

CITY OF LOS ANGELES
CALIFORNIA

BOARD OF
BUILDING AND SAFETY
COMMISSIONERS

DEPARTMENT OF
BUILDING AND SAFETY
201 NORTH FIGUEROA STREET
LOS ANGELES, CA 90012



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SUPERINTENDENT OF BUILDING

JOHN WEIGHT
EXECUTIVE OFFICER

May 25, 2022

Honorable City Council
Room 395, City Hall
Los Angeles, CA 90012
Attention: Lisa Hughes

SUBJECT: REQUEST FOR REFUND FROM VSF SCHOOL FACILITIES #1 LLC

Honorable Members:

In accordance with the Los Angeles Municipal Code (LAMC) Sections 22.12 and 22.13, the Los Angeles Department of Building and Safety (LADBS) requests Council approval of refund claim number 157476 in the amount of \$127,357.41.

On March 31, 2021, LADBS received a payment in the amount of \$162,332.01 from VSF SCHOOL FACILITIES #1 LLC (Claimant) under building permit number 20010-10000-01341 for the project located at 240 N. Madison Ave, Los Angeles, CA 90049 (Project). The amount of the total linkage fee, among the total payment LADBS received, was \$127,357.41. The Claimant submitted a claim for refund on June 8, 2021 for the linkage fee assessed on the Project. Upon further review, LADBS plan check staff determined the Claimant is entitled to a full linkage fee refund in the amount of \$127,357.41 because the Project was not subject to the Linkage Fee Ordinance (Ordinance No. 185342). Attached are supporting documents regarding the claim for refund.

Should you have any questions regarding this matter, please contact Christine Isidro at (213) 482-6892. Thank you for your consideration.

Sincerely,

Osama Younan
General Manager
Los Angeles Department of Building and Safety



Margarit Avesyan <margarit.avesyan@lacity.org>

06-02-2022 Claims Board Packet

Scott Marcus <Scott.Marcus@lacity.org>

Fri, Jun 3, 2022 at 7:32 AM

To: Margarit Avesyan <margarit.avesyan@lacity.org>

Cc: Denise Mills <denise.mills@lacity.org>, Guadalupe Lopez Torres <Guadalupe.Lopez@lacity.org>

All items were approved 2-0

[Quoted text hidden]

Scott Marcus

[Quoted text hidden]

RECEIVED
2021 JUN 11 PM 2:04



CLAIM # 157476
RECEIVED
CITY CLERK'S OFFICE
2021 JUN -5 PM 1:37
Received Date Stamp

CLAIM FOR REFUND

Print Name of Claimant (Last) (First)
VSF School Facilities #1, LLC - Care of Hoffarth, Rhonda, CFO

Mailing Address (Street) (City) (State/Zip)
680 Wilshire Place, Suite 315 Los Angeles, CA / 90004

(Area Code) (Phone Number)
(310)344-3115

REFUND INFORMATION

JOB LOCATION: 240 N. Madison

Amount Claimed \$ 127,357.41 Date Fees Paid: 3/31/21

RECEIPT #/PERMIT #/REFERENCE #: 2021090001-136

STATE REASON FOR REQUESTING A REFUND - (Details):

This Public Charter School Project is exempt based on Ordinance 185343, Section 2c (Page 5)
"The fee imposed by this section shall not apply to construction that includes any of the following: c) ...1) a government or public institution such as a school"

NOTE: A Claimant may be required to submit to examination under oath. (Charter Section 217.)
Presentation of a false claim is a felony. (California Penal Code Section 72.)

I HEREBY CERTIFY THAT THE ABOVE STATEMENTS ARE TRUE.

Rhonda J Hoffarth 5/27/21
SIGNATURE AND TITLE OF CLAIMANT DATE

FOR DEPARTMENT OF BUILDING & SAFETY USE ONLY

Level 1 Approved in fss. AMOUNT APPROVED FOR REFUND \$ 127,357.41

REMARKS: Explain the relationship of the claimant to the permit.

Audited by: [Signature] Date: 07/22/21
Approved by: [Signature] Date: 3/16/22

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.

Thursday, January 27, 2022 12 : 20 AM

LADBS Recommendation Form

CLAIM # 157476
Bureau: Engineering
Division: Green Building

Document Number: 20010-10000-01341
Receipt Number:
Receipt Date:
Fee Period:
Job Address: 240 N Madison

1. Did LADBS perform any work for which the permit or receipt was issued?
yes

2. Are the reasons given by claimant correct?
yes

3. Did LADBS initiate an action that resulted in an error?
yes
Linkage fees should have been exempted from this permit since per 19.18 B.2(c)(2) "any private Elementary and/or High School" should be exempt from Linkage fees.

4. Is this a duplicated permit or receipt of the same job or item?
no

5. Of the gross amount claimed, is the amount claimed pertaining to the(se) particular item(s) correct?
yes

6. Is a refund recommended?
yes
Linkage fees should have been exempted from this permit since per 19.18 B.2(c)(2) "any private Elementary and/or High School" should be exempt from Linkage fees.

Reviewed By: TEODORO DIAZ RODRIGUEZ

Reviewed On: 01/18/2022

Approved By: CHARMIE HUYNH

Approved On: 01/27/2022

Financial Service Div.'s Comments:

Linkage Fee refund only

Liaison's Comments:

Reviewer's Comments:

Supervisor's Comments:

History

Action	By	On
Review Approved & Returned to FSD	CHARMIE HUYNH	1/27/2022 10:59:17 AM

Review Completed & Submitted for Supervisor
Review (to CHARMIE HUYNH)
Assigned (to TEODORO DIAZ RODRIGUEZ)
Created

TEODORO DIAZ
RODRIGUEZ

1/18/2022 11:06:37 AM

MARGARET KUHN

1/10/2022 2:22:11 PM

MARY SUM

1/10/2022 8:47:16 AM



Bldg-New GREEN - MANDATORY Commercial Regular Plan Check Plan Check	City of Los Angeles - Department of Building and Safety APPLICATION FOR BUILDING PERMIT AND CERTIFICATE OF OCCUPANCY	Issued on: 03/31/2021 Last Status: Issued Status Date: 03/31/2021
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1. TRACT	BLOCK	LOT(s)	ARB	COUNTY MAP REF #	PARCEL ID # (PIN #)	2. ASSESSOR PARCEL #
TR 6780		50		M B 107-58/60	138B197 441	5501 - 009 - 021

3. PARCEL INFORMATION		
Area Planning Commission - Central LADBS Branch Office - LA Council District - 13 Certified Neighborhood Council - Rampart Village Community Plan Area - Wilshire	Census Tract - 2111.22 District Map - 138B197 Energy Zone - 9 Fire District - 2 Hillside Grading Area - YES	Methane Hazard Site - Methane Zone Near Source Zone Distance - 1.6 Parcel Map Ex. - PMEX-1480 Redevelopment Plan Area - Wilshire Center/Koreatown School Within 500 Foot Radius - YES
ZONES(S): M1-1		

4. DOCUMENTS		
Z1 - Z1-2286 Vermont/Western Sta Neighborh	Z1 - Z1-2488 Wilshire Center/Koreatown	ORD - ORD-161116-SA28
Z1 - Z1-2374 LOS ANGELES STATE ENTEF TNI - East Hollywood		ORD - ORD-173749
Z1 - Z1-2427 FWY Adj Advisory Notice for St SPA - Vermont / Western Station Neighborho		ORD - ORD-173799
Z1 - Z1-2452 Transit Priority Area in the Cit	ORD - ORD-129279	ORD - ORD-184271
		ORD - ORD-184385
		ORD - ORD-184414
		ORD - ORD-184888
		CRA - Z1 1940 KOREATOWN

5. CHECKLIST ITEMS		
Special Inspect - Anchor Bolts	Special Inspect - Grade Beam/Caisson	Fabricator Reqd - Shop Welds
Special Inspect - Concrete>2.5ksi	Special Inspect - Structural Observation	Fabricator Reqd - Structural Steel
Special Inspect - Field Welding	Special Inspect - Structural Wood (periodic)	Std. Work Descr - Excess Flow Shut Off Valve

6. PROPERTY OWNER, TENANT, APPLICANT INFORMATION			
Owner(s):			
BRAVER AND SAUER INVESTMENTS	10100 SANTA MONICA BLVD #2300	LOS ANGELES CA 90067	
Tenant:			
Applicant: (Relationship: Agent for Owner)			
DAN C ISIDRO - CSDA DESIGN GROUP	889 N DOUGLAS BLVD #100	EL SEGUNDO, CA 90245	(310) 301-4768

7. EXISTING USE	PROPOSED USE
	(18) School Building

8. DESCRIPTION OF WORK
New 2 story classroom building for grades TK-8th grade (total of 20 classrooms) with support spaces, offices, multi purpose room, boys and girls locker rooms, elevator, and utility rooms. Maximum number of student enrolled is 480 students. (Sign is under separate permit #20048-10000-01490)

9. # Bldgs on Site & Use:	
10. APPLICATION PROCESSING INFORMATION	
BLDG. PC By: Young Kim	DAS PC By: Somkiat Supanyachotskul
OK for Cashier: Young Kim	Coord. OK:
Signature:	Date:

For inspection requests, call toll-free (888) LA4BUILD (524-2845), or request inspections via www.ladbs.org. To speak to a Call Center agent, call 311. Outside LA County, call (213) 473-3231.

For Cashier's Use Only W/O #: 01001341

11. PROJECT VALUATION & FEE INFORMATION		Final Fee Period
Permit Valuation: \$3,420,000		PC Valuation:
FINAL TOTAL Bldg-New	162,332.01	CA Bldg Std Commission Surcharge 137.00
Permit Fee Subtotal Bldg-New	14,133.78	Green Building
Energy Surcharge		Permit Issuing Fee 0.00
Handicapped Access		Linkage Fee 127,357.41
Plan Check Subtotal Bldg-New	0.00	
Plan Maintenance	282.68	
E.Q. Instrumentation	957.60	
D.S.C. Surcharge	461.22	
Sys. Surcharge	922.44	
Planning Surcharge	864.99	
Planning Surcharge Misc Fee	10.00	
Planning Gen Plan Maint Surcharge	1,009.15	
School District Commercial Area	16,195.74	
Sewer Cap ID:	Total Bond(s) Due:	

Payment Date: 03/31/21
Receipt No: 2021090001-136
Amount: \$162,332.01
Method: ICL Check

2021LA00512

12. ATTACHMENTS
Plot Plan
Signed Declaration



13. STRUCTURE INVENTORY (Note: Numeric measurement data in the format "number / number" implies "change in numeric value / total resulting numeric value") **20010 - 10000 - 01341**

(P) Floor Area (ZC): +26514 Sqft / 26514 Sqft	(P) B Occ. Group: +1552 Sqft / 1552 Sqft	(P) Provided Compact for Bldg: +5 Stalls / 5 Stalls
(P) Height (BC): +28 Feet / 28 Feet	(P) E Occ. Group: +13542 Sqft / 13542 Sqft	(P) Provided Disabled for Bldg: +3 Stalls / 3 Stalls
(P) Height (ZC): +33.5 Feet / 33.5 Feet	(P) S2 Occ. Group: +387 Sqft / 387 Sqft	(P) Provided Standard for Bldg: +16 Stalls / 16 Stalls
(P) Length: +210 Feet / 210 Feet	(P) A3 Occ. Load: +101 Max Occ. / 101 Max Occ.	(P) Short Term Bicycle Parking Provided for Bldg: +80 Spaces
(P) Stories: +2 Stories / 2 Stories	(P) B Occ. Load: +16 Max Occ. / 16 Max Occ.	(P) Short Term Bicycle Parking Req'd for Bldg: +80 Spaces /
(P) Width: +58 Feet / 58 Feet	(P) E Occ. Load: +642 Max Occ. / 642 Max Occ.	(P) Type V-B Construction
(P) NFPA-13 Fire Sprinklers Thru-out	(P) S2 Occ. Load: +5 Max Occ. / 5 Max Occ.	(P) Floor Construction - Concrete Slab on Grade
(P) Wood (Plywood, OSB, etc.) Shearwall	(P) Long Term Bicycle Parking Provided for Bldg: +2 Spaces /	(P) Floor Construction - Steel Deck
(P) Methane Site Design Level II	(P) Long Term Bicycle Parking Req'd for Bldg: +2 Spaces / 2	(P) Foundation - Continuous Footing
(P) A3 Occ. Group: +2140 Sqft / 2140 Sqft	(P) Parking Req'd for Bldg (Auto+Bicycle): +20 Stalls / 20 S	(P) Foundation - Spread (Pad) Footing

14. APPLICATION COMMENTS:

** Approved Seismic Gas Shut-Off Valve may be required. ** 1) MERV 13 Filter or Greater Req'd. 2) Filed a Covenant and Agreement for Parking Attendant on 8/10/2020. 3) Filed a Covenant and Agreement to Hold Property as One Parcel on 8/10/2020, including lot #42,43,44,45,46,47,48,50,51,52. 4) The project valuation has been lowered from \$8,000,000 to \$3,420,000 based on the customer's request and estimation on 3/19/2021.

In the event that any box (i.e. 1-16) is filled to capacity, it is possible that additional information has been captured electronically and could not be printed due to space restrictions. Nevertheless the information printed exceeds that required by section 19825 of the Health and Safety Code of the State of California.

15. BUILDING RELOCATED FROM:

16. CONTRACTOR, ARCHITECT & ENGINEER NAME	ADDRESS	CLASS	LICENSE #	PHONE #
(A) CSDA, DESIGN GROUP	889 N. DOUGLAS ST., 100	EL SEGUNDO, CA 90245	C35165	(310) 821-9200
(C) CONSOLIDATED CONTRACTING SERVICES	181 AVENIDA LA PATA, SUITE 200	SAN CLEMENTE, CA 92673	475813	
(E) GROSSMAN, & SPEER ASSOCIATES, INC.	529 HAHN AVE, STE #200	GLENDALE, CA 91203	S6228	(818) 507-1020
(E) VCA, ENGINEERING INC.	1041 S GARFIELD AVE, STE #210	ALHAMBRA, CA 91801	C36079	(323) 729-6098
(L) BRIGHTVIEW, DESIGN GROUP	1715 18TH ST.,	SANTA MONICA, CA 90404	L1846	(714) 656-1028

PERMIT EXPIRATION/REFUNDS: This permit expires two years after the date of the permit issuance. This permit will also expire if no construction work is performed for a continuous period of 180 days (Sec. 98.0602 LAMC). Claims for refund of fees paid must be filed within one year from the date of expiration for permits granted by LADBS (Sec. 22.12 & 22.13 LAMC). The permittee may be entitled to reimbursement of permit fees if the Department fails to conduct an inspection within 60 days of receiving a request for final inspection (HS 17951).

17. LICENSED CONTRACTOR'S DECLARATION

I hereby affirm under penalty of perjury that I am licensed under the provisions of Chapter 9 (commencing with Section 7000) of Division 3 of the Business and Professions Code, and my license is in full force and effect. The following applies to B contractors only: I understand the limitations of Section 7057 of the Business and Professional Code related to my ability to take prime contracts or subcontracts involving specialty trades.

License Class: B License No.: 475813 Contractor: CONSOLIDATED CONTRACTING SERVICES INC

18. WORKERS' COMPENSATION DECLARATION

I hereby affirm, under penalty of perjury, one of the following declarations:

I have and will maintain a certificate of consent to self insure for workers' compensation, as provided for by Section 3700 of the Labor Code, for the performance of the work for which this permit is issued.

I have and will maintain workers' compensation insurance, as required by Section 3700 of the Labor Code, for the performance of the work for which this permit is issued. My workers' compensation insurance carrier and policy number are:

Carrier: TRAVELERS PROP. CASUALTY CO. Policy Number: UB9M337013

I certify that in the performance of the work for which this permit is issued, I shall not employ any person in any manner so as to become subject to the workers' compensation laws of California, and agree that if I should become subject to the workers' compensation provisions of Section 3700 of the Labor Code, I shall forthwith comply with those provisions.

WARNING: FAILURE TO SECURE WORKERS' COMPENSATION COVERAGE IS UNLAWFUL, AND SHALL SUBJECT AN EMPLOYER TO CRIMINAL PENALTIES AND CIVIL FINES UP TO ONE HUNDRED THOUSAND DOLLARS (\$100,000), IN ADDITION TO THE COST OF COMPENSATION, DAMAGES AS PROVIDED FOR IN SECTION 3706 OF THE LABOR CODE, INTEREST, AND ATTORNEY'S FEES.

19. ASBESTOS REMOVAL DECLARATION / LEAD HAZARD WARNING

I certify that notification of asbestos removal is either not applicable or has been submitted to the AQMD or EPA as per section 19827.5 of the Health and Safety Code. Information is available at (909) 396-2336 and the notification form at www.aqmd.gov. Lead safe construction practices are required when doing repairs that disturb paint in pre-1978 buildings due to the presence of lead per section 6716 and 6717 of the Labor Code. Information is available at Health Services for LA County at (800) 524-5323 or the State of California at (800) 597-5323 or www.dhs.ca.gov/childlead.

20. CONSTRUCTION LENDING AGENCY DECLARATION

I hereby affirm under penalty of perjury that there is a construction lending agency for the performance of the work for which this permit is issued (Sec. 3097, Civil Code).

Lender's Name (If Any): _____ Lender's Address: _____

21. FINAL DECLARATION

I certify that I have read this application INCLUDING THE ABOVE DECLARATIONS and state that the above information INCLUDING THE ABOVE DECLARATIONS is correct. I agree to comply with all city and county ordinances and state laws relating to building construction, and hereby authorize representatives of this city to enter upon the above-mentioned property for inspection purposes. I realize that this permit is an application for inspection and that it does not approve or authorize the work specified herein, and it does not authorize or permit any violation or failure to comply with any applicable law. Furthermore, neither the City of Los Angeles nor any board, department officer, or employee thereof, make any warranty, nor shall be responsible for the performance or results of any work described herein, nor the condition of the property nor the soil upon which such work is performed. I further affirm under penalty of perjury, that the proposed work will not destroy or unreasonably interfere with any access or utility easement belonging to others and located on my property, but in the event such work does destroy or unreasonably interfere with such easement, a substitute easement(s) satisfactory to the holder(s) of the easement will be provided (Sec. 91.0106.4.3.4 LAMC).

By signing below, I certify that:

(1) I accept all the declarations above namely the Licensed Contractor's Declaration, Workers' Compensation Declaration, Asbestos Removal Declaration / Lead Hazard Warning, Construction Lending Agency Declaration, and Final Declaration; and

(2) This permit is being obtained with the consent of the legal owner of the property.

Print Name: _____ Sign: _____ Date: _____ Contractor Authorized Agent

201 N. Figueroa St., 4th Floor
Los Angeles, CA 90012

Receipt

Your Reference Number:

2021090001-136

03/31/2021 1:27:34 PM

jbitangcol

TRANSACTIONS

LADBS PERMIT **\$162,332.01**
2021090001-136-1

Name: DAN C ISIDRO
Job Address: 240 N MADISON AVE
Permit Number: 20010-10000-01341
Building Permit Reference Number: 2021LA00512

Permit Fee Subtotal Bldg-New	\$14133.78
Planning Gen Plan Maint Surcharge	\$1009.15
Planning Surcharge Misc Fee	\$10.00
Permit Issuing Fee	\$0.00
Linkage Fee	\$127357.41
CA Bldg Std Commission Surcharge	\$137.00
E.Q. Instrumentation	\$957.60
Plan Check Subtotal Bldg-New	\$0.00
D.S.C. Surcharge	\$461.22
Plan Maintenance	\$282.68
Sys. Surcharge	\$922.44
Planning Surcharge	\$864.99
School District Commercial Area	\$16195.74
Total Amount:	\$162,332.01

PAYMENT

ICL Check **\$162,332.01**
Check Number: 001030

iPayment Reference Number:
2021090001-136
Effective Date 3/31/2021
Workgroup Metro 4th Floor
User jbitangcol

1030
11-35/1210 CA
82614

VSF SCHOOL FACILITIES #1 LLC
680 WILSHIRE PL STE 315
LOS ANGELES CA 90005-3050

DATE March 23, 2021

PAY TO THE ORDER OF City of Los Angeles \$ 162,332^{01/100}
One hundred sixty two thousand three hundred thirty two and 1/100 DOLLARS

Bank of America
ACH R/T 121000358

FOR Building Permit Daid Doyle

⑈001030⑈ ⑆21000358⑆ 325038697762⑈

iPayment Reference Number:
2021090001-136
Effective Date 3/31/2021
Workgroup Metro 4th Floor
User jbitangcol

ON DEPOSIT AT
AT THE CHASE BANK
OF CALIFORNIA
4000 METRO DRIVE
SAN DIEGO, CA 92161
310.221.7278
2021090001-136
06/14/2021

Contractor's License Detail (Personnel List)

Contractor License # 475813

Contractor Name CONSOLIDATED CONTRACTING SERVICES INC

Click on the person's name to see a more detailed page of information on that person

Licenses Currently Associated With

Name JOSE ANTONIO ELIAS-CALLES
Title RMO / CEO / PRES
Association Date 04/16/1990
Classification B

Name JOSEPH MANUEL TROYA
Title OFFICER
Association Date 06/21/2001

Licenses No Longer Associated With

Name ANTHONY LEE BLAND
Title OFFICER
Association Date 06/28/1985
Disassociation Date 02/13/1987

Name DONNA LEWIS FRIESS
Title OFFICER
Association Date 02/13/1987
Disassociation Date 04/16/1990

Name KENNETH EDWARD FRIESS
Title RMO / CEO / PRES
Association Date 06/28/1985
Disassociation Date 05/22/1990
Classification B

Additional Classification [There are additional classifications that can be viewed by selecting this link.](#)

Name ANGEL EDILBERTO TRESPANDO
Title RME
Association Date 12/21/2001
Disassociation Date 06/30/2010
Classification A

Additional Classification [There are additional classifications that can be viewed by selecting this link.](#)

Name TERRENCE PATRICK MALONE
Title RMO
Association Date 04/16/1990
Disassociation Date 11/04/1993
Classification B

BOARD OF
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—
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ELVIN W. MOON

CITY OF LOS ANGELES
CALIFORNIA



ERIC GARCETTI
MAYOR

DEPARTMENT OF
BUILDING AND SAFETY
201 NORTH FIGUEROA STREET
LOS ANGELES, CA 90012

—
OSAMA YOUNAN, P.E.
GENERAL MANAGER
SUPERINTENDENT OF BUILDING

JOHN WEIGHT
EXECUTIVE OFFICER

VSF School Facilities #1, LLC
680 Wilshire Place, Suite 315
Los Angeles, CA 90004

August 13, 2021

REFUND CLAIM NO: 157476
DATE CLAIM FILED: 06/08/2021
JOB LOCATION: 240 N. Madison

To whom it may concern:

This is to inform you that your "Claim for Refund" has been:

- Closed

This determination is due to the following reason(s), based on Section 22.12 and 22.13 of the Los Angeles Municipal Code:

- Please explain the claimant's relationship with the permit. Submit all documentation to the email address listed below and include the refund claim number in the title of your correspondence.

For questions regarding your claim, please contact the Los Angeles Department of Building and Safety Financial Services Division by email at LADBS.Refunds@lacity.org (preferred) or by phone at (213) 482-6890.

Thank you,

Financial Services Division





#157476

October 1, 2021

Terence Shia
LADBS Resource Management, Financial Services Division
201 N. Figueroa St. 7th Floor
Los Angeles, CA 90012

Dear Terrance Shia,

The purpose of this letter is to confirm that the owner of the project, Value Schools, (VSF School Facilities #1 LLC) has a long-term Lease with Braver and Sauer Investments (the property owner). See attached Lease Document. Value Schools is responsible for all project costs including the permit costs. As such, Value Schools is the entity requesting the refund.

The entity listed on the permit application as the applicant is Dan Isidro, one of the designers for the Architectural Firm CSDA Design Group retained by Value Schools to design the TK-8th Grade School Project.

Please confirm if any further information is needed.

Sincerely,

A handwritten signature in black ink, appearing to read "Rhonda Hoffarth", written over a yellow highlight.

Rhonda Hoffarth
CFO of Value Schools



AIR COMMERCIAL REAL ESTATE ASSOCIATION
STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE -- NET

(DO NOT USE THIS FORM FOR MULTI-TENANT BUILDINGS)

1. Basic Provisions ("Basic Provisions").

1.1 Parties: This Lease ("Lease"), dated for reference purposes only June 28, 2019 (the "Effective Date") is made by and between BRAVER & SAUER INVESTMENTS, a California general partnership ("Lessor") and VSF SCHOOL FACILITIES #2 LLC, a California limited liability company ("Lessee"), (collectively the "Parties," or individually a "Party").

1.2 Premises: That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, and commonly known as consisting of ten (10) lots commonly known as 233-241 N. Westmoreland Avenue and 3619 Cosmopolitan Street, as more particularly described and depicted on Exhibit "A" to the Addendum attached hereto and made a part hereof, located in the County of Los Angeles, State of California and generally described as (describe briefly the nature of the property and, if applicable, the "Project", if the property is located within a Project) an approximately 18,000 square foot building (the "Existing Building") and approximately 30,000 square feet of parking (collectively, the "Premises"). Notwithstanding anything contained herein to the contrary, the Premises shall include the Existing Building and/or any new building(s) constructed by Lessee. (See also Paragraph 2)

1.3 Term: Thirty-Two (32) years and zero (0) months ("Original Term") commencing July 1, 2019 ("Commencement Date") and ending June 30, 2051 ("Expiration Date"). (See also Paragraph 3)

1.4 Early Possession: If the Premises are available Lessee may have non-exclusive possession of the Premises commencing N/A ("Early Possession Date"). (See also Paragraphs 3.2 and 3.3)

1.5 Base Rent: \$37,000.00 per month ("Base Rent"), payable on the first (1st) day of each month commencing on the Commencement Date (subject to the Rent Abatement provided in Paragraph 53 of the Addendum). (See also Paragraph 4)

[X] If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Paragraph 53

1.6 Base Rent and Other Monies Paid Upon Execution:

(a) Base Rent: \$37,000.00 for the period which represents Base Rent due for the first (1st) full month of the Original Term

(b) Security Deposit: \$111,000.00 ("Security Deposit"). (See also Paragraph 5)

(c) Association Fees: \$0.00 for the period

(d) Other: \$0.00 for

(e) Total Due Upon Execution of this Lease: \$148,000.00

1.7 Agreed Use: the operation of a charter school for educational purposes and other uses reasonably ancillary thereto and for no other purpose without Lessor's prior written consent, which shall not be unreasonably withheld. (See also Paragraph 6 and Paragraph 57 of Addendum)

1.8 Insuring Party: Lessee/Lessor is the "Insuring Party" unless otherwise stated herein. (See also Paragraph 8)

1.9 Real Estate Brokers: (See also Paragraph 15)

(a) Representation: The following real estate brokers (the "Brokers") and brokerage relationships exist in this transaction (check

Handwritten initials: DD and BJA

applicable boxes):

- Major Properties, by Jeff Luster represent s Lessor exclusively ("Lessor's Broker");
- InSite EFS, Inc., by Dan Morrar represents Lessee exclusively ("Lessee's Broker"); or
- _____ represents both Lessor and Lessee ("Dual Agency").

(b) Payment to Brokers: Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers for the brokerage services rendered by the Brokers the fee agreed to in a separate agreement between Lessor and Broker. ~~the attached separate-written agreement or if no such agreement is attached, the sum of _____ or _____% of the total Base Rent payable for the Original Term, the sum of _____ or _____ of the total Base Rent payable during any period of time that the Lessee occupies the Premises subsequent to the Original Term, and/or the sum of _____ or _____% of the purchase price in the event that the Lessee or anyone affiliated with Lessee acquires from Lessor any rights to the Premises.~~

1.10 Guarantor. The obligations of the Lessee under this Lease are to be guaranteed by VALUE SCHOOLS, a California domestic nonprofit corporation ("Guarantor"). (See also Paragraph 37)

1.11 Attachments. Attached hereto are the following, all of which constitute a part of this Lease:

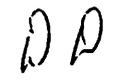
- an Addendum consisting of Paragraphs 51 through 68 ;
- a plot plan depicting the Premises;
- a current set of the Rules and Regulations;
- a Work Letter;
- other (specify): Guaranty of Lease

2. Premises.

2.1 Letting. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor on an absolute triple net (NNN) basis, except as expressly set forth herein, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. While the approximate square footage of the Premises may have been used in the marketing of the Premises for purposes of comparison, the Base Rent stated herein is NOT tied to square footage and is not subject to adjustment should the actual size be determined to be different. Note: Lessee is advised to verify the actual size prior to executing this Lease.

2.2 Condition. Lessor shall deliver the Premises to Lessee in its "as-is", "where-is" condition broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs ("Start Date"), and Lessee shall accept the Premises and all parts thereof, including, without limitation, ~~so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("HVAC"), loading doors, sump pumps, if any, and all other such elements in the Premises, other than those constructed by Lessee, shall be in good operating condition on said date, that the structural elements of the roof, bearing walls and foundation of any buildings on the Premises, including, without limitation, the Existing Building and/or any new building(s) constructed by Lessee (the "Building") in their "as-is," "where-is" condition without any representation or warranty except as provided in the Property Information Sheet and/or Mandatory Disclosure Statement (collectively, the "Disclosures") attached to the Addendum as Exhibit "D", which such representation or warranty, if any, shall be provided to the actual knowledge of Seller, without duty of inquiry or investigation. shall be free of material defects, and that the Premises do not contain hazardous levels of any mold or fungi defined as toxic under applicable state or federal law. If a non-compliance with said warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Building. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense.~~

2.3 Compliance. Lessor shall deliver, and Lessee shall accept, the Premises without any representation or warranty by Lessor, except as provided in the Disclosures, as to whether or not warrants that to the best of its knowledge the improvements on the Premises comply with the building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances




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("Applicable Requirements") that were in effect at the time that each improvement, or portion thereof, was constructed, ~~Said warranty does not apply~~ to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 50), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the Applicable Requirements, and especially the zoning, are appropriate for Lessee's Intended use, and acknowledges that past uses of the Premises may no longer be allowed.** ~~If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense.~~ If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building ("Capital Expenditure"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and an amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then ~~Lessor Lessee~~ shall pay for such Capital Expenditure and ~~Lessee shall be obligated to pay, each month during the remainder of the term of this Lease or any extension thereof, on the date that on which the Base Rent is due, an amount equal to 1/144th of the portion of such costs reasonably attributable to the Premises. Lessee shall pay interest on the balance but may prepay its obligation at any time. If, however, such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor; provided, however, that if such Capital Expenditure not resulting from the specific and unique use of the Premises by Lessee occurs during the last five (5) years of the Original Term of this Lease, then Lessor shall pay for such Capital Expenditure and Lessee shall only be obligated to pay, each month during the remainder of the Original Term of this Lease, on the date that Base Rent is due, an amount equal to 1/144th of the portion of such costs reasonably attributable to the Premises. If, however, Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days' prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure.~~

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall either: (i) immediately cease such changed use or intensity of use and/or take such other steps as may be necessary to eliminate the requirement for such Capital Expenditure, or (ii) complete such Capital Expenditure at its own expense. Lessee shall not, however, have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been given an opportunity to inspect and measure the Premises, (b) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the size and condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (c) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, (d) it is not relying on any representation as to the size of the Premises made by Brokers or Lessor, (e) the square footage of the Premises was not material to Lessee's decision to lease the Premises and pay the Rent stated herein, and (f) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or

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warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

~~2.5 Lessee as Prior Owner/Occupant. The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.~~

3. Term.

3.1 Term. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 Early Possession. Any provision herein granting Lessee Early Possession of the Premises is subject to and conditioned upon the Premises being available for such possession prior to the Commencement Date. Any grant of Early Possession only conveys a non-exclusive right to occupy the Premises. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such Early Possession. All other terms of this Lease (including but not limited to the obligations to obtain and maintain the required insurance policies hereunder, to pay Real Property Taxes and insurance premiums and to maintain the Premises) shall be in effect during such period. Any such Early Possession shall not affect the Expiration Date.

3.3 Delay In Possession. Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or change the Expiration Date. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, as the same may be extended under the terms of any Work Letter executed by Parties, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3.4 Lessee Compliance. Lessor shall not be required to deliver possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. ~~Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.~~

4. Rent.

4.1 Rent Defined. All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("Rent").

4.2 Payment. Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. ~~All monetary amounts shall be rounded to the nearest whole dollar.~~ In the event that any invoice prepared by Lessor is inaccurate such inaccuracy shall not constitute a waiver and Lessee shall be obligated to pay the amount set forth in this Lease. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of \$25 in addition to any Late Charge and Lessor, at its option, may require all future Rent be paid by cashier's check. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent, Insurance and Real Property Taxes, and any remaining amount to any other outstanding charges or costs.

~~4.3 Association Fees. In addition to the Base Rent, Lessee shall pay to Lessor each month an amount equal to any owner's association or condominium fees levied or assessed against the Premises. Said monies shall be paid at the same time and in the same manner as the Base Rent.~~

5. Security Deposit. Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount already due Lessor, for Rents which will be due in the future, and/ or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the

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Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 90 days after the expiration or termination of this Lease, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease. (See Addendum Paragraph 54)

6. Use.

6.1 Use. Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose, *unless expressly consented to in writing by Lessor, which consent may not be unreasonably withheld.* Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. ~~Other than guide, signal and seeing eye dogs, Lessee shall not keep or allow in the Premises any pets, animals, birds, fish, or reptiles. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements on the Premises or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Premises. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use.~~

6.2 Hazardous Substances.

(a) Reportable Uses Require Consent. The term "Hazardous Substance" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not *cause or permit any Hazardous Substance to be used, stored, manufactured, generated, treated or disposed of in, on, under or about the Premises and/or the Project* or engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "Reportable Use" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use *reasonable and customary amounts of any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor.* In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) Duty to Inform Lessor. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) Lessee Remediation. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of

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any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees and costs arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from adjacent properties not caused or contributed to by Lessee or Lessee's employees, agents, contractors or invitees). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

~~(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.~~

~~(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to Lessee's occupancy, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.~~

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or \$100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or \$100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements related to or due to Lessee's particular or specific use, any Alterations made by or for Lessee, the operation of Lessee's business and in connection with anything stored or installed by Lessee in the Premises, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the such Requirements, without regard to whether such Requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements. Likewise, Lessee shall immediately give written notice to Lessor of: (i) any water damage to the Premises and any suspected seepage, pooling, dampness or other condition conducive to the production of mold; or (ii) any mustiness or other odors that might indicate the presence of mold in the Premises. Any written notice received from Lessor requiring payment or other action from Lessee shall be forwarded to Lessee in a timely fashion.

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6.4 **Inspection; Compliance.** Lessor and Lessor's "Lender" (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable notice, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements or the provisions of this Lease, or a Hazardous Substance Condition (see paragraph 9.1) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination. In addition, Lessee shall provide copies of all relevant material safety data sheets (MSDS) to Lessor within 10 days of the receipt of a written request therefor.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, the structure of the Building, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fire protection system, fixtures, walls (interior and exterior), foundations, ceilings, roofs and roof membranes, roof drainage systems, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. Lessee shall, during the term of this Lease, keep the exterior appearance of the Building in a first-class condition (including, e.g. graffiti removal) consistent with the exterior appearance of other similar facilities of comparable age and size in the vicinity, including, when necessary, the exterior repainting of the Building.

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler, and pressure vessels, (iii) fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, (v) roof covering and drains, and (vi) clarifiers. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and Lessee shall reimburse Lessor, upon demand, for the cost thereof. Lessee shall have the right to contract independently for all janitorial services and shall be responsible for the cost of such service.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly pay to Lessor a sum equal to 115% of the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if, during the last five (5) years of the Original Term of this Lease, an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month).

Lessee shall pay interest on the unamortized balance but may prepay its obligation at any time. Notwithstanding the foregoing, however, if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days' prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such repairs and/or replacements.

7.2 **Lessor's Obligations.** Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 9 (Damage or Destruction) and 14 (Condemnation), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, or the equipment therein, all of which obligations are intended to be that of the Lessee. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises, and they expressly waive the benefit of any statute now or

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hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.3 Utility Installations; Trade Fixtures; Alterations.

(a) **Definitions.** The term "Utility Installations" refers to all floor and window coverings, air and/or vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term "Trade Fixtures" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "Alterations" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "Lessee Owned Alterations and/or Utility Installations" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Alterations or Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor, all of which must be licensed and must comply with the insurance requirements herein, naming Lessor, Lessor's lender, if any, Lessor's property manager, if any, Steve Sauer, Steve Sauer, Inc., Sauer Family Trust, Margaret Braver Lindt, Estate of Marlene Sauer, Angie Corritone and Dana Goldstein (collectively, the "Lessor Parties") as additional insureds. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work (and Lessee shall reimburse Lessor for any and all reasonable, actual costs incurred by Lessor in reviewing such plans), and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor. Lessee shall cause all Alterations and Utility Installations to be made in accordance with Lessor's reasonable construction rules and regulations. Notwithstanding anything contained herein to the contrary, Lessee's initial improvements to be performed at the Premises prior to operating as a charter school shall be governed by the Construction Work Letter attached to the Addendum as Exhibit "B".

(c) **Liens; Bonds.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 Ownership; Removal; Surrender; and Restoration.

(a) **Ownership.** ~~Subject to Lessor's right to require removal or elect ownership as hereinafter provided, All Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, All Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.~~

(b) **Removal.** ~~By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.~~

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(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Premises) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. Insurance; Indemnity.

8.1 Payment For Insurance. Lessee shall obtain, maintain and keep in full force and effect the insurance required in this Lease from and after the Commencement Date and throughout the Original Term of this Lease. Lessee shall pay for all insurance required under Paragraph 8 except to the extent of the cost attributable to liability insurance carried by Lessor under Paragraph 8.2(b) in excess of \$2,000,000 per occurrence. Premiums for policy periods commencing prior to or extending beyond the Lease term shall be prorated to correspond to the Lease term. Payment shall be made by Lessee to Lessor within 10 days following receipt of an invoice.

8.2 Liability Insurance.

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$43,000,000 per occurrence with an annual aggregate of not less than \$25,000,000. Lessee shall add Lessor and the Lessor Parties as an additional insureds by means of an endorsement at least as broad as the Insurance Service Organization's "Additional Insured-Managers or Lessors of Premises" Endorsement. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. Lessee shall provide an endorsement on its liability policy(ies) which provides that its insurance shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 Property Insurance - Building, Improvements and Rental Value.

(a) **Building and Improvements.** The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor, with loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full insurable replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee not by Lessor. ~~If the coverage is available and commercially appropriate, such~~ Such policy or policies shall insure against all risks of direct physical loss or damage, ~~(including, but not limited to, except the perils of flood and/or earthquake unless required by a Lender),~~ including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$5,000 per occurrence, and Lessee shall be liable for such deductible amount in the event of an Insured Loss. Lessor may, at its sole and absolute discretion, require Lessee to obtain and maintain a policy or policies of earthquake insurance insuring against direct physical loss or damage due to an earthquake. To the extent and during the periods for which Lessor requires Lessee to obtain and maintain such earthquake insurance, Lessor shall pay for one-half (1/2) of the cost of such earthquake insurance premiums, subject to the Cap (as defined below). Lessee's obligation to pay for its annual portion

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of earthquake insurance premiums shall be limited to the greater of (a) one-half (1/2) of the annual cost of such earthquake insurance premiums, or (b) Thirty Thousand Dollars (\$30,000.00) (the "Cap"), which such Cap shall be increased two percent (2%) annually on a cumulative basis from the date of this Lease.

(b) **Rental Value.** The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for two one years with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period. Lessee shall be liable for any deductible amount in the event of such loss.

(c) **Adjacent Premises.** If the Premises are part of a larger building, or of a group of buildings owned by Lessor which are adjacent to the Premises, the Lessee shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

8.4 Lessee's Property; Business Interruption Insurance; Worker's Compensation Insurance.

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed \$1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance is in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **Worker's Compensation Insurance.** Lessee shall obtain and maintain Worker's Compensation Insurance in such amount as may be required by Applicable Requirements.

(d) **Automobile Liability Insurance.** Lessee shall obtain and maintain automobile liability insurance coverage in combined policy limits of not less than \$1,000,000 with respect to all owned, hired and non-owned automobiles used at the Premises and/or the Project by or on behalf of Lessee (which coverage may be satisfied by way of an umbrella policy).

(e) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 Insurance Policies. Insurance required herein shall be by companies maintaining during the policy term a "General Policyholders Rating" of at least A-, VII, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates with copies of the required endorsements evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 10 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same. All insurance required to be maintained by Lessee under this Lease shall be considered primary as compared to any insurance maintained by Lessor.

8.6 Waiver of Subrogation. Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 Indemnity. Except for to the extent of Lessor's or Lessor Parties' gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor Parties, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee or a Breach or Default hereunder. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same

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at Lessee's expense by counsel reasonably ~~approved~~ by ~~satisfactory~~ to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor and its Agents from Liability.** Notwithstanding the *gross* negligence or breach of this Lease by Lessor or its agents, neither Lessor nor its agents shall be liable under any circumstances for: (i) injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, indoor air quality, the presence of mold or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other sources or places, (ii) any damages arising from any act or neglect of any other tenant of Lessor or from the failure of Lessor or its agents to enforce the provisions of any other lease in the Project, or (iii) injury to Lessee's business or for any loss of income or profit therefrom or any other consequential or punitive damages. Instead, it is intended that Lessee's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Lessee is required to maintain pursuant to the provisions of paragraph 8.

8.9 **Failure to Provide Insurance.** Lessee acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, for any month or portion thereof that Lessee does not maintain the required insurance and/or does not provide Lessor with the required binders or certificates evidencing the existence of the required insurance, the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or \$100, whichever is greater. The parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to maintain the required insurance. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to maintain such insurance, prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Lessee of its obligation to maintain the insurance specified in this Lease.

9. **Damage or Destruction.**

9.1 **Definitions.**

(a) "**Premises Partial Damage**" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 6 months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total. Notwithstanding the foregoing, Premises Partial Damage shall not include damage to windows, doors, and/or other similar items which Lessee has the responsibility to repair or replace pursuant to the provisions of Paragraph 7.1.

(b) "**Premises Total Destruction**" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 6 months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) "**Insured Loss**" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "**Replacement Cost**" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) "**Hazardous Substance Condition**" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance, in, on, or under the Premises which requires remediation.

9.2 **Partial Damage—Insured Loss.** ~~If a Premises Partial Damage that is an Insured Loss occurs, then Lessee~~ Lessor shall, at ~~Lessee's~~ Lessor's expense, repair any and all Premises Partial Damage such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; ~~provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is \$10,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds (except as to the deductible which is Lessee's responsibility) as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice~~

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of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 Intentionally Deleted. Partial Damage—Uninsured Loss. If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessee shall Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 Total Destruction. Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 Damage Near End of Term. If at any time during the last three (3) years 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished. If at any time during the last three (3) years of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessee may terminate this Lease effective 90 days following the date of occurrence of such damage by giving a written termination notice to Lessor within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, Lessor may preserve this Lease by paying for the cost to repair such damage, in which event is Lease shall continue in full force and effect.

9.6 Abatement of Rent; Lessee's Remedies.

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor is obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 120 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 Termination; Advance Payments. Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable

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adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

Notwithstanding anything to the contrary, provided Lessor was maintaining the insurance provided herein, Lessor's obligations to restore pursuant to this Paragraph 9 shall be limited to the extent of insurance proceeds received by Lessor for such purposes.

10. Real Property Taxes.

10.1 Definition. As used herein, the term "Real Property Taxes" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Premises or the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Building address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises are located. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Premises, and (ii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

10.2 Payment of Taxes. In addition to Base Rent, Lessee shall pay directly to the applicable city, county or other local taxing authority Lessor an amount equal to the Real Property Tax installment due and any other related fees and/or charges within thirty (30) days after Lessee's receipt of an Invoice requiring such payment to be made, which payment shall be made by Lessee no later than at least 20 days prior to the applicable delinquency date. If any such installment shall cover any period of time prior to or after the expiration or termination of this Lease, Lessee's share of such installment shall be prorated. In the event Lessee incurs a late charge on any Rent payment, Lessor may estimate the current Real Property Taxes, and require that such taxes be paid in advance to Lessor by Lessee monthly in advance with the payment of the Base Rent. Such monthly payments shall be an amount equal to the amount of the estimated installment of taxes divided by the number of months remaining before the month in which said installment becomes delinquent. When the actual amount of the applicable tax bill is known, the amount of such equal monthly advance payments shall be adjusted as required to provide the funds needed to pay the applicable taxes. If the amount collected by Lessor is insufficient to pay such Real Property Taxes when due, Lessee shall pay Lessor, upon demand, such additional sum as is necessary. Advance payments may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a Breach by Lessee in the performance of its obligations under this Lease, then any such advance payments may be treated by Lessor as an additional Security Deposit.

~~10.3 Intentionally Deleted. Joint Assessment. If the Premises are not separately assessed, Lessee's liability shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be conclusively determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available.~~

10.4 Personal Property Taxes. Lessee shall pay, prior to delinquency, all taxes assessed against and levied upon Lessee Owned Alterations, Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

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11. **Utilities and Services.** Lessee shall pay directly to each utility company and/or other service company for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon, prior to the date such payments are due. If any such services are not separately metered or billed to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor, of all charges jointly metered or billed. There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

12. **Assignment and Subletting.** (See Addendum Paragraph 57)

12.1 **Lessor's Consent Required.**

~~(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "assign or assignment") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.~~

~~(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.~~

~~(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. "Net Worth of Lessee" shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.~~

(d) An assignment or subletting requiring Lessor's consent pursuant to Paragraph 57 for which Lessee has not obtained Lessor's consent without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

f) Lessor may reasonably withhold consent to a proposed assignment or subletting if Lessee is in Default at the time consent is requested.

(g) Notwithstanding the foregoing, allowing a de minimis portion of the Premises, ie. 20 square feet or less, to be used by a third party vendor in connection with the installation of a vending machine or payphone shall not constitute a subletting.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.** (See Addendum Paragraph 57)

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of \$500 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment, entering into such sublease, or

entering into possession of the Premises or any portion thereof, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

(h) Any and all insurance policies required hereunder shall remain in full force and effect upon any assignment or subletting and shall name Lessor and Lessor Parties as additional insureds throughout the Original Term of this Lease.

12.3 Additional Terms and Conditions Applicable to Subletting. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. ~~In the event that the amount collected by Lessor exceeds Lessee's then outstanding obligations any such excess shall be refunded to Lessee.~~ Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

~~(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.~~

13. Default; Breach; Remedies.

13.1 Default; Breach. A "Default" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "Breach" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, within five (5) days after when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee. THE ACCEPTANCE BY LESSOR OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LESSOR'S RIGHTS, INCLUDING LESSOR'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

(c) The failure of Lessee to allow Lessor and/or its agents access to the Premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Lessee, where such actions continue for a period of 3 business days following written notice to Lessee.

(d) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 42, (viii) material safety data sheets (MSDS), or (ix) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(e) A Default by Lessee as to the other terms, covenants, conditions or provisions of this Lease, or of the rules adopted under

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Paragraph 40 hereof, other than those described in subparagraphs 13.1(a), (b), (c) or (d), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion, but in all events within 180 days.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. §101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(g) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(h) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 Remedies. If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor an amount equal to 115% of the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 Inducement Recapture. Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for

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Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "Inducement Provisions," shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall immediately pay to Lessor a one-time late charge equal to 10% of each such overdue amount or \$100, whichever is greater. The Parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("Interest") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

~~(b) **Intentionally Deleted Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent the actual and reasonable cost to perform such cure, provided, however, that such offset shall not exceed an amount equal to the greater of one month's Base Rent or the Security Deposit, reserving Lessee's right to seek reimbursement from Lessor for any such expense in excess of such offset. Lessee shall document the cost of said cure and supply said documentation to Lessor.~~

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "Condemnation"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the Building, or more than 25% of that portion of the Premises not occupied by any building, is taken by Condemnation (and in either event, same has a material adverse impact on Lessee's ability to operate from the Premises), Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation paid by the condemnor for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation, to the extent of proceeds received for same. Lessee shall not be entitled to terminate this Lease in connection with any temporary Condemnation (i.e., a Condemnation that lasts for fewer than 150 days).

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15. **Brokerage Fees.**

~~15.1 Additional Commission. If a separate brokerage fee agreement is attached then in addition to the payments owed pursuant to Paragraph 1.9 above, and unless Lessor and the Brokers otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee or anyone affiliated with Lessee acquires any rights to the Premises or other premises owned by Lessor and located within the same Project, if any, within which the Premises is located, (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the separate written agreement between Lessor and Lessor's Broker in effect at the time the Lease was executed schedule attached to such brokerage fee agreement.~~

~~15.2 Assumption of Obligations. Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.9, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be paid by deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.~~

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as "Responding Party") shall within 10 days after written notice from the other Party (the "Requesting Party") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "Estoppel Certificate" form published by the AIR Commercial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall within 10 days after written notice from Lessor deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor or its partners, members, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under

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this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the other Brokers—that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission or e-mail (with a hard copy provided concurrently as provided above), and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. Any notice delivered by Lessee to Lessor shall also be concurrently sent to Lessor via the e-mail address or facsimile number provided under Lessor's signature on this Lease. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 72 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.**

(a) No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent.

(b) The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

(c) THE PARTIES AGREE THAT THE TERMS OF THIS LEASE SHALL GOVERN WITH REGARD TO ALL MATTERS RELATED THERETO AND HEREBY WAIVE THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE TO THE EXTENT THAT SUCH STATUTE IS INCONSISTENT WITH THIS LEASE.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in

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dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. ~~The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this Lease may be brought against Broker more than one year after the Start Date and that the liability (including court costs and attorneys' fees), of any Broker with respect to any such lawsuit and/or legal proceeding shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.~~

(c) Lessor and Lessee agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder by Lessor shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "Lender") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of the new owner, this Lease will automatically become a new lease between Lessee and such new owner, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor which was not paid or credited to such new owner.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "Non-Disturbance Agreement")

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from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall, if requested by Lessee, use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 Self-Executing. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. Attorneys' Fees. If any Party ~~or Broker~~ brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees *and costs*. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "**Prevailing Party**" shall include, without limitation, a Party ~~or Broker~~ who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party ~~or Broker~~ of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach (\$200 is a reasonable minimum per occurrence for such services and consultation).

32. Lessor's Access; Showing Premises; Repairs. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee.

33. Auctions. Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. Signs. Lessor may place on the Premises ordinary "For Sale" signs at any time and ordinary "For Lease" signs during the last 6 months of the term hereof. Except for ordinary "for sublease" signs, Lessee shall not place any sign upon the Premises without Lessor's prior written consent. All signs must comply with all Applicable Requirements.

35. Termination; Merger. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. Consents. Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. Guarantor.

37.1 Execution. The Guarantors, if any, shall each execute a guaranty in the form most recently published by the AIR Commercial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 Default. It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the

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document.

(c) This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

45. **Conflict.** Any conflict between the printed provisions of this Lease and typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. **Offer.** Preparation of this Lease by either Party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

48. **Waiver of Jury Trial.** THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

49. **Arbitration of Disputes.** An Addendum requiring the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is is not attached to this Lease.

50. **Americans with Disabilities Act.** Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES IS LOCATED.

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The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: _____ Executed at: Los Angeles
On: _____ On: June 28, 2019

By LESSOR:

BRAVER & SAUER INVESTMENTS,
a California general partnership

By: _____
Name Printed: Steve Sauer
Title: Managing Partner
By: _____
Name Printed: _____
Title: _____
Address: c/o Steve Sauer
10100 Santa Monica Blvd., Suite 2300
Los Angeles, CA 90067
Telephone: (310) 712-6470
Facsimile: (310) 201-5072
Email: steve@media4mgt.com
Email: _____
Federal ID No. 95-6454141

By LESSEE:

VSF SCHOOL FACILITIES #2 LLC,
a California limited liability company

By: VALUE SCHOOLS,
a California nonprofit public benefit corporation,
its Manager
By: David Doyle
Name Printed: David Doyle
Title: CEO/President
By: Rhonda Hoffarth
Name Printed: Rhonda Hoffarth
Title: CFD / Treasurer
Address: 680 Wilshire Place suite 315
Los Angeles, CA 90005
Telephone: (213) 388-8676
Facsimile: ()
Email: Ddoyle@valueschools.com
Email: Rhoffarth@valueschools.com
Federal ID No. 45-5233028

BROKER:

Major Properties
Attn: Jeff Luster
Title: CEO
Address: 1200-1204 W. Olympic Boulevard
Los Angeles, CA 90015
Telephone: (213) 747-4152
Facsimile: (213) 749-7972
Email: jeff@majorproperties.com
Federal ID No. _____
Broker/Agent DRE License #: 00636424

BROKER:

InSite EFS, Inc.
Attn: Dan Morrar
Title: Partner/Western Region
Address: 8895 Towne Centre Drive, Suite 105 480
San Diego, CA 92122
Telephone: (858) 866-8843
Facsimile: ()
Email: dmorrar@insiteefs.com
Federal ID No. _____
Broker/Agent DRE License #: 01716132

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 800 W 6th Street, Suite 800, Los Angeles, CA 90017. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

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AIR COMMERCIAL REAL ESTATE ASSOCIATION
GUARANTY OF LEASE

WHEREAS, BRAVER & SAUER INVESTMENTS, a California general partnership, hereinafter "Lessor", and VSF SCHOOL FACILITIES #2 LLC, a California limited liability company, hereinafter "Lessee", are about to execute a document entitled "Lease" dated June 28, 2019 concerning the premises commonly known as consisting of ten (10) lots commonly known as 233-241 N. Westmoreland Avenue and 3619 Cosmopolitan Street, as more particularly described and depicted on Exhibit "A" to the Addendum attached to the Lease and made a part thereof wherein Lessor will lease the premises to Lessee, and

WHEREAS, VALUE SCHOOLS, a California domestic nonprofit corporation hereinafter "Guarantors" have a financial interest in Lessee, and WHEREAS, Lessor would not execute the Lease if Guarantors did not execute and deliver to Lessor this Guaranty of Lease.

NOW THEREFORE, in consideration of the execution of said Lease by Lessor and as a material inducement to Lessor to execute said Lease, Guarantors hereby jointly, severally, unconditionally and irrevocably guarantee the prompt payment by Lessee of all rents and all other sums payable by Lessee under said Lease and the faithful and prompt performance by Lessee of each and every one of the terms, conditions and covenants of said Lease to be kept and performed by Lessee.

It is specifically agreed by Lessor and Guarantors that: (i) the terms of the foregoing Lease may be modified by agreement between Lessor and Lessee, or by a course of conduct, and (ii) said Lease may be assigned by Lessor or any assignee of Lessor without consent or notice to Guarantors and that this Guaranty shall guarantee the performance of said Lease as so modified.

This Guaranty shall not be released, modified or affected by the failure or delay on the part of Lessor to enforce any of the rights or remedies of the Lessor under said Lease.

No notice of default by Lessee under the Lease need be given by Lessor to Guarantors, it being specifically agreed that the guarantee of the undersigned is a continuing guarantee under which Lessor may proceed immediately against Lessee and/or against Guarantors following any breach or default by Lessee or for the enforcement of any rights which Lessor may have as against Lessee under the terms of the Lease or at law or in equity.

Lessor shall have the right to proceed against Guarantors following any breach or default by Lessee under the Lease without first proceeding against Lessee and without previous notice to or demand upon either Lessee or Guarantors.

Guarantors hereby waive (a) notice of acceptance of this Guaranty, (b) demand of payment, presentation and protest, (c) all right to assert or plead any statute of limitations relating to this Guaranty or the Lease, (d) any right to require the Lessor to proceed against the Lessee or any other Guarantor or any other person or entity liable to Lessor, (e) any right to require Lessor to apply to any default any security deposit or other security it may hold under the Lease, (f) any right to require Lessor to proceed under any other remedy Lessor may have before proceeding against Guarantors, (g) any right of subrogation that Guarantors may have against Lessee.

Guarantors do hereby subordinate all existing or future indebtedness of Lessee to Guarantors to the obligations owed to Lessor under the Lease and this Guaranty.

If a Guarantor is married, such Guarantor expressly agrees that recourse may be had against his or her separate property for all of the obligations hereunder.

The obligations of Lessee under the Lease to execute and deliver estoppel statements and financial statements, as therein provided, shall be deemed to also require the Guarantors to do and provide the same to Lessor. The failure of the Guarantors to provide the same to Lessor shall constitute a default under the Lease.

The term "Lessor" refers to and means the Lessor named in the Lease and also Lessor's successors and assigns. So long as Lessor's interest in the Lease, the leased premises or the rents, issues and profits therefrom, are subject to any mortgage or deed of trust or assignment for security, no acquisition by Guarantors of the Lessor's interest shall affect the continuing obligation of Guarantors under this Guaranty which shall nevertheless continue in full force and effect for the benefit of the mortgagee, beneficiary, trustee or assignee under such mortgage, deed of trust or assignment and their successors and assigns.

The term "Lessee" refers to and means the Lessee named in the Lease and also Lessee's successors and assigns.

Any recovery by Lessor from any other guarantor or insurer shall first be credited to the portion of Lessee's indebtedness to Lessor which exceeds the maximum liability of Guarantors under this Guaranty.

No provision of this Guaranty or right of the Lessor can be waived, nor can the Guarantors be released from their obligations except in writing signed by the Lessor.

Any litigation concerning this Guaranty shall be initiated in a state court of competent jurisdiction in the county in which the leased premises are located and the Guarantors consent to the jurisdiction of such court. This Guaranty shall be governed by the laws of the State in which the leased premises are located and for the purposes of any rules regarding conflicts of law the parties shall be treated as if they were all residents or domiciles of such State.

In the event any action be brought by said Lessor against Guarantors hereunder to enforce the obligation of Guarantors hereunder, the unsuccessful party in such action shall pay to the prevailing party therein a reasonable attorney's fee. The attorney's fee award shall not be computed in accordance with any court fee schedule, but shall be such as to full reimburse all attorney's fees reasonably incurred.

If any Guarantor is a corporation, partnership, or limited liability company, each individual executing this Guaranty on said entity's behalf represents and warrants that he or she is duly authorized to execute this Guaranty on behalf of such entity.

If this Form has been filled in, it has been prepared for submission to your attorney for his approval. No representation or recommendation is made by the AIR Commercial Real Estate Association, the real estate broker or its agents or employees as to the legal sufficiency, legal effect, or tax consequences of this Form or the transaction relating thereto.

Executed at: Los Angeles
On: June 28, 2019
Address: 600 Wilshire Place Suite 315
Los Angeles, CA 90005

VALUE SCHOOLS,
a California domestic nonprofit corporation
David Doyle CEO/President
Khandi J. Hill CFO/Treasurer
"GUARANTORS"

**ADDENDUM TO STANDARD INDUSTRIAL/COMMERCIAL
SINGLE-TENANT LEASE - NET**

THIS ADDENDUM TO STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE -NET (“Addendum”) dated as of June 28, 2019, is attached to, and made a part of, that certain Standard Industrial/Commercial Single-Lessee Lease - Net of even date herewith (the “Primary Lease”), entered into by and between BRAVER & SAUER INVESTMENTS, a California general partnership (“Lessor”), and VSF SCHOOL FACILITIES #2 LLC, a California limited liability company (“Lessee”). The Primary Lease, as modified, supplemented and superseded by this Addendum is hereinafter referred to as the “Lease”. If there is any conflict between the Primary Lease and this Addendum, this Addendum shall control. Unless otherwise defined in this Addendum, capitalized terms shall have the meanings assigned to them in the Primary Lease.

51. Condition of Premises. As of the Commencement Date, except as provided below, Lessee takes the Premises in its AS-IS, WHERE-IS condition, including, without limitation, the surface and sub-surface, any improvements thereon, any matters pertaining to compaction, soil condition, environmental conditions and/or Hazardous Substance, and all matters affecting title, without representation or warranty of any kind from Lessor except as provided in the Disclosures, and Lessee agrees that Lessor shall have no obligation to perform any work or construct any improvements to the Premises. Lessee accepts this Lease and the Premises subject to all applicable currently existing and future Applicable Requirements and any and all easements, covenants, conditions, restrictions and agreements of record affecting the Premises and/or the Project and/or the use thereof. Except as provided in this Lease, Lessee agrees and acknowledges that Lessor shall have no responsibility, and shall bear no expense, to comply with any such Applicable Requirements. Lessor shall be entitled to cooperate voluntarily in any reasonable manner with the efforts of governmental bodies or suppliers of utilities in reducing energy or other resources consumption and Lessee shall reasonably cooperate with same and shall not be relieved of its obligation to pay the full Rent by reason thereof. Notwithstanding the foregoing, however, Lessor shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances (i) existing on the Premises prior to the Effective Date (“Pre-Existing Conditions”) that were not disclosed in any of the following environmental reports, all of which Lessee has reviewed and approved prior to the Effective Date: (a) the Subsurface Methane Investigation for 233 N. Westmoreland Avenue, Los Angeles, CA 90004 prepared for Value Schools by Brownfield Subslab dated November 9, 2017, (b) the Environmentally Regulated Materials (ERMs) Survey Report prepared for Value Schools by Citadel Environmental Services, Inc. dated November 15, 2017, (c) the Phase I Environmental Site Assessment Report prepared for Value Schools by Citadel Environmental Services, Inc. dated November 20, 2017, (d) the Phase II Environmental Site Assessment Report prepared for Value Schools by Citadel Environmental Services, Inc. dated December 1, 2017, (e) the Supplemental Phase II Environmental Site Assessment Report prepared for Value Schools by Citadel Environmental Services, Inc. dated January 12, 2018, (f) the Geotechnical Engineering Investigation report prepared for Value Schools by Geotechnologies, Inc. dated January 30, 2018, and (g) the Additional Geotechnical Investigation report prepared for Value Schools by Twining, Inc. dated April 12, 2019 (collectively, the “Environmental Reports”); or (ii) which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees; provided, however, that Lessor shall have no such obligation to indemnify, defend and hold Lessee harmless for any Pre-Existing Conditions if the presence and/or risk of such Hazardous Substances or conditions were identified in the Environmental Reports. For the purposes of this Lease, an environmental condition shall not be deemed to be a “Pre-Existing Condition” if Lessee had discovered or had knowledge, whether actual or constructive, of such conditions prior to the Effective Date. Lessor’s obligations in connection with such Pre-Existing Conditions, as and when required by the Applicable Requirements, shall include but not be limited to, the cost of removal, remediation, restoration, and /or abatement, and shall survive the expiration or termination of this Lease. Lessor shall

retain the responsibility and pay for any remediation measures required by governmental entities having jurisdiction with respect to such Pre-Existing Conditions, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in Lease paragraph 7.3(a)) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out of Lessor's remedial responsibilities. Lessee hereby agrees that Lessor may obtain environmental insurance covering the Premises for coverage and a term acceptable to Lessor at its sole and absolute discretion, and that Lessee shall reimburse Lessor fifty percent (50%) of the premium for such environmental insurance within five (5) days after receiving an invoice from Lessor for such reimbursement; provided, however, Lessee shall only be required to reimburse Lessor for fifty percent (50%) of the premiums allocable to the period from the Commencement Date to the completion of the School facility and in no event shall Lessee's obligation to so reimburse Lessor exceed twenty-five thousand dollars (\$25,000.00).

52. Governmental Approvals Contingency.

(a) Commencing after the mutual execution and delivery of this Lease, and provided that Lessee is not in Breach hereunder, Lessee shall have the right to obtain any and all approvals from the City of Los Angeles necessary for the construction and operation of a charter school on the Premises (the "**Governmental Approvals Contingency**"), including, without limitation, a conditional use permit and/or zoning use variance (including all required parking, traffic and use approvals that are ordinarily part of a conditional use permit and/or a zoning use variance) (the "**Required Governmental Approvals**"). Lessee shall, at its sole cost and expense, use all diligent and commercially reasonable efforts to obtain the Required Governmental Approvals as soon as reasonably practicable, but in any event on or prior to the Governmental Approvals Contingency Date (as defined in Paragraph 52(b) below). For purposes of this Paragraph 52(a) "**diligent and commercially reasonable efforts**" shall include, without limitation, Lessee's obligation to: (aa) submit on a timely basis for reasonable approval by Lessor and the applicable governmental authorities all completed applications, plans, drawings, specifications and other items pertaining to the Required Governmental Approvals, and timely pay all costs and fees in connection therewith (all such applications, plans, drawings, specifications and other items collectively, the "**Required Governmental Approvals Items**"); and (bb) promptly respond to any response, or request for further information and/or documentation, by applicable governmental authorities in connection with the Required Governmental Approvals Items. Lessee shall update Lessor regarding the status of the Required Governmental Approvals (including, at a minimum, delivering monthly status reports therefor to Lessor), and if requested by Lessor not more than once per month, shall provide Lessor copies of all correspondence to and from the applicable governmental authorities regarding the Required Governmental Approvals in Lessee's possession, and to the extent Lessee is not in possession of all such correspondence, Lessee shall promptly obtain copies of such correspondence from its consultant(s) and provide copies of such correspondence to Lessor promptly upon Lessee's receipt. Upon Lessee's receipt of the Required Governmental Approvals, Lessee shall promptly deliver written notice thereof to Lessor (together with copies of the Required Governmental Approvals). Lessor shall reasonably approve or disapprove any completed applications, plans, drawings, specifications and other items pertaining to the Required Governmental Approvals as provided above within five (5) business days after receiving a written request for such approval.

(b) In the event Lessee is unable to satisfy the Governmental Approvals Contingency on or before twenty (20) months following the Effective Date (the "**Governmental Approvals Contingency Date**"), Lessee shall have the right, in its sole and absolute discretion, on or prior to 5:00 p.m. Pacific Time on the Governmental Approvals Contingency Date, to deliver written notice to Lessor of Lessee's election to terminate this Lease (the "**Governmental Approvals Termination Notice**"). In the event Lessee fails to deliver the Governmental Approvals Termination Notice to Lessor on or prior to

the Governmental Approvals Contingency Date, or in the event Lessee waives the Governmental Approvals Contingency on or prior to the Governmental Approvals Contingency Date with written notice to Lessor, then Lessee shall be deemed to have waived its right to terminate this Lease pursuant to this provision. In the event Lessee properly delivers the Governmental Approvals Termination Notice to Lessor on or prior to the Governmental Approvals Contingency Date, Lessor shall return the Security Deposit to Lessee within five (5) business days after Lessor's receipt of the Governmental Approvals Termination Notice, and this Lease shall immediately terminate and neither party hereto shall have any obligations to the other, except for those that expressly survive the expiration or termination of this Lease, and except as otherwise provided in the following sentence.

(c) Lessor's Cooperation. Lessor shall reasonably cooperate with Lessee, at no cost or expense to Lessor, in connection with Lessee's efforts to obtain the Required Governmental Approvals, up through and including the Governmental Approvals Contingency Date, including with respect to any city application or other approval processes required in connection with Lessee's improvements to and development of the Premises. Moreover, Lessor shall, upon receipt of written request from Lessee, deliver and execute, at no cost or expense to Lessor, such other documents as may be reasonably required for a title company selected by Lessee to issue Lessee a title policy insuring Lessee's leasehold interest in the Premises; provided, however, that Lessor makes no representations or warranties in connection with the obtaining of and/or actual issuance of such title policy.

53. Base Rent Increases; Payment at Execution.

(a) Base Rent will increase on each anniversary (each such anniversary to be considered an "Adjustment Date") of the Commencement Date. Base Rent shall increase on each Adjustment Date by the fixed rate of two and one-quarter percent (2.25%) of the monthly Base Rent immediately preceding such Adjustment Date (without regard to temporary reductions or abatements thereof, if any) (the "Fixed Increase").

(b) On the sixtieth (60th) month anniversary of the Rent Commencement Date, and on each and every sixtieth (60th) month anniversary of the Rent Commencement Date thereafter (each such sixty (60) month anniversary to be considered a "Five Year Adjustment Date" and each such sixty (60) month period to be considered a "Five Year Adjustment Period"), the monthly Base Rent shall be increased by the average increase in the Consumer Price Index for All Urban Consumers (CPI-U), Los Angeles - All Items (1982-1984 = 100) published by the Bureau of Labor Statistics of the United States Department of Labor (the "Index") for the preceding five (5) years (the "Average CPI Increase"). Notwithstanding the foregoing, however, in no event shall the adjusted Base Rent at the commencement of any Five Year Adjustment Date be less than the monthly Base Rent immediately preceding such Five Year Adjustment Date. During each Five Year Adjustment Period, Base Rent will increase on each Adjustment Date by the higher of: (1) the Fixed Increase, and (2) if the Average CPI Increase is greater than the Fixed Increase, three percent (3%) of the monthly Base Rent immediately preceding such Adjustment Date.

(c) Notwithstanding the foregoing, however, and further provided that Lessee has delivered to Lessor proof of the existence of the Performance Bond as and when required pursuant to Paragraph 58 below, the Base Rent for the month following the date that Lessee has delivered proof of the existence of the Performance Bond shall be abated in an amount equal to fifty percent (50%) of the cost to obtain the Performance Bond; provided, however, that in no event shall the amount to be abated exceed the Base Rent for such month (collectively, the "Rent Abatement"), and such Rent Abatement shall be applied by Lessee towards the cost of obtaining such Performance Bond. All other obligations of Lessee under the Lease during such period of Rent Abatement shall remain applicable and in full force and

effect, and the abatement rights granted to Lessee pursuant to this paragraph shall apply only to Base Rent and shall have no effect on Lessee's obligations to pay any other sums owing by Lessee under the Lease.

(d) Pursuant to Paragraph 1.6 of the Primary Lease and subsection (c) above, concurrently with Lessee's execution of this Lease, Lessee shall pay to Lessor (a) the Base Rent for the first full calendar month of the Original Term, and (b) the Security Deposit, as calculated pursuant to Paragraph 55 below. Thereafter, Lessee shall pay Rent on the first of every month without notice, demand, offset or abatement.

54. Security Deposit. Concurrently upon execution of this Lease, Lessee shall deliver to Lessor a security deposit (the "Security Deposit") equal to One Hundred and Eleven Thousand Dollars (\$111,000.00). The Security Deposit shall be completely refundable until the Governmental Approvals Contingency set forth in Paragraph 52 above have been removed or satisfied. Following such event, and the Lessee's delivery of the Letter of Credit described in Paragraph 55 below, the Security Deposit shall be reduced to Forty Thousand Four Hundred Forty-Four and 08/100 Dollars (\$40,444.08), and the balance of the unused portion of the Security Deposit previously delivered to Lessor shall be credited against the Rent next due, until the balance of the Security Deposit reaches Forty Thousand Four Hundred Forty-Four and 08/100 Dollars (\$40,444.08). Following the date the Security Deposit is no longer completely refundable, the Lessor may use the Security Deposit, or any portion thereof, to cure Lessee's default, or to compensate Lessor for any and all damages sustained by Lessor resulting from Lessee's default. Lessee hereby waives any and all rights Lessee may have, if any, with respect to a security deposit under applicable laws, to the extent they are contrary to the express provisions of this Paragraph 54. Lessor's obligations with respect to the Security Deposit are those of a debtor and not a trustee. Lessor may commingle the Security Deposit with Lessor's general and/or other funds, and Lessor shall have no obligation to pay Lessee interest upon the Security Deposit. Notwithstanding the foregoing, exercise of any one or more of the rights given Lessor under this Paragraph 54 shall in no way affect or abrogate any other claim or remedy available to Lessor hereunder or as provided by law or equity.

55. Letter of Credit. Lessee shall deliver a so-called "Evergreen" Standby Letter of Credit in the amount of \$222,000 (the "LOC Amount") in favor of Lessor within thirty (30) days after the Lessee's waiver or approval of the Governmental Approvals Contingency. The Letter of Credit and all substitutions, replacements and renewals thereof must be on a commercially reasonable form approved in writing by Lessor, issued by Bank of America NT&SA or such other financial institution approved in writing by Lessor. Lessor may draw on the Letter of Credit, in whole or in part at Lessor's election, without advance notice to Lessee at any time or from time to time on or after (i) the occurrence of an event of default, after the lapse of the applicable notice and cure periods, (ii) if Lessee holds over after the expiration or earlier termination of this Lease without the written consent of Lessor, (iii) Lessor is given notice by the issuer of the Letter of Credit that it is terminating the Letter of Credit without Lessee providing adequate replacement security in the form of a replacement Letter of Credit or cash deposit, (iv) the Letter of Credit expires on a specified date by its terms and is not renewed or replaced by cash or a replacement Letter of Credit at least thirty (30) days in advance of its expiration date, or (v) to the extent permitted by law, in the event any bankruptcy, insolvency, reorganization or any other debtor creditor proceeding is instituted by or against Lessee and the same is not dismissed within sixty (60) days. In addition, if at any time the bank or financial institution that issues the Letter of Credit is declared insolvent, or is placed into receivership by the Federal Deposit Insurance Corporation or any other governmental or quasi-governmental institution, then following written notice from Lessor, Lessee shall have ten (10) business days to replace the Letter of Credit with a cash deposit or a new Letter of Credit. If Lessee does not replace the Letter of Credit with a cash deposit or a new Letter of Credit from a bank or financial institution approved in writing by Lessor within such ten (10) business day period, then notwithstanding anything to the contrary herein, Lessee shall be in default under this Lease, and Lessor shall have the right to draw upon the Letter of Credit for the full amount of the Letter of Credit, and such

amount shall be held applied by Lessor to amounts owing by Lessee hereunder and the balance by Lessor as a cash security deposit for application, at Lessor's election, to future sums owing to Lessor under this Lease. Lessor may apply any sum properly drawn on the Letter of Credit to amounts owing to Lessor under this Lease in such order and priority as Lessor elects. If any of the proceeds drawn on the Letter of Credit are not applied immediately to sums owing to Lessor under this Lease, Lessor may retain any such excess proceeds as a cash security deposit for application, at Lessor's election, to future sums owing to Lessor under this Lease, in such order and priority as Lessor elects. Lessee shall, within ten (10) days after Lessor's written demand, restore the amount of the Letter of Credit drawn so that the Letter of Credit is restored to the original amount of the Letter of Credit. Lessee shall not assign or grant any security interest in the Letter of Credit and any attempt to do so shall be void and of no effect. In the event of a sale or transfer of Lessor's estate or interest in the Project, Lessor shall transfer the Letter of Credit then being held by Lessor to the transferee, Lessee shall pay any transfer fees charged by the issuing bank in connection with such transfer and the transferring Lessor shall thereafter be considered released by Lessee from all liability for the return of the Letter of Credit. Lessee shall reasonably cooperate in effecting such transfer. Lessor and Lessee acknowledge and agree that in no event or circumstance shall the Letter of Credit or any renewal thereof or substitute therefor be (A) deemed to be or treated as a "security deposit" within the meaning of California Civil Code Section 1950.7, (B) subject to the terms of such Section 1950.7, or (C) intended to serve as a "security deposit" within the meaning of such Section 1950.7. Subject to the foregoing requirements, the Letter of Credit shall be subject to the Uniform Customs and Practice for Documentary Credits (2007 revision), International Chamber of Commerce Publication No. 600 and other applicable law.

56. Parking. Lessee shall have the right, at no additional charge, to use the parking lot located on the Premises for the parking of standard sized passenger automobiles and sport utility vehicles, without charge, except as set forth and subject to the terms and conditions stated herein. Lessee shall park and shall cause Lessee's employees, customers, invitees and guests to park their vehicles only in such parking areas as are from time to time designated for that purpose by Lessor, and Lessor may change such designated areas or assign particular spaces for use by Lessee and Lessee's employees, invitees and guests at any time upon written notice to Lessee. Lessee agrees to assume responsibility for compliance by its employees, customers, invitees and guests with the parking provisions contained herein. Lessee and its employees shall be solely responsible for locking and the safety of their respective vehicles. Lessor shall have the right to install one or more access control devices at any time during the term of this Lease, to establish any rules or regulations regarding the use of the parking lot, to have a valet attendant or third party manage the parking lot and/or limit the use of the parking lot during certain hours. Lessor shall have no liability for any damages, liabilities, costs, expenses, fees (including, without limitation attorneys' fees) or claims (collectively, "Claims") arising out of due to the use of the parking lot by Lessee or Lessee's employees, customers, invitees or guests (including, without limitation, any obligation to provide security or any claims relating to damage to persons or property arising thereon or out of the use thereof), and Lessee shall indemnify, defend and hold Lessor and Lessor's related parties harmless from any and all Claims arising out of or related to the use of the parking lot. Without limitation of the foregoing, Lessee shall be solely responsible for any and all acts of any party utilizing the parking lot due to Lessee's use, including, without limitation, Lessee's employees, customers, invitees and guests, including, without limitation, ensuring no trash or debris is discarded by any of the foregoing and for any and all Claims that may be made by any of the foregoing.

57. Assignment and Subletting.

(a) Prior to Construction of School Facility. To the extent Lessee's construction of a school facility on the Premises will not be delayed or adversely affected, Lessee may, prior to Lessee's completion of construction of a school facility on the Premises, and provided that Lessee is not in Default or Breach hereunder, sublet the Premises to the following subtenants without the need for Lessor's

consent, by giving Lessor at least five (5) days' prior written notice: (i) Lessee's affiliate (as defined below), (ii) any of the prior occupants of the Premises, provided such prior occupants shall use the Premises for the uses previously permitted under the prior lease, rental or license agreement between prior occupants and Lessor, or (iii) any other subtenant for a use that is not considered a "Prohibited Use" (as defined below) and which use is not in violation of any Applicable Requirements. Notwithstanding the foregoing, however, the term of any such sublease as provided above shall not extend beyond the date that is two (2) years following the mutual execution and delivery of this Lease. "Prohibited Use" as used herein shall mean any of the following uses: (a) the handling or processing of dry cleaning or laundry, (b) a laundromat, (c) the handling or sale of gasoline, petroleum products, tires or automobile accessories, (d) any use or business which constitutes a nuisance or with respect to which entry by persons under the age of eighteen (18) years is restricted by Applicable Requirements, (e) an adult bookstore, (f) a pornographic shop, peep show, gentlemen's club or similar adult rated uses, (g) a bowling alley, (h) a skating rink, (i) a nightclub, (j) storage operators, (k) a gaming establishment, (l) auto or truck sales or repairs, (m) a billiard room and/or pool hall, (n) a bar or tavern, (o) a health spa, (p) a massage parlor, (q) a car wash, (r) a smoke, tobacco or head shop or marijuana dispensary or for the sale of drugs or drug paraphernalia, (s) the sale, handling and/or keeping of live animals, (t) a tattoo parlor, (u) non-organized religious groups, (v) an establishment carrying or selling alcohol, (w) manufacturing, (x) any business primarily engaged in hazardous materials or toxic substances, and (y) any other business that Lessor reasonably determines to be immoral or disreputable. Notwithstanding anything contained herein to the contrary, in no event shall Lessee be released from its obligations under this Lease in the event Lessee sublets any portion of the Premises to a subtenant pursuant to the terms of this Paragraph.

(b) After Construction of School Facility. Following Lessee's construction of a school facility on the Premises, and subject to the terms contained herein and provided that Lessee is not in Default or Breach hereunder, Lessee may, without the need for Lessor's consent, by giving Lessor at least five (5) days' prior written notice: (i) sublease all or a portion of the Premises if and only if the subtenant is going to use the Premises only for the Agreed Use provided in Paragraph 1.7 of the Lease and/or ten percent (10%) or less of the Premises to an entity not using the Premises for the Agreed Use in Paragraph 1.7, so long as such use is not considered a Prohibited Use, or (ii) sublease or assign this Lease to Lessee's affiliate (as defined herein) or to any entity created as a result of a merger or reorganization with Lessee or to Lessee's affiliate. Any sublease consisting of more than ten percent (10%) of the Premises to an entity that will not be using the Premises solely for the Agreed Use and any assignment of the Lease to an entity not created as a result of a merger or reorganization with Lessee shall require the prior written consent of Lessor, which shall not be unreasonably withheld. Notwithstanding the foregoing, the foregoing shall be subject to the following: (a) an assignment, shall transfer to the transferee all of Lessee's rights in, and interest under, this Lease, (b) at the time of such transfer, this Lease must be in full force and effect without any Default or Breach thereunder on the part of Lessee, (c) the transferee must (i) have operational experience in successfully conducting a business consistent with the Agreed Use, (ii) assume, by written instrument, in form and content reasonably satisfactory to Lessor, the due performance of all of Lessee's obligations under this Lease, including any accrued obligations as of the time of the transfer, and (iii) agree from and after such assignment or sublease to perform and observe all of Lessee's representations, warranties and duties under this Lease, (d) a copy of the assignment or sublease and the original assumption agreement, if applicable, both in form and content reasonably satisfactory to Lessor and fully executed and acknowledged by the transferee, and, in the event the transferee is a corporation, a certified copy of a properly executed corporate resolution authorizing such assumption agreement, shall have been delivered to Lessor, (e) Lessee shall provide any and all reasonable information regarding the financial condition and operational history of the transferee, including, without limitation, any proposed use of any Hazardous Substances, (f) such transfer shall be upon and subject to all the provisions, terms, covenants and conditions of this Lease, (g) any assignment or sublease as permitted herein shall not release Lessee from its obligations under this Lease, and (h) the transferee or its parent, subsidiaries or affiliates shall not be subject to any bankruptcy or insolvency

proceedings at the time of such transfer. The term “**affiliate(s)**” shall mean Value Schools, a California nonprofit public benefit corporation (“Value Schools”), Value Schools Foundation, a California nonprofit public benefit corporation (the “Foundation”), an entity that directly or indirectly controls or is controlled by, or is under common control with Lessee, Value Schools or the Foundation. For this purpose, “**control**” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities or by contract or otherwise. Notwithstanding anything herein to the contrary, Lessee shall not exercise any of its rights under this Paragraph in a manner intended to circumvent restrictions otherwise contained in this Lease (e.g. a step transaction in which this Lease is assigned to a wholly owned subsidiary whose only asset is this Lease, followed by a sale of such subsidiary’s stock to a third party which is not a Lessee affiliate or permitted transferee).

(c) **Transfer Premium.** As a condition to any assignment or sublease provided above which requires Lessor’s consent, Lessee shall pay to Lessor fifty percent (50%) of any Transfer Premium (as defined below), received by Lessee from the transferee. “**Transfer Premium**” shall mean all rent, additional rent or other consideration payable by such transferee in excess of the Rent payable by Lessee under this Lease on a per rentable square foot basis if less than all of the Premises is transferred, after deducting the reasonable expenses incurred by Lessee for any reasonable changes, alterations and improvements to the Premises in connection with the assignment or sublease (but only to the extent approved by Lessor) and any reasonable attorneys’ fees and brokerage commissions in connection with the assignment or sublease. The Transfer Premium shall also include, without limitation, key money and bonus money paid to Lessee in connection with such assignment or sublease and any payment in excess of fair market value for services rendered by Lessee or for assets, fixtures, inventory, equipment, or furniture transferred by Lessee in connection with such assignment or sublease. Notwithstanding anything herein to the contrary, however, the Transfer Premium shall not be payable with respect to any assignment or sublease to Lessee’s affiliate(s) or any assignment or transfer to or by the Leasehold Mortgagee and with respect to any other assignment or sublease, shall not include amounts paid by such transferee to Lessee solely for the purpose of reimbursing Lessee for payments required to be made to Lessee’s lender, so long as Lessee provides Lessor written documentation reasonably satisfactory to Lessor in connection with such payments.

As a condition to any assignment or sublease of the parking lot, Lessee shall pay Lessor fifty percent (50%) of any rent received by Lessee from the transferee (the “**Parking Lot Transfer Premium**”). Notwithstanding anything herein to the contrary, however, the Parking Lot Transfer Premium shall not be payable with respect to any assignment or sublease to Lessee’s affiliate(s). By way of example, in the event Lessee sublets portions of the parking lot to Red Bull Movers, Incredible Movers, or any other third party approved in writing by Lessor, and the rent received by Lessee pursuant to such subletting equals Six Thousand Dollars (\$6,000.00) per month, Lessee shall pay to Lessor on a monthly basis and concurrently with the Base Rent, an amount equal to the Transfer Premium, or Three Thousand Dollars (\$3,000.00).

58. **Lessee Improvements; Performance Bond.** Lessor and Lessee hereby acknowledge that it is the intent of Lessee to demolish the Existing Building on the Premises and construct a new building in its place. As a condition to Lessee’s demolition of the Existing Building and construction of a new building, Lessee shall, prior to the commencement of such demolition of the Existing Building and construction of a new building, obtain and deliver to Lessor a performance and payment bond, including labor and materials (in a form and issued by a surety acceptable to Lessor) in the amount of one hundred and fifty percent (150%) of the contract sum to perform such demolition of the Existing Building and construction of a new building, which shall name Lessor, together with the Leasehold Mortgagee, if so required by such Leasehold Mortgagee, as an additional insured (the “**Performance Bond**”). Lessor hereby approves The Hartford as surety and agrees that the form of the Performance Bond acceptable to

the Leasehold Mortgagee shall be deemed acceptable to Lessor. Provided that Lessee delivers to Lessor proof of the existence of such Performance Bond (including labor and materials) prior to the commencement of the demolition of the Existing Building and construction of a new building, Lessor shall provide Lessee the Rent Abatement (as provided in Paragraph 53(c) above), which shall be applied by Lessee to reimburse Lessee for the cost of obtaining such Performance Bond. Lessee shall, at Lessee's sole cost and expense, perform all demolition, construction and improvements to the Premises, including, without limitation, construction of the new building, and construct and perform the Alterations and Utility Installations to the Premises desired by Lessee to develop the Premises into a charter school facility, subject to compliance with Exhibit "B" attached to this Lease (the "**Construction Work Letter**") (collectively, sometimes referred to herein as the "**Lessee's Improvements**"). Lessee shall also, at its sole cost and expense, seek to obtain all permits and approvals from governmental authorities with jurisdiction for the use of the Premises for the Agreed Use and the construction and use of Lessee's Improvements. Notwithstanding anything contained herein to the contrary, Lessee shall not modify or make any improvements to the Premises until the Governmental Approval Contingency has been satisfied or waived by Lessee.

59. Signage. Lessee shall have the right to install exterior building signage at the Premises, subject to obtaining any and all approvals required by Applicable Requirements and Lessor's prior written consent in Lessor's sole and absolute discretion. All such signage shall be done in accordance with all Applicable Requirements and Lessor's signage criteria for the Project. Lessee shall be solely responsible for (a) maintaining of all such signage in good and slightly condition, and (b) removing the same upon the expiration or earlier termination of this Lease and repairing any damage resulting therefrom (including, without limitation patching and painting the affected area).

60. Confidentiality. Lessee shall not disclose or permit its officers, directors, employees, agents, attorneys or representatives to disclose to any third party any information about this Lease, or about any of the transactions contemplated hereby or terms contained herein, or about the Premises, which is not publicly known (all such information that is not publicly known is "**Confidential Information**"). Notwithstanding the foregoing, Lessee shall not be prohibited from disclosing the terms of this Lease to its attorneys, brokers, accountants, lenders, underwriters, advisors, transferees, assignees, subtenants and prospective lenders, underwriters, advisors, transferees, assignees and subtenants and each of such party's respective officers, directors, employees, agents, representatives, attorneys, or advisors, to the extent reasonably necessary to assist in performing its obligations hereunder or to the extent reasonably related to obtaining financing (so long as such parties are notified of such obligation to maintain the confidentiality of the Confidential Information). For these purposes, in the event Lessee is contemplating financing through tax-exempt bonds or new market tax credit financing, "lenders" shall be deemed to include such governmental entities or agencies as may issue such tax exempt bonds, including, without limitation, the California School Finance Authority and/or California Statewide Communities Development Authority, the underwriter of such financing, the prospective purchasers of all or a portion of the bonds, and/or any entity participating either as an investor or lender in a New Market Tax Credit Financing. Additionally, Lessee shall not be obligated to protect Confidential Information which (a) is or becomes generally known to the public without violation of this Lease, (b) is obtained from a third party where Lessee has no actual knowledge, or reason to know, that such third party is obligated to keep such information confidential, or (c) is independently developed by Lessee. Disclosure of Confidential Information by Lessee or its representatives shall not be prohibited if such disclosure is ordered pursuant to a legal, judicial or administrative proceeding, provided that Lessee provides Lessor with prompt notice when such disclosure first is sought so that Lessor may seek a protective order or other appropriate remedy. The foregoing shall not prohibit a press release or announcement of this Lease, provided that no material information is disclosed (including, without limitation, any Rent, concessions, etc.).

61. Waivers. LESSEE HEREBY WAIVES ANY AND ALL RIGHTS UNDER SECTIONS 1511, 1932, 1933, 1941, 1942, 1950.7, 1951.7, 1980 THROUGH 1993.09, 1995.260 AND 1995.310 OF THE CALIFORNIA CIVIL CODE, SECTIONS 1174 AND 1265.130 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE AND ANY SIMILAR LAW OR ORDINANCE NOW OR HEREINAFTER IN EFFECT.

62. Executive Order 13224. Lessee represents and warrants to Lessor that the entities or individuals constituting Lessee or which may own or control Lessee or which may be owned or controlled by Lessee are not among the individuals or entities identified on any list compiled pursuant to Executive Order 13224 for the purpose of identifying suspected terrorists.

63. Energy Efficiency Disclosures. Lessee acknowledges receipt of any and all required disclosures and information required by Applicable Requirements in connection with its lease of the Premises, including, without limitation, those required by Title 20, Division 2, Chapter 4, Article 9, Sections 1680-1685 of the California Code of Regulations (which implements procedures pursuant to the California Public Resources Code Section 25402.10 codified AB1103 as amended by AB 531), including, without limitation, a Disclosure Summary Sheet, Statement of Energy Performance, Data Checklist and Facility Summary, to the extent required as of the date hereof. Additionally, Lessee shall cooperate with Lessor in providing any and all information requested by or on behalf of Lessor in connection with the utilities used at the Premises and/or any other energy efficiency related information.

64. CASp Disclosure. Lessor hereby notifies Lessee that the Premises have not undergone an inspection by a Certified Access Specialist ("CASp"). Pursuant to California Civil Code Section 1938, Lessor hereby advises Lessee as follows:

A CASp can inspect the subject Premises and determine whether the subject Premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject Premises, the commercial property owner or Lessor may not prohibit Lessee or tenant from obtaining a CASp inspection of the subject Premises for the occupancy or potential occupancy of Lessee or tenant, if requested by Lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the Premises.

This disclosure is intended to comply with Section 1938 of the California Civil Code. To the maximum extent permitted by Applicable Requirements, if Lessee elects to engage a CASp to perform an inspection of the Premises or any other portions of the Building, (a) Lessee shall be solely responsible for the costs thereof, (b) Lessee shall obtain Lessor's prior written consent with respect to the date and time of such CASp inspection, and (c) Lessee shall promptly notify Lessor of the results of such inspection and provide a copy thereof to Lessor, but shall otherwise treat same as confidential information.

65. Memorandum of Lease. The Lease shall not be recorded, except that the parties shall execute in form sufficient for recordation promptly following the execution of the Lease a Memorandum of Lease in the form attached hereto as Exhibit "C" and incorporated herein by reference.

66. Right of First Offer to Purchase Project. If Lessor shall elect to sell the Project or any portion thereof (the "RFO Property") to a third party, Lessor shall give written notice to Lessee ("*Notice of Intent to Sell*") offering the right to purchase (the "RFO") the RFO Property and stating the price at which Lessor proposes to sell the RFO Property to Lessee (the "*Proposed Purchase Price*") and other terms reasonably acceptable to Lessor. The Notice of Intent to Sell shall be accompanied by a Preliminary

Report of title for the RFO Property (the "**Preliminary Report**"), dated not earlier than 15 days before the date Lessor delivers the Notice of Intent to Sell. The Notice of Intent to Sell shall be invalid unless accompanied by the Preliminary Report.

Upon receipt of the Notice of Intent to Sell, Lessee shall have ten (10) calendar days (the "**Offer Period**") within which to notify Lessor in writing of its desire to purchase the RFO Property (an "**Election Notice**"). Lessee's failure to provide an Election Notice within the Offer Period, time being of the essence, shall be deemed Lessee's irrevocable election not to purchase the RFO Property. In the event Lessee notifies Lessor with its Election Notice that it has agreed to the Proposed Purchase Price, then the parties shall be deemed bound to purchase and sell the RFO Property upon the Proposed Purchase Price, upon the terms set forth herein below, and such other terms and conditions as reasonably agreed upon by the parties during the 30 day period (the "**Negotiation Period**") following Lessee's Election Notice. Except as otherwise agreed by the parties, any such sale shall be upon the terms of the then current AIR Commercial Real Estate Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate, for the Proposed Purchase Price and shall provide that (a) closing of the purchase and sale of the RFO Property (the "**RFO Closing**") shall occur within ninety (90) days from the date of the Election Notice or at such later date as may be agreed to in writing by Lessor, (b) at the RFO Closing, Lessee shall pay to Lessor the Proposed Purchase Price, (c) Lessor shall furnish to Lessee a grant deed conveying fee simple title to the RFO Property free and clear of all liens and encumbrances except: (i) non-delinquent real property taxes and assessments for the calendar year of the RFO Closing and subsequent years, if any; (ii) any taxes, assessments, fees or charges by reason of inclusion of the RFO Property in any statutory district of record, if any; (iii) easements, restrictions, rights of way, covenants and agreements of record that are listed on the Preliminary Report; (iv) applicable zoning and building code laws and regulations; (v) this lease, and (d) Lessor's sale of the RFO Property shall be without warranties, "**AS IS**" CONDITION WITHOUT ANY WARRANTY, EXPRESSED OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

If the Lessee fails to provide its Election Notice within the Offer Period, Lessor shall be entitled to sell the RFO Property to any person or entity without regard to the RFO, *provided, however*, notwithstanding any other provision to the contrary, if Lessor executes an agreement, or amendment thereto, to sell such RFO Property to a third party for a price that is 90% or less than the Proposed Purchase Price (the "**Reduced Price**"), Lessor shall submit a new Notice of Intent to Sell to Lessee for an amount equal to the Reduced Price, and Lessee shall have 10 days after receipt to deliver a new Election Notice agreeing to purchase the RFO Property at the Reduced Price, subject to the other terms of this Agreement.

67. Leasehold Mortgage. Upon prior written notice to Lessor, Lessee may mortgage or grant a security interest in this Lease (either, a "**Leasehold Mortgage**"), and may assign this Lease to any such mortgagees or holders of security interests, including their successors and assigns (hereinafter, collectively referred to as "**Secured Parties**"), provided same shall be subject and subordinate to the terms herein. To facilitate such financing, the Leasehold Mortgage provisions attached as Schedule 1 shall be deemed incorporated herein as if fully set forth below. In no event shall Lessor be required to encumber its fee interest in the Premises. In the event such Leasehold Mortgagee requires Lessor to execute any acknowledgement or consent or Lessor Agreement with respect to such Leasehold Mortgage, Lessee shall reimburse Lessor for Lessor's actual, reasonable attorneys' fees in connection with same, not to exceed Ten Thousand Dollars (\$10,000.00).

68. Miscellaneous. If any provision of this Lease is held to be invalid, the remainder of this Lease shall not be affected thereby. This Lease is the product of negotiations between the parties hereto and may be executed in counterparts (by original, facsimile or electronic PDF signatures) and, when all counterparts are executed, the same shall constitute a single binding instrument.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date first referenced above.

LESSOR:

BRAVER & SAUER INVESTMENTS,
a California general partnership

By: _____
Name: _____
Its: _____

LESSEE:

VSF SCHOOL FACILITIES #2 LLC,
a California limited liability company

By: VALUE SCHOOLS, a California
nonprofit public benefit corporation,
Its Manager

By: David Doyle
Name: David Doyle
Its: CEO/president

By: Rhonda Hoffarth
Name: Rhonda Hoffarth
Its: CFO/Treasurer

CLAIM FOR REFUND - PAYMENTS

CLAIM # 157476

			TOTAL	20%	NET
FEE	FUND	FUND	AMOUNT	RETENTION	REFUND
TYPE		TYPE	PAID	AMOUNT	AMOUNT
B-PR	48R/08/3225/3239	AP10	\$ -	\$ -	\$ -
LINKAGE	59T/43/4680/468001	AP10	\$ 127,357.41	-	\$ 127,357.41
TOTAL				\$ -	\$ 127,357.41