

LEASE AGREEMENT

This Lease Agreement (hereinafter "Lease") is executed on May 5, 2020, by and between **RH Yountville, Inc.**, a Delaware corporation (hereinafter "Tenant") and **Town of Yountville** (hereinafter "Town"). Town and RH are collectively referred to as the "Parties," and each will individually be referred to as a "Party."

RECITALS

WHEREAS, Tenant operates business at three locations in the Town of Yountville: (1) 6795 Washington Street, Building D, Suite 202 (the "RH Office") (APN 036-032-014); (2) 6711 Washington Street (the "Ma(i)sonry") (APN 036-440-001); and (3) 6725 Washington Street (the "RH Gallery") (APN 036-440-001) (collectively, "Tenant's Property");

WHEREAS, Tenant needs additional space to provide code required parking for its patrons and its employees that visit or work at Tenant's Property;

WHEREAS, Town owns that certain real property located adjacent to Washington Street between the intersections of Washington Street and Lincoln Avenue and Washington Street and Jackson Street, nearby to Tenant's Property, and more particularly described in the attached Exhibit A (the "Property");

WHEREAS, concurrently with this Lease, Tenant and Town have entered that certain Settlement Agreement dated May 5, 2020 (the "Settlement Agreement"), pursuant to which Tenant and Town resolved a notice of violation issued by the Town and addressed, among other things, terms and conditions relating to Tenant's use of parking spaces on the Property; and

WHEREAS, Town and Tenant wish to enter into this Lease for their mutual benefit.

AGREEMENT

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions herein contained, the parties agree as follows:

1. Concurrently with the Parties' execution of this Lease, the Parties have entered into a Settlement Agreement and Release dated May 5, 2020 ("Agreement"). This Lease shall become effective on the date of approval of the Application, as defined in the Agreement, by the Planning Director; provided, however, that the date of approval shall be tolled if and for the duration of any appeal or court action related to the Application.

2. Tenant agrees to lease the Property for an initial term of fifteen (15) years ("Term"), commencing on the Effective Date of this Lease.

3. Upon the expiration of the initial 15-year term, Tenant has the option to renew this Lease for up to four (4) additional successive 10-year terms, subject to the terms of this Lease. If Tenant desires to extend the term of the Lease for an additional 10-year period, Tenant must give Town at least 60 days advance notice prior to the end of the current term (the "Extension Notice").

Tenant shall not have the option to renew this Lease beyond four (4) additional successive 10-year terms.

4. In consideration for the Lease, including extensions, Tenant agrees to:

a. Pay Town the lump sum of Thirty Three Thousand Four Hundred Ninety Three (\$33,493.00) on or before the later of (i) January 1, 2021 or (ii) the completion of the parking spaces improvements required by Sections 6 and 7 below.

b. Pay Town a lump sum of Sixty Six Thousand Nine Hundred Eighty Six Dollars (\$66,986.00) on or before January 1 of each year following the Effective Date, in accordance with the annual adjustments set forth in Section 5 (the "Lease Payment"). Commencing on the first 10-year extension, and on each renewal term thereafter, the Lease Payment may be adjusted by mutual agreement of Tenant and Town in writing, documented in a written amendment to this Lease. Upon Town's receipt of the Extension Notice, the parties shall negotiate toward establishing the new Lease Payment. If Town and Tenant have not reached such agreement within 120 days of the commencement of the new term, then Town and Tenant shall each hire their own professionally licensed MAI appraiser to provide their respective written opinions as to the new Lease Payment and those opinions shall be shared amongst the parties. If those appraiser opinions of the new Lease Payment are within 15% of each, the average of them shall be the new Lease Payment. If they are not within 15% of each other, then the parties shall hire a third professionally licensed MAI appraiser, paying the cost therefore equally, to review and weigh the prior two opinions, conduct such work as he or she deems necessary, and reach his or her own written opinion as to the new Lease Payment, which shall be conclusive and provided to the parties prior to the commencement date for the new Lease term.

c. Construct and bear all costs of maintaining the parking spaces on the Property as described in Section 6.

Except as expressly set forth in this Lease, Tenant shall not be responsible to pay or reimburse the Town for any of the Town's operating costs relating to the Property, including without limitation, real property taxes for the Property and the Town's insurance premiums for the Property; except that Tenant shall be responsible for any assessed possessory interest taxes.

5. The Lease Payment described in Section 4.b. shall be adjusted on January 1, 2021, and each subsequent January 1 thereafter, during the term of this Lease (each an "Adjustment Date") as follows:

The base for computing each annual adjustment is the Consumer Price Index for All Urban Consumers for the San Francisco Area published by the United States Department of Labor, Bureau of Labor Statistics ("Index"). The Beginning Index for the first Adjustment Date shall be the Index which is published for the third month preceding the Effective Date, and the Extension Index shall be the Index published for the third month preceding the first Adjustment Date ("Extension Index"). Thereafter, the Beginning Index shall be adjusted each year to the Index published three months before the prior Adjustment Date, and the Extension Index shall be the Index published three months prior to the current Adjustment Date, so that the adjustment in the Lease Payment shall equal the change in the Index between the prior year's Index and the current

year's Index. The new Lease Payment for each Adjustment Date for the period until the next Adjustment Date shall be set by multiplying the current Lease Payment by a fraction, the numerator of which is the current Extension Index and the denominator of which is the current Beginning Index. In no case shall the Lease Payment be less than 100% of the Lease Payment in effect immediately prior to the Adjustment Date, nor greater than 103% of the Lease Payment in effect immediately prior to the Adjustment Date.

If the Index is changed such that it differs from that used in the current Index, the Index used for adjusting the Lease Payment shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

6. Tenant agrees to construct as many parking spaces on the Property as reasonably determined by Tenant and reasonably approved by Town. Of the parking spaces constructed by Tenant, at least twenty three (23) parking spaces shall be identified with appropriate signage for restricted use by Tenant employees and at least twenty one (21) parking spaces shall be identified with appropriate signage for restricted use by the public, similar to the conceptual level design attached to this Lease as Exhibit B or as mutually agreed to by the parties through amendment to this Lease. The ultimate design shall be determined by the design team hired by Tenant and the final design must be reasonably approved by the Town, by applying its current standards for similar projects. Any such parking spaces must be constructed and maintained to Town's public work standards as applied to street parking along other streets adjacent to the Property and must include utility undergrounding, streetlights, sidewalks, and any other improvements necessary to improve the safety of the parking spaces for evening uses by Tenant customers and employees. All such improvements to develop the Property with parking spaces will be made entirely at Tenant's expense.

Tenant shall provide ongoing maintenance (such as litter removal, maintenance, lighting electricity costs, lighting maintenance, periodic micro-resurfacing and striping of the parking spaces at industry standard, etc.) of the Property as necessary in accordance with appropriate industry standard maintenance schedules and to the Town's reasonable satisfaction. Town shall advise Tenant in writing if it has concerns about the level and/or quality of Tenant's maintenance. Notwithstanding the foregoing, Town agrees that anytime it uses street sweepers to clean the streets adjacent to the Property, it will also sweep the Property if enough spaces are clear of vehicles to allow cleaning to be done safely.

7. Tenant and Town agree to the following schedule for construction of the parking spaces contemplated by Section 6:

a. No later than thirty (30) days after the Effective Date, Tenant shall submit complete plans and specifications for the construction in accordance with applicable laws;

b. No later than thirty (30) days after complete plans and specifications have been submitted to Town, Town shall issue all necessary permits and approvals for the construction;

c. No later than thirty (30) days after Town issues all necessary permits and approvals for the construction, Tenant shall commence construction thereunder; and

d. No later than ninety (90) days after Tenant commences construction, Tenant shall complete all construction. For purposes of this Section 7.d., "complete all construction" includes, but is not limited to, receiving all necessary final approvals from Town but excludes utility undergrounding work required by Section 6 above that must be completed by the utility. Notwithstanding the foregoing sentence, Tenant shall take all steps necessary to ensure utility undergrounding work is completed in an expeditious manner.

Provided Tenant has submitted complete plans and specifications within thirty (30) days of the Effective Date, Tenant and Town shall mutually agree in writing to modify the schedule in this Section 7 if Tenant is prohibited from performing hereunder due solely to a mandatory order or directive from any federal, state, or local government agency.

Tenant agrees and acknowledges that Sections 6 and 7 hereof shall be strictly adhered to. In the event Tenant breaches any provision of Sections 6 or 7, or fails to meet the schedule or any modifications thereto, Tenant shall pay to Town \$65,000 as liquidated damages, which the parties hereto agree and acknowledge as reasonable.

8. During the term of this Lease, Tenant shall use and occupy the Property only for parking by Tenant's customers and employees and for valet parking (the "Permitted Use"). Tenant shall not use or permit the Property to be used for any other purpose without the prior written consent of Town. On expiration of the final term of this Lease, Tenant shall return the Property to Town in good condition, reasonable wear and tear excepted, and with any permanent improvements made by Tenant in accordance with this Lease.

9. Tenant shall not do or permit anything to be done in or about the Property, other than the Permitted Use, that will in any way increase the existing rate of or affect any fire or other insurance upon the Property. Tenant shall not commit or allow to be committed any waste in or upon the Property. Tenant shall not conduct or permit to be conducted any sale by auction, in, upon or from the Property, whether said auction be voluntary, involuntary, pursuant to any assignment for the payment of creditors or pursuant to any bankruptcy or other insolvency proceeding.

10. A late charge of 6% of any Lease Payment, or any other required payment to Town under this Lease, shall be paid by Tenant if such payment is not paid to Town on or before the 10th business day after payment is due. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Town will incur by reason of late payment by Tenant. Acceptance of the late payment charge by Town shall not constitute a waiver of Tenant's default with respect to any Lease Payment still outstanding and overdue, or prevent Town from exercising any of the other rights and remedies available to Town. Lease Payments not received within 30 days after the due date shall accrue interest from the due date until paid at the then "prime rate" of interest announced from time to time by the Bank of America, N.A. plus 3% per annum, but in no event higher than the maximum rate permitted by law.

11. Tenant shall not, without Town's prior written approval, install or affix any lighting, shades, awnings, or decorations, signs, lettering, placards, or the like on any portion of the

Property; display or sell merchandise on, or otherwise obstruct, any area inside or outside the Property; cause or permit to be used any advertising, loudspeakers, unusually bright or flashing lights, and similar devices which may be seen or heard outside the Property unless approved in writing by Town.

12. Town covenants and agrees with Tenant that upon Tenant paying the Lease Payment and performing its other covenants under this Lease, Tenant shall have the quiet possession of the Property for the Term and applicable extensions as against any persons or entities lawfully claiming by, through or under Town. Town and Town's officers, employees, and agents shall at all reasonable times have the right to enter the Property for the purpose of inspecting the same, posting notices of non-responsibility or any other notices required by law for the protection of Town, doing any work that Town is permitted or required to perform under this Lease, and making any reasonable repairs which Town determines may be required under this Lease.

In conducting its activities on the Property as allowed in this Section 12, Town shall minimize the inconvenience, annoyance, or disturbance to Tenant. Provided that Town conducts its activities in a manner that minimizes interference with and inconvenience to Tenant, Town shall not be liable in any manner for any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Property, except to the extent such damages are caused by the negligent or intentional wrongful acts or omissions of Town or its authorized representatives. Tenant shall not be entitled to an abatement or reduction of Lease Payment if Town exercises any rights reserved in this Section 12 unless such interference results from the negligent or intentional wrongful acts or omissions of Town or its authorized representatives.

13. Tenant shall faithfully observe and comply with uniform rules and regulations adopted by the Town that are also applicable to and uniformly enforced at other parking spaces located within the Town. Such rules and regulations uniformly adopted and enforced by Town shall be binding upon Tenant upon delivery of a copy of them to Tenant.

14. Tenant is, and at all times shall remain, an independent contractor, solely responsible for all acts and omissions of its employees, agents and representatives, including any negligent acts or omissions. Tenant is not an agent of Town and shall have no authority to act on behalf of Town or to bind Town to any obligation whatsoever unless Town provides its prior written authorization to Tenant of such an obligation. Tenant is not an officer or employee of Town, and Tenant shall not be entitled to any benefit, right or compensation other than that as provided for in this Lease. This Lease is not intended to create any relationship between the parties other than that of landlord and tenant, and neither party shall represent to any third party that any relationship other than the foregoing exists.

15. Tenant shall not discriminate against any person in relation to Tenant's performance under this Lease (including any employee or applicant) on the basis of race, color, religious creed, national origin, physical disability, mental disability, medical condition, marital status, sexual orientation, or sex.

16. Tenant shall comply with all applicable legal requirements including all federal, state, and local laws (including ordinances and resolutions), whether or not said laws are expressly

stated in this Lease; provided, however, Tenant shall retain any rights to legal nonconforming uses that it has vested prior to the adoption of any new local laws.

17. Tenant shall, throughout the duration of this Lease, secure and maintain insurance to cover Tenant (including its agents, representatives, and employees) in connection with Tenant's performance under this Lease. This Lease identifies the required minimum levels of insurance coverage that Tenant shall obtain; however, Tenant may carry, at its own expense, any additional insurance it deems to be necessary or prudent. Prior to the commencement of any performance under this Lease, Tenant shall furnish to Town written proof of insurance (certificates and endorsements), in a form acceptable to Town. Upon request by Town, Tenant shall provide subsequent written proof of any insurance policy required by this Lease. Tenant shall maintain insurance that complies with the following requirements:

a. Workers' Compensation Insurance with statutory limits and employer's liability insurance with limits of not less than \$2,000,000.00 per accident.

b. Public Liability Insurance with coverage in the amount of \$2,000,000.00 for one person and \$2,000,000.00 for one accident with bodily injury and \$2,000,000.00 for property damage.

c. If Tenant is notified by an insurer that any of the foregoing policies will be cancelled, Tenant shall notify Town of such cancellation at least thirty (30) days before the effective date thereof, except cancellation for non-payment shall be provided on 10 days' advance notice. Tenant shall not reduce the insurance coverage amounts set forth in Sections 17.a. and 17.b. during the Term of this Lease and any successive 10-year term as provided herein.

d. All insurance companies providing coverage to Tenant shall be insurance organizations authorized by the Insurance Commissioner of the State of California to transact the business of insurance in the State of California and rated at least B+ under Best's Insurance Guide.

e. All of the insurance policies required to be obtained by Tenant under this Section 17 shall be with companies and policies whose form is satisfactory and acceptable to Town. Each policy shall designate Town as an additional named insured. Tenant shall provide Town with certificates of insurance (hereinafter "Certificates") issued by each of the insurance companies issuing any of the policies required pursuant to this Section 17. In the event Tenant fails to take out or maintain any of the insurance required pursuant to this Section 17, Town shall have the right to obtain said policies in form and with companies acceptable to Town, and to pay any premiums due thereon. The total amount of any insurance premiums paid by Town on Tenant's behalf shall be paid by Tenant to Town upon demand.

18. Town shall, at all times during the Term of this Lease, procure and continue in full force the following insurance:

a. Special causes of loss ("all-risk") insurance insuring Town against loss from physical damage to the Property, in an amount equal to the full replacement cost thereof; and

b. Commercial General Liability Insurance against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the ownership, use, occupancy or maintenance of the Property.

19. Tenant and Town waive and release any and all right of recovery, whether arising in contract or tort, against the other, including their respective representatives, arising during the Term or any extension period for any and all loss or damage to any property located within or constituting a part of the Property, which loss or damage arises from the perils that would be insured against under the insurance policies required under this lease (whether or not the party suffering the loss or damage actually carries such insurance, recovers under such insurance or self-insures the loss or damage) or which right of recovery arises from loss of earnings or rents resulting from loss or damage caused by such a peril. This mutual waiver is in addition to any other waiver or release contained in this Lease. Town and Tenant shall each have their insurance policies issued in such form as to waive any right of subrogation which might otherwise exist.

20. To the fullest extent permitted by law, Tenant shall indemnify, hold harmless and defend Town, its officers, agents, employees and volunteers from and against any and all claims and losses, costs or expenses for any damage due to death or injury to any person, whether physical, emotional, consequential or otherwise, and injury to any property arising out of or in connection with Tenant's alleged negligence, recklessness or willful misconduct or other wrongful acts, errors or omissions of Tenant or any of its officers, employees, servants, agents, or contractors, in the use of the Property, the performance of this Lease, or its failure to comply with any of its obligations contained in this Lease, except to the extent such loss or damage as is caused by the sole negligence or willful misconduct of Town. Such costs and expenses shall include reasonable attorneys' fees due to counsel of Town's choice, expert fees and all other costs and fees of litigation.

21. Town agrees to indemnify, defend and hold Tenant, its officers, agents, and employees harmless from and against any and all claims and losses, costs or expenses to the extent arising from the gross negligence or willful misconduct of Town, its employees, agents or contractors and not covered by the insurance required to be carried by Tenant hereunder.

22. In the event that Tenant fails to comply with any provision of this Lease, Town shall provide Tenant written notice specifying the default, and providing Tenant ninety (90) days' notice to cure such default (provided, however, if any such default cannot be cured within such 90 day period, Tenant must have commenced cure within such 90 day period and diligently proceeded toward cure of such default). If, after the expiration of the 90 day notice period Tenant fails to have cured such default, and Tenant is not diligently proceeding with cure of such default for matters that cannot be cured within 90 days, then Tenant shall be determined to be in Default under this Lease. In the event of any such Default by Tenant, Town may at any time thereafter, in its sole discretion, with or without notice or demand and without limiting Town in the exercise of a right or remedy which Town may have by reason of such default or breach: (a) terminate Tenant's right to possession of the Property by written notice to Tenant, in which case this Lease shall terminate and Tenant shall surrender possession of the Property to Town in compliance with lawful notices of termination by Town or (b) Town may pursue any other remedy now or hereafter available to Town under the laws or judicial decisions of the State of California. In the event of termination, Town shall be entitled to recover from Tenant all damages incurred by Town by reason of Tenant's default, subject to Town's reasonable obligation to mitigate such damages.

Tenant acknowledges and agrees that failure to provide parking as required by the Yountville Municipal Code may result in administrative or other enforcement under the Yountville Municipal Code or other applicable law.

23. On or before June 30, 2020, Tenant shall provide Town a legal description prepared by a licensed land surveyor of the Property described in the attached Exhibit A. Town shall thereafter review such legal description and, if acceptable, shall approve such legal description, which approval shall not be unreasonably withheld. Town and Tenant agree that such legal description once approved by Town shall replace the previous description of the Property described in the attached Exhibit A for all purposes and intents of this Lease.

24. All notices that are required to be given by one party to the other under this Lease shall be in writing and shall be deemed to have been given on the date of receipt if delivered personally, or if mailed, the next business day after being deposited with a reputable overnight carrier, or two (2) business days after being deposited with the United States Post Office for delivery by registered or certified mail, addressed to the parties at the following addresses, unless such addresses are changed by notice, in writing, to the other party.

To Tenant:
RH Yountville, Inc.
15 Koch Road
Corte Madera, CA 94925
Attn: CFO

To Town:
Town of Yountville
Attn: Town Manager
6550 Yount Street
Yountville CA 94599

With a copy to:

Restoration Hardware, Inc.
15 Koch Road
Corte Madera, CA 94925
Attn: Legal Department

25. Tenant shall not have the right to assign, sublet, or otherwise transfer (collectively, "Transfer") this Lease in whole or in part without Town's prior written consent; provided, however, that (i) Tenant may transfer this Lease in whole or in part to an entity that controls, is controlled by, or is under common control with Tenant (an "Affiliate") or (ii) Tenant may transfer this Lease as part of the sale of Tenant's Property and the businesses upon it to a third party, upon written notice to Town but without Town's consent. In the event of any Transfer of this Lease as provided in romanettes (i) and (ii) of the prior sentence, Tenant shall deliver to Town written notice of such Transfer within thirty (30) days of such Transfer. In the event of any proposed Transfer of this Lease other than as provided in romanettes (i) and (ii) of the first sentence of this Section 25, Tenant shall deliver to Town a written request for consent to such assignment, and shall identify in such written notice the proposed transferee. The Town shall not unreasonably delay or condition its response to such a written request.

26. Tenant is aware of the requirements of California Labor Code Section 1720, et seq., and 1770, et seq., as well as California Code of Regulations, Title 8, Section 16000, et seq.,

("Prevailing Wage Laws"), which require the payment of prevailing wage rates and the performance of other requirements on certain "public works" and "maintenance" projects. Tenant shall defend, indemnify, and hold Town, its officers, agents, employees, volunteers, free and harmless from any claim or liability arising out of any failure or alleged failure of Tenant to comply with the Prevailing Wage Laws in connection with work performed at the Property.

27. Should interpretation of this Lease or any portion thereof be necessary, it is deemed that this Lease was prepared by the parties jointly and equally, and shall not be interpreted against either party on the ground that the party prepared the Lease or caused it to be prepared.

28. Upon termination of this Lease, Town and Tenant agree that title to all improvements to the Property shall vest in Town and Town shall have sole title thereto. Notwithstanding the foregoing, all articles of personal property and all business and trade fixtures, machinery, and equipment owned by Tenant or installed by Tenant at its expense at the Property shall be and remain the property of Tenant and may be removed by Tenant at any time during the Term or any extension thereof.

29. Town and Tenant agree to mediate any dispute or claim arising between them out of this Lease before resorting to arbitration or court action in relation to any such dispute or claim. Mediation fees, if any shall be divided evenly among the parties involved. If, for any dispute or claim to which this Section 29 applies, any party commences a court action without first attempting to resolve the matter through mediation, or refuses to mediate after a request has been made, then that party shall not be entitled to recover attorneys' fees in relation to the dispute or claim even if they would otherwise be available to that party in any such action.

30. Subject to Section 29, the prevailing party in any action under this Lease shall be entitled to recover its reasonable attorneys' fees and litigation costs from the other party.

31. This Lease and the Settlement Agreement together constitute the entire agreement regarding a lease of the Property of the parties hereto. This Lease shall not be amended in any way except by a writing signed, and acknowledged by both of the parties thereto.

32. If any provision of this Lease is held by a court of competent jurisdiction to be invalid or unenforceable the remainder of this Lease shall be interpreted so as to best affect the reasonable intent of the parties hereto.

33. Each individual executing this Lease on behalf of Tenant or Town represents and warrants that they are duly authorized to execute and deliver this Lease on behalf of the applicable party, and that this Lease is binding upon such party.

34. This Lease shall not be recorded; provided, however, at any time either party may request that a Memorandum of Lease be recorded setting out the term of the Lease, the time period in which to exercise extensions of the Lease, and the obligation to pay the Lease Payment as calculated and adjusted under the Lease.

35. This Lease shall be construed in accordance with the laws of the State of California and the parties hereto agree that venue of any action or proceeding arising under this Lease or the

performance thereof shall be heard in Napa County, California. Tenant and Town each waive any and all rights of removal to federal court in the event of litigation arising under this Lease.

IN WITNESS HEREOF, this Lease is duly executed as of the Effective Date:

RH YOUNTVILLE, INC.
A Delaware Corporation

TOWN OF YOUNTVILLE
A Municipal Corporation

By: _____

By: STEVEN ROGERS, Town Manager

Date: _____

Date: _____

APPROVED AS TO FORM:

ATTEST:

GARY B. BELL, Town Attorney

MICHELLE DAHME, Town Clerk

Exhibit A

The Property (Limited to Parking Spaces Identified Herein)

Exhibit B

Parking Space Conceptual Design

