

September 13, 2016,

Board of Supervisors
County of Mono
C/O Ms. Leslie Chapman
County Administrative Officer
452 Old Mammoth Road
Mammoth Lakes, CA 93546

Via Electronic Delivery

RE: Updated Proposal - New Lease Amendment Between the County of Mono and Sierra Center Mall

To the Mono County Board of Supervisors:

As all of you are aware, since our purchase of the Building in June of 2012, Mono County and Sierra Center have been in various discussions, both formal and informal, about the County's future occupancy in Sierra Center on a long-term basis.

Over this period of time, we have suggested the benefits of potential scenarios under which Mono County would consolidate its various operations in Mammoth Lakes into Sierra Center while also providing for future expansion under a new long-term agreement. A few of these benefits include;

- 1) Efficiencies produced by consolidation into one facility, no duplication of resources;
- 2) Long term agreement providing stability and predictability for Mono County as to its facilities and costs;
- 3) Little or no up front costs for the County drastically eliminating capital outlays for space acquisition.
- 4) Completely renovated facility, newly planned for how the County operates today, not space cobbled together as has been done before on an as needed basis;
- 5) Ability to take advantage of employee and customer efficiencies by starting with a new plan, using today's latest trends on space use, and allowing for appropriate adjacencies between departments with shared resources. At the same time, this will allow the physical separation of activities that deal with the public from administrative functions, which will markedly improve security;
- 6) Greatly improved employee comfort and productivity and;
- 7) Benefit from the entire upgrade in facilities being completely financed and constructed by Sierra Center to Mono County's plans and specifications. This will leave staff and financial resources free to be focused on the County's core needs of providing quality services for Mono County residents and businesses.

Concurrently, over this same period of time Sierra Center management has worked with the County to be responsive to its concerns with respect to building systems and upgrades to its space and the common areas that were needed. To summarize our efforts so far, since we purchased the Building we have completed the following;

- 1) Replaced all common area bathrooms;
- 2) Completely remodeled the third floor common areas with new floor coverings, lighting and wall treatments;
- 3) Provided full floor identity to Mono County in the third floor lobby;
- 4) Replaced elevator;
- 5) Replaced all the common area HVAC and;
- 6) Extensively repaired or replaced substantial portions of the HVAC system in the County's current space.
- 7) Expanded existing District Attorney's Office

As we move forward, additional improvements we are completing this year;

- 1) Securing the third floor with restricted card key access;
- 2) Completing the ground and 2nd floor common area painting, wall treatments, lighting and flooring;
- 3) Installing a new elevator cab renovation;
- 4) New 2nd and 1st floor elevator enclosure treatments to match the third floor and;
- 5) The ground floor now welcomes the opening of a new Bakery/Cafe. Now open!

Going forward we are doing exterior improvements that include;

- 1) New Monument Sign, Replacing the monument sign in the front of the Building with a new modern LED lighted sign which will include identity for all tenants prominently featuring Mono County;
- 2) New Building sign program, we will be replacing the old façade on Old Mammoth Road as well as new retail sign band façade treatments and sign plan for the front facing areas of the Building that included new LED signage;
- 3) Landscaping, we will be redoing landscaping in the front of the building;
- 4) Energy Efficiency, we are also caring out an energy efficiency program in cooperation with Southern California Edison for the whole building that includes installing LED lighting in the common areas and exterior of the Building along with other energy efficiency improvements.

All of these improvements and more have been in a continuing effort to make Sierra Center a place the County of Mono can be productive, efficient and comfortable.

The timing of this proposal is also in light of the current state of the financial markets, specifically the debt markets. As the economy recovered, Mammoth Lakes did not receive the same recovery enthusiasm by the debt markets as other more populated regions such as in Southern California and or the San Francisco area. Only earlier this year, did the markets begin to show a willingness to do the type of financing that a proposal such as this one would require. Sierra Center investigated the debt market opportunities, and after an exhaustive search, we were successful in obtaining excellent financing package that could supply the

funds for the entire improvement program outlined herein. However, in light of various recent economic and political events, the window of availability of this financing cannot be guaranteed, and thus time is of the essence in moving forward to take advantage of this rare opportunity.

In summary this letter is to bring our discussions into a more formal phase. More specifically we wish to join with the County to take advantage of a favorable debt opportunity under which Sierra Center can now obtain the fiscal resources to completely finance improvements outlined within this proposal, which may no longer be available in the near future. It is with this in mind that we are now submitting this proposal to the County Supervisors for their immediate consideration, as time is of the essence.

Therefore, as the exclusive leasing agent representing the Landlord for the Sierra Center Mall (“Property”), please find the following proposal to the County Of Mono, (“Tenant”), to amend its existing Lease in both size and term to accommodate a consolidation of all its office facilities in Mammoth Lakes, while constructing a complete renovation of its facilities here in Sierra Center.

This proposal, in the form of a Letter Of Intent (“LOI”), shall outline the agreement of the parties as to the general terms and conditions, which if acceptable, will be used by Landlord to draft and submit to Tenant a more detailed lease amendment containing these terms for its consideration. The signing of this LOI shall in no way obligate or bind the County to enter into the Lease Amendment and is solely for the purpose of setting forth a framework for negotiations.

The terms are as follows:

- Location:** Sierra Center Mall
452 Old Mammoth Road
Mammoth Lakes, California 93546
- Tenant:** County Of Mono.
- Landlord:** 452 OM RD, LLC and Highmark Mammoth Investments, LLC, as Tenants in Common DBA “Old Mammoth Highmark Associates”.
- Premises:** The new Premises shall be identified for terms of the Lease Amendment in three categories of spaces, space currently occupied by the County under the “Master Lease”; space that will be used to consolidate other facilities into Sierra Center and provide for future expansion, the “Expansion Space” and; common area space on the third and second floors that will be identified as “Exclusive Use Common Area”. All spaces are

shown on the attached Exhibit A-1 and A-2 and Exhibit B. (This square footage is for reference purposes. Actual square footage to be determined by licensed architect approved by Landlord.)

“Master Lease” - Tenant’s existing lease space under the current Master Lease consisting of 21,545 useable square feet located on the Second and Third Floors of the Building.

“Expansion Space” – Third Floor -Tenant will expand 8,899 useable square feet to control the entire third floor for its exclusive use including all common areas and bathrooms consisting of 26,186 useable square feet contained within suites and 6,739 square feet of common area for a total 32,925 square feet. Landlord will install security access control in doors and elevators to the third floor to control public and employee access under policies to be set by Landlord and Tenant. (This square footage is for reference purposes. Actual square footage to be determined by licensed architect approved by Landlord.)

“Expansion Space” – Second Floor - Tenant will expand 7,804 useable square feet on the second floor taking control of the entire southern wing of the Building, including common area and bathrooms for its exclusive use.

Exclusive Use Common Area – These are all the hallways, bathrooms and lobby areas of the third floor as well as the large common area atrium space on the second floor that Mono County can use for their exclusive use, subject to fire exiting codes and other items as defined within the Lease Amendment. Both areas are identified on Exhibits A-1, A-2.

In summary, the current Master Lease of 21,545 useable square feet and the Expansion Space of 16,703 useable square feet are collectively referred to herein as the “Premises” consisting of a total of approximately 38,248 usable square feet. A more detailed description of the premises will be included in the formal Lease Amendment. (This square footage is for reference purposes. Actual square footage to be determined by licensed architect approved by Landlord.) See attached Exhibit A-1, A-2 and Exhibit B.

Term: Twenty Years (20) Years commencing from Commencement date as described within the Lease Amendment.

Tenant Improvements: **Improvement Allowance** - Landlord shall provide the following one time tenant improvement allowance for the improvement of the Premises which improvements shall be constructed or purchased and installed by Landlord, subject to Tenant's plans and specifications:

\$1,912,400.00 - (Based upon an allowance of \$50.00 per useable square foot.)

Tenant can apply this allowance to any cost directly related to consolidating into this building including all construction, furniture, fixtures and reasonable moving expenses directly related to moving into Sierra Center. Any remaining allowance amount may be used as a rent credit.

Work Letter - Landlord will facilitate the construction of a complete "renovation" of Tenant's Premises, per Tenant's plans and specifications. It is contemplated that these improvements will encompass the entire Mono County space ranging in some areas to total demolition and complete rebuild new, to in other areas, new carpet, paint and refresh of layout or mechanical systems. The planning, bidding and construction of these improvements shall be outlined in detail and directed by the Tenant Improvement Work Letter, ("Work Letter") which shall be attached and made part of the Lease Amendment.

Architect – Tenant and Landlord shall work to select a mutually acceptable architect to design Tenant's improvements, which shall be paid for out of the Tenant's Allowance.

Final Space Plan - Tenant shall work with Architect to develop Tenant's schematic space plans and specification sheet under a timetable outlined within the Work Letter. These efforts will work to develop a comprehensive design of all of Tenant's improvements in an acceptable plan in the form of a "Final Space Plan" with specifications attached. Both Landlord and Tenant shall approve this Final Space Plan.

Working Drawings – Tenant’s Architect shall develop working drawings and engineering based upon improvements representing Tenant’s design in the Final Space Plan. Tenant and Architect will work with Landlord to develop phasing of these improvements to allow for construction, which will minimally interfere with the County’s business operations. These working drawings shall be completed under the timetable as outlined in the Work Letter, following which again Tenant and Landlord will have final sign-off approval. Final Working drawings approved by both Landlord and Tenant shall be attached as an exhibit to the Lease Amendment.

Cost Proposal – After the Approved Working Drawings are signed by Landlord and Tenant, Landlord shall provide Tenant with a “Cost Proposal” in accordance with the design as outlined in the Approved Working Drawings. Tenant shall approve said Cost Proposal by the date outlined in the Work Letter. Once that Cost Proposal has been approved by the Tenant, Landlord will calculate the amount that is over the one time allowance, if any, and submit to tenant a “Over Allowance Amount” statement which shall be due in cash or shall arrange to be financed by other terms to be negotiated with the Landlord prior to start of construction. Such Over Allowance amount shall included interest carry charges.

Construction – Landlord shall be responsible for hiring the contractor and providing construction management during construction of Tenant’s premises. Landlord shall disburse all Tenant Improvement allowance funds which shall be paid directly to the contractor or contractors, subject to receipt by Landlord of commercially reasonable proof of completion of the work for which payment is sought (progress payments are acceptable) including all necessary lien releases. Landlord shall be permitted to charge the allowance a reasonable construction management fee. With respect to any remaining funds that are not used for costs of construction as identified in the Work Letter, tenant shall be allowed to apply these dollars as a credit to their rent.

Delivery of Premises – The Premises shall be constructed in “Phases” per the schedule developed in the Working Drawings and Specifications in order to allow the County to conduct its normal business. Upon the delivery of a

substantially completed phase, subject to normal “punch list” items to be completed by Landlord, Tenant shall inspect and accept said Premises. Acceptance of each phase by Tenant in “substantially complete” fashion as described in the Work Letter, subject to typical punch list correction items to be completed by Landlord within 30 days, shall be considered by terms of the Agreement as “Delivered”. Such Delivery by Landlord and Acceptance by Tenant shall trigger the rent commencement for this phase of suites. Immediately following rent commencement for each phase, if Tenant has any “over allowance” amount due to change orders or Tenant delays, Tenant shall pay that amount at that time. Charges for Tenant delays shall be specified in the Work Letter.

**Base Building
Improvements:**

Simultaneously with the construction of Tenant’s improvements, Landlord will, at its sole cost and expense complete any Base Building improvements to the Building that Tenant and/or Landlord identify that need upgrading, replacing or repairing. Base Building improvements shall be defined as any item, mechanical system or other improvements that affects Tenant’s improvements or comfortable use of its premises. These Base building improvements shall be identified during the planning process and timetable as outlined in the Work Letter.

Tenant Security:

In order to provide a more secure occupancy for Mono County, Landlord will completely secure the Third Floor and limit access to the common area after hours in the form of an ID Card Access System. This system will be installed at all access points to the third floor, elevator, stairwell and exterior doors. In addition, the unsecured stair in the 2nd floor atrium will be removed to create a secure third floor. Both Landlord and Tenant shall mutually agree upon access policies and hours of operation. Tenant shall be responsible for the costs of operation and management of the security system including cost of ID Cards.

Improvements Financing:

In order to provide financing for Tenant’s improvements, Landlord has secured a line of credit in terms of a refinance from Deutsche Bank AG, one of the country’s largest lenders under the credit of the Landlord, contingent upon a lease from the County. See attached Financing Memo as Exhibit C.

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- Renewal Options:** Tenant shall have the right to two (2) options to renew the Term for an additional Ten (10) Years each provided the Tenant is not in default under the lease and gives Landlord 180-days written notice of its intent to renew. Rental for said option terms shall be the then fair market rent for similar space within the Town of Mammoth Lakes, CA.
- Purchase Options:** As part of the negotiations of the Lease Amendment and Work Letter, Landlord agrees to structure an appropriate First Right of Refusal Option to Purchase the Property at fair market value.
- Expansion Options:** Tenant shall have a continuing “First Right Of First Options” for additional expansion space in the building as it becomes available. These options rights shall be more fully described in the Lease Amendment.
- Lease Commencement:** The Lease Amendment shall have a Commencement Date for this amended new term which shall be September 1, 2016.
- Rent Commencement:** The Rent Commencement Date for delivery of Expansion Space shall be the date Landlord delivers each phase of individual suites in substantially completed fashion per Tenants’ plans and specifications and Tenant accepts said suites. The schedule of these suite completion and delivery shall be outlined in the Lease Amendment and Work Letter.
- For space under the Master Lease for which Tenant is currently occupying, rent shall commence immediately upon commencement of the new Term, however, rental shall continue at the old rent amount paid prior to the Amendment until such time as Landlord substantially completes and Tenant accepts a minimum of 10,000 useable square feet of new expansion space. Upon accepting this minimum square footage of Expansion space, the rent for all the premises occupied shall be adjusted on a pro-rata basis to the rental as outlined as Base Rental herein below.
- Base Rental:** The Base Rent for the entire Premises upon full occupancy shall be \$ 82,233.20 per month, plus all Common Area Maintenance Fees (CAM) including all utilities, insurance and taxes to be described more fully the Master Lease Agreement and Lease Amendment. This Base Rent shall be applied on a pro-rata basis as construction completes individual suites.

Base Rental under this amended shall not commence on the original premises until such time as a minimum of 10,000 square feet of Expansion space has been constructed and delivered to Tenant. At such time any increases shall be prorated to reflect the percentage of the total Expansion space represented by the delivered space. Landlord will include the common area as described in Exhibits A-1 and A-2 for Tenant's exclusive use at no additional rent.

Base Rental Increases: The Base Rental rate shall be increased three percent (3%) annually.

**Operating Expense
CAM Fees:** Tenant shall be responsible for its pro rata share of all operating expenses for the property, including, but not limited to, repairs and maintenance, utilities, janitorial, property and other taxes, insurance, snow removal for the property including management fees. These Common Area Maintenance Fees (CAMS) are more fully described in the current Master Lease agreement.

Parking: Tenant will be granted the right to park for its employee's on a pro rata basis, within the property at no charge. All spots will be unreserved. In addition, should Landlord need to implement parking control because of unauthorized parking within the property attributable to Tenant, then Tenant shall pay its pro rata share of such expense.

Sublease Rights: Tenant shall have the right, upon Landlord's approval, which shall not be unreasonably withheld, to sublease the premises. Any such sublease shall not relieve Tenant of its obligations under the lease agreement. Tenant shall be responsible for all costs associated with subleasing and, after deducting such cost, Tenant shall split any profits with Landlord on 50/50 basis. However, if more than 25% of the Premises is sublet or assigned at the time Tenant must exercise any option to extend the Term then Landlord shall have the right to approve such right to exercise any renewal options.

**Rentable Square
Footage Conversion:** The Landlord reserves the right to convert all the tenants, including the County of Mono to the Rentable Square Feet measurement. This method measures the tenant's pro rata

portion of the entire office building, excluding elements of the Building that penetrate through the floor to areas below. The Rentable Area of a floor is fixed for the life of a building and is not affected by changes in corridor sizes or configuration. This method is therefore recommended for measuring the total income producing area of a building and for use in computing the tenant's pro rata share of a building for purposes of rent escalation. Lenders, architects and appraisers will use Rentable Area in analyzing the economic potential of a building. For discussion purposes the Sierra Center Mall shall be estimated at a 15% load factor. This would raise the square footage of the Premises but not increase the total rental cost. In the event Landlord does convert to rentable square feet, then the rental rate per foot will be reduced to reflect the same total rental as when based upon usable square feet.

**Town Of Mammoth Lakes
Contingent Proposal:**

Immediately upon execution of this Letter of Intent, Landlord will draft and present to the Town Of Mammoth Lakes (TOML) for its review a proposal continuing similar terms to this proposal as outlined herein, including but not limited to approximately 12,500 square feet of space on the Second Floor and a Tenant Improvement Allowance of not less than \$50.00 per square foot. Any Lease to the Town of Mammoth Lakes shall be contingent upon Mono County executing a Lease but shall have no other connection or guarantee. The TOML lease shall be a separate agreement between the Landlord and TOML.

Brokers:

Landlord and Tenant represent and warrant that there are no other brokers in connection with this transaction other than Highmark Advisors, Inc. All brokerage fees and the like relating to this transaction will be borne solely by Landlord.

Telecopy Signatures:

Telecopied signatures may be used as originals for purposes of expediency, provided originals are thereafter promptly transmitted to the other party.

Expiration:

This letter of intent shall expire on Tuesday, October 11, 2016, at 5:00 PM Pacific Standard Time, and shall become void and have no further effect.

Time Is Of The Essence:

Time is of the essence in this and every other provision of the letter of intent.

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Final Lease Documents: This Letter of Intent shall be contingent on the execution of mutually acceptable Lease Amendment and Work Letter documents by County of Mono, approved by the County of Mono Board of Supervisors, and Landlord. It is to be understood that the terms and conditions offered in this Letter Of Intent are predicated on the execution of a Lease Amendment and Work Letter agreements on or before October 11, 2016.

All terms and conditions set forth herein shall be incorporated into a new lease agreement to be prepared by Landlord. It is to be strictly understood and agreed that the terms and conditions referenced hereinabove shall not be binding upon either Landlord or Tenant until such time as the new lease and all related documents have been approved and executed by Landlord's and Tenant's respective principals in their sole discretion following compliance with all applicable environmental laws..

Sincerely,

HIGHMARK ADVISORS, INC.



Drew Cameron Hild
Principal

cc: Paul Rudder, 452 OM RD, LLC

Attachments: Exhibit A-1, A-2 - Premises Floor Plans
Exhibit B – Premises Sq. Ft. Summary
Exhibit C – TI Source of Funds - Loan Term Sheet, Deutsche Bank AG

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Agreed to and Accepted:

COUNTY OF MONO

Authorized Signatory

Agreed to and Accepted:

452 OM RD, LLC

Paul Rudder
It's Managing Member

Agreed to and Accepted:

HIGHMARK MAMMOTH
INVESTMENTS, LLC

Drew Hild
It's Managing Member

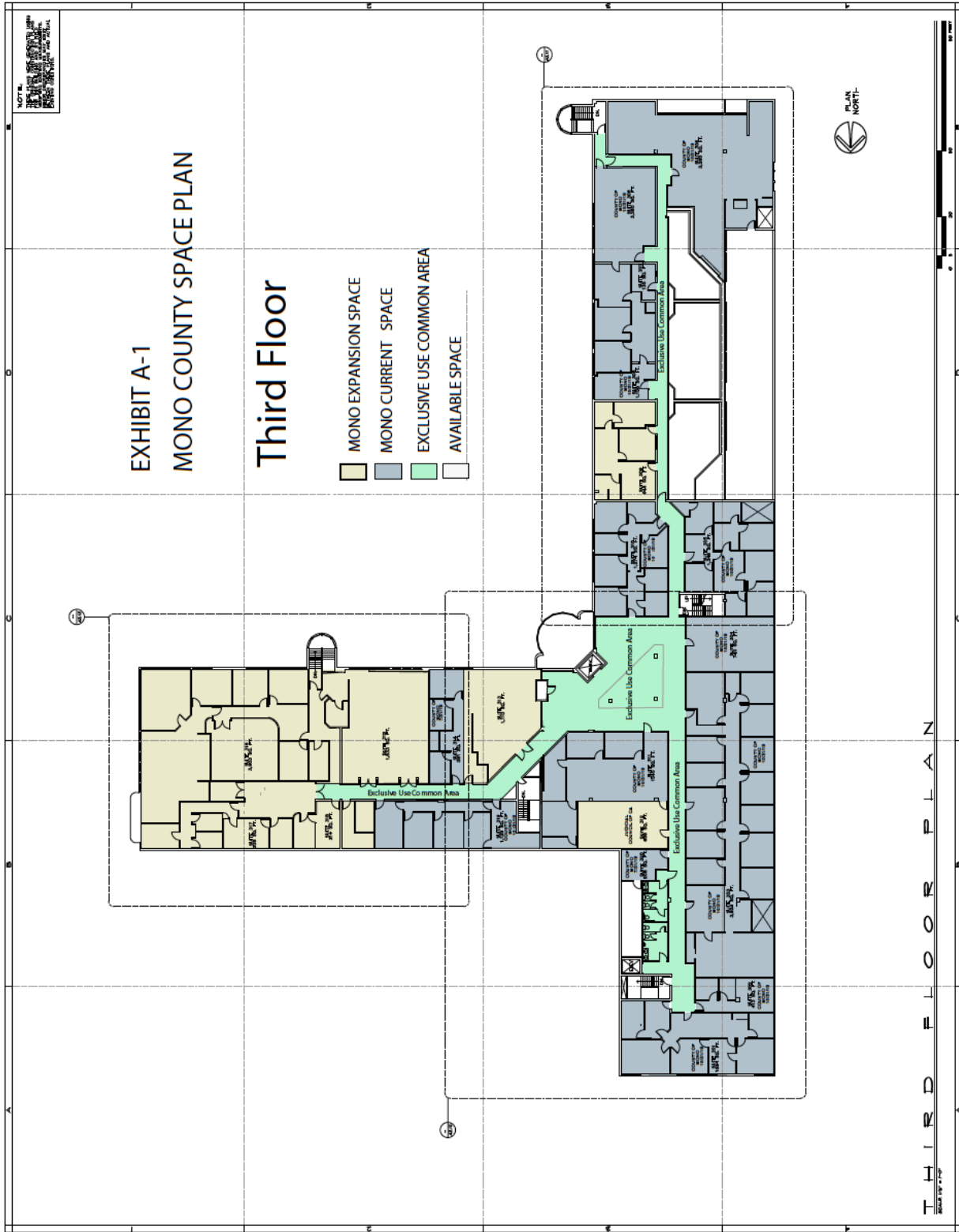




EXHIBIT B - MONO COUNTY SPACE PLAN SQUARE FOOTAGE CALCS

SECOND FLOOR						
SUITE	RENTABLE SQ FEET	Co Occupied Sq Ft	COMMON	BLDG TOTAL	EXPANSION	
201	1,868	0				1,868
202	428	0				428
203	2,274	0				2,274
204	1,016	0				1,016
205	267	0				267
206	497	0				497
207	826	826	DA - MASTER LEASE AMENDMENT			
208	2,513	2,513	DA - MASTER LEASE			
209	509	0				509
210	945	0				945
211	919	919	MH - MASTER LEASE (old IT)			
212	1,116	0				
213	741	0				
214	816	0				
215	4,557	0				
216	403	0				
217	441	0				
218	217	0				
219	5,199	0				
Second Floor Total	25,552	4,258		10,391	35,943	7,804

THIRD FLOOR						
SUITE	RENTABLE SQ FEET	Co Occupied Sq Ft	COMMON	BLDG TOTAL	EXPANSION	
301	1,564	1,564	COCO - MASTER LEASE			
302	413	413	MH - MASTER LEASE			
303	3,924	3,924	MH - MASTER LEASE			
304	740	740	DSS CONFERENCE - MASTER LEASE			
305	1,346	1,346	DSS - MASTER LEASE			
306	3,260	3,260	CAO - MASTER LEASE (Board & Break Rm)			
307	135	135				
308	1,158	1,158	DSS - MASTER LEASE (old chld supp)			
309	942	0				942
310	1,274	1,274	DSS - MASTER LEASE			
311	1,545	1,545	DSS - MASTER LEASE			
312	659	0				659
313	1,110	0				1,110
314	591	591	PROB - MASTER LEASE			
315	1,633	0				1,633
316	3,903	0				3,903
317	338	0				338
318	314	0				314
319	1,129	1,129	PROB - MASTER LEASE			
320	208	208	MH - MASTER LEASE			
Third Floor Total	26,186	17,287		6,739	32,925	8,899

TOTAL SQUARE FOOTAGE CURRENT LEASE	21,545
TOTAL SQUARE FOOTAGE FOR EXPANSION	16,703
TOTAL SQUARE FOOTAGE OVERALL	38,248

*Note, these square footages are not verified and are subject to re-measure and confirmation.

EXHIBIT C – LOAN TERM SHEET

TO BE ATTACHED