4 shall survive the termination or earlier expiration of this Lease.

9.5 Exemption of Landlord from Liability. Tenant, as a material part of the consideration to Landlord, hereby assumes all risk of damage to the Premises and its property including, but not limited to, Tenant's fixtures, equipment, furniture and alterations, or illness or injury to persons in, upon or about the Premises, arising from any cause, and Tenant hereby expressly releases Landlord and waives all claims in respect thereof against Landlord, except only such claims as are caused solely by Landlord's gross negligence or willful misconduct.

Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business or any loss of income therefrom or for damage to the property of Tenant, or injury to or illness or death of Tenant or any Tenant Party or any other person in or about the Premises, whether such damage, illness or injury is caused by fire, steam, electricity, gas, water or rain, or from the breakage, leakage or other defects of sprinklers, wires, appliances, ventilation, plumbing, air conditioning or lighting fixtures, or from any other cause, and whether said damage, illness or injury results from conditions arising upon the Premises, upon other portions of the Building or from other sources or places, and regardless of whether the cause of such damage, illness or injury or the means of repairing the same is inaccessible to Tenant, except only damage, illness or injury caused solely by Landlord's gross negligence or willful misconduct.

Landlord shall not be liable for any damages arising from any action, inaction or neglect by any contractor or other tenant, if any, of the Building or Landlord's failure to enforce the terms of any agreements with parties other than Tenant.

10. WAIVER OF SUBROGATION. Landlord and Tenant each waives any claim, loss or cost it might have against the other for any injury to or death of any person or persons, or damage to or theft, destruction, loss, or loss of use of any property (a "**Loss**"), to the extent the same is insured against (or is required to be insured against under the terms hereof) under any property damage insurance policy covering the Building, the Premises, Landlord's or Tenant's fixtures, personal property, leasehold improvements, or business, regardless of whether the negligence of the other party caused such Loss.

11. RESERVED.

12. TENANT'S REPAIRS AND MAINTENANCE.

12.1 By taking possession of the Premises and Building, Tenant accepts them "as is," as being in good order, condition and repair and the condition in which Landlord is obligated to deliver them and suitable for the Permitted Use and Tenant's intended operations in the Premises, whether or not any notice of acceptance is given. Tenant shall at all times during the Term at Tenant's expense maintain the Premises, including interior walls, electrical, mechanical or other systems, telephone equipment and wiring servicing, HVAC, plumbing, lighting in, or about the Premises in a first-class, good, clean and secure condition and promptly make all necessary repairs and replacements, as reasonably determined by Landlord, with materials and workmanship of the same character, kind and quality as the

Premises following completion of the Tenant Improvements. Tenant shall, at its expense, promptly repair any damage to the Premises or the Building resulting from or caused by any negligence or act of Tenant or Tenant's Parties.

12.2 If any portion of the Premises is used for the sale or storage of food, then Tenant, at Tenant's expense, will have a bonded, professional pest-and-sanitation control operator provide monthly pest control services. In addition, Tenant agrees to annually inspect the lateral sewer line to point of connection at main sewer line and have the lateral sewer line inspected with a plumbing camera every five years. Results of said inspections shall be provided to Landlord. Throughout Term Tenant will, at Tenant's sole expense, maintain the Premises in a clean, sanitary, and quiet manner and will take such steps as may be necessary, in the reasonable discretion of Landlord, to keep the Premises and/or contiguous other tenant-occupied premises and the Building free of nuisances, odors, and loud sounds, including music associated with Tenant's business or from the operation of any instrument, apparatus, equipment, radio, television, or amplification system. On Tenant's receipt of notice of any complaint of odor or noise that may be resulting from, directly or indirectly, the operation of Tenant's business, Tenant, at Tenant's sole expense, will take such steps as may be necessary to immediately remedy such odor or noise.

12.3 Operations by Tenant. Tenant will at its expense: (a) keep the inside and outside of all glass in the doors and windows located in the Premises intact and clean; (b) keep all exterior surfaces located on the Premises clean and free of graffiti; (c) replace promptly any cracked or broken glass located on the Premises with glass of like grade and quality; (d) maintain the Premises in a clean, orderly and sanitary condition and free of insects, rodents, vermin and other pests; (e) keep any garbage, trash, rubbish or other refuse in rat-proof containers within the interior of the Premises or in Landlord designated trash containers until removed; (f) have such garbage, trash, rubbish and refuse removed on a daily basis; (g) keep all mechanical apparatus reasonably free of vibration and noise which may be transmitted beyond the Premises; (h) comply with all applicable Law; (i) light the exterior signs, if any, during Tenant's business hours and turn the same off to the extent reasonably required by Landlord; (j) comply with and observe all rules and regulations established by Landlord or its designee, provided that Landlord will not adopt rules and regulations applicable to Tenant that have an adverse effect (other than de minimus) on Tenant's revenues, expenses or operations derived from the Premises or otherwise has a material adverse effect on Tenant's business operations or beneficial use and enjoyment of the Premises; (k) maintain sufficient and seasonal inventory and have sufficient number of personnel to operate and maintain the Premises; and (l) conduct its business in all respects in accordance with high standards of event center rental and operation.

13. ALTERATIONS; TENANT IMPROVEMENTS.

13.1 Except for the Tenant Improvements approved by Landlord, as set forth in Paragraph 13.2, below, Tenant shall not make, or allow to be made, any alterations, physical additions, improvements or partitions, including without limitation the attachment of any fixtures or equipment, in, about or to the Premises ("**Alterations**") without obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed with respect to proposed Alterations which: (a) comply with all applicable Regulations; and (b) will not adversely affect the Building's mechanical, plumbing, electrical, heating/ventilation/air conditioning systems, and will not cause the Building or Premises or such systems to be required to be modified to comply with any Regulations (including, without limitation, the Americans With Disabilities Act), unless Tenant agrees to pay for the cost of such required modifications. Specifically, but without limiting the generality of the foregoing, Landlord shall have the right of written consent for all plans and specifications for the proposed Alterations, construction means and methods, all appropriate permits and licenses, any contractor or subcontractor to be employed on the work of Alterations, and the time for performance of such work, and may impose rules and regulations for contractors and subcontractors performing such work. Tenant shall also supply to Landlord any documents and information reasonably requested by Landlord in connection with Landlord's consideration of a request for approval hereunder. Tenant shall cause all Alterations to be accomplished in a first-class, good and workmanlike manner, and to comply with all applicable Regulations and Paragraph 29 hereof. Tenant shall at Tenant's sole expense, perform any additional work required under applicable Regulations due to the Alterations hereunder. No review or consent by Landlord of or to any proposed Alteration or additional work shall constitute a waiver of Tenant's obligations under this Paragraph 13, nor constitute any warranty or representation that the same complies with all applicable Regulations, for which Tenant shall at all times be solely responsible. Notwithstanding anything in this Paragraph 13 to the contrary, Tenant shall be permitted to make Alterations following ten (10) business days' notice to Landlord, but without Landlord's prior consent, to the extent that such Alterations do not (i) adversely affect the value of the Premises, (ii) cost in excess of Fifty Thousand Dollars (\$50,000) in the aggregate in any consecutive twelve month

period (provided that no such dollar limit shall apply to purely cosmetic decorations such as carpet, paint and wall coverings), and (iii) such Alterations are in compliance with all other requirements of this Paragraph 13 (collectively the “**Pre-Approved Alterations**”). Tenant shall reimburse Landlord for all costs which Landlord may incur in connection with granting approval to Tenant for any such Alterations, including any costs or expenses which Landlord may incur in electing to have outside architects and engineers review said plans and specifications. All such Alterations shall remain the property of Tenant until the expiration or earlier termination of this Lease, at which time they shall be and become the property of Landlord; provided, however, that Landlord may, at Landlord's option, require that Tenant, at Tenant's expense, remove any or all Alterations made by Tenant and restore the Premises by the expiration or earlier termination of this Lease, to their condition existing prior to the construction of any such Alterations, provided that Landlord shall notify Tenant at the time Landlord approves the Alteration if the Landlord will require removal at the expiration or earlier termination of the Lease. All such removals and restoration shall be accomplished in a first-class and good and workmanlike manner so as not to cause any damage to the Premises or Building whatsoever. If Tenant fails to remove such Alterations or Tenant's trade fixtures or furniture or other personal property, Landlord may keep and use them or remove any of them and cause them to be stored or sold in accordance with applicable law, at Tenant's sole expense. In addition to and wholly apart from Tenant's obligation to pay Tenant's Proportionate Share of Operating Expenses, Tenant shall be responsible for and shall pay prior to delinquency any taxes or governmental service fees, possessory interest taxes, fees or charges in lieu of any such taxes, capital levies, or other charges imposed upon, levied with respect to or assessed against its fixtures or personal property, on the value of Alterations within the Premises, and on Tenant's interest pursuant to this Lease, or any increase in any of the foregoing based on such Alterations. To the extent that any such taxes are not separately assessed or billed to Tenant, Tenant shall pay the amount thereof as invoiced to Tenant by Landlord.

A. Prior to commencing any Alterations permitted herein with an estimated cost in excess of \$500,000.00, Tenant shall either (a) deposit into a construction draw or escrow account an amount not less than the estimated cost of construction of the Alterations, including labor, material and equipment used in the work of improvement, and for the contractor's timely completion of the work of improvement of the Alterations, which estimate shall be subject to reasonable review and approval by Landlord, or (b) deliver to Landlord payment bonds and performance bonds, issued by a reputable bonding company licensed to do business in California, and reasonably acceptable to Landlord, in an amount not less than One Hundred Ten Percent (110%) of the estimated cost of construction of the Alterations, including labor, material and equipment used in the work of improvement, and for the contractor's timely completion of the work of improvement of the Alterations, which estimate shall similarly be subject to reasonable review and approval by Landlord. The payment and performance bonds shall name Landlord as a dual obligee.

B. In addition, at Landlord's election and notwithstanding the foregoing, however, Tenant shall pay to Landlord the cost of removing any such Alterations and restoring the Premises to their original condition, and such amount may be deducted from the Security Deposit or any other sums or amounts held by Landlord under this Lease.

13.2 Notices of Construction. In compliance with Paragraph 29 hereof, at least ten (10) business days before beginning construction of any Alteration or Improvements, Tenant shall give Landlord written notice of the expected commencement date of that construction to permit Landlord to post and record a notice of non-responsibility. Upon substantial completion of construction, if the law so provides, Tenant shall cause a timely notice of completion to be recorded in the office of the recorder of the county in which the Building is located.

14. SIGNS. Tenant shall not place, install, affix, paint or maintain any signs, notices, graphics or banners whatsoever or any window decor which is visible in or from public view or corridors, or the exterior of the Premises or the Building, in or on any exterior window or window, the water or beach side, or service area without Landlord's prior written approval which Landlord shall have the right to withhold in its absolute and sole discretion. Any installation of signs, notices, graphics or banners on or about the Premises or Building approved by Landlord shall be subject to any Regulations and to any other requirements imposed by Landlord. Tenant shall remove all such signs or graphics by the expiration or any earlier termination of this Lease. Such installations and removals shall be made in such manner as to avoid injury to or defacement of the Premises or Building and any other improvements contained therein, and Tenant shall repair any injury or defacement including without limitation discoloration caused by such installation or removal.

15. TENANT'S SIGNS, AWNINGS AND CANOPIES; ADVERTISING.

15.1 Tenant will not place, or allow any third party to place, or maintain on the roof or on any exterior door or wall of the Premises any permanent sign, banner, flag, awning or canopy or advertising matter without Landlord's prior written consent, which consent shall not be unreasonably withheld, delayed or conditioned, provided, however, that signage that is consistent with the Signage and Advertising Plan described in Paragraph 15.2 below shall not require Landlord's prior approval. Tenant's sign shall comply with all applicable governmental requirements and approvals. Tenant further agrees to maintain such sign, awning, canopy, decoration, lettering, or advertising matter as may be approved in good condition and repair at all times at its own expense. If Tenant installs any sign, awning, canopy, decoration, lettering, or advertising matter without Landlord's prior written consent, except as permitted herein, Landlord may, upon at least ten (10) days prior written notice to Tenant, have it removed and stored at Tenant's expense. The removal and storage costs shall bear interest until paid at the maximum rate allowed by law. If Tenant elects to change any exterior signage after initial installation, any such new exterior signage shall be subject to approval by Landlord. If any governmental requirement that Landlord is obligated to comply with necessitates replacement of Tenant's exterior signage, then Tenant shall remove Tenant's existing sign, patch the fascia, and install a new sign that complies with such governmental requirement, at Tenant's sole cost and expense.

15.2 Tenant shall prepare a Signage and Advertising Plan for Landlord's approval to be incorporated into the Lease, as both Landlord and Tenant agree that signage and advertising are important to the success of the Premises. Both Parties agree to work together and modify the Signage and Advertising Plan from time to time to be responsive to changing community needs.

16. INSPECTION/POSTING NOTICES. After reasonable prior written notice (which shall be no less than forty-eight (48) hours prior written notice), except in emergencies where no such notice shall be required, Landlord and Landlord's agents and representatives, shall have the right to enter the Premises to inspect the same, to clean, to perform such work as may be permitted or required hereunder, to make repairs, improvements or alterations to the Premises or Building, to deal with emergencies, to post such notices as may be permitted or required by law to prevent the perfection of liens against Landlord's interest in the Premises or to exhibit the Premises to prospective tenants (during the last nine (9) months of the Lease Term only), purchasers, encumbrancers or to others, or for any other purpose as Landlord may deem necessary or desirable; provided, however, that Landlord shall use reasonable efforts not to unreasonably interfere with Tenant's business operations. Tenant shall not be entitled to any abatement of Rent by reason of the exercise of any such right of entry. Tenant waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults and safes or special security areas (designated in advance), and Landlord shall have the right to use any and all means which Landlord may deem necessary or proper to open said doors in an emergency, in order to obtain entry to any portion of the Premises, and any entry to the Premises or portions thereof obtained by Landlord by any of said means, or otherwise, shall not be construed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction, actual or constructive, of Tenant from the Premises or any portions thereof.

17. SERVICES AND UTILITIES. Tenant shall directly contract for and pay for those services and utilities serving the Premises, including telephone, cable, internet, sewer, electricity, water and gas. Tenant shall contract directly for and obtain (and Landlord is to have no responsibility for) all utilities and services necessary for the use and occupancy of the Premises. Landlord shall not be liable for, and Tenant shall not be entitled to any abatement or reduction of Rent by reason of, the discontinuation of utilities to the Premises where such failure is caused by accident, breakage, repairs, strikes, lockouts or other labor disturbances or labor disputes of any character or for any other causes. In the event of an interruption of utility services, Landlord shall cooperate with and assist Tenant as reasonably requested by Tenant (and at Tenant's expense) to reestablish such services as soon as is possible. Tenant hereby waives the provisions of California Civil Code Section 1932(1) or any other applicable existing or future Laws, permitting the termination of this Lease due to the interruption or failure of or inability to provide any services.

17.1 Tenant acknowledges that Tenant has inspected and accepts the water, electricity and other utilities and services being supplied or furnished to the Premises as of the date Tenant takes possession of the Premises, as being sufficient for use of the Premises for reasonable and normal use in their present condition, "as is," and suitable

for the Permitted Use, and for Tenant's intended operations in the Premises. Tenant also agrees at all times to cooperate fully with Landlord and to abide by all of the regulations and requirements which Landlord may reasonably prescribe for the proper functioning and protection of electrical and plumbing.

17.2 Landlord shall in no case be liable for any damages directly or indirectly resulting from nor shall the Rent or any monies owed Landlord under this Lease herein reserved be abated by reason of: (a) the installation, use or interruption of use of any equipment used in connection with the furnishing of any such utilities or services, or any change in the character or means of supplying or providing any such utilities or services or any supplier thereof; (b) the failure to furnish or delay in furnishing any such utilities or services when such failure or delay is caused by acts of God or the elements, labor disturbances of any character, or otherwise or because of any interruption of service due to Tenant's use of water, electric current or other resource in excess of that being supplied or furnished for the use of the Premises as of the date Tenant takes possession of the Premises; (c) the inadequacy, limitation, curtailment, rationing or restriction on use of water, electricity, gas or any other form of energy or any other service or utility whatsoever serving the Premises or Building, whether by Regulation or otherwise; or (d) the partial or total unavailability of any such utilities or services to the Premises or the Building or the diminution in the quality or quantity thereof, whether by Regulation or otherwise; or (e) any interruption in Tenant's business operations as a result of any such occurrence; nor shall any such occurrence constitute an actual or constructive eviction of Tenant or a breach of an implied warranty by Landlord. Landlord shall further have no obligation to protect or preserve any apparatus, equipment or device installed by Tenant in the Premises. Landlord shall be entitled to cooperate voluntarily and in a reasonable manner with the efforts of national, state or local governmental agencies or utility suppliers in reducing energy or other resource consumption.

17.3 Utilities. Commencing on the Term Commencement Date, Tenant shall ensure that the Premises has sufficient electric, water, gas, telephone, sanitary and storm sewer lines to the Premises and equipment required to provide such services for Tenant's intended Use. Tenant shall pay directly for all utilities furnished to the Premises, or serving the Building in accordance with Paragraph 8.

17.4 Telecommunications Providers. Tenant may contract separately with providers of telecommunications or cellular products, systems or services for the Premises. Even though such products, systems or services may be installed or provided by such providers in the Building, in consideration for Landlord's permitting such providers to provide such services to Tenant, Tenant agrees that Landlord and the Landlord Indemnitees shall in no event be liable to Tenant or any Tenant Party for any damages of any nature whatsoever arising out of or relating to the products, systems or services provided by such providers (or any failure, interruption, defect in or loss of the same) or any acts or omissions of such providers in connection with the same or any interference in Tenant's business caused thereby. Tenant waives and releases all rights and remedies against Landlord and the Landlord Indemnitees that are inconsistent with the foregoing.

17.5 Energy Programs. Within thirty (30) days after the Delivery Date Tenant shall provide to Landlord authorizations from each utility to be used by Tenant in the operation of its Premises whose power consumption Landlord is required to report upon pursuant to California's Energy Use Program. Tenant agrees to cooperate with Landlord to satisfy any governmental requirements regarding energy efficiencies, or to qualify the Building for any energy efficiency programs.

18. SUBORDINATION. Landlord, at its sole discretion, shall have the right to subordinate or cause to be subordinated any ground leases or underlying leases or any such liens to this Lease.

19. ESTOPPEL CERTIFICATE. Landlord and Tenant agree from time to time, within ten (10) days after request of the other party, to deliver to Landlord, or Landlord's designee (or Tenant or Tenant's designee, as the case may be), an estoppel certificate stating that this Lease is in full force and effect, that this Lease has not been modified (or stating all modifications, written or oral, to this Lease), the date to which Rent has been paid, the unexpired portion of this Lease, that there are no current defaults by Landlord or Tenant under this Lease (or specifying any such defaults), that the leasehold estate granted by this Lease is the sole interest of Tenant in the Premises and/or the land at which the Premises are situated, and such other matters pertaining to this Lease as may be reasonably requested by Landlord or Tenant or any mortgagee, beneficiary, purchaser or prospective purchaser of the Building or Premises or any interest therein (including Tenant's leasehold interest). Failure by Landlord or Tenant to execute and deliver such certificate shall constitute an acceptance of the Premises and acknowledgment by Landlord or Tenant

that the statements included are true and correct without exception. Each party agrees that if the other party fails to execute and deliver such certificate within such ten (10)-day period, the first party may execute and deliver such certificate on the other party's behalf and that such certificate shall be binding on the other party. Landlord and Tenant intend that any statement delivered pursuant to this Paragraph may be relied upon by any mortgagee, beneficiary, purchaser or prospective purchaser of the Building or Premises or any interest therein. The parties agree that Landlord's and Tenant's obligation to furnish such estoppel certificates in a timely fashion is a material inducement for Landlord's execution of this Lease, and shall be an event of default if such party fails to fully comply or makes any material misstatement in any such certificate.

20. RESERVED.

21. LIMITATION OF TENANT'S REMEDIES. The obligations and liability of Landlord to Tenant for any default by Landlord under the terms of this Lease are not personal obligations of Landlord or Landlord's affiliated entities, and each of their respective members, managers, partners, officers, employees, council members, board members, lenders, agents, contractors, successors and assigns, and Tenant agrees to look solely to Landlord's interest in the Premises for the recovery of any amount from Landlord, and shall not look to other assets of Landlord nor seek recourse against the assets of Landlord's affiliated entities, and each of their respective members, managers, partners, officers, employees, council members, board members, lenders, agents, contractors, successors and assigns. Notwithstanding anything to the contrary contained in this Lease, including without limitation the remedies of Landlord contained above, if at any time Tenant shall fail to perform or pay any covenant or obligation on its part to be performed or paid hereunder, and as a consequence thereof, Landlord or its successors and assigns shall obtain a money judgment against Tenant, Landlord agrees that no action shall be taken against any individual director, officer, employee, member, shareholder, or partner of Tenant or any Affiliate of Tenant, Landlord hereby expressly covenanting and agreeing that no such person shall have any personal liability under or in connection with this Lease or any matter connected therewith, and each party hereto hereby forever waives any right to bring any action against any such person. Any lien obtained to enforce any such judgment and any levy of execution thereon shall be subject and subordinate to any lien, mortgage or deed of trust on the Premises. Under no circumstances shall Tenant have the right to offset against or recoup Rent or other payments due and to become due to Landlord hereunder except as expressly provided in this Lease, which Rent and other payments shall be absolutely due and payable hereunder in accordance with the terms hereof. In no case shall Landlord or Tenant be liable to the other party for any lost profits, damage to business, or any form of special, indirect or consequential damage on account of any breach of this Lease or otherwise, notwithstanding anything to the contrary contained in this Lease.

22. CONSENT OF LANDLORD AND TENANT. Except as expressly provided to the contrary, wherever in this Lease consent or approval is required, such consent or approval shall be given in writing and shall not be unreasonably withheld, delayed, or conditioned. Landlord shall not be deemed to have withheld its consent unreasonably where Landlord's right to give its consent is conditioned on Landlord obtaining the consent of any person, agency or authority with the right to withhold its consent pursuant to applicable Laws.

If Landlord or Tenant fails to properly give any such consent, the other party hereto shall be entitled to specific performance and shall have such other remedies as are reserved to it under this Lease, at law and/or in equity.

23. ASSIGNMENT AND SUBLETTING.

23.1 General. This Lease has been negotiated to be and is granted as an accommodation to Tenant. Accordingly, this Lease is personal to Tenant, and Tenant's rights granted hereunder do not include the right to assign this Lease or sublease the Premises, or to receive any excess, either in installments or lump sum, over the Rent which is expressly reserved by Landlord as hereinafter provided, except for the short-term rental of the Building for the holding of events as contemplated herein, or as otherwise expressly hereinafter provided. Except for an assignment to an Affiliate of the Tenant (as defined in this Paragraph), which assignment shall be permitted without Landlord's consent, Tenant shall not assign or pledge this Lease or sublet the Premises or any part thereof, whether voluntarily or by operation of law, or permit the use or occupancy of the Premises or any part thereof by anyone other than Tenant, or suffer or permit any such assignment, pledge, subleasing or occupancy, without Landlord's prior written consent except as provided herein. If Tenant desires to assign this Lease or sublet any or all of the Premises, Tenant shall give Landlord written notice (the "**Transfer Notice**") at least ninety (90) days prior to the anticipated

effective date of the proposed assignment or sublease, which shall contain all of the information reasonably requested by Landlord to address Landlord's decision criteria specified hereinafter. Landlord shall then have a period of sixty (60) days following receipt of the Transfer Notice to notify Tenant in writing whether Landlord consents to the proposed assignment or sublease to the proposed assignee or subtenant and of any related documents or agreements associated with the assignment or sublease. Landlord's consent to a proposed assignment or sublease shall not be unreasonably withheld. Landlord agrees that Landlord will approve a proposed assignee that (i) has a financial net worth that is reasonably sufficient to carry out the performance of Tenant's obligations under this Lease, based on a current financial statement prepared by a certified public accountant, and (ii) has experience operating and maintaining properties similar to the Premises that is equivalent or better than that of the Tenant and its members at the time of execution of this Lease, including Laulima Development LLC and Highway 1 Hospitality. In evaluating the acceptability of the net worth of a proposed assignee, so long as such assignee's net worth is reasonably sufficient to carry out the performance of Tenant's obligations under this Lease, then such assignee's financial net worth shall be deemed acceptable to Landlord. Consent to any assignment or subletting shall not constitute consent to any subsequent transaction to which this Paragraph 23.1 applies. As used herein, an "Affiliate of the Tenant" shall mean (i) any member or manager of the Tenant; (ii) any entity in which the Tenant or any member or manager of the Tenant is the manager; or (iii) any entity that directly or indirectly controls, is controlled by or is under common control with the Tenant or any member or manager of the Tenant. For purposes of the foregoing definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the directions of the management and policies or the operations of the entity in question, whether by the ownership of voting securities, management position, contract or otherwise.

23.2 Review Fee. Tenant shall pay Landlord a review fee initially set at Five Thousand Dollars (\$5,000.00) for Landlord's review of any proposed assignment or sublease of this Lease for Landlord's cost of review of the assignee or subtenant as provided herein (the "**Assignment Review Fee**"), provided if the assignment is to an Affiliate of the Tenant no such fee shall be charged. Beginning on July 1 following the second anniversary of the Commencement Date, and each July 1 thereafter for the Term of this Lease, the Assignment Review Fee shall be adjusted in accordance with the formula set forth for adjustment to Annual Rent, as set forth in Paragraph 7.1(A) of this Lease.

23.3 Corporation. If Tenant is a corporation, a transfer of corporate shares by sale, assignment, bequest, inheritance, operation of law or other disposition (including such a transfer to or by a receiver or trustee in federal or state bankruptcy, insolvency or other proceedings) resulting in a change in the present control of such corporation or any of its parent corporations by the person or persons owning a majority of said corporate shares, shall constitute an assignment for purposes of this Lease.

23.4 Unincorporated Entity. If Tenant is a partnership, joint venture, unincorporated limited liability company or other unincorporated business form, a transfer of the interest of persons, firms or entities responsible for managerial control of Tenant by sale, assignment, bequest, inheritance, operation of law or other disposition, so as to result in a change in the present control of said entity and/or of the underlying beneficial interests of said entity and/or a change in the identity of the persons responsible for the general credit obligations of said entity shall constitute an assignment for all purposes of this Lease.

23.5 Liability. No assignment or subletting by Tenant, permitted or otherwise, shall relieve Tenant of any obligation under this Lease or any guarantor of this Lease of any liability under its guaranty or alter the primary liability of the Tenant named herein for the payment of Rent or for the performance of any other obligations to be performed by Tenant, including obligations contained in Paragraph 27 with respect to any assignee or subtenant, unless Tenant is specifically relieved of such obligations in writing by Landlord. Landlord may collect rent or other amounts or any portion thereof from any assignee, subtenant, or other occupant of the Premises, permitted or otherwise, and apply the net rent collected to the Rent payable hereunder, but no such collection shall be deemed to be a waiver of this Paragraph 23, or the acceptance of the assignee, subtenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of the obligations of Tenant under this Lease or of any guarantor. Any assignment or subletting which conflicts with the provisions hereof shall be void.

24. AUTHORITY. Landlord represents and warrants that it has full right and authority to enter into this Lease and to perform all of Landlord's obligations hereunder and that all persons signing this Lease on its behalf are authorized to do. Tenant and the person or persons, if any, signing on behalf of Tenant, jointly and severally

represent and warrant that Tenant has full right and authority to enter into this Lease, and to perform all of Tenant's obligations hereunder, and that all persons signing this Lease on its behalf are authorized to do so.

25. CONDEMNATION.

25.1 Condemnation Resulting in Termination. If the whole or any substantial part of the Premises should be taken or condemned for any public use under any Regulation, or by right of eminent domain, or by private purchase in lieu thereof, and the taking would prevent or materially interfere with the Permitted Use of the Premises, either party shall have the right to terminate this Lease at its option. If any material portion of the Building or Premises is taken or condemned for any public use under any Regulation, or by right of eminent domain, or by private purchase in lieu thereof, Landlord or Tenant may terminate this Lease at its option. In either of such events, the Rent shall be abated during the unexpired portion of this Lease, effective when the physical taking of said Premises shall have occurred.

25.2 Condemnation Not Resulting in Termination. If a portion of the Premises should be taken or condemned for any public use under any Regulation, or by right of eminent domain, or by private purchase in lieu thereof, and the taking prevents or materially interferes with the Permitted Use of the Premises, and this Lease is not terminated as provided in Paragraph 25.1 above, the Rent payable hereunder during the unexpired portion of this Lease shall be reduced, beginning on the date when the physical taking shall have occurred, to such amount as may be fair and reasonable under all of the circumstances, but only after giving Landlord credit for all sums received or to be received by Tenant by the condemning authority. Notwithstanding anything to the contrary contained in this Paragraph, if the temporary use or occupancy of any part of the Premises shall be taken or appropriated under power of eminent domain during the Term, this Lease shall be and remain unaffected by such taking or appropriation and Tenant shall continue to pay in full all Rent payable hereunder by Tenant during the Term; in the event of any such temporary appropriation or taking, Tenant shall be entitled to receive that portion of any award which represents compensation for the use of or occupancy of the Premises during the unexpired Term.

25.3 Award. Landlord shall be entitled to (and Tenant shall assign to Landlord) any and all payment, income, rent, award or any interest therein whatsoever which may be paid or made in connection with such taking or conveyance and Tenant shall have no claim against Landlord or otherwise for any sums paid by virtue of such proceedings, whether or not attributable to the value of any unexpired portion of this Lease, except as expressly provided in this Lease. Notwithstanding the foregoing, any compensation specifically and separately awarded Tenant for Tenant's personal property, goodwill and moving costs, shall be and remain the property of Tenant.

25.4 Waiver of CCP § 1265.130. Each party waives the provisions of California Civil Code Procedure Section 1265.130 allowing either party to petition the superior court to terminate this Lease as a result of a partial taking.

26. CASUALTY DAMAGE.

26.1 General. If the Premises or Building should be damaged or destroyed by fire, flood, earthquake, tornado, or other casualty (collectively, "**Casualty**"), Tenant shall give immediate written notice thereof to Landlord. Within thirty (30) days after Landlord's receipt of such notice, Tenant shall notify Landlord whether in Tenant's estimation material restoration of the Premises can reasonably be made within one hundred eighty (180) days from the date of such notice and receipt of required permits for such restoration. Tenant's determination shall be binding on Landlord.

26.2 Within 180 Days. If the Premises or Building should be damaged by Casualty to such extent that material restoration can in Tenant's estimation be reasonably completed within one hundred eighty (180) days after the date of such notice and receipt of required permits for such restoration, this Lease shall not terminate. Provided that insurance proceeds are received by Tenant to fully repair the damage, Tenant shall proceed to rebuild and repair the Premises diligently and in the manner determined by Tenant.

26.3 Greater than 180 Days. If the Premises or Building should be damaged by Casualty to such extent that rebuilding or repairs cannot in Tenant's estimation be reasonably completed within one hundred

eighty (180) days after the date of such notice and receipt of required permits for such rebuilding or repair, then Tenant shall have the option of either: (1) terminating this Lease effective upon the date of the occurrence of such damage, in which event the Rent shall be abated during the unexpired portion of this Lease; or (2) electing to rebuild or repair the Premises diligently and in the manner determined by Tenant. Tenant shall notify Landlord of its election within thirty (30) days after Tenant's receipt of notice of the damage or destruction.

26.4 Tenant's Fault. Notwithstanding anything herein to the contrary, if the Premises or any portion of the Building are damaged by Casualty resulting from the fault, negligence, or breach of this Lease by Tenant or any of Tenant's Parties, Base Rent and Additional Rent shall not be diminished during the repair of such damage and Tenant shall be liable to Landlord for the cost and expense of the repair and restoration of the Building caused thereby to the extent such cost and expense is not covered by insurance proceeds.

26.5 Insurance Proceeds. Notwithstanding anything herein to the contrary, if the Premises or Building are damaged or destroyed and are not fully covered by the insurance proceeds received by Tenant, then Tenant shall have the right to terminate this Lease by delivering written notice of termination to Landlord within thirty (30) days after the date of notice to Tenant that said damage or destruction is not fully covered by insurance or such requirement is made by any such holder, as the case may be, whereupon this Lease shall terminate.

26.6 Waiver. This Paragraph 26 shall be Tenant's sole and exclusive remedy in the event of damage or destruction to the Premises or the Building. As a material inducement to Landlord entering into this Lease, Tenant hereby waives any rights it may have under Sections 1932, 1933(4), 1941 or 1942 of the Civil Code of California with respect to any destruction of the Premises, Landlord's obligation for tenantability of the Premises and Tenant's right to make repairs and deduct the expenses of such repairs, or under any similar law, statute or ordinance now or hereafter in effect.

26.7 Tenant's Personal Property. In the event of any damage or destruction of the Premises or the Building, under no circumstances shall Landlord be required to repair any injury or damage to, or make any repairs to or replacements of, Tenant's personal property.

27. HOLDING OVER. Unless Landlord expressly consents in writing to Tenant's holding over, Tenant shall be unlawfully and illegally in possession of the Premises, whether or not Landlord accepts any rent from Tenant or any other person while Tenant remains in possession of the Premises without Landlord's written consent. If Tenant shall retain possession of the Premises or any portion thereof without Landlord's consent following the expiration of this Lease or sooner termination for any reason, then Tenant shall pay to Landlord for each day of such retention 150% of the amount of daily rental as of the last month prior to the date of expiration or earlier termination. Tenant shall also indemnify, defend, protect and hold Landlord harmless from any loss, liability or cost, including consequential and incidental damages and reasonable attorneys' fees, incurred by Landlord resulting from delay by Tenant in surrendering the Premises, including, without limitation, any claims made by the succeeding tenant founded on such delay. Acceptance of Rent by Landlord following expiration or earlier termination of this Lease, or following demand by Landlord for possession of the Premises, shall not constitute a renewal of this Lease, and nothing contained in this Paragraph 27 shall waive Landlord's right of reentry or any other right. Additionally, if upon expiration or earlier termination of this Lease, or following demand by Landlord for possession of the Premises, Tenant has not fulfilled its obligation with respect to repairs and cleanup of the Premises or any other Tenant obligations as set forth in this Lease, then Landlord shall have the right to perform any such obligations as it deems necessary at Tenant's sole cost and expense, and any time required by Landlord to complete such obligations shall be considered a period of holding over and the terms of this Paragraph 27 shall apply. The provisions of this Paragraph 27 shall survive any expiration or earlier termination of this Lease.

28. DEFAULT.

28.1 Events of Default. The occurrence of any of the following shall constitute an event of default on the part of Tenant:

A. Abandonment. Abandonment of the Premises for a continuous period in excess of thirty (30) days. Tenant waives any right to notice Tenant may have under Section 1951.3 of the Civil Code of the

State of California, the terms of this Paragraph 28.1 being deemed such notice to Tenant as required by said Section 1951.3.

B. Nonpayment of Rent. Failure to pay any installment of Rent or any other amount due and payable hereunder upon the date when said payment is due, where such failure continues for ten (10) days after Tenant's receipt of written notice of such failure from Landlord, as to which time is of the essence.

C. Other Obligations. Failure to perform any obligation, agreement or covenant under this Lease other than those matters specified in subparagraphs A and B of this Paragraph 28.1, and in Paragraphs 8, 17, 19, and 27, such failure continuing for thirty (30) days after written notice of such failure, or, if not curable within thirty (30) days, the failure to commence such cure within thirty (30) days and diligently pursue the cure to completion, as to which time is of the essence.

D. General Assignment. A general assignment by Tenant for the benefit of creditors.

E. Bankruptcy. The filing of any voluntary petition in bankruptcy by Tenant, or the filing of an involuntary petition by Tenant's creditors, which involuntary petition remains undischarged for a period of thirty (30) days. If under applicable law, the trustee in bankruptcy or Tenant has the right to affirm this Lease and continue to perform the obligations of Tenant hereunder, such trustee or Tenant shall, in such time period as may be permitted by the bankruptcy court having jurisdiction, cure all defaults of Tenant hereunder outstanding as of the date of the affirmation of this Lease and provide to Landlord such adequate assurances as may be necessary to ensure Landlord of the continued performance of Tenant's obligations under this Lease.

F. Receivership. The employment of a receiver to take possession of substantially all of Tenant's assets or Tenant's leasehold of the Premises, if such appointment remains undismissed or undischarged for a period of sixty (60) days after the order therefor.

G. Attachment. The attachment, execution or other judicial seizure of all or substantially all of Tenant's assets or Tenant's leasehold of the Premises, if such attachment or other seizure remains undismissed or undischarged for a period of sixty (60) days after the levy thereof.

H. Insolvency. The admission by Tenant in writing of its inability to pay its debts as they become due.

28.2 Remedies Upon Default.

A. Termination. In the event of the occurrence of any event of default, Landlord shall have the right to give a written termination notice to Tenant, and on the date specified in such notice, Tenant's right to possession shall terminate, and this Lease shall terminate unless on or before such date all Rent in arrears and all costs and expenses incurred by or on behalf of Landlord hereunder shall have been paid by Tenant and all other events of default of this Lease by Tenant at the time existing shall have been fully remedied to the satisfaction of Landlord. At any time after such termination, Landlord may recover possession of the Premises or any part thereof and expel and remove therefrom Tenant and any other person occupying the same, including any subtenant or subtenants notwithstanding Landlord's consent to any sublease, by any lawful means, and again repossess and enjoy the Premises without prejudice to any of the remedies that Landlord may have under this Lease, or at law or equity by any reason of Tenant's default or of such termination. Landlord hereby reserves the right, but shall not have the obligation, to recognize the continued possession of any subtenant. The delivery or surrender to Landlord by or on behalf of Tenant of keys, entry codes, or other means to bypass security at the Premises shall not terminate this Lease.

B. Continuation After Default. Even though an event of default may have occurred, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession under Paragraph 28.2.A hereof. Landlord shall have the remedy described in California Civil Code Section 1951.4 ("Landlord may continue this Lease in effect after Tenant's breach and abandonment and recover Rent as it becomes due, if Tenant has the right to sublet or assign, subject only to reasonable limitations"), or any successor code section.

Accordingly, if Landlord does not elect to terminate this Lease on account of any event of default by Tenant, Landlord may enforce all of Landlord's rights and remedies under this Lease, including the right to recover Rent as it becomes due. Acts of maintenance, preservation or efforts to lease the Premises or the appointment of a receiver under application of Landlord to protect Landlord's interest under this Lease or other entry by Landlord upon the Premises shall not constitute an election to terminate Tenant's right to possession.

C. Landlord's Default. It shall be a Landlord default if Landlord shall fail to observe or perform any of Landlord's covenants, agreements or obligations hereunder and such failure shall continue unremedied for a period of thirty (30) days after Tenant shall have given to Landlord written notice specifying wherein Landlord has failed to observe or perform any such covenant, agreement or obligation, plus such additional time as is reasonably required to correct any such failure if Landlord has instituted corrective action within such thirty (30) day period and is diligently pursuing the same to completion. Upon the occurrence of an Event of Default referred to above and at any time thereafter so long as the same shall be continuing Tenant may, at its election, give Landlord written notice of its intention to terminate this Lease on such date specified in said notice, which date shall not be earlier than thirty (30) days after such notice is given. Tenant shall be, and shall remain, liable for all Rent accrued hereunder to the date such termination becomes effective and for all other sums then owing by Tenant hereunder. To the extent Tenant is prevented from using the Premises as a result of a Default by Landlord, Rent for such period shall be equitably abated. In addition to the foregoing, Tenant shall have all rights and remedies afforded to it at law or in equity, including the right to seek damages due to Landlord's Default. No failure by Tenant to insist upon the strict performance of any covenant, agreement, term or condition of this Lease or to exercise any right or remedy consequent upon a Default in such performance, shall constitute a waiver of any such Default or of any such covenant, agreement, term or condition. No covenant, agreement, term or condition of this Lease to be performed or complied with by Landlord, and no default thereof, shall be waived altered or modified except by a written instrument executed by Tenant. No waiver of any Default shall affect or alter this Lease, but each and every covenant, agreement, term and condition of this Lease shall continue in full force and effect with respect to any other then existing or subsequent Default of such covenant, agreement, term or condition of this Lease.

D. Mitigation of Damages. Both Landlord and Tenant shall each use commercially reasonable efforts to mitigate any damages resulting from a default of the other party under this Lease.

28.3 Damages After Default. Should Landlord terminate this Lease pursuant to the provisions of Paragraph 28.2.A hereof, Landlord shall have the rights and remedies of a Landlord provided by Section 1951.2 of the Civil Code of the State of California, or any successor code sections. Upon such termination, in addition to any other rights and remedies to which Landlord may be entitled under applicable law or at equity, Landlord shall be entitled to recover from Tenant: (1) the worth at the time of award of the unpaid Rent and other amounts which had been earned at the time of termination, (2) the worth at the time of award of the amount by which the unpaid Rent and other amounts that would have been earned after the date of termination until the time of award exceeds the amount of such Rent loss that Tenant proves could have been reasonably avoided; (3) the worth at the time of award of the amount by which the unpaid Rent and other amounts for the balance of the Term after the time of award exceeds the amount of such Rent loss that the Tenant proves could be reasonably avoided; and (4) any other amount and court costs necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or which, in the ordinary course of things, would be likely to result therefrom. The "worth at the time of award" as used in (1) and (2) above shall be computed at the Applicable Interest Rate (defined below). The "worth at the time of award" as used in (3) above shall be computed by discounting such amount at the Federal Discount Rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%). If this Lease provides for any periods during the Term during which Tenant is not required to pay Base Rent or if Tenant otherwise receives a Rent concession, then upon the occurrence of an event of default, Tenant shall owe to Landlord the full amount of such Base Rent or value of such Rent concession, plus interest at the Applicable Interest Rate, calculated from the date that such Base Rent or Rent concession would have been payable.

28.4 Late Charge. In addition to its other remedies, Landlord shall have the right without notice or demand to add to the amount of any payment required to be made by Tenant hereunder, and which is not paid and received by Landlord within five (5) days of the due date, an amount equal to an amount equal to five percent (5%) of the delinquent amount, or \$100.00, whichever is greater, for each month or portion thereof that the delinquency remains outstanding to compensate Landlord for the loss of the use of the amount not paid and the administrative costs caused by the delinquency, the parties agreeing that Landlord's damage by virtue of such delinquencies would be

extremely difficult and impracticable to compute and the amount stated herein represents a reasonable estimate thereof. Any waiver by Landlord of any late charges or failure to claim the same shall not constitute a waiver of other late charges or any other remedies available to Landlord.

28.5 Interest. Interest shall accrue on all sums not paid when due hereunder at the lesser of eighteen percent (18%) per annum or the maximum interest rate allowed by law ("**Applicable Interest Rate**") from the due date until paid.

28.6 Remedies Cumulative. All of Landlord's and Tenant's rights, privileges and elections or remedies are cumulative and not alternative, to the extent permitted by law and except as otherwise provided herein.

28.7 Replacement of Statutory Notice Requirements. When this Lease requires service of a notice, that notice shall replace rather than supplement any equivalent or similar statutory notice, including any notice required by California Code of Civil Procedure Section 1161 or any similar or successor statute. When a statute requires service of a notice in a particular manner, service of that notice (or a similar notice required by this Lease) in the manner required by this Paragraph 28 shall replace and satisfy the statutory service-of-notice procedures, including those required by California Code of Civil Procedure Section 1162 or any similar or successor statute.

29. LIENS. Tenant shall at all times keep the Premises and the Building free from liens arising out of or related to work or services performed, materials or supplies furnished or obligations incurred by or on behalf of Tenant or in connection with work made, suffered or done by or on behalf of Tenant in or on the Premises or Building, without prior written consent of Landlord. If Tenant shall not, within ten (10) days following the imposition of any unauthorized lien, cause the same to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but not the obligation, to cause the same to be released by such means as Landlord shall deem proper, including payment of the claim giving rise to such lien. All sums paid by Landlord on behalf of Tenant and all expenses incurred by Landlord in connection therefor shall be payable to Landlord by Tenant on demand with interest at the Applicable Interest Rate as Additional Rent. Landlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law, or which Landlord shall deem proper, for the protection of Landlord, the Premises, the Building and any other party having an interest therein, from mechanics' and materialmen's liens, and Tenant shall give Landlord not less than ten (10) business days' prior written notice of the commencement of any work in the Premises or Building which could lawfully give rise to a claim for mechanics' or materialmen's liens to permit Landlord to post and record a timely notice of non-responsibility, as Landlord may elect to proceed or as the law may from time to time provide, for which purpose, if Landlord shall so determine, Landlord may enter the Premises. Tenant shall not remove any such notice posted by Landlord without Landlord's consent, and in any event not before completion of the work which could lawfully give rise to a claim for mechanics' or materialmen's liens.

30. RESERVED.

31. TRANSFERS BY LANDLORD. In the event of a sale or conveyance by Landlord of the Building, the same shall operate to release Landlord from any liability upon any of the covenants or conditions, express or implied, herein contained in favor of Tenant, to the extent required to be performed after the passing of title to Landlord's successor-in-interest. In such event, Tenant agrees to look solely to the responsibility of the successor-in-interest of Landlord under this Lease with respect to the performance of the covenants and duties of "Landlord" to be performed after the passing of title to Landlord's successor-in-interest. This Lease shall not be affected by any such sale and Tenant agrees to attorn to the purchaser or assignee. Landlord's successor(s)-in-interest shall not have liability to Tenant with respect to the failure to perform any of the obligations of "Landlord," to the extent required to be performed prior to the date such successor(s)-in-interest became the owner of the Building.

32. RIGHT OF LANDLORD TO PERFORM TENANT'S COVENANTS. All covenants and agreements to be performed by Tenant under any of the terms of this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any abatement of Rent. If Tenant shall fail to pay any sum of money, other than Rent, required to be paid by Tenant hereunder or shall fail to perform any other act on Tenant's part to be performed hereunder, and such failure shall continue for thirty (30) days after written notice thereof by Landlord, in addition to the other rights and remedies of Landlord, Landlord may make any such payment and perform any such act on Tenant's part. In the case of an emergency, no prior notification by Landlord shall be required. Landlord may take such actions

without any obligation and without releasing Tenant from any of Tenant's obligations. All sums so paid by Landlord and all incidental costs incurred by Landlord and interest thereon at the Applicable Interest Rate, from the date of payment by Landlord, shall be paid to Landlord on demand as Additional Rent.

33. WAIVER. If either Landlord or Tenant waives the performance of any term, covenant or condition contained in this Lease, such waiver shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition contained herein, or constitute a course of dealing contrary to the expressed terms of this Lease. The acceptance of Rent by Landlord (including, without limitation, through any "lockbox") shall not constitute a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, regardless of Landlord's knowledge of such preceding breach at the time Landlord accepted such Rent. Failure by Landlord or Tenant to enforce any of the terms, covenants or conditions of this Lease for any length of time shall not be deemed to waive or decrease the right of Landlord or Tenant to insist thereafter upon strict performance by Tenant or Landlord. Waiver by Landlord or Tenant of any term, covenant or condition contained in this Lease may only be made by a written document signed by the waiving party, based upon full knowledge of the circumstances.

34. NOTICES. Each provision of this Lease or of any applicable governmental laws, ordinances, regulations and other requirements with reference to sending, mailing, or delivery of any notice or the making of any payment by Landlord or Tenant to the other shall be deemed to be complied with when and if the following steps are taken:

34.1 Rent. All Rent and other payments required to be made by Tenant to Landlord hereunder shall be payable to Landlord at Landlord's Payment Address set forth in the Basic Lease Information, or at such other address as Landlord may specify from time to time by written notice delivered in accordance herewith. Tenant's obligation to pay Rent and any other amounts to Landlord under the terms of this Lease shall not be deemed satisfied until such Rent and other amounts have been actually received by Landlord.

34.2 Other. All notices, demands, consents and approvals which may or are required to be given by either party to the other hereunder shall be in writing and either personally delivered, sent by commercial overnight courier, mailed, certified or registered, postage prepaid or sent by facsimile or electronic mail with confirmed receipt (and with an original sent by commercial overnight courier or U.S. mail), and in each case addressed to the party to be notified at the Notice Address for such party as specified in the Basic Lease Information or to such other place as the party to be notified may from time to time designate by at least fifteen (15) days' notice to the notifying party. Notices shall be deemed served upon receipt or refusal to accept delivery.

34.3 Required Notices. Tenant shall immediately notify Landlord in writing of any notice of a violation or a potential or alleged violation of any Regulation that relates to the Premises or the Building, or of any inquiry, investigation, enforcement or other action that is instituted or threatened by any governmental or regulatory agency against Tenant or any other occupant of the Premises, or any claim that is instituted or threatened by any third party that relates to the Premises or the Building.

34.4 Tenant's Lenders and Equipment. In the event that Tenant seeks to obtain a loan from a lender ("**Lender**") and to secure said loan by Tenant's leasehold interest, furniture, fixtures or equipment ("**FFE**"), copies of all notices given in connection with said loan shall require that the Lender provide the Landlord with all notices given in connection with said loan. Provided that the Landlord receives a written request from the Tenant pursuant to this Paragraph 34.4, the Landlord agrees to provide such Lender with copies of all notices given hereunder to Tenant when and in the same manner given to Tenant at such address as Lender furnishes to Landlord. Without waiving any of the obligations of the Tenant pursuant to this Lease, Landlord agrees to accept payment of Rent from Lender by and on behalf of Tenant.

35. ATTORNEYS' FEES. If Landlord places the enforcement of this Lease, or any part thereof, or the collection of any Rent due, or to become due hereunder, or recovery of possession of the Premises in the hands of an attorney, Tenant shall pay to Landlord, upon demand, Landlord's reasonable attorneys' fees and court costs, whether incurred without trial, at trial, appeal or review. In any action, which Landlord or Tenant brings to enforce its respective rights hereunder, the unsuccessful party shall pay all costs incurred by the prevailing party including reasonable attorneys' fees, to be fixed by the court, and said costs and attorneys' fees shall be a part of the judgment in said action.

36. SUCCESSORS AND ASSIGNS. This Lease shall be binding upon and inure to the benefit of Landlord, its successors and assigns, and shall be binding upon and inure to the benefit of Tenant, its successors, and to the extent assignment is approved by Landlord as provided hereunder, Tenant's assigns.

37. FORCE MAJEURE. If performance by a party of any portion of this Lease is made impossible by any prevention, delay, or stoppage caused by strikes, lockouts, labor disputes, acts of God, inability to obtain services, labor, or materials or reasonable substitutes for those items, government actions, civil litigation, including but not limited to delays in the Validation Action, civil commotions, fire or other casualty, or other causes beyond the reasonable control of the party obligated to perform, performance by that party for a period equal to the period of that prevention, delay, or stoppage is excused. Tenant's obligation to pay Rent, however, is not excused by this Paragraph 37. Either party shall have the right to terminate this Lease in the event of Force Majeure for a consecutive twelve (12)-month period.

38. SURRENDER OF PREMISES. Tenant shall, upon expiration or sooner termination of this Lease, surrender the Premises to Landlord in a condition not materially worse than the condition as existed on the date Tenant originally took possession thereof, but with all Landlord-approved improvements and other improvements permitted under this Lease with normal wear and tear, all to the reasonable satisfaction of Landlord. Tenant shall remove all of its debris from the Building. At or before the time of surrender, Tenant shall comply with the terms of Paragraph 13.1 hereof with respect to Alterations to the Premises and all other matters addressed in such Paragraph. If the Premises are not so surrendered at the expiration or sooner termination of this Lease, the provisions of Paragraph 27 hereof shall apply. All keys to the Premises or any part thereof shall be surrendered to Landlord upon expiration or sooner termination of the Term. Tenant shall give written notice to Landlord at least thirty (30) days prior to vacating the Premises and shall meet with Landlord for a joint inspection of the Premises at the time of vacating, but nothing contained herein shall be construed as an extension of the Term or as a consent by Landlord to any holding over by Tenant. In the event of Tenant's failure to give such notice or participate in such joint inspection, Landlord's inspection at or after Tenant's vacating the Premises shall conclusively be deemed correct for purposes of determining Tenant's responsibility for repairs and restoration.

39. PARKING. Landlord shall have no liability for any damage to property or other items located in the parking areas of the Building, nor for any personal injuries or death arising out of the use of parking areas in the Premises by Tenant or any Tenant's Parties.

40. CONTINUOUS OPERATION.

40.1 Tenant Operations. Subject to casualty, condemnation, force majeure events and closure for remodeling and renovations as approved by Landlord, Tenant shall continually market and operate the Building as an event center, available for rental to persons and groups for the holding of special events, commencing on the Commencement Date.

A. If subsequent to the Commencement Date, Tenant ceases the marketing and rental of the Building for events or to operate the Premises for its Permitted Use for more than thirty (30) consecutive days except in the case of temporary closures due to an event of casualty, condemnation, remodels or in force majeure events such as strikes, lockouts, labor disputes, inability to procure materials, power failure, or events of a similar nature, or because of Landlord's actions, and if such failure continues for an additional fifteen (15) days after Landlord's written notice to Tenant of such failure, Landlord shall have the right to recapture possession of the Premises and terminate this Lease by providing Tenant with written notice of Landlord's election to do so (hereinafter referred to as the "**Recapture Notice**"). This Lease shall terminate on the date set forth in the Recapture Notice, which date shall in any event be within 30 days of the date of the Recapture Notice (the "**Recapture Date**"), provided, however, nothing in this Paragraph 40 shall release Tenant from its obligation to pay Landlord all payments of Rent due under the terms of this Lease prior to such Recapture Date. Upon the Recapture Date: (i) all obligations of both parties shall terminate, and (ii) the Lease shall have no further force or effect.

41. MISCELLANEOUS.

41.1 General. The term "Tenant" or any pronoun used in place thereof shall indicate and include the masculine or feminine, the singular or plural number, individuals, firms or corporations, and their respective successors, executors, administrators and permitted assigns, according to the context hereof.

41.2 Time. Time is of the essence regarding this Lease and all of its provisions.

41.3 Choice of Law. This Lease shall in all respects be governed by the laws of the State of California.

41.4 Entire Agreement. This Lease, together with its Exhibits, addenda and attachments and the Basic Lease Information, contains all the agreements of the parties hereto and supersedes any previous negotiations. There have been no representations made by the Landlord or understandings made between the parties other than those set forth in this Lease and its Exhibits, addenda and attachments and the Basic Lease Information.

41.5 Modification. This Lease may not be modified except by a written instrument signed by the parties hereto. Tenant accepts the area of the Premises as specified in the Basic Lease Information as the approximate area of the Premises for all purposes under this Lease, and acknowledges and agrees that no other definition of the area (rentable, usable or otherwise) of the Premises shall apply. Tenant shall in no event be entitled to a recalculation of the square footage of the Premises, rentable, usable or otherwise, and no recalculation, if made, irrespective of its purpose, shall reduce Tenant's obligations under this Lease in any manner, including without limitation the amount of Base Rent payable by Tenant or Tenant's Proportionate Share of the Building.

41.6 Severability. If, for any reason whatsoever, any of the provisions hereof shall be unenforceable or ineffective, all of the other provisions shall be and remain in full force and effect.

41.7 Recordation. Tenant shall not record this Lease or a short form memorandum hereof without Landlord's prior written approval.

41.8 Examination of Lease. Submission of this Lease to Tenant does not constitute an option or offer to lease and this Lease is not effective otherwise until execution and delivery by both Landlord and Tenant.

41.9 Accord and Satisfaction. No payment by Tenant of a lesser amount than the total Rent due nor any endorsement on any check or letter accompanying any check or payment of Rent shall be deemed an accord and satisfaction of full payment of Rent, and Landlord may accept such payment without prejudice to Landlord's right to recover the balance of such Rent or to pursue other remedies. All offers by or on behalf of Tenant of accord and satisfaction are hereby rejected in advance.

41.10 Easements. Landlord may grant easements on the Premises and dedicate for public use portions of the Premises without Tenant's consent; provided that no such grant or dedication shall materially interfere with Tenant's Permitted Use of the Premises. Upon Landlord's request, Tenant shall execute, acknowledge and deliver to Landlord documents, instruments, maps and plats necessary to effectuate Tenant's covenants hereunder.

41.11 Drafting and Determination Presumption. The parties acknowledge that this Lease has been agreed to by both the parties, that both Landlord and Tenant have consulted with attorneys with respect to the terms of this Lease and that no presumption shall be created against Landlord because Landlord drafted this Lease. Except as otherwise specifically set forth in this Lease, with respect to any consent, determination or estimation of Landlord required or allowed in this Lease or requested of Landlord, Landlord's consent, determination or estimation shall be given or made solely by Landlord in Landlord's good faith opinion, whether or not objectively reasonable. If Landlord fails to respond to any request for its consent within the time period, if any, specified in this Lease, Landlord shall be deemed to have disapproved such request.

41.12 Exhibits. The Basic Lease Information, and the Exhibits, addenda and attachments attached hereto are hereby incorporated herein by this reference and made a part of this Lease as though fully set forth herein.

41.13 No Light, Air or View Easement. Any diminution or shutting off of light, air or view by any structure which may be erected on lands adjacent to or in the vicinity of the Building shall in no way affect this Lease or impose any liability on Landlord.

41.14 No Third Party Benefit. This Lease is a contract between Landlord and Tenant and nothing herein is intended to create any third party benefit.

41.15 Quiet Enjoyment. Upon payment by Tenant of the Rent, and upon the observance and performance of all of the other covenants, terms and conditions on Tenant's part to be observed and performed, Tenant shall peaceably and quietly hold and enjoy the Premises for the term hereby demised without hindrance or interruption by Landlord or any other person or persons lawfully or equitably claiming by, through or under Landlord, subject, nevertheless, to all of the other terms and conditions of this Lease. Landlord shall not be liable for any hindrance, interruption, interference or disturbance by other tenants or third persons, nor shall Tenant be released from any obligations under this Lease because of such hindrance, interruption, interference or disturbance.

41.16 Counterparts. This Lease may be executed in any number of counterparts, each of which shall be deemed an original.

41.17 Multiple Parties. If more than one person or entity is named herein as Tenant, such multiple parties shall have joint and several responsibility to comply with the terms of this Lease.

41.18 Prorations. Any Rent or other amounts payable to Landlord by Tenant hereunder for any fractional month shall be prorated based on a month of 30 days. As used herein, the term "fiscal year" shall mean the calendar year or such other fiscal year as Landlord may deem appropriate.

42. ADDITIONAL PROVISIONS.

42.1 CASp Disclosure. The Building has not undergone inspection by a Certified Access Specialist as referenced in California Civil Code Section 1938.

42.2 Guard Service. Tenant hereby acknowledges that Landlord shall have no obligation whatsoever to provide guard service or other security measures for the benefit of the Premises, the Building or the Premises. Tenant assumes all responsibility for the protection of Tenant, its agents, employees, contractors, customers, guests and invitees and the property of Tenant and of Tenant's agents, employees, contractors, customers, guests and invitees, from acts of third parties. Nothing herein contained shall prevent Landlord, in Landlord's reasonable judgment, from providing security protection for the Premises or any part of it, in which event the cost thereof shall be considered Additional Rent subject to reimbursement by Tenant as set forth in Article 7.

43. GOVERNING LAW; WAIVER OF TRIAL BY JURY. This Lease shall be construed and enforced in accordance with the laws of the State of California. IN ANY ACTION OR PROCEEDING ARISING HEREFROM, LANDLORD AND TENANT HEREBY CONSENT TO (I) THE JURISDICTION OF ANY COMPETENT COURT WITHIN THE STATE OF CALIFORNIA, (II) SERVICE OF PROCESS BY ANY MEANS AUTHORIZED BY CALIFORNIA LAW, AND (III) IN THE INTEREST OF SAVING TIME AND EXPENSE, TRIAL WITHOUT A JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER OR THEIR SUCCESSORS IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE, OR ANY EMERGENCY OR STATUTORY REMEDY.

44. ARBITRATION OF DISPUTES. IN THE EVENT THAT THE JURY WAIVER PROVISIONS OF PARAGRAPH 43 ABOVE ARE NOT ENFORCEABLE UNDER CALIFORNIA LAW, THEN THE FOLLOWING PROVISIONS OF THIS PARAGRAPH 44 SHALL APPLY. IT IS THE DESIRE AND INTENTION OF THE PARTIES TO AGREE UPON A MECHANISM AND PROCEDURE UNDER WHICH CONTROVERSIES AND DISPUTES ARISING OUT OF THIS LEASE OR RELATED TO THE PREMISES WILL BE RESOLVED IN A PROMPT AND EXPEDITIOUS MANNER. ACCORDINGLY, EXCEPT WITH RESPECT

TO ACTIONS FOR UNLAWFUL OR FORCIBLE DETAINER OR WITH RESPECT TO THE PREJUDGMENT REMEDY OF ATTACHMENT, ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY HERETO AGAINST THE OTHER (AND/OR AGAINST ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR SUBSIDIARY OR AFFILIATED ENTITIES) ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, TENANT'S USE OR OCCUPANCY OF THE PREMISES AND/OR ANY CLAIM OF INJURY OR DAMAGE, SHALL BE HEARD AND RESOLVED BY A REFEREE UNDER THE PROVISIONS OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, SECTIONS 638 - 645.1, INCLUSIVE (AS SAME MAY BE AMENDED, OR ANY SUCCESSOR STATUTE(S) THERETO) (THE "**REFEREE SECTIONS**"). ANY FEE TO INITIATE THE JUDICIAL REFERENCE PROCEEDINGS SHALL BE PAID BY THE PARTY INITIATING SUCH PROCEDURE; PROVIDED HOWEVER, THAT THE COSTS AND FEES, INCLUDING ANY INITIATION FEE, OF SUCH PROCEEDING SHALL ULTIMATELY BE BORNE IN ACCORDANCE WITH PARAGRAPH 35. THE VENUE OF THE PROCEEDINGS SHALL BE IN THE COUNTY IN WHICH THE PREMISES ARE LOCATED. WITHIN TEN (10) DAYS OF RECEIPT BY ANY PARTY OF A WRITTEN REQUEST TO RESOLVE ANY DISPUTE OR CONTROVERSY PURSUANT TO THIS PARAGRAPH 44, THE PARTIES SHALL AGREE UPON A SINGLE REFEREE WHO SHALL TRY ALL ISSUES, WHETHER OF FACT OR LAW, AND REPORT A FINDING AND JUDGMENT ON SUCH ISSUES AS REQUIRED BY THE REFEREE SECTIONS. IF THE PARTIES ARE UNABLE TO AGREE UPON A REFEREE WITHIN SUCH TEN (10)-DAY PERIOD, THEN ANY PARTY MAY THEREAFTER FILE A LAWSUIT IN THE COUNTY IN WHICH THE PREMISES ARE LOCATED FOR THE PURPOSE OF APPOINTMENT OF A REFEREE UNDER CALIFORNIA CODE OF CIVIL PROCEDURE SECTIONS 638 AND 640, AS SAME MAY BE AMENDED OF ANY SUCCESSOR STATUTE(S) THERETO. IF THE REFEREE IS APPOINTED BY THE COURT, THE REFEREE SHALL BE A NEUTRAL AND IMPARTIAL RETIRED JUDGE WITH SUBSTANTIAL EXPERIENCE IN THE RELEVANT MATTERS TO BE DETERMINED, FROM JAMS/ENDISPUTE, INC., THE AMERICAN ARBITRATION ASSOCIATION OR SIMILAR MEDIATION/ARBITRATION ENTITY. THE PROPOSED REFEREE MAY BE CHALLENGED BY ANY PARTY FOR ANY OF THE GROUNDS LISTED IN SECTION 641 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, AS SAME MAY BE AMENDED OR ANY SUCCESSOR STATUTE(S) THERETO. THE REFEREE SHALL HAVE THE POWER TO DECIDE ALL ISSUES OF FACT AND LAW AND REPORT HIS OR HER DECISION ON SUCH ISSUES, AND TO ISSUE ALL RECOGNIZED REMEDIES AVAILABLE AT LAW OR IN EQUITY FOR ANY CAUSE OF ACTION THAT IS BEFORE THE REFEREE, INCLUDING AN AWARD OF ATTORNEYS' FEES AND COSTS IN ACCORDANCE WITH CALIFORNIA LAW. THE REFEREE SHALL NOT, HOWEVER, HAVE THE POWER TO AWARD PUNITIVE DAMAGES, NOR ANY OTHER DAMAGES WHICH ARE NOT PERMITTED BY THE EXPRESS PROVISIONS OF THIS LEASE, AND THE PARTIES HEREBY WAIVE ANY RIGHT TO RECOVER ANY SUCH DAMAGES. THE PARTIES SHALL BE ENTITLED TO CONDUCT ALL DISCOVERY AS PROVIDED IN THE CALIFORNIA CODE OF CIVIL PROCEDURE, AND THE REFEREE SHALL OVERSEE DISCOVERY AND MAY ENFORCE ALL DISCOVERY ORDERS IN THE SAME MANNER AS ANY TRIAL COURT JUDGE, WITH RIGHTS TO REGULATE DISCOVERY AND TO ISSUE AND ENFORCE SUBPOENAS, PROTECTIVE ORDERS AND OTHER LIMITATIONS ON DISCOVERY AVAILABLE UNDER CALIFORNIA LAW. THE REFERENCE PROCEEDING SHALL BE CONDUCTED IN ACCORDANCE WITH CALIFORNIA LAW (INCLUDING THE RULES OF EVIDENCE), AND IN ALL REGARDS, THE REFEREE SHALL FOLLOW CALIFORNIA LAW APPLICABLE AT THE TIME OF THE REFERENCE PROCEEDING. IN ACCORDANCE WITH SECTION 644 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, THE DECISION OF THE REFEREE UPON THE WHOLE ISSUE MUST STAND AS THE DECISION OF THE COURT, AND UPON THE FILING OF THE STATEMENT OF DECISION WITH THE CLERK OF THE COURT, OR WITH THE JUDGE IF THERE IS NO CLERK, JUDGMENT MAY BE ENTERED THEREON IN THE SAME MANNER AS IF THE ACTION HAD BEEN TRIED BY THE COURT. THE PARTIES SHALL PROMPTLY AND DILIGENTLY COOPERATE WITH ONE ANOTHER AND THE REFEREE, AND SHALL PERFORM SUCH ACTS AS MAY BE NECESSARY TO OBTAIN A PROMPT AND EXPEDITIOUS RESOLUTION OF THE DISPUTE OR CONTROVERSY IN ACCORDANCE WITH THE TERMS OF THIS PARAGRAPH 44. TO THE EXTENT THAT NO PENDING LAWSUIT HAS BEEN FILED TO OBTAIN THE APPOINTMENT OF A REFEREE, ANY PARTY, AFTER THE ISSUANCE OF THE DECISION OF THE REFEREE, MAY APPLY TO THE COURT OF THE COUNTY IN WHICH THE PREMISES ARE LOCATED FOR CONFIRMATION BY THE COURT OF THE DECISION OF THE REFEREE IN THE SAME MANNER AS A PETITION FOR CONFIRMATION OF AN ARBITRATION AWARD PURSUANT TO CODE OF CIVIL PROCEDURE SECTION 1285 ET SEQ. (AS SAME MAY BE AMENDED OR ANY SUCCESSOR STATUTE(S) THERETO).

[SIGNATURES APPEAR ON FOLLOWING PAGE]

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IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and the year first above written.

LANDLORD:

NORTH TAHOE PUBLIC UTILITY DISTRICT, a Public Utility District incorporated and formed under California Public Utility Code Section 15701 *et seq.*

By: _____

Its: _____

Date: _____

APPROVED AS TO FORM:

BY: _____

TENANT:

LAULIMA KINGS BEACH EVENT CENTER, LLC, a California limited liability company

By: _____

Its: _____

Date: _____

DRAFT

Exhibit A

Premises Legal Description

All that real property situate in the County of Placer, State of California, described as follows:

A portion of Section 19, Township 16 North, Range 18 East, M.D.B.&M., more particularly described as follows:

All that portion of Lots 9, 10, 11, 12, 13, 75, 76, 77, 78, 79 and 80 of Block b of the 'Map of Brockway Vista Subdivision' as per map filed in Book D of Maps, Page 16, Official Records of Placer County, owned by the State of California and described as follows:

That parcel of land occupied by the old bowling alley building, including a three-foot strip around the building and adjoining the building, excepting any portion not owned by the State of California.

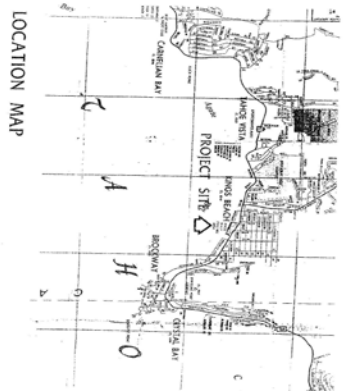
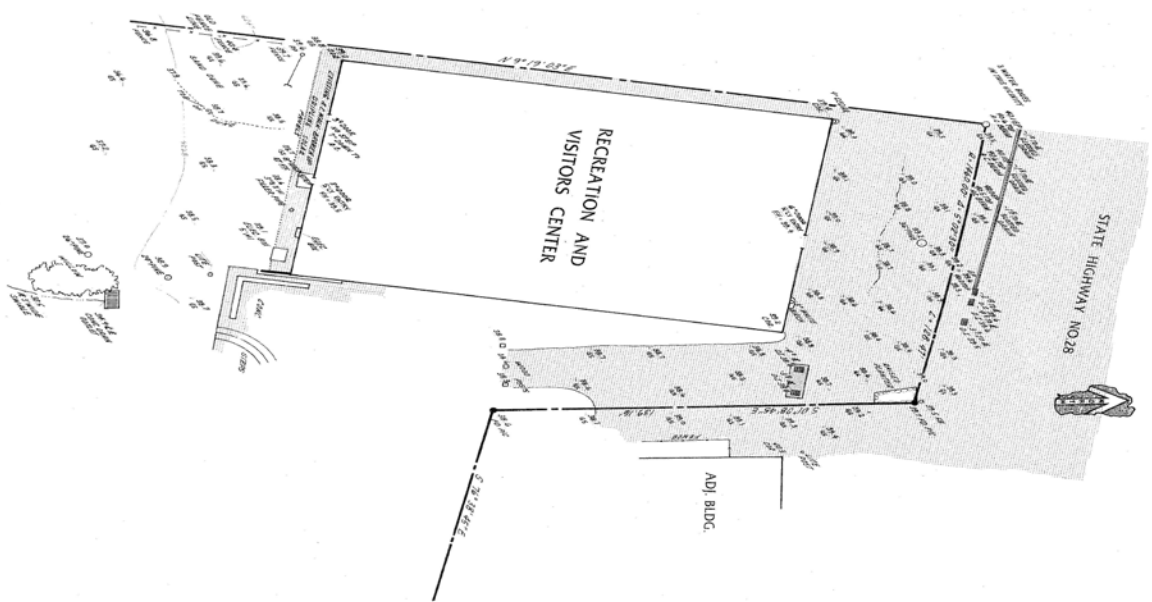
Together with access over that portion of said lots lying between the bowling alley and State Highway 28 and bounded by the side lines of the above described parcel extended Northerly to State Highway 28.

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Exhibit B

Depiction of Premises

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NOTES

1. THE BOUNDARY LINES AND PROPERTY CORNERS SHOWN ON THIS MAP WERE OBTAINED BY THE SURVEYOR'S FIELD WORK AND ARE NOT NECESSARILY A REPRESENTATIVE OF THE ACTUAL PROPERTY LINES AND CORNERS.
2. BEFORE EXERCISING ANY RIGHTS OR INTERESTS IN THIS PROPERTY, THE OWNER SHOULD CONSULT WITH AN ATTORNEY AS TO THE EFFECTS OF ANY EXISTING EASEMENTS, ENCUMBRANCES, OR OTHER INTERESTS IN THE PROPERTY.
3. THESE DIMENSIONS SHOW THE DISTANCES BETWEEN THE CORNERS AND NOT THE DISTANCES BETWEEN THE CENTERS OF THE CORNERS.
4. THE ACCURACY OF THIS SURVEY IS GUARANTEED TO BE WITHIN THE LIMITS OF THE PROFESSIONAL STANDARD OF PRACTICE FOR SURVEYING.
5. FIELD NOTES FOR THIS SURVEY ARE ACCOMPANIED BY A FIELD BOOK AND A FIELD BOOK INDEX.
6. UNDERNOPTIONS/REVISIONS ARE SHOWN BY DASHED LINES.

	<p>K.B. FOSTER CIVIL ENGINEERING, INC.</p> <p>Planning • Engineering • Surveying P.O. Box 140 Coronet Bay, CA 95717 (916) 246-2081</p>	<p>TOPOGRAPHIC SURVEY NORTH TAHOE RECREATION & VISITORS CENTER KINGS BEACH PLACER COUNTY CALIFORNIA</p>
<p>DATE: 12/15/88 BY: J.B.F. CHECKED: J.B.F. SCALE: AS SHOWN PROJECT NO: 29848611.8</p>		<p>PROJECT NO: 29848611.8</p>

Exhibit C

Current Recreation Schedule

Jazzercise : Total Hours Annually: 416
Mon-Sat 9:00-10:00am
Tues, Thurs 5:30-6:30pm
8 hours/week
Amount of Space Used: Up to 2,000 sf

Yoga: Total Hours Annually: 156
Tues 5:45 - 7:15pm
Thurs 9:00-10:30am
3 hours/week
Amount of Space Used: Up to 750 sf

Senior Activities: Total Hours Annually: 24
Misc nights throughout the year
2 hours per event/1x per month
Amount of Space Used: Up to 750 sf

Children's Choir: Total Hours Annually: 52
Tues 5:30-7:30
26 weeks in FY 2016/2017
Amount of space used: Up to 1,000 sf

Guitar Classes: Total Hours Annually: 30
Tues 5-6:30
15 weeks in 2016
Amount of Space Used: Up to 750 sf