

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

MEMORANDUM

DATE: NOVEMBER 9, 2021

TO: BOARD OF DIRECTORS
Lake Arrowhead Community Services District

FROM: CATHERINE CERRI, General Manager

SUBJECT: LEASE AGREEMENT WITH ARROWHEAD WOODS
ARCHITECTURAL COMMITTEE

A. RECOMMENDATION

It is recommended that the Board of Directors approve the lease agreement between the District and Arrowhead Woods Architectural Committee (AWAC).

B. REASON FOR RECOMMENDATION

AWAC is interested in utilizing 318 square feet of existing unoccupied space on the first floor of the District's Administration Building at a rate of \$715.50 per month for an initial term of one year and four optional renewal periods of one year.

C. BACKGROUND INFORMATION

AWAC enforces the Covenants, Conditions and Restrictions in Arrowhead Woods. There will be no tenant improvements and no additional cost to the District.

D. FISCAL IMPACT

The initial term will generate \$8,586 in lease income.

E. ENVIRONMENTAL IMPACT

This item does not qualify as a project under the California Environmental Quality Act (CEQA).

F. ATTACHMENTS

Proposed lease agreement

LEASE AGREEMENT

This Lease Agreement ("**Lease**"), dated for reference purposes only as of _____, is entered into between the LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT, a community service district of California ("**Landlord**"), and Arrowhead Woods Architectural Committee, a California Non-Profit Public Benefit Corporation ("**Tenant**"), (each individually a "**Party**" and collectively the "**Parties**").

RECITALS

A. Landlord is the owner of certain real property, including the improvements thereon, located at 27307 State Highway 189, Blue Jay, California 92317 (the "**Property**").

B. Tenant desires to lease from Landlord, and Landlord desires to lease to Tenant, a portion of the Property as described in more detail in the Lease on the terms and conditions set forth herein.

LEASE

NOW THEREFORE, the Parties agree as follows:

1. Premises. Landlord leases to Tenant, and Tenant leases from Landlord the specific portion of the Property described in detail in Exhibit A attached hereto and incorporated herein by reference, consisting of 318 rentable square feet of interior office space, including any and all improvements that are existing or are constructed on the space (the "**Premises**"). Landlord and Tenant agree that if Landlord makes additional space available to Tenant and Tenant accepts such space, that space shall automatically be included in the Premises and the terms of this Lease shall automatically apply thereto, unless otherwise agreed by the Parties.

2. Common Areas. Tenant shall have the nonexclusive right to use in common with Landlord and other Tenants, subject to all rules and regulations as prescribed by Landlord, the Common Areas on the Property. The term "**Common Areas**" as used in this Lease means all areas and facilities on the Property which are provided and designated from time-to-time by Landlord for the nonexclusive general use and convenience of Tenant and other tenants of the Property and their respective employees and invitees. Common Areas include, but are not limited to, the lobby areas, walkways, parking area, sidewalks, hallways, corridors, restrooms (if not part of the Premises), stairways, elevators, fire stairs, service areas, and elevator lobbies. The Common Areas do not include any roof areas. The Common Areas are subject to the exclusive control and management of Landlord or Landlord's nominee. Landlord makes no representations or warranties regarding the safety of the Common Areas. Landlord has the right to restrict access to the Common Areas during nonbusiness hours. Landlord may change the size, shape, location, and extent of the Common Areas without Tenant's consent.

3. Parking. Tenant has the nonexclusive right to park in unreserved spaces in the designated parking areas of the Property as shown in the attached Exhibit B. Such parking is subject to reasonable rules and regulations for parking as may be established by Landlord and the number of spaces used by Tenant, its employees and invitees shall in no

event exceed 10. Landlord reserves the right to designate employee parking areas and spaces.

4. Term.

(a) *Initial Term.* Unless earlier terminated pursuant to any provisions of this Lease, the term of this Lease shall be one (1) year and zero (0) months ("**Initial Term**"), beginning on December 1, 2021 ("**Commencement Date**") and ending on November 30, 2022 ("**Termination Date**").

(b) *[Optional] Renewal Term.* Tenant shall have the option to renew this Lease ("**Renewal Option**") for four (4) additional twelve-month periods ("**Renewal Term**") on the same terms and conditions, provided Tenant gives Landlord written notice of intent to renew the Lease at least one hundred and twenty (120) days prior to the end of the Initial Term. The Initial Term and Renewal Term may be referred to collectively herein as the "**Term**." Tenant exercise of the Renewal Option shall be ineffective if Tenant is in default in any respects under this Lease as of the exercise of the Renewal Option or the commencement of the Renewal Term. If the exercise of the Renewal Option is deemed ineffective, the Lease shall expire on the Termination Date of the Initial Term.

(c) *Delay in Possession.* Landlord fails to deliver possession of the Premises to Tenant on or before the Lease Commencement Date, Landlord shall not be subject to any liability for its failure to do so. This failure shall not affect the validity of this Lease or the obligations of Tenant under it, but the Lease Term shall commence on the date on which Landlord delivers possession of the Premises to Tenant.

5. Rent.

(a) *Rent.* Beginning on the Commencement Date, Tenant shall pay \$715.50 per month based upon \$2.25 per square foot of the Premises ("**Base Rent**").

i. *Adjustment of Base Rent.* The amount charged per-square-foot shall be automatically increased each year on July 1, beginning July 1, 2023, by a percentage equal to the percentage increase in the most recent change in the Consumer Price Index (as measured by the Riverside-San Bernardino-Ontario CA, CPI-U, All items), released annually by the U.S. Bureau of Labor Statistics. In the event the Consumer Price Index decreases, no change in rent charged per-square-foot shall be made. If a substantial change is made in the Consumer Price Index, or its publication is discontinued or changed in such a way as to prevent calculations provided above, then the Consumer Price Index will be adjusted to the figure that would have been used had the manner of computing the Consumer Price Index in effect at the date of this Lease not been altered. If the Consumer Price Index (or a successor or substitute index) is not available, a reliable governmental or other nonpartisan publication evaluating the information used in determining the Consumer Price Index will be used.

The Base Rent plus any adjustment pursuant to this Section 5(a)(i) collectively shall be referred to as the "**Rent**". In the event that Landlord makes additional space available for Tenant's use and Tenant accepts such additional space, that space shall automatically be included in the Premises, as defined in Section 1 of this Lease, and the monthly Rent

shall be increased according to the price per square foot as indicated in this Section 5(a)(i).

ii. *Renewal Term Base Rent.* Should Tenant exercise the Renewal Option, monthly Base Rent for the Renewal Term shall be the Base Rent for the final month of the immediately preceding term. The Rent shall continue to be adjusted as described in Section 5(a)(i), above.

(b) *Security Deposit.* Concurrent with the execution of this Lease, Tenant shall pay to Landlord an amount equal to two months' Base Rent as a security deposit to secure the performance and observation of all obligations and covenants of Tenant in this Agreement. Landlord may use, apply or retain all or any portion of said security deposit for the payment of any rent or other charge in default; to repair any damage to the Premises caused by Tenant, its agents, employees, customers, contractors or invitees; to clean the Premises upon the termination of Tenant's tenancy or to reimburse or compensate Landlord for any liability, loss, cost, expense (including attorneys' fees) or damage which Landlord may suffer or incur by reason of Tenant's breach or default of this Lease. If Landlord so uses or applies all or any portion of the security deposit, Tenant shall within 10 days after written demand therefor deposit monies with Landlord in an amount sufficient to restore said deposit to the full amount then required of Tenant hereunder. Landlord shall not be required to keep the security deposit separate from its general accounts and Tenant shall not be entitled to any interest or other increment earned thereon. If Tenant performs all of Tenant's obligations hereunder, the security deposit, or so much thereof as has not theretofore been applied by Landlord, shall be returned without payment of interest or other increment for its use to Tenant (or, at Landlord's option, to the last assignee, if any, of Tenant's interest hereunder) within 30 days after the expiration of the Term hereof.

(c) *Payment Procedures.* Tenant shall remit its monthly rent in advance by no later than the first day of each month during the Term of this Lease to Landlord at the address stated herein. Monthly rent shall be prorated for any partial month.

(d) *Interest on Past Due Obligations.* Except as otherwise expressly provided in this Lease, any amount due to Landlord that is not paid when due shall bear interest from the date due at 10%, or the maximum amount permitted by law.

(e) *Late Charges.* Tenant acknowledges that late payment of Rent or any sums due under this Lease will cause Landlord to incur costs not contemplated herein, the exact amount of which will be extremely difficult to ascertain. Accordingly, if any sum due from Tenant is not received by Landlord ten (10) days after such amount is due, then without requirement for notice to Tenant, Tenant shall pay a late charge of ten percent (10%) of such overdue amount. The Parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment. Acceptance of such late charge shall in no event constitute a waiver of Tenant's default, nor prevent Landlord from exercising any of the other rights and remedies granted in this Lease. In the event that a late charge is payable for three (3) consecutive installments of Rent, then Rent shall automatically become due and payable quarterly in advance, rather than monthly.

6. Permitted Use.

(a) *Use.* Tenant shall occupy and use the Property only for the purposes of professional services, and for no other use or purpose whatsoever without Landlord's prior written consent.

(b) *Compliance with Law and Landlord Rules and Regulations.* Tenant shall, at all times and at Tenant's expense, comply with all applicable federal, state and local laws, rules, regulations, and orders, and all covenants and restrictions of record regulating the Property and Premises and Tenant's use of the Premises and Common Areas, including any rules and regulations prescribed by Landlord for the use of the Property and Common Areas. Tenant shall not use nor permit the use of the Premises or Common Areas in any manner that will violate the same or disturb other property owners or tenants in the areas surrounding the Premises or Property, including any nuisance, waste or illegal act committed thereon.

(c) *Condition of Premises.* Tenant has examined the Premises, including any furniture, fixtures, and improvements contained within the Premises and agrees to take possession in an "as is" condition. Tenant acknowledges and agrees that Landlord has made no representations, guarantees or warranties regarding the Premises, or its fitness for any particular purpose, or regarding the Property or any Common Areas or improvements thereon, nor has Landlord made representations, guarantees or warranties regarding whether the Premises, Property and Common Areas and improvements thereon comply with applicable laws, rules, regulations, orders, or any covenants or restrictions of record in effect at the Effective Date of this Lease. Tenant assumes all responsibility regarding the compliance of the Premises for the purposes of the Americans with Disabilities Act and the California Occupational Safety Health Act, the legal use and adaptability of the Premises and compliance with all other applicable laws, rules, regulations, orders and covenants or record in effect during the Term of this Lease relating to the Premises except as otherwise specifically stated in this Lease.

7. Hazardous Waste and Trash Disposal. Tenant shall not use, generate, store or dispose of any Hazardous Materials on the Premises, Property, or Common Areas, or permit the contamination of the Premises, Property, or Common Areas by Hazardous Materials. For the purpose of this section, "**Hazardous Materials**" shall include, without limitation, substances defined as "hazardous substances," "hazardous materials," "toxic substances," "hazardous wastes," "extremely hazardous wastes" or "restricted hazardous wastes" or stated to be known to cause cancer or reproductive toxicity, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. sections 9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. sections 1801, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. sections 6901, et seq.; the Federal Water Pollution Control Act, 33 U.S.C. sections 1317, et seq.; sections 25115, 25117, 25122.7, 25140, 25249.5, 25249.8, 25281, 25316 or 25501 of the California Health & Safety Code; or any substances so defined or stated in any of the regulations adopted and publications promulgated pursuant to said laws as they may be amended from time to time. Notwithstanding any other provision of this Lease, Tenant agrees to comply promptly, and at Tenant's sole cost, with all applicable federal, state and local laws, rules regulations, permits and orders governing the use, management, storage, handling, cleanup, removal, disposal and shipping of Hazardous Materials. Tenant shall

dispose of all trash and waste generated at the Premises in a trash container at a location designated by Landlord. Tenant may keep reasonable amounts of cleaning products, printer ink or toner and other chemicals necessary for common office equipment and/or in any permitted lunch or coffee rooms, consistent with the permitted use of the Premises.

8. Tenant's Repair and Maintenance Obligations.

(a) *Obligations.* Tenant shall, subject to Section 10 of this Lease, at all times during the Lease term keep the Premises in good order, condition and repair, and in compliance with all applicable laws, rules, regulations and orders, including any such replacement required for this purpose unless otherwise set forth herein; shall provide all precautions for safety and protection of persons and property; and shall keep the Premises, as well as the Property and Common Areas, free from waste. Tenant is responsible for all nonstructural maintenance, repair, and replacement. Such maintenance, repair and replacement obligations apply regardless of whether or not the need for such occurs as a result of Tenant's use, any prior use, the elements, or the age of the Property or Premises. In the event that during the Term, Tenant fails to maintain the Premises as required by this Section, Landlord shall give Tenant notice to do such acts as are reasonably required to so maintain the Premises and if Tenant fails to promptly commence such work and diligently prosecute it to completion, then Landlord shall have the right to do such acts and expend such funds at the expense of Tenant that are reasonably required to perform such work. Any amount so expended by Landlord shall be paid by Tenant promptly after demand with interest at ten percent (10%) per annum from the date of such work. Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the Premises by Tenant as a result of performing any such work.

(b) *Emergency Repairs, Waiver.* Landlord also has the right, but not the obligation, to make emergency repairs and to enter the Premises at any time to do so. To the extent permitted by law, Tenant waives any and all rights to make repairs at Landlord's expense under California Civil Code § 1942 allowing repairs by a tenant at the expense of landlord.

(c) *Common Areas.* In the event that Tenant or its agents, employees, or invitees, damage the Common Areas, or violate any of Tenant's obligations or duties under this Lease with regard to the Common Areas, including but not limited to not keeping the Common Areas free of waste, Tenant shall be responsible for Landlord's reasonable costs associated with any required maintenance, repairs, or other actions to address the costs of Tenant's violations of its duties or obligations.

(d) *Waiver of Right to Make Repairs at Landlord's Expense.* To the extent allowed by law, Tenant waives the right to make repairs at Landlord's expense under any law, including, but not limited to, Sections 1932, 1933, 1941, and 1942 of the California Civil Code.

9. Surrender. On the last day of the Term of this Lease, or on the date this Lease is earlier terminated, Tenant shall surrender the Premises to Landlord in the same or better condition as when received, ordinary wear and tear and damage by casualty excepted, clean and free of debris. Tenant shall remove all trade fixtures, furnishings and equipment owned by Tenant and shall repair any damage to the Premises occasioned by

the installation or removal of Tenant's trade fixtures, furnishings and equipment. If the wear and tear is caused in whole or in part by the failure to maintain, neglect, fault or omission of any duty by Tenant, its agents, employees, or invitees, Tenant shall pay to Landlord, as additional rent, the reasonable cost of such maintenance and repairs. Any damage caused to the Common Areas by Tenant shall be chargeable to Tenant.

10. Landlord's Repair and Maintenance Obligations.

(a) *Common Area and Premises Maintenance.* Landlord shall maintain the foundations, structure, exterior walls, and roof (excluding the interior ceiling) of the Common Area and the Premises at Landlord's cost, except to the extent such maintenance is necessitated by any act, negligence, or omission of Tenant or Tenant's agents, employees, or invitees. Any costs incurred by Landlord pursuant to this Section, including interest thereon, shall become due and payable to Landlord together with Tenant's next Rent installment.

(b) *Landlord's Right to Undertake Tenant's Obligations.* If Tenant fails to perform any of Tenant's obligations under any paragraph of this Lease, Landlord may, at its option (but shall not be required to), enter upon the Premises after ten (10) days' prior written notice to Tenant (except in the case of an emergency, as determined by Landlord, in its sole discretion, in which case no notice shall be required), and perform such obligations on Tenant's behalf. Any costs incurred by Landlord pursuant to this Section, including interest thereon, shall become due and payable to Landlord together with Tenant's next Rent installment.

11. Damage to Premises.

(a) *Insured Casualty.* If the Building and/or Property is damaged by fire or other perils covered by Landlord's extended coverage insurance, Landlord shall:

i. In the event of more than 50% destruction, have 45 days thereafter in which to elect, at Landlord's sole option, to repair, reconstruct and restore the Premises, and, if Landlord elects to restore, Landlord shall have 270 days from the date of destruction in which to complete the restoration, in which event this Agreement shall remain in full force and effect. If Landlord does not elect to restore the Premises, this Agreement shall be deemed to have terminated as of the date of the total destruction.

ii. In the event of a partial destruction of the Building, to an extent not exceeding 49% of the full replacement cost thereof, if the damage thereto is such that the Building may be repaired, reconstructed or restored within a period of 90 days from the date of the happening of such casualty, and Landlord will receive insurance proceeds sufficient to cover the cost of such repairs, Landlord shall repair, reconstruct or restore and the Agreement shall continue in full force and effect. If one of the three conditions is not met, Landlord may terminate the Lease as of the date of destruction, or elect, in its sole discretion, to repair, reconstruct or restore.

(b) *Uninsured Casualty.* If the Building and/or Property is totally or partially destroyed from a peril not covered by Landlord's extended coverage insurance, Landlord shall have the right, but not the obligation, to restore the premises by giving notice to Tenant

within 45 days after the happening of such casualty. Landlord may instead choose to terminate the Lease by giving Tenant 45 days' notice from the date of the casualty of Landlord's decision to terminate the Lease.

(c) *Release.* Upon any termination of this Lease under any of the provisions of this Section 11, the parties shall be released thereby without further obligation to the other from the date possession of the Premises is surrendered to Landlord except for items which have theretofore accrued and are then unpaid. In those circumstances where Tenant has not been able to continue its then-existing use of the Premises due to the damage or destruction, and the Lease is terminated, possession will be deemed to have been surrendered as of the date of damage or destruction and any Rent or other sums paid by Tenant for any time thereafter shall be promptly refunded to it.

(d) *Force Majeure.* Notwithstanding anything to the contrary contained in this paragraph, should Landlord be delayed or prevented from repairing or restoring the damaged Premises within one year after the occurrence of such damage or destruction by reason of acts of God, war, governmental restrictions, inability to procure the necessary labor or materials, or other cause beyond the control of Landlord, Landlord shall be relieved of its obligation to make such repairs or restoration and Tenant shall be released from its obligations under this Agreement as of the end of said one-year period.

(e) *Extent of Repair.* It is hereby understood that if Landlord is obligated to or elects to repair or restore as herein provided, Landlord shall be obligated to make repairs or restoration only of those portions of the Building and/or Property and the Premises which were originally provided at Landlord's expense, and the repair and restoration of items not provided at Landlord's expense shall be the obligation of Tenant.

(f) *Waiver.* The provisions of California Civil Code Section 1932, Subsection 2, and Section 1933, subsection 4, are hereby waived by Tenant.

(g) *Eminent Domain.* If the whole of the Premises, or such part thereof as shall substantially interfere with Tenant's use and occupancy thereof, shall be taken for any public or quasi-public purpose by any lawful power or authority by exercise of the right of appropriation, condemnation or eminent domain, or sold to prevent such taking, either party shall have the right to terminate this Agreement effective as of the date possession is required to be surrendered to said authority. Tenant shall not assert any claim against Landlord or the taking authority for any compensation because of such taking, and Landlord shall be entitled to receive the entire amount of any award without deduction for any estate or interest of Tenant, provided Tenant may still seek an award for its personal property and fixtures as provided in the final sentence of this paragraph. In the event the amount of property or the type of estate taken shall not substantially interfere with the conduct of Tenant's business, Landlord shall be entitled to the entire amount of the award without deduction for any estate or interest of Tenant, and Landlord at its option may terminate this Agreement. If Landlord does not so elect, Landlord shall promptly proceed within 90 days to restore the Premises to substantially their same condition prior to such partial taking, and a proportionate allowance shall be made to Tenant for the Rent corresponding to the time during which, and to the part of the Premises of which, Tenant shall be so deprived on account of such taking and restoration. Nothing contained in this Section 11 shall be deemed to give Landlord any interest in any award made to Tenant for the taking of

personal property and fixtures belonging to Tenant or for any Tenant improvements the installation of which was paid for by Tenant, and which Tenant has the right to remove.

(h) Notwithstanding anything to the contrary contained in this Section 11, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Premises when the damage resulting from any casualty covered under this Section 11 occurs during the last 6 months of the term of this Agreement or any Extended Term hereof.

12. Alterations, Improvements and Additions.

(a) *Alterations, Consent Required.* Tenant shall not make any alterations, improvements, or additions, including Utility Installations, or hang or paint any signs visible from the exterior of the Property, without Landlord's prior written consent. Tenant shall provide Landlord with plans and specifications of any proposed alteration, improvement, or addition, which Landlord shall approve or deny in Landlord's sole discretion.

The term "**Utility Installations**" shall mean installation of carpeting, window coverings, air lines, power panels, electrical distribution systems, lighting fixtures, space heaters, air conditioning, plumbing, and structural changes. If Landlord authorizes any alterations, improvements, additions, or Utility Installations, all such improvements shall be Tenant's sole responsibility and shall be installed and removed at Tenant's sole cost and expense. Any alterations, improvements or additions must be made in accordance with all plans and specifications approved by Landlord, and pursuant to any and all applicable laws, rules, and regulations, including applicable governmental permits, building codes, and zoning codes. Landlord may require that Tenant use contractor(s) selected by Landlord. After completion of any alteration, improvement, or addition, Tenant shall provide Landlord with "as-built" plans and specifications. Upon the removal of any improvement, alteration, addition or Utility Installations, Tenant shall restore the Property to its prior condition. Landlord may require Tenant to provide Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to one and one-half times the estimated cost of such improvements. Should Tenant make any alterations, improvements, additions or Utility Installations without the prior approval of Landlord, Landlord may require that Tenant immediately remove any or all of the same.

(b) *Timing of Work.* All such work done pursuant to this Section shall be done at such times and in such manner as Landlord may determine.

(c) *No Warranty.* Neither Landlord's approval or supervision of any alterations, additions, or improvements or the use of any contractor or equipment, fixtures, or equipment selected by Landlord, shall be deemed a warranty as to the design, workmanship, or quality of materials or the compliance of the alterations, additions or improvements with any governmental requirements.

(d) *Ownership of Improvements.* All alterations, improvements, or additions upon the Premises, made by either party, shall, unless otherwise indicated by Landlord, become the property of Landlord, and shall remain upon and be surrendered with the Premises, as a part thereof, at the end of the Term hereof, except that Landlord may, by written notice to Tenant, require Tenant to remove the same installed by Tenant, and

Tenant shall repair any damage to the Premises arising from such removal, or at Landlord's option, pay to the Landlord the reasonable costs of such removal and repair.

13. Utilities / Services.

(a) Subject to any other provisions contained in this Lease and to any rules and regulations subsequently adopted by Landlord, Landlord, at its sole cost and expense, will provide for Tenant's use garbage bins (to be located outside the Premises) for Tenant's use, electricity, water and sewer, and heating, ventilating and air conditioning ("**HVAC**"), required in Landlord's reasonable judgment for the comfortable use and occupation of the Premises during the business hours of the property, which shall be 8:00 A.M. to 8:00 P.M. Monday through Friday, and 8:00 A.M. to 1:00 P.M. Saturdays. No HVAC service will be provided on Sundays or holidays. In addition, Landlord will provide janitorial services for the Common Areas, including any common restrooms. Landlord will not provide janitorial services for the Premises, including any restrooms located within the Premises. Landlord will, at Tenant's request, provide afterhours HVAC and lighting to the Premises, provided that Tenant pays Landlord a charge for such service as reasonably determined by Landlord. Tenant must at all times cooperate fully with Landlord and abide by all the rules and regulations that Landlord may prescribe for the proper functioning and protection of the HVAC system.

(b) Tenant may not, without the prior written consent of Landlord, install any additional electric outlets or water pipes. If Tenant requires excess electricity or any other resource in excess of what is customarily supplied for use in a professional office building, Tenant must first request the consent of Landlord, which Landlord may or may not provide in its sole discretion. In the event Landlord gives its consent, Landlord may require that a separate metering device be installed in the Premises and/or may apply an additional fee for the increased utility costs in connection therewith. The cost associated with a separate metering device, including installation and increased use, are the responsibility of Tenant.

(c) Landlord is not in default or liable for any damages directly or indirectly caused from interruption of utilities or services, and in no event shall such interruption of services constitute Landlord's default, entitle Tenant to terminate the Lease, or entitle Tenant to any abatement of rent. Tenant shall cooperate with any efforts by Landlord to reduce and conserve energy and other resource consumption.

(d) Tenant shall be solely responsible for providing all telephone, satellite, internet or other telecommunications services necessary for Tenant's use of the Premises. Any installation of cabling, satellite dishes or other equipment shall be subject to review and approval by Landlord pursuant to Section 12(a) and shall be undertaken at the sole cost and expense of Tenant.

14. Release of Claim For Relocation Benefits. Tenant hereby acknowledges and agrees that Tenant has no claim or right to relocation benefits or compensation of any kind or nature upon termination of this Lease for any reason, even if such termination was made by the unilateral election of Landlord in its sole discretion. Tenant expressly waives any and all claims or rights to receive relocation benefits or compensation of any kind or nature. Tenant acknowledges that Landlord would not enter into this Lease but for this

acknowledgment and waiver by Tenant. During any period of repair or reconstruction by Landlord during the Term of this Lease that requires Tenant to vacate the Premises, Landlord shall be under no obligation to provide alternative space to Tenant, but Tenant shall be relieved of the obligation to pay rent during such time that Tenant is unable to utilize the Premises. Tenant shall vacate the Property within sixty (60) days' written notice to vacate for such purpose and shall be solely responsible for all costs of vacating from and relocating to reconstructed or newly constructed space, if any is available.

15. Insurance

(a) *Workers Compensation Insurance.* Tenant shall procure and maintain Worker's Compensation Insurance as required by the laws of the State of California.

(b) *Liability Insurance.* For the Term of the Lease, Tenant shall obtain and keep in full force and effect general liability insurance, insuring Landlord and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and Property, and operation of Tenant's business at the Premises and all areas appurtenant thereto when used by Tenant. Such insurance shall be in an amount not less than \$2,000,000 per occurrence and not less than \$3,000,000 annual aggregate. The policy shall insure performance by Tenant of the indemnity provisions of this Lease. Such insurance shall not limit the liability of Tenant hereunder. Tenant shall provide Landlord a copy of this insurance policy upon execution of this Lease.

(c) *Property Insurance.*

i. Prior to Tenant's entry upon the Premises and for the Term of the Lease, Tenant shall obtain and keep in full force and effect a policy of insurance covering loss or damage to the Premises, in the amount of the full replacement value thereof, against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, commonly known as "broadform coverage." Tenant shall provide Landlord a copy of this insurance policy upon execution of this Lease.

ii. Tenant shall also insure its fixtures, equipment and tenant improvements on the Premises at its sole cost and expense.

iii. The limits of said insurance shall not, however, limit the liability of Tenant hereunder.

iv. Any proceeds from such insurance shall be used to repair or replace the insured property.

(d) *Restrictions; Endorsements.* Tenant shall not do or permit to be done anything which shall invalidate the insurance policies during the Term of this Lease. All policies of insurance shall be endorsed to: (1) name Landlord (and at Landlord's option, any additional parties designated by Landlord) as an additional insured; (2) provide that such insurance is primary to any policy of Landlord, which shall not be called upon to contribute in any way; and (3) provide that the policy shall not be cancelled, terminated or modified without first providing thirty (30) days' prior written notice to Landlord. All policies shall be issued by insurance companies acceptable to Landlord and licensed to do business in California.

(e) *Certificates of Insurance.* Prior to taking possession of the Premises, and at any other time upon Landlord's request, Tenant shall provide Landlord with copies of all policies or certificates of insurance for all insurance policies required by this Lease.

16. Indemnification, Release, Liens.

(a) *Indemnification.* Tenant shall indemnify, defend, reimburse and hold harmless Landlord from and against any and all demands, claims, losses, damages or liabilities of any kind or nature, including claims for damage to property or persons, including wrongful death ("**Claim**"), arising from or in connection with any act or omission of Tenant, including Tenant's active and passive negligence or Tenant's use of the Premises, Common Areas, or Property under this Lease, including, without limitation, any activity, work or things done, permitted or suffered by Tenant in or about the Premises or elsewhere on the Property and any breach or default by Tenant of this Lease. If any action or proceeding is brought against Landlord by reason of any such Claim, Tenant's obligation to defend the same shall be done with counsel approved in advance by Landlord.

(b) *Release.* Tenant hereby agrees that Landlord shall not be liable for, and hereby waives and releases Landlord from, any injury to Tenant's business or any loss of income therefrom or for damage to the goods, wares, merchandise or other property of Tenant, Tenant's employees, contractors, agents, invitees, guests, or any other person on the Premises, Common Areas, or Property, nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, contractors, guests or invitees caused by any reason whatsoever, including without limitation, by fire, steam, electricity, gas, water, rain, the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures on the Premises or Property, or from any other cause or condition arising upon the Premises or upon other portions of the Property which the Premises are a part, or from other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Tenant except to the extent such injury or loss is caused by Landlord's sole gross negligence or willful misconduct. Landlord shall not be liable for any damages arising from any act or neglect of any other Tenants or possessors, if any, of the Premises or Property.

(c) *Liens.*

i. Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant. In the event that Tenant shall not within ten (10) days following the imposition of any such lien, cause the same to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other remedies provided herein and at law or in equity, the right to cause same to be released by such means as it shall deem proper including, but not limited to, payment (from the security deposit referred to in Section 5(b) above or otherwise) of the claim giving rise to such lien. All such sums paid by Landlord and all expenses incurred by Landlord in connection therewith shall be considered additional Rent and shall be payable to Landlord by Tenant on demand and with interest at the interest rate in Section 5(d).

ii. Landlord may require, at Landlord's sole option, that Tenant cause to be provided to Landlord, at Tenant's sole cost and expense, a completion bond

acceptable to Landlord with respect to any improvements, additions, or alterations to the Premises. Landlord shall have the right at all times to post on the Premises any notices permitted or required by law, or which Landlord shall deem proper, for the protection of Landlord, the Premises, and any other party having an interest therein from mechanics' and materialmen's liens, and Tenant shall give Landlord at least fifteen (15) business days' prior notice of commencement of any work on the Premises.

17. Assignment and Subletting.

(a) Except as otherwise provided below, Tenant shall not convey, assign, transfer, mortgage, pledge, sublet or encumber any interest in the Premises during the Term of this Lease, nor allow any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the Premises, or any portion thereof, without Landlord's prior written consent, which may be refused in Landlord's reasonable discretion. Any attempted conveyance, assignment, transfer, mortgage, pledge, sublet, or encumbrance shall be void where such consent has not been obtained, and the original Tenant shall remain responsible for any unpaid rents, fines, fees, or other liabilities arising from or related to the Premises. Any such assignment or subletting without advance written consent of Landlord shall be void, and shall, at the option of the Landlord, constitute a default under the terms of this Lease.

i. *Conditions of Landlord's Consent.* Without limiting the other instances in which it may be reasonable for Landlord to withhold Landlord's consent to an assignment or subletting, Landlord and Tenant acknowledge that it shall be reasonable for Landlord to withhold Landlord's consent in the following instances: if the proposed assignee does not agree to be bound by and assume the obligations of Tenant under this Lease in form and substance satisfactory to Landlord; the use of the Premises by such proposed assignee or subtenant would not be a Permitted Use or would violate any exclusivity or other arrangement which Landlord has with any other tenant or occupant or any law or would increase the occupancy burden of the Building or Project, or would otherwise result in an undesirable tenant mix for the Project as determined by Landlord in its sole discretion; the proposed assignee or subtenant is not of sound financial condition as determined by Landlord in Landlord's sole discretion; the proposed assignee or subtenant does not have a good reputation as a tenant of property or a good business reputation; the proposed assignee or subtenant is a person with whom Landlord is negotiating to lease space in the Project or is a present tenant of the Project; the assignment or subletting would entail any Alterations which would lessen the value of the leasehold improvements in the Premises or use of any Hazardous Materials or other noxious use or use which may disturb other tenants of the Project; or Tenant is in default of any obligation of Tenant under this Lease, or Tenant has defaulted under this Lease on two (2) or more occasions during any twelve (12) months preceding the date that Tenant shall request consent. Failure by or refusal of Landlord to consent to a proposed assignee or subtenant shall not cause a termination of this Lease. Upon a termination under Section 17(e), Landlord may lease the Premises to any party, including parties with whom Tenant has negotiated an assignment or sublease, without incurring any liability to Tenant. At the option of Landlord, a surrender and termination of this Lease shall operate as an assignment to Landlord of some or all subleases or subtenancies. Landlord shall exercise this option by giving notice of that assignment to such subtenants on or before the effective date of the surrender and termination.

(b) *Bonus Rent.* Tenant shall pay to Landlord as Additional Rent under the Lease 90% ("**Landlord's Share**") of the Profit (defined below) on such transaction as and when received by Tenant, unless Landlord gives written notice to Tenant and the assignee or subtenant that Landlord's Share shall be paid by the assignee or subtenant to Landlord directly. Landlord's Share of the Profit shall be in addition to any Percentage Rent which may be applicable to the assignee or subtenant. The "**Profit**" means (A) all amounts paid to Tenant for such assignment or sublease, including "key" money, monthly rent in excess of the monthly rent payable under the Lease, and all fees and other consideration paid for the assignment or sublease, including fees under any collateral agreements, less (B) real estate broker's commissions and costs of construction of tenant improvements required under such assignment or sublease directly incurred by Tenant for such assignment or sublease. Tenant is entitled to recover such costs and expenses before Tenant is obligated to pay Landlord's Share to Landlord. The Profit in the case of a sublease of less than all the Property is the rent allocable to the subleased space as a percentage on a square footage basis. Tenant shall provide Landlord a written statement certifying all amounts to be paid from any assignment or sublease of the Premises within thirty (30) days after the transaction documentation is signed, and Landlord may inspect Tenant's books and records to verify the accuracy of such statement. On written request, Tenant shall promptly furnish to Landlord copies of all the transaction documentation, all of which shall be certified by Tenant to be complete, true and correct. Landlord's receipt of Landlord's Share shall not be a consent to any further assignment or subletting. The breach of Tenant's obligation under this Section 17(b) shall be a material default of the Lease.

(c) *Liability.* No assignment or subletting by Tenant, permitted or otherwise, shall relieve Tenant of any obligation under this Lease or any guarantor of this Lease of any liability under its guaranty or alter the primary liability of the Tenant named herein for the payment of Rent or for the performance of any other obligations to be performed by Tenant. Landlord may collect rent or other amounts or any portion thereof from any assignee, subtenant, or other occupant of the Premises, permitted or otherwise, and apply the net rent collected to the Rent payable hereunder, but no such collection shall be deemed to be a waiver of this Section 17(c), or the acceptance of the assignee, subtenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of the obligations of Tenant under this Lease or of any guarantor. Any assignment or subletting which conflicts with the provisions hereof shall be void.

(d) Any dissolution, merger, consolidation, or other reorganization of Tenant or sale which results in a change of controlling persons shall be deemed an assignment of this Lease. Tenant may assign this Lease to a successor in interest upon the sale or other transfer of substantially all of the equity or assets of Tenant, provided Tenant first obtains Landlord's written consent, which shall not be unreasonably withheld as long as the permitted use of the Premises does not change and the assignee of this Lease provides financial statements that demonstrate its ability to satisfy the obligations of Tenant, and provided further Tenant pays to Landlord a lease transfer fee equal to a flat amount of \$5,000 ("**Transfer Fee**"). The Transfer Fee shall not apply to a transfer of this Lease upon the transfer of a controlling interest in Tenant's business to a member of the immediate family of such controlling person, or to a transfer of the controlling interest to an inter vivos trust in which such controlling person is the trustee of the trust.

(e) *Landlord's Recapture Right.*

i. Despite any other provision of this Section 17, Landlord has the option, by written notice to Tenant ("**Recapture Notice**") within 30 days after receiving any request for consent to an assignment or sublease, to recapture the Premises or portion thereof which are the subject of the request (the "**Subject Space**") by terminating this Lease for the Subject Space or taking an assignment or a sublease of the Subject Space from Tenant. A timely Recapture Notice terminates this Lease for the Subject Space for the same term as proposed in Tenant's request for consent or the remainder of the term, at Landlord's option, effective as of the date specified in the Transfer Notice. If Landlord declines or fails timely to deliver a Recapture Notice, Landlord shall have no further right under this Section 17(e)(i) to the Subject Space unless it becomes available again after Transfer by Tenant.

ii. *Consequences of Recapture.* To determine the new Minimum Rent under this Lease if Landlord recaptures the Subject Space, the original Minimum Rent under the Lease shall be multiplied by a fraction, the numerator of which is the Rentable Square Feet of the Premises retained by Tenant after Landlord's recapture and the denominator of which is the total Rentable Square Feet of the Premises before Landlord's recapture. Tenant's Share shall be reduced to reflect Tenant's proportionate share based on the Rentable Square Feet of the Premises retained by Tenant after Landlord's recapture. This Lease as so amended shall continue thereafter in full force and effect. Either party may require written confirmation of the amendments to this Lease necessitated by Landlord's recapture of the Subject Space. If Landlord recaptures the Subject Space, Landlord shall, at Landlord's sole expense, construct any partitions required to segregate the Subject Space from the remaining Premises retained by Tenant. Tenant shall, however, pay for painting, covering or otherwise decorating the surfaces of the partitions facing the remaining Premises retained by Tenant.

18. Defaults and Remedies.

(a) *Defaults.* In addition to those items already designated to be a breach or default of this Lease elsewhere in the Lease, the occurrence of any of the following events shall be a material breach of this Lease and shall constitute an event of default:

i. Abandonment, vacation, or surrender of the Premises by Tenant without Landlord's prior written consent (failure to occupy and/or operate the Premises for ten (10) consecutive days shall be deemed an abandonment and vacation, unless at least ten (10) days before failing to occupy or operate the Premises Tenant gives Landlord written notice that Tenant intends to continue using the Premises and will continue maintaining the Premises while it is vacant, or the dispossession of Tenant from the Premises (other than by Landlord by process of law or otherwise).

ii. The failure by Tenant to make any payment of Rent or any reimbursement or payment required to be made by Tenant pursuant to this Lease, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof from Landlord to Tenant.

iii. The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant, if the failure has continued for a period of ten (10) days after Landlord demands in writing

that Tenant cure the failure, provided however, that if the nature of Tenant's default is such that more than ten (10) days are reasonably required for its cure, in Landlord's sole discretion, Tenant shall not be deemed to be in default if Tenant commenced such cure within said 10-day period and thereafter diligently prosecutes such cure to completion to the satisfaction of Landlord, but in no event more than thirty (30) days after such notice.

iv. The making by Tenant of any general arrangement or assignment for the benefit of any creditor, Tenant becoming a "debtor" as defined in 11 U.S.C. 101; the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets or of Tenant's interest in this Lease, where possession is not restored to Tenant within 30 days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days.

v. Any financial statement or any representation given to Landlord by Tenant, or any assignee, subtenant, other transferee or successor of Tenant or any guarantor of this Lease, that proves to be materially false or misleading.

(b) *Remedies.* In the event of any such material breach or default by Tenant, Landlord may at any time thereafter, with or without notice or demand, and without limiting Landlord in the exercise of any right or remedy which Landlord may have by reason of such default or breach, do any of the following:

i. Terminate the Lease on thirty (30) days' written notice to Tenant, in which case Tenant shall immediately surrender possession of the Premises to Landlord on the termination date specified by Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default including, but not limited to:

(1) the cost of recovering possession of the Premises, including all attorneys' fees and court costs incurred, if any;

(2) the worth at the time of award of any unpaid Rent which would have been earned at the time of such termination;

(3) 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 Tenant proves could have been reasonably avoided;

(4) 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 Tenant proves could be reasonably avoided;

(5) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligation under this Lease or which in the ordinary course of things would be likely to result therefrom;

(6) the expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and any real estate commission actually paid in connection with such reletting; and

(7) that portion of the leasing commission, if any, paid by Landlord for the unexpired Term of this Lease.

ii. Maintain Tenant's right to possession in which case this Lease shall continue in effect whether or not Tenant shall have abandoned or vacated the Property. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.

iii. Pursue any other remedy available to Landlord at law or in equity.

(c) If at any time during the Lease Term Tenant fails, refuses, or neglects to do any of the things provided to be done by Tenant, Landlord may, after notice (except in the event of emergency), do same, but at the expense and for the account of Tenant.

(d) *Default by Landlord.* Landlord shall not be in default of this Lease unless Landlord fails to perform an obligation required of Landlord within a reasonable time, but in no event less than 30 days after written notice by Tenant to Landlord and to the holder of any mortgage or deed of trust covering the Premises whose name and address shall have theretofore been furnished to Tenant in writing, specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than 30 days is reasonably required for its performance, then Landlord shall not be in default if Landlord commences performance within such 30-day period and thereafter diligently prosecutes the same.

19. Estoppel Certificate. Within ten (10) days after any written request which Landlord may make from time to time, Tenant shall execute and deliver to Landlord a certificate together with such financial information relating to Tenant or any guarantor that Landlord or any prospective purchaser or lender may reasonably request. Landlord shall have the right to amend or otherwise supplement any certificate to include such information and provisions as may be reasonably requested by any existing or prospective lender or by any prospective purchaser. Landlord and Tenant intend that any certificate may be relied upon by any existing or prospective lender or by any prospective purchaser.

20. Possessory Interest Tax. Tenant hereby recognizes that this Lease may create a possessory interest subject to property taxation, and that Tenant may be subject to the payment of property taxes levied on such interest.

21. Severability. If any portion of this Lease is ruled by a court of competent jurisdiction to be invalid, the remaining portions shall remain in full force and effect.

22. Entire Agreement; Amendments. This Lease contains all agreements of the Parties with respect to the Property. No prior agreement or understanding pertaining to any

such matter shall be effective, whether oral or in writing. This Lease may only be modified in writing, signed by the Parties.

23. Notices. Any notice required or permitted to be given under this Lease shall be in writing and given by personal delivery or by first-class mail to the address and person below. Either Party may, by notice to the other, specify a different address for notice purposes. Notice given by personal delivery shall be deemed received upon personal delivery. Notice given by mail shall be deemed received three (3) days after deposit in the U.S. Mail.

Landlord: Lake Arrowhead Community Services District
P.O. Box 700
Lake Arrowhead, CA 92352

Attention: Catherine Cerri, General Manager
ccerri@lakearrowheadcsd.com

Tenant: Arrowhead Woods Architectural Committee
P.O. Box 2026
Lake Arrowhead, CA 92352

Attention: Stacey Lippert
info@awac.biz

24. Waivers. The waiver or failure to enforce any provision of this Lease by Landlord shall not be deemed to be a waiver of any future breach of that same provision or of any other provision of this Lease. Landlord's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act by Tenant. The acceptance of rent by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any provision of this Lease, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent.

25. Holding Over. Tenant has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. If Tenant remains in possession of the Premises or any part of the Property after the expiration or termination of the Term of this Lease, such occupancy shall be a tenancy from month to month subject to all the provisions of this Lease. During any holdover period, the monthly Base Rent shall be 120% of the Base Rent that was in effect upon the expiration or termination of the Lease. If a third party has right to possession of the Premises during the holdover period, Tenant shall indemnify and hold Landlord harmless from any claims, costs, or losses related to such third party's right to possession.

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

27. Binding Effect; Choice of Law. This Lease shall be binding upon and inure to the benefit of the Parties, their personal representatives, heirs, successors and assigns. This Lease shall be governed by and construed in accordance with the laws of the State of California. Venue shall be in San Bernardino County.

28. Attorneys' Fees and Costs. If either Party brings an action to enforce the Terms of this Lease or declare the rights of the Parties under this Lease, the prevailing Party shall be entitled to recover all costs and expenses incurred in such action, including reasonable attorneys' fees as fixed by the court or arbitrators.

29. Right to Enter Property. Landlord and Landlord's agents shall have the right to enter the Premises at reasonable times for the purpose of inspecting the same, showing the same to prospective purchasers, lenders, or Tenants, and making such alterations, repairs, improvements or additions to the Premises or Property as Landlord may deem necessary or desirable. Landlord may, at any time, place on or about the Property any "For Sale" or "For Lease" signs.

30. Nondiscrimination. Tenant covenants by and for itself, its heirs, executors, administrators, and assigns, and all persons claiming under or through it, and this Lease is made and accepted upon and subject to the requirement that there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the use, occupancy, tenure, or enjoyment of the Premises, nor shall the Tenant itself, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of employees, contractors or vendors in the Premises.

31. Quiet Possession. Upon Tenant's payment of the rent for the Premises and observing and performing all of the covenants, conditions and provisions to be observed and performed under this Lease, Tenant shall be entitled to have quiet possession of the Premises for the Term of this Lease subject to all of the provisions of this Lease.

32. Compliance with Landlord's Rules for Use of Property. Tenant agrees that it will abide by, keep and observe all reasonable rules and regulations which Landlord may make from time to time for the management of the Property, Premises, and Common Areas, including, without limitation, the delivery of supplies, the parking of vehicles and the preservation of good order. Any violation of any such rules and regulations shall be deemed a material breach of this Lease. In the event of a conflict between such rules and regulations and the terms of this Lease, the terms of this Lease shall prevail.

33. Signs. Tenant shall not, without the prior written consent of Landlord, place, construct or maintain any sign, advertisement, awning, banner or other decoration on or visible from, or otherwise use the exterior of the Premises (including, but not limited to, the outer surfaces of the exterior walls and doors of the Premises), any terraces, the roof of the building, and the public and Common Areas. All door signs on the corridor doors of the Premises and Property, which lead to the Common Areas, must be installed by Landlord at Tenant's expense and cost, and must conform to the standards of the Property as to size, style, placement, color and number of included names, and other matters as reasonably determined by Landlord. In the event of the violation of the foregoing by Tenant, Landlord

may remove the same without any liability, and may charge the expense incurred with respect to such removal to Tenant.

34. Subordination; Attornment.

(a) This Lease, at Landlord's option, shall be subject and subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation or security device now or hereafter placed upon the real property of which the Premises is a part and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. Notwithstanding such subordination, Landlord shall use diligent efforts to obtain from the party holding any such instrument a written agreement providing that Tenant's possession of the Premises shall not be disturbed if Tenant is not in default and so long as Tenant shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms. If any mortgagee, trustee or ground landlord shall elect to have this Lease be prior to the lien of its mortgage, deed of trust or ground lease, and shall give written notice thereof to Tenant, this Lease shall be deemed prior to such mortgage, deed of trust or ground lease notwithstanding the relative dates of the documentation or the date of recording thereof.

(b) Tenant agrees to attorn to a mortgagee, trustee, ground landlord or other party who acquires ownership of the Premises by reason of a foreclosure of a mortgage, deed of trust or other hypothecation or security device. In the event of such foreclosure, such new owner shall not (i) be liable for any act or omission of any prior landlord or for events occurring prior to its acquiring ownership, (ii) be subject to any offsets or defenses which Tenant may have against any prior landlord, or (iii) be bound by prepayment of more than one month's rent.

(c) The agreements in this Section 34 shall be effective without the execution of any further documents, provided, however, that upon written request from Landlord, Tenant agrees to execute any documents reasonably required to separately document an attornment, a subordination or to make this Lease prior to the lien of any mortgage, deed of trust or ground lease, as the case may be, as set forth in this Section 34. Tenant's failure to execute such documents within 10 days after written demand shall constitute a material default by Tenant hereunder without further notice to Tenant.

35. Release of Landlord After Sale. In the event of a sale or conveyance by the Landlord of the Premises, and the assumption of this Lease by the successor in interest to Landlord, Landlord shall be released, only with respect to such obligations of Landlord hereunder accruing after such sale or conveyance and assumption, from any future liability based upon any of the covenants or conditions, expressed or implied, in favor of Tenant, and, in such event, Tenant agrees to look solely to the responsibility of the successor in interest of Landlord in and to this Lease. Nothing in this Section 35 shall be construed as a limitation of Tenant's rights and interest in the Premises, and any sale or conveyance of the Premises shall be subject to this Lease and Tenant's rights and interests hereunder.

36. Miscellaneous Rules.

(a) No sidewalks, entrance, passages, courts, elevators, vestibules, stairways, corridors or halls shall be obstructed or encumbered by Tenant or used for any

purpose other than ingress and egress to and from the Premises or the building on the Property.

(b) No awning or other projection shall be attached to the outside walls or windows of the building on the Property without the written consent of Landlord. No curtains, blinds, shades, drapes or screens shall be attached to or hung in, or used in connection with any window or door of the Premises, without the prior written consent of Landlord. Such awnings, projections, curtains, blinds, shades, drapes, screens and other fixtures must be of a quality, type, design, color, material and general appearance approved by the Landlord, and shall be attached in the manner approved by Landlord. All electrical fixtures hung in offices or spaces along the perimeter of the Premises must be of a quality, type, design, bulb color, size and general appearance approved by Landlord and must be installed by Landlord at Tenant's cost.

(c) No animal or bird of any kind is allowed in or to be kept in or around the Premises and Property.

(d) No articles shall be put in front of or affixed to any part of the exterior of the building on the Property, no placed in public portions thereof without the prior written consent of Landlord.

(e) No additional locks, bolts or mail slots of any kind shall be placed upon any of the doors or windows by Tenant, nor shall any change be made in existing locks or the mechanism thereof. Tenant must, upon termination of the Lease, restore to Landlord all keys of stores, offices, restrooms, either furnished to, or otherwise procured by Tenant, and in the event of loss of any keys so furnished, Tenant shall pay to Landlord the cost thereof.

37. No Third-Party Beneficiaries; No Other Relationship. There are no intended or incidental third-party beneficiaries of this Lease. This Lease is not intended to create any joint venture, partnership, association, or other relationship between the Parties except for that of Landlord and Tenant, nor shall this Lease be construed to authorize either to act as agent for the other.

38. Counterparts. This Lease may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument and a fully executed Lease.

39. Authority to Execute. The individuals executing this Lease on behalf of each Party represent and warrant that they are fully authorized and legally capable of executing this Lease on behalf of that respective Party, and binding that Party thereto.

40. Time of Essence. Time is expressly declared to be of the essence of this Lease.

41. Recording. This Lease, or a memorandum of this Lease, shall not be recorded without the written consent of Landlord.

42. Governing Law. This Lease, and all matters relating to this Lease, shall be governed by the laws of the State of California, without application of conflicts of laws provisions or principles. Venue shall be in the County of San Bernardino.

43. Incorporation. All exhibits and recitals are incorporated into this Lease.

44. Successors and Assigns. This Lease shall be binding on each Party's successors and assigns.

45. Termination; Merger. The voluntary or other surrender of this Lease by Tenant or a mutual cancellation thereof, or a termination by Landlord shall, at the option of Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies. Unless Landlord, by written notice to the holder of any existing subtenancy, makes a written election to the contrary within 30 days following the surrender, cancellation or termination of this Lease, Landlord shall be deemed to have elected to terminate such subtenancies.

46. Severability. Should any provision in the Agreement be held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall continue in full force and effect.

47. Principles of Interpretation. No inference in favor of or against any party shall be drawn from the fact that such party has drafted any part of this Lease. The parties have both participated substantially in its negotiation, drafting, and revision, with advice from counsel and other advisers. All headings are for convenience only.

[Signatures to Lease Agreement on Next Page]

Signature Page to Lease Agreement

The Parties hereto have executed this lease on the date stated below:

Dated: _____

Tenant

By: _____
Its: _____

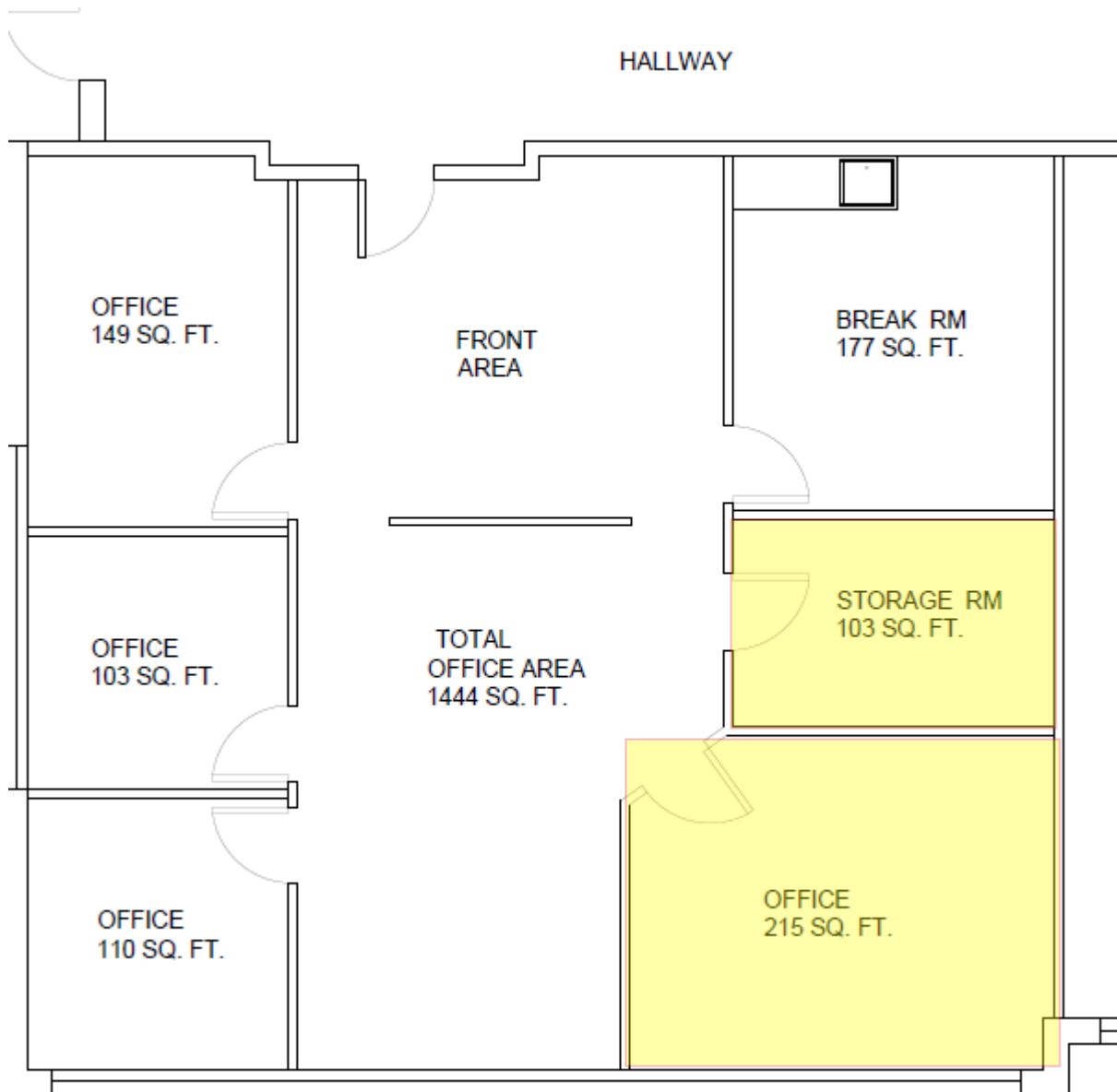
Dated: _____

Lake Arrowhead Community
Services District

General Manager

**EXHIBIT A
to
Lease Agreement**

**LEGAL DESCRIPTION OF PROPERTY
Portion of Suite 103 as highlighted in yellow below.**



**EXHIBIT B
to
Lease Agreement**

PARKING AREAS OF PROPERTY

