



**CITY OF LAGUNA HILLS
CITY COUNCIL/PLANNING AGENCY
REGULAR MEETING AGENDA
JANUARY 13, 2015**

**Closed Session at 6:00 PM (*when scheduled*)
General Business Session at 7:00 PM**

Dore J. Gilbert, M.D., Mayor

**Barbara Kogerman, Mayor Pro Tempore
Andrew Blount, Council Member**

**Melody Carruth, Council Member
Don Sedgwick, Council Member**

Location: City Council Chamber, 24035 El Toro Road, Laguna Hills, California 92653

Any person wishing to address the City Council/Planning Agency on any matter, whether or not it appears on this Agenda, is asked to complete a pink "Request to Speak" form available on the table at the back of the Chamber. The completed form is to be submitted to the City Clerk prior to an individual being heard by the City Council/Planning Agency. Completion of the form is voluntary. All persons may attend the meeting regardless of whether this form is completed.

Members of the public wishing to address the City Council can do so during the Public Comments portion of the Agenda with a time limitation of three minutes per person, an overall time limit of ten minutes for any one subject, and a total time limit of thirty minutes for Public Comments. If you are commenting on an Agenda item, your comments will be heard at the time that item is scheduled on the Agenda. If you are addressing the City Council on an item not listed on the Agenda, the City Council is prohibited by law from discussing or taking any action on that item.

CLOSED SESSION - CONVENING AT 6:00 PM

CALL TO ORDER

Resolution No. 96-04-09-1 established rules of decorum for public meetings held by the City of Laguna Hills. Resolution No. 96-04-09-1 is available on the table at the back of the City Council Chamber.

ROLL CALL

ANNOUNCEMENT OF CLOSED SESSION ITEMS

A. PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Pursuant to Government Code Section 54957(b)(1)
Public Employee Title: City Manager - Performance Evaluation

B. CONFERENCE WITH LABOR NEGOTIATOR

Pursuant to Government Code Section 54957.6
Agency Negotiator: Andrew Blount, Council Member
Unrepresented Employee: Bruce E. Channing, City Manager

PUBLIC COMMENT ON CLOSED SESSION ITEMS

ADJOURN TO CITY COUNCIL CONFERENCE ROOM

CONVENE INTO CLOSED SESSION

RECONVENE TO CITY COUNCIL CHAMBER

RECESS

GENERAL BUSINESS - RECONVENING AT 7:00 PM

CALL TO ORDER

Resolution No. 96-04-09-1 established rules of decorum for public meetings held by the City of Laguna Hills. Resolution No. 96-04-09-1 is available on the table at the back of the City Council Chamber.

PLEDGE OF ALLEGIANCE: COUNCIL MEMBER CARRUTH

ROLL CALL OF CITY COUNCIL MEMBERS

CLOSED SESSION REPORT

1. PRESENTATIONS AND PROCLAMATIONS

1.1 SPOTLIGHT ON LOCAL BUSINESS

RECOMMENDATION: THAT THE CITY COUNCIL RECEIVE A PRESENTATION FROM SONIA TERWISKE, COMMUNITY BRAND AMBASSADOR, CALIFORNIA PIZZA KITCHEN, LAGUNA HILLS MALL.

1.2 LAGUNA HILLS HIGH SCHOOL STUDENT LIAISON

RECOMMENDATION: THAT THE CITY COUNCIL RECEIVE AN ORAL REPORT FROM LAGUNA HILLS HIGH SCHOOL STUDENT LIAISON DANIEL BUSHNER.

1.3 LAGUNA HILLS 3/5 MARINE SUPPORT COMMITTEE

RECOMMENDATION: THAT THE CITY COUNCIL RECEIVE AN UPDATE FROM CHAIR ROBBINS ON THE 3/5 DARK HORSE COMMITTEE.

1.4 SAN DIEGO GAS & ELECTRIC COMPANY SOUTH ORANGE COUNTY RELIABILITY ENHANCEMENT PROJECT

RECOMMENDATION: THAT THE CITY COUNCIL RECEIVE A PRESENTATION ON THE SOUTH ORANGE COUNTY RELIABILITY ENHANCEMENT PROJECT AND AUTHORIZE THE MAYOR TO ISSUE A LETTER OF SUPPORT FOR THE PROJECT.

2. PUBLIC COMMENTS

This is the time to address the City Council on any matter not listed on this Agenda that is within the subject matter jurisdiction of the City Council. Public Comments are limited to three minutes per person, an overall time limit of ten minutes for any one subject, and a total time limit of thirty minutes.

3. CONSENT CALENDAR

All matters listed under "CONSENT CALENDAR" are considered to be routine and will be enacted by one motion approving the recommendation listed on the Agenda. There will be no separate discussion unless Members of the City Council or Staff request specific items be removed from the Consent Calendar.

3.1 WAIVE READING IN FULL OF ALL ORDINANCES AND RESOLUTIONS ON THE AGENDA

RECOMMENDATION: THAT THE CITY COUNCIL WAIVE READING IN FULL OF ALL ORDINANCES AND RESOLUTIONS ON THE AGENDA AND DECLARE THAT SAID TITLES WHICH APPEAR ON THE PUBLIC AGENDA SHALL BE DETERMINED TO HAVE BEEN READ BY TITLE AND FURTHER READING WAIVED.

3.2 APPROVAL OF MINUTES FOR DECEMBER 9, 2014

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE THE MINUTES OF THE DECEMBER 9, 2014, REGULAR MEETING.

3.3 APPROVAL OF WARRANT REGISTER FOR PERIOD ENDED JANUARY 13, 2015

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE THE WARRANT REGISTER IN THE AMOUNT OF \$1,375,869.60.

3.4 ADOPTION OF A RESOLUTION RATIFYING CERTAIN CHANGES TO
THE COMPENSATION OF THE CITY MANAGER

RECOMMENDATION: THAT THE CITY COUNCIL ADOPT A RESOLUTION
ENTITLED: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
LAGUNA HILLS, CALIFORNIA, APPROVING CERTAIN CHANGES TO THE
COMPENSATION OF THE CITY MANAGER."

3.5 PROGRESS PAYMENT NO. 12 FOR LA PAZ OPEN SPACE
PROJECT, CIP NO. 615A

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE PROGRESS
PAYMENT NO. 12, IN THE NET AMOUNT OF \$1,140.00, TO
ENVIRONMENTAL CONSTRUCTION, INC., FOR LA PAZ OPEN SPACE
IMPROVEMENTS, CIP NO. 615A.

3.6 PROGRESS PAYMENT NO. 4 FOR CITYWIDE PAVEMENT
REHABILITATION PROJECT, CIP NO. 101-I

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE PROGRESS
PAYMENT NO. 4, IN THE NET AMOUNT OF \$29,545.00, TO ALL AMERICAN
ASPHALT, FOR CITYWIDE PAVEMENT REHABILITATION PROJECT, CIP
NO. 101-I.

3.7 PROPOSED LEASE WITH TRAVIS KNUTSON FOR 24031 EL TORO
ROAD, SUITE 300, LAGUNA HILLS, CALIFORNIA

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE THE LEASE
WITH TRAVIS KNUTSON FOR 24031 EL TORO ROAD, SUITE 300, LAGUNA
HILLS, CALIFORNIA, AND AUTHORIZE THE CITY MANAGER TO EXECUTE
THE LEASE.

3.8 PROPOSED LEASE RENEWAL WITH THE COUNTY OF ORANGE
FOR THE LAGUNA HILLS TECHNOLOGY LIBRARY BRANCH
LOCATED AT 25555 ALICIA PARKWAY, LAGUNA HILLS,
CALIFORNIA

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE THE
PROPOSED LEASE WITH THE COUNTY OF ORANGE FOR THE LAGUNA
HILLS TECHNOLOGY LIBRARY BRANCH LOCATED AT 25555 ALICIA
PARKWAY, LAGUNA HILLS, CALIFORNIA, AND AUTHORIZE THE MAYOR
TO EXECUTE THE LEASE.

ITEMS REMOVED FROM THE CONSENT CALENDAR

4. PLANNING AGENCY

4.1 ROLL CALL OF PLANNING AGENCY MEMBERS

4.2 PUBLIC COMMENTS

This is the time to address the Planning Agency on any matter not listed on this Agenda that is within the subject matter jurisdiction of the Planning Agency. Public Comments are limited to three minutes per person, an overall time limit of ten minutes for any one subject, and a total time limit of thirty minutes.

4.3 APPROVAL OF MINUTES FOR DECEMBER 9, 2014

RECOMMENDATION: THAT THE PLANNING AGENCY APPROVE THE MINUTES OF THE DECEMBER 9, 2014, REGULAR MEETING.

4.4 ADMINISTRATIVE REPORTS

4.5 PLANNING AGENCY PUBLIC HEARINGS

PLANNING AGENCY ADJOURNMENT**5. CITY COUNCIL PUBLIC HEARINGS****6. ADMINISTRATIVE REPORTS**

6.1 City Manager

6.2 City Attorney

6.2.1 AN ORDINANCE AMENDING SECTION 1-32.050 OF
CHAPTER 1-32 OF TITLE 1 OF THE LAGUNA HILLS
MUNICIPAL CODE RELATING TO RECOVERY OF
ATTORNEYS' FEES IN NUISANCE ABATEMENT ACTIONS

RECOMMENDATION: THAT THE CITY COUNCIL INTRODUCE FOR FIRST READING, READ BY TITLE ONLY, AND WAIVE FURTHER READING AN ORDINANCE ENTITLED: "AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDNING SECTION 1-32.050 (RECOVERY OF NUISANCE ABATEMENT EXPENSES) OF CHAPTER 1-32 (GENERAL PENALTY) OF TITLE 1 (GENERAL PROVISIONS) OF THE LAGUNA HILLS MUNICIPAL CODE RELATING TO RECOVERY OF ATTORNEYS' FEES IN NUISANCE ABATEMENT ACTIONS.

6.3 City Clerk

6.3.1 CITY COUNCIL "OTHER AGENCIES" APPOINTED
REPRESENTATIVES

RECOMMENDATION: THAT THE CITY COUNCIL TAKE THE FOLLOWING ACTIONS:

(1) REVIEW THE CITY OF LAGUNA HILLS CITY COUNCIL "OTHER AGENCIES" APPOINTED REPRESENTATIVES LIST, PROVIDE DIRECTION TO STAFF REGARDING CHANGES FOR APPOINTMENTS ON THE LIST, AND BY MOTION, APPROVE THE CITY COUNCIL "OTHER AGENCIES" APPOINTED REPRESENTATIVES LIST, AS REVISED BY THE CITY COUNCIL;

(2) APPOINT A NEW REPRESENTATIVE AND ALTERNATE TO THE ORANGE COUNTY FIRE AUTHORITY'S BOARD OF DIRECTORS, ADOPT A RESOLUTION ENTITLED: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DESIGNATING AND APPOINTING ITS REPRESENTATIVE AND/OR ALTERNATE TO THE ORANGE COUNTY FIRE AUTHORITY'S BOARD OF DIRECTORS;" AND

(3) APPROVE AND DIRECT THE CITY CLERK TO PREPARE AND POST AN UPDATED FPPC DISCLOSURE FORM 806 TO REFLECT ALL PAID APPOINTMENTS TO "OTHER AGENCIES" BOARDS, COMMITTEES, AND/OR COMMISSIONS IN ACCORDANCE WITH STATE LAW.

7. MATTERS AGENDIZED AND PRESENTED BY CITY COUNCIL MEMBERS AND MAYOR

7.1 MAYOR PRO TEMPORE KOGERMAN

7.1.1 COMMISSIONER TERM LIMITS

8. CITY COUNCIL MEMBER COMMENTS

ADJOURNMENT

The next Regular Meeting of the City Council will be January 27, 2015, in the City Council Chamber, located at 24035 El Toro Road, Laguna Hills, California.

CERTIFICATION

I, PEGGY J. JOHNS, City Clerk of the City of Laguna Hills, do hereby certify that a copy of the foregoing Agenda was posted at Laguna Hills City Hall, Laguna Hills Community Center, and the Courtyard at La Paz Center by January 9, 2015, at 5:00 PM.



PEGGY J. JOHNS, CITY CLERK

January 9, 2015

DATE

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, you should contact the office of the City

Clerk at (949) 707-2635. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to assure accessibility to this meeting.

Materials related to an item on this Agenda submitted to the City Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office at 24035 El Toro Road, Laguna Hills, California, during normal business hours.

City Council Members receive no additional compensation or stipend as a result of simultaneously convening meetings of the Laguna Hills Planning Agency.



City of Laguna Hills

City Council Meeting Agenda

Staff Report

DATE: JANUARY 13, 2015

TO: MAYOR AND COUNCIL MEMBERS

**FROM: KENNETH H. ROSENFELD
DIRECTOR OF PUBLIC SERVICES/CITY ENGINEER**

**ISSUE: SAN DIEGO GAS & ELECTRIC COMPANY SOUTH ORANGE COUNTY
RELIABILITY ENHANCEMENT PROJECT**

**RECOMMENDATION: THAT THE CITY COUNCIL RECEIVE A PRESENTATION ON
THE SOUTH ORANGE COUNTY RELIABILITY ENHANCEMENT PROJECT AND
AUTHORIZE THE MAYOR TO ISSUE A LETTER OF SUPPORT FOR THE PROJECT.**

SUMMARY:

The San Diego Gas & Electric Company (SDGE) has initiated a project design, and requested environmental clearance through the California Public Utilities Commission (CPUC), to add redundancy to the power supply system for their customers in South Orange County. SDGE has requested the opportunity to present the project to the City Council and seek a letter of support for the project. The project will reconstruct an existing power substation in San Juan Capistrano and replace an existing 138kV power line with a new 230kV power line between a San Clemente substation and the San Juan Capistrano substation. The California Public Utilities Commission is in the process of reviewing the project application and will soon be releasing the environmental document for public review.

BACKGROUND:

On May 18, 2012, SDGE filed an application and Proponents Environmental Assessment (PEA) with the California Public Utilities Commission for the South Orange County Reliability Enhancement Project. The purpose of the project is to improve the electric reliability for SDGE customers in South Orange County. The project will rebuild an existing 138kV substation and build a new 230kV substation within the current substation property located in San Juan Capistrano. The project would also replace a 138kV transmission line with a new 230kV transmission line within the same (existing) utility corridor between the Capistrano Substation and the Talega Substation in San Clemente.

Currently, SDGE's Orange County electric service customers are all being served through a 230kV substation located in San Clemente (Talega Substation). If the Talega Substation loses the ability to operate due to natural disaster, major equipment failure or acts of vandalism or terrorism, all of SDGE's customers would be subject to an outage until the failure is repaired. The proposed project would resolve this problem by engineering a redundancy into its system by installing the 230kV substation in San Juan Capistrano. The new 230kV substation that is proposed for San Juan Capistrano would be able to serve South Orange County if the Talega Substation were to go out of service. Likewise, the Talega Substation would still be able to serve south Orange County if the Capistrano Substation were to go out of service. On a daily basis, both substations would operate to serve SDGE's South Orange County customers.

SDGE will present an overview of the project through the attached PowerPoint. SDGE is requesting a letter of support for the project. While the project construction does not directly impact the City of Laguna Hills, electric system reliability is important to our residents and businesses. Accordingly, staff recommends the City Council authorize the Mayor to issue a support letter for the project similar to the attached sample letter.

FISCAL IMPACT:

None

ATTACHMENTS:

- Sample Support Letter
- PowerPoint Slides

January 13, 2015

Mr. Andrew Barnsdale
California Public Utilities Commission
RE: SOCRE Project
c/o Ecology and Environment, Inc.
505 Sansome Street, Suite 300
San Francisco, CA 94111

SUBJECT: South Orange County Reliability Enhancement Project
Application 1205020

Dear Mr. Barnsdale,

As proposed by San Diego Gas & Electric (SDG&E), the South Orange County Reliability Enhancement (SOCRE) project will strengthen the electric reliability for the region by upgrading outdated infrastructure and providing a redundant and thus more reliable transmission system. For these reasons, we support the SDG&E project as proposed and encourage the California Public Utilities Commission (CPUC) to approve the project so we may realize these benefits of electric reliability.

The SOCRE project will rebuild the San Juan Capistrano substation to modern technological and environmental standards. The SOCRE project will replace one set of 138kV lines with a set of 230kV lines. These lines will not only provide more power to the region, but by this second set of lines bypassing the Talega substation and connecting directly with the renovated San Juan Capistrano substation, the residents and businesses of Laguna Hills and South Orange County can be ensured of additional reliability through a redundant system. This type of electrical reliability is needed and long overdue.

Thank you, for considering the comments of our City and I encourage you to support the project to ensure continued reliable power to Laguna Hills.

Sincerely,

Dore J. Gilbert, M.D.
Mayor



A Semptra Energy utility

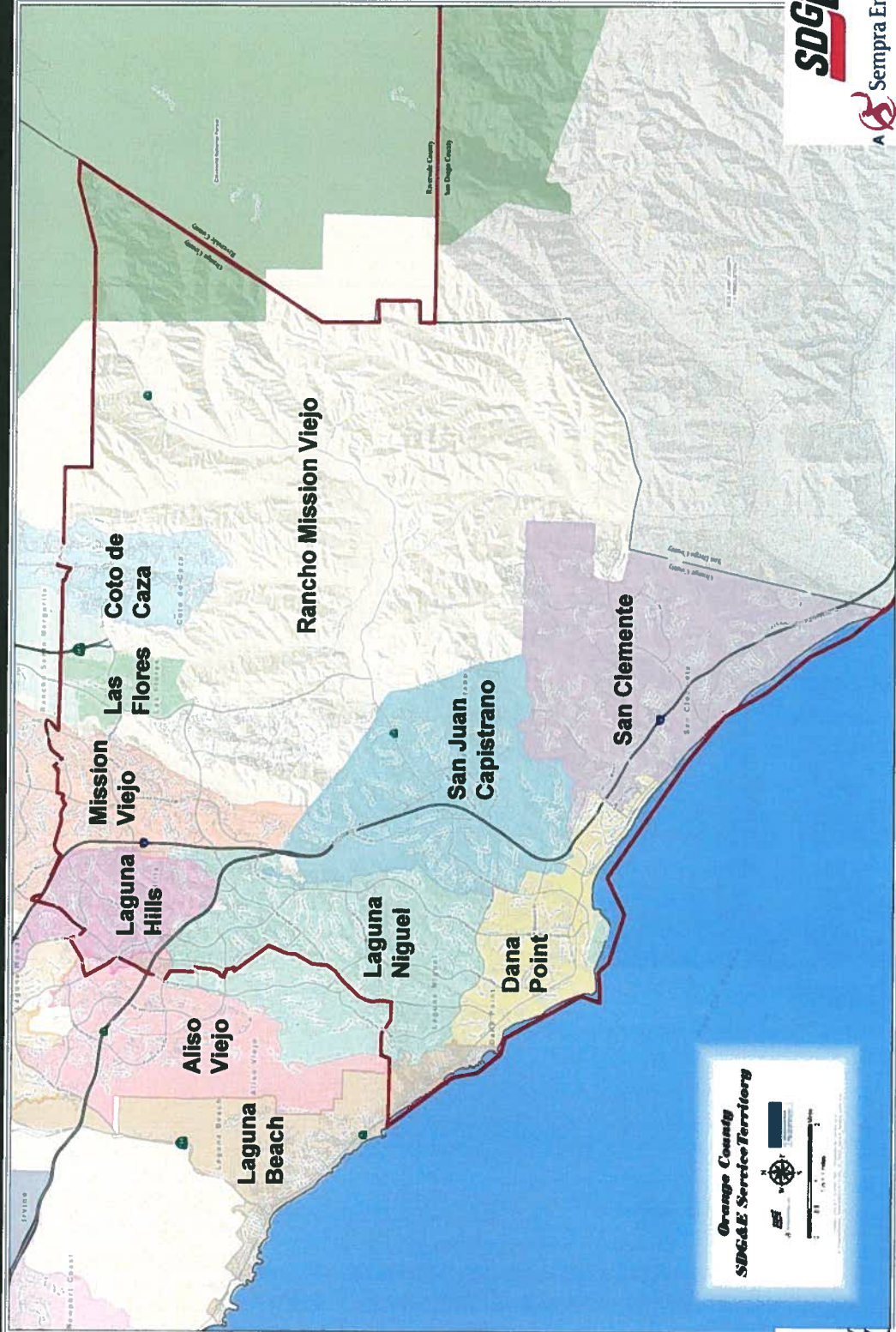


SOUTH ORANGE COUNTY **RELIABILITY** ENHANCEMENT





SDG&E's Service Territory





The Growing Power Needs in Orange County

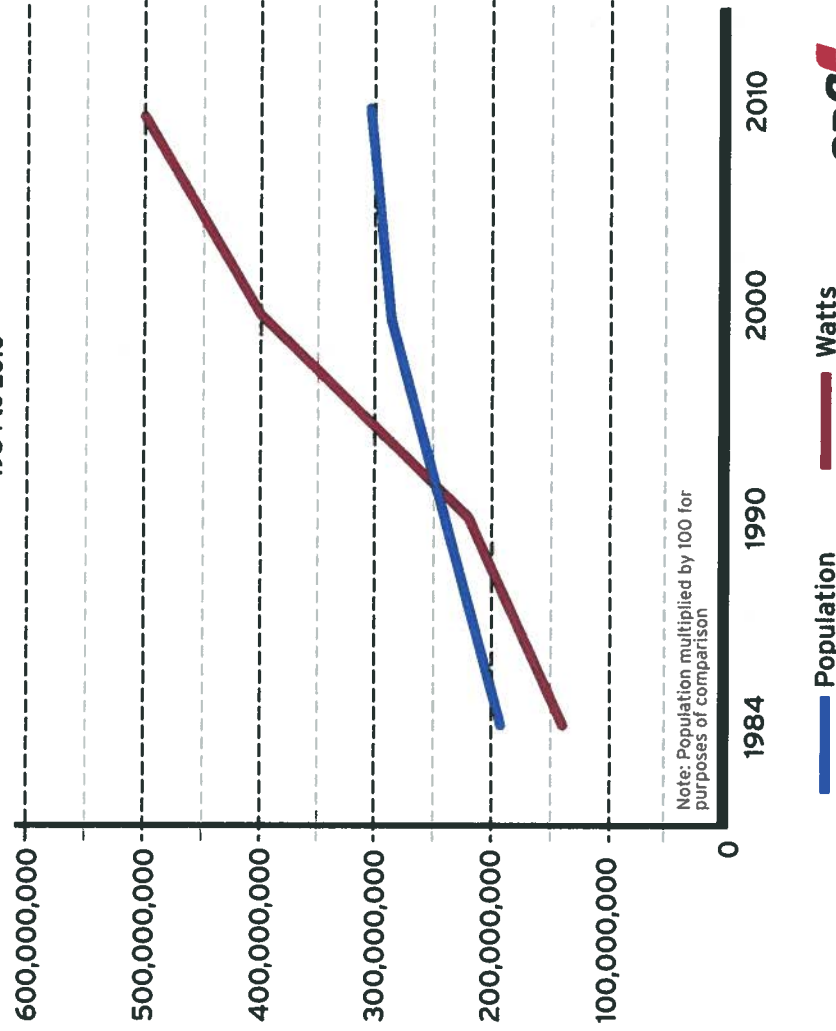
Energy demand in Orange County has *more than tripled* over the last 30 years:

141 MW in 1983

>500 MW in 2013



Orange County Population Growth and Increases in Demand for Electric:
1984 to 2010



Source: U.S. Census / SDG&E

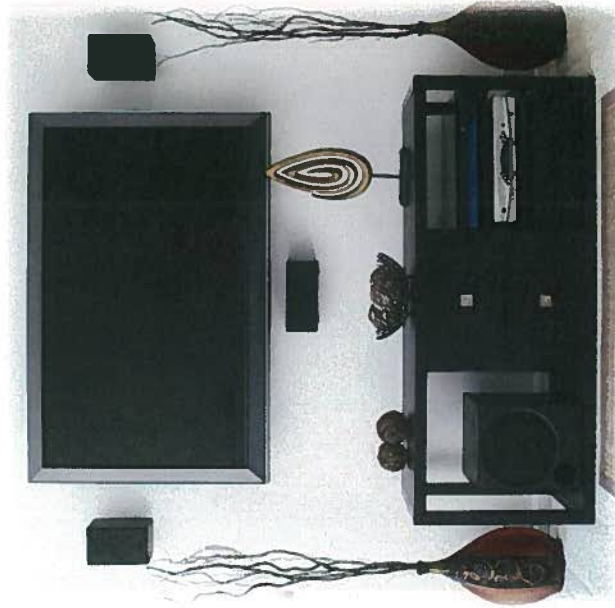
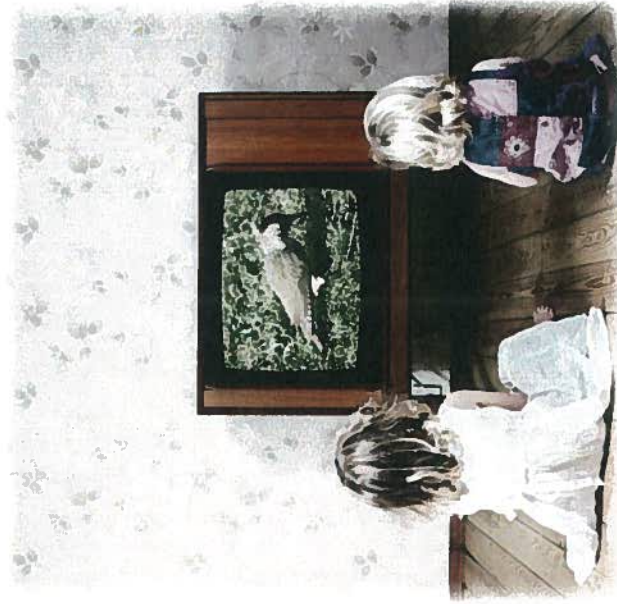


A Sempra Energy utility



South Orange County Needs Power Reliability

1984 2014





Goals for the South Orange County Reliability Enhancement

- ✓ **Provides System Reliability**
- ✓ **Upgrades Outdated Equipment**
- ✓ **Meets Needs of Residents & Businesses**
- ✓ **Needed to Meet Federal and State Energy Regulations**



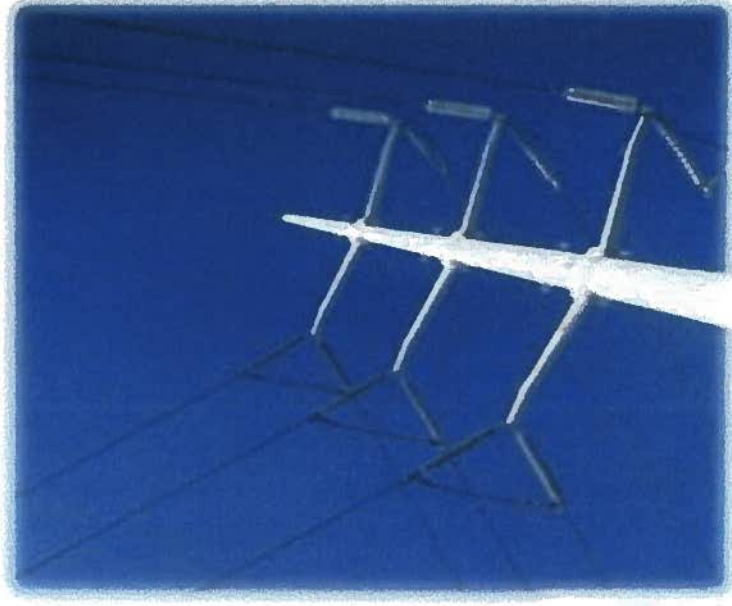


The South Orange County Reliability Enhancement

Upgrade Transmission Lines and Structures

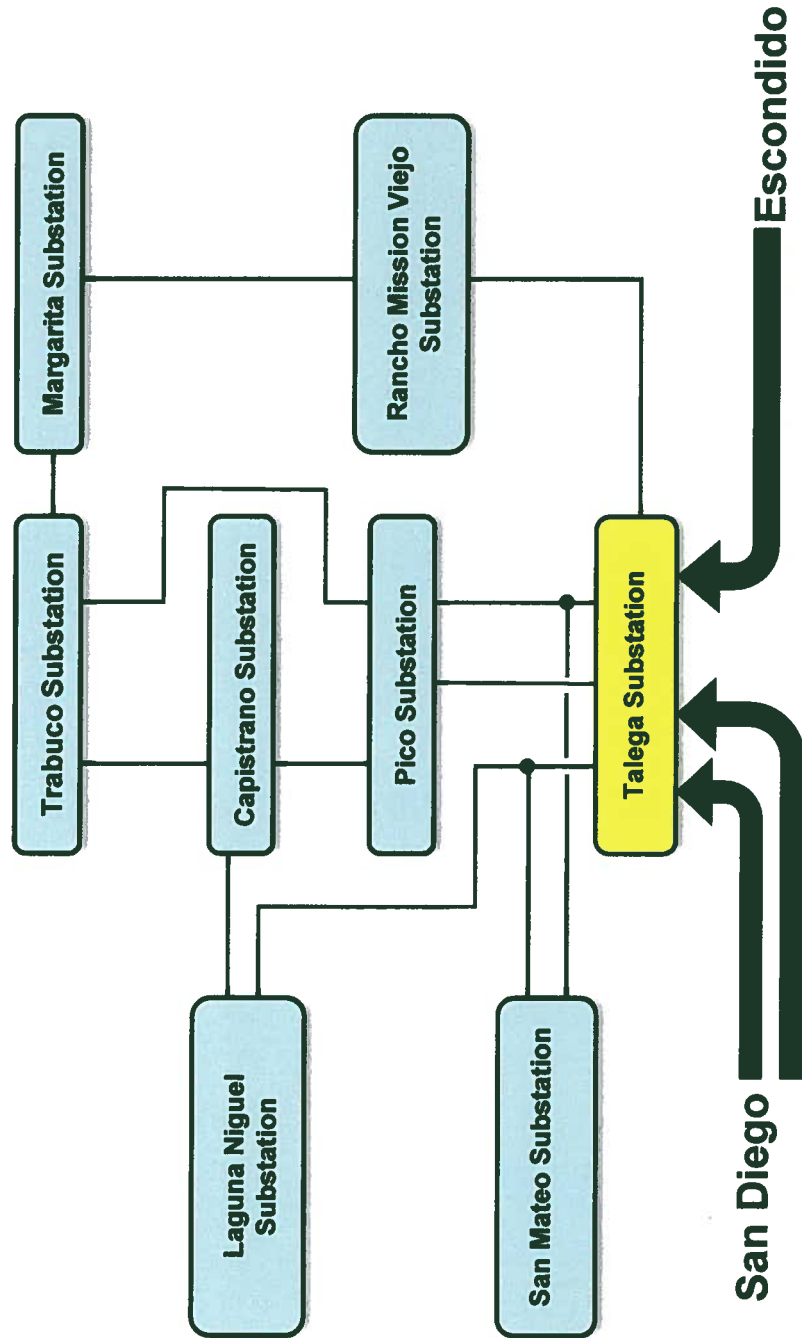
- ✓ 138 kV to 230 kV

Rebuild San Juan Capistrano Substation, which was built in the 1950's





South OC Substation Arrangement – Today

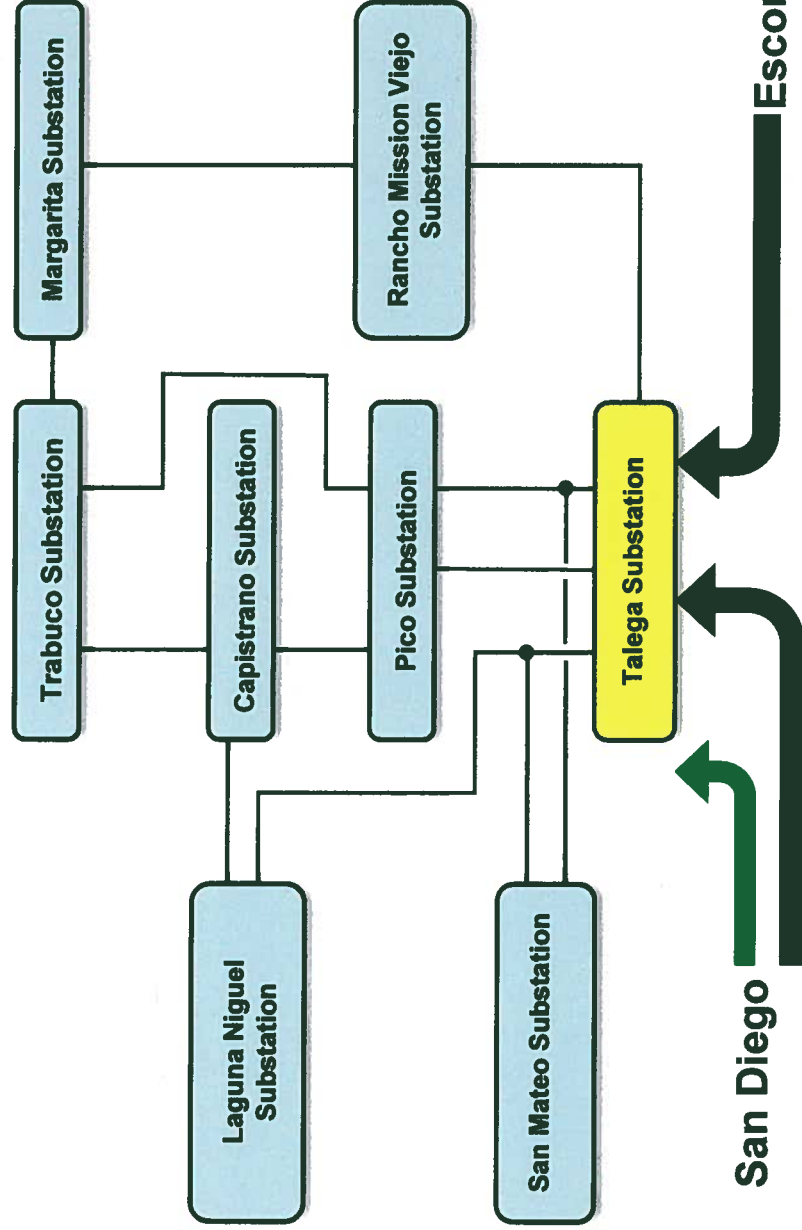


Currently, electricity supplied to South Orange County customers must pass through the Talega Substation





South OC Substation Arrangement

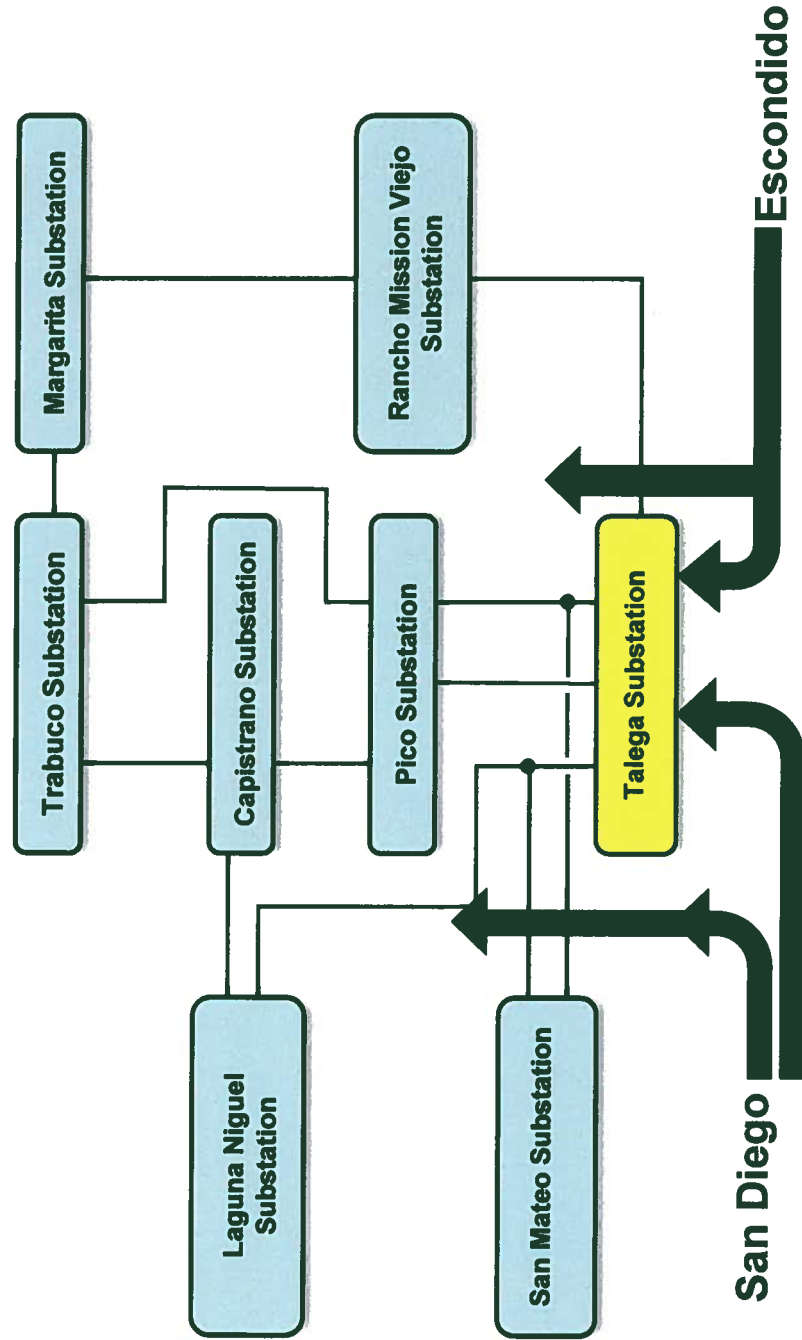


Currently, electricity supplied to South Orange County customers must pass through the Talega Substation





South OC Substation Arrangement

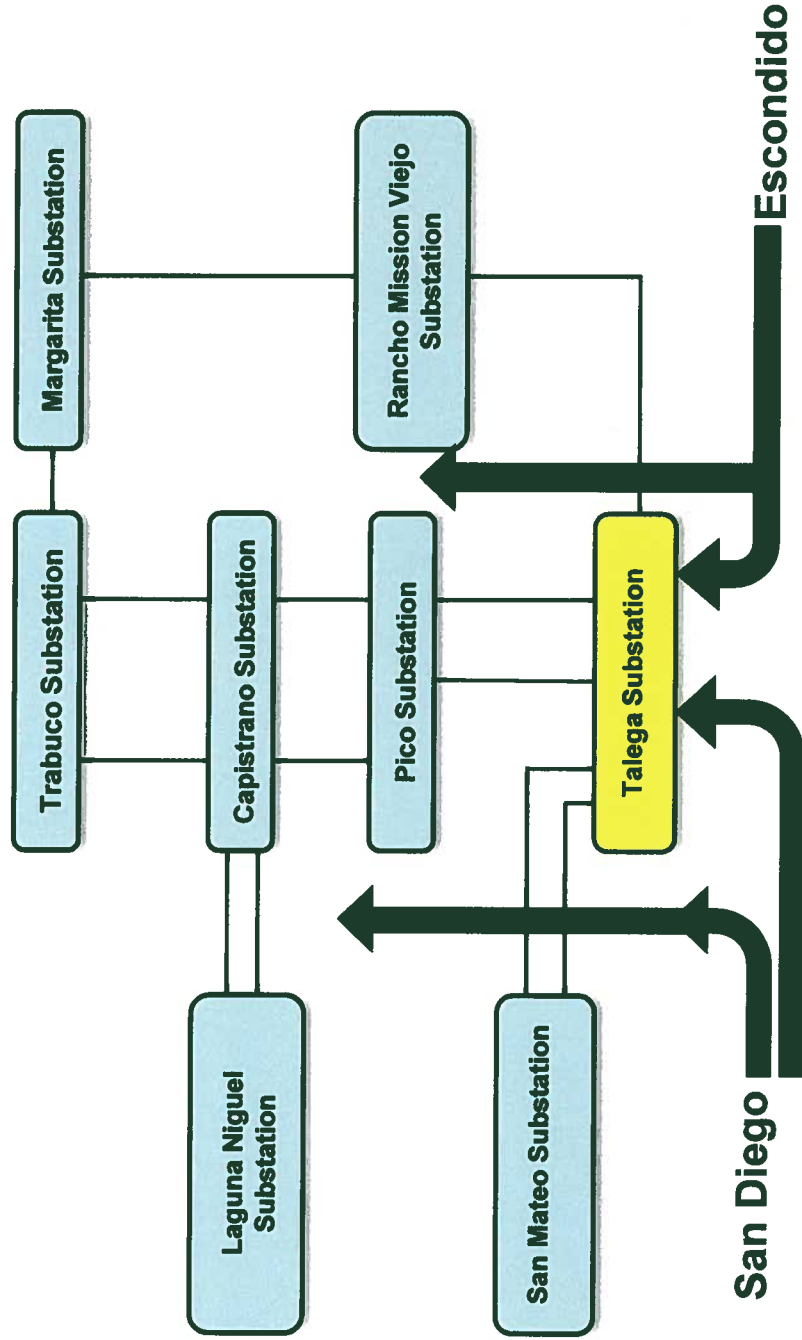


Currently, electricity supplied to South Orange County customers must pass through the Talega Substation





South OC Substation Arrangement

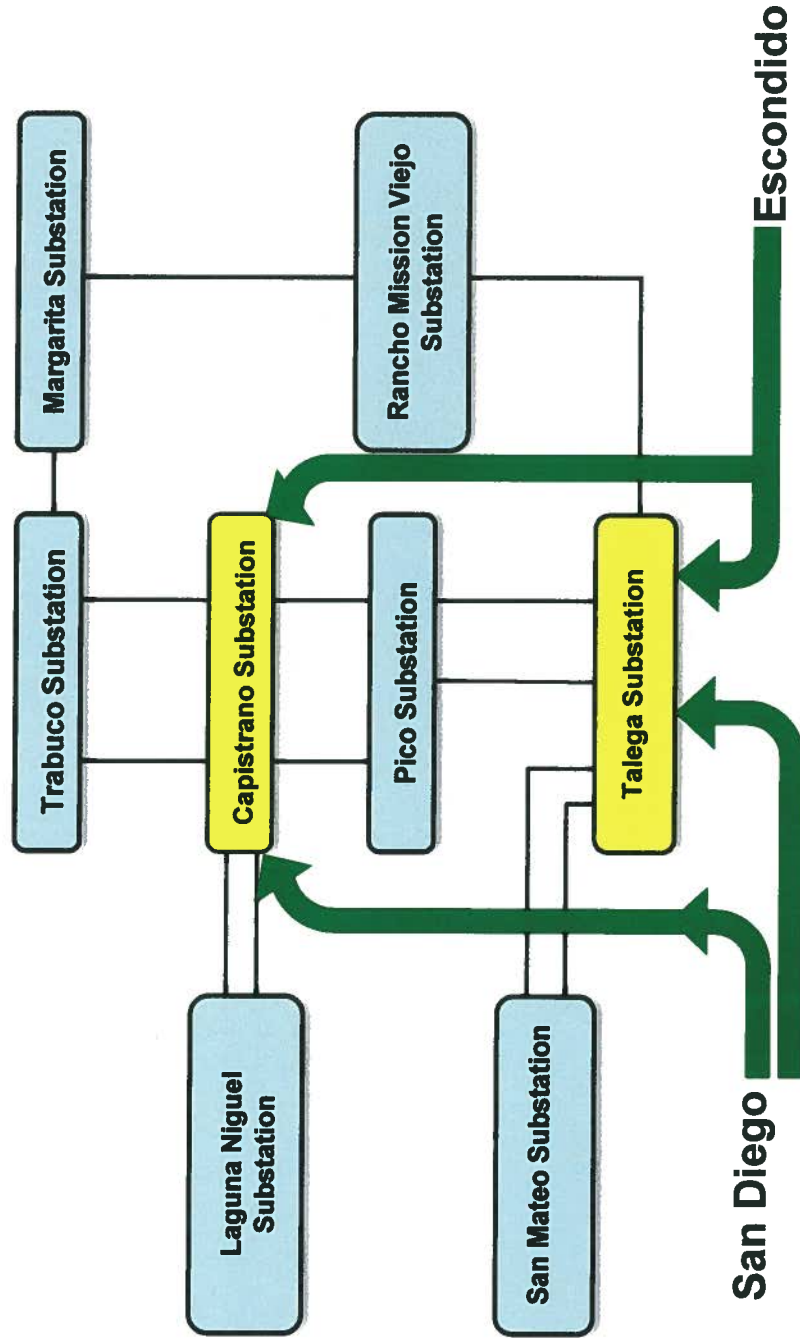


In the Future, electricity supplied to South Orange County customers will be available from both Talega Substation and Capistrano Substation





South OC Substation Arrangement – Future

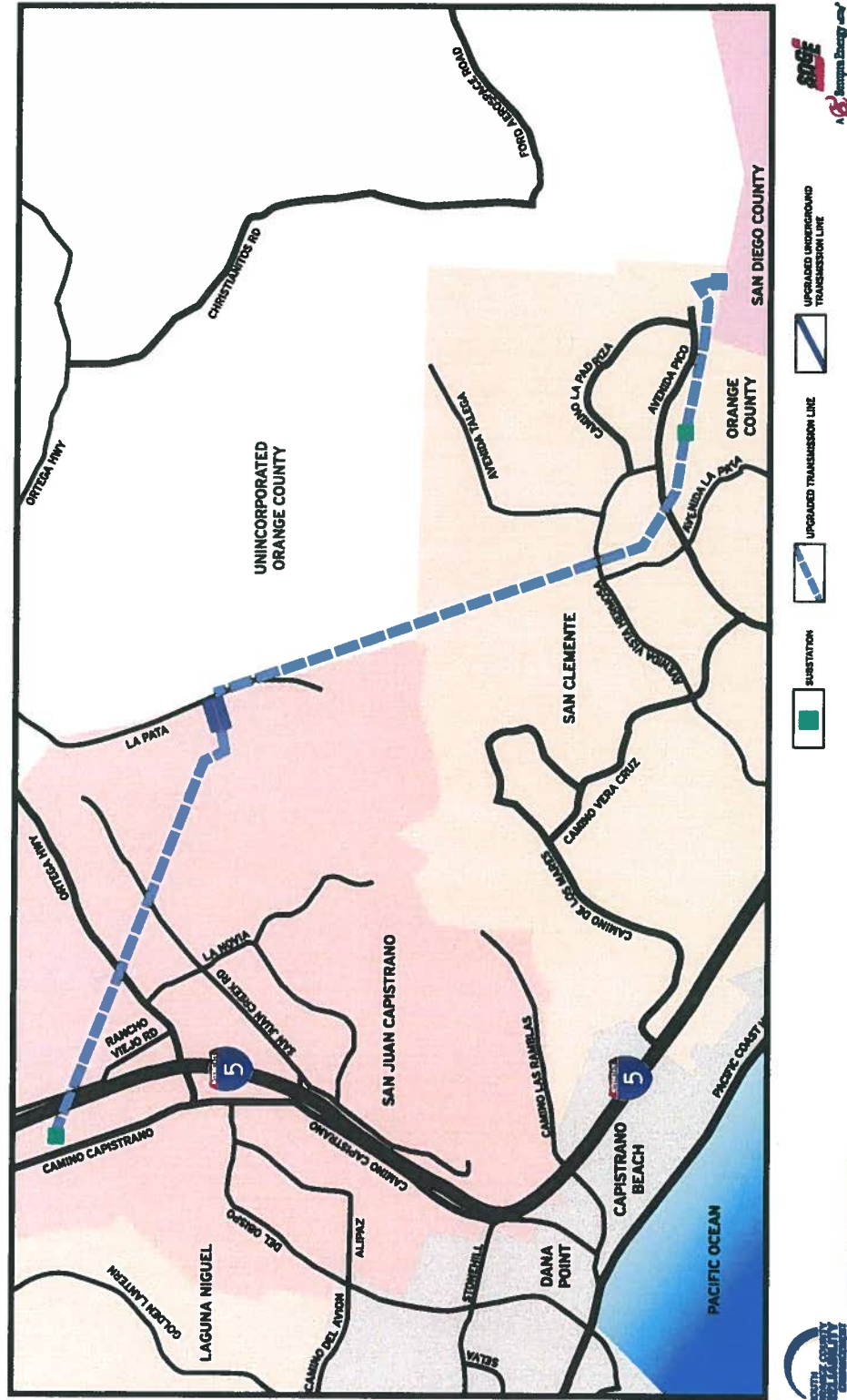


In the Future, electricity supplied to South Orange County customers will be available from both Talega Substation and Capistrano Substation





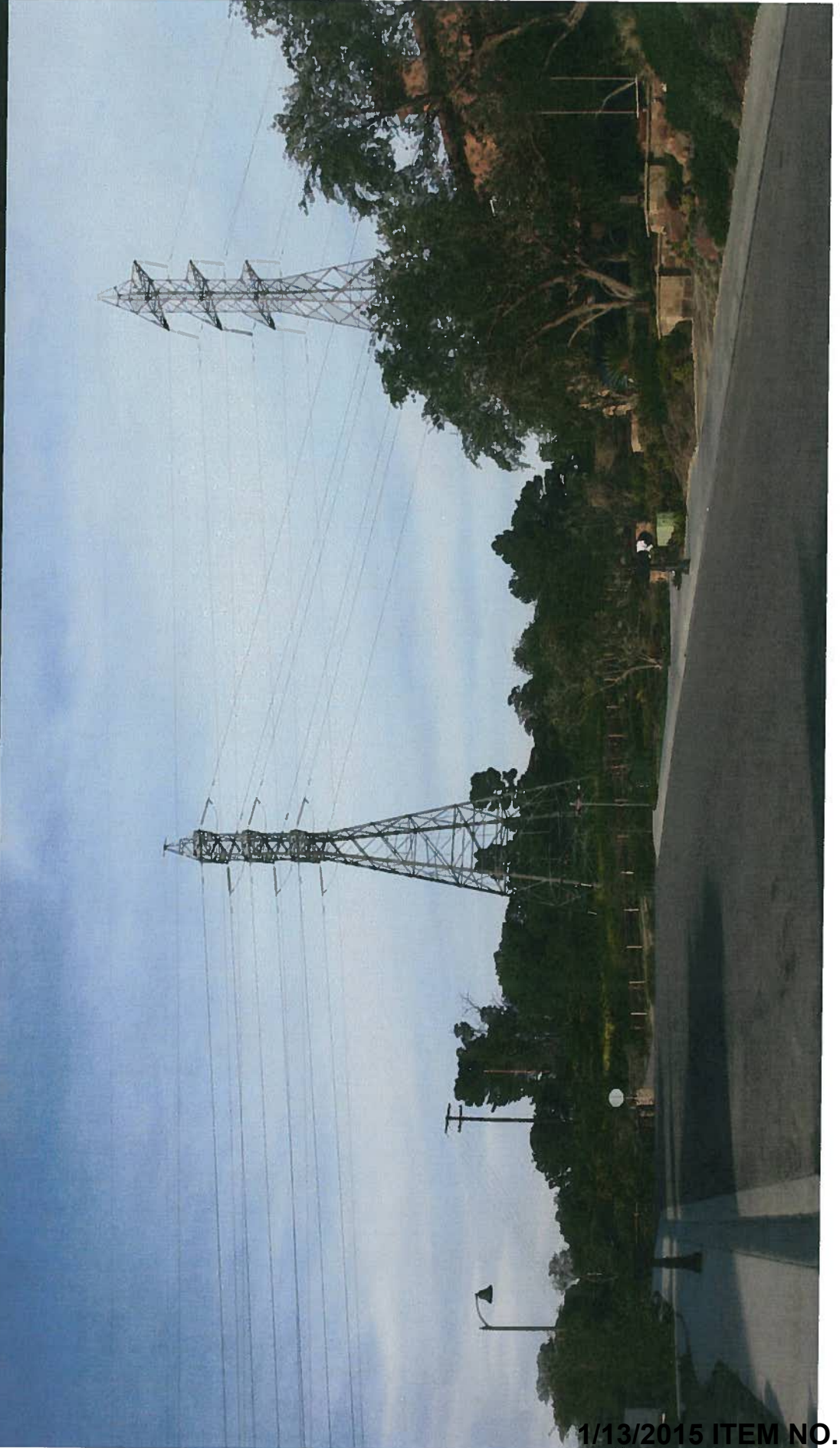
Proposed Route Along Existing Transmission Corridor



This plan is for illustration purposes only. Final details and construction will be based on final approved plans.
NOT TO SCALE

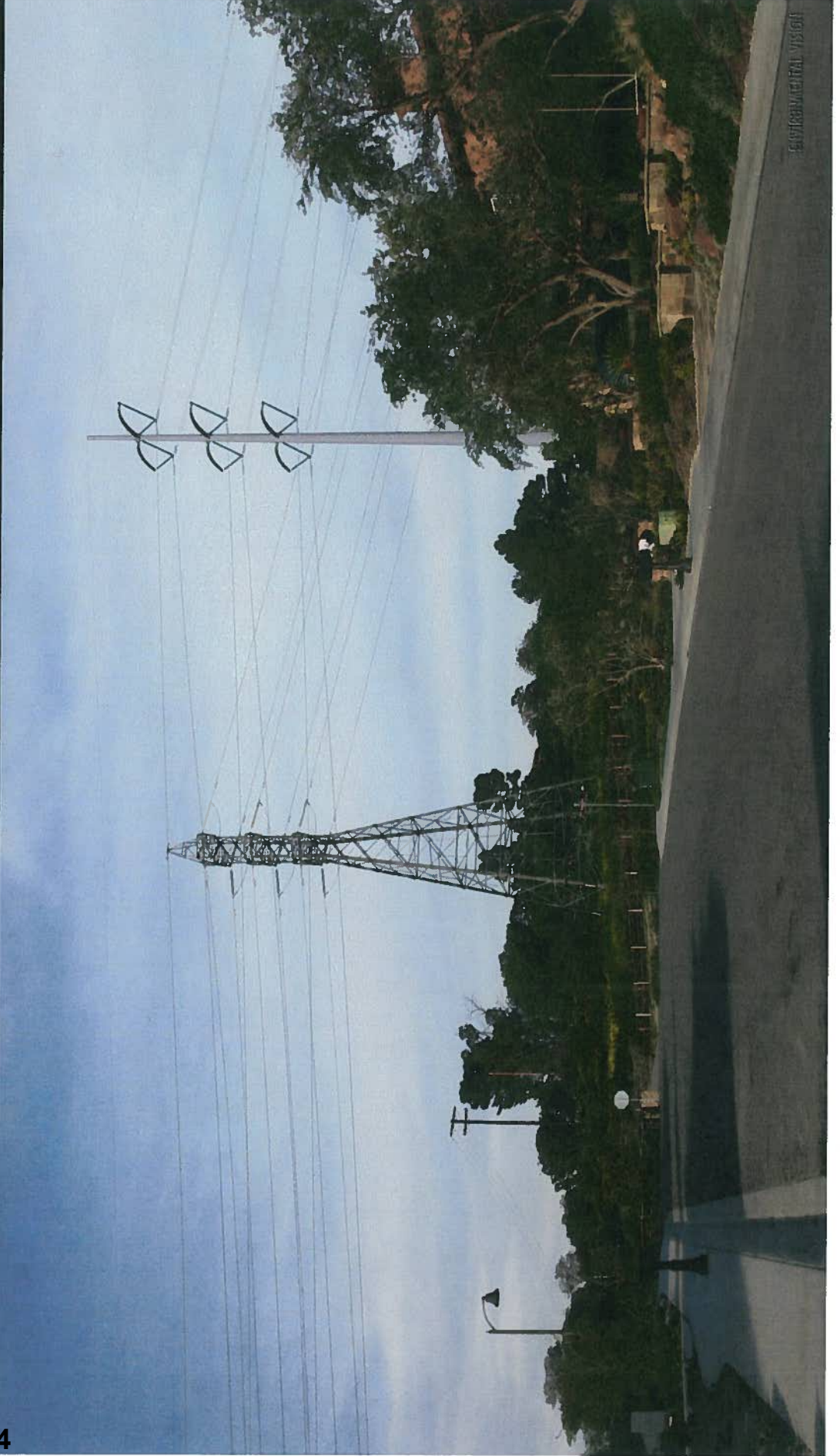


Rancho Madrina - Today





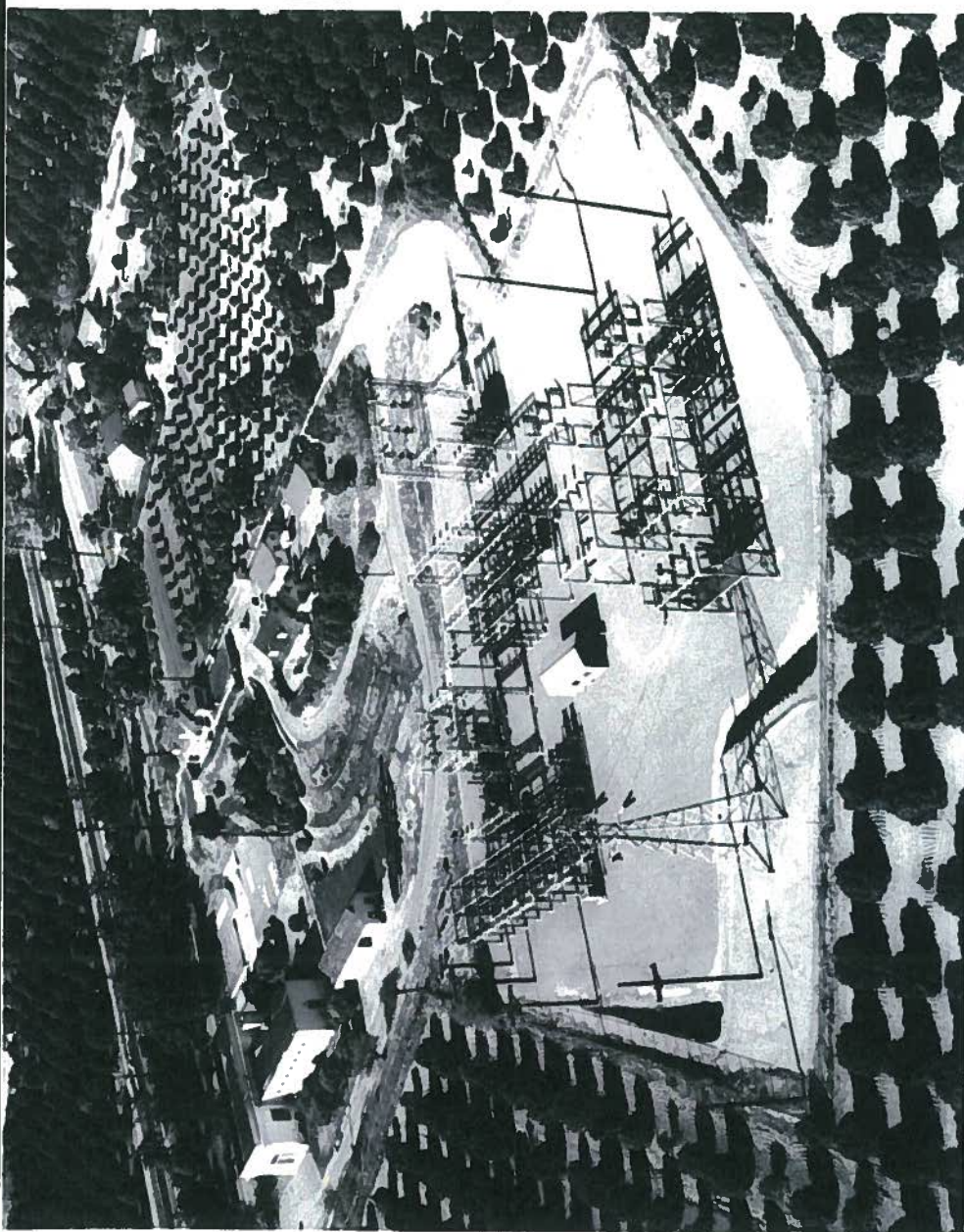
Rancho Madrina - Concept



ENVIRONMENTAL VISION



San Juan Capistrano Substation in the 1950's





San Juan Capistrano Substation Today





San Juan Capistrano Substation – Concept





Proposed Permitting and Construction Schedule

<i>CPUC Filing</i>	<i>May 18, 2012</i>
<i>Scoping Meetings</i>	<i>January 23 / 24 2013</i>
<i>Draft EIR</i>	<i>Q1 – 2015*</i>
<i>Final EIR</i>	<i>Q2 – 2015*</i>
<i>CPUC Decision</i>	<i>Q4 – 2015*</i>

2015 – 2019* **Rebuild SJC Substation**
Transmission Line
Replacement

*** All Dates are Estimates**





For More Information

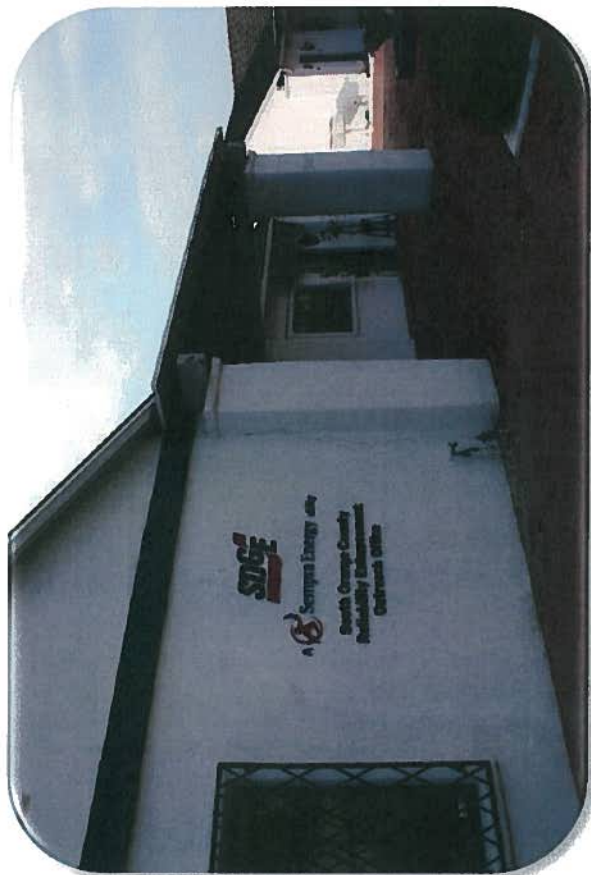
Duane Cave – External Relations Manager

- (949) 361-8065
- dcave@semprautilities.com

or

Visit our Project Outreach Office

31521 Camino Capistrano, Unit B
San Juan Capistrano, Ca. 92675



[www. SDGE.com/southcounty](http://www.SDGE.com/southcounty)





SOUTH ORANGE COUNTY **RELIABILITY** ENHANCEMENT

**CITY OF LAGUNA HILLS, CALIFORNIA
CITY COUNCIL/PLANNING AGENCY
REGULAR MEETING
MINUTES
DECEMBER 09, 2014**

GENERAL BUSINESS - CONVENING AT 7:00 PM

CALL TO ORDER

Mayor Blount called the Regular Meeting of the City Council of the City of Laguna Hills, California to order at 7:00 PM in the Laguna Hills City Council Chamber, 24305 El Toro Road, Laguna Hills, California.

PLEDGE OF ALLEGIANCE: Council Member Kogerman

ROLL CALL

Present: Mayor Blount, Mayor Pro Tempore Gilbert, Council Member Carruth, and Council Member Kogerman

Council Member-Elect Sedgwick was present in the audience.

CITY COUNCIL REORGANIZATION

**2014 GENERAL MUNICIPAL ELECTION, INSTALLATION OF NEW OFFICERS,
AND OATHS OF OFFICE**

**THE CITY COUNCIL RECEIVED AND FILED THE REPORT, BY
M/MAYOR PRO TEMPORE GILBERT, S/COUNCIL MEMBER
CARRUTH.
APPROVED BY A VOTE OF 4-0.**

OATHS OF OFFICE FOR NEW COUNCIL MEMBERS

**MAYOR PRO TEMPORE GILBERT ADMINISTERED THE OATHS OF
OFFICE TO INCOMING COUNCIL MEMBERS SEDGWICK, CARRUTH
AND KOGERMAN AND PRESENTED THE CERTIFICATES OF ELECTION.**

REMARKS OF OUTGOING MAYOR

ELECTION OF MAYOR

**THE CITY COUNCIL NOMINATED AND ELECTED DORE J. GILBERT,
M.D., AS MAYOR.**

RECOGNITION OF OUTGOING MAYOR

RESOLUTION OF COMMENDATION, ANDREW BLOUNT, MAYOR

THE CITY COUNCIL ADOPTED RESOLUTION NO. 2014-12-09-1, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, COMMENDING ANDREW BLOUNT, BY M/COUNCIL MEMBER CARRUTH, S/COUNCIL MEMBER KOGERMAN. APPROVED BY A VOTE OF 5-0.

THE CITY COUNCIL PRESENTED A RESOLUTION OF COMMENDATION AND PLAQUE TO ANDREW BLOUNT, RECOGNIZING HIS SERVICE TO THE CITY AS MAYOR.

REMARKS OF COUNCIL MEMBERS REGARDING MAYOR BLOUNT'S SERVICE TO THE CITY

REMARKS OF NEWLY ELECTED MAYOR

ELECTION OF MAYOR PRO TEMPORE

THE CITY COUNCIL NOMINATED AND ELECTED BARBARA KOGERMAN AS MAYOR PRO TEMPORE

RECESS AND RECONVENE

1. PRESENTATIONS AND PROCLAMATIONS

1.1 LAGUNA HILLS HIGH SCHOOL LIAISON

THE CITY COUNCIL RECEIVED AN ORAL REPORT FROM LAGUNA HILLS HIGH SCHOOL STUDENT LIAISON DANIEL BUSHNER.

2. PUBLIC COMMENTS

SPOTLIGHT ON LOCAL BUSINESS

Howard Joelson, from Rita's Ice, located at 26538 Moulton Parkway, Laguna Hills, gave a presentation.

3. CONSENT CALENDAR

MOTION TO APPROVE THE CONSENT CALENDAR, BY M/COUNCIL MEMBER BLOUNT, S/COUNCIL MEMBER CARRUTH. APPROVED BY A VOTE OF 5-0.

3.1 WAIVE READING IN FULL OF ALL ORDINANCES AND RESOLUTIONS ON THE AGENDA

THE CITY COUNCIL WAIVED READING IN FULL OF ALL ORDINANCES AND RESOLUTIONS ON THE AGENDA AND DECLARED THAT SAID TITLES WHICH APPEAR ON THE PUBLIC AGENDA SHALL BE DETERMINED TO HAVE BEEN READ BY TITLE AND FURTHER READING WAIVED.

3.2 APPROVAL OF MINUTES FOR NOVEMBER 25, 2014

THE CITY COUNCIL APPROVED THE MINUTES OF THE NOVEMBER 25, 2014, REGULAR MEETING.

3.3 APPROVAL OF WARRANT REGISTER FOR PERIOD ENDED DECEMBER 9, 2014

THE CITY COUNCIL APPROVED THE WARRANT REGISTER IN THE AMOUNT OF \$838,558.12.

3.4 PRESENTATION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2014

THE CITY COUNCIL RECEIVED AND FILED THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, TOGETHER WITH THE AUDIT LETTERS.

3.5 PROGRESS PAYMENT NO. 11 FOR LA PAZ OPEN SPACE PROJECT, CIP NO. 615A

THE CITY COUNCIL APPROVED PROGRESS PAYMENT NO. 11, IN THE NET AMOUNT OF \$1,140.00, TO ENVIRONMENTAL CONSTRUCTION, INC., FOR LA PAZ OPEN SPACE IMPROVEMENTS, CIP NO. 615A.

3.6 PROGRESS PAYMENT NO. 3 FOR CITYWIDE PAVEMENT REHABILITATION PROJECT, CIP NO. 101-I

THE CITY COUNCIL APPROVED PROGRESS PAYMENT NO. 3, IN THE NET AMOUNT OF \$597,248.41, TO ALL AMERICAN ASPHALT, FOR CITYWIDE PAVEMENT REHABILITATION PROJECT, CIP NO. 101-I.

3.7 PROGRESS PAYMENT NO. 4, FINAL, FOR EL TORO ROAD PAVEMENT REHABILITATION PROJECT, CIP NO. 179, AND RIDGE ROUTE DRIVE PAVEMENT REHABILITATION PROJECT, CIP NO. 172

THE CITY COUNCIL APPROVED PROGRESS PAYMENT NO. 4, FINAL, IN THE NET AMOUNT OF \$31,754.12, TO ALL AMERICAN ASPHALT, FOR EL TORO ROAD PAVEMENT REHABILITATION PROJECT, CIP NO. 179, AND RIDGE ROUTE DRIVE PAVEMENT REHABILITATION PROJECT, CIP NO. 172, AND AUTHORIZED THE FILING OF THE NOTICE OF COMPLETION AND SUBSEQUENT RELEASE OF RETENTION IN 35 DAYS, IF NO LIENS HAVE BEEN FILED.

3.8 AFFIRMATION OF APPOINTMENTS LIST FOR ALL CITY BOARDS, COMMISSIONS AND COMMITTEES

THE CITY COUNCIL AFFIRMED THE LOCAL APPOINTMENTS LIST AND DIRECTED THAT IT BE POSTED IN THE LAGUNA HILLS BRANCH TECHNOLOGY LIBRARY, IN ACCORDANCE WITH THE MADDY ACT.

3.9 ANNUAL REVIEW OF INVESTMENT POLICIES AND DELEGATION OF INVESTMENT AUTHORITY TO THE CITY TREASURER

THE CITY COUNCIL ADOPTED RESOLUTION NO. 2014-12-09-2, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DELEGATING INVESTMENT AUTHORITY TO THE CITY TREASURER AND APPROVING A POLICY FOR THE INVESTMENT OF SURPLUS CITY FUNDS AND RESCINDING RESOLUTION NO. 2013-12-10-4.

3.10 2015 CITY COUNCIL MEETING SCHEDULE

THE CITY COUNCIL ADOPTED THE PROPOSED CALENDAR FOR 2015.

3.11 PROPOSED LEASE WITH DAYLE MCINTOSH CENTER FOR THE DISABLED, INC., FOR 24031 EL TORO ROAD, SUITE 320, LAGUNA HILLS, CALIFORNIA

THE CITY COUNCIL APPROVED THE LEASE WITH DAYLE MCINTOSH CENTER FOR THE DISABLED, INC., FOR 24031 EL TORO ROAD, LAGUNA HILLS, CALIFORNIA, AND AUTHORIZED THE CITY MANAGER TO EXECUTE THE LEASE.

3.12 COOPERATIVE AGREEMENT NO. C-4-1883 BETWEEN ORANGE COUNTY TRANSPORTATION AUTHORITY AND CITIES OF MISSION VIEJO, ALISO VIEJO, LAGUNA HILLS AND LAGUNA NIGUEL FOR LA PAZ ROAD REGIONAL TRAFFIC SIGNAL SYNCHRONIZATION PROJECT, CIP NO. 168B

THE CITY COUNCIL APPROVED COOPERATIVE AGREEMENT NO. C-4-1883 BETWEEN ORANGE COUNTY TRANSPORTATION AUTHORITY AND CITIES OF MISSION VIEJO, ALISO VIEJO, LAGUNA HILLS AND LAGUNA NIGUEL FOR LA PAZ ROAD REGIONAL TRAFFIC SIGNAL SYNCHRONIZATION PROJECT AND AUTHORIZED THE MAYOR TO EXECUTE THE AGREEMENT.

3.13 RESOLUTIONS AMENDING THE MEMORANDUM OF UNDERSTANDING (MOU) WITH THE LAGUNA HILLS CITY EMPLOYEES ASSOCIATION AND AMENDING RESOLUTION NO. 2013-09-10-1

THE CITY COUNCIL: (1) ADOPTED RESOLUTION NO. 2014-12-09-3, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA AMENDING THE MEMORANDUM OF UNDERSTANDING WITH THE LAGUNA HILLS CITY EMPLOYEES ASSOCIATION TO PROVIDE FOR ONE ADDITIONAL HOLIDAY IN 2014 AND TO IMPLEMENT A FLEXIBLE SPENDING ACCOUNT FOR BARGAINING UNIT EMPLOYEES; AND (2) ADOPTED RESOLUTION NO. 2014-12-09-4, A

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING RESOLUTION NO. 2013-09-10-1 TO PROVIDE FOR ONE ADDITIONAL HOLIDAY IN 2014 AND TO IMPLEMENT A FLEXIBLE SPENDING ACCOUNT FOR MANAGEMENT, CONFIDENTIAL AND PART-TIME EMPLOYEES.

3.14 AUTHORIZATION TO CLOSE CITY HALL ON DECEMBER 26, 2014

THE CITY COUNCIL ADOPTED RESOLUTION NO. 2014-12-09-5, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AUTHORIZING THE CLOSURE OF THE LAGUNA HILLS' CITY HALL ON DECEMBER 26, 2014, THE DAY AFTER CHRISTMAS."

3.15 AWARD OF CONTRACT FOR CITY WEBSITE REDESIGN AND DEVELOPMENT PROJECT

THAT THE CITY COUNCIL APPROVED THE CONSULTING SERVICES AGREEMENT WITH CIVICPLUS FOR CITY WEBSITE REDESIGN AND DEVELOPMENT AND AUTHORIZED THE CITY MANAGER TO EXECUTE THE AGREEMENT.

3.16 MEASURE M2 EXPENDITURE REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

THE CITY COUNCIL: (1) APPROVED THE MEASURE M2 EXPENDITURE REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, FOR SUBMITTAL TO OCTA; AND (2) ADOPTED RESOLUTION NO. 2014-12-09-6, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, CONCERNING THE MEASURE M2 EXPENDITURE REPORT FOR THE CITY OF LAGUNA HILLS FOR FISCAL YEAR ENDING JUNE 30, 2014.

4. PLANNING AGENCY

Mayor Gilbert recessed the City Council meeting and acting in the capacity of Chair, called the regular meeting of the Planning Agency of the City of Laguna Hills, California, to order at 8:10 PM.

4.1 ROLL CALL OF PLANNING AGENCY MEMBERS

Present: Chair Gilbert, Vice Chair Kogerman, Agency Member Blount, Agency Member Carruth, and Agency Member Sedgwick

4.2 PUBLIC COMMENTS

There were no Public Comments.

4.3 APPROVAL OF MINUTES FOR NOVEMBER 25, 2014

**THE PLANNING AGENCY APPROVED THE MINUTES OF THE NOVEMBER 25, 2014, REGULAR MEETING, BY M/AGENCY MEMBER CARRUTH, S/VICE CHAIR KOGERMAN.
APPROVED BY A VOTE OF 5-0.**

4.4 ADMINISTRATIVE REPORTS

There were no Administrative Reports.

4.5 PLANNING AGENCY PUBLIC HEARINGS

There were no Planning Agency Public Hearings.

PLANNING AGENCY ADJOURNMENT

Mayor Gilbert reconvened the City Council meeting at 8:11 PM. All Council Members were present.

5. CITY COUNCIL PUBLIC HEARINGS

There were no City Council Public Hearings.

6. ADMINISTRATIVE REPORTS

6.1 City Manager

6.1.1 2014 CITY MANAGER'S YEAR END REPORT

**THE CITY COUNCIL RECEIVED AND FILED THE 2014 CITY MANAGER'S YEAR END REPORT, BY M/COUNCIL MEMBER CARRUTH, S/COUNCIL MEMBER BLOUNT.
APPROVED BY A VOTE OF 5-0.**

7. MATTERS AGENDIZED AND PRESENTED BY CITY COUNCIL MEMBERS AND MAYOR

There were no matters agendized and presented by City Council Members and Mayor.

8. CITY COUNCIL MEMBER COMMENTS

COUNCIL MEMBER CARRUTH

Council Member Carruth had questions regarding fines and forfeitures on the CAFR Financial section.

COUNCIL MEMBER BLOUNT

Council Member Blount had questions regarding the fines and forfeitures on the CAFR Financial section.

MAYOR PRO TEMPORE KOGERMAN

Mayor Pro Tempore Kogerman indicated she would like to agendize for the next City Council Meeting the possibility of creating term limits for the Traffic and Parks and Recreation Commissions.

Mayor Pro Tempore Kogerman reported on her attendance at various neighboring City Council meetings.

9. CLOSED SESSION

Mayor Gilbert convened the meeting into Closed Session, in the City Council Conference Room, City Hall at 8:22 PM to consider the following matters:

9.1 PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Pursuant to Government Code Section 54957(b)(1)
Public Employee Title: City Manager - Annual Performance Evaluation

9.2 CONFERENCE WITH LABOR NEGOTIATOR

Pursuant to Government Code Section 54957.6
Agency Negotiator: Andrew Blount, Council Member
Unrepresented Employee: Bruce E. Channing, City Manager

RECONVENE

Mayor Gilbert reconvened the meeting in the Council Chamber at 10:03 PM. All Council Members were present. City Attorney Simonian stated that there was no reportable action taken in Closed Session on these items.

10. CONSIDERATION OF COMPENSATION FOR CITY MANAGER

**THE CITY COUNCIL MADE A MOTION TO AWARD TO THE CITY MANAGER A PERFORMANCE BONUS IN THE AMOUNT OF 5 PERCENT OF HIS CURRENT SALARY, PURSUANT TO SECTION 5(B) OF THE CITY MANAGER'S EMPLOYMENT AGREEMENT; AND THAT THE CITY ATTORNEY BE DIRECTED TO PREPARE FOR CITY COUNCIL REVIEW AND APPROVAL A RESOLUTION RATIFYING THIS ACTION FOR THE JANUARY 13, 2015, CITY COUNCIL MEETING, BY M/MAYOR GILBERT, S/MAYOR PRO TEMPORE KOGERMAN.
APPROVED BY A VOTE OF 5-0.**

ADJOURNMENT

There being no further business before the City Council at this session, Mayor Gilbert adjourned the City Council Meeting at 10:05 PM.

PEGGY J. JOHNS, CITY CLERK

ATTEST:

DORE J. GILBERT, M.D., MAYOR

APPROVED AT MEETING OF _____



City of Laguna Hills

City Council Meeting Agenda

Staff Report

DATE: JANUARY 13, 2015

TO: MAYOR AND COUNCIL MEMBERS

FROM: DONALD J. WHITE, ASSISTANT CITY MANAGER

ISSUE: APPROVAL OF WARRANT REGISTER FOR PERIOD ENDED JANUARY 13, 2015.

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE THE WARRANT REGISTER IN THE AMOUNT OF \$1,375,869.60.

SUMMARY:

In accordance with Government Code Section 37202, the attached Warrant Register reflects the disbursements of the City of Laguna Hills for the period reported thereon. The Assistant City Manager certifies and attests to its accuracy and the availability of funds for the payment thereof. These warrants are hereby submitted to the City Council for approval of payment.

Prepared by:

JANICE MATEO REYES
Finance Manager

Certified:


DONALD J. WHITE
Assistant City Manager

1-7-15
DATE

FISCAL IMPACT:

The warrant register total is \$1,375,869.60.

ATTACHMENTS:

1. Warrant Register

Check Register Report

Warrant Register 1/13/15

Date: 12/31/2014

Time: 3:25 pm

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CITY OF LAGUNA HILLS

BANK: UNION BANK- GENERAL

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
UNION BANK- GENERAL Checks							
8808339	12/04/2014	Printed		A-0338	ACME BALLOON COMPANY	Program Expense, CS, Dec '14	350.00
8808340	12/04/2014	Printed		A-0277	ALICEA, MIA	Contract Inst Svcs., Dance	378.00
8808341	12/04/2014	Printed		C-0023	COX COMMUNICATION	T1 Line- Civic Center, Dec '14	439.01
8808342	12/04/2014	Printed		H-0934	HOME DEPOT	Building Maint., CS, Oct '14	113.80
8808343	12/04/2014	Printed		O-1525	OCCMA	Meeting Expense, Jan	150.00
8808344	12/04/2014	Printed		R-1830	RALPHS GROCERY COMPANY	Operating Supplies, CS, Oct '1	65.12
8808345	12/04/2014	Printed		R-1964	REFUND, COMMUNITY DEV FEES	Refund, Fire Fees, CR# 48683	1,032.90
8808346	12/04/2014	Printed		R-1964	REFUND, COMMUNITY DEV FEES	Refund, SDPA Fees, CR# 49378	350.00
8808347	12/04/2014	Printed		R-1872	REFUND, COMMUNITY SVCS PROGRAM	R. Thomas, V# 2003329.002	65.00
8808348	12/04/2014	Printed		R-1889	REFUND,FACILITY RENTAL DEPOSIT	R. Hernandez, V# 2003319.002	440.00
8808349	12/04/2014	Printed		S-1904	SOUTHERN CALIFORNIA EDISON	ST Lites, TC, Nov '14	1,781.90
8808350	12/04/2014	Printed		S-2250	SPARKLETTES	Operating Supplies, CS, Nov'14	67.03
8808351	12/04/2014	Printed		T-2015	TARGET STORES	Program Supplies, CS, Nov '14	49.36
8808352	12/04/2014	Printed		T-2693	TELEPACIFIC COMMUNICATIONS	Switch Board, Install, Nov-Dec	2,786.95
8808353	12/04/2014	Printed		V-2249	US BANK VOYAGER FLEET SYS	Vehicle Fuel, Nov '14	1,628.95
8808354	12/11/2014	Printed		A-0138	ALL CITY MANAGEMENT, INC.	Crossing Guard Svc, 11/9-11/22	2,954.88
8808355	12/11/2014	Printed		A-0117	ALLEN CORPORATION SUPPLY	Office Supplies, City Clerk	156.10
8808356	12/11/2014	Printed		A-0331	AT&T MOBILITY	Wireless Service, Nov '14	62.54
8808357	12/11/2014	Printed		A-0309	AT&T- CALNET 2	T1 Line-Civic Center,last bill	131.42
8808358	12/11/2014	Printed		B-0276	BANK OF AMERICA	Departmental Expenditure Nov	7,381.14
8808359	12/11/2014	Printed		B-0304	BEE MAN, THE	Bee Removal, Parks, Nov '14	300.00
8808360	12/11/2014	Printed		B-0411	BUCKNAM & ASSOCIATES, INC.	Prof Svcs, Surveying Pavement	1,987.52
8808361	12/11/2014	Printed		C-0412	C&D ELECTRIC, INC.	Lighting Repairs, Parks, Nov	705.42
8808362	12/11/2014	Printed		C-1178	C2 IMAGING	Printing Services, City Clerk	109.13
8808363	12/11/2014	Printed		C-0314	CA ASSOCIATION FOR LOCAL	Employee Training, Dec '14	25.00
8808364	12/11/2014	Printed		C-1133	CALIFORNIA YELLOW CAB	Senior Mobility Program, Nov	1,911.50
8808365	12/11/2014	Printed		C-1168	CAPITAL ONE COMMERCIAL	Program Supplies, Return	34.80
8808366	12/11/2014	Printed		C-1144	CHARLES ABBOTT ASSOCIATES, INC	Plan Chk, Bldg & Safety, Oct	118,206.70
8808367	12/11/2014	Printed		C-1096	CODE PUBLISHING COMPANY, INC.	Municipal Code Update, Nov '14	137.70
8808368	12/11/2014	Printed		C-1139	COMPLETE OFFICE OF CALIFORNIA	Operating Supplies, CS, Dec'14	1,137.73
8808369	12/11/2014	Printed		C-1176	COMPUTER SERVICE CO.	Traffic Sig. Maint, Nov '14	8,834.93
8808370	12/11/2014	Printed		C-1146	CYBERSOURCE CORPORATION	Gateway Expense, Nov '14	29.00
8808371	12/11/2014	Printed		D-0532	DDL TRAFFIC INC	Reimb Fees,Oakbrook Dev.	4,637.60
8808372	12/11/2014	Printed		D-0491	DELL COMPUTER CORPORATION	Computer Hardware, ComDev	588.11
8808373	12/11/2014	Printed		D-0552	DUNBAR ARMORED, INC.	Courier Fee, Armored Trans,Dec	116.71
8808374	12/11/2014	Printed		E-0595	ECLIPSE MESSENGER SERVICE, INC	Delivery Service, Nov '14	23.92
8808375	12/11/2014	Printed		E-0593	EISENBERG, DALE	Contract Inst Svcs., Aikido	770.00
8808376	12/11/2014	Printed		E-0504	EL TORO WATER DISTRICT	Water Usage, Parks, Oct '14	16,500.62
8808377	12/11/2014	Printed		E-0553	ELKINS, CHRISTINA	Contract Inst Svcs., Dance	279.51
8808378	12/11/2014	Printed		H-0829	HARTZOG & CRABILL, INC.	Reimb, Plan Check,Oakbrook	7,938.21
8808379	12/11/2014	Printed		H-0944	HEART OF GOLD FOUNDATION, INC.	Contract Inst Svcs, Cooking	189.00
8808380	12/11/2014	Printed		H-0804	HINDERLITER, DE LLAMAS & ASSOC	Sales Tax 4thQtr,AuditSales2nd	5,228.79
8808381	12/11/2014	Printed		I-0980	INTELLIBRIDGE PARTNERS	Temp Service, Admin, 11/25/14	1,560.00
8808382	12/11/2014	Printed		I-0942	IRVINE RANCH WATER DISTRICT	Water Usage, Parks, Nov '14	161.37
8808383	12/11/2014	Printed		J-1057	JAMEY CLARK, INC.	Janitorial Services, Parks,Nov	4,400.53
8808384	12/11/2014	Printed		C-1007	LAW ENFORCEMENT	Law Enforcement Svcs, Dec '14	595,481.38
8808385	12/11/2014	Printed		M-1315	MARTIN & CHAPMAN CO.	Office Supplies, City Clk, Nov	12.40
8808386	12/11/2014	Printed		M-1552	MARTIN-RUSK, DINA	Contract Instr Svcs, Zumba	532.00
8808387	12/11/2014	Printed		M-1302	MOULTON NIGUEL WATER DISTRICT	Water Usage, Parks, Nov	16,481.50
8808388	12/11/2014	Printed		N-1474	NIEVES LANDSCAPE, INC.	Other Assorted Landscape, Dec	75,738.05

Check Register Report

Warrant Register 1/13/15

Date: 12/31/2014

Time: 3:25 pm

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CITY OF LAGUNA HILLS

BANK: UNION BANK- GENERAL

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
UNION BANK- GENERAL Checks							
8808389	12/11/2014	Printed		O-1546	OFFICE SOLUTIONS	Operating Supplies, Com Dev	502.35
8808390	12/11/2014	Printed		O-1575	ORANGE COUNTY REGISTER-FREEDOM PACKET FUSION, INC.	Legal Advertising, Nov '14	227.69
8808391	12/11/2014	Printed		P-1824	PATROL ONE	Phone System Upgrade	1,298.29
8808392	12/11/2014	Printed		P-1804	PRICE, FRANK	Security for Palma CC Reserv	612.50
8808393	12/11/2014	Printed		P-1736	PRICE, ROBIN	Referee Fees, Volleyball, CS	72.00
8808394	12/11/2014	Printed		P-1760	REFUND,FACILITY RENTAL DEPOSIT	Referee Fees, Volleyball, CS	72.00
8808395	12/11/2014	Printed		R-1889	REFUND,FACILITY RENTAL DEPOSIT	MoultonHomeowner,V#2003333.002	250.00
8808396	12/11/2014	Printed		R-1889	REFUND,FACILITY RENTAL DEPOSIT	O'ConnorMortuary,V#2003332.002	500.00
8808397	12/11/2014	Printed		R-1889	REFUND,FACILITY RENTAL DEPOSIT	P. Jimenez, V# 2003335.002	500.00
8808398	12/11/2014	Printed		R-1934	RENEGADE RACING	Event Mgmt Svcs, 1/2 Marathon	5,000.00
8808399	12/11/2014	Printed		R-1965	REVENUE & COST SPECIALISTS,LLC	Professional Fees, Sep '14	5,100.00
8808400	12/11/2014	Printed		R-1939	REYES, JANICE MATEO	Petty Cash Replenish, Nov-Dec	815.50
8808401	12/11/2014	Printed		R-1946	RK ENGINEERING GROUP, INC.	Reimbursable Fees, Oakbrook	550.00
8808402	12/11/2014	Printed		R-1813	RPW SERVICES, INC.	Rodent Control, Parks, Nov '14	1,560.00
8808403	12/11/2014	Printed		S-2197	SAFECHECKS	Printing Exp., P/R, Nov '14	289.73
8808404	12/11/2014	Printed		S-1902	SAN DIEGO GAS & ELECTRIC	ST Lites, Nov '14	13,699.46
8808405	12/11/2014	Printed		S-2188	SCANNING SERVICE CORPORATION	Document Imaging Services, Dec	2,692.74
8808406	12/11/2014	Printed		S-2194	SECURE LIVE SCAN	Pre-employment Fingerprinting	20.00
8808407	12/11/2014	Printed		S-1949	SMART & FINAL	Office Supplies, City Hall,Nov	42.66
8808408	12/11/2014	Printed		S-2253	SOCAL OFFICE TECHNOLOGIES-LEAS	Lease-Copier, CC, Dec '14	965.73
8808409	12/11/2014	Printed		S-2216	SOUTH COAST WATERS	Fac Maint, Water Feature, Dec	475.00
8808410	12/11/2014	Printed		S-1904	SOUTHERN CALIFORNIA EDISON	ST Lites, TC, Nov '14	1,195.49
8808411	12/11/2014	Printed		S-2059	STAPLETON, VIVIAN	Cntr Inst Svcs Early Childhood	157.50
8808412	12/11/2014	Printed		S-1980	STATE DEPARTMENT OF JUSTICE	Pre-employment Fingerprinting	32.00
8808413	12/11/2014	Printed		S-1940	STATE WATER RESOURCES CONTROL	App Fee Index 236374, CIP 410	26,063.00
8808414	12/11/2014	Printed		S-2201	SUNSET PROPERTY SERVICES	Street Sweeping, Nov '14	10,302.53
8808415	12/11/2014	Printed		S-2105	SYMQUEST SERVICES	Printer Repair, PW, Nov '14	334.20
8808416	12/11/2014	Printed		V-2250	VIRTUAL RACE BAGS, INC.	Event Mgmt Svcs, 1/2 Marathon	500.00
8808417	12/11/2014	Printed		R-1801	WOODRUFF, SPRADLIN & SMART	Professional Svcs, Legal, Oct	30,506.39
8808418	12/11/2014	Printed		X-2400	XEROX CORPORATION	Copier Usage, Nov '14	1,252.85
8808419	12/18/2014	Printed		A-0311	ALLIANT INSURANCE SERVICES	Commercial Auto Premium	6,217.00
8808420	12/18/2014	Printed		C-0023	COX COMMUNICATION	Signal System, Dec '14	179.00
8808421	12/18/2014	Printed		M-1388	MOBILE MINI, INC.	Storage Rental Fee,12/9 - 1/5	83.16
8808422	12/18/2014	Printed		M-1302	MOULTON NIGUEL WATER DISTRICT	Water Usage, Parks, Oct - Nov	3,376.29
8808423	12/18/2014	Printed		R-1830	RALPHS GROCERY COMPANY	Program Supplies, CS, Nov '14	17.93
8808424	12/18/2014	Printed		R-1889	REFUND,FACILITY RENTAL DEPOSIT	D. Dondarenko, V# 2003338.002	340.50
8808425	12/18/2014	Printed		R-1889	REFUND,FACILITY RENTAL DEPOSIT	I. Fenneso, V# 2003337.002	85.00
8808426	12/18/2014	Printed		R-1946	RK ENGINEERING GROUP, INC.	Reimbursable Fees, Oakbrook	2,310.00
8808427	12/18/2014	Printed		S-1902	SAN DIEGO GAS & ELECTRIC	ST Lites, TC, Nov '14	310.14
8808428	12/18/2014	Printed		S-1904	SOUTHERN CALIFORNIA EDISON	ST Lites, TC, Nov '14	9,554.25
8808429	12/18/2014	Printed		S-1907	SPRINT	Communication Expense, CS,Nov	84.83
8808430	12/18/2014	Printed		V-2224	VERIZON WIRELESS	Communication Expense, Nov '14	729.29
8808431	12/24/2014	Printed		C-0457	CA CITY MANAGEMENT FOUNDATION	Meeting Expense, Jan '15	130.00
8808432	12/24/2014	Printed		E-0555	ERMAC	Deferred Premium, General Liab	5,731.07
8808433	12/24/2014	Printed		M-1546	MAILFINANCE, INC.	Lease - Mailing Equip,Nov-Jan	583.26
8808434	12/24/2014	Printed		M-1397	MOGAN, SANDI	Mileage Reimb.,Cty Cl, Oct-Dec	23.73
8808435	12/24/2014	Printed		S-1902	SAN DIEGO GAS & ELECTRIC	ST Lites, TC, Comm Ctr,	31,036.44
8808436	12/24/2014	Printed		S-1904	SOUTHERN CALIFORNIA EDISON	TC, Nov '14	722.25

Check Register Report

Warrant Register 1/13/15

Date: 12/31/2014

Time: 3:25 pm

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CITY OF LAGUNA HILLS

BANK: UNION BANK- GENERAL

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
UNION BANK- GENERAL Checks							
8808437	12/24/2014	Printed		W-2426	WHITE NELSON DIEHL EVANS LLP	Publicaton, Finance, 2014	195.00
8808438	12/31/2014	Printed		A-0130	AAA AWARDS & MONOGRAMMING	Operating Supplies, Pol Svcs,	101.52
8808439	12/31/2014	Printed		A-0340	ACE BUSINESS MACHINES, INC.	Signature Plates, Dec '14	663.23
8808440	12/31/2014	Printed		A-0184	ALL AMERICAN ASPHALT	Progress Payment #4 CIP #101 I	29,545.00
8808441	12/31/2014	Printed		A-0138	ALL CITY MANAGEMENT, INC.	Crossing Guard Svc, 11/23-12/6	1,846.80
8808442	12/31/2014	Printed		A-0359	ANDERSON PENNA PARTNERS, INC.	Prof Services, Nov & CIP# 179	12,421.25
8808443	12/31/2014	Printed		A-0309	AT&T- CALNET 2	T1 Line-Civic Center, credit	81.39
8808444	12/31/2014	Printed		A-0304	AU-YEUNG, MELISSA	Mileage Reimb., Sep - Dec	82.94
8808445	12/31/2014	Printed		C-0412	C&D ELECTRIC, INC.	Electrical Pedestal, Replace	4,338.69
8808446	12/31/2014	Printed		C-1177	CANON FINANCIAL SERVICES, INC.	Lease - Copier, CH, Dec '14	221.41
8808447	12/31/2014	Printed		C-1180	CIVIL SOURCE, INC.	NPDES Permit Inspections, Nov	6,860.00
8808448	12/31/2014	Printed		C-1096	CODE PUBLISHING COMPANY, INC.	Municipal Code Update, Dec '14	152.75
8808449	12/31/2014	Printed		C-0447	COMMUNITY BANK	AllAmericanAsphaltEscrow#2253	1,555.00
8808450	12/31/2014	Printed		C-1139	COMPLETE OFFICE OF CALIFORNIA	Computer Supplies, Dec '17	1,676.98
8808451	12/31/2014	Printed		C-1176	COMPUTER SERVICE CO.	Traffic Sig. Maint, Nov '14	9,330.59
8808452	12/31/2014	Printed		C-0023	COX COMMUNICATION	WiFi Svcs, City Hall Jan '15	573.02
8808453	12/31/2014	Printed		D-0491	DELL COMPUTER CORPORATION	Back-up, Civic Center	1,170.00
8808454	12/31/2014	Printed		E-0595	ECLIPSE MESSENGER SERVICE, INC.	Delivery Service, Dec '14	23.92
8808455	12/31/2014	Printed		E-0554	ECONOMICS, INC.	Prof Svcs, Recycling Prog,Nov	2,602.66
8808456	12/31/2014	Printed		E-0504	EL TORO WATER DISTRICT	Water Usage, Parks, Nov '14	10,326.66
8808457	12/31/2014	Printed		E-0596	ENVIRONMENTAL CONSTRUCTION, INC.	Progress Payment #12, CIP# 615	1,140.00
8808458	12/31/2014	Printed		F-0604	FEDERAL EXPRESS CORPORATION	Delivery Services, Nov '14	56.48
8808459	12/31/2014	Printed		G-0791	GORMAN, RON	Contract Inst Svcs, Guitar	126.00
8808460	12/31/2014	Printed		G-0844	GREEN MART, INC.	Operating Supplies, Parks, Dec	1,026.00
8808461	12/31/2014	Printed		H-0954	HALL & FOREMAN, INC.	Prof Svcs, GIS Updates, Sep	4,547.50
8808462	12/31/2014	Printed		H-0805	HARRINGTON GEOTECH ENGINEERING	Professional Fees, CIP # 240	2,912.00
8808463	12/31/2014	Printed		H-0829	HARTZOG & CRABILL, INC.	Traf Sig Mgmt Svs, Nov	1,426.44
8808464	12/31/2014	Printed		H-0934	HOME DEPOT	Return, Program Supplies, CS	19.19
8808465	12/31/2014	Printed		H-0955	HR GREEN CALIFORNIA, INC.	Professional Svcs, CIP # 101	19,964.05
8808466	12/31/2014	Printed		I-0907	IMAGES BY DWAYNE	Photos for City Council	298.20
8808467	12/31/2014	Printed		I-0960	IRV SEAVER MOTORCYCLES	Motorcycle Maint, PS, Nov '14	1,604.32
8808468	12/31/2014	Printed		J-1057	JAMEY CLARK, INC.	Graffiti Removal, Dec '14	1,080.27
8808469	12/31/2014	Printed		J-1071	JCTEES.COM CORPORATION	Program Supplies, CS, Dec'14	316.27
8808470	12/31/2014	Printed		G-0709	JOE A. GONSALVES & SON	Legislative Services, Jan	2,900.00
8808471	12/31/2014	Printed		C-1007	LAW ENFORCEMENT	Fingerprint ID Sys-AFIS, Dec	840.48
8808472	12/31/2014	Printed		L-1240	LEAGUE OF CAL CITIES	Membership, 2015	12,017.66
8808473	12/31/2014	Printed		L-1368	LONG, AURORA	Contract Inst Svcs, Theatre	2,467.50
8808474	12/31/2014	Printed		M-1579	MEADE, SEAN	Umpire Fee, Softball, Nov '14	90.00
8808475	12/31/2014	Printed		M-1532	MOSS, LEVY & HARTZHEIM LLP	Final Audit Fee 13/14	6,210.00
8808476	12/31/2014	Printed		N-1481	N.E.A.D., INC.	Maint, City App, Jan - Mar '15	1,050.00
8808477	12/31/2014	Printed		N-1474	NIEVES LANDSCAPE, INC.	Other Assorted Landscape, Dec	9,482.05
8808479	12/31/2014	Printed		O-1546	OFFICE SOLUTIONS	Return Supplies	373.69
8808480	12/31/2014	Printed		O-1552	ORANGE COUNTY FIRE AUTHORITY	Remit, Fire Fees Collected,Nov	1,926.00
8808481	12/31/2014	Printed		P-1798	PIXELPUSHERS, INC.	Quarterly Hosting Fee, Jan-Mar	1,200.00
8808482	12/31/2014	Printed		R-1889	REFUND,FACILITY RENTAL DEPOSIT	P. Cruz, V# 2003342.002	301.00
8808483	12/31/2014	Printed		R-1889	REFUND,FACILITY RENTAL DEPOSIT	Ridgefield HOA, V# 2003345.002	175.00
8808484	12/31/2014	Printed		R-1889	REFUND,FACILITY RENTAL DEPOSIT	Evergreen Realty,V 2003343.002	250.00
8808485	12/31/2014	Printed		R-1889	REFUND,FACILITY RENTAL DEPOSIT	P. Arboleda, V# 2003344.002	250.00

Check Register Report

Warrant Register 1/13/15

Date: 12/31/2014

Time: 3:25 pm

Page: 4

CITY OF LAGUNA HILLS

BANK: UNION BANK- GENERAL

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
UNION BANK- GENERAL Checks							
8808486	12/31/2014	Printed		R-1855	RICHARD FISHER ASSOCIATES	Professional Services, CIP#240	9,288.00
8808487	12/31/2014	Printed		S-2108	SALISBURY, ELENA	Contract Inst Svcs, Music	357.00
8808488	12/31/2014	Printed		S-2212	SHARPS COMPLIANCE, INC.	Hazardous Waste Supplies, Dec	675.19
8808489	12/31/2014	Printed		S-1904	SOUTHERN CALIFORNIA EDISON	ST Lites, TC, Dec '14	2,019.77
8808490	12/31/2014	Printed		S-2250	SPARKLETTS	Operating Supplies, CS, Dec'14	67.00
8808491	12/31/2014	Printed		S-2209	STUDIO TWO BLACK DIAMOND	Printing Services, Admin, Dec	113.40
8808492	12/31/2014	Printed		T-2015	TARGET STORES	Program Supplies, CS, Dec '14	11.47
8808493	12/31/2014	Printed		U-2163	USA DANCE, INC.	Contract Inst Svcs, Dancing	21.00
8808494	12/31/2014	Printed		W-2366	WATKINS, CHRIS	Umpire Fees, Adult Softball,CS	90.00
8808495	12/31/2014	Printed		W-2302	WEST PUBLISHING CORPORATION	Subscription, City Clk, Nov	181.00
8808496	12/31/2014	Printed		W-2377	WILLDAN	Professional Svcs, CIP # 101	134,037.50
8808497	12/31/2014	Printed		R-1801	WOODRUFF, SPRADLIN & SMART	Professional Svcs, Legal, Nov	19,642.38

Total Checks: 158 **Checks Total (excluding void checks): 1,375,869.60**

Total Payments: 158 **Bank Total (excluding void checks): 1,375,869.60**

Total Payments: 158 **Grand Total (excluding void checks): 1,375,869.60**



City of Laguna Hills

City Council Meeting Agenda

Staff Report

DATE: JANUARY 13, 2015

TO: MAYOR AND COUNCIL MEMBERS

**FROM: GREGORY E. SIMONIAN
CITY ATTORNEY**

**ISSUE: ADOPTION OF A RESOLUTION RATIFYING CERTAIN CHANGES TO THE
COMPENSATION OF THE CITY MANAGER**

**RECOMMENDATION: THAT THE CITY COUNCIL ADOPT A RESOLUTION
ENTITLED: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA
HILLS, CALIFORNIA, APPROVING CERTAIN CHANGES TO THE COMPENSATION
OF THE CITY MANAGER."**

SUMMARY:

Following completion of the annual performance evaluation of the City Manager during closed session on December 9, 2014, the City Council reconvened in open session and unanimously voted by minute action to approve certain changes to the compensation of the City Manager, an unrepresented employee, and directed the City Attorney to prepare a Resolution ratifying the action taken. Adoption of the attached Resolution approving certain changes to the compensation of the City Manager ratifies and implements the minute action taken by the City Council during the December 9, 2014, City Council meeting.

BACKGROUND:

Section 5(B) of the City Manager's Employment Agreement, dated March 18, 2003, (the "Employment Agreement") provides that the City Council shall conduct an annual performance evaluation of the City Manager and, following the evaluation, may award a performance bonus to the City Manager equal to 0-10 percent of his then-current annual base salary. Pursuant to Government Code Section 54957(b)(1) and Section 5(B) of the Employment Agreement, the City Council convened in closed session on October 14, 2014, October 28, 2014, November 25, 2014, and December 9, 2014, for the purpose of conducting the annual performance evaluation of the City Manager.

Following completion of the annual performance evaluation of the City Manager during closed session on December 9, 2014, the City Council reconvened in open session and by minute action voted unanimously to approve certain changes to the compensation of the City Manager, an unrepresented employee, and directed the City Attorney to prepare a Resolution ratifying the action taken by the City Council at its next regularly scheduled meeting on January 13, 2015. The City Council by minute action voted as follows: (1) in recognition of exceptional job performance during the period under review, the City Manager is awarded a performance bonus in the amount of 5 percent of his current salary; and (2) the City Attorney is directed to prepare for City Council adoption at the January 13, 2015, meeting a Resolution ratifying the action taken.

Pursuant to the terms of the Employment Agreement, and pursuant to Government Code Section 36506, the City Council is required to ratify by Resolution the minute action taken by the City Council during the December 9, 2014, meeting in order to implement the change.

ATTACHMENTS:

- Resolution

RESOLUTION NO. 2015-01-13

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
LAGUNA HILLS, CALIFORNIA, APPROVING CERTAIN
CHANGES TO THE COMPENSATION OF THE CITY
MANAGER

The City Council of the City of Laguna Hills, California, hereby finds, determines, declares, and resolves as follows:

WHEREAS, Section 5(B) of the City Manager's Employment Agreement, dated March 18, 2003, (the "Employment Agreement") provides that the City Council shall conduct an annual performance evaluation of the City Manager and, following the evaluation, may award a performance bonus to the City Manager equal to 0-10 percent of his then-current annual base salary; and

WHEREAS, pursuant to Government Code Section 54957(b)(1) and Section 5(B) of the Employment Agreement, the City Council convened in Closed Session on October 14, 2014, October 28, 2014, November 25, 2014, and December 9, 2014, for the purpose of conducting the annual performance evaluation of the City Manager; and

WHEREAS, following completion of the annual performance evaluation during Closed Session on December 9, 2014, the City Council reconvened in open session and by minute action voted unanimously to approve certain changes to the compensation of the City Manager, an unrepresented employee, and directed the City Attorney to prepare a Resolution ratifying this action for approval by the City council at its next regularly scheduled meeting on January 13, 2015; and

WHEREAS, on December 9, 2014, the City Council by minute action voted as follows: (1) in recognition of exceptional job performance during the period under review, the City Manager is awarded a performance bonus in the amount of 5 percent of his current salary; and (2) the City Attorney is directed to prepare for Council review and approval a Resolution ratifying this action; and

WHEREAS, pursuant to the terms of the Employment Agreement, and pursuant to Government Code Section 36506, the City Council hereby ratifies and implements the minute action taken by the City Council during the December 9, 2014 City Council Meeting.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE, AND ORDER AS FOLLOWS:

Section 1. The above recitals are true and correct.

Section 2. The City Manager is awarded a 5 percent performance bonus for calendar year 2014, as authorized pursuant to Section 5(B) of the Employment Agreement.

PASSED, APPROVED, AND ADOPTED this 13th day of January, 2015.

DORE J. GILBERT, M.D, MAYOR

ATTEST:

PEGGY J. JOHNS, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Peggy J. Johns, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 2015-01-13- adopted by the City Council of the City of Laguna Hills, California, at a Regular Meeting thereof held on the 13th day of January 2015, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

PEGGY J. JOHNS, CITY CLERK



City of Laguna Hills City Council Meeting Agenda Staff Report

DATE: JANUARY 13, 2015

TO: MAYOR AND COUNCIL MEMBERS

**FROM: KENNETH H. ROSENFELD
DIRECTOR OF PUBLIC SERVICES/CITY ENGINEER**

**ISSUE: PROGRESS PAYMENT NO. 12 FOR LA PAZ OPEN SPACE PROJECT,
CIP NO. 615A**

**RECOMMENDATION: THAT THE CITY COUNCIL APPROVE PROGRESS
PAYMENT NO. 12, IN THE NET AMOUNT OF \$1,140.00, TO ENVIRONMENTAL
CONSTRUCTION, INC., FOR LA PAZ OPEN SPACE IMPROVEMENTS, CIP NO. 615A.**

SUMMARY:

Work on the La Paz Open Space Improvements, CIP No. 615A, began on November 18, 2013, and is being performed by Environmental Construction, Inc. Construction of the site was substantially completed in May 2014 and the project was placed into the one-year maintenance period. Work performed in November 2014 included the monthly maintenance of the site as a part of the one-year maintenance period. The contractor has submitted the twelfth progress payment request for approval.

BACKGROUND:

A routine monthly action for capital improvement projects is the submission, review, and approval of the contractor's invoice. Procedurally, field staff verifies the contractor's quantities and matches them with the submitted invoice. The unit prices and total costs of the project are confirmed by the office staff and a progress payment is then processed. A five-percent (5%) retention is withheld from each payment to assure final performance of the work. The contractor for the project, Environmental Construction, Inc., has submitted the eighth progress payment for the subject project as follows:

Progress Payment No. 12, CIP No. 615A
Page 2
January 13, 2015

ITEM #	DESCRIPTION	QUANTITY	UNIT	\$	AMOUNT
44	1 Year Maintenance Period	0.08	LS	\$ 15,000.00	\$ 1,200.00
Total To Date				\$1,101,308.28	
Less Prior Billing				<u>\$1,100,108.28</u>	
Total This Period				\$ 1,200.00	\$ 1,200.00
Less 5% Retention					<u>\$ (60.00)</u>
Due					\$ 1,140.00

FISCAL IMPACT:

The Capital Improvement Program (CIP) Budget did not anticipate this project would have expenditures in the 2014-15 Fiscal Year. Therefore, an adjustment to the CIP project allocations will be made to cover these minor maintenance and related expenditures.



City of Laguna Hills

City Council Meeting Agenda

Staff Report

DATE: JANUARY 13, 2015

TO: MAYOR AND COUNCIL MEMBERS

**FROM: KENNETH H. ROSENFELD
DIRECTOR OF PUBLIC SERVICES/CITY ENGINEER**

**ISSUE: PROGRESS PAYMENT NO. 4 FOR CITYWIDE PAVEMENT
REHABILITATION PROJECT, CIP NO. 101-I**

**RECOMMENDATION: THAT THE CITY COUNCIL APPROVE PROGRESS
PAYMENT NO. 4, IN THE NET AMOUNT OF \$29,545.00, TO ALL AMERICAN
ASPHALT, FOR CITYWIDE PAVEMENT REHABILITATION PROJECT, CIP NO. 101-I.**

SUMMARY:

Work on the Citywide Pavement Rehabilitation Project, CIP No. 101-I, began on August 15, 2014, and is being performed by All American Asphalt. Work performed in November 2014 included adjusting manholes to grade and adjusting water valves to grade. The contractor has submitted the fourth progress payment request for approval.

BACKGROUND:

A routine monthly action for capital improvement projects is the submission, review, and approval of the contractor's invoice. Procedurally, field staff verifies the contractor's quantities and matches them with the submitted invoice. The unit prices and total costs of the project are confirmed by the office staff and a progress payment is then processed. A five-percent (5%) retention is withheld from each payment to assure final performance of the work. The contractor for the project, All American Asphalt, has submitted the second progress payment for the subject project as follows:

ITEM #	DESCRIPTION	QUANTITY	UNIT	\$	AMOUNT
6	Adjust Manhole to grade	50	EA	\$310.00	\$ 15,500.00
7	Adjust Water Valve to grade	60	EA	\$260.00	\$ 15,600.00
Total To Date				\$1,697,962.87	
Less Prior Billing				<u>\$1,666,862.87</u>	
Total This Period				\$ 31,100.00	\$31,100.00
Less 5% Retention					<u>\$(1,555.00)</u>
Due					\$29,545.00

FISCAL IMPACT:

The progress payment is within the 2014-15 Fiscal Year Capital Improvement Program Budget for the Citywide Pavement Rehabilitation Project, CIP No. 101-I.



City of Laguna Hills

City Council Meeting Agenda

Staff Report

DATE: JANUARY 13, 2015

TO: MAYOR AND COUNCIL MEMBERS

FROM: DONALD J. WHITE
ASSISTANT CITY MANAGER

ISSUE: PROPOSED LEASE WITH TRAVIS KNUTSON FOR 24031 EL TORO ROAD,
SUITE 300, LAGUNA HILLS, CALIFORNIA

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE THE LEASE WITH TRAVIS KNUTSON FOR 24031 EL TORO ROAD, SUITE 300, LAGUNA HILLS, CALIFORNIA, AND AUTHORIZE THE CITY MANAGER TO EXECUTE THE LEASE.

SUMMARY:

Staff has negotiated a four year lease with one of the occupants in the City's executive suites to occupy the recently vacated Suite 300. Travis Knutson, an individual, operates a financial consulting firm and has been renting space in Suite 320B since July 1, 2011. The lease calls for some minor tenant improvements, the build out of one additional office space. The following is a summary of the key lease terms and financial analysis:

Effective Date: February 1, 2015

Term: 4 years

Rentable Square Feet: 672

Upfront Capital: \$22,664

Rate: Year 1 - \$2.00/ sq.ft.
Year 2 - \$2.08/sq.ft.
Year 3 - \$2.16/sq.ft.
Year 4 - \$2.25/sq.ft.

Total Rent Payments: \$65,745 (excludes 2 months of free rent)

Net Present Value: \$16,766 (12% Discount Rate)

The City Attorney has reviewed and approved the lease document and the tenant has executed the lease. Staff is recommending approval.

FISCAL IMPACT:

The lease has a positive net present value and requires minimal upfront capital.

ATTACHMENTS:

- Lease document



STANDARD MULTI-TENANT OFFICE LEASE - GROSS

AIR COMMERCIAL REAL ESTATE ASSOCIATION

1. Basic Provisions ("Basic Provisions").

1.1 Parties: This Lease ("Lease"), dated for reference purposes only January 14, 2015

is made by and between The City of Laguna Hills, a municipal corporation organized and existing under the laws of the State of California

("Lessor")

and Travis Knutson, an Individual

("Lessee"),

(collectively the "Parties", or individually a "Party").

1.2(a) Premises: That certain portion of the Project (as defined below), known as Suite Number(s) 300 3rd floor(s), consisting of approximately 672 rentable square feet and approximately 561 useable square feet ("Premises"). The Premises are located at: 24031 El Toro Road in the City of Laguna Hills, County of Orange State of California, with zip code 92654. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, the exterior walls, the area above the dropped ceilings, or the utility raceways of the building containing the Premises ("Building") or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "Project." The Project consists of approximately 51,943 rentable square feet. (See also Paragraph 2)

1.2(b) Parking: 4/1000 unreserved and N/A reserved vehicle parking spaces at a monthly cost of \$N/A per unreserved space and \$N/A per reserved space. (See Paragraph 2.6)

1.3 Term: 4 years and N/A months ("Original Term") commencing February 1, 2015 ("Commencement Date") and ending January 31, 2019 ("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: \$1,344.00 per month ("Base Rent"), payable on the First day of each month commencing February 1, 2015. (See also Paragraph 4 below)

☒ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Paragraph 4.4 (See Addendum Paragraph 1)

1.6 Lessee's Share of Operating Expense Increase: 1.28 percent (1.28%) ("Lessee's Share"). In the event that that size of the Premises and/or the Project are modified during the term of this Lease, Lessor shall recalculate Lessee's Share to reflect such modification.

1.7 Base Rent and Other Monies Paid Upon Execution:

- (a) Base Rent: \$1,344.00 for the period February 1-28, 2015
- (b) Security Deposit: \$1,344.00 ("Security Deposit"). (See also Paragraph 5)
- (c) Parking: \$N/A for the period N/A
- (d) Other: \$N/A for N/A
- (e) Total Due Upon Execution of this Lease: \$2,688.00

1.8 Agreed Use: General Office for financial consulting

(See also Paragraph 6)

1.9 Base Year; Insuring Party. The Base Year is 2015. Lessor is the "Insuring Party". (See also Paragraphs 4.2 and 8)

1.10 Real Estate Brokers: (See also Paragraph 15 and 25)

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

- ☒ Essex Realty Management represents Lessor exclusively ("Lessor's Broker");
- ☐ N/A represents Lessee exclusively ("Lessee's Broker"); or
- ☐ N/A 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 the attached a 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.

1.11 Guarantor. The obligations of the Lessee under this Lease shall be guaranteed by Travis Knutson, personally (See Exhibit "E") ("Guarantor"). (See also Paragraph 37)

1.12 Business Hours for the Building: 7:00 a.m. to 6:00 p.m., Mondays through Fridays (except Building Holidays) and 8:00 a.m. to 2:00 p.m. on Saturdays (except Building Holidays). "Building Holidays" shall mean the dates of observation of New

Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, and N/A

1.13 **Lessor Supplied Services.** Notwithstanding the provisions of Paragraph 11.1, Lessor is NOT obligated to provide the following within the Premises:

- ☐ Janitorial services
- ☐ Electricity
- ☐ Other (specify): N/A

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

- ☒ an Addendum consisting of Paragraphs 1 through 6;
- ☒ a plot plan depicting the Premises; Exhibit "A"
- ☒ a current set of the Rules and Regulations; Exhibit "B"
- ☒ a Work Letter; / Requirements for improvements or alterations by Lessee (Exhibit "D")
- ☐ a janitorial schedule;
- ☒ other (specify): Exhibit "C" Waiver and Release, Exhibit "E" Guaranty of Lease

2. Premises.

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, 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 a clean condition on the Commencement Date or the Early Possession Date, whichever first occurs ("Start Date"), and warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("HVAC"), and all other items which the Lessor is obligated to construct pursuant to the Work Letter attached hereto, if any, 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 the Unit 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.

2.3 **Compliance.** Lessor warrants to the best of its knowledge that the improvements comprising the Premises and the Common Areas comply with the building codes that were in effect at the time that each such improvement, or portion thereof, was constructed, and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances ("Applicable Requirements") in effect on the Start Date. 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 49), 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 zoning and other Applicable Requirements 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. 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, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises ("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 the 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 shall pay for such Capital Expenditure and Lessee shall only 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.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to nonvoluntary, 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 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) Lessee 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 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 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.

2.6 **Vehicle Parking.** So long as Lessee is not in default, and subject to the Rules and Regulations attached hereto, and as established by Lessor from time to time, Lessee shall be entitled to rent and use the number of parking spaces specified in Paragraph 1.2(b) at the rental rate applicable from time to time for monthly parking as set by Lessor and/or its licensee.

(a) If Lessee commits, permits or allows any of the prohibited activities described in the Lease or the rules then in effect, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

(b) The monthly rent per parking space specified in Paragraph 1.2(b) is subject to change upon 30 days prior written notice to Lessee. The rent for the parking is payable one month in advance prior to the first day of each calendar month.

2.7 **Common Areas - Definition.** The term "Common Areas" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Premises that are provided and designated by the Lessor from time to time for the general nonexclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including, but not limited to, common entrances, lobbies, corridors, stairwells, public restrooms, elevators, parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas - Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers,

contractors, customers and invitees, during the term of this Lease, the nonexclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas - Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to adopt, modify, amend and enforce reasonable rules and regulations ("Rules and Regulations") for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. The Lessee agrees to abide by and conform to all such Rules and Regulations, and shall use its best efforts to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the noncompliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas - Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

- (a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of the lobbies, windows, stairways, air shafts, elevators, escalators, restrooms, driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;
- (b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;
- (c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;
- (d) To add additional buildings and improvements to the Common Areas;
- (e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and
- (f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

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 pay Lessee's Share of the Operating Expense Increase) 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) Paragraph 8.2 & 8.3 of this Lease (see Addendum Paragraph 3). 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 **Operating Expense Increase.** Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share of the amount by which all Operating Expenses for each Comparison Year exceeds the amount of all Operating Expenses for the Base Year, such excess being hereinafter referred to as the "Operating Expense Increase", in accordance with the following provisions:

- (a) "Base Year" is as specified in Paragraph 1.9.
- (b) "Comparison Year" is defined as each calendar year during the term of this Lease subsequent to the Base Year; provided, however, Lessee shall have no obligation to pay a share of the Operating Expense Increase applicable to the first 12 months of the Lease Term (other than such as are mandated by a governmental authority, as to which government mandated expenses Lessee shall pay Lessee's Share, notwithstanding they occur during the first twelve (12) months). Lessee's Share of the Operating Expense Increase for the first and last Comparison Years of the Lease Term shall be prorated according to that portion of such Comparison Year as to which Lessee is responsible for a share of such increase.

- (c) The following costs relating to the ownership and operation of the Project, calculated as if the Project was at least 95% occupied, are defined as "Operating Expenses":

- (i) Costs relating to the operation, repair, and maintenance in neat, clean, safe, good order and condition, but not the replacement (see subparagraph (g)), of the following:

- (aa) The Common Areas, including their surfaces, coverings, decorative items, carpets, drapes and window coverings, and including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, stairways, parkways, driveways, landscaped areas, striping, bumpers, irrigation systems, Common Area lighting facilities, building exteriors and roofs, fences and gates;

- (bb) All heating, air conditioning, plumbing, electrical systems, life safety equipment, communication systems and other equipment used in common by, or for the benefit of, tenants or occupants of the Project, including elevators and escalators, tenant directories, fire detection systems including sprinkler system maintenance and repair.

- (cc) All other areas and improvements that are within the exterior boundaries of the Project but outside of the Premises and/or any other space occupied by a tenant.

- (ii) The cost of trash disposal, janitorial and security services, pest control services, and the costs of any environmental inspections;

- (iii) The cost of any other service to be provided by Lessor that is elsewhere in this Lease stated to be an "Operating Expense";

- (iv) The cost of the premiums for the insurance policies maintained by Lessor pursuant to paragraph 8 and any deductible portion of an insured loss concerning the Building or the Common Areas;

- (v) The amount of the Real Property Taxes payable by Lessor pursuant to paragraph 10;

- (vi) The cost of water, sewer, gas, electricity, and other publicly mandated services not separately metered;

- (vii) Labor, salaries, and applicable fringe benefits and costs, materials, supplies and tools, used in maintaining and/or cleaning the Project and accounting and management fees attributable to the operation of the Project;

- (viii) The cost of any capital improvement to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such capital improvement over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month;

- (ix) The cost to replace equipment or improvements that have a useful life for accounting purposes of 5 years or less.

- (x) Reserves set aside for maintenance, repair and/or replacement of Common Area improvements and equipment.

- (d) Any item of Operating Expense that is specifically attributable to the Premises, the Building or to any other building in the

Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Premises, Building, or other building. However, any such item that is not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project.

(e) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(c) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(f) Lessee's Share of Operating Expense Increase is payable monthly on the same day as the Base Rent is due hereunder. The amount of such payments shall be based on Lessor's estimate of the Operating Expense Expenses. Within 60 days after written request (but not more than once each year) Lessor shall deliver to Lessee a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses for the preceding year. If Lessee's payments during such Year exceed Lessee's Share, Lessee shall credit the amount of such over-payment against Lessee's future payments. If Lessee's payments during such Year were less than Lessee's Share, Lessee shall pay to Lessor the amount of the deficiency within 10 days after delivery by Lessor to Lessee of said statement. Lessor and Lessee shall forthwith adjust between them by cash payment any balance determined to exist with respect to that portion of the last Comparison Year for which Lessee is responsible as to Operating Expense Increases, notwithstanding that the Lease term may have terminated before the end of such Comparison Year.

(g) Operating Expenses shall not include the costs of replacement for equipment or capital components such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences that have a useful life for accounting purposes of 5 years or more.

(h) Operating Expenses shall not include any expenses paid by any tenant directly to third parties, or as to which Lessor is otherwise reimbursed by any third party, other tenant, or by insurance proceeds.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States on or before the day on which it is due, without offset or deduction (except as specifically permitted in this Lease). 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 \$26.75 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 and Common Area Operating Expenses, and any remaining amount to any other outstanding charges or costs.

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 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.

6. **Use.** (See Addendum "Paragraph 2".)

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. 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 of the Building, will not adversely affect the mechanical, electrical, HVAC, and other systems of the Building, and/or will not affect the exterior appearance of the Building. 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, byproducts or fractions thereof. Lessee shall not 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 any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use such as 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 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' fees 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 areas outside of the Project not caused or contributed to by Lessee). 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.** Except as otherwise provided in paragraph 8.7, 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, 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 Premises, without regard to whether said 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.

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, 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 a Hazardous Substance Condition (see paragraph 9.1e) 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 written request therefor.

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

7.1 **Lessee's Obligations.** Notwithstanding Lessor's obligation to keep the Premises in good condition and repair, Lessee shall be responsible for payment of the cost thereof to Lessor as additional rent for that portion of the cost of any maintenance and repair of the Premises, or any equipment (wherever located) that serves only Lessee or the Premises, to the extent such cost is attributable to abuse or misuse. In addition, Lessee rather than the Lessor shall be responsible for the cost of painting, repairing or replacing wall coverings, and to repair or replace any similar improvements within the Premises. Lessor may, at its option, upon reasonable notice, elect to have Lessee perform any particular such maintenance or repairs the cost of which is otherwise Lessee's responsibility hereunder."

7.2 **Lessor's Obligations.** Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, fire alarm and/or smoke detection systems, fire hydrants, and the Common Areas. Lessee expressly waives the benefit of any statute now or 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 lines, vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, and plumbing 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, ceilings, floors 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 \$2,000. 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. 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 (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. In addition to, and without limiting the other requirements of this Paragraph 7.3 all utilities, installations, and alterations made by Lessee shall also be subject to the provisions of Exhibit "D" attached to this Lease.

(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.

(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 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 also 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. (See Addendum Paragraph 3.) **Insurance; Indemnity.**

8.1 Insurance Premiums. The cost of the premiums for the insurance policies maintained by Lessor pursuant to paragraph 8 are included as Operating Expenses (see paragraph 4.2 (e)(iv)). Said costs shall include increases in the premiums resulting from additional coverage related to requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. Said costs shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the Project was not insured for the entirety of the Base Year, then the base premium shall be the lowest annual premium reasonably obtainable for the required insurance as of the Start Date, assuming the most nominal use possible of the Building and/or Project. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of \$2,000,000 procured under Paragraph 8.2(b).

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 \$1,000,000 per occurrence with an annual aggregate of not less than \$2,000,000. Lessee shall add Lessor as an additional insured by means of an endorsement at least as broad as the Insurance Service Organization's "Additional Insured-Managed or Lessors of Premises" Endorsement and coverage shall also be extended to include damage caused by heat, smoke or fumes from a hostile fire. 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.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss payable to Lessor, any ground lessor, and to any Lender insuring loss or damage to the Building and/or Project. The amount of such insurance shall be equal to the full insurable replacement cost of the Building and/or Project, 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 policy or policies shall insure against all risks of direct physical loss or damage (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 \$6,000 per occurrence.

(b) **Rental Value.** Lessor shall also 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 one year 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.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **No Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

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.

(b) **Worker's Compensation Insurance.** Lessee shall obtain and maintain Worker's Compensation Insurance in such amount as may be required by Applicable Requirements. Such policy shall include a "Waiver of Subrogation" endorsement. Lessee shall provide Lessor with a copy of such endorsement along with the certificate of insurance or copy of the policy required by paragraph 8.5.

(c) **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.

(d) **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 10 days prior written notice to Lessor. Lessee shall, at least 30 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.

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 Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, 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' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably 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 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, 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. 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 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. 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.

(b) "Premises Total Destruction" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. 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 Paragraphs 8.1 & 8.2 of this Lease (See Addendum Paragraph 3) 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 restoration.

9.2 Partial Damage - Insured Loss. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair 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 \$5,000 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 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 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 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), 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 8.3 (e) of this Lease (see Addendum Paragraph 3) Paragraph 8-6.

9.5 Damage Near End of Term. If at any time during the last 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.

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 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 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.

10. Real Property Taxes.

10.1 Definitions. 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 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 Project 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 Project is 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 Project, (ii) a change in the improvements thereon, and/or (iii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

10.2 **Payment of Taxes.** Except as otherwise provided in Paragraph 10.3, Lessor shall pay the Real Property Taxes applicable to the Project, and said payments shall be included in the calculation of Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request or by reason of any alterations or improvements to the Premises made by Lessor subsequent to the execution of this Lease by the Parties.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building 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 determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. 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.

11. **Utilities and Services.**

11.1 **Services Provided by Lessor.** Lessor shall provide heating, ventilation, air conditioning, reasonable amounts of electricity for normal lighting and office machines, water for reasonable and normal drinking and lavatory use in connection with an office, and replacement light bulbs and/or fluorescent tubes and ballasts for standard overhead fixtures. Lessor shall also provide janitorial services to the Premises and Common Areas 5 times per week, excluding Building Holidays, or pursuant to the attached janitorial schedule, if any. Lessor shall not, however, be required to provide janitorial services to kitchens or storage areas included within the Premises.

11.2 **Services Exclusive to Lessee.** Lessee shall pay for all water, gas, light, power, telephone and other utilities and services specially or exclusively supplied and/or metered exclusively to the Premises or to Lessee, together with any taxes thereon. If a service is deleted by Paragraph 1.13 and such service is not separately metered to the Premises, Lessee shall pay at Lessor's option, either Lessee's Share or a reasonable proportion to be determined by Lessor of all charges for such jointly metered service.

11.3 **Hours of Service.** Said services and utilities shall be provided during times set forth in Paragraph 1.12. Utilities and services required at other times shall be subject to advance request and reimbursement by Lessee to Lessor of the cost thereof.

11.4 **Excess Usage by Lessee.** Lessee shall not make connection to the utilities except by or through existing outlets and shall not install or use machinery or equipment in or about the Premises that uses excess water, lighting or power, or suffer or permit any act that causes extra burden upon the utilities or services, including but not limited to security and trash services, over standard office usage for the Project. Lessor shall require Lessee to reimburse Lessor for any excess expenses or costs that may arise out of a breach of this subparagraph by Lessee. Lessor may, in its sole discretion, install at Lessee's expense supplemental equipment and/or separate metering applicable to Lessee's excess usage or loading.

11.5 **Interruptions.** 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.**

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 buyout 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 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, i.e. 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.**

(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 therefore 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)

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 atton 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 Lessor 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 Paragraphs B.1 & B.2 of this Lease (See Addendum Paragraph 3) Paragraph ~~B.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, 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 41, (viii) material data safety 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 terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), 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.

(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 any damages to which Lessor is otherwise entitled. 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 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 shall bear interest from the 31st day after it was due. 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.** (see Addendum)

(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) **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 rentable floor area of the Premises, or more than 25% of Lessee's Reserved Parking Spaces, if any, are taken by Condemnation, 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.

15. **Brokerage Fees.**

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 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 from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (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 fee schedule of the Brokers in effect at the time the Lease was executed.

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 1.10, 16, 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 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 AIRCommercial 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. In addition, Lessee acknowledges that any failure on its part to provide such an Estoppel Certificate 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, should the Lessee fail to execute and/or deliver a requested Estoppel Certificate in a timely fashion the monthly 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 for remainder of the Lease. 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 provide the Estoppel Certificate. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to provide the Estoppel Certificate nor prevent the exercise of any of the other rights and remedies granted hereunder.

(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 Project, 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 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 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, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. 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 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 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") 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. 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 on 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. Lessor may not place any sign on the exterior of the Building that covers any of the windows of the Premises. Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project 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.

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 execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. Quiet Possession. Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. Options. If Lessee is granted any Option, as defined below, then the following provisions shall apply.

39.1 Definition. "Option" shall mean: (a) the right to extend or reduce the term of or renew this Lease or to extend or reduce the term of or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase, the right of first offer to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 Options Personal To Original Lessee. Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 Multiple Options. In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 Effect of Default on Options.

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.

40. Security Measures. Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties. In the event, however, that Lessor should elect to provide security services, then the cost thereof shall be an Operating Expense.

41. Reservations.

(a) Lessor reserves the right: (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, (iii) to create and/or install new utility raceways, so long as such easements, rights, dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessor may also: change the name, address or title of the Building or Project upon at least 90 days prior written notice; provide and install, at Lessee's expense, Building standard graphics on the door of the Premises and such portions of the Common Areas as Lessor shall reasonably deem appropriate; grant to any lessee the exclusive right to conduct any business as long as such exclusive right does not conflict with any rights expressly given herein; and to place such signs, notices or displays as Lessor reasonably deems necessary or advisable upon the roof, exterior of the Building or the Project or on signs in the Common Areas. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights. The obstruction of Lessee's view, air, or light by any structure erected in the vicinity of the Building, whether by Lessor or third parties, shall in no way affect this Lease or impose any liability upon Lessor.

(b) Lessor also reserves the right to move Lessee to other space of comparable size in the Building or Project. Lessor must provide at least 45 days prior written notice of such move, and the new space must contain improvements of comparable quality to those contained within the Premises. Lessor shall pay the reasonable out of pocket costs that Lessee incurs with regard to such relocation, including the expenses of moving and necessary stationary revision costs. In no event, however, shall Lessor be required to pay an amount in excess of two months Base Rent. Lessee may not be relocated more than once during the term of this Lease.

(c) Lessee shall not: (i) use a representation (photographic or otherwise) of the Building or Project or their name(s) in connection with Lessee's business; or (ii) suffer or permit anyone, except in emergency, to go upon the roof of the Building.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay. A Party who does not initiate suit for the recovery of sums paid "under protest" within 6 months shall be deemed to have waived its right to protest such payment.

43. **Authority; Multiple Parties; Execution**

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each Party shall, within 30 days after request, deliver to the other Party satisfactory evidence of such authority.

(b) If this Lease is executed by more than one person or entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such 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.

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

45. **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.

46. **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 nonmonetary 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.

47. **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.

48. **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.

49. **Accessibility; Americans with Disabilities Act.**

(a) The Premises: ☐ have not undergone an inspection by a Certified Access Specialist (CASp). ☐ have undergone an inspection by a Certified Access Specialist (CASp) and it was determined that the Premises met all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq. ☒ have undergone an inspection by a Certified Access Specialist (CASp) and it was determined that the Premises did not meet all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq.

(b) 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.

50. **Tenant Improvement.** Lessor shall provide to Lessee a tenant improvement allowance up to \$20,000.00 to be used to construct two private offices, replace the carpet and to paint the interior of 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 AND SIZE OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.**

WARNING: IF THE PREMISES ARE 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 ARE LOCATED.

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

Executed at: 24031 El Toro Road, Suite 100

Executed at: _____

On: _____

On: _____

By LESSOR:

By LESSEE:

The City of Laguna Hills

Travis Knutson

an individual

By: _____

By: _____

Name Printed: Bruce E. Channing

Name Printed: Travis Knutson

Title: City Manager

Title: _____

By: _____

By: _____

Name Printed: Peggy Johns

Name Printed: _____

Title: City Clerk

Title: _____

Address: 24031 El Toro Road, Suite 100

Address: _____

Laguna Hills, CA 92654

Address: _____

Telephone: (____) _____

Telephone: (____) _____

Facsimile: (____) _____

Facsimile: (____) _____

Email: _____

Email: _____

Email: _____

Email: _____

Federal ID No. _____

Email: _____

LESSOR'S BROKER:

Essex Realty Management, Inc. _____

LESSEE'S BROKER:

Attn: Sandi Montez _____

Address: 111 Corporate Drive, Suite 110 _____

Ladera Ranch, CA 92694 _____

Attn: _____

Address: _____

Telephone: (949) 218-3801 _____

Facsimile: () _____

Email: _____

Broker/Agent DRE License #: 00965485 _____

Telephone: () _____

Facsimile: () _____

Email: _____

Broker/Agent DRE License #: _____

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, 500 N Brand Blvd, Suite 900, Glendale, CA 91203. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

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ADDENDUM TO LEASE

THIS ADDENDUM TO LEASE (this "Addendum") shall constitute part of that certain STANDARD MULTI-TENANT OFFICE LEASE – GROSS ("Lease"), dated as of February 1, 2015, between The City of Laguna Hills ("Lessor"), and Travis Knutson, an individual ("Lessee"). The terms of this Addendum shall be incorporated into the Lease for all purposes. In the event of any conflict between the terms of the Lease and the terms of this Addendum, the terms of this Addendum shall control.

1. **Base Rent Schedule.** Section 4.4 is hereby added to the Lease to read as follows:

4.4 Base Rent Schedule

4.4.1 The monthly Base Rent payable as defined in paragraph 4.1 and as set forth in paragraph 1.7 (a) of the Lease shall be adjusted as set forth below:

Months		Rent Per Month
2/1/2015	12/31/2015	\$1,344.00
1/1/2016	1/31/2016	Free
2/1/2016	12/31/2016	\$1,397.76
1/1/2017	1/31/2017	Free
2/1/2017	1/31/2018	\$1,453.67
2/1/2018	1/31/2019	\$1,511.82

2. **Use.** Section 6.1 of the Lease is hereby deleted in its entirety and replaced by the following:

"6.1. **Use.** The Premises shall be used only for the Agreed Use and for no other use. Lessee's use of the Premises shall be in compliance with and subject to all Applicable Requirements relating to or affecting the Project, the Premises or the Building or the use or operation thereof, whether now existing or hereafter enacted, including, without limitation, the Americans with Disabilities Act of 1990, 42 USC 12111 et seq. (the "ADA") as the same may be amended from time to time, any and all federal, state or local environmental, health and/or safety-related laws, regulations, standards, decisions of courts, ordinances, rules, codes, orders, decrees, directives, guidelines, permits or permit conditions, currently existing and as amended, enacted, issued or adopted in the future which are or become applicable to Lessee, the Premises, the Building, or the Project ("Environmental Laws"), any transportation or traffic management plan in satisfaction of any requirement imposed on the Project by a governmental agency with jurisdiction over the Project, and any CC&Rs or any supplement thereto recorded in any official or public records with respect to the Project or any portion thereof (collectively, "Applicable Laws"). Lessee shall be responsible for obtaining any permit, business license, or other permits or licenses required by any governmental agency permitting Lessee's use or occupancy of the Premises. Lessee shall not commit waste, overload the floors or structure of the Building, subject the Premises, the Building, the Common Area or the Project to any use which would damage the same or increase the risk of loss or violate any insurance coverage, permit any unreasonable odors, smoke, dust, gas, substances, noise or vibrations to emanate from the Premises, take any action which would constitute a nuisance or would disturb, obstruct or endanger any other tenants, take any action which would abrogate any warranties, or use or allow the Premises to be used for any unlawful purpose. Lessor shall not be responsible for non-compliance by any other tenant or occupant of the Project with, or Lessor's failure to enforce, any of the rules or regulations or CC&Rs or any other terms or provisions of such tenant's or

occupant's lease. Lessee shall promptly comply with the reasonable requirements of any board of fire insurance underwriters or other similar body now or hereafter constituted. Lessee shall not do any act which shall in any way encumber the title of Lessor in and to the Premises, the Building or the Project.

3. Insurance; Indemnity. Sections 8.1 through 8.6 of the Lease are hereby deleted in their entirety and replaced by the following:

"8.1 Lessor's Insurance. Lessor shall maintain insurance through individual or blanket policies insuring the Building against fire and extended coverage (including, if Lessor elects, "all risk" coverage, earthquake/volcanic action, flood and/or surface water insurance) for the full replacement cost of the Building, with deductibles and the form and endorsements of such coverage as selected by Lessor, together with rental abatement insurance against loss of Rent in an amount equal to the amount of Rent for a period of at least twelve (12) months commencing on the date of loss. Lessor may also carry such other insurance as Lessor may deem prudent or advisable, including, without limitation, liability insurance in such amounts and on such terms as Lessor shall determine. Lessee shall pay to Lessor, as a portion of the Operating Expenses, the costs of the insurance coverages described herein, including, without limitation, Lessor's cost of any self-insurance deductible or retention.

8.2 Lessee's Insurance. Lessee shall, at Lessee's expense, obtain and keep in force at all times the following insurance:

(a) Commercial General Liability Insurance (Occurrence Form). A policy of commercial general liability insurance (occurrence form) having a combined single limit of not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate per location if Lessee has multiple locations, providing coverage for, among other things, blanket contractual liability, premises, products/completed operations with an "Additional Insured Managers or Lessors of Premises Endorsement" and personal and advertising injury coverage, with deletion of the exclusion for explosion, collapse or underground hazard, if applicable, and, if necessary, Lessee shall provide for restoration of the aggregate limit, and provided that the policy shall not contain any intra insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under the Lease as an "insured contract" for the performance of Lessee's indemnity obligations under the Lease;

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

(c) Workers' Compensation and Employer's Liability Insurance. Workers' compensation insurance having limits not less than those required by state statute and federal statute, if applicable, and covering all persons employed by Lessee in the conduct of its operations on the Premises (including the all states endorsement and, if applicable, the volunteers endorsement), together with employer's liability insurance coverage in the amount of at least Five Hundred Thousand (\$500,000);

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

(e) Business Interruption. Loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all peril 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.

8.3 General.

(a) Insurance Companies. Insurance required to be maintained by Lessee shall be written by companies licensed to do business in the state in which the Premises are located and having a "General Policyholders Rating" of at least "A-" (or such higher rating as may be required by a lender having a lien on the Premises) and a financial rating of no less than VII as set forth in the most current issue of "Best's Insurance Guide."

(b) Certificates of Insurance. Lessee shall deliver to Lessor certificates of insurance and endorsements for all insurance required to be maintained by Lessee in the form acceptable to Lessor no later than seven (7) days prior to the date of possession of the Premises. Lessee shall, at least ten (10) days prior to expiration of the policy, furnish Lessor with certificates of renewal or "binders" thereof. If Lessee fails to maintain any insurance required in the Lease, Lessee shall be liable for all losses and costs suffered or incurred by Lessor (including litigation costs and attorneys' fees and expenses) resulting from said failure.

(c) Additional Insureds. Lessor, Lessor's lender, and any property management company of Lessor for the Premises shall be named as additional insureds (utilizing ISO Form CG2010 (11/85) or its equivalent) under all of the policies required by section 8.2(a). The policies required under Section 8.2(a) shall provide for severability of interest.

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

(e) Waiver of Subrogation. Notwithstanding any other provisions of the Lease, Lessee and Lessor each waive all rights to recover damages against the other, for loss or damage caused by fire and other perils and any other risk to the extent covered by policies of insurance or required to be covered by policies of insurance which are required to be carried in accordance with this Lease. This provision is intended to waive fully, any rights and/or claims which might give rise to a right of subrogation in favor of any insurance carrier. The coverages obtained by each of Lessee and Lessor pursuant to the Lease shall include, without limitation, a waiver of subrogation endorsement attached to the certificate of insurance.

(f) Notification of Incidents. Lessee shall notify Lessor within twenty-four (24) hours after the occurrence of any accidents or incidents in the Premises, the Building, Common Areas or the Project which could give rise to a claim under any of the insurance policies required under this Section 8.

4. Breach by Lessor; Performance by Lessee on Behalf of Lessor. Section 13.6(b) of the Lease is hereby deleted in its entirety and replaced with the following:

“13.6(b). Lessee’s Remedies. Lessee and all successors and assigns covenant and agree that, in the event of any actual or alleged default by Lessor, Lessee’s sole and exclusive remedy shall be either to seek either specific performance or monetary damages, provided that Lessor shall not be liable for loss of business profits or consequential damages, and provided further, that any recourse for monetary damages by Lessee against Lessor shall be limited solely and exclusively to an amount which is equal to the amounts paid by Lessee to Lessor under the Lease (and Lessee hereby expressly waives and releases personal liability of Lessor in excess of such amount on behalf of itself and all persons claiming by through, or under the lease) Further, in no event shall the obligations of Lessor under the Lease constitute the personal obligations of Lessor or its partners, members, directors, officers, elected officials or shareholders, and Lessee shall have no right to seek recourse against Lessor’s partners, members, directors, officers, elected officials or shareholders, or any of their personal assets for the satisfaction of any liability of Lessor with respect to the Lease. Lessee expressly waives all remedies except those specifically set forth in the Lease, including, without limitation, any right of offset or abatement except as specifically set forth in the Lease, any right to terminate the Lease under Civil Code Sections 1932(2), 1933(4) and 1941 or any other successor statute, or any statutory, legal or equitable self-help remedy including, without limitation, Civil Code Section 1942 or any other current or future law. Nothing contained in the Lease shall entitle Lessee to terminate the Lease as a result of Lessor’s default nor excuse Lessee from paying Rent or Additional Rent due hereunder.”

5. Estoppel Certificates. All references in the Lease to “Estoppel Certificate”, including, but not limited to the definition in Section 16(a), shall refer to Lessor’s standard form certificate.

6. Recordation. Lessee shall not have any right to cause the Lease or any short form or memorandum thereof to be recorded.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date of the Lease.

“Lessor”

THE CITY OF LAGUNA HILLS

By: Bruce E. Channing

By: _____
Its: City Manager

By: Peggy Johns

By: _____
Its: City Clerk

APPROVED AS TO FORM:

By: _____
City Attorney

“Lessee”
Travis Knutson, an individual

By: Travis Knutson

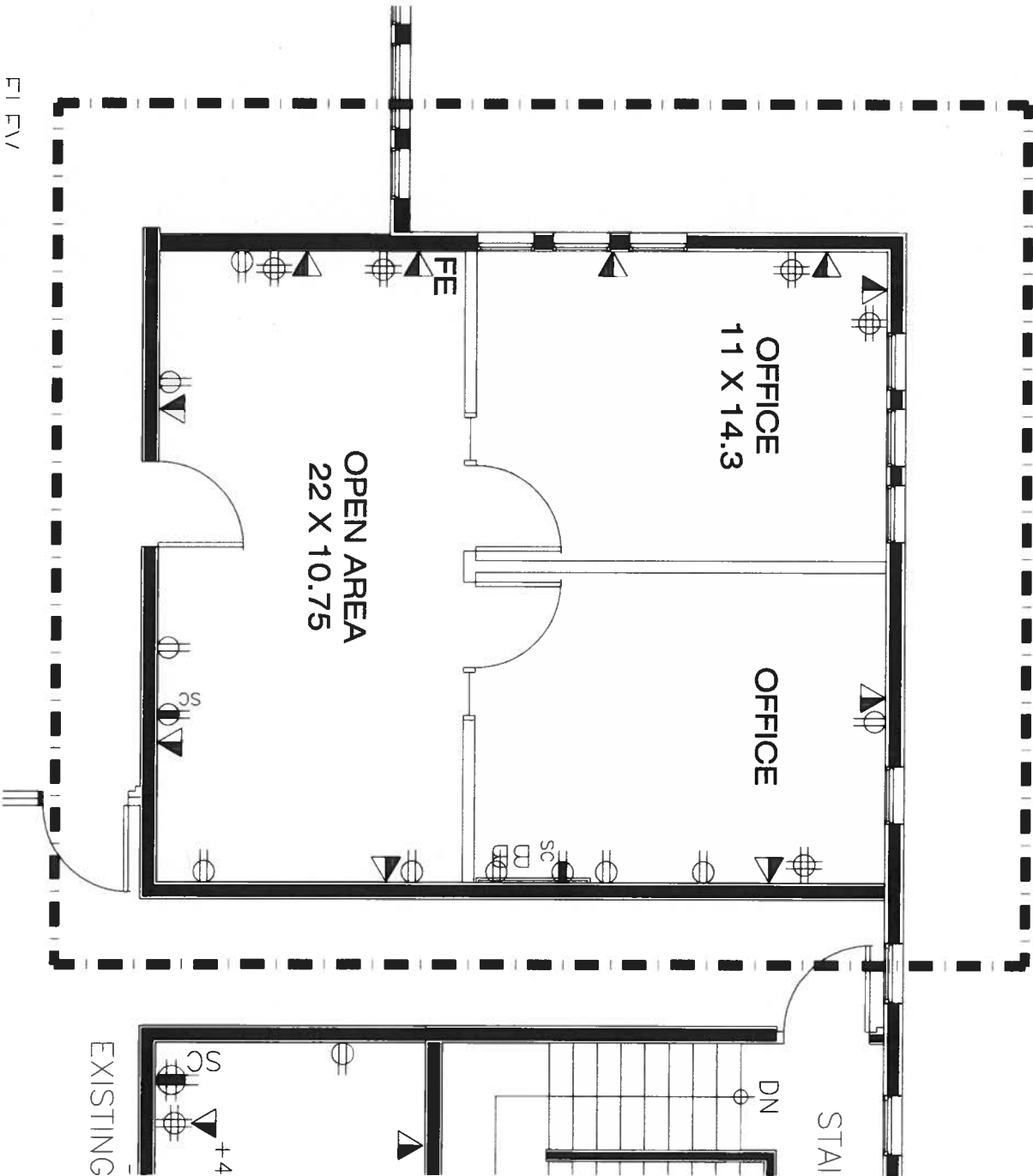


EXHIBIT B

RULES AND REGULATIONS

ATTACHED TO AND MADE A PART OF STANDARD OFFICE LEASE

The following Rules and Regulations shall be in effect at the Office Building Project. Lessor reserves the right to adopt reasonable modifications and additions hereto. In the case of any conflict between these Rules and Regulations and the Lease, the Lease shall be controlling.

1. Except with the prior written consent of Lessor, no Lessee shall conduct any retail sales or any manufacturing of any kind in or from the Premises, or any business other than that specifically provided for in the Lease.

2. Lessor reserves the right to prohibit personal goods and services vendors from access to the Office Building Project except upon such reasonable terms and conditions, including but not limited to the payment of a reasonable fee and provision for insurance coverage, as are related to the safety, care and cleanliness of the Office Building Project, the preservation of good order thereon, and the relief of any financial or other burden on Lessor occasioned by the presence of such vendors or the sale by them of personal goods or services to the Lessee or its employees. If reasonably necessary for the accomplishment of these purposes, Lessor may exclude a particular vendor entirely or limit the number of vendors who may be present at any one time in the Office Building Project. The term "personal goods or services vendors" means persons who periodically enter the Office Building Project of which the Premises are a part for the purpose of selling goods or services to a Lessee, other than goods or services, which are used by a lessee only for the purpose of conducting its business on the Premises. "Personal goods or services" include, but are not limited to, drinking water and other beverages, food, barbering services, and shoe shining services. This Section 2 shall not apply to Lessee's vendors and suppliers in connection with Lessee's operation of its business.

3. The sidewalks, halls, passages, elevators and stairways shall not be obstructed by any Lessee or used by it for any purpose other than for ingress to and egress from their respective Premises. The halls, passages, entrances, elevators, stairways, balconies and roof are not for the use of the general public, and Lessor shall in all cases retain the right to control and prevent access thereto of all persons whose presence in the judgment of Lessor shall be prejudicial to the safety, character, reputation and interests of the Office Building Project and its lessees, provided that nothing herein contained shall be construed to prevent such access to persons with whom Lessee normally deals only for the purpose of conducting its business on the Premises (such as clients, customers, office suppliers and equipment vendors, and the like) unless such persons are engaged in illegal activities. No Lessee and no employees of any Lessee shall go upon the roof of the Building without the written consent of Lessor. This Section 3 shall not apply to Lessee's vendor's suppliers in connection with Lessee's operation of its business.

4. The sashes, sash doors, windows, glass lights, and any lights or skylights that reflect or admit light into the halls or other places of the Building shall not be covered or obstructed. The toilet rooms, water and wash closets and other water apparatus shall not be used for any purpose other than that or which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein, and the expense of any breakage, stoppage or damage, resulting from the violation of this rule shall be borne by the Lessee who, or whose clerks, agents, employees, or visitors, shall have caused it.

5. No sign, advertisement or notice visible from the exterior of the Premises or Building shall be inscribed, painted or affixed by Lessee on any part of the Office Building Project or the Premises without the prior written consent of Lessor. If Lessor shall have given such consent at any time, whether before or after the execution of this Lease, such consent shall in no way operate as a waiver or release of any of the

provisions hereof or of this Lease, and shall be deemed to relate only to the particular sign, advertisement or notice so consented to by Lessor and shall not be construed as dispensing with the necessity of obtaining the specific written consent of Lessor with respect to each and every such sign, advertisement or notice, as the case may be, so consented to by Lessor. Lessor shall have the right to remove any non-approved sign, advertisement or notice, without notice to and at the expense of Lessee, and Lessor shall not be liable in damages for such removal.

6. In order to maintain the outward professional appearance of the Office Building Project all window coverings to be installed at the Premises shall be subject to Lessor's prior approval. If Lessor, by a notice in writing to Lessee, shall object to any curtain, blind, shade or screen attached to or hung in, or used in connection with, any window door of the Premises, such use of such curtain, blind, shade or screen shall be forthwith discontinued by Lessee. No awnings shall be permitted on any part of the Premises.

7. Lessee shall not lay linoleum, tile, carpet or other similar floor covering so that the same shall be affixed to the floor of the Premises in any manner except as approved by Lessor.

8. Lessee shall not do or permit anything to be done in the Premises, or bring or keep anything therein, which shall in any way increase the rate of fire insurance on the Office Building Project, or on the property kept therein, or obstruct or interfere with the rights of other Lessees, or in any way injure or annoy them, or conflict with the regulations of the Fire Department or the fire laws, or with any insurance policy upon the Office Building Project, or any part thereof, or with any rules and ordinances established by the Board of Health or other governmental authority.

9. No Lessee shall sweep or throw or permit to be swept or thrown from the Premises any dirt or other substance into any of the corridors or halls or elevators, or out of the doors or windows or stairways of the Building. Lessee shall not use, keep or permit to be used any foul or noxious gas or substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Lessor or other occupants of the Office Building Project by reason of noise, odors, fire hazards and/or vibrations, or interfere in any way with other Lessees or those having business therein, nor shall any animals or birds be kept in or about the Office Building Project.

10. Lessee and its employees, agents and invitees shall not smoke any tobacco products or any other smoking materials whatsoever in the Premises, Building, common areas or any other area of the Project except in such areas, if any, as shall be designated by Lessor for smoking, in Lessor's sole and absolute discretion.

11. No cooking shall be done or permitted by Lessee on the Premises, except for the use of a microwave oven for food or Underwriter's Laboratory approved equipment for brewing coffee, tea, and similar beverages shall be permitted, provided that such use is in compliance with law. Offices in the Office Building Project shall not be used for the storage of merchandise or for sleeping or lodging.

12. Lessee, upon the termination of its tenancy, shall deliver to Lessor all the keys of offices, rooms and toilet rooms which shall have been furnished Lessee or which Lessee shall have had made, and in the event of loss of any keys so furnished, shall pay Lessor therefore.

13. On Saturdays after 6:00pm., Sundays and legal holidays, and on other days between the hours of 9:00 p.m. and 7:00 a.m., access to the Office Building Project or to the halls, corridors, elevators or stairways in the Building, or to the Premises may be refused unless the person seeking access is known to the building watchman, if any, in charge and has a pass or is properly identified. Lessor shall in no case be liable for damages for the admission to or exclusion from the Office Building Project of any person whom Lessor has the right to exclude under Rule 3 above. In case of invasion, mob, riot, public excitement, or other commotion, Lessor reserves the right but shall not be

obligated to prevent access to the Office Building Project during the continuance of the same by closing the doors or otherwise, for the safety of the tenants and protection of property in the Office Building Project.

14. Lessee shall see that the windows and doors of the Premises are closed and securely locked before leaving the building and Lessee shall exercise extraordinary care and caution that all water faucets or water apparatus are entirely shut off before Lessee or Lessee's employees leave the Building, and that all electricity, gas or air shall likewise be carefully shut off, so as to prevent waste or damage, and for any default or carelessness Lessee shall make good all injuries sustained by other Lessees or occupants of the Building or Lessor.

15. Lessee shall not alter any lock or install a new or additional lock or any bolt on any door of the Premises without prior written consent of Lessor. If Lessor shall give its consent, Lessee shall in each case furnish Lessor with a key for any such lock.

16. Lessee shall not install equipment such as, but not limited to, electronic tabulating or computer equipment requiring electrical or air conditioning service in excess of those to be provided by Lessor under the Lease and any such equipment shall be placed in the Premises in settings approved by Lessor to adsorb or prevent any vibration, noise or annoyance.

17. No bicycle, or shopping cart, or other vehicle or any animal shall be brought into the Premises or the halls, corridors, elevators or any part of the Building by Lessee.

18. Lessor shall have the right to prohibit the use of the name of the Office Building Project or any other publicity by Lessee which in Landlord's opinion tends to impair the reputation of the Office Building Project, or their desirability for other Lessees, and upon written notice from Lessor, Lessee will refrain from or discontinue such publicity.

19. Lessee shall not erect any aerial or antenna on the roof or exterior walls of the Premises, the Building, or the Office Building Project.

20. Lessee shall not overload the floor of the Premises. In addition, Lessee shall not mark, drive nails, screw or drill into partitions, ceilings or floor of the Premises or deface the Premises.

21. No furniture, freight or equipment of any kind shall be brought into the Building or the Building's elevator without the consent of Lessor and all moving of the same into or out of the Building shall be done at such time and in such manner, as Lessor shall designate. Lessor shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Office Building Project. Safes or other heavy objects shall, if considered necessary by Lessor, stand on wood strips of such thickness as is necessary to properly distribute the weight. However, Lessor's consent to placement of Lessee's safes, heavy equipment or furniture shall not constitute a representation or warranty by Lessor that the safe, heavy equipment or furniture complies, with regard to distribution of weight and/or vibration, with the provisions of the Rule 21 nor relieve Lessee from responsibility for the consequences of noncompliance. Lessor will not be responsible for loss of or damage to any safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of Lessee. There shall not be used in any space, or in the public halls of the Building, either by any Lessee or others, any hand trucks except those equipped with rubber tires and side guards.

22. Except with the written consent of Lessor, no person or persons other than those approved by Lessor shall be permitted to enter the Building for their purpose of cleaning the same. Lessee shall not cause any unnecessary labor by reason of Lessee's carelessness or indifference in the preservation of good order and cleanliness. Lessor shall in no way be responsible to any Lessee for any loss of property on the Premises, however occurring, or for any damage done to the effects of any lessee by the janitor or any other employee or any other person. Janitor service shall include ordinary dusting and cleaning by the janitor assigned to such work and shall not include cleaning of carpets or rugs, except normal vacuuming, or moving of furniture and other special services. Janitor service may not be furnished on nights when rooms are occupied after 9:00p.m.

23. Lessor will direct electricians as to where and how telephone and telegraph wires are to be introduced. No boring or cutting for wires will be allowed without the consent of Lessor. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Lessor.

24. No furniture, packages, supplies, equipment or merchandise will be received in the Building or carried up or down in the elevators, except between such hours and in such elevators as shall be designated by Lessor.

25. Lessor reserves the right to exclude or expel from the Office Building Project any person who in the judgment of Lessor, is intoxicated or under the influence of liquor or illegal, non-prescription drugs, or who shall in any manner do any act in violation of any of the Rules and Regulations of the Office Building Project.

26. The requirements of Lessee will be attended to only upon application to Lessor. Contractors, vendors and employees of Lessor shall not perform any work or do anything outside of their regular duties unless under special instructions from the Lessor or Lessor's agent.

27. No vending machine shall be installed, maintained or operated upon the Premises without the written consent of the Lessor.

28. Lessor shall have the right, exercisable without notice and without liability to Lessee, to change the name and the street address of the Building and/or Office Building Project of which the Premises are a part.

29. Lessee agrees that it shall comply with all fire and security regulations that may be issued from time-to-time by Lessor and Lessee also shall provide Lessor with the name of a designated responsible employee to represent Lessee in all matters pertaining to such fire or security regulations.

30. Lessor reserves the right by written notice to Lessee, to rescind, alter or waive any rule or regulation at any time prescribed for the Office Building Project when, in Lessor's judgment, it is necessary, desirable or proper for the best interest of the Office Building Project and its lessees.

31. Lessees shall not disturb, solicit, or canvas any occupant of the Office Building Project and shall cooperate to prevent same.

32. Lessor shall furnish heating and air conditioning during the hours of 7:00 a.m. to 6:00 p.m., Monday through Friday, and 8:00 a.m. to 12:00 p.m. on Saturday except for holidays. In the event Lessee requires heating and air conditioning during off hours, Sundays or Holidays, Lessor shall on notice provide such services at the then prevailing rate for such extra services.

33. Lessee shall cooperate with Lessor in obtaining maximum effectiveness of the cooling system by closing blinds when the sun's rays fall directly on windows of the premises. Lessee shall not obstruct, alter, or in any way impair the efficient operation of Lessor's heating, ventilating and air-conditioning system. Lessee shall not tamper with or change the setting of any thermostats or control valves.

34. Parking

- (a) The parking lot shall be accessible twenty-four (24) hours per day, subject to parking card or other reasonable Identification or security restriction as may be reasonably established by Lessor from time-to-time. Lessee agrees to cooperate with Lessor in completing regular maintenance of the parking lot.
- (b) Automobiles must be parked entirely within the stall lines.
- (c) All directional signs and arrows must be observed and the speed limit shall be 5 miles per hour.
- (d) Parking is prohibited in areas not striped for parking.
- (e) Lessor may refuse to permit any person who violates the within rules to park in the parking lot, and any violation of the rules shall subject the automobile to removal from the parking lot at the parker's expense.
- (f) Every parker is required to park and lock his or her own automobile. All responsibility for any loss or damage to automobile or any personal property therein is assumed by the parker.
- (g) The parking lot is for the sole purpose of parking one automobile per space. Washing, waxing, cleaning or servicing of any vehicles by the parker or his agents is prohibited.
- (h) Storage of vehicles in the parking facilities is prohibited. Lessee and Lessee's employees and visitors shall not leave vehicles in the parking lot overnight.
- (i) Lessor reserves the right to restrict customer, Lessee and Lessee's employees parking to a limited designated area or areas.

35. Lessee agrees to comply and acquaint its employees with such reasonable rules and regulations in the use of such Common areas as Lessor may adopt from time to time for the orderly and proper operation of said Common Areas.

Lessor reserves the right to make such other and further rules and regulations as in its judgment may be for the safety, care and cleanliness of the Office Building Project and for the preservation of good order therein. Lessee agrees to abide by these Rules and Regulations herein above stated and any additional rules and regulations, which are adopted hereafter.

Date: _____

Date: _____

Lessor's Initials: _____

Lessee's Initials: _____

EXHIBIT "C"

Waiver and Release.

It is the express and understood intent, purpose, desire, and agreement of the parties in the event of termination for cause or expiration of the Lease term, that Lessee, on behalf of itself, its officers, heirs, agents, shareholders, employees, subcontractors, executors, successors and assigns, shall and does hereby release and discharge Lessor, and its respective elected and appointed officials, officers, directors, employees, attorneys, accountants, consultants, other professionals, and agents, from and against the following: any claims, penalties, actions or causes of action, obligations, and demands of any kind including but not limited to, any claims arising under the California Eminent Domain Law (Title 7 (commencing with Section 1230.010) of Part 3 of the California Code of Civil Procedure), the Relocation Statutes and Regulations set forth in Chapter 16 (commencing with Section 7260) of Division 7 of the California Government Code and Subchapter 1 (commencing with Section 6000) Division 3 of Title 25 of the California Code of regulations, and claims for a "taking" or inverse condemnation arising under the United States or California Constitutions or under any federal, state, or local law, statute, ordinance, regulation, rule, official policy, court order, or common law (collectively, the "Released Claims").

The parties further acknowledge that the Released Claims include any claims for loss of business goodwill pursuant to Code of Civil Procedure §1263.510 et seq., for precondemnation damages and severance damages.

Date: _____

Lessee's Initials: _____

EXHIBIT "D"

WORK LETTER/REQUIREMENTS FOR IMPROVEMENTS OR ALTERATIONS BY LESSEE

If Lessor shall permit Lessee to construct any interior improvements (subsequent to the initial improvements to be constructed by Lessor, if any) in the Premises or to have any work performed in the Premises at any time prior to or during the Lease term by a contractor retained by Lessee ("Lessee's Work"), then Lessee shall comply with the requirements set forth herein. If Lessee's Work has been properly authorized, Lessee will receive written approval and consent for alterations to the Premises. All alterations to the Premises, excepting movable furniture and trade fixtures, shall, at Lessor's option, become a part of the realty and belong to Lessor.

1. SUBMITTAL OF PLANS. Prior to commencing any work in the Premises, Lessee shall submit to Lessor for approval its proposed plans for the work. Without limiting the foregoing, Lessee shall provide:

- (a) A separate scale drawing denoting all proposed construction and/or demolition, if necessary.
- (b) A separate drawing for each trade proposing structural, electrical, mechanical, civil or landscaping modifications.
- (c) Specify all dimensions and complete references to all work to be performed in the affected areas.
- (d) If adding extra electrical or mechanical equipment, provide complete operating and maintenance specifications for each item.

2. CHECKLIST. With respect to each project, Lessor will provide Lessee with a checklist listing the items required to be furnished to Lessor in connection with the proposed work. Lessee shall furnish to Lessor prior to, during, or upon completion of Lessee's Work, as applicable, each of the items specified in the checklist attached hereto as Attachment 1.

3. CONTRACTORS PROVIDING INTERIOR IMPROVEMENT SERVICES.

- (a) The contractor employed by Lessee and any subcontractors shall be (i) duly licensed in the state in which the Premises are located, and (ii) subject to Lessor's prior written approval, which approval shall not be unreasonably withheld. If more than one trade is employed on a single job, state law requires the services of a general contractor in addition to contractors for specialty work being performed.
- (b) Each contractor shall provide proof of licensing as a general or specialty contractor in accordance with state law. Additionally, each contractor shall furnish proof of licensing in the city or municipality in which the construction related activity is to take place.
- (c) Lessee shall use Lessor's subcontractor for mechanical, electrical, plumbing, roofing and roofing consultant if available at competitive rates.
- (d) Lessee and Lessee's contractors shall comply with all Applicable Laws pertaining to the performance of Lessee's Work and the completed improvements and all applicable safety regulations established by Lessor or the general contractor.
- (e) Prior to commencement of any work in the Premises, Lessee and Lessee's contractors (and any subcontractors) shall obtain and provide Lessor with certificates evidencing Workers' Compensation, public liability and property damage insurance in amounts and forms and with companies

satisfactory to Lessor. Each general contractor (and any subcontractor) employed on the Premises shall provide Lessor with a current certificate of insurance in effect for that contractor with a thirty day notice of cancellation or revocation clause. Insurance requirements are as follows:

- (i) Comprehensive General Liability with a \$1,000,000 Combined Single Limit covering the liability of Lessor and contractor for bodily injury and property damage arising as a result of the construction of the improvements and the services performed thereunder. Lessor and any Management Company shall be named as an additional insured.
- (ii) Comprehensive Automobile Liability with a \$1,000,000 Combined Single Limit covering Lessor and vehicles used by contractor (and any subcontractor) in connection with the construction of the improvements.
- (iii) Workers' Compensation and Employer's Liability as required by law, for employees of the contractor (and any subcontractors) performing work on the Premises.

(f) The following requirements shall be incorporated as "Special Conditions" into the contract between Lessee and its contractors and a copy of the contract shall be furnished to Lessor prior to the commencement of Lessee's Work:

- (i) Prior to start of Lessee's Work, Lessee's contractor shall provide Lessor with a construction schedule in "bar graph" form indicating the completion dates of all phases of Lessee's Work.
- (ii) Lessee's contractor shall be responsible for the repair, replacement or clean-up of any damage done by it to other contractors' work which specifically includes accessways to the Premises which may be concurrently used by others.
- (iii) Lessee's contractor shall accept the Premises prior to starting any trenching operations. Any rework of sub-base or compaction required after the contractor's initial acceptance of the Premises shall be done by Lessee's contractor, which shall include the removal from the Project of any excess dirt or debris.
- (iv) Lessee's contractor shall contain its storage of materials and its operations within the Premises and such other space as it may be assigned by Lessor or Lessor's contractor. Should Lessee's contractor be assigned space outside the Premises, it shall move to such other space as Lessor or Lessor's contractor shall direct from time to time to avoid interference or delays with other work.
- (v) Lessee's contractor shall clean up the construction area and surrounding exterior areas daily. All trash, demolition materials and surplus construction materials shall be stored within the Premises and promptly removed from the Premises and the Project and disposed of in an approved sanitation site.
- (vi) Lessee's contractor shall provide temporary utilities, portable toilet facilities, and potable drinking water as required for its work within the Premises and shall pay to Lessor's contractor the cost of any temporary utilities and facilities provided by Lessor's contractor at Lessee's

contractor's request.

- (vii) Lessee's contractor shall notify Lessor or Lessor's project manager of any planned work to be done on weekends or other than normal job hours.
- (viii) Lessee's contractor or subcontractors shall not post signs on any part of the Project or on the Premises.

4. COSTS.

(a) Lessee shall promptly pay any and all costs and expenses in connection with or arising out of the performance of Lessee's Work (including the costs of permits thereof) and shall furnish to Lessor evidence of such payment upon request.

(b) Except in the case of carpet replacement or repainting, Lessee shall pay Lessor an amount equal to five percent (5%) of the total hard costs of construction and installation of Lessee's Work as compensation to Lessor for review of plans, use of facilities and other miscellaneous costs of Lessor incurred as a result of such work.

5. CONTRACTOR'S BONDS. At Lessor's sole discretion, Lessor may require Lessee to obtain performance and completion bonds to insure Interior Work

6. MECHANIC'S LIENS.

(a) Lessee shall not suffer or permit to be enforced against the Premises or any part of the Project any mechanic's, materialman's, contractor's or subcontractor's lien arising out of any work of improvement, however it may arise.

(b) Lessee shall notify Lessor at least ten (10) days prior to the commencement of construction of any Lessee's Work and Lessor shall have the right to post and record a notice of no responsibility in conformity with applicable law. Within ten (10) days following completion of Lessee's Work, Lessee shall file a Notice of Completion and deliver to Lessor an unconditional release and waiver of lien executed by each contractor, subcontractor and materialman involved in Lessee's Work.

(c) In the event any lien is filed against the Project or any portion thereof or against Lessee's leasehold interest therein as a result of Lessee's work, Lessee shall obtain the release and/or discharge of said lien, within ten (10) days after the filing thereof. In the event Lessee fails to do so, Lessor may obtain the release and/or discharge of said lien and Lessee shall indemnify Lessor for the costs thereof, including reasonable attorney's fees, together with interest at the Applicable Interest Rate from the date of demand. Nothing herein shall prohibit Lessee from contesting the validity of any such asserted claim, provided Lessee has furnished to Lessor a lien release bond freeing the Premises from the effect of the lien claim.

7. INDEMNITY. Lessee shall indemnify, defend (with counsel satisfactory to Lessor) and hold Lessor harmless from and against any and all suits, claims, actions, loss, cost or expense (including claims for workers' compensation, attorney's fees and costs) based on personal injury or property damage, or otherwise (including, without limitation, contract and breach of warranty claims) arising from the performance of Lessee's Work. Lessee shall repair or replace (or, at Lessor's election, reimburse Lessor for the cost of repairing or replacing) any portion of the Building or item of Lessor's equipment or any of Lessor's real or personal property damaged, lost or destroyed in the performance of Lessee's Work.

8. BUILDING STANDARDS. All work shall conform to Lessor's established building standards and specifications. Lessee is required to make these standards part of the construction documents.

9. **ROOF PENETRATIONS.** If improvements penetrate the roof membrane, the penetrations will be sealed per Lessor/IRC roofing specifications and inspected by IRC to maintain roof warranty. The cost of inspection and all corrective work shall be borne by Lessee. Lessee shall use Lessor's original roofing contractor.

10. **BUILDING MODIFICATIONS.** Work will only be approved within the confines of a given space. Lessee will not be allowed to modify building exterior or mechanical and electrical service as provided to the building in common with other tenants.

11. **ELECTRICAL WORK.** All electrical work shall be approved from the unit space electrical panel only. Additional service requirements shall be secured only by direction of Lessor. Lessee shall use Lessor's original electrical contractor if available at competitive rates.

12. **SCHEDULE OF WORK.** Lessee shall be required to provide a schedule of all work to be performed, subject to Lessor approval. All costs to produce such schedule shall be borne solely by Lessee.

13. **CLEAN UP AND DISPOSAL OF CONSTRUCTION DEBRIS.** Building trash containers are provided for office generated trash only and are not to be used for disposal of construction-related materials and debris. Unapproved usage will result in a penalty assessment to the Lessee equal to the cost of an extra pick-up service as provided under the current rate schedule of regular trash removal service.

14. **INSPECTION BY LANDLORD.** Lessor reserves the following rights: (i) the right of inspection prior to, during and at completion of all construction and/or demolition, (ii) the right to post and record a notice of nonresponsibility in conformity with California law, and (iii) the right to order, if reasonable, a total stop to all improvements underway for non-compliance with any of the requirements hereof.

15. **GENERAL PROVISIONS.**

(a) If Lessor has agreed to provide an allowance toward the cost of tenant improvements (other than the initial Lessee Improvement Allowance), Lessor shall retain from such funds an amount determined by Lessor until Lessee has fully complied with the requirements hereof.

(b) All materials, work, installations and decorations of any nature whatsoever brought on or installed in the Premises before the commencement of the Term or throughout the Term shall be at Lessee's risk, and neither Lessor nor any party acting on Lessor's behalf shall be responsible for any damage thereto or loss or destruction thereof due to any reason or cause whatsoever.

(c) Nothing contained herein shall make or constitute Lessee as the agent of Lessor.

Attachment 1 to "Exhibit D"

ITEMS TO BE FURNISHED TO LESSOR FOR EACH WORK OF IMPROVEMENT

1. Plan of Alterations for Lessor Approval.
2. Contractor(s), Address, Telephone Number, Contact Person.
3. Copy of Contractor's State and City Business License.
4. Copy of Building Permit.
5. Copy of Final Inspection and Signed Building Permit Cards.
6. Copy of Certificate of Insurance Naming The City of Laguna Hills and Essex Realty Management as Additional Insured. Insurance to include Comprehensive General Liability, Comprehensive Auto, Workers' Compensation, Employer's Liability and original Endorsement.
7. Signed Unconditional Lien Waiver in favor of Development Corporation.
8. Schedule of Work.
9. Copy of Completion and Payment Bond.
10. Architect's License and Expiration.
11. Copy of Permit Plans.
12. Copy of As-Builts.
13. Copy of Recorded Notice of Completion.
14. Certificate of Occupancy.
15. Evidence of Insurance for All-Risk/Builder's Risk Insurance to the Amount of Improvements.



AIR COMMERCIAL REAL ESTATE ASSOCIATION GUARANTY OF LEASE

WHEREAS, The City of Laguna Hills, hereinafter
 "Lessor", and Travis Knutson, hereinafter
 "Lessee", are about to execute a document entitled "Lease" dated January 14, 2015 concerning the premises commonly
 known as 24031 El Toro Road, Suite 300 Laguna Hills, CA 92654
 wherein Lessor will lease the premises to Lessee, and
 WHEREAS, Travis Knutson
 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: _____
 On: _____
 Address: _____ Travis Knutson
 _____ "GUARANTORS"



City of Laguna Hills

City Council Meeting Agenda

Staff Report

DATE: JANUARY 13, 2015

TO: MAYOR AND COUNCIL MEMBERS

FROM: DONALD J. WHITE
ASSISTANT CITY MANAGER

ISSUE: PROPOSED LEASE RENEWAL WITH THE COUNTY OF ORANGE FOR THE LAGUNA HILLS TECHNOLOGY LIBRARY BRANCH LOCATED AT 25555 ALICIA PARKWAY, LAGUNA HILLS, CALIFORNIA

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE THE PROPOSED LEASE WITH THE COUNTY OF ORANGE FOR THE LAGUNA HILLS TECHNOLOGY LIBRARY BRANCH LOCATED AT 25555 ALICIA PARKWAY, LAGUNA HILLS, CALIFORNIA, AND AUTHORIZE THE MAYOR TO EXECUTE THE LEASE.

SUMMARY:

The City and the County of Orange originally entered into a Lease for the Laguna Hills Library Technology Branch ("Branch" hereafter) on April 9, 2002, following the opening of the Laguna Hills Community Center. The term of that Lease was for 3 years with three, 3-year option periods. The final 3-year option period expired in April of 2014. Since then, the Lease has been on a month-to-month basis during which time staff and the County negotiated the Lease attached to this report. The proposed lease is for a ten-year initial period with one, 10-year option period.

The prior lease was on a rent-free basis, but the County paid the City \$4,000 per month for the cost of repairs and maintenance, the provision of Internet access, utilities, and janitorial services supplied to the Branch. At this point, the City is no longer providing, or paying for Internet access to the Branch. As such, the County has requested a reduction in the reimbursement amount and staff has agreed to \$3,500 per month going forward. This reimbursement amount is adequate to cover costs paid for by the City for the Branch over the course of the Lease term.

Other provisions of the Lease remain substantially the same. If subsequently approved by the County, the effective date will be February 1, 2015. The City Attorney has reviewed the Lease and approved as to form. Staff is recommending approval.

FISCAL IMPACT:

All costs associated with the County's occupancy of the Branch space in the Community Center are reimbursed through the Lease.

ATTACHMENTS:

- Lease

OC Community Resources/OC Public Libraries
LTK 77-L-B-2
Laguna Hills Technology Library

LEASE

THIS IS A LEASE, (hereinafter referred to as "**Lease**") made [REDACTED], 20 [REDACTED] ("**Effective Date**"), by and between the CITY OF LAGUNA HILLS, a California municipal corporation (hereinafter referred to as "**CITY**") and the COUNTY OF ORANGE, a political subdivision of the State of California (hereinafter referred to as "**COUNTY**") without regard to number and gender.

1. DEFINITIONS (1.2 N)

"**Board of Supervisors**" means the Board of Supervisors of the County of Orange, a political subdivision of the State of California.

"**Chief Real Estate Officer**" means the Chief Real Estate Officer, County Executive Office, County of Orange, or designee, or upon written notice to CITY, such other person or entity as shall be designated by the County Executive Officer.

"**Corporate Real Estate**" means CEO Real Estate, County Executive Office, County of Orange, or upon written notice to CITY, such other entity as shall be designated by the County Executive Officer.

"**County Counsel**" means the County Counsel, County of Orange, or designee, or upon written notice to CITY, such other person or entity as shall be designated by the County Executive Officer or the Board of Supervisors.

"**County Librarian**" means the County Librarian of OC Public Libraries, County of Orange, or designee, or upon written notice to CITY, such other person or entity as shall be designated by the County Executive Officer or the Board of Supervisors.

2. PREMISES (1.2 N)

CITY leases to COUNTY exclusive use of Room No. 120, located within the Laguna Hills Community Center and Sports Complex ("**Community Center**") hereinafter referred to as "Premises," described in Exhibit A and shown on Exhibit B, which exhibits are attached hereto and by reference made a part hereof, together with non-exclusive, in common use of the Community Center elevators, stairways, washrooms, hallways, driveways for vehicle ingress and egress, pedestrian walkways, other facilities and common areas appurtenant to COUNTY's Premises created by this Lease.

3. USE OF OTHER PORTIONS OF THE COMMUNITY CENTER (N)

CITY will permit COUNTY the non-exclusive use of Room Nos. 117 and 118, and the non-exclusive use of all other assembly rooms, at no cost to COUNTY, upon COUNTY's submittal of a written reservation request form to CITY, in advance, for temporary use of Room Nos. 117 and 118 and any assembly room(s).

1 4. PARKING (1.3 N)

3 COUNTY employees, volunteers, and library patrons may use the parking lots adjacent to the Community
5 Center and within the Community Center Park which are in common with other users of the Community
Center.

7 In addition to said parking spaces, CITY shall also provide parking for disabled persons in accordance with
9 the requirements of all applicable laws, rules and regulations, including without limitation the Americans
with Disabilities Act ("ADA").

11 5. TERMINATION OF PRIOR AGREEMENTS (1.4 N)

13 Upon the Commencement Date, as established pursuant to Section 7 (TERM) below, it is mutually agreed
15 that the Lease by and between the COUNTY and the CITY, dated as of April 9, 2002, (the "**Existing**
Lease") is hereby terminated, subject to the following: (i) the terms relating to continuing obligations for
17 events occurring during the term of the Existing Lease, including but not limited to indemnification
obligations, shall survive; and (ii) all personal property and/or equipment (e.g., fixtures, partitions, counters,
19 shelving) attached to and/or placed upon any portion of the Premises by COUNTY pursuant to the terms of
the Existing Lease shall remain the personal property of COUNTY, who shall have the right to remove
same in accordance with the provisions of Section 12 (ALTERATIONS) of this Lease.

21 6. USE (2.1 N)

23 COUNTY shall use the Premises for the provision of public library services, with an emphasis on services
25 involving Internet access and state-of-the-art educational material.

27 7. TERM (2.2 N)

29 The term of this Lease shall be ten (10) years, commencing on the first full day of the first full calendar
month following the date of execution by COUNTY ("**Commencement Date**").

31 8. OPTION TO EXTEND TERM (2.3 S)

33 COUNTY's County Librarian shall have the option to extend the term of this Lease for one, ten-year (10)
35 period on the same terms and conditions. Notification of said exercise of option shall be done in writing at
least sixty (60) days prior to the Lease termination date.

37 9. OPTION TO TERMINATE LEASE (2.4 N)

39 Unless earlier terminated pursuant to Sections 18, 23, and 24, this Lease may be terminated at any time by
41 either party by giving written notice to the other party at least one hundred and eighty (180) days prior to
said termination date. Upon termination of this Lease, COUNTY shall remove all COUNTY-owned
43 property and equipment from the Premises in a timely manner.

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10. CONSIDERATION (N)

In consideration of the free library services provided by COUNTY, COUNTY's use of the Premises shall be rent-free throughout the term of this Lease and any extension thereof.

11. REIMBURSEMENT FOR USE OF COMMUNITY CENTER (N)

COUNTY and CITY agree that COUNTY shall reimburse CITY the sum of Three Thousand Five Hundred Dollars (\$3,500) per month for the cost of repairs and maintenance, utilities and janitorial services supplied to the Premises.

It is mutually understood and agreed that the cost of all repairs and maintenance, utilities, and janitorial services supplied to the Premises is included in the \$3,500 monthly reimbursement amount and that COUNTY shall not be responsible to reimburse any costs in excess of said monthly amount.

To obtain reimbursement, CITY (or CITY's designee) shall submit to OC Public Libraries, in a form acceptable to said OC Public Libraries, a written claim each month for said reimbursement.

Payment shall be due and payable within twenty (20) days after the first day of the month following the month earned or receipt of CITY's written claim by OC Public Libraries, whichever date is later.

12. ALTERATIONS (4.4 N)

Subject to prior CITY approval, COUNTY may make improvements and changes in the Premises, and unless otherwise mutually agreed, said improvements and changes shall be made at no cost to CITY, including but not limited to the installation of fixtures, partitions, counters, shelving, and equipment as deemed necessary or appropriate. It is agreed that any such fixtures, partitions, counters, shelving, or equipment attached to or placed upon the Premises by COUNTY shall be considered as personal property of COUNTY, who shall have the right to remove same. COUNTY agrees that the Premises shall be left in as good condition as when received, reasonable wear and tear excepted. All such improvements and changes in the Premises that require permits shall be completed in conformance with all applicable state and local laws, regulations, and ordinances.

13. REPAIR, MAINTENANCE, AND JANITORIAL SERVICES (5.1 N)

CITY shall provide at its own cost and expense all repair, maintenance, (including fire extinguishers), and janitorial supplies and services to Premises, including but not limited to the replacement, repair and maintenance of the Heating, Ventilation, Air Conditioning ("HVAC") system, as necessary.

The HVAC system serving the Premises shall be capable of maintaining the Premises at 78° Dry Bulb at a maximum range of 40% to 60% Relative humidity during the summer when the outdoor temperature is 95° Dry Bulb, and at 68° Dry Bulb in the winter when the outside temperature is 35° Dry Bulb.

If CITY fails to provide satisfactory repair, maintenance, and janitorial services to the Premises, COUNTY's County Librarian may notify CITY in writing; and if CITY does not instigate measures to provide satisfactory service and/or to remedy the unsatisfactory conditions within four (4) days after COUNTY has placed such notice in the mail to CITY directed to the address shown for CITY in the clause

entitled (NOTICES) below, or has personally delivered such notice to CITY, COUNTY may provide the repair, maintenance, and/or janitorial service necessary to remedy the unsatisfactory condition and assure satisfactory service or have others do so, and deduct the cost thereof, including labor, materials, and overhead from any reimbursement payable to CITY.

If CITY fails to provide satisfactory janitorial supplies to Premises, COUNTY's County Librarian may notify CITY either verbally or in writing; and if CITY does not provide janitorial supplies within twenty-four (24) hours after CITY has received such notice from COUNTY, COUNTY may provide the janitorial supplies necessary or have others do so, and deduct the cost thereof, including labor, materials, and overhead, from any reimbursement payable to CITY.

If CITY or its representative cannot be contacted by COUNTY for emergency repairs and/or services the same day any emergency repairs and/or services are necessary to remedy the emergency condition, or if CITY following such contact by COUNTY is unable or refuses to make the necessary repairs or provide the necessary services, COUNTY may at its option have the necessary repairs made and/or provide services to remedy the emergency condition, and deduct the cost thereof, including labor, materials, and overhead from any reimbursement payable to CITY.

Should COUNTY be forced to shut down its operations within the Premises due to CITY's failure to provide services required by this clause, CITY shall be responsible for the cost, to the COUNTY, of such a shutdown.

14. UTILITIES (5.2 N)

CITY shall be responsible for and pay, prior to the delinquency date, all charges for utilities supplied to the Premises except telephone and high speed Internet, which shall be the obligation of COUNTY. Should CITY fail to provide, or pay for (prior to delinquency date), utility service to the Premises, COUNTY may provide such service and deduct the cost thereof, including overhead, from any reimbursement payable to CITY.

15. INSURANCE (5.3 N)

Property/Fire Insurance: CITY shall obtain and keep in force during the term of this Lease a policy or policies of property and fire insurance with extended coverage, covering the loss or damage to the Premises to the full insurable value of the improvements located on the Premises (including the full value of all improvements and fixtures owned by CITY) at least in the amount of the full replacement cost thereof, and in no event less than the total amount required by any lender holding a security interest, against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, special extended perils ("all risk" as such term is used in the insurance industry, including earthquake and flood) and shall name the COUNTY as an additional insured.

Included in the policy or policies of property and fire insurance shall be a standard waiver of right of subrogation against COUNTY by the insurance company issuing said policy or policies. CITY shall provide COUNTY with evidence of compliance with these requirements.

CITY's insurance (a) shall be in a form satisfactory to COUNTY and carried with a company (or companies) acceptable to COUNTY and licensed to do business in the state of California, (b) shall provide

1 that such policies shall not be subject to material alteration or cancellation without at least thirty (30) days
3 prior written notice to COUNTY, and (c) shall be primary, and any insurance carried by COUNTY shall be
5 non-contributing. CITY's policy or policies, or duly executed certificates for them, shall be deposited with
7 COUNTY prior to the Commencement Date of this Lease, and prior to renewal of such policies. If CITY
fails to procure and maintain the insurance required to be procured by CITY under this Lease, COUNTY
may, but shall not be required to, order such insurance and deduct the cost thereof plus any COUNTY
administrative charges from any reimbursement payable to CITY.

9 Liability Insurance: CITY shall obtain and keep in force during the term of this Lease a policy or policies
11 of commercial general liability insurance covering all injuries occurring within the building and the
13 Premises. The policy or policies evidencing such insurance shall name COUNTY as an additional insured,
15 shall provide that same may not be cancelled or amended without thirty (30) days prior written notice to
17 COUNTY, and shall provide for a combined coverage of bodily injury and property damage in the amount
of not less than One Million Dollars (\$1,000,000). Such policy or policies shall be issued by an insurance
company licensed to do business in the State of California and in a form acceptable to COUNTY. Prior to
the Commencement Date of this Lease and upon renewal of such policies, CITY shall submit to COUNTY
suitable evidence that the foregoing policy or policies are in effect.

19 If CITY is self-insured, CITY shall provide COUNTY with a written acknowledgement of this fact at the
21 time of execution of this Lease. CITY shall annually thereafter, on the anniversary of the date of this Lease,
23 provide COUNTY with a written acknowledgement of the continuation of its self-insured status. If, at any
time after the execution of this Lease, CITY abandons its self-insured status, CITY shall immediately notify
COUNTY of this fact.

25 16. INDEMNIFICATION (5.5A S)

27 COUNTY shall defend, indemnify and save harmless CITY, its officers, agents, and employees, from and
29 against any and all claims, demands, losses, or liabilities of any kind or nature which CITY, its officers,
31 agents, and employees may sustain or incur or which may be imposed upon them for injury to or death of
persons, or damage to property as a result of, or arising out of, the sole negligence of COUNTY, its officers,
agents, employees, subtenants, invitees, or licensees, in connection with the occupancy and use of the
Premises by COUNTY.

35 Likewise, CITY shall defend, indemnify and save harmless COUNTY, its officers, agents, and employees
37 from and against any and all claims, demands, losses, or liabilities of any kind or nature which COUNTY,
39 its officers, agents, and employees may sustain or incur or which may be imposed upon them for injury to or
death of persons, or damage to property as a result of, or arising out of, the sole negligence of CITY, its
officers, agents, employees, invitees, or licensees, in connection with the ownership, maintenance, or use of
the Premises.

41 17. TAX EXEMPTION (5.6A N)

43 It is mutually understood and agreed that the \$3,500 monthly payment set forth in this Lease is made in
45 anticipation that the Premises shall be used for a public library and as such will be exempt from real
47 property taxes (but not from special assessments and special assessment district levies) as provided for in
Section 202 of the Revenue and Taxation Code. It is also understood and agreed that it is CITY's
responsibility to properly claim said exemption through the Orange County Assessor's Office. If CITY has

properly claimed said tax exemption and the Premises fails to qualify for said tax exemption under the above-mentioned code section, the CITY agrees to pay the real property taxes prior to delinquency. Should CITY fail to pay taxes and assessments due upon the Premises, COUNTY may pay such amount due and deduct the cost thereof, including overhead, from any reimbursement payable to CITY.

18. BUILDING AND SAFETY REQUIREMENTS (5.7 N)

During the full term of this Lease, CITY, at CITY's sole cost, agrees to maintain the Premises in compliance with all applicable laws, rules, regulations, building codes, statutes, and orders as they are applicable on the date of this Lease, and as they may be subsequently amended.

Included in this provision is compliance with the Americans with Disabilities Act ("ADA") and all other federal, state, and local codes, statutes, and orders relating to disabled access as they are applicable on the dates of this Lease, and as they may be subsequently amended.

CITY further agrees to maintain the Premises as a "safe place of employment," as defined in the California Occupational Safety and Health Act (California Labor Code, Division 5, Part 1, Chapter 3, beginning with Section 6400) and the Federal Occupational Safety and Health Act, where the provisions of such Act exceed, or supersede, the California Act, as the provisions of such Act are applicable on the date of this Lease, and as they may be subsequently amended.

In the event CITY neglects, fails, or refuses to maintain said Premises as aforesaid, COUNTY may, notwithstanding any other termination provisions contained herein:

- A. Terminate this Lease; upon written notice to the CITY; or
- B. At COUNTY's sole option, cure any such default by performance of any act, including payment of money, and deduct the cost thereof plus reasonable administrative costs from any reimbursement payable to CITY.

19. TOXIC MATERIALS (5.9 S)

COUNTY hereby warrants and represents that COUNTY will comply with all laws and regulations relating to the storage, use and disposal of hydrocarbon substances and hazardous, toxic or radioactive matter, including, but not limited to, those materials identified in Title 26 of the California Code of Regulations (collectively "Toxic Materials"). COUNTY shall be responsible for and shall defend, indemnify and hold CITY, its officers, directors, employees, agents, and representatives, harmless from and against all claims, costs and liabilities, including attorneys' fees and costs arising out of or in connection with the storage, use, and disposal of Toxic Materials on the Premises by COUNTY. If the storage, use, and disposal of Toxic Materials on the Premises by COUNTY results in contamination or deterioration of water or soil resulting in a level of contamination greater than maximum allowable levels established by any governmental agency having jurisdiction over such contamination, COUNTY shall promptly take any and all action necessary to clean up such contamination.

Likewise, CITY hereby warrants and represents that CITY has in the past and will hereafter comply with all laws and regulations relating to the storage, use and disposal of "Toxic Materials". CITY shall be responsible for and shall defend, indemnify and hold COUNTY, its officers, directors, employees, agents,

1 and representatives, harmless from and against all claims, costs and liabilities, including attorneys' fees and
costs arising out of or in connection with the previous, current and future storage, use and disposal of Toxic
3 Materials on the Premises (or building if the Premises comprises only a portion of said building) by CITY.
If the previous, current and future storage, use, and disposal of Toxic Materials on the Premises by CITY
5 results in contamination or deterioration of water or soil resulting in a level of contamination greater than
maximum allowable levels established by any governmental agency having jurisdiction over such
7 contamination, CITY shall promptly take any and all action necessary to clean up such contamination.

9 20. SUBORDINATION, ATTORNMENT AND NON-DISTURBANCE (6.4 N)

11 This Lease and all rights of the COUNTY hereunder are subject and subordinate to the Lease Agreement
between the Laguna Hills Public Improvement Corporation and CITY dated February 1, 2010.

13 This Lease and all rights of the COUNTY hereunder are subject and subordinate to any mortgage or deed of
trust which does now or may hereafter cover the Premises or any interest of CITY therein, and to any and
15 all advances made on the security thereof, and to any and all increases, renewals, modifications,
consolidations, replacements and extensions of any such mortgage or deed of trust except, insofar as
17 COUNTY is meeting its obligations under this Lease, any foreclosure of any mortgage or deed of trust shall
not result in the termination of this Lease or the displacement of COUNTY.

21 In the event of transfer of title of the Premises, including any proceedings brought for foreclosure or in the
event of the exercise of the power of sale under any mortgage or deed of trust, or by any other transfer of
23 title covering the Premises, COUNTY shall attorn to and recognize any subsequent title holder as the CITY
under all terms, covenants and conditions of this Lease. COUNTY's possession of the Premises shall not be
25 disturbed by the CITY, or its successors in interest, and this Lease shall remain in full force and effect. Said
attornment shall be effective and self-operative immediately upon succession of the current titleholder, or its
27 successors in interest, to the interest of CITY under this Lease.

29 CITY shall require all future lenders on the Premises, upon initiation of their interest in the Premises, to
enter into a *Subordination, Attornment and Non-Disturbance Agreement* with COUNTY, thereby insuring
31 COUNTY of its leasehold interests in the Premises. Said *Subordination, Attornment and Non-Disturbance*
Agreement shall be in the form of COUNTY's standard form *Subordination, Attornment and*
33 *Non-Disturbance Agreement*, attached hereto as Exhibit C and by reference made a part hereof, or in a form
approved by County Librarian, or designee, Corporate Real Estate and County Counsel.

37 Foreclosure shall not extinguish this Lease, and any lender or any third party purchasing the Premises at
foreclosure sale shall do so subject to this Lease and shall thereafter perform all obligations and be
39 responsible for all liabilities of the CITY under the terms of this Lease.

41 Upon default by CITY of any note or deed of trust, COUNTY may, at its option, make all lease payments
directly to Lender, and same shall be applied to the payment of any and all delinquent or future installments
43 due under such note or deed of trust.

21. ESTOPPEL CERTIFICATE (6.5 S)

COUNTY agrees that its County Librarian, or designee, shall furnish from time to time upon receipt of a written request from CITY or the holder of any deed of trust or mortgage covering the Premises or any interest of CITY therein, COUNTY's standard form *Estoppel Certificate* containing information as to the current status of the Lease. The *Estoppel Certificate* shall be approved by COUNTY's County Librarian, or designee, Corporate Real Estate, and County Counsel.

22. DEFAULTS AND REMEDIES (6.8 N)

The occurrence of any of the following shall constitute an event of default:

- Failure to pay any installment of any monetary amount due and payable hereunder;
- Failure to perform any obligation, agreement or covenant under this Lease.

In the event of any non-monetary breach of this Lease by COUNTY, CITY shall notify COUNTY in writing of such breach, and COUNTY shall have fifteen (15) days in which to initiate action to cure said breach.

In the event of any non-monetary breach of this Lease by CITY, COUNTY shall notify CITY in writing of such breach and CITY shall have fifteen (15) days in which to initiate action to cure said breach.

In the event of any monetary breach of this Lease by COUNTY, CITY shall notify COUNTY in writing of such breach, and COUNTY shall have fifteen (15) days in which to cure said breach, unless specified otherwise within this Lease.

In the event of any monetary breach of this Lease by CITY, COUNTY shall notify CITY in writing of such breach, and CITY shall have fifteen (15) days in which to cure said breach, unless specified otherwise within this Lease.

In the event any such monetary breach by CITY in the payment of any amounts due hereunder, is not cured within said fifteen (15) day period, COUNTY may withhold such amount from the next scheduled reimbursement payment.

23. DEBT LIMIT (6.9 N)

The obligations of COUNTY under this Lease are contingent upon State and COUNTY funds for the reimbursement of COUNTY's expenditures and inclusion of sufficient funds for the services hereunder in the budget approved by the Orange County Board of Supervisors each fiscal year this Lease remains in effect. In the event that such funding is terminated, or reduced, COUNTY may immediately terminate this Lease or reduce COUNTY's services. The decision of COUNTY shall be binding on CITY. COUNTY shall provide CITY written notice of such determination. CITY shall immediately comply with COUNTY's decision.

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1 24. LABOR CODE COMPLIANCE (6.10 S)

3 CITY acknowledges and agrees that all improvements or modifications required to be performed as a
5 condition precedent to the Commencement Date of the term of this Lease or any such future improvements
7 or modifications performed by CITY at the request of COUNTY shall be governed by, and performed in
accordance with, the provisions of Article 2 of Chapter 1, Part 7, Division 2 of the Labor Code of the State
of California (Sections 1770, et seq.). These provisions are applicable to improvements or modifications
costing more than \$1,000.

9 Pursuant to the provisions of Section 1773 of the Labor Code of the State of California, the Orange County
11 Board of Supervisors has obtained the general prevailing rate of per diem wages and the general prevailing
rate for holiday and overtime work in the locality applicable to this Lease for each craft, classification, or
13 type of workman needed to execute the aforesaid improvements or modifications from the Director of the
State Department of Industrial Relations. Copies of said prevailing wage rates may be obtained from the
15 State of California, Department of Industrial Relations, or COUNTY's OC Public Libraries.

17 CITY hereby agrees to pay or cause its contractors and/or subcontractors to pay said prevailing wage rates
at all times for all improvements or modifications to be completed for COUNTY within the Premises, and
19 CITY herein agrees that CITY shall post, or cause to be posted, a copy of the most current, applicable
prevailing wage rates at the site where the improvements or modifications are performed.

21 Prior to commencement of any improvements or modifications, CITY shall provide OC Public Libraries
23 with the applicable certified payroll records for all workers that will be assigned to the improvements or
modifications. Said payroll records shall contain, but not be limited to, the complete name, address,
25 telephone number, social security number, job classification, and prevailing wage rate for each worker.
CITY shall provide, OC Public Libraries, bi-weekly updated, certified payroll records for all workers that
27 include, but not be limited to, the weekly hours worked, prevailing hourly wage rates, and total wages paid.

29 If CITY neglects, fails, or refuses to provide said payroll records to OC Public Libraries, such occurrence
shall constitute an event of default of this Lease and COUNTY may, notwithstanding any other termination
31 provisions contained herein:

33 A. Terminate this Lease; upon written notice to CITY; or

35 B. At COUNTY's sole option, COUNTY may deduct future reimbursement payable to CITY by COUNTY
as a penalty for such non-compliance of paying prevailing wage, which reimbursement deduction would
37 be COUNTY's estimate, in its sole discretion, of such prevailing wage rates not paid by CITY.

39 Except as expressly set forth in this Lease, nothing herein is intended to grant authority for CITY to perform
improvements or modifications on space currently leased by COUNTY or for which COUNTY has entered
41 into a lease or lease amendment.

43 25. RIGHT TO WORK AND MINIMUM WAGE LAWS (6.13 N)

45 CITY and its contractors shall comply with all Federal and State of California laws as applicable to the
performance of its obligations under this lease, including but not limited to payment of minimum wage,
47

overtime pay, record keeping, and child labor standards pursuant to the servicing of the Premises or terms and conditions of this Lease.

Notwithstanding the minimum wage requirements provided for in this clause, CITY, where applicable, shall comply with the prevailing wage and related requirements, as provided for in the Clause entitled (LABOR CODE COMPLIANCE) of this Lease.

26. EXECUTION IN PART (N)

This Lease may be executed in counterparts, each of which, when both the Parties hereto have signed this Lease, shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

27. NOTICES (8.1 S)

All written notices pursuant to this Lease shall be addressed as set forth below or as either party may hereafter designate by written notice and shall be deemed delivered upon personal delivery, delivery by facsimile machine, or seventy-two (72) hours after deposit in the United States Mail.

TO: CITY

City of Laguna Hills
25201 Paseo De Alicia, Suite 150
Laguna Hills, CA 92653
Attn: City Manager

TO: COUNTY

County of Orange
OC Community Resources/OC Public Libraries
1501 E. St. Andrew Place
Santa Ana, CA 92705
Attn: County Librarian

28. ATTACHMENTS (8.2 S)

This Lease includes the following, which are attached hereto and made a part hereof:

I. GENERAL CONDITIONS

II. EXHIBITS

- A. Description - Premises
- B. Plot Plan - Premises
- C. Subordination, Attornment, and Non-Disturbance Agreement

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

APPROVED AS TO FORM:

CITY

OFFICE OF COUNTY COUNSEL
ORANGE COUNTY, CALIFORNIA

CITY OF LAGUNA HILLS

APPROVED AS TO FORM:

By: 
Deputy County Counsel

By: _____
Gregory E. Simonian, City Attorney

Date: 12/22/14

Date: _____

RECOMMENDED FOR APPROVAL:

By: _____
Dore Gilbert, M.D., Mayor

OC Public Libraries

Date: _____

By: 
Helen Fried, County Librarian

Attest:

By: _____
Peggy J. Johns, City Clerk

Signed and certified that a copy of this document has
been delivered to the Chair of the Board per G.C.
Sec. 25103, Resolution 79-1535

Attest:

COUNTY

COUNTY OF ORANGE

Susan Novak
Clerk of the Board of Supervisors
Orange County, California

Chair, Board of Supervisors

GENERAL CONDITIONS (9.1 S – 9.18 S)

1. LEASE ORGANIZATION (9.1 S)

The various headings in this Lease, the numbers thereof, and the organization of the Lease into separate sections and paragraphs are for purposes of convenience only and shall not be considered otherwise.

2. INSPECTION (9.2 S)

CITY or its authorized representative shall have the right at all reasonable times and upon reasonable advance notice to COUNTY to inspect the Premises to determine, if COUNTY is complying with all the provisions of this Lease.

3. SUCCESSORS IN INTEREST (9.3 S)

Unless otherwise provided in this Lease, the terms, covenants, and conditions contained herein shall apply to and bind the heirs, successors, executors, administrators, and assigns of all the parties hereto, of whom all shall be jointly and severally liable hereunder.

4. DESTRUCTION OF OR DAMAGE TO PREMISES (9.4 S)

"Partial Destruction" of the Premises shall mean damage or destruction to the Premises, for which the repair cost is less than 25 percent of the then replacement cost of the Premises (including tenant improvements), excluding the value of the land.

"Total Destruction" of the Premises shall mean damage or destruction to the Premises, for which the repair cost is 25 percent or more of the then replacement cost of the Premises (including tenant improvements), excluding the value of the land.

In the event of a Partial Destruction of the Premises, CITY shall immediately pursue completion of all repairs necessary to restore the Premises to the condition which existed immediately prior to said Partial Destruction. Said restoration work (including any demolition required) shall be completed by CITY, at CITY's sole cost, within sixty (60) days of the occurrence of said Partial Destruction or within an extended time frame as may be authorized, in writing, by COUNTY. The Partial Destruction of the Premises shall in no way render this Lease null and void; however, reimbursement payable by COUNTY under the Lease shall be abated in proportion to the extent COUNTY's use and occupancy of the Premises is adversely affected by said Partial Destruction, demolition, or repair work required thereby. Should CITY fail to complete necessary repairs, for any reason, within sixty (60) days, or other time frame as may be authorized by COUNTY, COUNTY may, at COUNTY's sole option, terminate the Lease or complete necessary repair work and deduct the cost thereof, including labor, materials, and overhead from any reimbursement thereafter payable.

In the event of Total Destruction of the Premises or the Premises being legally declared unsafe or unfit for occupancy, this Lease shall in no way be rendered null and void and CITY shall immediately instigate action to rebuild or make repairs, as necessary, to restore the Premises (including replacement of all tenant improvements) to the condition which existed immediately prior to the destruction. All reimbursement payable by COUNTY shall be abated until complete restoration of the Premises is accepted by COUNTY. In the event CITY refuses

to diligently pursue or is unable to restore the Premises to a condition suitable for being occupied (including replacement of all tenant improvements) within 180 days of the occurrence of said destruction or within an extended time frame as may be authorized, in writing, by COUNTY, COUNTY may, at COUNTY's sole option, terminate this Lease or complete the restoration and deduct the entire cost thereof, including labor, materials, and overhead from any reimbursement payable thereafter.

Further, CITY, at COUNTY's request, shall provide a suitable, COUNTY-approved temporary facility ("Facility") for COUNTY's use during the restoration period for the Premises. The Facility may be leased, at market rate, under a short term lease, for which the COUNTY will reimburse CITY the cost thereof, on a monthly basis.

5. AMENDMENT (9.5 S)

This Lease sets forth the entire agreement between CITY and COUNTY and any modification must be in the form of a written amendment.

6. PARTIAL INVALIDITY (9.6 S)

If any term, covenant, condition, or provision of this Lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired, or invalidated thereby.

7. CIRCUMSTANCES WHICH EXCUSE PERFORMANCE (9.7 S)

If either party hereto shall be delayed or prevented from the performance of any act required hereunder by reason of acts of God, performance of such act shall be excused for the period of the delay; and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. Financial inability shall not be considered a circumstance excusing performance under this Lease.

8. STATE AUDIT (9.8 S)

Pursuant to and in accordance with Section 8546.7 of the California Government Code, in the event that this Lease involves expenditures and/or potential expenditures of State funds aggregating in excess of Ten Thousand Dollars (\$10,000), CITY shall be subject to the examination and audit of the Auditor General of the State of California for a period of three (3) years after final payment by COUNTY to CITY under this Lease. The examination and audit shall be confined to those matters connected with the performance of the contract, including, but not limited to, the costs of administering the contract.

9. WAIVER OF RIGHTS (9.9 S)

The failure of CITY or COUNTY to insist upon strict performance of any of the terms, conditions, and covenants in this Lease shall not be deemed a waiver of any right or remedy that CITY or COUNTY may have, and shall not be deemed a waiver of any right or remedy for a subsequent breach or default of the terms, conditions, and covenants herein contained.

1 10. HOLDING OVER (9.10 S)

3 In the event COUNTY shall continue in possession of the Premises after the term of this Lease, such possession
5 shall not be considered a renewal of this Lease but a tenancy from month to month and shall be governed by the
conditions and covenants contained in this Lease.

7 11. HAZARDOUS MATERIALS (9.11 S)

9 CITY warrants that the Premises is free and clear of all hazardous materials or substances.

11 12. EARTHQUAKE SAFETY (9.12 S)

13 CITY warrants that the Premises is in compliance with all applicable seismic safety regulations and building
15 codes.

17 13. QUIET ENJOYMENT (9.13 S)

19 CITY agrees that, subject to the terms, covenants and conditions of this Lease, COUNTY may, upon observing
21 and complying with all terms, covenants and conditions of this Lease, peaceably and quietly occupy the
Premises.

23 14. WAIVER OF JURY TRIAL. (9.15 S)

25 Each party acknowledges that it is aware of and has had the advice of Counsel of its choice with respect to its
rights to trial by jury, and each party to the extent permitted by applicable law, for itself and its successors and
27 assigns, does hereby expressly and knowingly waive and release all such rights to trial by jury in any action,
proceeding or counterclaim brought by any party hereto against the other (and/or against its officers, directors,
29 employees, agents, or subsidiary or affiliated entities) on or with regard to any matters whatsoever arising out of
or in any way connected with this agreement and/or any claim of injury or damage.

31 15. GOVERNING LAW AND VENUE. (9.16 N)

33 This agreement has been negotiated and executed in the State of California and shall be governed by and
construed under the laws of the State of California. In the event of any legal action to enforce or interpret this
35 agreement, the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County,
California, and the parties hereto agree to and do hereby submit to the jurisdiction of such court, notwithstanding
37 Code of Civil Procedure section 394. The parties hereby agree that in the event of any legal action to enforce or
interpret this agreement, each party shall bear its own attorney's fees.

41 16. TIME (9 S)

43 Time is of the essence of this Lease.

45 17. PAYMENT CARD COMPLIANCE (9.18 S)

47 Should CITY conduct credit/debit card transactions in conjunction with their business with the COUNTY, on
behalf of the COUNTY, or as part of the business that they conduct, CITY covenants and warrants that it is

1 currently Payment Card Industry Data Security Standard (PCI DSS) and Payment Application Data Security
3 Standard (PA DSS) compliant and will remain compliant during the entire duration of this Lease. CITY agrees
5 to immediately notify COUNTY in the event LESSOR should ever become non-compliant, and will take all
such interruption.

7 Upon demand by COUNTY, CITY shall provide to COUNTY written certification of CITY's PCI DSS and/or
9 PA DSS compliance.

11 18. COOPERATION (N)

13 COUNTY and CITY agree to mutually cooperate and take any and all action necessary to achieve the purposes
of this Lease.

15 19. INTEGRATION (N)

17 This agreement, together with any exhibit(s) attached hereto (which are incorporated by reference), fully
19 expresses all understandings between COUNTY and CITY with respect to the subject matter herein and
supersedes all prior and contemporaneous understandings or agreements regarding this subject matter.

21 20. INSPECTION OF PREMISES BY A CERTIFIED ACCESS SPECIALIST (N)

23 Pursuant to California Civil Code 1938, CITY hereby represents that the Premises has not undergone inspection
25 by a Certified Access Specialist.

27 //

29 //

31 //

EXHIBIT A

LEASE DESCRIPTION (11.1 N)

PROJECT NO: LTK 77-L-B-2

DATE: December 22, 2014

PROJECT: Laguna Hills Technology Library

VERIFIED BY: Heather Condon

All the Premises shown crosshatched on a plot plan marked Exhibit B, attached hereto and made a part hereof, being that certain two (2) story building located at 25555 Alicia Parkway, in the City of Laguna Hills, County of Orange, State of California, together with the in-common use of the parking lots adjacent to the Community Center and within the Community Park.

NOT TO BE RECORDED

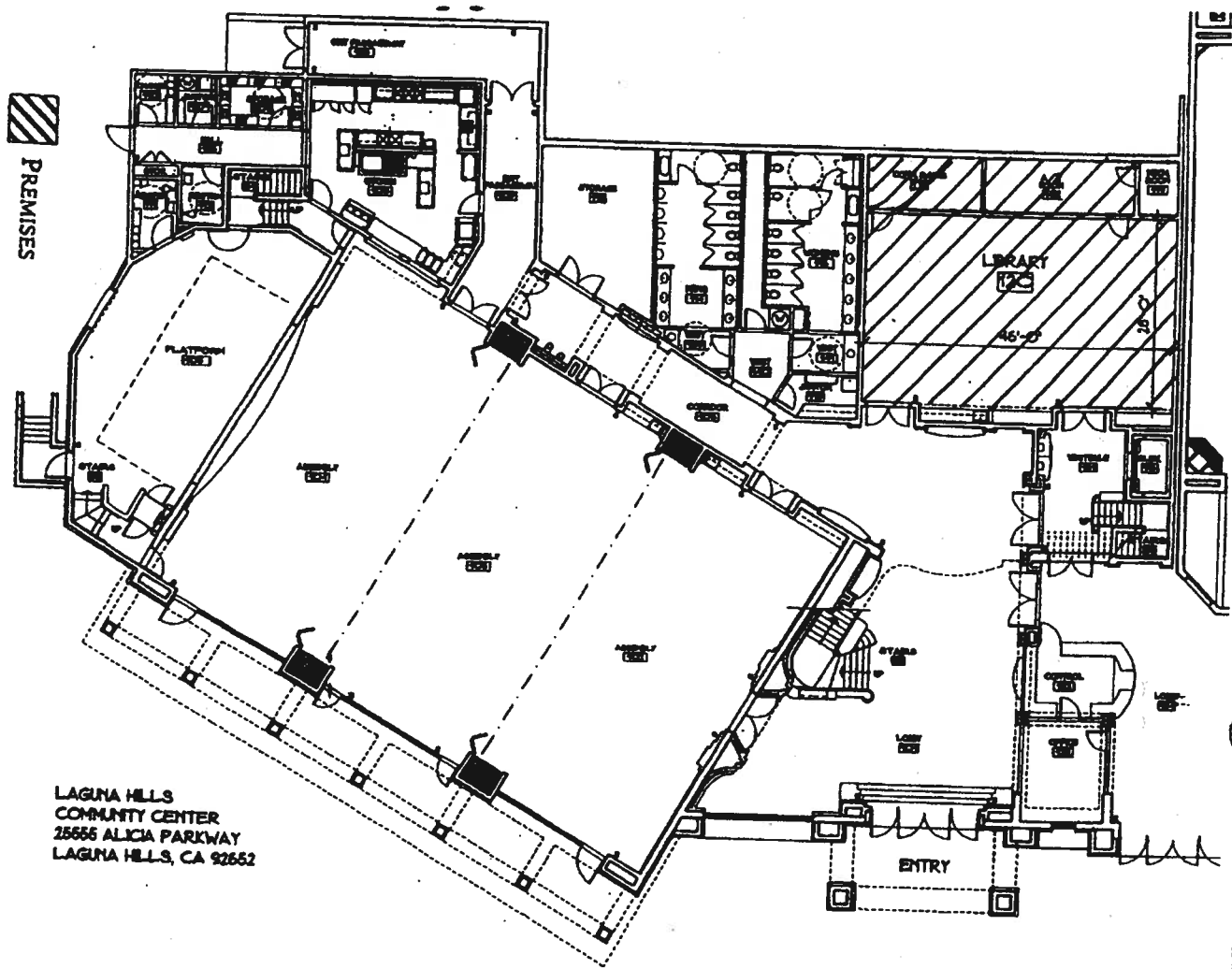


EXHIBIT B

LTK 77-L-B-2 Laguna Hills Technology Library Laguna Hills, CA	Prepared By: H. Condon	COUNTY OF ORANGE OC Community Resources OC Public Libraries
	Checked By: J. Beck	
	Date: 12/22/2014	

EXHIBIT C

Project/Parcel No.: LTK 77-L-B-2

Project Name: Laguna Hills Technology Library

SUBORDINATION, ATTORNMENT AND NON-DISTURBANCE AGREEMENT

THIS IS A SUBORDINATION, ATTORNMENT AND NON-DISTURBANCE AGREEMENT, made _____, 20__, by and between the County of Orange ("COUNTY") and _____ ("LENDER").

A. By lease dated _____, ("Lease"), _____ ("CITY") leased to COUNTY and COUNTY leased from Lessor those certain Premises described as:

B. LENDER is the holder or about to become the holder of a mortgage or Deed of Trust ("Note") which constitutes or will constitute a lien against the Premises leased by COUNTY pursuant to the aforesaid Lease.

C. LENDER has requested that _____ execute a Subordination, Attornment and Non-Disturbance Agreement in accordance with the terms of the Lease.

NOW, THEREFORE, the parties hereto do hereby agree as follows:

1. Subject to the terms and conditions of the Lease, all rights of COUNTY thereunder are or shall become subordinate to the Note and to any and all advances made on the security thereof, and to any and all increases, renewals, modifications, consolidations, replacements and extensions thereof.
2. In the event that LENDER succeeds to the interest of lessor under the Lease, by reason of foreclosure of the Note, by other proceedings brought to enforce any rights of LENDER under the Note, by deed in lieu of foreclosure, or by any other method, COUNTY shall promptly attorn to LENDER under all of the terms, covenants, and conditions of the Lease for the balance of the then-current term (and any extension or renewals thereof which may be effective in accordance with any option therefor contained in the Lease), with the same force and effect as if LENDER were the Lessor under the Lease. LENDER or its successors in interest shall not disturb the interests of COUNTY under said Lease, but shall allow said interests to continue in full force and effect for the balance of the then-current term and any extension available to COUNTY which may be provided in accordance with the Lease. Said attornment shall be effective and self-operative immediately upon LENDER'S succession to the interest of CITY under the Lease.
3. This agreement may not be modified orally or in any manner other than by written agreement signed by the parties hereto or their respective successors or assigns. All of the terms, covenants, and conditions herein shall run with the land and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

COUNTY:

COUNTY OF ORANGE

By: _____ Date: _____
County Librarian

By: _____ Date: _____
Director,
CEO/Purchasing and Real Estate

APPROVAL AS TO FORM
COUNTY COUNSEL

By: _____ Date: _____
Deputy

LENDER:

By: _____

Print Name: _____
Title: _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING RESOLUTION NO. 2013-09-10-1 TO PROVIDE FOR ONE ADDITIONAL HOLIDAY IN 2014 AND TO IMPLEMENT A FLEXIBLE SPENDING ACCOUNT FOR MANAGEMENT, CONFIDENTIAL AND PART-TIME EMPLOYEES.

3.14 AUTHORIZATION TO CLOSE CITY HALL ON DECEMBER 26, 2014

THE CITY COUNCIL ADOPTED RESOLUTION NO. 2014-12-09-5, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AUTHORIZING THE CLOSURE OF THE LAGUNA HILLS' CITY HALL ON DECEMBER 26, 2014, THE DAY AFTER CHRISTMAS."

3.15 AWARD OF CONTRACT FOR CITY WEBSITE REDESIGN AND DEVELOPMENT PROJECT

THAT THE CITY COUNCIL APPROVED THE CONSULTING SERVICES AGREEMENT WITH CIVICPLUS FOR CITY WEBSITE REDESIGN AND DEVELOPMENT AND AUTHORIZED THE CITY MANAGER TO EXECUTE THE AGREEMENT.

3.16 MEASURE M2 EXPENDITURE REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

THE CITY COUNCIL: (1) APPROVED THE MEASURE M2 EXPENDITURE REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, FOR SUBMITTAL TO OCTA; AND (2) ADOPTED RESOLUTION NO. 2014-12-09-6, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, CONCERNING THE MEASURE M2 EXPENDITURE REPORT FOR THE CITY OF LAGUNA HILLS FOR FISCAL YEAR ENDING JUNE 30, 2014.

4. PLANNING AGENCY

Mayor Gilbert recessed the City Council meeting and acting in the capacity of Chair, called the regular meeting of the Planning Agency of the City of Laguna Hills, California, to order at 8:10 PM.

4.1 ROLL CALL OF PLANNING AGENCY MEMBERS

Present: Chair Gilbert, Vice Chair Kogerman, Agency Member Blount, Agency Member Carruth, and Agency Member Sedgwick

4.2 PUBLIC COMMENTS

There were no Public Comments.

4.3 APPROVAL OF MINUTES FOR NOVEMBER 25, 2014

**THE PLANNING AGENCY APPROVED THE MINUTES OF THE NOVEMBER 25, 2014, REGULAR MEETING, BY M/AGENCY MEMBER CARRUTH, S/VICE CHAIR KOGERMAN.
APPROVED BY A VOTE OF 5-0.**

4.4 ADMINISTRATIVE REPORTS

There were no Administrative Reports.

4.5 PLANNING AGENCY PUBLIC HEARINGS

There were no Planning Agency Public Hearings.

PLANNING AGENCY ADJOURNMENT

Mayor Gilbert reconvened the City Council meeting at 8:11 PM. All Council Members were present.

5. CITY COUNCIL PUBLIC HEARINGS

There were no City Council Public Hearings.

6. ADMINISTRATIVE REPORTS

6.1 City Manager

6.1.1 2014 CITY MANAGER'S YEAR END REPORT

**THE CITY COUNCIL RECEIVED AND FILED THE 2014 CITY MANAGER'S YEAR END REPORT, BY M/COUNCIL MEMBER CARRUTH, S/COUNCIL MEMBER BLOUNT.
APPROVED BY A VOTE OF 5-0.**

7. MATTERS AGENDIZED AND PRESENTED BY CITY COUNCIL MEMBERS AND MAYOR

There were no matters agendized and presented by City Council Members and Mayor.

8. CITY COUNCIL MEMBER COMMENTS

COUNCIL MEMBER CARRUTH

Council Member Carruth had questions regarding fines and forfeitures on the CAFR Financial section.

COUNCIL MEMBER BLOUNT

Council Member Blount had questions regarding the fines and forfeitures on the CAFR Financial section.



City of Laguna Hills

City Council Meeting Agenda

Staff Report

DATE: JANUARY 13, 2015

TO: MAYOR AND COUNCIL MEMBERS

**FROM: GREGORY E. SIMONIAN
CITY ATTORNEY**

**ISSUE: AN ORDINANCE AMENDING SECTION 1-32.050 OF CHAPTER 1-32 OF
TITLE 1 OF THE LAGUNA HILLS MUNICIPAL CODE RELATING TO
RECOVERY OF ATTORNEYS' FEES IN NUISANCE ABATEMENT ACTIONS**

**RECOMMENDATION: THAT THE CITY COUNCIL INTRODUCE FOR FIRST
READING, READ BY TITLE ONLY, AND WAIVE FURTHER READING AN ORDINANCE
ENTITLED: "AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA,
AMENDING SECTION 1-32.050 (RECOVERY OF NUISANCE ABATEMENT
EXPENSES) OF CHAPTER 1-32 (GENERAL PENALTY) OF TITLE 1 (GENERAL
PROVISIONS) OF THE LAGUNA HILLS MUNICIPAL CODE RELATING TO
RECOVERY OF ATTORNEYS' FEES IN NUISANCE ABATEMENT ACTIONS.**

SUMMARY:

The adoption of this proposed Ordinance allows for the City to recover attorneys' fees in any nuisance abatement action should the City elect at the initiation of that action to seek the recovery. Further, this Ordinance provides for the recovery of attorneys fees' to be reciprocal and caps the City's liability should it not prevail in the action at the amount of attorneys' fees incurred by the City. This amendment to the Laguna Hills Municipal Code is necessary to bring the code into compliance with Government Code Section 38773.5(b) and the California Court of Appeal's decision in *City of Monte Sereno v. Padgett*, 149 Cal.App.4th 1530 (2007).

BACKGROUND:

The adoption of this proposed Ordinance allows for the City to recovery attorneys' fees in any nuisance abatement action should the City elect at the initiation of that action to seek the recovery. Further, this Ordinance provides for the recovery of attorneys fees' to be reciprocal and caps the City's liability should it not prevail in the action at the amount of attorneys' fees incurred by the City. This amendment to the Laguna Hills Municipal Code is necessary to bring the code into compliance with Government Code Section 38773.5(b)

and the California Court of Appeal's decision in *City of Monte Sereno v. Padgett*, 149 Cal.App.4th 1530 (2007).

The City's code already allows the City to recover legal fees and related costs when it prevails in nuisance abatement actions; however, it has become necessary to reword the Ordinance in order to provide for the recovery of attorneys' fees by the prevailing party. Since the City prevails in the vast majority of nuisance abatement actions, the proposed code amendment will be of financial benefit to the City. Therefore, it is recommended that the City Council adopt the proposed Ordinance adding Subdivision (E) to Section 1-32.050 of the Laguna Hills Municipal Code to provide for the recovery of attorneys' fees by the prevailing party in selected nuisance abatement actions and proceedings.

ATTACHMENTS:

- Proposed Ordinance

ORDINANCE NO. 2015-_____

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING SECTION 1-32.050 (RECOVERY OF NUISANCE ABATEMENT EXPENSES) OF CHAPTER 1-32 (GENERAL PENALTY) OF TITLE 1 (GENERAL PROVISIONS) OF THE LAGUNA HILLS MUNICIPAL CODE RELATING TO RECOVERY OF ATTORNEYS' FEES IN NUISANCE ABATEMENT ACTIONS

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. Section 1-32.050 (Recovery of Nuisance Abatement Expenses) of Chapter 1-32 (General Penalty) of Title 1 (General Provisions) of the Laguna Hills Municipal Code relating to recovery of attorneys' fees in nuisance abatement actions is hereby amended. Subsection (E) is hereby added to Section 1-32.050 of the Laguna Hills Municipal Cod to read as follows:

E. Pursuant to Government Code section 38773.5(b), the City may recover attorneys' fees in any action, administrative proceeding, or special proceeding to abate a nuisance. The recovery of attorneys' fees shall be by the prevailing party and shall be limited to those individual actions or proceedings in which the City elects, at the initiation of that individual action or proceeding, to seek recovery of its own attorneys' fees. In no action, administrative proceeding, or special proceeding shall an award of attorneys' fees to the prevailing party exceed the amount of reasonable attorneys' fees expended by the City in the action or proceeding. Any reference made in this Code to the authority of the City to recover attorneys' fees in connection with a nuisance abatement action or proceeding shall be subject to the provisions of this section.

SECTION 2. If any section, subsection, subdivision, sentence, clause, phrase, or portion of this Ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more section, subsection, subdivision, sentence, clause, phrase, or portion thereof be declared invalid or unconstitutional.

SECTION 3. The City Clerk shall certify to the adoption of this Ordinance and cause the same to be posted at the duly designated posting places within the City and published once within fifteen days after passage and adoption as may be required by law; or, in the alternative, the City Clerk may cause to be published a summary of this Ordinance and a certified copy of the text of this Ordinance shall be posted in the Office of the City Clerk five days prior to the date of adoption of this Ordinance; and, within fifteen days after adoption, the City Clerk shall cause to be published, the aforementioned summary and shall post a certified copy of this Ordinance, together with the vote for and against the same, in the Office of the City Clerk.

PASSED, APPROVED, AND ADOPTED this _____ day of _____ 2015.

DORE J. GILBERT, M.D., MAYOR

ATTEST:

PEGGY J. JOHNS, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Peggy J. Johns, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing Ordinance No. 2015- _ was duly introduced and placed upon its first reading at a Regular Meeting of the City Council on the 13th day of January 2015, and that thereafter, said Ordinance was duly adopted and passed at a Regular Meeting of the City Council held on the 27th day of January 2015, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

PEGGY J. JOHNS, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

AFFIDAVIT OF POSTING
AND PUBLICATION

PEGGY J. JOHNS, being first duly sworn, deposes and says:

That she is the duly appointed and qualified City Clerk of the City of Laguna Hills;

That in compliance with State Laws of the State of California, ORDINANCE NO. 2015-x, being:

AN ORDINANCE OF THE CITY OF LAGUNA HILLS,
CALIFORNIA, AMENDING SECTION 1-32.050
(RECOVERY OF NUISANCE ABATEMENT EXPENSES)
OF CHAPTER 1-32 (GENERAL PENALTY) OF TITLE 1
(GENERAL PROVISIONS) OF THE LAGUNA HILLS
MUNICIPAL CODE RELATING TO RECOVERY OF
ATTORNEYS' FEES IN NUISANCE ABATEMENT
ACTIONS

on the 6th day of February 2015, was published in the Saddleback Valley News; and was, in compliance with City Resolution No. 2004-05-25-2, on the 28th day of January 2015, caused to be posted in three places in the City of Laguna Hills, to wit:

Laguna Hills City Hall
Laguna Hills Community Center
The Courtyard at La Paz Center

PEGGY J. JOHNS, CITY CLERK
Laguna Hills, California



City of Laguna Hills

City Council Meeting Agenda

Staff Report

DATE: JANUARY 13, 2015

TO: MAYOR AND COUNCIL MEMBERS

FROM: PEGGY J. JOHNS
CITY CLERK

ISSUE: CITY COUNCIL "OTHER AGENCIES" APPOINTED REPRESENTATIVES

RECOMMENDATION: THAT THE CITY COUNCIL TAKE THE FOLLOWING ACTIONS:

(1) REVIEW THE CITY OF LAGUNA HILLS CITY COUNCIL "OTHER AGENCIES" APPOINTED REPRESENTATIVES LIST, PROVIDE DIRECTION TO STAFF REGARDING CHANGES FOR APPOINTMENTS ON THE LIST, AND BY MOTION, APPROVE THE CITY COUNCIL "OTHER AGENCIES" APPOINTED REPRESENTATIVES LIST, AS REVISED BY THE CITY COUNCIL;

(2) APPOINT A NEW REPRESENTATIVE AND ALTERNATE TO THE ORANGE COUNTY FIRE AUTHORITY'S BOARD OF DIRECTORS, AND ADOPT A RESOLUTION ENTITLED: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DESIGNATING AND APPOINTING ITS REPRESENTATIVE AND ALTERNATE TO THE ORANGE COUNTY FIRE AUTHORITY'S BOARD OF DIRECTORS;" AND

(3) APPROVE AND DIRECT THE CITY CLERK TO PREPARE AND POST AN UPDATED FPPC DISCLOSURE FORM 806 TO REFLECT ALL PAID APPOINTMENTS TO "OTHER AGENCIES" BOARDS, COMMITTEES, AND/OR COMMISSIONS IN ACCORDANCE WITH STATE LAW.

SUMMARY:

Every year the City Council is given the opportunity to review the "Other Agencies" list of Commissions, Boards, Committees, etc., to which it appoints individuals to represent the City during the forthcoming year. With the departure of Council Member Bressette, there are two appointments that are required at this time for his replacement: Orange County Fire Authority (OCFA) Director, and City Audit Committee Member.

ORANGE COUNTY FIRE AUTHORITY

Council Member Bressette has served as Director since 2010, and this past year Council Member Gilbert has served as the Alternate Director. It is necessary that a new Director and Alternate Director be selected as this time. The action of the City Council to appoint a new Director and Alternate Director will need to be formalized by Resolution, which approval will require a recorded majority vote of the total membership of the City Council. Attached to this report is the Resolution which would formalize City Council's change in designated positions.

ORANGE COUNTY COUNCIL OF GOVERNMENTS (OCCOG) BOARD OF DIRECTORS/SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS (SCAG) REGIONAL COUNCIL

Council Member Kogerman has submitted her nomination as Representative for District 13 OCCOG Board of Directors/SCAG Regional Council. The District election for this position will be held on January 22, 2015, at the Orange County Transportation Authority offices. District 13 represents the cities of Laguna Hills, Laguna Woods, Lake Forest, Mission Viejo, and Rancho Santa Margarita. This position was previously held by Council Member Kathryn McCullough, City of Lake Forest, who did not prevail at the November 4, 2014, Lake Forest municipal election. Membership to the OCCOG Board and SCAG Regional Council are simultaneous.

If Council Member Kogerman is successful in the election to represent District 13, then it will be necessary for the City Council to name at least one alternate, who must be an elected official from within their Regional Council District to serve as OCCOG Alternate designee. SCAG does not allow alternates to serve on the Regional Council. If Council Member Kogerman is not successful, then the City Council will need to designate a SCAG Delegate and/or Alternate to represent Laguna Hills at the SCAG Annual General Assembly meeting, to be held on May 7-8, 2015.

The Fair Political Practices Commission has mandated that Form 806 be used to report additional compensation that officials receive when appointing themselves to positions on committees, boards, or commissions of a public agency, special district and joint powers agency or authority. Each agency must post on its website a single Form 806 which lists all the paid appointed positions. When there is a change in compensation or a new appointment, Form 806 must be updated to reflect the change. Form 806 must be updated promptly as changes occur. Attached to this report is a copy of the currently posted Form 806.

ATTACHMENTS:

- "Other Agencies" Appointed Representatives List
- OCFA Resolution
- Current Form 806

CITY OF LAGUNA HILLS CITY REPRESENTATIVES

<u>NAME OF AGENCY/COMMITTEE</u>	<u>REPRESENTATIVES</u>	<u>DATE APPOINTED</u>
Association of California Cities - OC	Delegate: Mayor Alternate: Mayor Pro Tempore	01/14/1992 12/12/1995
Audit Committee	Channing Bressette Blount	03/14/1995 03/14/1995 12/11/2012
Coastal Greenbelt Authority	Representative: Carruth	12/10/2002
Laguna Canyon Foundation Advisory Council	Representative: Blount	12/11/2012
League of California Cities Voting Delegate to Annual Conference	Delegate: Current Mayor Alternate: Current Mayor Pro Tempore	12/10/2002 12/10/2002
Operational Area Council (Emergency)	Representative: Current Mayor Alternate: Current Mayor Pro Tempore	12/10/1996 12/14/1999
Orange County Fire Authority	Director : Bressette Alternate Director: Gilbert	12/13/2011 12/11/2012
OC Public Libraries Library Advisory Board	Representative: Blount Alternate: Gilbert	12/11/2012 12/11/2012
Orange County Vector Control District	Trustee Member: Kogerman	12/11/2012
South Orange County Watershed Management Area Executive Committee	Member: Carruth Alternate: Mayor	02/22/2011
Southern California Association of Governments (SCAG General Assembly)	Delegate: Mayor Alternate: Mayor Pro Tempore	12/11/2012 12/11/2012

List of City Representatives

<u>NAME OF AGENCY/COMMITTEE</u>	<u>REPRESENTATIVES</u>	<u>DATE APPOINTED</u>
Transportation Corridor Agency	Director: Carruth	12/13/2011
-San Joaquin Hills Transportation Corridor Agency	Alternate Director: Kogerman	12/10/2013

December 10, 2013
0410-30\CtyClerk\Agendas\Lst City Representatives.doc

RESOLUTION NO. 2015-01-13

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DESIGNATING AND APPOINTING ITS REPRESENTATIVE AND ALTERNATE TO THE ORANGE COUNTY FIRE AUTHORITY'S BOARD OF DIRECTORS

The City Council of the City of Laguna Hills, California, hereby finds, determines, declares, and resolves as follows:

WHEREAS, the City as a "member" of the Orange County Fire Authority Joint Powers Authority (JPA) is entitled to appoint a representative director ("Director") and alternate to the Orange County Fire Authority's Board of Directors; and

WHEREAS, each member agency, by Resolution of its governing body, shall designate and appoint one representative to act as its Director on the Authority Board of Directors, except the County whose Board of Supervisors shall appoint two representatives to act as its Directors; and

WHEREAS, each Director shall be a current elected member of the governing body; and

WHEREAS, each Director shall hold office until the selection of a successor by the appointing body; and

WHEREAS, each member agency shall also appoint an alternate representative to act in each Director's absence; and

WHEREAS, each alternate shall be a current elected member of the member agency's governing body, and

WHEREAS, each Director and alternate is to serve at the pleasure of his or her appointing body and may be removed at any time, with or without cause, at the sole direction of that appointing body; and

WHEREAS, any vacancy shall be filled in the same manner as the original appointment of a Director and/or alternate.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE, AND ORDER AS FOLLOWS:

SECTION 1. Designate and appoint _____ as Director to the Orange County Fire Authority Board of Directors.

SECTION 2. Designate and appoint _____ as alternate to the Orange County Fire Authority Board of Directors.

SECTION 3. That the City Clerk shall certify as to the adoption of this Resolution.

PASSED, APPROVED, AND ADOPTED this 13th day of January 2015.

DORE J. GILBERT, M.D., MAYOR

ATTEST:

PEGGY J. JOHNS, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Peggy J. Johns, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 2015-01-13-x adopted by the City Council of the City of Laguna Hills, California, at a Regular Meeting thereof held on the 13th day of January 2015, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

PEGGY J. JOHNS, CITY CLERK

Agency Report of: Public Official Appointments

A Public Document

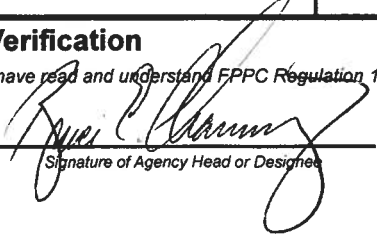
1. Agency Name City of Laguna Hills			California Form 806 For Official Use Only
Division, Department, or Region (If Applicable)			
Designated Agency Contact (Name, Title) Peggy J. Johns, City Clerk			
Area Code/Phone Number 949-707-2635	E-mail pjohns@ci.laguna-hills.ca.us	Page <u>1</u> of <u>1</u>	Date Posted: 12/17/2013 (Month, Day, Year)

2. Appointments

Agency Boards and Commissions	Name of Appointed Person	Appt Date and Length of Term	Per Meeting/Annual Salary/Stipend
Orange County Fire Authority	▶ Name <u>Bressette, Randal</u> (Last, First) Alternate, if any <u>Gilbert, Dore</u> (Last, First)	▶ <u>12 / 13 / 11</u> Appt Date ▶ <u>undefined</u> Length of Term	▶ Per Meeting: \$ <u>100-300 max.</u> ▶ Estimated Annual: ☐ \$0-\$1,000 ☐ \$2,001-\$3,000 ☐ \$1,001-\$2,000 ☒ <u>\$3,600</u> Other
Orange County Vector Control District	▶ Name <u>Kogerman, Barbara</u> (Last, First) Alternate, if any <u>None</u> (Last, First)	▶ <u>12 / 10 / 13</u> Appt Date ▶ <u>2 yr.</u> Length of Term	▶ Per Meeting: \$ <u>100.00</u> ▶ Estimated Annual: ☐ \$0-\$1,000 ☐ \$2,001-\$3,000 ☒ \$1,001-\$2,000 ☐ <u>Other</u>
Transportation Corridor Agency (San Joaquin Hills Transportation Corridor Agency)	▶ Name <u>Carruth, Melody</u> (Last, First) Alternate, if any <u>Kogerman, Barbara</u> (Last, First)	▶ <u>12 / 13 / 11</u> Appt Date ▶ <u>undefined</u> Length of Term	▶ Per Meeting: \$ <u>120.00</u> ▶ Estimated Annual: ☐ \$0-\$1,000 ☐ \$2,001-\$3,000 ☒ \$1,001-\$2,000 ☐ <u>Other</u>
	▶ Name _____ (Last, First) Alternate, if any _____ (Last, First)	▶ <u> / / </u> Appt Date ▶ _____ Length of Term	▶ Per Meeting: \$ _____ ▶ Estimated Annual: ☐ \$0-\$1,000 ☐ \$2,001-\$3,000 ☐ \$1,001-\$2,000 ☐ <u>Other</u>

3. Verification

I have read and understand FPPC Regulation 18705.5. I have verified that the appointment and information identified above is true to the best of my information and belief.

	<u>Bruce E. Channing</u>	<u>City Manager</u>	<u>12/16/2013</u>
Signature of Agency Head or Designee	Print Name	Title	(Month, Day, Year)

Comment: _____

