



**DESERT HEALTHCARE DISTRICT**  
**Finance, Legal, Administration, & Real Estate Committee Meeting**  
**June 09, 2020**

A meeting of the Finance, Legal, Administration, & Real Estate Committee of the Desert Healthcare District will be held at 3:30 PM, Tuesday, June 09, 2020, via Zoom using the following link:  
<https://us02web.zoom.us/j/88153358478?pwd=Wm9NTFh0YWFTNVE5K0FQRTk0VDDd1Zz09>  
**Password: 261539**

Participants will need to download the WebEx app on their mobile devices. Members of the public may also be able to participate by telephone, using the following dial in information:

Dial in #:(669) 900-6833 To Listen and Address the Board when called upon:  
**Webinar ID: 881 5335 8478**  
**Password: 261539**

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**AGENDA**

**I. CALL TO ORDER**

**II. APPROVAL OF AGENDA**

**III. PUBLIC COMMENT**

At this time, comments from the audience may be made on items not listed on the agenda that are of public interest and within the subject-matter jurisdiction of the District. The Committee has a policy of limiting speakers to not more than three minutes. The Committee cannot take action on items not listed on the agenda. Public input may be offered on an agenda item when it comes up for discussion and/or action.

**IV. APPROVAL OF MINUTES**

1. F&A Minutes – Meeting May 12, 2020 – Pg. 3-6 **ACTION**

**V. CEO REPORT**

**VI. CHIEF ADMINISTRATION OFFICER'S REPORT – Pg. 7**

1. LPMP Leasing Update – Pg. 8 **Information**

**VII. FINANCIAL REPORTS**

- ACTION**
1. District and LPMP Financial Statements – Pg. 9-19
  2. Accounts Receivable Aging Summary – Pg. 20
  3. District - Deposits – Pg. 21
  4. District - Property tax receipts – Pg. 22
  5. LPMP – Deposits – Pg. 23
  6. District – Check Register – Pg. 24-25
  7. Credit Card – Detail of Expenditures – Pg. 26
  8. LPMP – Check Register – Pg. 27
  9. Retirement Protection Plan Update – Pg. 28
  10. Grant Payment Schedule – Pg. 29

**VIII. OTHER MATTERS**

1. Las Palmas Medical Plaza - Addendum to Lease Agreements for Rent Deferral – **ACTION**  
Pg. 30-32



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2. Las Palmas Medical Plaza – Lease Renewal Suite 1W 102-103 – Quest Diagnostics – Pg. 33-54 **ACTION**
3. Service Agreement Addendum - Rauch Communications Consultants Inc. – Board & CEO Roles and Relationships Workshops, NTE \$32,200 – Pg. 55-66 **ACTION**

**IX. ADJOURNMENT**

*If you have any disability which would require accommodation to enable you to participate in this meeting, please email Andrea S. Hayles, Special Assistant to the CEO and Board Relations Officer, at [ahayles@dhcd.org](mailto:ahayles@dhcd.org) or call (760) 323-6110 at least 24 hours prior to the meeting.*



**DESERT HEALTHCARE DISTRICT**  
**FINANCE, ADMINISTRATION, REAL ESTATE, LEGAL, AND COMMITTEE**  
**MEETING MINUTES**  
**May 12, 2020**

Directors Present	District Staff Present	Absent
Chair/Treasurer Mark Matthews President Leticia De Lara, MPH Director Arthur Shorr	Conrado E. Bázquez, MD, Chief Executive Officer Chris Christensen, Chief Administration Officer Eric Taylor, Accounting Manager Donna Craig, Chief Program Officer Andrea S. Hayles, Clerk to the Board	

AGENDA ITEMS	DISCUSSION	ACTION
<b>I. Call to Order</b>	Chair Matthews called the meeting to order at 3:34 p.m.	
<b>II. Approval of Agenda</b>	Chair Matthews asked for a motion to approve the agenda.	<b>Moved and seconded by President De Lara and Director Shorr to approve the agenda. Motion passed unanimously.</b>
<b>III. Public Comment</b>	There was no public comment.	
<b>IV. Approval of Minutes</b> <b>1. F&amp;A Minutes – Meeting March 10, 2019</b>	Chair Matthews motioned to approve the March 10, 2020 minutes.	<b>Moved and seconded by Director Shorr and President De Lara to approve the minutes.</b>
<b>V. CEO Report</b>	Conrado E. Bázquez, MD, CEO, explained that the budget being presented also represents the impact of COVID-19 and the tax revenue for the District, while also diligent to the needs in the community related to the Strategic Plan in the upcoming year. The District wants to ensure that the community is receiving available funds to keep the community healthy and help address the economic disaster.	
<b>VI. Chief Financial Officer’s Report</b> <b>1. LPMP Leasing Update</b>	Chris Christensen, CAO, explained that the Las Palmas Medical Plaza is 98% occupied, income annually is \$1.2M with	

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MEETING MINUTES  
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	<p>some tenants requesting rent relief, some tenants with 2 months of deferral, others for 4 months, and by the end of the lease term, all rent is paid over the remaining life of the lease.</p>	
<p><b>VII. Financial Reports</b></p> <p><b>1. District and LPMP Financial Statements</b></p> <p><b>2. Accounts Receivable Aging Summary</b></p> <p><b>3. District – Deposits</b></p> <p><b>4. District – Property Tax Receipts</b></p> <p><b>5. LPMP Deposits</b></p> <p><b>6. District – Check Register</b></p> <p><b>7. Credit Card – Detail of Expenditures</b></p> <p><b>8. LPMP – Check Register</b></p> <p><b>9. Retirement Protection Plan Update</b></p> <p><b>10. Grant Payment Schedule</b></p>	<p>Chair Matthews reviewed the financials and answered questions of the committee members</p> <p>President De Lara requested the addition of the organization entertaining the event, in addition to the amount and name of the organization related to the events.</p>	<p><b>Moved and seconded by Director Shorr and President De Lara and to approve the March and April 2020 District Financial Reports - Items 1-10 and to forward to the Board for approval.</b></p> <p><b>Motion passed unanimously.</b></p>
<p><b>VIII. Other Matters</b></p> <p><b>1. Investment Portfolios – March 31, 2020 – Keith Stribling, HighMark Capital Management</b></p> <p><b>2. Las Palmas Medical Plaza – Interior Fire Sprinkler Installation – Drawings, Plan Check, and Permits – Estimated \$23,000</b></p>	<p>Keith Stribling, Vice President, Senior Portfolio Manager, HighMark Capital Management, described the performance report for the Desert Hospital Retirement Plan, also answering questions of the committee.</p> <p>Chris Christensen, CAO, provided background on the interior fire sprinkler system. The initial costs of approximately \$23k includes plans, survey work, and permits, with a formal bidding process to follow.</p>	<p><b>Moved and seconded by Director Shorr and President De Lara to approve the Las Palmas Medical Plaza Interior Fire Sprinkler Installation – Drawings, Plan Check, and Permits – Estimated \$23,000 – and to forward to the Board for approval.</b></p> <p><b>Motion passed unanimously.</b></p>



**DESERT HEALTHCARE DISTRICT**  
**FINANCE, ADMINISTRATION, REAL ESTATE, LEGAL, AND COMMITTEE**  
**MEETING MINUTES**  
**May 12, 2020**

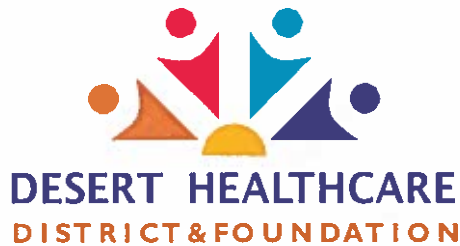
<p><b>IX. FY 2020-2021 Annual Budget Review</b></p>	<p>Chris Christensen, CAO, explained a potential 4% reduction in property tax value from COVID-19, factoring the 2009 recession when there was a 13% reduction. The budget is a conservative approach that includes an 8% reduction from the current property tax revenue anticipated for this year. A 5% reduction in rent and Common Area Maintenance (CAM) revenue from the Las Palmas Medical Plaza commercial property is also projected.</p> <p>Chair Matthews inquired with the committee on setting aside rent relief to assist patients that are unable to pay their copays and would not seek treatment due to the costs, such as \$100k - \$150k. Additionally, placing a hold on grants and announcing that commitments are subject to review.</p> <p>Dr. Barzaga explained that staff is working with community partners to contribute to a community pool to assist with economic stability.</p> <p>President De Lara recommended and the committee agreed to a discretion for the CEO up to \$25k to work in the absence of the Board if there is a gap in funding for an organization in need, with the understanding</p>	
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FINANCE, ADMINISTRATION, REAL ESTATE, LEGAL, AND COMMITTEE  
MEETING MINUTES  
May 12, 2020

	<p>that Dr. Bárzaga provides accountability for how the funding was used. Mr. Christensen explained that the \$25k is including in the budget.</p> <p>After a lengthy discussion concerning the East Valley budgeted line item, the committee agreed to recommend to the Board modifying the designation to the East Valley as District-wide funding amounting to \$600k.</p> <p>During the review of the budgeted staff positions, the committee agreed to move forward with the new hires as illustrated in the budget.</p> <p>Director Shorr recommended illustrating in the notes that the Director's stipends will not change in the new fiscal year.</p>	<p><b>Moved and seconded by Director Shorr and President De Lara to approve the FY 2020-2021 Annual Budget Review Modifying the East Valley Funding Designation to District-wide, freezing all new hires, and to forward to the Board for approval.</b></p> <p><b>Director Matthews abstained from voting on the budget.</b></p> <p><b>Motion passed.</b></p>
<p><b>IV. Adjournment</b></p>	<p>Chair Matthews adjourned the meeting at 4:40 p.m.</p>	<p><b>Audio recording available on the website at <a href="http://dhcd.org/Agendas-and-Documents">http://dhcd.org/Agendas-and-Documents</a></b></p>

ATTEST: \_\_\_\_\_  
Mark Matthews, Chair/Treasurer Finance & Administration Committee  
Desert Healthcare District Board of Directors

*Minutes respectfully submitted by Andrea S. Hayles, Clerk of the Board*



## **Chief Administration Officer's Report**

**June 9, 2020**

Staff is currently working with Lund & Guttery on the interim FY19-20 financial audit. The end of year field work is tentatively scheduled for August 2020 for the fiscal year ending June 30, 2020.

### **Las Palmas Medical Plaza - Property Management:**

#### **Occupancy:**

See attached unit rental status report.

97.9% currently occupied –

Total annual rent including CAM fees is **\$1,251,084**.

#### **Leasing Activity:**

The new lease with Quest Diagnostics for unit 1W 102-103 is on today's agenda for consideration of the Committee.

Tenants who have requested rent relief due to the COVID-19 health crisis will have their respective lease addenda on today's agenda for consideration of the Committee. Deferred rent for each tenant will be pro-rated over the remaining life of their lease.

**Las Palmas Medical Plaza  
Unit Rental Status  
As of June 1, 2020**

Unit	Tenant Name	Deposit	Lease Dates		Term	Unit Sq Feet	Percent of Total	Monthly Rent	Annual Rent	Rent Per Sq Foot	Monthly CAM	Total Monthly Rent Incig CAM	Total Annual Rent Incig CAM
			From	To									
											\$ 0.62		
3W, 101	Available when Cohen, Musch relocates to 1W, 105-106					1,656	3.38%						
2W, 107	Vacant					1,024	2.07%						
<b>Total - Vacancies</b>						<b>1,024</b>	<b>2.07%</b>	Currently excludes 3W, 101					
<b>Total Suites-33 - 31 Suites Occupied</b>		<b>\$ 59,043.50</b>				<b>49,356</b>	<b>97.9%</b>	<b>\$ 75,444.37</b>	<b>\$ 905,332.44</b>	<b>\$ 1.56</b>	<b>\$ 28,812.64</b>	<b>\$ 104,257.01</b>	<b>\$ 1,251,084.12</b>
<b>Summary - All Units</b>													
Occupied		48,332	97.9%										
Vacant		1,024	2.1%										
Pending		0	0%										
Total		49,356	100%										



<b>DESERT HEALTHCARE DISTRICT</b>
<b>MAY 2020 FINANCIAL STATEMENTS</b>
<b>INDEX</b>
Year to Date Variance Analysis
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Cumulative Profit & Loss Budget vs Actual - District Including LPMP
Cumulative Profit & Loss Budget vs Actual - LPMP
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Balance Sheet - Expanded View
Accounts Receivable Aging
Deposit Detail - District
Property Tax Receipts - YTD
Deposit Detail - LPMP
Check Register - District
Credit Card Expenditures
Check Register - LPMP
Retirement Protection Plan Update
Grants Schedule

**DESERT HEALTHCARE DISTRICT  
YEAR TO DATE VARIANCE ANALYSIS  
ACTUAL VS BUDGET  
ELEVEN MONTHS ENDED MAY 31, 2020**

**Scope: \$25,000 Variance per Statement of Operations Summary**

Account	YTD		Over(Under)	Explanation
	Actual	Budget	Budget	
4000 - Income	\$ 8,473,139	\$ 7,546,693	\$ 926,446	Higher interest income (net) from FRF investments \$917k; unbudgeted grant contributions \$50k; lower NEOPB Grant Income \$41k
4500 - LPMP	\$ 1,032,332	\$ 1,121,750	\$ (89,418)	Lower income due to vacant units and COVID-19 rent deferral
5000 - Direct Expenses	\$ 853,422	\$ 1,076,605	\$ (223,183)	Lower wage related expenses \$132k due to open positions; lower health insurance related expenses \$26k; lower retirement related expenses \$18k; higher education expenses 8k; lower Board related expenses \$55k
6000-General & Admin Expense	\$ 447,636	\$ 473,902	\$ (26,266)	Lower computer services expense \$20k; lower LAFCO expense \$17k; higher travel expenses \$10k; higher personnel expenses \$10k; higher dues and membership expenses \$8k; lower depreciation expense \$6k; higher supplies expense \$6k; lower bank fees \$5k; lower various \$12k
6445 - LPMP Expense	\$ 888,319	\$ 1,056,345	\$ (168,026)	Lower landscaping expenses \$140k; lower depreciation expenses \$13k; lower marketing expenses \$12k; lower utilities expenses \$11k; lower repair expenses \$8k; higher insurance expenses \$9k; higher security expenses \$7k
6500 - Professional Fees Expense	\$ 550,119	\$ 1,086,228	\$ (536,109)	Lower Professional Services \$436k; lower PR & Communications \$35k; lower Legal \$65k
7000 - Grants Expense	\$ 3,013,704	\$ 3,300,462	\$ (286,758)	Budget of \$3.5 Million for fiscal year is amortized straight-line over 12-month fiscal year.

**Desert Healthcare District**  
**Cumulative Profit & Loss Budget vs. Actual**  
 July 2019 through May 2020

	MONTH			TOTAL		
	May 20	Budget	\$ Over Budget	Jul '19 - May 20	Budget	\$ Over Budget
<b>Income</b>						
4000 · Income	608,149	686,063	(77,914)	8,473,139	7,546,693	926,446
4500 · LPMP Income	42,700	102,400	(59,700)	1,032,332	1,121,750	(89,418)
4501 · Miscellaneous Income	(49,250)	950	(50,200)	8,250	10,450	(2,200)
<b>Total Income</b>	<b>601,599</b>	<b>789,413</b>	<b>(187,814)</b>	<b>9,513,721</b>	<b>8,678,893</b>	<b>834,828</b>
<b>Expense</b>						
5000 · Direct Expenses	127,157	97,268	29,889	853,422	1,076,605	(223,183)
6000 · General & Administrative Exp	37,191	43,082	(5,891)	447,636	473,902	(26,266)
6325 · CEO Discretionary Fund		417	(417)	4,297	4,587	(290)
6445 · LPMP Expenses	76,217	82,395	(6,178)	888,319	1,056,345	(168,026)
6500 · Professional Fees Expense	1,348	98,748	(97,400)	550,119	1,086,228	(536,109)
6700 · Trust Expenses	10,456	10,709	(253)	122,613	121,021	1,592
<b>Total Expense</b>	<b>252,369</b>	<b>332,819</b>	<b>(80,250)</b>	<b>2,866,406</b>	<b>3,818,688</b>	<b>(952,282)</b>
7000 · Grants Expense	1,043,206	300,042	743,164	3,013,704	3,300,462	(286,758)
<b>Net Income</b>	<b>(693,976)</b>	<b>156,752</b>	<b>(850,728)</b>	<b>3,633,630</b>	<b>1,559,743</b>	<b>2,073,887</b>

Desert Healthcare District  
**Cumulative Profit & Loss Budget vs. Actual**  
 July 2019 through May 2020

	MONTH			TOTAL		
	May 20	Budget	\$ Over Budget	Jul '19 - May 20	Budget	\$ Over Budget
<b>Income</b>						
<b>4000 · Income</b>						
4010 · Property Tax Revenues	561,355	561,355	0	6,174,905	6,174,905	0
4025 · Contributions	50,000	0	50,000	50,000	0	50,000
<b>4200 · Interest Income</b>						
4220 · Interest Income (FRF)	48,086	106,250	(58,164)	1,057,598	1,168,750	(111,152)
9999-1 · Unrealized gain(loss) on invest	(56,247)	8,333	(64,580)	1,119,961	91,663	1,028,298
<b>Total 4200 · Interest Income</b>	<b>(8,161)</b>	<b>114,583</b>	<b>(122,744)</b>	<b>2,177,559</b>	<b>1,260,413</b>	<b>917,146</b>
4300 · DHC Recoveries	1,749	1,750	(1)	19,400	19,250	150
4400 · Grant Income	3,206	8,375	(5,169)	51,275	92,125	(40,850)
<b>Total 4000 · Income</b>	<b>608,149</b>	<b>686,063</b>	<b>(77,914)</b>	<b>8,473,139</b>	<b>7,546,693</b>	<b>926,446</b>
4500 · LPMP Income	42,700	102,400	(59,700)	1,032,332	1,121,750	(89,418)
4501 · Miscellaneous Income	(49,250)	950	(50,200)	8,250	10,450	(2,200)
<b>Total Income</b>	<b>601,599</b>	<b>789,413</b>	<b>(187,814)</b>	<b>9,513,721</b>	<b>8,678,893</b>	<b>834,828</b>
<b>Expense</b>						
<b>5000 · Direct Expenses</b>						
<b>5100 · Administration Expense</b>						
5110 · Wages Expense	115,779	88,000	27,779	782,987	986,230	(203,243)
5111 · Allocation to LPMP - Payroll	(5,085)	(5,084)	(1)	(55,935)	(55,924)	(11)
5112 · Vacation/Sick/Holiday Expense	9,381	7,500	1,881	119,606	82,500	37,106
5114 · Allocation to Foundation	(25,473)	(25,473)	0	(280,203)	(280,203)	0
5115 · Allocation to NEOPB	(3,206)	(7,289)	4,083	(48,147)	(80,179)	32,032
5119 · Allocation to RSS/CVHIP-DHCF	(1,569)	(2,382)	813	(19,749)	(26,202)	6,453
5120 · Payroll Tax Expense	9,354	6,732	2,622	71,560	75,448	(3,888)
<b>5130 · Health Insurance Expense</b>						
5131 · Premiums Expense	14,135	13,012	1,123	124,108	138,338	(14,230)
5135 · Reimb./Co-Payments Expense	248	2,250	(2,002)	12,462	24,750	(12,288)
<b>Total 5130 · Health Insurance Expense</b>	<b>14,383</b>	<b>15,262</b>	<b>(879)</b>	<b>136,570</b>	<b>163,088</b>	<b>(26,518)</b>
5140 · Workers Comp. Expense	619	1,078	(459)	10,839	10,664	175
<b>5145 · Retirement Plan Expense</b>						
5146 · Retirement Plan - Forfeiture	1,053			(17,366)		
5145 · Retirement Plan Expense - Other	8,654	5,807	2,847	56,735	56,896	(161)
<b>Total 5145 · Retirement Plan Expense</b>	<b>9,707</b>	<b>5,807</b>	<b>3,900</b>	<b>39,369</b>	<b>56,896</b>	<b>(17,527)</b>
5160 · Education Expense	(25)	625	(650)	14,484	6,875	7,609
<b>Total 5100 · Administration Expense</b>	<b>123,865</b>	<b>84,776</b>	<b>39,089</b>	<b>771,381</b>	<b>939,193</b>	<b>(167,812)</b>
<b>5200 · Board Expenses</b>						
5210 · Healthcare Benefits Expense	416	5,834	(5,418)	43,599	64,174	(20,575)
5230 · Meeting Expense	146	1,667	(1,521)	12,771	18,337	(5,566)
5235 · Director Stipend Expense	2,730	4,200	(1,470)	19,670	46,200	(26,530)
5240 · Catering Expense		583	(583)	4,825	6,413	(1,588)
5250 · Mileage Reimbursement Expense		208	(208)	1,176	2,288	(1,112)
<b>Total 5200 · Board Expenses</b>	<b>3,292</b>	<b>12,492</b>	<b>(9,200)</b>	<b>82,041</b>	<b>137,412</b>	<b>(55,371)</b>
<b>Total 5000 · Direct Expenses</b>	<b>127,157</b>	<b>97,268</b>	<b>29,889</b>	<b>853,422</b>	<b>1,076,605</b>	<b>(223,183)</b>
<b>6000 · General &amp; Administrative Exp</b>						
6110 · Payroll fees Expense	65	208	(143)	1,905	2,288	(383)
6120 · Bank and Investment Fees Exp	9,919	9,833	86	103,295	108,163	(4,868)
6125 · Depreciation Expense		1,250	(1,250)	7,973	13,750	(5,777)

Desert Healthcare District  
**Cumulative Profit & Loss Budget vs. Actual**  
 July 2019 through May 2020

	MONTH			TOTAL		
	May 20	Budget	\$ Over Budget	Jul '19 - May 20	Budget	\$ Over Budget
6126 · Depreciation-Solar Parking lot	15,072	15,072	0	165,792	165,792	0
6130 · Dues and Membership Expense	1,940	2,500	(560)	35,715	27,500	8,215
6200 · Insurance Expense	1,753	1,500	253	19,733	16,500	3,233
6300 · Minor Equipment Expense		42	(42)		462	(462)
6305 · Auto Allowance & Mileage Exp	692	600	92	4,156	6,600	(2,444)
6306 · Staff- Auto Mileage reimb	106	500	(394)	4,987	5,500	(513)
6309 · Personnel Expense	650	83	567	10,823	913	9,910
6310 · Miscellaneous Expense		42	(42)		83	(379)
6311 · Cell Phone Expense	371	776	(405)	4,777	8,536	(3,759)
6312 · Wellness Park Expenses		83	(83)		913	(913)
6315 · Security Monitoring Expense		42	(42)	432	462	(30)
6340 · Postage Expense	502	417	85	1,508	4,587	(3,081)
6350 · Copier Rental/Fees Expense	394	458	(64)	4,048	5,038	(990)
6351 · Travel Expense		917	(917)	18,376	10,087	8,289
6352 · Meals & Entertainment Exp		583	(583)	7,976	6,413	1,563
6355 · Computer Services Expense	1,290	3,775	(2,485)	21,545	41,525	(19,980)
6360 · Supplies Expense	284	1,667	(1,383)	23,881	18,337	5,544
6380 · LAFCO Assessment Expense	153	1,667	(1,514)	1,683	18,337	(16,654)
6400 · East Valley Office	4,000	1,067	2,933	8,950	11,737	(2,787)
<b>Total 6000 · General &amp; Administrative Exp</b>	<b>37,191</b>	<b>43,082</b>	<b>(5,891)</b>	<b>447,636</b>	<b>473,902</b>	<b>(26,266)</b>
6325 · CEO Discretionary Fund		417	(417)	4,297	4,587	(290)
6445 · LPMP Expenses	76,217	82,395	(6,178)	888,319	1,056,345	(168,026)
6500 · Professional Fees Expense						
6516 · Professional Services Expense	(17,488)	70,000	(87,488)	333,902	770,000	(436,098)
6520 · Annual Audit Fee Expense	1,563	1,540	23	17,193	16,940	253
6530 · PR/Communications/Website	6,923	7,208	(285)	44,133	79,288	(35,155)
6560 · Legal Expense	10,350	20,000	(9,650)	154,891	220,000	(65,109)
<b>Total 6500 · Professional Fees Expense</b>	<b>1,348</b>	<b>98,748</b>	<b>(97,400)</b>	<b>550,119</b>	<b>1,088,228</b>	<b>(536,109)</b>
6700 · Trust Expenses						
6711 · Disability Admin. Fee Expense					3,222	(3,222)
6720 · Pension Plans Expense						
6721 · Legal Expense		167	(167)		1,837	(1,837)
6725 · RPP Pension Expense	10,000	10,000	0	110,000	110,000	0
6728 · Pension Audit Fee Expense	456	542	(86)	12,613	5,962	6,651
<b>Total 6700 · Trust Expenses</b>	<b>10,456</b>	<b>10,709</b>	<b>(253)</b>	<b>122,613</b>	<b>121,021</b>	<b>1,592</b>
<b>Total Expense Before Grants</b>	<b>252,369</b>	<b>332,619</b>	<b>(80,250)</b>	<b>2,866,406</b>	<b>3,818,688</b>	<b>(952,282)</b>
7000 · Grants Expense						
7010 · Major Grant Awards Expense	1,040,000	291,667	748,333	2,962,429	3,208,337	(245,908)
7027 · Grant Exp - NEOPB	3,206	8,375	(5,169)	51,275	92,125	(40,850)
<b>Total 7000 · Grants Expense</b>	<b>1,043,206</b>	<b>300,042</b>	<b>743,164</b>	<b>3,013,704</b>	<b>3,300,462</b>	<b>(286,758)</b>
<b>Net Income</b>	<b>(693,976)</b>	<b>156,752</b>	<b>(850,728)</b>	<b>3,633,630</b>	<b>1,559,743</b>	<b>2,073,887</b>

Las Palmas Medical Plaza  
**Cumulative Profit & Loss Budget vs. Actual**  
 July 2019 through May 2020

	MONTH			TOTAL		
	May 20	Budget	\$ Over Budget	Jul '19 - May 20	Budget	\$ Over Budget
<b>Income</b>						
4500 · LPMP Income						
4505 · Rental Income	31,259	73,500	(42,241)	744,723	805,950	(61,227)
4510 · CAM Income	11,441	28,900	(17,459)	287,609	315,500	(27,891)
4513 · Misc. Income					300	(300)
<b>Total 4500 · LPMP Income</b>	<b>42,700</b>	<b>102,400</b>	<b>(59,700)</b>	<b>1,032,332</b>	<b>1,121,750</b>	<b>(89,418)</b>
<b>Expense</b>						
6445 · LPMP Expenses						
6420 · Insurance Expense	1,879	1,083	796	20,669	11,913	8,756
6425 · Building - Depreciation Expense	21,700	21,667	33	236,756	238,337	(1,581)
6426 · Tenant Improvements -Dep Exp	15,728	17,083	(1,355)	177,206	187,913	(10,707)
6427 · HVAC Maintenance Expense	413	1,333	(920)	10,437	14,663	(4,226)
6428 · Roof Repairs Expense		208	(208)		2,288	(2,288)
6431 · Building -Interior Expense		833	(833)	1,600	9,163	(7,563)
6432 · Plumbing -Interior Expense	2,578	333	2,245	7,510	3,663	3,847
6433 · Plumbing -Exterior Expense		208	(208)		2,288	(2,288)
6434 · Allocation Internal Prop. Mgmt	5,085	5,084	1	55,935	55,924	11
6435 · Bank Charges	959	1,042	(83)	12,148	11,462	686
6437 · Utilities -Vacant Units Expense	116	208	(92)	719	2,288	(1,569)
6439 · Deferred Maintenance Repairs Ex		500	(500)	12,640	5,500	7,140
6440 · Professional Fees Expense	10,117	10,472	(355)	118,787	115,192	3,595
6441 · Legal Expense		83	(83)		913	(913)
6458 · Elevators - R & M Expense	224	1,000	(776)	8,311	11,000	(2,689)
6460 · Exterminating Service Expense	30	417	(387)	2,315	4,587	(2,272)
6463 · Landscaping Expense		833	(833)	19,842	159,163	(139,321)
6467 · Lighting Expense		833	(833)	2,250	9,163	(6,913)
6468 · General Maintenance Expense		83	(83)		913	(913)
6471 · Marketing-Advertising		1,417	(1,417)	4,096	15,587	(11,491)
6475 · Property Taxes Expense	6,000	6,008	(8)	66,000	66,088	(88)
6476 · Signage Expense		125	(125)	497	1,375	(878)
6480 · Rubbish Removal Medical Waste E	1,514	1,442	72	17,035	15,862	1,173
6481 · Rubbish Removal Expense	2,228	2,250	(22)	24,497	24,750	(253)
6482 · Utilities/Electricity/Exterior	465	625	(160)	4,857	6,875	(2,018)
6484 · Utilities - Water (Exterior)	381	708	(327)	4,879	7,788	(2,909)
6485 · Security Expenses	6,800	6,417	383	77,711	70,587	7,124
6490 · Miscellaneous Expense		100	(100)	1,622	1,100	522
<b>6445 · LPMP Expenses</b>	<b>76,217</b>	<b>82,395</b>	<b>(6,178)</b>	<b>888,319</b>	<b>1,056,345</b>	<b>(168,026)</b>
<b>Net Income</b>	<b>(33,517)</b>	<b>20,005</b>	<b>(53,522)</b>	<b>144,013</b>	<b>65,405</b>	<b>78,608</b>

**Desert Healthcare District**  
**Balance Sheet**  
As of May 31, 2020

	May 31, 20
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1000 · CHECKING CASH ACCOUNTS	2,941,159
1100 · INVESTMENT ACCOUNTS	58,792,009
<b>Total Checking/Savings</b>	61,733,168
<b>Accounts Receivable</b>	60,155
<b>Other Current Assets</b>	
1270 · Prepaid Insurance -Ongoing	65,692
1279 · Pre-Paid Fees	8,686
1281 · NEOPB Receivable	13,423
1295 · Property Tax Receivable	1,862,874
<b>Total Other Current Assets</b>	1,950,675
<b>Total Current Assets</b>	63,743,997
<b>Fixed Assets</b>	
1300 · FIXED ASSETS	4,913,164
1335-00 · ACC DEPR	(2,004,766)
1400 · LPMP Assets	6,872,015
<b>Total Fixed Assets</b>	9,780,413
<b>Other Assets</b>	
1700 · OTHER ASSETS	2,867,136
<b>TOTAL ASSETS</b>	<b>76,391,547</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
2000 · Accounts Payable	20,411
2001 · LPMP Accounts Payable	7,521
<b>Total Accounts Payable</b>	27,932
<b>Other Current Liabilities</b>	
2002 · LPMP Property Taxes	(4,924)
2131 · Grant Awards Payable	6,608,655
2133 · Accrued Accounts Payable	138,550
2141 · Accrued Vacation Time	44,173
2188 · Current Portion - LTD	1,234
2190 · Investment Fees Payable	11,401
<b>Total Other Current Liabilities</b>	6,799,089
<b>Total Current Liabilities</b>	6,827,021

**Desert Healthcare District**  
**Balance Sheet**  
As of May 31, 2020

		May 31, 20
	<b>Long Term Liabilities</b>	
	2170 · RPP - Pension Liability	3,505,623
	2171 · RPP-Deferred Inflows-Resources	1,643,743
	2280 · Long-Term Disability	40,626
	2281 · Grants Payable - Long-term	5,400,000
	2286 · Retirement BOD Medical Liabilit	71,587
	2290 · LPMP Security Deposits	61,962
	<b>Total Long Term Liabilities</b>	<b>10,723,540</b>
	<b>Total Liabilities</b>	<b>17,550,561</b>
	<b>Equity</b>	
	3900 · *Retained Earnings	55,207,356
	Net Income	3,633,630
	<b>Total Equity</b>	<b>58,840,986</b>
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>76,391,547</b>



**Desert Healthcare District**  
**Balance Sheet**  
As of May 31, 2020

	May 31, 20
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
<b>1000 · CHECKING CASH ACCOUNTS</b>	
1010 · Union Bank - Checking	2,668,769
1046 · Las Palmas Medical Plaza	271,890
1047 · Petty Cash	500
<b>Total 1000 · CHECKING CASH ACCOUNTS</b>	<b>2,941,159</b>
<b>1100 · INVESTMENT ACCOUNTS</b>	
1130 · Facility Replacement Fund	57,278,892
1135 · Unrealized Gain(Loss) FRF	1,513,117
<b>Total 1100 · INVESTMENT ACCOUNTS</b>	<b>58,792,009</b>
<b>Total Checking/Savings</b>	<b>61,733,168</b>
<b>Accounts Receivable</b>	
<b>1201 · Accounts Receivable</b>	
1204 · LPMP Accounts Receivable	(2,194)
1205 · Misc. Accounts Receivable	7,927
1211 · A-R Foundation - Exp Allocation	54,422
<b>Total Accounts Receivable</b>	<b>60,155</b>
<b>Other Current Assets</b>	
1270 · Prepaid Insurance -Ongoing	65,692
1279 · Pre-Paid Fees	8,686
1281 · NEOPB Receivable	13,423
1295 · Property Tax Receivable	1,862,874
<b>Total Other Current Assets</b>	<b>1,950,675</b>
<b>Total Current Assets</b>	<b>63,743,997</b>
<b>Fixed Assets</b>	
<b>1300 · FIXED ASSETS</b>	
1310 · Computer Equipment	94,034
1315 · Computer Software	68,770
1320 · Furniture and Fixtures	33,254
1325 · Offsite Improvements	300,849
1331 · DRMC - Parking lot	4,416,257
<b>Total 1300 · FIXED ASSETS</b>	<b>4,913,164</b>

**Desert Healthcare District**  
**Balance Sheet**  
As of May 31, 2020

		May 31, 20
<b>1335-00 · ACC DEPR</b>		
	1335 · Accumulated Depreciation	(210,452)
	1336 · Acc. Software Depreciation	(68,770)
	1337 · Accum Deprec- Solar Parking Lot	(1,582,731)
	1338 · Accum Deprec - LPMP Parking Lot	(142,813)
<b>Total 1335-00 · ACC DEPR</b>		<b>(2,004,766)</b>
<b>1400 · LPMP Assets</b>		
	1401 · Building	8,705,680
	1402 · Land	2,165,300
	1403 · Tenant Improvements -New	2,168,677
	1404 · Tenant Improvements - CIP	129,550
	1406 · Building Improvements	
	1406.1 · LPMP-Replace Parking Lot	676,484
	1406 · Building Improvements - Other	1,575,296
	<b>Total 1406 · Building Improvements</b>	<b>2,251,780</b>
	1407 · Building Equipment Improvements	364,891
	1409 · Accumulated Depreciation	
	1410 · Accum. Depreciation	(7,389,240)
	1412 · T I Accumulated Dep.-New	(1,524,624)
	<b>Total 1409 · Accumulated Depreciation</b>	<b>(8,913,864)</b>
	<b>Total 1400 · LPMP Assets</b>	<b>6,872,015</b>
	<b>Total Fixed Assets</b>	<b>9,780,413</b>
<b>Other Assets</b>		
	<b>1700 · OTHER ASSETS</b>	
	1731 · Wellness Park	1,693,800
	1740 · RPP-Deferred Outflows-Resources	1,159,189
	1741 · OPEB-Deferred Outflows-Resourc	14,147
	<b>Total Other Assets</b>	<b>2,867,136</b>
	<b>TOTAL ASSETS</b>	<b>76,391,547</b>

**Desert Healthcare District**  
**Balance Sheet**  
As of May 31, 2020

		May 31, 20
<b>LIABILITIES &amp; EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
<b>Accounts Payable</b>		
2000 · Accounts Payable		20,411
2001 · LPMP Accounts Payable		7,521
<b>Total Accounts Payable</b>		<b>27,932</b>
<b>Other Current Liabilities</b>		
2002 · LPMP Property Taxes		(4,924)
2131 · Grant Awards Payable		6,608,655
2133 · Accrued Accounts Payable		138,550
2141 · Accrued Vacation Time		44,173
2188 · Current Portion - LTD		1,234
2190 · Investment Fees Payable		11,401
<b>Total Other Current Liabilities</b>		<b>6,799,089</b>
<b>Total Current Liabilities</b>		<b>6,827,021</b>
<b>Long Term Liabilities</b>		
2170 · RPP - Pension Liability		3,505,623
2171 · RPP-Deferred Inflows-Resources		1,643,743
2280 · Long-Term Disability		40,626
2281 · Grants Payable - Long-term		5,400,000
2286 · Retirement BOD Medical Liabilit		71,587
2290 · LPMP Security Deposits		61,962
<b>Total Long Term Liabilities</b>		<b>10,723,540</b>
<b>Total Liabilities</b>		<b>17,550,561</b>
<b>Equity</b>		
3900 · *Retained Earnings		55,207,356
Net Income		3,633,630
<b>Total Equity</b>		<b>58,840,986</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>76,391,547</b>

**Desert Healthcare District**  
**A/R Aging Summary**  
As of May 31, 2020

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL	COMMENT
<b>Desert Healthcare Foundation-</b>	27,042	0	27,380	0	0	54,422	Due from Foundation
<b>Hassan Bencheqroun, M.D.</b>	0	2,580	0	0	0	2,580	Slow pay
<b>Laboratory Corporation of America</b>	0	(4,774)	0	0	0	(4,774)	Prepaid
<b>Mark Matthews</b>	0	3,749	0	1,927	0	5,677	Director Premiums-paid June
<b>Sovereign</b>	750	0	750	750	0	2,250	Slow pay
<b>TOTAL</b>	<b>27,792</b>	<b>1,556</b>	<b>28,130</b>	<b>2,677</b>	<b>0</b>	<b>60,155</b>	

**Desert Healthcare District  
Deposit Detail  
May 2020**

Type	Date	Name	Amount
Deposit	05/01/2020		750
Payment	05/01/2020	Sovereign	(750)
TOTAL			(750)
Deposit	05/01/2020		275,485
Payment	05/01/2020	Desert Healthcare Foundation-	(275,485)
TOTAL			(275,485)
Deposit	05/04/2020		1,749
		T-Mobile	(1,749)
TOTAL			(1,749)
Deposit	05/07/2020		55,260
		Riverside County Treasurer-CalFresh	(5,260)
Payment	05/07/2020	Regional Access Project Foundation-Matching Grant Contribution	(50,000)
TOTAL			(55,260)
Deposit	05/11/2020		14,173
		Riverside County Treasurer-Property Tax	(14,173)
TOTAL			(14,173)
Deposit	05/15/2020		67,455
		Riverside County Treasurer-Property Tax	(67,455)
TOTAL			(67,455)
Deposit	05/28/2020		19,991
		Riverside County Treasurer-Property Tax	(19,991)
TOTAL			(19,991)
		TOTAL	434,863

**DESERT HEALTHCARE DISTRICT  
PROPERTY TAX RECEIPTS FY 2019 - 2020  
RECEIPTS - TWELVE MONTHS ENDED JUNE 30, 2020**

	FY 2018-2019 Projected/Actual					FY 2019-2020 Projected/Actual				
	Budget %	Budget \$	Act %	Actual Receipts	Variance	Budget %	Budget \$	Act %	Actual Receipts	Variance
July	2.5%	\$ 165,105	1.3%	\$ 87,106	\$ (77,998)	2.5%	\$ 168,407	0.0%	\$ -	\$ (168,407)
Aug	1.6%	\$ 105,667	1.3%	\$ 88,674	\$ (16,993)	1.6%	\$ 107,780	3.1%	\$ 207,292	\$ 99,512
Sep	2.6%	\$ 171,709	2.4%	\$ 155,626	\$ (16,083)	2.6%	\$ 175,143	0.0%	\$ -	\$ (175,143)
Oct	0.0%	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	2.4%	\$ 158,895	\$ 158,895
Nov	0.4%	\$ 26,417	0.0%	\$ -	\$ (26,417)	0.4%	\$ 26,945	0.0%	\$ -	\$ (26,945)
Dec	16.9%	\$ 1,116,106	17.8%	\$ 1,177,161	\$ 61,054	16.9%	\$ 1,138,429	18.2%	\$ 1,222,723	\$ 84,294
Jan	31.9%	\$ 2,106,733	19.7%	\$ 1,299,278	\$ (807,456)	31.9%	\$ 2,148,868	33.1%	\$ 2,228,697	\$ 79,829
Feb	0.0%	\$ -	13.9%	\$ 918,846	\$ 918,846	0.0%	\$ -	1.0%	\$ 69,468	\$ 69,468
Mar	0.3%	\$ 19,813	0.7%	\$ 44,532	\$ 24,719	0.3%	\$ 20,209	1.1%	\$ 71,486	\$ 51,277
Apr	5.5%	\$ 363,230	5.9%	\$ 392,745	\$ 29,515	5.5%	\$ 370,495	6.0%	\$ 405,506	\$ 35,012
May	19.9%	\$ 1,314,232	20.3%	\$ 1,341,271	\$ 27,039	19.9%	\$ 1,340,517	1.5%	\$ 101,619	\$ (1,238,897)
June	18.4%	\$ 1,215,169	22.3%	\$ 1,470,000	\$ 254,830	18.4%	\$ 1,239,473	0.0%		
<b>Total</b>	<b>100%</b>	<b>\$ 6,604,180</b>	<b>105.6%</b>	<b>\$ 6,975,238</b>	<b>\$ 371,058</b>	<b>100.00%</b>	<b>\$ 6,736,264</b>	<b>66.3%</b>	<b>\$ 4,465,686</b>	<b>\$ (1,031,105)</b>

**Las Palmas Medical Plaza  
Deposit Detail - LPMP  
May 2020**

Type	Date	Name	Amount
<b>Deposit</b>	<b>05/01/2020</b>		<b>7,412</b>
Payment	05/01/2020	Steven Gundry, M.D.	(5,235)
Payment	05/01/2020	Desert Oasis Healthcare Medical Group	(2,177)
<b>TOTAL</b>			<b>(7,412)</b>
<b>Deposit</b>	<b>05/01/2020</b>		<b>3,854</b>
Payment	05/01/2020	Quest Diagnostics Incorporated	(3,854)
<b>TOTAL</b>			<b>(3,854)</b>
<b>Deposit</b>	<b>05/08/2020</b>		<b>3,570</b>
Payment	05/08/2020	Desert Family Medical Center	(3,570)
<b>TOTAL</b>			<b>(3,570)</b>
<b>Deposit</b>	<b>05/11/2020</b>		<b>20,509</b>
Payment	05/11/2020	Derakhsh Fozouni, M.D.	(5,969)
Payment	05/11/2020	Pathway Pharmaceuticals, Inc.	(2,296)
Payment	05/11/2020	Ramy Awad, M.D.	(3,246)
Payment	05/11/2020	Aijaz Hashmi, M.D., Inc.	(2,745)
Payment	05/11/2020	Brad A. Wolfson, M.D.	(3,354)
Payment	05/11/2020	Cure Cardiovascular Consultants	(2,898)
<b>TOTAL</b>			<b>(20,509)</b>
<b>Deposit</b>	<b>05/21/2020</b>		<b>4,774</b>
Payment	05/21/2020	Laboratory Corporation of America	(4,774)
<b>TOTAL</b>			<b>(4,774)</b>
		<b>TOTAL</b>	<b>40,119</b>

**Desert Healthcare District**  
**Check Register**  
As of May 31, 2020

Type	Date	Num	Name	Amount
<b>1000 · CHECKING CASH ACCOUNTS</b>				
<b>1010 · Union Bank - Checking</b>				
Bill Pmt -Check	05/01/2020	15974	HARC, INC.	(14,120)
Bill Pmt -Check	05/01/2020	15975	Ready Refresh	(50)
Bill Pmt -Check	05/01/2020	15976	Shred-It	(102)
Bill Pmt -Check	05/01/2020	15977	So.Cal Computer Shop	(810)
Bill Pmt -Check	05/01/2020	15978	Verizon Wireless	(604)
Bill Pmt -Check	05/01/2020	15979	Zendle, Les-	(420)
Bill Pmt -Check	05/01/2020	15980	Alianza Coachella Valley	(10,000)
Bill Pmt -Check	05/01/2020	15981	Desert Arc	(10,000)
Bill Pmt -Check	05/01/2020	15982	Family Services of the Desert	(5,000)
Bill Pmt -Check	05/01/2020	15983	Hanson House Foundation	(5,000)
Bill Pmt -Check	05/01/2020	15984	United Cerebral Palsy of Inland Empire	(10,000)
Check	05/06/2020	Auto Pay	Calif. Public Employees'Retirement System	(13,876)
Bill Pmt -Check	05/07/2020	15985	Graphtek Interactive	(113)
Bill Pmt -Check	05/07/2020	15987	Jeff Crider	(4,760)
Bill Pmt -Check	05/07/2020	15990	Mangus Accountancy Group, A.P.C.	(500)
Bill Pmt -Check	05/07/2020	15986	Regional Access Project Foundation	(3,450)
Bill Pmt -Check	05/07/2020	15989	Staples Credit Plan	(52)
Bill Pmt -Check	05/07/2020	15988	Xerox Financial Services	(394)
Bill Pmt -Check	05/07/2020	15991	First Bankcard (Union Bank)	(901)
Bill Pmt -Check	05/07/2020	15992	First Bankcard (Union Bank)	(865)
Bill Pmt -Check	05/07/2020	15993	Regional Access Project Foundation	(30)
Bill Pmt -Check	05/08/2020	16007	CV Strategies	(42,340)
Liability Check	05/14/2020		QuickBooks Payroll Service	(39,436)
Bill Pmt -Check	05/14/2020	15994	Coachella Valley Workforce Excellence Inc	(78,750)
Bill Pmt -Check	05/14/2020	15995	HARC, INC.	(89,995)
Bill Pmt -Check	05/14/2020	15996	Jewish Family Service of the Desert	(40,500)
Bill Pmt -Check	05/14/2020	15997	Coachella Valley Workforce Excellence Inc	(78,750)
Bill Pmt -Check	05/19/2020	15998	SDRMA	(59,309)
Bill Pmt -Check	05/19/2020	15999	CoPower Employers' Benefits Alliance	(2,151)
Bill Pmt -Check	05/19/2020	16000	Del Valle Informador Inc.	(1,000)
Bill Pmt -Check	05/19/2020	16001	Maggie Martinez	(2,500)
Bill Pmt -Check	05/19/2020	16002	Rogers, Carole	(945)
Bill Pmt -Check	05/19/2020	16003	State Compensation Insurance Fund	(619)
Bill Pmt -Check	05/19/2020	16004	The Desert Sun	(1,050)
Bill Pmt -Check	05/19/2020	16005	Time Warner Cable	(247)
Bill Pmt -Check	05/19/2020	16006	Will Dean	(106)
Bill Pmt -Check	05/19/2020	16008	Principal Life Insurance Co.	(1,575)



**Desert Healthcare District**  
**Check Register**  
 As of May 31, 2020

Type	Date	Num	Name	Amount
Check	05/26/2020		Bank Service Charge	(919)
Liability Check	05/28/2020		QuickBooks Payroll Service	(39,778)
Bill Pmt -Check	05/28/2020	IB 05282020	Law Offices of Scott & Jackson	(10,350)
<b>TOTAL</b>				<b>(571,367)</b>

**Desert Healthcare District**  
**Details for credit card Expenditures**  
**Credit card purchases - April 2020 - Paid May 2020**

Number of credit cards held by District personnel -2

Credit Card Limit - \$7,000

Credit Card Holders:

Conrado Bárzaga - Chief Executive Officer

Chris Christensen - Chief Administration Officer

Routine types of charges:

Office Supplies, Dues for membership, Computer Supplies, Meals, Travel including airlines and Hotels, Catering, Supplies for BOD meetings, CEO Discretionary for small grant & gift items

Year	Statement		Expense Type	Amount	Purpose	Description	Participants
	Month Charged	Total Charges					
		\$ 1,766.04					
<b>Chris' Statement:</b>							
2020	April	\$ 865.16	District				
			GL	Dollar	Descr		
			5230	\$ 145.50	Harvey Milk Diversity Breakfast - Lety & Les		
			6309	\$ 520.00	Advertising for Public Policy Analyst position		
			6309	\$ 130.00	Advertising for Public Policy Analyst position		
			6360	\$ 24.00	Teleconference expense		
			6360	\$ 14.99	Zoom Videoconference expense		
			6360	\$ 30.67	Zoom Webinar Expense		
				<u>\$ 865.16</u>			
<b>Conrado's Statement:</b>							
2020	April	\$ 900.88	District				
			GL	Dollar	Descr		
			5160	(\$25.00)	Refund of CSDA Brown Act Training - February 2020		
			6130	\$ 350.00	Guidestar Pro Subscription Access (Monthly)		
			6130	\$ 575.88	Linkedin Business Plus Subscription (Annual)		
				<u>\$ 900.88</u>			

**Las Palmas Medical Plaza  
Check Register  
As of May 31, 2020**

Type	Date	Num	Name	Amount
<b>1000 - CHECKING CASH ACCOUNTS</b>				
<b>1046 - Las Palmas Medical Plaza</b>				
Bill Pmt -Check	05/01/2020	10176	Imperial Security	(1,700)
Bill Pmt -Check	05/01/2020	10177	INPRO-EMS Construction	(13,717)
Bill Pmt -Check	05/07/2020	10178	Desert Water Agency	(358)
Bill Pmt -Check	05/07/2020	10179	Palm Springs Disposal Services Inc	(2,227)
Bill Pmt -Check	05/07/2020	10180	Roto-Rooter Plumbers	(750)
Bill Pmt -Check	05/07/2020	10181	Stericycle, Inc.	(1,514)
Bill Pmt -Check	05/08/2020	10182	INPRO-EMS Construction	(13,263)
Bill Pmt -Check	05/19/2020	10183	INPRO-EMS Construction	(10,117)
Bill Pmt -Check	05/19/2020	10184	Desert Air Conditioning Inc.	(413)
Bill Pmt -Check	05/19/2020	10185	Frontier Communications	(224)
Bill Pmt -Check	05/19/2020	10186	Imperial Security	(3,400)
Bill Pmt -Check	05/19/2020	10187	Southern California Edison	(581)
Check	05/26/2020		Bank Service Charge	(959)
Bill Pmt -Check	05/31/2020	10192	KC's Plumbing	(1,828)
<b>TOTAL</b>				<b>(51,051)</b>



## MEMORANDUM

DATE: June 9, 2020

TO: F&A Committee

RE: Retirement Protection Plan (RPP)

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Current number of participants in Plan:

Active – still employed by hospital	101
Vested – no longer employed by hospital	64
Former employees receiving annuity	<u>7</u>
Total	<u>172</u>

The outstanding liability for the RPP is approximately **\$4.1M** (Actives - \$2.7M and Vested - \$1.4M). US Bank investment account balance \$4.4M. Per the June 30, 2019 Actuarial Valuation, the RPP has an Unfunded Pension Liability of approximately **\$3.4M**. A monthly accrual of \$10K is being recorded each month as an estimate for FY2020.

The payouts, excluding monthly annuity payments, made from the Plan for the Eleven (11) months ended May 31, 2020 totaled **\$196K**. Monthly annuity payments (7 participants) total **\$1.0K** per month.

DESERT HEALTHCARE DISTRICT						
OUTSTANDING GRANTS AND GRANT PAYMENT SCHEDULE						
As of 5/31/20						
TWELVE MONTHS ENDED JUNE 30, 2020						
Grant ID Nos.	Name	Approved Grants - Prior Yrs	Current Yr 2019-2020	6/30/2019 Bal Fwd/New	Total Paid July-June	Open BALANCE
2014-MOU-BOD-11/21/13	Memo of Understanding CVAG CV Link Support	\$ 10,000,000		\$ 10,000,000	\$ -	\$ 10,000,000
2015-876-BOD-6-23-15	Arrowhead Neuroscience Fndtn-NeuroInterventional & NeuroCritical Care Fellowship 2 Yr	\$ 373,540		\$ 37,354	\$ 27,522	\$ 9,832
	Unexpended funds of Grant #876 (\$9,832.32 10% Retention)					\$ (9,832)
2016-927-BOD-12-20-16	SafeHouse of the Desert - "What's Up" Crisis Texting Application - 3 Yr	\$ 679,357		\$ 169,839	\$ 144,945	\$ 24,895
	Unexpended funds Grant #927					\$ (24,895)
2017-938-BOD-07-25-17	Mizell Senior Center - A Matter of Balance Phase 2 - 2 Yr	\$ 400,300		\$ 40,030	\$ 2,077	\$ 37,953
	Unexpended funds of Grant #938 (\$37,953 10% Retention)				\$ -	\$ (37,953)
2018-960-BOD-02-27-18	Desert Cancer Foundation - Patient Assistance and Suzanne Jackson Breast Cancer	\$ 200,000		\$ 20,000	\$ 20,000	\$ -
2018-967-BOD-05-22-18	The City of DHS-Public Safety Emergency Response Program - Purchase AEDs	\$ 30,000		\$ 3,000	\$ 710	\$ 2,290
	Unexpended funds of Grant #967 (\$2,290.34 10% Retention)				\$ -	\$ (2,290)
2018-974-BOD-09-25-18	HARC - 2019 Coachella Valley Community Health Survey - 2 Yr	\$ 399,979		\$ 219,989	\$ 179,990	\$ 39,999
2018-980-BOD-10-23-18	Joslyn Wellness Senior Behavioral Health Services Program - 1 Yr	\$ 112,050		\$ 11,205	\$ 11,205	\$ -
2018-981-BOD-10-23-18	Desert Arc Healthcare Program - 1 Yr	\$ 164,738		\$ 16,474	\$ 16,474	\$ (0)
2018-979-BOD-11-27-18	FIND Food Bank - Healthy Food First/Pathways Out of Hunger - 1 Yr	\$ 396,345		\$ 217,989	\$ 171,513	\$ 46,476
	Unexpended funds Grant #979					\$ (39,633)
	Invoiced Grantee for over payment					\$ (6,843)
2019-985-BOD-03-26-19	Coachella Valley Volunteers in Medicine - Primary Healthcare & Support Services - 1 Yr	\$ 121,500		\$ 66,825	\$ 54,675	\$ 12,150
2019-986-BOD-05-28-19	Ronald McDonald House Charities - Temporary Housing & Family Support Services - 1 Yr	\$ 200,000		\$ 200,000	\$ 180,000	\$ 20,000
2019-997-BOD-05-28-19	Martha's Village & Kitchen - Homeless Housing With Wrap Around Services - 1 Yr	\$ 200,896		\$ 110,493	\$ 90,403	\$ 20,090
2019-989-BOD-05-28-19	Pegasus Riding Academy - Cover the Hard Costs of Pegasus Clients - 1 Yr	\$ 109,534		\$ 60,244	\$ 49,290	\$ 10,954
2019-994-BOD-05-28-19	One Future Coachella Valley - Mental Health College & Career Pathway Development - 2 Yr	\$ 700,000		\$ 621,250	\$ 236,250	\$ 385,000
2019-995-BOD-05-28-19	One Future Coachella Valley - HCC Summer Intern at DHCD/F & FIND Food Bank	\$ 14,628		\$ 1,463	\$ 1,463	\$ -
2019-1000-BOD-05-28-19	Voices for Children - Court Appointed Special Advocate Program - 1 Yr	\$ 24,000		\$ 13,200	\$ 10,800	\$ 2,400
2019-1006-BOD-06-25-19	Desert Healthcare Foundation - Homelessness Initiative Collective Fund	\$ 1,000,000		\$ 1,000,000	\$ 1,000,000	\$ -
2019-1017-BOD-09-24-19	Jewish Family Services - Case Management Services for Homeless Prevention - 1 Yr		\$ 90,000	\$ 90,000	\$ 81,000	\$ 9,000
2019-1025-BOD-09-24-19	Desert Healthcare Foundation - Ready Set Swim - 1 Yr		\$ 200,000	\$ 200,000	\$ 200,000	\$ -
2019-1023-BOD-10-22-19	CVRM - Transportation for Seniors & Homeless Hospital Discharge Referrals - 1 Yr		\$ 216,200	\$ 216,200	\$ 97,290	\$ 118,910
2019-1021-BOD-11-26-19	Neuro Vitality Center - Community Based Adult Services Program - 6 Months		\$ 143,787	\$ 143,787	\$ 64,704	\$ 79,083
2020-1045-BOD-03-24-20	FIND Food Bank - Ending Hunger Today, Tomorrow, and for a Lifetime - 1 Yr		\$ 401,380	\$ 401,380	\$ 90,311	\$ 311,069
2020-1080-BOD-03-24-20	Lift To Rise - Coachella Valley Economic Protection Plan and Support Fund		\$ 100,000	\$ 100,000	\$ 100,000	\$ -
2020-1063-BOD-03-24-20	AIDS Assistance Program - Food Voucher Program		\$ 10,000	\$ 10,000	\$ 10,000	\$ -
2020-1072-BOD-03-24-20	Cathedral Center - CCSC Operating Funding to Continue Essential Services		\$ 10,000	\$ 10,000	\$ 10,000	\$ -
2020-1066-BOD-03-24-20	Hope Through Housing Foundation - COVID-19 Emergency Response & Resilience Fund		\$ 10,000	\$ 10,000	\$ 10,000	\$ -
2020-1078-BOD-03-24-20	Mizell Senior Center - Meals On Wheels Program - 3 Months		\$ 10,000	\$ 10,000	\$ 10,000	\$ -
2020-1077-BOD-03-24-20	Cove Communities Senior Association - Joslyn Center Nutrition Programs - 3 Months		\$ 10,000	\$ 10,000	\$ 10,000	\$ -
2020-1065-BOD-03-24-20	Well in the Desert - Saving Lives - 3 Months		\$ 10,000	\$ 10,000	\$ 10,000	\$ -
2020-1095-BOD-03-24-20	Desert Arc - COVID-19 Enclave Employment Essential Workers - 2 Months		\$ 10,000	\$ 10,000	\$ 10,000	\$ -
2020-1101-BOD-03-24-20	United Cerebral Palsy Of The Inland Empire - Essential In-Home Respite Care - 2 Months		\$ 10,000	\$ 10,000	\$ 10,000	\$ -
2020-1104-BOD-03-24-20	Alianza Coachella Valley - COVID-19 Emergency Relief - 2 Months		\$ 10,000	\$ 10,000	\$ 10,000	\$ -
2020-1113-BOD-03-24-20	Hanson House Foundation, Inc. - COVID-19 Response - 2 Months		\$ 5,000	\$ 5,000	\$ 5,000	\$ -
2020-1121-BOD-03-24-20	Family Services Of The Desert, Inc. - Emergency Food Assistance - 2 Months		\$ 5,000	\$ 5,000	\$ 5,000	\$ -
2020-1086-BOD-04-03-20	Borrego Community Health Foundation - To purchase COVID-19 Virus Pandemic Test Kits		\$ 350,000	\$ 350,000	\$ 350,000	\$ -
2020-1081-BOD-04-13-20	Clinicas De Salud Del Pueblo - COVID-19 Support - 9 Months		\$ 150,000	\$ 150,000	\$ 150,000	\$ -
2020-1083-BOD-04-13-20	Desert AIDS Project - COVID-19 Triage Clinic - 9 Months		\$ 150,000	\$ 150,000	\$ 150,000	\$ -
2020-1084-BOD-04-13-20	Borrego Community Health Foundation - Response to COVID-19 - 9 Months		\$ 150,000	\$ 150,000	\$ 150,000	\$ -
2020-1080-BOD-05-26-20 EXT	Lift To Rise - Coachella Valley Economic Protection Plan and Support Fund Extension		\$ 500,000	\$ 500,000	\$ -	\$ 500,000
2020-XXXX-BOD-05-26-20	Grantmakers Concerned With Immigrants and Refugees Support of CV Residents		\$ 150,000	\$ 150,000	\$ -	\$ 150,000
2020-XXXX-BOD-05-26-20	Coachella Valley Volunteers In Medicine - Response to COVID-19		\$ 150,000	\$ 150,000	\$ -	\$ 150,000
2020-1085-BOD-05-26-20	Olive Crest Treatment Center - General Support for Mental Health Services		\$ 50,000	\$ 50,000	\$ -	\$ 50,000
2020-1057-BOD-05-26-20	Desert Cancer Foundation - Patient Assistance Program		\$ 150,000	\$ 150,000	\$ -	\$ 150,000
				\$ -	\$ -	\$ -
<b>TOTAL GRANTS</b>		<b>\$ 15,126,867</b>	<b>\$ 3,051,367</b>	<b>\$ 15,860,722</b>	<b>\$ 3,730,621</b>	<b>\$ 12,008,655</b>
<b>Amts available/remaining for Grant/Programs - FY 2019-20:</b>						
<b>Amount budgeted 2019-2020</b>			\$ 3,500,000		G/L Balance:	5/31/2020
<b>Amount granted through June 30, 2020:</b>			\$ (3,051,367)		2131	\$ 6,608,655
Mini Grants:	1009; 1015; 1019; 1016; 1039; 1031; 1051		\$ (32,508)		2281	\$ 5,400,000
Net adj - Grants not used:	967; 876; 938; 979; 927		\$ 121,446		<b>Total</b>	<b>\$ 12,008,655</b>
Matching external grant contributions			\$ 50,000		<b>Difference - Rdg</b>	<b>\$ 0</b>
<b>Balance available for Grants/Programs</b>			<b>\$ 587,571</b>			



**DESERT HEALTHCARE**  
DISTRICT & FOUNDATION

Date: June 9, 2020  
To: Finance & Administration Committee  
Subject: Lease Addendum for the Rent Deferral Approved for Las Palmas Medical Plaza Tenant Requests Resulting From COVID-19

---

**Staff Recommendation:** Consideration to Approve a Lease Addendum for the Rent Deferral Approved for Las Palmas Medical Plaza Tenant Requests

**Background:**

- Due to the COVID-19 pandemic, 5 tenants, effecting 8 leases, requested rent relief to support the downturn in their practice.
- The tenants have agreed to a proration of the rent deferred amount added onto the monthly lease for the remainder of the lease period.
- The full amount of rent will be paid by the end of the lease term.
- Three tenants have requested 2 months and two tenants have requested 4 months of rent deferral.
- The Lease Addendum attached for review was prepared by the District's legal counsel.
- Staff recommends approval of the Lease Addendum.

**Fiscal Impact:**

The net effect of the deferral is zero.

**AMENDMENT TO LAS PALMAS MEDICAL PLAZA  
COMMERCIAL LEASE BETWEEN THE DESERT HEALTHCARE DISTRICT  
AND \_\_\_\_\_**

The Las Palmas Medical Plaza Commercial Lease (“Lease”) between the Desert Healthcare District, d.b.a. Las Medical Plaza (“Landlord”) and \_\_\_\_\_ (“Tenant”) dated \_\_\_\_\_, \_\_\_\_\_, is hereby amended.

1. The COVID-19 pandemic and the State of Emergency which has been declared, has impacted the financial ability of Tenant to pay rent on a timely basis for the Premises at the commercial property commonly known as Las Palmas Medical Plaza, located at 555E. Tachevah Drive, Building \_\_\_\_\_ Suite \_\_\_\_\_ Palm Springs, California 92262.
2. Landlord recognizes the hardship that the COVID-19 pandemic has caused to Tenant and is willing to make an accommodation by deferring rent payments for \_\_\_\_\_ ( ) months, beginning with the month of \_\_\_\_\_, 2020 and the month of \_\_\_\_\_, 2020.
3. In consideration of this deferral, Tenant agrees to resume monthly rental payments on \_\_\_\_\_ 1, 2020 and which shall include repayment of the total amount of deferred rent in equal monthly installments over the remaining term of Tenant’s Lease.
4. **ARTICLE 4.01** of the Lease is modified as follows:

**4.01 Rent and Other Payments.** Beginning \_\_\_\_\_ 1, 2020, Tenant agrees to and shall pay Landlord at Palm Springs, California, or at such other place as Landlord shall from time in writing designate, as minimum monthly rent for the Premises the amount of \_\_\_\_\_

(\$\_\_\_\_\_) (and as may be modified as provided in Paragraph 4.02), each in advance on the first (1<sup>st</sup>) day of each calendar month through the remaining term of the Lease. In addition to monthly rent Tenant shall pay its monthly pro-rata share of Common Area Maintenance Costs, Real Estate Taxes and Insurance (Triple Net Fees) as outlined in Article 5.02, 5.03, 5.04 and 5.05 presently estimated at \$.\_\_\_ per leased square foot. \_\_\_\_\_ (\$\_\_\_\_\_) subject to annual adjustments and reconciliations thereto.

5. The effective date of this Amendment shall be \_\_\_\_\_, 2020.

“Landlord”:

“Tenant”:

By \_\_\_\_\_  
Conrado E. Bárzaga, MD  
Chief Executive Officer

By \_\_\_\_\_





**DESERT HEALTHCARE**  
**DISTRICT & FOUNDATION**

Date: June 9, 2020  
To: Finance & Administration Committee  
Subject: Lease Agreement – Quest Diagnostics 1W 102-103

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**Staff Recommendation:** Consideration to approve the draft lease agreement for Quest Diagnostics at the Las Palmas Medical Plaza.

**Background:**

- Quest has been a long-standing tenant of the Las Palmas Medical Plaza
- Quest is requesting a lease of five years, with a base rent of \$1.65/square foot and a Tenant Improvement Allowance of \$15/square foot
- Quest requests two additional optional lease extensions
- Staff recommends approval of the draft lease agreement
- Draft lease agreement is attached for review

**Fiscal Impact:**

Estimated revenue from Rent and CAMs for life of the lease - \$242,230

Estimated cost of Tenant Improvement Allowance (\$15.00/sf) - \$25,530

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OFFICE BUILDING LEASE

This Lease between Desert Healthcare District, doing business as Las Palmas Medical Plaza hereinafter referred to as "Landlord", and Unilab Corporation dba Quest Diagnostics referred to as "Tenant", and is dated June 1, 2020.

1. LEASE OF PREMISES.

In consideration of the Rent (as defined at Section 5.4) and the provisions of this Lease, Landlord leases to Tenant and Tenant leases from Landlord the Premises described in Section 2L. The Premises are located within the Building and Project described in Section 2m. Tenant shall have the non-exclusive right (unless otherwise provided herein) in common with Landlord, other tenants, subtenants, and invitees, to use of the Common Areas (as defined at Section 2e).

2. DEFINITIONS.

As used in this Lease, the following terms shall have the following meanings:

- a. *Base Rent (Initial)*: \$ Thirty-Three Thousand Six-Hundred Ninety-Nine & 60/100 Dollars (33,699.60) per year.
- b. *Base Year*: The calendar year of June 1 to May 31.
- c. *Broker(s)*:  
 Landlord's: N/A  
 Tenant's: CBRE  
 In the event that N/A represents both Landlord and Tenant, Landlord and Tenant hereby confirm that they were timely advised of the dual representation and that they consent to the same, and that they do not expect said broker to disclose to either of them the confidential information of the other party.
- d. *Commencement Date*: June 1, 2020.
- e. *Common Areas*: The building lobbies, common corridors and hallways, restrooms, parking areas, stairways, elevators and other generally understood public or common areas. Landlord shall have the right to regulate or restrict the use of the Common Areas.
- f. *Expiration Date*: May 31, 2025, unless otherwise sooner terminated in accordance with the provisions of this Lease.
- g. *Landlord's Mailing Address*: 1140 N. Indian Canyon Dr. Palm Springs, CA 92262.
- h. *Tenant's Mailing Address*: Quest Diagnostics Incorporated, 1201 South Collegeville Road, CV-3041, Collegeville, PA 19426, Attn: Corporate Real Estate Department Realestate@questdiagnostics.com. With a required copy to Quest Diagnostics 3714 Northgate Boulevard, Sacramento, CA 95834, Attn: Corporate Real Estate.
- i. *Monthly Installments of Base Rent (initial)*: \$ Two-Thousand, Eight-Hundred Eight & 30/100 (\$2,808.30) per month.
- j. *Project Operating Costs (CAMS)*: Currently Sixty-two Cents (\$.62) per square foot per month.
- k. *Tenant Improvement Allowance (TI)*: Fifteen and 00/100 Dollars (\$15.00) per square foot or Twenty-Five Thousand Five-Hundred Thirty & 00/100 Dollars (\$25,530.00).
- l. *Parking*: Tenant shall be permitted, to park 8 cars on a non-exclusive basis in the area(s) designated by Landlord for parking (for Staff - generally in the back of the parking area, perimeter streets, and Wellness Park parking lot). Tenant shall abide by any and all parking regulations and rules established from time to time by Landlord or Landlord's parking operator.
- m. *Premises*: That portion of the Building containing approximately 1702 square feet of Rentable Area, located in Building 1W and known as Suite 102-103.
- n. *Project*: The building of which the Premises are a part (the "Building") and any other buildings or improvements on the real property (the "Property") located at 555 E. Tachevah Drive, Palm Springs, California 92262. The Project is known as The Las Palmas Medical Plaza.

\_\_\_\_\_ District \_\_\_\_\_ Recipient

- o. *Rentable Area*: As to both the Premises and the Project, the respective measurements of floor area as may from time to time be subject to lease by Tenant and all tenants of the Project, respectively, as determined by Landlord and applied on a consistent basis throughout the Project.
- p. *Security Deposit (Section 7)*: \$ Four-Thousand, One-Hundred Eighty-Six & 92/100 Dollars (\$4,186.92) carried over from prior lease.
- q. *State*: the State of California.
- r. *Tenant's First Adjustment Date (Section 5)*: The first day of the calendar month following the Commencement Date plus 12 months.
- s. *Tenant's Proportionate Share*: 3.45%. Such share is a fraction, the numerator of which is the Rentable Area of the Premises and the denominator of which is the Rentable Area of the Project, as determined by Landlord from time to time. The Project consists of six building(s) containing a total Rentable Area of 49,356 square feet.
- t. *Tenant's Use Clause (Article 8)*: Clinical Laboratory, Patient Service Center and related uses consistent with and use the City may allow under the City of Palm Springs zoning, subject to Landlord's reasonable approval.
- u. *Term*: The period commencing on the Commencement Date and expiring at midnight on the Expiration Date.

### 3. EXHIBITS AND ADDENDA.

The exhibits and addenda listed below (unless lined out) are incorporated by reference in this Lease:

- a. Exhibit "A" Rules and Regulations.
- b. Addenda\*

\*See Addendum attached hereto and by this reference made a part hereof.

### 4. DELIVERY OF POSSESSION.

If for any reason Landlord does not deliver possession of the Premises to Tenant on the commencement Date, Landlord shall not be subject to any liability for such failure, the Expiration Date shall not change and the validity of this Lease shall not be impaired, but Rent shall be abated until delivery of possession, "Delivery of possession" shall be deemed to occur on the date Landlord completes Landlord's Work as defined in Addendum. If Landlord permits Tenant to enter into possession of the Premises before the Commencement Date, such possession shall be subject to the provisions of this Lease, including, without limitation, the payment of Rent.

### 5. RENT.

5.1 *Payment of Base Rent*: Tenant agrees to pay the base rent for the premises. Monthly installments of Base Rent shall be payable in advance on the first day of each calendar month of the term. If the term begins (or ends) on other than the first (or last) day of a calendar month, the Base Rent for the partial month shall be prorated on a per diem basis. Tenant shall pay Landlord the first Monthly Installment of Base Rent when Tenant executes the Lease.

5.2 *Adjusted Base Rent*:

- a. The Base Rent (and the corresponding monthly installments of Base Rent) set forth at Section 2a shall be adjusted annually (the "Adjustment Date"), commencing on Tenant's First Adjustment Date.
- b. Such adjustment shall be the greater of 3% over the preceding year or Consumer Price Index.

5.3 *Project Operating Costs(CAMs)*:

- a. In order that the Rent payable during the Term reflect Project Operating Costs, Tenant agrees to pay to Landlord as Rent, Tenant's Proportionate Share of all costs, expenses and obligations attributable to the Project and its operation as set forth in 2i, all as provided below.
- b. If, during any calendar year during the Term, Project Operating Costs exceed the Project Operating Costs for the Base Year, Tenant shall pay to Landlord, in addition to the Base Rent and all other payments due under this lease, an amount equal to Tenant's Proportionate Share of such excess Project Operating Costs in accordance with the provisions of this Section 5.3b.

(1.) The term "Project Operating Costs" shall include all those items described in the following subparagraphs (a) and (b).

- (a.) All taxes, assessments, water and sewer charges and other similar governmental charges levied on or attributable to the Building or Project or their operation, including without limitation, (i) real property taxes or assessments levied or assessed against the Building or Project, (ii) assessments or charges levied or assessed against the Building or Project by any redevelopment agency, (iii) any tax measured by gross

\_\_\_\_\_ District \_\_\_\_\_ Recipient

rentals received from the leasing of the Premises, Building or Project, excluding any net income, franchise, capital stock, estate or inheritance taxes imposed by the State or federal government or their agencies, branches or departments; provided that if at any time during the Term any governmental entity levies, assesses or imposes on Landlord any (1) general or special, ad valorem or specific, excise, capital levy or other tax, assessment, levy or charge directly on the Rent received under this lease or on the rent received under any other leases of space in the Building or Project, or (2) and license fee, excise or franchise tax, assessment, levy or charge measured by or based, in whole or in part, upon such rent, or (3) any transfer, transactions, or similar tax, assessment, levy or charge based directly or indirectly upon the transaction represented by this Lease or such other leases, or (4) any occupancy, use, per capita or other tax, assessment, levy or charge based directly or indirectly upon the use or occupancy of the Premises or other premises within the Building or Project, then any such taxes, assessments, levies and charges shall be deemed to be included in the term Project Operation Costs. If at any time during the Term the assessed valuation of, or taxes on, the Project are not based on a completed Project having at least eighty-five percent (85%) of the Rentable Area occupied, then the "taxes" component of Project Operating Costs shall be adjusted by Landlord to reasonably Approximate the taxes, which would have been payable if the Project were completed and at least eighty-five percent (85%) occupied.

(b.) Operating costs incurred by Landlord in maintaining and operating the Building and Project, including without limitation the following: costs of (1) utilities; (2) supplies; (3) insurance (including public liability, property damage, earthquake, and fire and extended coverage insurance for the full replacement cost of the Building and Project as required by Landlord or its lenders for the Project; (4) services of independent contractors; (5) compensation (including employment taxes and fringe benefits) of all persons who perform duties connected with the operation, maintenance, repair or overhaul of the Building or Project, and equipment, improvements and facilities located within the Project, including without limitation engineers, janitors, painters, floor waxers, window washers, security and parking personnel and gardeners (but excluding persons performing services not uniformly available to or performed for substantially all Building or Project tenant); (6) operation and maintenance of a room for delivery and distribution of mail to tenants of the Building or Project as required by the U.S. Postal Service (including, without limitation, an amount equal to the fair market rental value of the mail room premises); (7) management of the Building or Project, whether managed by Landlord or an independent contractor (including, without limitation, an amount equal to the fair market value of any on-site manager's office); (8) rental expenses for (or a reasonable depreciation allowance on) personal property used in the maintenance, operation or repair of the Building or Project; (9) costs, expenditures or charges (whether capitalized or not) required by any governmental or quasi-governmental authority; (10) amortization of capital expenses (including financing costs) (i) required by a governmental entity for energy conservation or life safety purposes, or (ii) made by landlord to reduce Project Operating Costs; and (11) any other costs or expenses incurred by Landlord under this Lease and not otherwise reimbursed by tenants of the Project. If at any time during the Term, less than eighty-five percent (85%) of the Rentable Area of the Project is occupied, the "operating costs" component of Project Operating Costs shall be adjusted by Landlord to reasonably approximate the operating costs which would have been incurred if the Project had been at least eighty-five percent (85%) occupied.

(2.) Tenant's Proportionate Share of Project Operating Costs shall be payable by Tenant to Landlord as follows:

(a.) Beginning with the calendar year following the Base Year and for each calendar year thereafter ("comparison Year"), Tenant shall pay Landlord an amount equal to Tenant's Proportionate Share of the Project Operating Costs incurred by Landlord in the Comparison Year which exceeds the total amount of Project Operating Costs payable by Landlord for the Base Year. This excess is referred to as the "Excess Expenses."

(b.) To provide for current payments of Excess Expenses, Tenant shall, at Landlord's request, pay as additional rent during each Comparison Year, an amount equal to Tenant's Proportionate Share of the Excess Expenses payable during such Comparison Year, as estimated by Landlord from time to time. Such payments shall be made in monthly installments, commencing on the first day of the month following the month in which Landlord notifies Tenant of the amount it is to pay hereunder and continuing until the first day of the month following the month in which Landlord gives Tenant a new notice of estimated Excess Expenses. It is the intention hereunder to estimate from time to time the amount of the Excess Expense for each Comparison Year and Tenant's Proportionate Share thereof, and then to make an adjustment in the following year based on the actual Excess Expenses incurred for that Comparison Year.

(c.) On or before April 1 of each Comparison Year after the first Comparison Year (or as soon thereafter as is practical), Landlord shall deliver to Tenant a statement setting forth Tenant's Proportionate Share of the Excess Expenses for the preceding Comparison Year. If Tenant's Proportionate Share of the actual Excess Expenses for the previous Comparison Year exceeds the total of the estimated monthly payments made by Tenant for such year, Tenant shall pay Landlord the amount of the deficiency within ten (10) days of the receipt of the statement. If such total exceeds Tenant's Proportionate Share of the actual Excess Expenses for such Comparison Year, then Landlord shall credit against Tenant's next ensuing monthly installment(s) of additional rent an amount equal to the difference until the credit is exhausted. If the credit is due from Landlord on the Expiration Date, Landlord shall pay Tenant the amount of the

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credit. The obligations of Tenant and Landlord to make payments required under this Section 5.3 shall survive the Expiration Date.

- (d.) Tenant's Proportionate Share of Excess Expenses in any Comparison Year having less than 365 days shall be appropriately prorated.
- (e.) If any dispute arises as to the amount of any additional rent due hereunder, Tenant shall have the right after reasonable notice and at reasonable times to inspect Landlord's accounting records at Landlord's accounting office and, if after such inspection Tenant still disputes the amount of additional rent owed, a certification as to the proper amount shall be made by Landlord's certified public accountant, which certification shall be final and conclusive. Tenant agrees to pay the cost of such certification unless it is determined that Landlord's original statement overstated Project Operating Costs by more than five percent (5%).
- (f.) If this Lease sets forth an Expense Stop at Section 2f, then during the Term, Tenant shall be liable for Tenant's Proportionate Share of any actual Project Operating Costs which exceed the amount of the Expense Stop. Tenant shall make current payments of such excess costs during the Term in the same manner as is provided for payment of Excess Expenses under the applicable provisions of Section 5.3(2)(b) and (c) above.

5.4 *Definition of Rent*: The Rent shall be paid to the Building manager (or other person) and at such place, as Landlord may from time to time designate in writing, without any prior demand therefore and without deduction or offset, in lawful money of the United States of America.

5.5 *Rent Control*: If the amount of Rent or any other payment due under this Lease violates the terms of any governmental restrictions on such Rent or payment, then the Rent or payment due during the period of such restrictions shall be the maximum amount allowable under those restrictions. Upon termination of the restrictions, Landlord shall, to the extent it is legally permitted, recover from Tenant the difference between the amounts received during the period of the restrictions and the amounts Landlord would have received had there been no restrictions.

5.6 *Taxes Payable by Tenant*: In addition to the Rent and any other charges to be paid by Tenant hereunder, Tenant shall reimburse Landlord upon demand for any and all taxes payable by Landlord (other than net income taxes) which are not otherwise reimbursable under this Lease, whether or not now customary or within the contemplation of the parties, where such taxes are upon, measured by or reasonably attributable to (a) the cost or value of Tenant's equipment, furniture, fixtures and other personal property located in the Premises, or the cost or value of any leasehold improvements made in or to the Premises by or for Tenant, other than Building Standard Work made by Landlord, regardless of whether title to such improvements is held by Tenant or Landlord; (b) the gross or net Rent payable under this Lease, including, without limitation, any rental or gross receipts tax levied by any taxing authority with respect to the receipt of the Rent hereunder; (c) the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion thereof; or (d) this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises. If it becomes unlawful for Tenant to reimburse Landlord for any costs as required under this Lease, the Base Rent shall be revised to net Landlord the same net Rent after imposition of any tax or other charge upon Landlord as would have been payable to Landlord but for the reimbursement being unlawful.

5.7 *Tenant Improvement Allowance*: In recognition for Tenant completing all improvements, including fire sprinklers, to the premises as mutually agreed by Landlord and Tenant, Landlord shall provide Tenant with a total Tenant improvement allowance not to exceed that set forth in Section 2j upon completion of agreed tenant improvements. This allowance will be reimbursed to tenant upon satisfactory receipt of paid invoices and inspection by Property Management that work has been satisfactorily completed. Any additional tenant improvements will be at the sole expense of the Tenant. Improvements shall conform to a high quality of design approved by Landlord prior to commencement of work, and shall be performed by a licensed General Contractor approved by Landlord in advance. Tenant shall submit plans and specifications for any and all improvements to Landlord, and where necessary, the City of Palm Springs and other applicable government agencies for their required approval (if any) prior to commencement of work. Tenant and the General Contractor shall indemnify and hold Landlord and its officers, agents and employees harmless from any liability resulting from the tenant improvement work and shall be named as an additional insured on the insurance policy of both the Tenant and the General Contractor. All costs shall be subject to prevailing wages and if construction costs exceed \$25,000, then the tenant improvements shall also be subject to California competitive bid statutes.

## 6. INTEREST AND LATE CHARGES.

If Tenant fails to pay when due any Rent or other amounts or charges which Tenant is obligated to pay under the terms of this Lease, the unpaid amounts shall bear interest at the maximum rate then allowed by law. Tenant acknowledges that the late payment of any Monthly Installment of Base Rent will cause Landlord to lose the use of that money and incur costs and expenses not contemplated under this Lease, including without limitation, administrative and collection costs and processing and accounting expenses, the exact amount of which is extremely difficult to ascertain. Therefore, in addition to interest, if any such installment is not received by Landlord within ten (10) days from the date it is due, Tenant shall pay Landlord a late charge equal to five percent (5%) of such installment. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for the loss suffered from such nonpayment by Tenant. Acceptance of any interest or late charge shall not constitute a waiver of

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Tenant's default with respect to such nonpayment by Tenant nor prevent Landlord from exercising any other rights or remedies available to Landlord under this Lease.

## 7. SECURITY DEPOSIT.

Tenant agrees to deposit with Landlord the Security Deposit set forth at Section 2.0 upon execution of this Lease, as security for Tenant's faithful performance of its obligations under this Lease. Landlord and Tenant agree that the Security Deposit may be commingled with funds of Landlord and Landlord shall have no obligation or liability for payment of interest on such deposit. Tenant shall not mortgage, assign, transfer or encumber the Security Deposit without the prior written consent of Landlord and any attempt by Tenant to do so shall be void, without force or effect and shall not be binding upon Landlord.

If Tenant fails to pay Rent or other amount when due and payable under this Lease, or fails to perform any of the terms hereof, Landlord may appropriate and apply or use all or any portion of the Security Deposit for Rent payments or any other amount then due and unpaid, for payment of any amount for which Landlord has become obligated as a result of Tenant's default or breach, and for any loss or damage sustained by Landlord as a result of Tenant's default or breach, and Landlord may so apply or use this deposit without prejudice to any other remedy Landlord may have by reason of Tenant's default or breach. If Landlord so uses any of the Security Deposit, Tenant shall, within ten (10) days after written demand therefore, restore the Security Deposit to the full amount originally deposited; Tenant's failure to do so shall constitute an act of default hereunder and Landlord shall have the right to exercise any remedy provided for at Article 27 hereof. Within fifteen (15) days after the Term (or any extension thereof) has expired or Tenant has vacated the Premises, whichever shall last occur, and provided Tenant is not then in default on any of its obligations hereunder, Landlord shall return the Security Deposit to Tenant, or, if Tenant has assigned its interest under this Lease, to the last assignee of Tenant. If Landlord sells its interest in the Premises, Landlord may deliver this deposit to the purchaser of Landlord's interest and thereupon be relieved of any further liability or obligation with respect to the Security Deposit.

## 8. TENANT'S USE OF THE PREMISES

Tenant shall use the Premises solely for the purposes set forth in Tenant's Use Clause. Tenant shall not use or occupy the Premises in violation of law or any covenant, condition or restriction affecting the Building or Project or the certificate of occupancy issued for the Building or Project, and shall, upon notice from Landlord, immediately discontinue any use of the Premises which is declared by any governmental authority having jurisdiction to be a violation of law or the certificate of occupancy. Tenant, at Tenant's own cost and expense, shall comply with all laws, ordinances, regulations, rules and/or any directions of any governmental agencies or authorities having jurisdiction which shall, by reason of the nature of Tenant's use or occupancy of the Premises, impose any duty upon Tenant or Landlord with respect to the Premises or its use or occupation. A judgment of any court of competent jurisdiction or the admission by Tenant in any action or proceeding against Tenant that Tenant has violated any such laws, ordinances, regulations, rules and/or directions in the use of the Premises shall be deemed to be a conclusive determination of that fact as between Landlord and Tenant. Tenant shall not do or permit to be done anything, which will invalidate or increase the cost of any fire, extended coverage or other insurance policy covering the Building or Project and/or property located therein, and shall comply with all rules, orders, regulations, requirements and recommendations of the Insurance Services Office or any other organization performing a similar function. Tenant shall promptly upon demand reimburse Landlord for any additional premium charged for such policy by reason of Tenant's failure to comply with the provisions of this Article. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building or Project, or injure or annoy them, or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises.

## 9. SERVICES AND UTILITIES.

Provided that Tenant is not in default hereunder, Landlord agrees to furnish to the Premises during generally recognized business days, and during hours determined by Landlord in its sole discretion, and subject to the Rules and Regulations of the Building or Project, electricity for normal desk top office equipment and normal copying equipment, and heating, ventilation and air conditioning ("HVAC") as required in Landlord's judgment for the comfortable use and occupancy of the Premises. If Tenant desires HVAC at any other time, Landlord shall use reasonable efforts to furnish such service upon reasonable notice from Tenant and Tenant shall pay Landlord's charges therefore on demand. Landlord shall also maintain and keep lighted the common stairs, common entries and restrooms in the Building. Landlord shall not be in default hereunder or be liable for any damages directly or indirectly resulting from, nor shall the Rent be abated by reason of (i) the installation, use or interruption of use of any equipment in connection with the furnishing of any of the foregoing services, (ii) failure to furnish or delay in furnishing any such services where such failure or delay is caused by accident or any condition or event beyond the reasonable control of Landlord, or by the making of necessary repairs or improvements to the Premises, Building or Project, or (iii) the limitation, curtailment or rationing of, or restrictions on, use of water, electricity, gas or any other form of energy serving the Premises, Building or Project. Landlord shall not be liable under any circumstances for a loss of or injury to property or business, however occurring, through or in connection with or incidental to failure to furnish any such services. If Tenant uses heat generating machines or equipment in the Premises which affect the temperature otherwise maintained by the HVAC system, Landlord reserves the right to install supplementary air conditioning units in the Premises and the cost thereof, including the cost of installation, operation

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and maintenance thereof, shall be paid by Tenant to Landlord upon demand by Landlord. Notwithstanding the foregoing, if an interruption of services is caused by the negligence or misconduct of Landlord, its agents, employees, contractors, or invitees, and such interruption lasts for more than twenty four (24) hours, Tenant shall be entitled to a proportional abatement of rent. If any essential services (including, but not limited to, electricity, access to the Premises or parking areas, water) supplied by Landlord are interrupted, and the interruption is not caused by the negligence or willful misconduct of Tenant, its employees, invitees, or agents, then Tenant, notwithstanding any other provision of this Lease, shall be entitled to an abatement of rent and additional rent. The abatement shall begin on the second (2nd) consecutive business day of the interruption or when Tenant ceases to use the Premises because of the interruption, whichever is later. The abatement shall end when the service(s) are restored. Tenant shall have the option to cancel this Lease if the interruption unreasonably and materially interferes with Tenant's use of or access to the Premises for at least sixty (60) consecutive days, upon notice to Landlord within the last ten (10) days of such sixty day period. During any such interruption, Landlord shall use commercially reasonable efforts to restore the service(s).

Tenant shall not, without the written consent of Landlord, use any apparatus or device in the Premises, including without limitation, electronic data processing machines, punch card machines or machines using in excess of 120 volts, which consumes more electricity than is usually furnished or supplied for the use of premises as general office space, as determined by Landlord. Tenant shall not connect any apparatus with electric current except through existing electrical outlets in the Premises. Tenant shall not consume water or electric current in excess of that usually furnished or supplied for the use of premises as general office space (as determined by Landlord), without first procuring the written consent of Landlord, which Landlord may refuse, and in the event of consent, Landlord may have installed a water meter or electrical current meter in the Premises to measure the amount of water or electric current consumed. The cost of any such meter and of its installation, maintenance and repair shall be paid for by the Tenant and Tenant agrees to pay to Landlord Promptly upon demand for all such water and electric current consumed as shown by said meters, at the rates charged for such services by the local public utility plus any additional expense incurred in keeping account of the water and electric current so consumed. If a separate meter is not installed, the excess cost for such water and electric current shall be established by an estimate made by a utility company or electrical engineer hired by Landlord at Tenant's expense.

Nothing contained in this Article shall restrict Landlord's right to require at any time separate metering of utilities furnished to the Premises. In the event utilities are separately metered, Tenant shall pay promptly upon demand for all utilities consumed at utility rates charged by the local public utility plus any additional expense incurred by Landlord in keeping account of the utilities so consumed. Tenant shall be responsible for the maintenance and repair of any such meters at its sole cost.

Landlord shall furnish elevator service, lighting replacement for building standard lights, restroom supplies, window washing and janitor services of common area in a manner that such services are customarily furnished to comparable office buildings in the area.

## 10. CONDITION OF THE PREMISES.

Tenant's taking possession of the Premises shall be deemed conclusive evidence that as of the date of taking possession of the Premises are in good order and satisfactory condition, except for such matters as to which Tenant gave Landlord notice on or before the Commencement Date. No promise of Landlord to alter, remodel, repair or improve the Premises, the Building or the Project and no representation, express or implied, respecting any matter or thing relating to the Premises, Building, Project or this Lease (including, without limitation, the condition of the Premises, the Building or the Project) have been made to Tenant by Landlord or its Broker or Sales Agent, other than as may be contained herein or in a separate exhibit or addendum signed by Landlord and Tenant.

## II. CONSTRUCTION, REPAIRS AND MAINTENANCE.

a. *Landlord's Obligations:* Landlord shall maintain in good order, condition and repair the Building and all other portions of the Premises not the obligation of Tenant or of any other tenant in the Building.

b. *Tenant's Obligations:*

(1.) Tenant shall perform Tenant's Work to the Premises as described in an exhibit specific to Tenant Improvements, if applicable."

(2.) Tenant at Tenant's sole expense shall, except for services furnished by Landlord pursuant to Article 9 hereof, maintain the Premises in good order, condition and repair, including the interior surfaces of the ceilings, walls and floors, all doors, all interior windows, all plumbing, pipes and fixtures, electrical wiring, switches and fixtures, Building Standard furnishings and special items and equipment installed by or at the expense of Tenant.

(3.) Tenant shall be responsible for all repairs and alterations in and to the Premises, Building and Project and the facilities and systems thereof, the need for which arises out of (i) Tenant's use or occupancy of the Premises, (ii) the installation, removal, use or operation of Tenant's Property (as defined in Article 13) in the Premises, (iii) the moving of Tenant's Property into or out of the Building, or (iv) the act, omission, misuse or negligence of Tenant, its agents, contractors, employees or invitees.

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(4.) If Tenant fails to maintain the Premises in good order, condition and repair, Landlord shall give Tenant notice to do such acts as are reasonably required to so maintain the Premises. 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 as are reasonably required to perform such work. Any amount so expended by Landlord shall be paid by Tenant promptly after demand with interest at the prime commercial rate then being charged by Bank of America NT & SA plus two percent (2%) per annum, from the date of such work, but not to exceed the maximum rate then allowed by law. 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.

- c. *Compliance with Law:* Landlord and Tenant shall each do all acts required to comply with all applicable laws, ordinances, and rules of any public authority relating to their respective maintenance obligations as set forth herein.
- d. *Waiver by Tenant:* Tenant expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford the Tenant the right to make repairs at Landlord's expense or to terminate this Lease because of Landlord's failure to keep the Premises in good order, condition and repair.
- e. *Load and Equipment Limits:* Tenant shall not place a load upon any floor of the Premises which exceeds the load per square foot which such floor was designed to carry, as determined by Landlord or Landlord's structural engineer. The cost of any such determination made by Landlord's structural engineer shall be paid for by Tenant upon demand. Tenant shall not install business machines or mechanical equipment which cause noise or vibration to such a degree as to be objectionable to Landlord or other Building tenants.
- f. Except as otherwise expressly provided in this Lease, Landlord shall have no liability to Tenant nor shall Tenant's obligations under this Lease be reduced or abated in any manner whatsoever by reason of any inconvenience, annoyance, interruption or injury to business arising from Landlord's making any repairs or changes which Landlord is required or permitted by this Lease or by any other tenant's lease or required by law to make in or to any portion of the Project, Building or the Premises. Landlord shall nevertheless use reasonable efforts to minimize any interference with Tenant's business in the Premises.
- g. Tenant shall give Landlord prompt notice of any damage to or defective condition in any part or appurtenance of the Building's mechanical, electrical, plumbing, HVAC or other systems serving, located in, or passing through the Premises.
- h. Upon the expiration or earlier termination of this Lease, Tenant shall return the Premises to Landlord clean and in the same condition as on the date Tenant took possession, except for normal wear and tear. Any damage to the Premises, including any structural damage, resulting from Tenant's use or from the removal of Tenant's fixtures, furnishings and equipment pursuant to Section 13b shall be repaired by Tenant at Tenant's expense.

## 12. ALTERATIONS AND ADDITIONS.

- a. Tenant shall not make any additions, alterations or improvements to the Premises without obtaining the prior written consent of Landlord. Landlord's consent may be conditioned on Tenant's removing any such additions, alterations or improvements upon the expiration of the term and restoring the Premises to the same condition as on the date Tenant took possession. All work with respect to any addition, alteration or improvement shall be done in a good and workmanlike manner by properly qualified and licensed personnel approved by Landlord, and such work shall be diligently prosecuted to completion.
- b. Tenant shall pay the costs of any work done on the Premises pursuant to Section 12a, and shall keep the Premises, Building and Project free and clear of liens of any kind. Tenant shall indemnify, defend against and keep Landlord free and harmless from all liability, loss, damage, costs, attorneys' fees and any other expense incurred on account of claims by any person performing work or furnishing materials or supplies for Tenant or any person claiming under Tenant.

Tenant shall keep Tenant's leasehold interest, and any additions or improvements which are or become the property of Landlord under this Lease, free and clear of all attachment or judgment liens. Before the actual commencement of any work for which a claim or lien may be filed, Tenant shall give Landlord notice of the intended commencement date a sufficient time before that date to enable Landlord to post notices of non-responsibility or any other notices which Landlord deems necessary for the proper protection of Landlord's interest in the Premises, Building or the Project, and Landlord shall have the right to enter the Premises and post such notice at any reasonable time.

- c. Landlord may require, at Landlord's sole option, that Tenant provide to Landlord, at Tenant's expense, a lien and completion bond for work in excess of \$25,000, in an amount equal to at least one and one-half (1.5) times the total estimated cost of any additions, alterations or improvements to be made in or to the Premises, to protect Landlord against any liability for mechanic's and material men's liens and to insure timely completion of the work. Nothing contained in this Section 12c shall relieve Tenant of its obligations under Section 12b to keep the Premises, Building and Project free of all liens.

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- d. Unless their removal is required by Landlord as provided in Section 12a, all additions, alterations and improvements made to the Premises shall become the property of Landlord and be surrendered with the Premises upon the expiration of the Term; provided, however, Tenant's equipment, machinery and trade fixtures which can be removed without damage to the Premises shall remain the property of Tenant and may be removed, subject to the provisions of Section 13b.

**13. LEASEHOLD IMPROVEMENTS; TENANT'S PROPERTY.**

- a. All fixtures, equipment, improvements and appurtenances attached to or built into the Premises at the commencement of or during the Term, whether or not by or at the expense of Tenant ("Leasehold Improvements"), shall be and remain a part of the Premises, shall be the property of Landlord and shall not be removed by Tenant, except as expressly provided in Section 13b.
- b. All movable partitions, business and trade fixtures, machinery and equipment, communications equipment and office equipment located in the Premises and acquired by or for the account of Tenant, without expense to Landlord, which can be removed without structural damage to the Building, and all furniture, furnishings and other articles of movable personal property owned by Tenant and located in the Premises (collectively "Tenant's Property") shall be and shall remain the property of Tenant and may be removed by Tenant at any time during the Term; provided that if any of Tenant's Property is removed, Tenant shall promptly repair any damage to the Premises or to the Building resulting from such removal.

**14. RULES AND REGULATIONS.**

Tenant agrees to comply with (and cause its agents, contractors, employees and invitees to comply with) the rules and regulations attached hereto as Exhibit "D" and with such reasonable modifications thereof and additions thereto as Landlord may from time to time make. Landlord shall not be responsible for any violation of said rules and regulations by other tenants or occupants of the Building of Project.

**15. CERTAIN RIGHTS RESERVED BY LANDLORD.**

Landlord reserves the following rights, exercisable without liability to Tenant for (a) damage or injury to property, person or business, (b) causing an actual or constructive eviction from the Premises, or (c) disturbing Tenant's use or possession of the Premises:

- a. To name the Building and Project and to change the name or street address of the Building or Project;
- b. To install and maintain all signs on the exterior and interior of the Building and Project;
- c. To have pass keys to the Premises and all doors within the Premises, eluding Tenant's vaults and safes;
- d. At any time during the Term, and on reasonable prior notice to Tenant, to inspect the Premises, and to show the Premises to any prospective purchaser or mortgagee of the Project, or to any assignee of any mortgage on the Project, or to others having an interest in the Project or Landlord, and during the last six months of the Term, to show the Premises to prospective tenants thereof; and
- e. To enter the Premises for the purpose of making inspections, repairs, alterations, additions or improvements to the Premises or the Building (including, without limitation, checking, calibrating, adjusting or balancing controls and other parts of the HVAC system), and to take all steps as may be necessary or desirable for the safety, protection, maintenance or preservation of the Premises or the Building or Landlord's interest therein, or as may be necessary or desirable for the operation or improvement of the Building or in order to comply with laws, orders or requirements of governmental or other authority. Landlord agrees to use its best efforts (except in an emergency) to minimize interference with Tenant's business in the Premises in the course of any such entry.

**16. ASSIGNMENT AND SUBLETTING.**

No assignment of this Lease or sublease of all or any part of the Premises shall be permitted, except as provided in this Article 16.

- a. Tenant shall not, without the prior written consent of Landlord, assign or hypothecate this Lease or any interest herein or sublet the Premises or any part thereof, or permit the use of the Premises by any party other than Tenant. Any of the foregoing acts without such consent shall be void and shall, at the option of Landlord, terminate this Lease. This Lease shall not, nor shall any interest of Tenant herein, be assignable by operation of law without the written consent of Landlord.
- b. If at any time or from time to time during the Term Tenant desires to assign this Lease or sublet all or any part of the Premises, Tenant shall give notice to Landlord setting forth the terms and provisions of the proposed assignment or sublease, and the identity of the proposed assignee or subtenant. Tenant shall promptly supply Landlord with such information concerning the business background and financial condition of such proposed assignee or subtenant as Landlord may reasonably request. Landlord shall have the option, exercisable by notice given to Tenant within twenty (20) days after Tenant's notice is given, either to sublet such space from Tenant at

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the rental and on the other terms set forth in this Lease for the term set forth in Tenant's notice, or, in the case of an assignment, to terminate this Lease. If Landlord does not exercise such option, Tenant may assign the Lease or sublet such space to such proposed assignee or subtenant on the following further conditions:

- (1.) Landlord shall have the right to approve such proposed assignee or subtenant, which approval shall not be unreasonably withheld;
  - (2.) The assignment or sublease shall be on the same terms set forth in the notice given to Landlord;
  - (3.) No assignment or sublease shall be valid and no assignee or sub lessee shall take possession of the Premises until an executed counterpart of such assignment or sublease has been delivered to Landlord;
  - (4.) No assignee or sub lessee shall have a further right to assign or sublet except on the terms herein contained; and
  - (5.) Any sums or other economic consideration received by Tenant as a result of such assignment or subletting, however denominated under the assignment or sublease, which exceed, in the aggregate, (i) the total sums which Tenant is obligated to pay Landlord under this Lease (prorated to reflect obligations allocable to any portion of the Premises subleased), plus (ii) any real estate brokerage commissions or fees payable in connection with such assignment or subletting, shall be paid to Landlord as additional rent under this Lease without affecting or reducing any other obligations of Tenant hereunder.
- c. Notwithstanding the provisions of paragraphs a and b above, Tenant may assign this Lease or sublet the Premises or any portion thereof, without Landlord's consent and without extending any recapture or termination option to Landlord, to any corporation which controls, is controlled by or is under common control with Tenant, or to any corporation resulting from a merger or consolidation with Tenant, or to any person or entity which acquires all the assets of Tenant's business as a going concern, provided that (i) the assignee or sub lessee assumes, in full, the obligations of Tenant under this Lease, (ii) Tenant remains fully liable under this Lease, and (iii) the use of the Premises under Article 8 remains unchanged.
- d. No subletting or assignment shall release Tenant of Tenant's obligations under this Lease or alter the primary liability of Tenant to pay the Rent and to perform all other obligations to be performed by Tenant hereunder. The acceptance of Rent by landlord from any other person shall not be deemed to be a waiver by Landlord of any provision hereof. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting. In the event of default by an assignee or subtenant or any successor of Tenant in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against such assignee, subtenant or successor. Landlord may consent to subsequent assignments of the Lease or sub lettings or amendments or modifications to the Lease with assignees of tenant, without notifying Tenant, or any successor of Tenant, and without obtaining its or their consent thereof and any such actions shall not relieve Tenant of liability under this Lease.
- e. If Tenant assigns the Lease or sublets the Premises or requests the consent of Landlord to any assignment or subletting or if Tenant requests the consent of Landlord for any act that Tenant proposes to do, then Tenant shall, upon demand, pay Landlord an administrative fee of One Hundred Fifty and No/100 Dollars (\$150.00) plus any attorney's fees reasonably incurred by Landlord in connection with such act or request.

#### 17. HOLDING OVER.

If after expiration of the Term, Tenant remains in possession of the Premises with Landlord's permission (express or implied), Tenant shall become a tenant from month to month only, upon all the provisions of this Lease (except as to term and Base Rent), but the "Monthly Installments of Base Rent" payable by Tenant shall be increased to one hundred twenty-five percent (125%) of the Monthly Installments of Base Rent payable by Tenant at the expiration of the Term. Such monthly rent shall be payable in advance on or before the first day of each month. If either party desires to terminate such month-to-month tenancy, it shall give the other party not less than thirty (30) days advance written notice of the date of termination.

#### 18. SURRENDER OF PREMISES.

- a. Tenant shall peaceably surrender the Premises to Landlord on the Expiration Date, in broom-clean condition and in as good condition as when Tenant took possession, except for (i) reasonable wear and tear, (ii) loss by fire or other casualty, and (iii) loss by condemnation. Tenant shall, on Landlord's request, remove Tenant's Property on or before the Expiration Date and promptly repair all damage to the Premises or Building caused by such removal.
- b. If Tenant abandons or surrenders the Premises, or is dispossessed by process of law or otherwise, any of Tenant's Property left on the Premises shall be deemed to be abandoned, and, at Landlord's option, title shall pass to Landlord under this Lease as by a bill of sale. If Landlord elects to remove all or any part of such Tenant's Property, the cost of removal, including repairing any damage to the Premises or Building caused by such removal, shall be paid by Tenant. On the Expiration Date Tenant shall surrender all keys to the Premises.

#### 19. DESTRUCTION OR DAMAGE.

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- a. If the Premises or the portion of the Building necessary for Tenant's occupancy is damaged by fire, earthquake, act of God, the elements, or other casualty, Landlord shall, subject to the provisions of this Article, promptly repair the damage, if such repairs can, in Landlord's opinion, be completed within ninety (90) days. If Landlord determines that repairs can be completed with ninety (90) days, this Lease shall remain in full force and effect, except that if such damage is not the result of the negligence or willful misconduct of Tenant or Tenant's agents, employees, contractors, licensees, or invitees, the Base Rent shall be abated to the extent Tenant's use of the Premises is impaired, commencing with the date of damage and continuing until completion of the repairs required of Landlord under Section 19d.
- b. If in Landlord's opinion, such repairs to the Premises or portion of the Building necessary for Tenant's occupancy cannot be completed within ninety (90) days, Landlord or Tenant may elect, upon notice to the other given within thirty (30) days after the date of such fire or other casualty, to repair such damage, in which event this Lease shall continue in full force and effect, but the Base Rent shall be partially abated as provided in Section 19a. If Landlord does not so elect to make such repairs, this Lease shall terminate as of the date of such fire or other casualty.
- c. If any other portion of the Building or Project is totally destroyed or damaged to the extent that in Landlord's opinion repair thereof cannot be completed within ninety (90) days, Landlord may elect upon notice to Tenant given within thirty (30) days after the date of such fire or other casualty, to repair such damage, in which event this Lease shall continue in full force and effect, but the Base Rent shall be partially abated as provided in Section 19a. If Landlord does not so elect to make such repairs, this Lease shall terminate as of the date of such fire or other casualty.
- d. If the Premises are to be repaired under this Article, Landlord shall repair at its cost any injury or damage to the Building and Building Standard Work in the Premises. Tenant shall be responsible at its sole cost and expense for the repair, restoration, and replacement of any other Leasehold Improvements and Tenant's Property. Landlord shall not be liable for any loss of business, inconvenience or annoyance arising from any repair or restoration of any portion of the Premises, Building, or Project as a result of any damage from fire or other casualty.
- e. This Lease shall be considered an express agreement governing any case of damage to or destruction of the Premises, Building, or Project by fire or other casualty, and any present or future law which purports to govern the rights of Landlord and Tenant in such circumstances in the absent of express agreement, shall have no application.

## 20. EMINENT DOMAIN.

- a. If the whole of the Building or Premises is lawfully taken by condemnation or in any other manner for any public or quasi-public purpose, this Lease shall terminate as of the date of such taking, and Rent shall be prorated to such date. If less than the whole of the Building or Premises is so taken, this Lease shall be unaffected by such taking, provided that (i) Tenant shall have the right to terminate this Lease by notice to Landlord given within ninety (90) days after the date of such taking if twenty percent (20%) or more of the Premises is taken and the remaining area of the Premises is not reasonably sufficient for Tenant to continue operation of its business, and (ii) Landlord shall have the right to terminate this Lease by notice to Tenant given within ninety (90) days after the date of such taking. If either Landlord or Tenant so elects to terminate this Lease, the Lease shall terminate on the thirtieth (30th) day after either such notice. The Rent shall be prorated to the date of termination. If this Lease continues in force upon such partial taking, the Base Rent and Tenant's Proportionate Share shall be equitably adjusted according to the remaining Rentable Area of the Premises and Project.
- b. In the event of any taking, partial or whole, all of the proceeds of any award, judgment, or settlement payable by the condemning authority shall be the exclusive property of Landlord, and Tenant hereby assigns to Landlord all of its right, title, and interest in any award, judgment, or settlement from the condemning authority. Tenant, however, shall have the right, to the extent that Landlord's award is not reduced or prejudiced, to claim from the condemning authority (but not from Landlord) such compensation as may be recoverable by Tenant in its own right for relocation expenses and damage to Tenant's personal property.
- c. In the event of a partial taking of the Premises which does not result in a termination of this Lease, Landlord shall restore the remaining portion of the Premises as nearly as practicable to its condition prior to the condemnation or taking, but only to the extent of Building Standard Work. Tenant shall be responsible at its sole cost and expenses for the repair, restoration, and replacement of any other Leasehold improvements and Tenant's Property.

## 21. INDEMNIFICATION.

- a. Tenant shall indemnify and hold Landlord harmless against and from liability and claims of any kind for loss or damage to property of Tenant or any other person, or for any injury to or death of any person, arising out of: (1) Tenant's use and occupancy of the Premises, or any work, activity, or other things allowed or suffered by Tenant to be done in, on, or about the Premises; (2) any breach or default by Tenant of any of the Tenant's obligations under this Lease; or (3) any negligent or otherwise tortuous act or omission of Tenant, its agents,

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employees, invitees, or contractors. Tenant shall at Tenant's expense and by counsel satisfactory to Landlord, defend Landlord in any action or proceeding arising from any such claim and shall indemnify Landlord against all costs, attorneys' fees, expert witness fees, and any other expenses incurred in such action or proceeding. As a material part of the consideration for Landlord's execution of this Lease, Tenant hereby assumes all risk of damage or injury to any person or property in, on, or about the Premises from any cause.

- b. Landlord shall not be liable for injury or damage which may be sustained by the person or property of Tenant, its employees, invitees, or customers or any other person in or about the Premises, caused by or resulting from fire, steam, electricity, gas, water, or rain which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction, or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning, or lighting fixtures, whether such damage or injury results from conditions arising upon the Premises or upon other portions of the Building or Project or from other sources. Landlord shall not be liable for any damages arising from any act or omission of any other tenant of the Building or Project.

## 22. TENANT'S INSURANCE.

- a. All insurance required to be carried by Tenant hereunder shall be issued by responsible insurance companies acceptable to Landlord and Landlord's lender and qualified to do business in the State. Each policy shall name Landlord, and at Landlord's request any mortgagee of Landlord, as an additional insured, as their respective interests may appear. Each policy shall contain (i) a cross-liability endorsement, (ii) a provision that such policy and the coverage evidenced thereby shall be primary and non-contributing with respect to any policies carried by Landlord and that any coverage carried by Landlord shall be excess insurance, and (iii) a waiver by the insurer of any right of subrogation against Landlord, its agents, employees, and representatives, which arises or might arise by reason of any payment under such policy or by reason of any act or omission of Landlord, its agents, employees, or representatives. A copy of each paid up policy (authenticated by the insurer) or certificate of the insurer evidencing the existence and amount of each insurance policy required hereunder shall be delivered to Landlord before the date Tenant is first given the right of possession of the Premises, and thereafter within thirty (30) days after any demand by Landlord therefore. Landlord may, at any time and from time to time, inspect and/or copy any insurance policies required to be maintained by Tenant hereunder. No such policy shall be cancelable except after written notice to Landlord and Landlord's lender in accordance with the terms of the policy. Tenant shall furnish Landlord with renewals or "binders" of any such policy at least ten (10) days prior to the expiration thereof. Tenant shall have the right to provide such insurance coverage pursuant to blanket policies obtained by the Tenant, provided such blanket policies expressly afford coverage to the Premises, Landlord, Landlord's mortgagee, and Tenant as required by this Lease.
- b. Beginning on the date Tenant is given access to the Premises for any purpose and continuing until expiration of the Term, Tenant shall procure, pay for and maintain in effect policies of casualty insurance covering (i) all Leasehold Improvements (including any alterations, additions, or improvements as may be made by Tenant pursuant to the provisions of Article 12 hereof), and (ii) trade fixtures, merchandise, and other personal property from time to time in, on, or about the Premises, in an amount not less than one hundred percent (100%) of their actual replacement cost from time to time, providing protection against any peril included within the classification "Fire and Extended Coverage" together with insurance against sprinkler damage, vandalism, and malicious mischief. The proceeds of such insurance shall be used for the repair or replacement of the property so insured. Upon termination of this Lease following a casualty as set forth herein, the proceeds under (i) above be paid to Landlord, and the proceeds under (ii) above be paid to Tenant.
- c. Beginning on the date Tenant is given access to the Premises for any purpose and continuing until expiration of the Term, Tenant shall procure, pay for, and maintain in effect worker's compensation insurance as required by law and comprehensive public liability and property damage insurance with respect to the construction of improvements on the Premises, the use, operation, or condition of the Premises, and the operations of Tenant in, on, or about the Premises, providing broad form property damage coverage for not less than Five Hundred Thousand Dollars (\$500,000) per person and One Million Dollars (\$1,000,000) each occurrence, and property damage liability insurance with a limit of not less than Two Hundred Fifty Thousand Dollars (\$250,000) each accident.
- c. Not less than every three (3) years during the Term, Landlord and Tenant shall mutually agree to increases in all of Tenant's insurance policy limits for all insurance to be carried by Tenant as set forth in this Article. In the event Landlord and Tenant cannot mutually agree upon the amounts of said increases, then Tenant agrees that all insurance policy limits as set forth in this Article shall be adjusted for increases in the cost of living in the same manner as is set forth in Section 5.2 hereof for the adjustment of the Base Rent.

Tenant shall be permitted to utilize self-insurance for all or any portion of the minimum limits required hereunder.

## 23. WAIVER OF SUBROGATION.

Landlord and Tenant each hereby waive all rights or recovery against the other and against the officers, employees, agents, and representatives of the other, on account of loss by or damage to the waiving party of its property or the property of others under its control, to the extent that such loss or damage is insured against under any fire and extended

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overage insurance policy which either may have in force at the time of the loss or damage. Tenant shall, upon obtaining the policies of insurance required under this Lease, give notice to its insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease.

#### 24. SUBORDINATION AND ATTORNMENT.

Upon written request of Landlord, or any first mortgagee or first deed of trust beneficiary of Landlord, or ground lessor of Landlord, Tenant shall, in writing, subordinate its rights under this Lease to the lien of any first mortgage or first deed of trust, or to the interest of any lease in which Landlord is lessee, and to all advances made or thereafter to be made thereunder. However, before signing any subordination agreement, Tenant shall have the right to obtain from any lender or lessor or Landlord requesting such subordination, an agreement in writing providing that, as long as Tenant is not in default hereunder, this Lease shall remain in effect for the full Term. The holder of any security interest may, upon written notice to Tenant, elect to have this Lease prior to its security interest regardless of the time of the granting or recording of such security interest.

In the event of any foreclosure sale, transfer in lieu of foreclosure, or termination of the lease in which Landlord is lessee, Tenant shall attorn to the purchaser, transferee, or lessor, as the case may be, and recognize that party as Landlord under this Lease provided such party acquires and accepts the Premises subject to this Lease.

#### 25. TENANT ESTOPPEL CERTIFICATE.

Within ten (10) days after written request from Landlord, Tenant shall execute and deliver to Landlord or Landlord's designee, a written statement certifying (a) that this lease is unmodified and in full force and effect, or is in full force and effect as modified and stating the modifications; (b) the amount of Base Rent and the date to which Base Rent and additional rent have been paid in advance; (c) the amount of any security deposited with Landlord; and (d) that Landlord is not in default hereunder or, if Landlord is claimed to be in default, stating the nature of any claimed default. Any such statement may be relied upon by a purchaser, assignee, or lender. Tenant's failure to execute and deliver such statement within the time required shall at Landlord's election be a default under this Lease and shall also be conclusive upon Tenant that: (1) this Lease is in full force and effect and has not been modified except as represented by Landlord; (2) there are no uncured defaults in Landlord's performance and that Tenant has not right of offset, counter-claim, or deduction against Rent; and (3) not more than one month's Rent has been paid in advance.

#### 26. TRANSFER OF LANDLORD'S INTEREST.

In the event of any sale or transfer by Landlord of the Premises, Building, or Project, and assignment of this Lease by Landlord, Landlord shall be and is hereby entirely freed and relieved of any and all liability and obligations contained in or derived from this Lease arising out of any act, occurrence, or omission relating to the Premises, Building, Project, or Lease occurring after the consummation of such sale or transfer, providing the purchaser shall expressly assume all of the covenants and obligations of Landlord under this Lease. If any security deposit or prepaid Rent has been paid by Tenant, Landlord may transfer the security deposit or prepaid Rent to Landlord's successor and upon such transfer, Landlord shall be relieved of any and all further liability with respect thereto.

#### 27. DEFAULT.

27.1. *Tenant's Default.* The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant:

- a. If Tenant abandons or vacates the Premises without payment of rent; or
- b. If Tenant fails to pay any Rent or any other charges required to be paid by Tenant under this Lease and such failure continues for five (5) days after such payment is due and payable; or
- c. If Tenant fails to promptly and fully perform any other covenant, condition, or agreement contained in this lease and such failure continues for thirty (30) days after written notice thereof from Landlord to Tenant; or
- d. If a writ of attachment or execution is levied on this Lease or on any of Tenant's Property; or
- e. If Tenant makes a general assignment for the benefit of creditors, or provides for an arrangement, composition, extension or adjustment with its creditors; or
- f. If Tenant files a voluntary petition for relief or if a petition against Tenant in a proceeding under the federal bankruptcy laws or other insolvency laws is filed and not withdrawn or dismissed within forty-five (45) days thereafter, or if under the provisions of any law providing for reorganization or winding up of corporations, any court of competent jurisdiction assumes jurisdiction, custody, or control of Tenant or any substantial part of its property and such jurisdiction, custody, or control remains in force unrelinquished, unstayed, or unterminated for a period of forty-five (45) days; or
- g. If in any proceeding or action in which Tenant is not a party, a trustee, receiver, agent, or custodian is appointed to take charge of the Premises or Tenant's Property (or has the authority to do so) for the purpose of enforcing a lien against the Premises or Tenant's Property; or

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- h. If Tenant is a partnership or consists of more than one (1) person or entity, if any partner of the partnership or other person or entity is involved in any of the acts or events described in subparagraphs d through g above.

27.2. *Remedies.* In the event of Tenant's default hereunder, then, in addition to any other rights or remedies Landlord may have under any law, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind to do the following:

- a. Terminate this Lease and Tenant's right to possession of the Premises and re-enter the Premises and take possession thereof, and Tenant shall have no further claim to the Premises or under this Lease; or
- b. Continue this Lease in effect, re-enter and occupy the Premises for the account of Tenant, and collect any unpaid Rent or other charges which have or thereafter become due and payable; or
- c. Re-enter the Premises under the provisions of subparagraph b and thereafter elect to terminate this Lease and Tenant's right to possession of the Premises.

If Landlord re-enters the Premises under the provisions of subparagraph b or c above, Landlord shall not be deemed to have terminated this Lease or the obligation of Tenant to pay any Rent or other charges thereafter accruing, unless Landlord notifies Tenant in writing of Landlord's election to terminate this Lease. In the event of any re-entry or retaking of possession by Landlord, Landlord shall have the right, but not the obligation, to remove all or any part of Tenant's Property in the Premises and to place such property in storage at a public warehouse at the expense and risk of Tenant. If Landlord elects to relet the Premises for the account of Tenant, the rent received by Landlord from such reletting shall be applied as follows: first, to the payment of any indebtedness other than Rent due hereunder from Tenant to Landlord; second, to the payment of any costs of such reletting; third, to the payment of the cost of any alterations or repairs to the Premises; fourth, to the payment of Rent due and unpaid hereunder; and the balance, if any, shall be held by Landlord and applied in payment of future Rent as it becomes due. If that portion of rent received from the reletting, which is applied against, the Rent due hereunder is less than the amount of the Rent due, Tenant shall pay the deficiency to Landlord promptly upon demand by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as determined, any costs and expenses incurred by Landlord in connection with such reletting or in making alterations and repairs to the Premises, which are not covered by the rent received from the reletting.

Should Landlord elect to terminate this Lease under the provisions of subparagraph a or c above, Landlord may recover as damages from Tenant the following:

- (1.) *Past Rent.* The worth at the time of the award of any unpaid Rent which had been earned at the time of termination; plus
- (2.) *Rent Prior to Award.* The worth at the time of the 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; plus
- (3.) *Rent After Award.* The worth at the time of the award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of the rental loss that Tenant provides could be reasonably avoided; plus
- (4.) *Proximately Caused Damages.* Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom including, but not limited to, any costs or expenses (including attorneys' fees) incurred by Landlord in (a) retaking possession of the Premises, (b) maintaining the Premises after Tenant's default, (c) preparing the Premises for reletting to a new tenant, including any repairs or alterations, and (d) reletting the Premises, including broker's commissions.

"The worth at the time of the award@ as used in subparagraphs 1 and 2 above is to be computed by allowing interest at the rate of ten percent (10%) per annum." The worth at the time of the award@ as used in subparagraph 3 above is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank situated nearest to the Premises at the time of the award plus one percent (1%).

The waiver by Landlord of any breach of any term, covenant, or condition of this Lease shall not be deemed a waiver of such term, covenant, or condition or of any subsequent breach of the same or any other term, covenant, or condition. Acceptance of Rent by Landlord subsequent to any breach hereof shall not be deemed a waiver of any preceding breach other than the failure to pay the particular Rent so accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of Rent. Landlord shall not be deemed to have waived any term, covenant, or condition unless Landlord gives Tenant written notice of such waiver.

27.3 *Landlord's Default.* If Landlord fails to perform any covenant, condition, or agreement contained in this Lease within thirty (30) days after receipt of written notice from Tenant specifying such default, or if such default

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cannot reasonably be cured within thirty (30) days, if Landlord fails to commence to cure within that thirty (30) day period, then Landlord shall be liable to Tenant for any damages sustained by Tenant as a result of Landlord's breach; provided, however, it is expressly understood and agreed that if Tenant obtains a money judgment against Landlord resulting from any default or other claim arising under this Lease, that judgment shall be satisfied only out of the rents, issues, profits, and other income actually received on account of Landlord's right, title, and interest in the Premises, Building, or Project, and no other real, personal, or mixed property of Landlord (or of any of the partners which comprise Landlord, if any) wherever situated, shall be subject to levy to satisfy such judgment. If, after notice to Landlord of default, Landlord (or any first mortgagee or first deed of trust beneficiary of Landlord) fails to cure the default as provided herein, then Tenant shall have the right to cure that default at Landlord's expense. Tenant shall not have the right to terminate this Lease or to withhold, reduce, or offset any amount against any payments of Rent or any other charges due and payable under this Lease, except as otherwise specifically provided herein.

#### 28. BROKERAGE FEES.

Tenant warrants and represents that it has not dealt with any real estate broker or agent in connection with this Lease or its negotiation except those noted in Section 2.c. Tenant shall indemnify and hold Landlord harmless from any cost, expenses, or liability (including costs of suit and reasonable attorneys' fees) for any compensation, commission, or fees claimed by any other real estate broker or agent in connection with this Lease or its negotiation by reason of any act of Tenant.

#### 29. NOTICES.

All notices, approvals, and demands permitted or required to be given under this Lease shall be in writing and deemed duly served or given if personally delivered or sent by certified or registered U.S. mail, postage prepaid, and addressed as follows: (a) if to Landlord, to Landlord's Mailing Address and to the Building manager, and (b) if to Tenant, to Tenant's Mailing Address; provided Landlord and Tenant may from time to time by notice to the other designate another place for receipt of future notices.

#### 30. GOVERNMENT ENERGY OR UTILITY CONTROLS.

In the event of imposition of federal, state, or local government controls, rules, regulations, or restrictions on the use or consumption of energy or other utilities during the Term, both Landlord and Tenant shall be bound thereby. In the event of a difference in interpretation by Landlord and Tenant of any such controls, the interpretation of Landlord shall prevail, and Landlord shall have the right to enforce compliance therewith, including the right of entry into the Premises to effect compliance.

#### 32. QUIET ENJOYMENT.

Tenant, upon paying the Rent and performing all of its obligations under this Lease, shall peaceably and quietly enjoy the Premises, subject to the terms of this Lease and to any mortgage, lease, or other agreement to which this Lease may be subordinate.

#### 33. OBSERVANCE OF LAW.

Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, and with the requirements of any board of fire insurance underwriters or other similar bodies now or hereafter constituted, relating to, or affecting the condition, use or occupancy of the Premises, excluding structural changes not related to or affected by Tenant's improvements or acts. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord is a party thereto or not, that Tenant has violated any law, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between Landlord and Tenant.

#### 34. FORCE MAJEURE.

Any prevention, delay or stoppage of work to be performed by Landlord or Tenant which is due to strikes, labor disputes, inability to obtain labor, materials, equipment or reasonable substitutes therefore, acts of God, governmental restrictions or regulations or controls, judicial orders, enemy or hostile government actions, civil commotion, fire or other casualty, or other causes beyond the reasonable control of the party obligated to perform hereunder, shall excuse performance of the work by that party for a period equal to the duration of that prevention, delay or stoppage. Nothing in this Article 34 shall excuse or delay Tenant's obligation to pay Rent or other charges under this Lease.

#### 35. CURING TENANT'S DEFAULTS.

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If Tenant defaults in the performance of any of its obligations under this Lease, Landlord may (but shall not be obligated to) without waiving such default, perform the same for the account at the expense of Tenant. Tenant shall pay Landlord all costs of such performance promptly upon receipt of a bill therefore.

### 36. SIGN CONTROL.

Tenant shall not affix, paint, erect or inscribe any sign, projection, awning, signal or advertisement of any kind to any part of the Premises, Building or Project, including without limitation, the inside or outside of windows or doors, without the written consent of Landlord. Landlord shall have the right to remove any signs or other matter, installed without Landlord's permission, without being liable to Tenant by reason of such removal, and to charge the cost of removal to Tenant as additional rent hereunder, payable within ten (10) days of written demand by Landlord.

### 37. MISCELLANEOUS.

- a. *Accord and Satisfaction; Allocation of Payments:* No payment by Tenant or receipt by Landlord of a lesser amount than the Rent provided for in this Lease shall be deemed to be other than on account of the earliest due Rent, nor shall any endorsement or statement on any check or letter accompanying any check or payment as Rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of the Rent or pursue any other remedy provided for in this Lease. In connection with the foregoing, Landlord shall have the absolute right in its sole discretion to apply any payment received from Tenant to any account or other payment of Tenant then not current and due or delinquent.
- b. *Addenda:* If any provision contained in an addendum to this Lease is inconsistent with any other provision herein, the provision contained in the addendum shall control, unless otherwise provided in the addendum.
- c. *Attorneys' Fees:* If any action or proceeding is brought by either party against the other pertaining to or arising out of this Lease, the finally prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, incurred on account of such action or proceeding.
- d. *Captions, Articles and Section Numbers:* The captions appearing within the body of this Lease have been inserted as a matter of convenience and for reference only and in no way define, limit or enlarge the scope or meaning of this Lease. All references to Article and Section numbers refer to Articles and Sections in this Lease.
- e. *Changes Requested by Lender:* Neither Landlord or Tenant shall unreasonably withhold its consent to changes or amendments to this Lease requested by the lender on Landlord's interest, so long as these changes do not alter the basic business terms of this Lease or otherwise materially diminish any rights or materially increase any obligations of the party from whom consent to such charge or amendment is requested.
- f. *Choice of Law:* This Lease shall be construed and enforced in accordance with the laws of the State of California.
- g. *Consent:* Notwithstanding anything contained in this Lease to the contrary, Tenant shall have no claim, and hereby waives the right to any claim against Landlord for money damages by reason of any refusal, withholding or delaying by Landlord of any consent, approval or statement of satisfaction, and in such event, Tenant's only remedies therefore shall be an action for specific performance, injunction or declaratory judgment to enforce any right to such consent, etc.
- h. *Corporate Authority:* If Tenant is a corporation, each individual signing this Lease on behalf of Tenant represents and warrants that he is duly authorized to execute and deliver this lease on behalf of the corporation, and that this Lease is binding on Tenant in accordance with its terms. Tenant shall, at Landlord's request, deliver a certified copy of a resolution of its board of directors authorizing such execution.
- i. *Counterparts:* This Lease may be executed in multiple counterparts, all of which shall constitute one and the same Lease.
- j. *Execution of Lease; No Option:* The submission of this Lease to Tenant shall be for examination purposes only, and does not and shall not constitute a reservation of or option for Tenant to lease, or otherwise create any interest of Tenant in the Premises or any other premises within the Building or Project. Execution of this Lease by Tenant and its return to Landlord shall not be binding on Landlord notwithstanding any time interval, until Landlord has in fact signed and delivered this Lease to Tenant.
- k. *Furnishing of Financial Statements; Tenant's Representations:* In order to induce Landlord to enter into this Lease, Tenant agrees that it shall promptly furnish Landlord, from time to time, upon Landlord's written request, with financial statements reflecting Tenant's current financial condition. Tenant represents and warrants that all financial statements, records and information furnished by Tenant to Landlord in connection with this Lease are true, correct and complete in all respects.

\_\_\_\_\_ District \_\_\_\_\_ Recipient

- l. *Further Assurances*: The parties agree to promptly sign all documents reasonably requested to give effect to the provisions of this Lease.
- m. *Mortgagee Protection*: Tenant agrees to send by certified or registered mail to any first mortgagee or first deed of trust beneficiary of Landlord whose address has been furnished to Tenant, a copy of any notice of default served by Tenant on Landlord. If Landlord fails to cure such default within the time provided for in this Lease, such mortgagee or beneficiary shall have an additional thirty (30) days to cure such default; provided that if such default cannot reasonably be cured within that thirty (30) day period, then such mortgagee or beneficiary shall have such additional time to cure the default as is reasonably necessary under the circumstances.
- n. *Prior Agreements; Amendments*: This Lease contains all of the agreements of the parties with respect to any matter covered or mentioned in this Lease, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose. No provisions of this Lease may be amended or added to except by an agreement in writing signed by the parties or their respective successors in interest.
- o. *Recording*: Tenant shall not record this Lease without the prior written consent of Landlord. Tenant, upon the request of Landlord, shall execute and acknowledge a "short form" memorandum of this Lease for recording purposes.
- p. *Severability*: A final determination by a court of competent jurisdiction that any provision of this Lease is invalid shall not affect the validity of any other provision, and any provision so determined to be invalid shall, to the extent possible, be construed to accomplish its intended effect.
- q. *Successors and Assigns*: This Lease shall apply to and bind the heirs, personal representatives, and permitted successors and assigns of the parties.
- r. *Time of the Essence*: Time is of the essence of this Lease.
- s. *Waiver*: No delay or omission in the exercise of any right or remedy of Landlord upon any default by Tenant shall impair such right or remedy or be construed as a waiver of such default.
- v. *Compliance*: The parties hereto agree to comply with all applicable federal, state and local laws, regulations, codes, ordinances and administrative orders having jurisdiction over the parties, property or the subject matter of this Agreement, including, but not limited to, the 1964 Civil Rights Act and all amendments thereto, the Foreign Investment In Real Property Tax Act, the Comprehensive Environmental Response Compensation and Liability Act, and The Americans With Disabilities Act.
- w. Landlord shall maintain the Common Areas property in compliance with the applicable provisions of the Americans with Disabilities Act of 1990 and its implementing regulations, as amended or supplemented from time to time, and all similar applicable state and local laws, rules and regulations (the "ADA"). Landlord shall hold Tenant harmless and indemnify Tenant for all claims, demands, judgments, costs, expenses (including reasonable actual attorneys' fees) and losses arising out of or related to (i) Landlord's failure to comply with ADA requirements related to the Common Areas (ii) the failure of the Common Area to comply with ADA, unless such non-compliance or corrective activity is necessitated by an alteration to the Premises by Tenant which was not consented to by Landlord.
- x. *Non-Physician Landlord*. Landlord (including but not limited to partners, shareholders or other investors of Landlord) is not a physician, dentist, osteopath, podiatrist, optometrist or chiropractor (collectively "Practitioner") (or immediate family member thereof who is a practitioner or group of practitioners) who has an ownership or investment interest in the property. Landlord covenants and agrees that Landlord shall notify Tenant within ten (10) days of any change in the facts relating to this certification.

The receipt and acceptance by Landlord of delinquent Rent shall not constitute a waiver of any other default; it shall constitute only a waiver of timely payment for the particular Rent payment involved.

No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the Term. Only a written notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish a termination of the Lease.

Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant.

Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or other provision of the Lease.

\_\_\_\_\_ District \_\_\_\_\_ Recipient

The parties hereto have executed this Lease as of the dates set forth below.

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Landlord: Desert Healthcare District

Tenant: \_\_\_\_\_

dba: Las Palmas Medical Plaza

By: Conrado Bárzaga

By: \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: CEO

Title: \_\_\_\_\_

CONSULT YOUR ADVISORS This document has been prepared for approval by your attorney. No representation or recommendation is made as to the legal sufficiency or tax consequences of this document or the transaction to which it relates. These are questions for your attorney.

In any real estate transaction, it is recommended that you consult with a professional, such as a civil engineer, industrial hygienist or other person, with experience in evaluating the condition of the property, including the possible presence of asbestos, hazardous materials and underground storage tanks.

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EXHIBIT "A"

RULES AND REGULATIONS

1. No sign, placard, pictures, advertisement, name or notice shall be inscribed, displayed or printed or affixed on or to any part of the outside or inside of the Building without the written consent of Landlord first had and obtained and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant.

All approved signs or lettering on doors shall be printed, painted, affixed, or inscribed at the expense of Tenant by a person approved by Landlord outside the Premises; provided, however, that Landlord may furnish and install a Building standard window covering at all exterior windows. Tenant shall not, without prior written consent of Landlord, cause or otherwise sunscreen any window.

2. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by any of the tenants or used by them for any purpose other than for ingress and egress from their respective Premises.
3. Tenant shall not alter any lock or install any new or additional locks or any bolts on any doors or windows of the Premises.
4. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage or damage resulting from the violation of the rule shall be borne by the Tenant who, or whose employees or invitees, shall have caused it.
5. Tenant shall not overload the floor of the Premises or in any way deface the Premises or any part thereof.
6. No furniture, freight or equipment of any kind shall be brought into the Building without the prior notice to Landlord and all moving of the same into or out of the Building shall be done at such time and in such manner as Landlord shall designate. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Building. Safes or other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of Tenant.
7. Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substances in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to the Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds be brought in or kept in or about the Premises of the Building.
8. No cooking shall be done or permitted by any Tenant on the Premises, nor shall the Premises be used for storage of merchandise, for washing clothes, for lodging or for any improper, objectionable or immoral purposes.
9. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline or inflammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord.
10. Landlord will direct electricians as to where and how telephone and telegraph wires are to be introduced. No boring or cutting for wires will be allowed without the consent of the Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord.
11. On Saturdays, Sundays and legal holidays, and on other days between the hours of 6:00 p.m. and 8:00 a.m. the following day, access to the Building or to the halls, corridors, elevators or stairways in the Building, or to the Premises may be refused unless the person seeking access is known to the person or employee of the Building in charge and has a pass or is properly identified. The Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, the Landlord reserves the right to prevent access to the Building during the continuance of the same by closing of the doors or otherwise, for the safety of the tenants and protection of property in the Building and the Building.
12. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Building.
13. No vending machine or machines of any description shall be installed, maintained or operated upon the Premises without the written consent of the Landlord.

\_\_\_\_\_ District \_\_\_\_\_ Recipient

14. Landlord shall have the right, exercisable without notice and without liability to Tenant, to change the name and street address of the Building of which the Premises are a part.
15. Tenant shall not disturb, solicit, or canvass any occupant of the Building and shall cooperate to prevent same.
16. Without the written consent of Landlord, Tenant shall not use the name of the Building in connection with or in promoting or advertising the business of Tenant except as Tenant's address.
17. Landlord shall have the right to control and operate the public portions of the Building, and the public facilities, and heating and air conditioning, as well as facilities furnished for the common use of the tenants, in such manner as it deems best for the benefit of the tenants generally.
18. All entrance doors in the Premises shall be left locked when the Premises are not in use, and all doors opening to public corridors shall be kept closed except for normal ingress and egress from the Premises.

\_\_\_\_\_  
Landlord's Initials

\_\_\_\_\_  
Tenant's Initials

DRAFT

ADDENDUM

Addendum to that certain Office Building Lease dated June 1, 2020 by and between Desert Healthcare District doing business as the Las Palmas Medical Plaza, as Landlord and Unilab Corporation dba Quest Diagnostics, as Tenant for the property commonly known as Las Palmas Medical Plaza located 555 E. Tachevah Drive, Palm Springs, California 92262.

Page 1

In the event of any inconsistency between the Addendum language and the body of the Lease, the Addendum language shall prevail.

- 1. Commencement Date: June 1, 2020
- 2. Expiration Date: May 31, 2025
- 3. Rent Schedule:
 

06/01/2020-05/31/2021	\$2808.30	
06/01/2021-05/31/2022	\$2892.55	Greater of 3% or CPI
06/01/2022-05/31/2023	\$2979.33	Greater of 3% or CPI
06/01/2023-05/31/2024	\$3068.71	Greater of 3% or CPI
06/01/2024-05/31/2025	\$3160.77	Greater of 3% or CPI
- 4. CAMs: 2020 Base CAM of \$.62 per square foot. Tenant is responsible for any amounts exceeding the Base year during years 2-5 of the Lease Agreement.
- 5. Security Deposit: Four-Thousand, One-Hundred Eighty-Six & 92/100 Dollars (\$4,186.92) carried over from prior lease
- 6. Renewal Options: Tenant requests two optional 5-year extensions Greater of 3% or CPI
- 7. Broker Fee: Landlord shall pay broker fee of two percent (2%) or Three-Thousand, Five-Hundred Seventy-Eight & 32/100 Dollars (\$3,578.32) to CBRE.

The foregoing is hereby agreed to and accepted:

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Landlord: Desert Healthcare District

Tenant: \_\_\_\_\_

dba: Las Palmas Medical Plaza

By: Conrado Bárzaga

By: \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: CEO

Title: \_\_\_\_\_



**DESERT HEALTHCARE**  
DISTRICT & FOUNDATION

Date: June 9, 2020  
To: Finance & Administration Committee  
Subject: Rauch Communications, Inc. Service Agreement Addendum #1 – NTE \$32,200

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**Staff Recommendation:** Consideration to approve the Rauch Communications, Inc. Service Agreement Addendum #1 – NTE \$32,200

**Background:**

- The District has been engaged with Rauch Communications to develop best practices in governance with the Board with a focus on Board and CEO roles and relationships and to develop key issues and goals for the Board
- In May 2019, Martin Rauch conducted a workshop with the District’s Board and Staff to begin the referenced process.
- A second workshop was conducted January 23, 2020 where several issues and topics were developed for further work by the Board and Staff.
- The Board also requested additional future workshops, potentially quarterly.
- The Addendum and Scope of Work covers the January 2020 workshop and up to four additional future workshops.
- Staff recommends approval of the Rauch Communications, Inc. service agreement Addendum #1.

**Fiscal Impact:**

NTE \$32,200 included in the annual budget.



Phone: 408-374-4097  
Email: info@rauchcc.com  
Web: www.rauchcc.com  
936 Old Orchard Rd. Campbell, CA 95008

**Dynamic Public Outreach, Smart Strategic Planning**

*For local governments, special districts, and the engineering, environmental and law firms that support them.*

**DATE:** June 4, 2020

**NO OF PAGES:** 11

**TO:** Conrado E. Bázquez, CEO Desert Health Care District

**FROM:** Martin Rauch

Thank you for your request for a proposal to assist Desert Health Care District to continue the review of best practices in Governance with the Board with a focus on Board and CEO roles and relationships and to develop key issues and goals for the Board through continued workshops.

**READY TO HIT THE GROUND RUNNING**

Here's why the District would be well served by Rauch Communication Consultants:

**Organizational and Governance Experts.** We have worked with well over 200 Special Districts over the years. Martin is the principle author of the Special District Leadership Foundation certificate course on Board Governance and Strategic Planning, and a regular faculty member and presenter. We have helped many boards to understand the issues and challenges facing them, and to identify and implement solutions that work.

**We know the District and have worked with the Board and staff recently.**

**Special District Experts.** We understand special Districts, their role, services, governance, staffing, and the challenges facing Districts.

**Experienced Mediators.** We are experienced at helping to improve relationships between governing board members, between board and manager, and between manager and employees

**Get-To-The-Point Approach.** We have refined our approach to get maximum results quickly. We know you are busy, and we make every minute count.

Sincerely,

A handwritten signature in black ink that reads 'Martin Rauch'.

Martin Rauch  
President



## PAST PROGRESS

Before describing the proposed work plan it may be beneficial to review progress to-date.

**Setting and Purpose of the Process.** The District was in a period of transition during the early period of this project in 2019. It was operating under an Interim Chief Executive Officer, the Board had recently been expanded by two directors, there were several new Board members, and the service area had been recently doubled in size—without a corresponding increase in revenue.

The Board was seeking help to work through the transition and make changes to increase its effectiveness. The consultant worked with staff, legal counsel, the Board president, and a Board committee to settle on holding a Board workshop to resolve the key governance issues that led to this project

**Initial Research, Interviews Facilitation and Plan Development.** The project began in early 2020 with a review of background documents and interviews with current and former directors, senior staff, and legal counsel to obtain their views and insights on board governance and board/CEO roles and relationships.

**May 23, 2019.** A facilitated workshop was held on May 23, 2019, and was designed to provide an opportunity for the Board and senior staff to express their questions, concerns and ideas on governance issues, board/CEO role and relationships, and differences around District programs and projects. Numerous topics were discussed, clarifying open questions brought by the Directors and staff.

**January 23, 2020 Workshop.** Before the January 23, 2020 workshop, the consultant again interviewed each member of the Board, senior staff and legal counsel. By early 2020, both the Board and staff had steadily worked through many of the challenges and issues from the previous year, and it was clear that both the Board, staff, and the overall organization had made progress. However, there remained open issues, and a workshop was held in January 2020 to review the open issues from the workshop held the previous year, discard any issues that were resolved or no longer applicable, add any new related issues, resolve those that can be settled during the workshop, and set a pathway to resolve the rest.

## LOOKING TO THE FUTURE

**A Flexible Program That will be Adapted to Meet the Needs of the District Over Time.** The purpose of the facilitated workshops is to continue the process began last year. It will be flexibly implemented to meet the specific needs of the District over time. However, it is likely to include most or all of the following elements:

Board Development Workshops. Up to four custom planned and facilitated workshops with the Board and Executive team. Workshops will take place quarterly, at the discretion of the District, to encourage incremental and continuous board development and improvement over time.

Interviews. At the discretion of the District, confidential interviews may be held before workshops to better inform workshops content and strategy.

Write and Integrate Notes and Report. The consultant will take the notes from the interviews and workshops and integrate the various comments into a logical and coherent summary. Add recommendations and suggestions for best practices.

Develop Implementation Plan and Update Over Time. Gather and maintain a list of specific actions for staff, individual board members, committees and the entire Board to move the Board and CEO roles and relationships forward and to advance other issues and priorities that are identified.

Facilitate (with Legal Counsel) the Memorialization and Adoption of Board Policies to help guide governance and management functions. Help the Board and Staff to clearly define the proper roles between governance and management to ensure proper channels of communication and authority exist between board and staff.

**COST ESTIMATE**

**Scope of Work.** We propose to undertake this project on a not to exceed time and materials basis Of \$32,200. It will be flexibly implemented over time as needed to help the Board improve its performance, implement best practices for Board roles and relationships among the Board and with the CEO, and to build consensus on important projects, programs and priorities.

DHD FACILITATION PROPOSAL		Senior Consultant	Assoc	SUB-TOTALS	X4
	<b>Rate</b>	\$245	\$70		
<b>Step 1 Per Workshop</b>	Hours	12	0	12	48
<b>Conduct Approximately Eight Phone Interviews</b> (Board plus CEO) and assimilate/integrate the input and notes.	Dollars	\$2,940	\$0	\$2,940	\$11,760
<b>Step 2 Per Workshop</b>	Hours	12	0	12	48
<b>Plan and Facilitate Workshops</b>	Dollars	\$2,940	\$0	\$2,940	\$11,760
<b>Step 3 Per Workshop</b>	Hours	8	3	11	44
<b>Coordination and Reporting.</b> Coordination, answering questions, and summarizing the results of the workshop, updating the implementation plan and next steps, etc.	Dollars	\$1,960	\$210	\$2,170	\$8,680
	<b>Total Hours</b>	<b>32</b>	<b>3</b>	<b>35</b>	<b>140</b>
	<b>Dollars</b>	<b>\$7,840</b>	<b>\$210</b>	<b>\$8,055</b>	<b>\$32,200</b>

The actual pattern of work is likely to vary. The table above is simply to show the basis upon which the estimate was generated. There may be a need to update District policies and procedures or take other actions to implement the results of the workshop. Such actions may exceed the scope of this proposal.

**Travel and Expenses Additional.** Basic material expenses, including, travel expense (transportation and lodging), office printing and sales tax are additional and passed on at cost. Car mileage is at the IRS California rate at the time or actual rental car cost plus fuel. These are planned to be web meetings without travel. For meetings involving travel of more than one hour, the minimum charge is four hours.

**More Cost Estimate Details.** Final charges could be less than the not-to-exceed amounts. No out-of-scope work will be undertaken without prior written approval from the District. Out-of-scope work includes new tasks, or extra work on existing tasks, which exceeds the total estimated cost for the project. Our rates are: Strategy planning, facilitation and management consulting rate for the senior

consultants is \$245.00 per hour. Outreach and public involvement programs rate for the senior consultants is \$175 per hour. Outreach and public involvement programs rate for associate consultants is \$115 per hour. Graphic designer and webmaster services rate is \$105 per hour. Social media and writing specialist's rate is \$45 to \$90 per hour. Rate for Administration, Production Manager, is \$70 per hour.

## STATEMENT OF QUALIFICATIONS AND EXPERIENCE

Rauch Communication Consultants Inc. has served special districts for more than 40 years in California. During that time, we have worked with well over 200 agencies throughout the state, as well as with many of the leading organizations that deal with local agencies, such as CSDA, ACWA, CASA, and others. We have worked with individual agencies of every kind and size in most corners of the state: water, sanitary, hospital, vector, airport, park and recreation, Community Services Districts, JPAs and others.

Our firm offers three consulting specialties: assisting clients in the development of strategic plans, implementing strategic public outreach programs, and consulting to resolve board and management issues. These services are conducted out of our office in, Campbell (San Jose), and through our affiliates in other cities around the state.

Our expertise in public involvement and outreach lends itself to effectively gathering public input. We are expert facilitators and have planned and facilitated hundreds of successful meetings and workshops over the years.

We completed the strategic plan for the California Special District Association, as well as for dozens of special districts. We led Association of California Water Agencies (ACWA's) Vision 2000 strategic plan that significantly changed the structure and direction of the organization, as well as key planning sessions for California Association of Sanitation Agencies (CASA) during a time of organizational change.

We have also served as speakers for conferences and seminars on strategic planning and public outreach for ACWA, CASA, CSDA and other District associations.

### EXPERIENCED FACILITATORS:

Rauch Communication Consultants LLC (RCC) is skilled at bringing together parties with different interests and perspectives, working with them to resolve difficult situations, and assisting in the resolution of conflicts. Some examples of our experience follow:

- **Monterey Regional Water Pollution Control Agency and Marina Water District.** Helped to resolve issues surrounding a joint project to develop a recycled water marketing distribution program, along with related issues. Several workshops were conducted with representatives from both Boards, legal counsels and general managers.
- **Conjunctive Use Working Group.** Worked with dozens of water agencies and stakeholders about use of vacant storage space in the Central and West Coast Basin of Los Angeles County. They did not reach full agreement but identified many potential joint projects that have been used over time. Funded by the State Department of Water Resources.
- **San Diego County Water Authority Water Storage Plan.** Facilitated monthly discussion meetings with over 20 water agencies and the Water Authority in developing a countywide water storage plan. Relationships among the players were difficult initially, but we successfully reached consensus on a plan.
- **Big Bear Municipal Water District and San Bernardino Valley Municipal Water District Legal Dispute.** Facilitated a solution to a long-simmering water dispute following years of court fights in a single Board-to-Board meeting.

- **Three Valleys Water District Regional Water Supply Plan.** Assisted agency to begin building consensus on regional conjunctive use plan with numerous member agencies. Involves, strategizing, planning, communicating, facilitating both internally with the Board and externally with member agencies and the press.
- **Friant Water Authority.** Worked with this large Board of 23 that were divided into many camps and subgroups and becoming near paralyzed with dissension. We helped them to rebuild the group from the ground up with new governance, new CEO and a strategic plan that is being implemented. The organization is now flourishing.
- **San Luis Delta Mendota Water Authority.** This large Joint Powers Authority was struggling to function effectively as it lost key executive staff and there were disagreements and lack of consensus on the Board on how to move forward. An extensive strategic planning process rebuilt consensus on the way forward, including the hiring of new executive leadership. The Board and staff leadership are moving forward strongly and effectively under the new consensus.
- **Kern County Water District Strategic Plan.** Developed a complete strategic plan for a regional water agency working with a large and sometimes contentious group of member agencies.
- **Big Bear Municipal Water District and San Bernardino Valley Municipal Water District Legal Dispute.** Facilitated a solution to a long-simmering water dispute following years of court fights.
- **Las Gallinas Valley Sanitary District.** Successfully facilitated among a board with differing ideas about Board interactions with staff, what is micromanaging, the amount of detail in minutes, and other issues. These issues were affecting the Manager's ability to perform his job. We successfully facilitated discussion of these issues and development of new policies that eventually resolved the issues.
- **Cambria Desalination Plant.** Facilitated a lengthy series of meetings of a committee of 25 stakeholders on a contentious community issue that had previously resulted in election losses for the local water agency. Developed consensus on the project that later won a majority election victory.
- **Big Bear Airport District.** Facilitated a long running conflict between one member of the Board and others. The conflict had begun to paralyze both the staff's and the Board's ability to operate effectively and all involved were exhausted from it. After a couple of workshops, we were able to facilitate new policies to resolve the issue and also develop consensus around key goals, objectives and priorities.
- **Truckee Sanitary District.** Worked with this District that had problems with a single disruptive Board member. They adopted procedures that resulted in more effective board governance.
- **San Joaquin River Exchange Contractors Water Authority.** In the process of developing a strategic plan, we facilitated resolution of a complex water policy issue in two workshops that had been a source of conflict for many years.

## WHAT OUR CLIENTS ARE SAYING ABOUT RCC

*“Thanks for your guidance in helping the Board members make decisions that resulted in a healthy working, and successful atmosphere in our District...We have a Board and Management team who get along and support each other. Again, thank you for your capable knowledge and assistance...”*

Cordova Recreation and Park

*“Our board was having a tough time communicating between ourselves, and unable to communicate with staff. The workshop you put together for us has given us a clear vision and made all the difference in the world.”*

Three Valleys Municipal Water District

*“Thanks for your assistance with this long overdue process. Great workshop outcome. It went a long way to provide the current Board camaraderie and trust.”*

San Diego County Water District

*“It was one of the most productive series of meetings of this kind I have participated in professionally.”*

Cucamonga County Water District

*“Over the years, I have done many, many strategic plans and this one was impressive for how efficient the process was and it got to the point in a practical and useful way. Too often strategic plans just get put on a shelf until next year. This one has check points and useful targets and tasks regularly thru next year.”*

Director Novato Sanitary District

*“Though your skilled mentoring and carefully executed annual planning sessions . . . this District has been able to rise from the depths of public unrest to a position of public trust. . . So much of what we have accomplished is credited to the tools that you have given us along the way.”*

San Juan Water District

*“This strategic plan was impressive for how efficient the process was, and how it got to the point in a practical and useful way.”*

Novato Sanitary District

*“On behalf of the Board of Directors and staff of the California Special Districts Association, I wanted to take a moment to thank you for the wonderful job you did at our 2007 Board Planning Session. You did your homework; found the common denominator, and provided the Board and my executive staff with a positive outlook for the future of CSDA...We were all impressed and came away with a sense of positive change for the Association.”*

California Special Districts Association

*“Our Strategic Planning Workshop, which you facilitated . . . provided the Board with a greatly improved understanding of the many issues facing the District both now and in the future—which makes it possible for the Board to provide a more focused and clear policy direction to staff . . . Perhaps more importantly, your facilitated process helped our Board and Staff develop a consensus*

*around a much larger, but still realistic vision of what our District needs to be in order to best serve our customers."*

Cucamonga County Water District

*"Rauch Communication Consultants has been working with our board of directors and management team for the past ten years. They have facilitated annual strategic planning workshops that have helped us keep everyone focused on the critical priorities of our district. With RCC's help we have learned to address the major long-term issues and develop effective action plans to deal with them. It has really made a difference!"*

Truckee Donner Public Utility District

*"...a glowing recommendation for your ability to prepare a Strategic Plan."*

Squaw Valley Public Utilities District

*"Two things surprised me when Martin led our Board members through strategic planning: The first was that he was an incredible quick study in understanding the issues and the nuances of working through them. The second was how he got our Board to open up and freely discuss the issues. Not only was I surprised at how much he got them to talk and share, but the Board members were surprised at how like-minded they were at the end of the process."*

Arvin Edison Water Storage District

## THE CONSULTANTS ASSIGNED TO THE PROJECT

### **MARTIN RAUCH, President, Rauch Communication Consultants**

***Martin is the authorized Principal with authority to negotiate and contractually bind the firm.***

Martin Rauch is President of Rauch Communications Consultants, a full-service strategic planning and public outreach firm with main office near San Jose California that has served over 200 clients in California during the past 40 years.

The work will be carried out primarily by Martin Rauch. He brings to this task experience in group dynamics, developing consensus, Board and District strategic planning, and facilitation.

Martin conducts strategic planning sessions for the Boards and senior managers of client organizations. He also provides training in effective Board meetings, roles and relationships of Board members and managers and other related topics. He specializes in the preparation and facilitation of a wide variety of meetings. These complex events include focus groups, citizen's advisory committees, community presentations and public meetings.

Working out of RCC's San Jose Office, Martin also assists Board of Directors and senior managers, by tailoring public information projects that meet the special requirements of each client. For 26 years, he has provided strategic outreach support throughout the state.

Mr. Rauch has served as a speaker and seminar leader for the Association of California Water Agencies (ACWA), California Association of Sanitary Agencies (CASA), California Special Districts Association (CSDA) and others. He was a regular faculty member of the Special District Institute, is a regular speaker for CSDA, and is on the Board of the Special District Leadership Foundation. He has been invited as a speaker to other statewide associations.

Prior to his work for public agencies, he served for several years as a community organizer and educator for nonprofit organizations, organizing community groups and producing educational and information materials. He holds a Bachelor of Arts degree with High Honors from the University of California at Santa Barbara. Martin's formal training also includes completion of Business Mediation Training at UC Berkeley, as well as courses in Facilitating and Mediating Effective Agreements.

*Depending on the project needs, Martin will be supported by the appropriate members of his team:*

#### **Lynda Boyd, RAUCH COMMUNICATIONS CONSULTANTS, Staff**

Lynda manages all the production of document and project timelines for Rauch Communication Consultants.

#### **Amanda Green, CONSULTING SUPPORT, RESEARCH AND WRITING, affiliate**

With a master's degree in Public Administration from Harvard University School of Government and seven years' experience, Amanda provides a range of support in researching, planning and writing. Her experience includes several years working on planning and communication projects for RCC. and in the past with numerous government and industry clients.



## LIST OF SELECTED CLIENTS

### ASSOCIATIONS, JPAs, STATE, FEDERAL, CORPORATIONS, AND OTHERS

Association of California Water Agencies (ACWA)	Sewer Authority Mid-Coastside
California Special Districts Association (CSDA)	Mission Research Corporation
California Association of Sanitation Agencies (CASA)	Stone Creek Company
California Department of Water Resources	Suburban Water Systems
Special Districts Institute	Boyle Engineering
California Sanitation Risk Management Authority	Dokken Engineering
California Association of Public Cemeteries	El Solutions
Friant Water Authority	McCormick, Kidman and Behrens
WaterReuse Association	Pennfield and Smith
California Mosquito and Vector Control Association	Redwine and Sherill
American Desalting Association	White House Office of Policy Development
Association of Groundwater Agencies	National Water Resource Association
San Luis Delta-Mendota Water Authority	North Bay Watershed Authority
San Joaquin River Exchange Contractors Water Authority	San Gabriel Valley Water Association
North Bay Water Reuse Authority	San Gabriel Basin WQA
Faculty Association of Community Colleges	Santa Barbara Special District Association
National Water Resource Association	Cachuma Operations Maintenance Board
Water Education Foundation	Cachuma Conservation Release Board
Pacific Coast Association of Port Authorities	California Sign Association

### LOCAL GOVERNMENT AGENCIES

<b>BUTTE COUNTY</b>	District	<b>MARIN COUNTY</b>
Oroville-Wyandotte ID	Inyokern Community Services District	Las Gallinas Valley Sanitary District
<b>CALAVERAS COUNTY</b>	Shafter Park and Recreation District	North Marin Water District
Calaveras County WD	<b>LASSEN COUNTY</b>	Sausalito-Marín City Sanitation Dst.
<b>CONTRA COSTA COUNTY</b>	Lassen Municipal Utility District	Tamalpais CSD
Diablo Water District	<b>LOS ANGELES COUNTY</b>	Sanitary District #5 (Tiburon)
Contra Costa Water District	Los Angeles County Park and Rec	Novato Sanitary District
Stege Sanitary District	Castaic Lake Water Agency	Ross Valley Sanitary District
Dublin San Ramon Service District	Central Basin MWD	San Rafael Sanitation District
<b>EL DORADO COUNTY</b>	Pico Water District	City of San Rafael
South Lake Tahoe PUD	Upper San Gabriel Valley MWD	Central Marin Sanitary Agency
<b>IMPERIAL COUNTY</b>	West Basin MWD	County of Marin
Imperial Irrigation District	San Gabriel Valley MWD	Novato Disposal Services, Inc.
<b>KERN COUNTY</b>	Water Replenishment Dst. of So. Cal.	San Quentin Village and Murray Park
Arvin Edison Water Storage District	San Gabriel County Water District	<b>MERCED COUNTY</b>
Indian Wells Valley Airport District	Main San Gabriel Basin Watermaster	Central California Irrigation District
Indian Wells Valley Water District	California Domestic Water Company	<b>MONO COUNTY (and MADERA)</b>
Kern County Water Agency	Pasadena Historical Museum	Mammoth Community Water District
West Kern Water District	Three Valleys MWD	<b>MONTEREY COUNTY</b>
North of the River Municipal Water District (Bakersfield)	Newhall County Water District	Marina Coast Water District
Oildale Mutual Water Company	Las Virgenes Municipal Water District	Monterey Peninsula Water Management District
North Kern Water Storage District	Conjunctive Use Working Group (?)	Monterey Regional Water Pollution Control Agency
Golden Empire Transit District	Palmdale Water District	Pebble Beach CSD
Terra Bella Irrigation District	City of Sierra Madre	<b>NAPA COUNTY</b>
Friant Water Users Authority	City of Arcadia	Napa County
Cawelo Water District	City of El Monte	Napa Sanitation District
Arvin Community Services District	City of La Puente	<b>NEVADA COUNTY</b>
North Bakersfield Rec. and Park	East Pasadena Water Company	
	Foothill Municipal Water District	
	Valley County Water District	

Northstar CSD	Northridge Water District	Nipomo Community Services District
Truckee-Donner Public Utility District	Rancho Murrieta CSD	SAN MATEO COUNTY
Tahoe Truckee Unified School District	Cordova Recreation and Park District	East Palo Alto Sanitary District
ORANGE COUNTY	SAN BERNARDINO COUNTY	San Mateo County Harbor District
Municipal Water District of Orange County	Big Bear Municipal Water District	Montara Water & Sanitation District
Mesa Consolidated Water District	Monte Vista Water District	Sewer Authority Mid-Coastside
Los Alamitos County Water District	Big Bear Airport District	SANTA BARBARA COUNTY
SouthCoast Water District	Yucaipa Valley Water District	City of Santa Barbara
Serrano Irrigation District	Bear Valley Community Hospital District	Goleta Sanitary District
El Toro Water District	Bear Valley Community Services District	Montecito Sanitary District
Orange County Water District	City of Big Bear Water and Power Department	Carpinteria Sanitary District
Costa Mesa Sanitary District	Joshua Basin Water District	Santa Maria Public Airport District
Capistrano Beach County Water District	Inland Empire Utility Agency	Goleta Water District
Coastal Municipal Water District	East Valley Water District	Montecito Water District
Midway City Sanitary District	Big Bear Area Regional Wastewater Agency	Cachuma Project Authority
TriCities Municipal Water District	Victor Valley Water District	Goleta West Sanitary District
Yorba Linda Water District	Cucamonga County Water District	Mosquito and Vector Management District
Placentia Library District	San Antonio Water Company	Isla Vista Recreation and Park District
Laguna Beach County Water District	Chino Basin Watermaster	Lompoc Hospital District
Emerald Bay Service District	ITI Desert Water District	Santa Barbara County Vector Control District
Moulton Niguel Water District	San Bernardino Valley Water Conservation District	Carpinteria Valley Water District
Orange County Vector Control	Big Bear City CSD	Santa Ynez Community Services District
PLACER COUNTY	City of Big Bear Lake	La Cumbre Mutual Water Company
San Juan Water District	Hi-Desert Water District	SANTA CLARA
North Tahoe Public Utility District	West San Bernardino County WD	Santa Clara Valley Water District
Squaw Valley Public Services District	SAN DIEGO COUNTY	West Valley Sanitation District
PLUMAS COUNTY	San Diego County Water Authority	SANTA CRUZ COUNTY
East Plumas Health Care District	Padre Dam Municipal Water District	Scotts Valley Water District
RIVERSIDE COUNTY	Rincon del Diablo MWD	Pajaro Valley Water Management Agency (Watsonville)
Coachella Valley Mosquito & Vector Control District	Vallecitos Water District	Central Fire Protection District
Mission Springs Water District	Helix Water District	Santa Cruz FPD
29 Palms Municipal Water District	Leucadia Wastewater District	Soquel Creek Water District
Rancho California Water District	North County Fire Protection District	SOLANO COUNTY
South Mesa Water Company	Olivenhain Municipal Water District	Rural North Vacaville Water District
Elsinore Valley MWD	Sante Fe Irrigation District	TULARE COUNTY
Santa Rosa CSD	Otay Water District	Friant Water User Authority
Beaumont Cherry Valley Water District	Fallbrook Public Utility District	Visalia Public Cemetery District
Santa Ana Watershed Project Authority	Rainbow Water District	VENTURA COUNTY
Desert Healthcare District	Vista Irrigation District	Camrosa County Water District
SACRAMENTO COUNTY	SAN FRANCISCO COUNTY	Rancho Simi Rec. & Park District
County of Sacramento Public Works Agcy.	Golden Gate Bridge, Highway, & Trans. District	Casitas Municipal Water District
Sacramento Regional County Sanitation District	SAN JOAQUIN COUNTY	Conejo Recreation and Park District
Fair Oaks Water District	Ripon Fire Department	Ojai Valley Sanitary District
Arcade Water District	SAN LUIS OBISPO	Calleguas Municipal Water District
Sacramento Metropolitan WA	Templeton CSD	Meiners Oak County Water District
Carmichael Water District	Port San Luis Harbor District	Marina Coast Water District
Rio Linda Water District	San Simeon CSD	Camarillo Health Care District
	Cambria Community Services District	