

Contract #: 611-L1311

CONTRACT ROUTING SHEET

Date Prepared: May 21, 2013

Need Date: May 31, 2013

PROCESSING DEPARTMENT:

Department: Procurement & Contracts
Dept. Contact: Sue Hennike
Phone #: x5577
Department
Head Signature: 

CONTRACTOR:

Name: Durock Properties, LLC
Address: _____
Phone: _____

CONTRACTING DEPARTMENT: Probation

Service Requested: Lease Renewal of Probation Department Lease on Durock Road
Contract Term: 60 Months Contract Value: \$1,340,000.00
Compliance with Human Resources requirements? Yes: _____ No: _____
Compliance verified by: _____

COUNTY COUNSEL: (Must approve all contracts and MOU's)

Approved: Disapproved: _____ Date: 7/17/13 By: J. San Pedro
Approved: _____ Disapproved: _____ Date: _____ By: _____

RECEIVED PROBATION DEPARTMENT COUNTY COUNSEL
JUL 17 2 11 PM '13

PLEASE FORWARD TO RISK MANAGEMENT. THANKS!

RISK MANAGEMENT: (All contracts and MOU's except boilerplate grant funding agreements)

Approved: _____ Disapproved: Date: 7/17/13 By: Gay
Approved: Disapproved: _____ Date: 7/30/13 By: Gay

no insurance documents attached - sent back

** LLC has no employees. etc.*

OTHER APPROVAL: (Specify department(s) participating or directly affected by this contract).

Departments: _____
Approved: _____ Disapproved: _____ Date: _____ By: _____
Approved: _____ Disapproved: _____ Date: _____ By: _____



County of El Dorado

330 Fair Lane, Building A
Placerville, California
530 621-5390
FAX 622-3645
www.edcgov.us/bos/

Master Report

File Number: 13-0847

*File ID #: 13-0847

Agenda Item
Type:

Status: Approved

Version: 1

Reference:

Gov Body: Board of
Supervisors

Created: 07/03/2013

Agenda Title: PRB 07-30-2013 Durock Road Lease

Final Action: 07/30/2013

Title: Chief Administrative Office and Probation Department recommending the Board authorize the Chair to sign Lease Agreement No. 611-L1311 with Durock Road, LLC to lease 10,346 square feet of office space at 3974 Durock Road, Suites 205-2011, Shingle Springs (Area 1) for use by the Probation Department and approximately 4,124 square feet of new lease space located at 3974 Durock Road, Suites 201-204, Shingle Springs (Area 2), to be occupied by the Community Corrections Center (CCC); commencing the first day of the next calendar month after lease execution for a period of 5 years, after the completion and acceptance of Tenant Improvements for Area 2.

FUNDING: General Fund and AB 109.

Notes:

Agenda Date: 07/30/2013

Agenda Number: 9.

Sponsors:

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Attachments: 13-0847 B Lease 611-L1311

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Contact: Vince Janette, Acting Chief Probation Officer,
530-621-5625

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Approval History

Version	Date	Approver	Action
1	07/18/2013	Doreen Aultz	Approved
1	07/18/2013	Vince Janette	Approved
1	07/19/2013	Agenda Coordinator	Delegate
1	07/23/2013	Laura Schwartz	Approved
Notes			
1	07/23/2013	Theresa R Daly	Approved

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:	
1	Board of Supervisors	07/30/2013	Approved				Pass	
Action Text: This matter was Approved on Consent Calendar 2.								
Mover:	Brian K. Veerkamp	Yes: 4 - Supervisor Briggs, Supervisor Santiago, Supervisor Mikulaco and Supervisor Veerkamp						4

Text of Legislative File 13-0847

Chief Administrative Office and Probation Department recommending the Board authorize the Chair to sign Lease Agreement No. 611-L1311 with Durock Road, LLC to lease 10,346 square feet of office space at 3974 Durock Road, Suites 205-2011, Shingle Springs (Area 1) for use by the Probation Department and approximately 4,124 square feet of new lease space located at 3974 Durock Road, Suites 201-204, Shingle Springs (Area 2), to be occupied by the Community Corrections Center (CCC); commencing the first day of the next calendar month after lease execution for a period of 5 years, after the completion and acceptance of Tenant Improvements for Area 2.

FUNDING: General Fund and AB 109.

BUDGET SUMMARY: 2013-14

Total Estimated Cost.....	\$294,468
Budgeted General Fund.....	\$219,468
Budgeted SRF AB 109.....	\$ 75,000
Savings.....	
Other.....	
Total Funding Available.....	\$294,468
Change To Net County Cost.....	-0-

Fiscal Impact/Change to Net County Cost

No Fiscal Impact or Change to Net County Cost as funding is included in the approved Fiscal Year 2013-14 budget for continued occupancy of leased space at 3974 Durock Road, Suites 205-2011, Shingle Spring, and additional leased space to house the CCC at 3974 Durock Road, Suites 201-204, Shingle Springs. Anticipated savings are expected and the budget will be adjusted during the addenda process for Fiscal Year 2013-14.

Tenant Improvements are estimated at \$200,000 for Area 2 and will be funded from AB 109 (County Local Revenue Fund 2011, Community Corrections Sub Account). This has been approved by the Community Corrections Partnership (CCP) on June 13, 2013 and accepted by the Board on June 25, 2013 and has also been budgeted in the Accumulative Capital Outlay Fund (ACO) as part of the FY 2013/2014 approved budget.

Background

The Probation Department currently occupies 10,346 square feet of office space located at 3974 Durock Road, Suites 205-211, Shingle Springs, CA 95682. Lease No. 309-L0811 with Durock Road, LLC expired on March 31, 2013. On March 26, 2013 the BOS approved Legistar #10-0192, V2, item #9 authorizing month-to-month occupancy of said leased office effective April 1, 2013 and continuing until a new lease is returned to the Board and is fully executed, with the continued payment of \$18,208.96 per month in accordance with Section 27, Hold Over, of Lease Agreement No. 309-L0811 with Durock Road, LLC.

On June 25, 2013 the Board accepted the CCP Public Safety Realignment Plan Budget for FY 2013/14, Legistar #13-0689, item 57. The Plan includes the new Community Corrections Center (CCC) under the direction of the Chief Probation Officer and partner agencies. This facility was anticipated to open in the first quarter of FY 2013-14. The CCP Budget will incur a reduction in expenses as rent is not due for Area 2 until a Notice of Completion is recorded for Tenant Improvements. The Notice of Completion date is estimated to be in the latter half of FY 2013-14's second quarter.

Reason for Recommendation

CAO Facility Manager, Russell Fackrell, has negotiated a new lease No. 611-L1311 for the continuation of existing lease space of 10,436 square feet that houses the West Slope Probation Office that provides juvenile/adult probation services, and administrative functions for the past five years; plus an additional 4,124 square feet to be occupied by the Community Corrections Center funded by Public Safety Realignment, AB 109 Special Revenue Funds. For Area 1 the rate of \$1.76 per square foot, per previous lease No.309-L0811, has been reduced in the new lease to \$1.37 per square foot and shall apply to both Area 1 and 2; and in addition, the Lessor shall furnish the Premises with the following utilities: gas (propane and natural), water and sewer, and building services: HVAC system (including filters), snow and ice removal, landscaping, trash disposal, pest control/extermination.

Lessee shall continue to pay the monthly rental rate in effect for the existing lease space Area 1 in the amount of \$18,208.96 per month until a Notice of Completion is recorded for the Tenant Improvements (funded by AB 109) in Area 2 as described in Exhibit B of Lease No. 611-L1311. No rent shall be due in Area 2 during the construction of said Tenant

Improvements. Upon recordation of a Notice of Completion the monthly rental rate shall be adjusted down to \$1.37 per square foot for Area 1 and the same monthly rental rate for Area 2 shall commence, thereafter, rent for the entire premises shall be paid in accordance with the schedule listed in Lease No. 611-L1311, SECTION 3: RENT, 3.2.

The unoccupied space in the back portion of suites 203 and 204 (Area 3) of the Building shall be available for rental by Lessee on an as-needed basis.

The term of said Lease is Five (5) years from Commencement Date, plus the time period where no rent is due for Area 2 pursuant to Section 3.2. Commencement Date shall be the first day of the next calendar month after lease execution. Lease No. 611-L1311 includes an "Option to Extend: Two (2) 3-year options for all or part of the Premises upon six (6) months written notice."

Action(s) to be taken following Board approval

- 1) Chair to sign two (2) original Lease Agreements No. 611-L1311
- 2) Board Clerk to return both original agreements to the Chief Administrative Office for further processing

Contact

Vince Janette, Acting Chief Probation Officer, Probation Department, 530-621-5625
Russell Fackrell, Facilities Manager, Chief Administrative Office, 530-621-7596

Concurrences

County Counsel, Risk Management, Facilities/Chief Administrative Office

ORIGINAL

9
7-30

LEASE 611-L1311

3974 Durock Road, Shingle Springs
Probation Department

THIS LEASE (this "Lease") is made as of __, 2013 (the "Effective Date"), by and between Durock Road, LLC ("Lessor") and the County of El Dorado ("Lessee"), a political subdivision of the State of California.

WHEREAS, on November 6, 2007, Lease Agreement 309-L0811 was entered into between Lessor and Lessee for 10,346 square feet of office space located at 3974 Durock Road, Suites 205, 206, 207, 208, 209, 210 and 211, Shingle Springs, CA 95862 for use by the El Dorado County Probation Department.

WHEREAS, Lessee desires to continue use of the existing office space for the Probation Department. Lessee also desires to add an additional new lease space in Suites 201, 202, 203, and 204 of the building, consisting of approximately 4,124 square feet, to be occupied by the Community Corrections Center and separately funded through special revenue funds.

NOW THEREFORE, the parties do hereby agree as follows:

SECTION 1: BASIC LEASE PROVISIONS.

These Basic Lease Provisions set forth the basic terms of this Lease. In the event of any inconsistency between the terms set forth in these Provisions and any other provision of this Lease, the Basic Lease Provisions shall prevail.

1.1	<u>Lessee:</u>	<u>Name:</u> EL DORADO COUNTY <u>Address for Notices:</u> Chief Administrative Office Attention: Facilities Manager 330 Fair Lane Placerville CA 95667
1.2	<u>Lessor:</u>	<u>Name:</u> Durock Road, LLC <u>Address for Notices:</u> Attn: Nello Olivo 4331 Ranch Road Cameron Park, CA 95682
1.3	<u>Premises:</u>	Building consisting of Suites 205, 206, 207, 208, 209, 210, and 211 consisting approximately 10,346 rentable square feet of area ("Area 1"); Suites 201, 202, 203 and 204 consisting approximately 4,124 rentable square feet of area ("Area 2"); and ninety (90) parking stalls. The Premises are more fully described in <u>Exhibit A</u> , attached hereto and made a part hereof by reference.
1.4	<u>Property:</u>	The property contains that certain multi-story office building ("Building") where the Premises are located and the surrounding parking areas, located at 3974 Durock Road, Shingle Springs California.
1.5	<u>Term:</u>	Five (5) Years from Commencement Date, plus the time period where no rent is due for Area 2 pursuant to Section 3.2 below. <u>Commencement Date:</u> The first day of the next calendar month after

		lease execution. <i>Option to Extend:</i> Two (2) 3-year options for all or part of the Premises upon six (6) months written notice.			
1.6	Rent:	Monthly Rent*	Modified Gross	Area 1	Area 2
		Notice of Completion-month 12	\$1.37 psf	\$14,174.02*	\$5,649.88*
		Months 13-24	\$1.40 psf	\$14,484.40	\$5,773.60
		Months 25-36	\$1.45 psf	\$15,001.70	\$5,979.80
		Months 37-48	\$1.50 psf	\$15,519.00	\$6,186.00
		Months 49-60	\$1.55 psf	\$16,036.30	\$6,392.20
		*Subject to adjustment as described in Section 2.2.			
1.7	Security Deposit:	None.			
1.9	Permitted Use:	General office space use, including government operations or uses related thereto.			
1.10	Definitions:	All capitalized terms used in this Lease shall have the meanings specified in this Section 1 or in Section 41.			
1.11	Exhibits:	The following Exhibits are attached to this Lease and incorporated herein by this reference: Exhibit A: Premises & Parking Exhibit Exhibit B: Tenant Improvement Work Exhibit C: Area 3 Example of Charges			
1.12	Addendum:	Attached:	Yes	<input checked="" type="checkbox"/>	No

SECTION 2: PREMISES AND COMMON AREAS

2.1 **Premises.** Lessor hereby leases the Premises to Lessee and Lessee hereby leases from Lessor the Premises, as outlined on the floor plan in Exhibit A, attached hereto and incorporated herein by reference.

2.2 The rentable and usable square feet for Suites 205, 206, 207, 208, 209, 210 and 211 ("Area 1") is 10,346 square feet. The rentable and usable square feet for Suites 201, 202 and front portions of Suites 203 and 204 ("Area 2") is subject to verification within thirty (30) days of the Commencement Date by Lessee's architect/space planner. The term "rentable square feet" as used in this Lease will be the area of the Premises as determined in accordance with the Building Owners and Management Association Method for Measuring Floor Area in Office Buildings, ANSI Z65.1-1996 (the "BOMA Standard"). In the event that Lessee's architect/space planner determines that the amounts thereof shall be different from those set forth in this Lease, Lessee shall give Lessor written notice thereof within five (5) days of the expiration of such 30-day period. If Lessor disagrees with Lessee's architect/space planner determination, Lessor's architect shall meet with Lessee's architect/space planner within five (5) business days after receiving Lessee's architect's/space planner's determination. If Lessor's architect and Lessee's architect/space planner are unable to reach agreement upon the rentable and usable square footage of the Premises within ten (10) business days after the matter is referred to them, the parties shall appoint an independent architect to measure the space and in such event, such architect's determination shall be binding upon the parties. The fees and expenses of the independent architect shall be shared equally by the parties. If the rentable square feet are modified, all amounts, percentages and figures appearing or referred to in this Lease based

upon such incorrect amount (including, without limitation, the amount of the Rent and Lessee's Proportionate Share) shall be modified retroactively to the Commencement Date in accordance with such determination. Once such determination is agreed upon or otherwise determined, it will be confirmed in writing by the parties and shall not be subject to adjustment, during either the Term or any extensions thereof, unless Lessee leases additional space.

2.3 Common Areas. Lessee shall have the nonexclusive right to use the Common Areas, subject to reasonable rules and regulations for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building. Lessee's rights are subject to Lessor's right to make changes to the Common Areas or the use of such Common Areas which Lessor deems reasonable, perform maintenance and repairs and otherwise use the Common Areas as Lessor may deem appropriate in its reasonable judgment. Notwithstanding the foregoing, in no event shall Lessor's activities pursuant to this section interfere with Lessee's access to or use of the Premises.

2.4 Compliance with Laws. Lessor warrants that the Property is in compliance with all applicable local, state, and federal laws, including, without limitation, the American Disabilities Act and any amendments thereto or regulations promulgated thereunder, ordinances, orders, rules, resolutions, and other governmental requirements relating to the use, condition, or occupancy of the Premises and the Building ("Applicable Requirements"). If the Property does not comply with Applicable Requirements, Lessee shall have the right to terminate this Lease as provided in Section 13.

2.4.1 If the Applicable Requirements are hereafter changed so as to require during the Lease Term the construction, alteration, or retrofit of the Premises, the remediation of any hazardous substance, or the reinforcement or other physical modification of the Premises, Lessor shall be solely responsible for the cost of such work, except where such work is triggered by Lessee as a result of an actual or proposed change in use or modification to the Premises.

2.4.2 Lessor shall, at its own cost and expense, be responsible for compliance with existing federal, state and local statutes, codes and ordinances, including the American Disabilities Act ("ADA") and Title 24 requirements in the construction, alteration, or other physical modifications that may be required on the Property. During the Term and any extension, Lessor shall be responsible for any repairs, improvements, retrofits, or upgrades to the interior and exterior of the Building and the Property that are required to comply with the Applicable Requirements, including the evaluation, installation, and costs arising from changes necessary to bring the Property and the Building up to ADA accessibility standards due to changes in the Applicable Requirements after Lease commencement. Lessor shall defend and indemnify Lessee for any claims, liability, costs, or damages associated with Lessor's failure to comply with the ADA requirements. If Lessee makes any alterations or improvements to the interior of the Premises after the Commencement Date, Lessee shall, at its sole cost and expense, be responsible for insuring that any alterations or improvements to the Premises made by Lessee comply with Applicable Requirements.

2.5 Vehicle Parking. Lessee shall be entitled to use ninety (90) parking stalls. All parking to the rear (southern portion), western facing side, and immediately in front and across from the front of the Premises will be dedicated to Lessee's use. Parking shall be free for the initial and extended term(s) of the Lease. Parking areas shall have appropriate and adequate overhead lighting.

2.6 Quiet Possession. So long as Lessee is not in Default, Lessee shall be entitled to quietly have, hold, and enjoy the Premises during the Term, subject to Lessor's rights under this Lease.

2.7 Use of Premises. Lessee shall use the Premises for the purpose of conducting business and activities permitted by law, including any government operations or uses related thereto. The parties agree that Lessee may use the Premises for public meetings, provided such meetings are conducted in a safe and professional manner and not unreasonably disturb any other tenants in the Building. Lessor shall have the right from time to time to promulgate rules and regulations and amendments thereto for the safety, cleanliness and care of the Building in which the Premises are located. Upon delivery of a copy of such rules and regulations or upon receiving written notice of such rules and regulations together with a copy thereof, Lessee will comply with the rules and regulations. Lessor shall make reasonable efforts to enforce

any such rules and regulations uniformly against all tenants in the Building. No such rules and regulations shall require Lessee to pay additional rent under this Lease.

2.8 **Changes to Property.** Except for the Premises, Lessor reserves the right to make or allow permanent or temporary changes or replacements to the Property during the Term. Lessor's activities may require the temporary alteration of means of ingress and egress to the Property and the installation of scaffolding and other temporary structures while the work is in progress. Such work shall be performed in a manner reasonably designed to minimize interference with Lessee's conduct of business from the Premises. Notwithstanding the foregoing, Lessor shall not block Lessee's ingress and egress of the Premises.

2.9 Lessee shall comply with all uses, property restrictions and occupancy limitations as required by the Durock Business Plaza Declaration of Covenants, Conditions and Restrictions recorded with the County of El Dorado on July 10, 2007, document no. 2007-00445099

SECTION 3: RENT.

3.1 Rent shall be paid in advance on or before the first day of each calendar month. If the Commencement Date or the expiration date of this Lease occurs on a day other than the first or last day of a calendar month, then the rent for the fractional month shall be prorated on the basis of a thirty (30) day month.

3.2 Lessee shall continue to pay the monthly rental rate in effect for the existing leased space Area 1 in the amount of \$18,208.96 per month, until a Notice of Completion is recorded for the Tenant Improvements in Area 2 as described in **Exhibit B**, attached hereto and incorporated herein by reference. No rent shall be due for Area 2 during the construction of said Tenant Improvements. Upon completion of the construction of said Tenant Improvements and occupancy by Lessee of Area 2, which shall be deemed as the date a Notice of Completion is recorded, the monthly rental rate for Area 1 shall be adjusted down to \$1.37 per square foot ("psf") and the same monthly rental rate of \$1.37 psf for Area 2 shall also commence. If the occupancy date occurs on a day other than the first day of a month, the rent for Areas 1 and 2 shall be prorated on the basis of a thirty (30) day month. Thereafter, rent for the entire Premises shall be paid in accordance with the monthly rent schedule specified below.

Notice of Completion through month 12	\$1.37 psf
Months 13 through 24	\$1.40 psf
Months 25 through 36	\$1.45 psf
Months 37 through 48	\$1.50 psf
Months 49 through 60	\$1.55 psf

3.3 The unoccupied space in the back portion of suites 203 and 204 ("Area 3") of the Building shall be available for use by Lessee on an as-needed basis at a rental rate of \$25.00 per hour for the combined space with a minimum 4 hour per use. **See Exhibit C**. Lessee will notify Lessor, on a monthly basis, and reserve the date and time for its anticipated use of Area 3 for Lessee's business. Payment for use of Area 3 will be submitted in arrears along with the rent payment for the next month billing cycle (e.g., use of Area 3 in June would be paid with August rent). Use or lease of Area 3 by persons or entities not affiliated with Lessee shall be subject to Lessee's prior written consent, which consent shall be exercised at Lessee's sole discretion.

SECTION 4: OPTIONS TO EXTEND.

Provided Lessee is not in Default as of the date of exercise or the commencement of the renewal term, Lessee shall be entitled to two (2) options (each, an "**Option**") to extend the term of the Lease for a period of three (3) years (each, an "**Option Term**") for all or part of the Premises, on the same terms and conditions of the Lease, except that (a) the Rent at the beginning of each Option Term shall be the current fair market rate for the Premise. Such Option shall be exercised (if at all) by Lessee giving written notice to Lessor at least six (6) months prior to the expiration of the Term, or the first Option Term, as applicable. The Options shall be personal to the Lessee signing this Lease ("**Original Lessee**").

The prevailing market rental rate for the first year of each Option shall be determined in the following manner, which shall reflect the prevailing market rent for comparable space within the Property and comparable first-class office buildings in Placer county and El Dorado County as of the date of commencement of the relevant Option. Prevailing market rental rate shall be determined taking into account all relevant factors, including (to the extent relevant) number of months of free rent, if any (which shall be part of the determination of the rental rate), Lessee improvement obligations, moving allowances, and leasing commissions and costs. The term "comparable leases" shall not include leases entered into under special circumstances affecting the economics of the tenancies, including following the exercise of options to lease space at other than then current prevailing market rate, or the sublease of space by a sublessor not primarily in the business of leasing space similar to the Premises. Prior to the date which is five (5) months before the expiration of the Term, and assuming that Lessee has properly exercised its option to renew, Lessor shall give Lessee notice of Lessor's proposed prevailing market rental value for the Premises. Lessee shall give Lessor written notice within thirty (30) days thereafter as to whether or not Lessee agrees with Lessor's proposed prevailing market rental value. If Lessee disagrees with Lessor's proposed prevailing market rental value, the parties shall negotiate in good faith to resolve their differences for a period of thirty (30) days. Upon the expiration of such thirty day period, if the parties are not in agreement as to such fair market rental value, then either party may initiate appraisal to determine the fair market rental value by giving written notice to the other party, such notice containing the name of an appraiser appointed by such initiating party. Within fifteen (15) days thereafter, the party receiving such notice shall appoint its own appraiser and give written notice thereof to the initiating party. If the second appraiser is not appointed within such fifteen day period, then the appraiser selected by the initiating party shall determine the fair market rental value of the Premises, and such appraisal shall be binding upon the parties. If the second appraiser is timely appointed, then the two appraisers shall confer and attempt to agree on the prevailing market rental value. If the two appraisers are unable to agree, but the higher appraisal is no more than ten percent (10%) higher than the lower appraisal, then the prevailing market rental value shall be the average of the two appraisals. If the higher appraisal is more than ten percent (10%) greater than the lower appraisal, the two appraisers shall together select a third appraiser who shall also determine the prevailing market rental value. If three appraisers are ultimately appointed and any two appraisers agree on the prevailing market rental value, the value agreed upon by the two appraisers shall be the prevailing market rental value. If the three appraisers all determine different prevailing market rental values, then the prevailing market rental value shall be the average of the two closest appraisals. Lessee's exercise of any option(s) shall be subject to approval by Lessee's Board of Supervisors.

Rent shall increase on the first day of the second year of each Option Term, and on each anniversary thereof throughout each Option Term by \$0.05 per rentable square foot per month. All appraisers shall be members of the MAI and shall have at least ten (10) years' experience appraising similar property in the CBD sub-market of Sacramento. Each party shall bear the cost of the appraiser appointed by such party, and the parties shall share equally in the cost of the third appraiser, if appointed. If the two appraisers initially appointed are unable to agree on a third appraiser, then either party shall have the right to apply to the presiding judge of the Superior Court having jurisdiction over the Building for the appointment of a third appraiser.

SECTION 5: RIGHT OF FIRST REFUSAL. Lessor shall provide Lessee the right of first refusal on Area 3 throughout the entire term of the Lease. Lessor shall provide Lessee with a copy of the acceptable offer for Area 3. Lessee shall notify Lessor within twenty (20) business days of receipt thereof of its intent to exercise the right of first refusal.

SECTION 6: ALTERATIONS AND IMPROVEMENTS.

6.1 **Lessee Alterations.** Except as otherwise provided in **Exhibit B** and in this section, Lessee shall not make any other alterations to the interior of the Premises without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Lessee, at its own cost, may install in the Premises the equipment needed for telecommunication system and computer terminals including, but not limited to, the following: (a) telephone and/or cable; (b) key system units; (c) intercom system; (d) security system. Upon termination of the Lease, Lessee shall have the right to remove from the Premises such equipment installed by Lessee.

6.2 With the exception of previously approved relocatable walls and other alterations readily removable without significant damage to the Premises, any alterations permanently affixed to realty, that may be made or installed upon the Premises by either of the parties and that in any manner are attached to the floors, walls, or ceilings, shall become the property of the Lessor and surrendered with the Premises, provided, however, Lessee may remove trade fixtures or equipment if Lessee repairs any damage to the Premises caused by such removal. However, any floor covering that may be cemented or otherwise affixed to the floor of the Premises shall become property of Lessor.

SECTION 7: REPAIR AND MAINTENANCE.

7.1 Lessor shall inspect bi-monthly and, at its sole cost and expense, maintain and repair, throughout the initial and extended term(s) of the Lease, or cause to be maintained and repaired, in good working order, repair, and condition:

- (a) Systems and Equipment of the Building and Property;
- (b) Foundation, exterior lighting, exterior windows, exterior walls, stairs, elevators, structural components, and roof of the Building;
- (c) Common Areas.

Lessor shall have ten (10) days after notice from Lessee to perform its obligations hereunder, except Lessor shall perform its obligations immediately if the nature of the problem presents a material hazard or emergency as determined by Lessee. Any notice or demand concerning a material hazard or emergency may be made orally, by telephone or otherwise, provided that written confirmation is given within two (2) days after the oral notice or demand is made.

7.2 If Lessor does not perform its obligations within the time limitations provided herein, Lessee, after notice to Lessor, may perform the obligations and has the right to be reimbursed for the sum Lessee actually and reasonably expends (including charges for use of Lessee's employees and equipment) in the performance of Lessor's obligations. If Lessor does not reimburse Lessee within ten (10) days after demand from Lessee, Lessee shall have the right to withhold from future rent due the sum Lessee has expended until Lessee is reimbursed in full. Lessor shall also be liable for interruption or interference in Lessee's business, or for any other damages (whether direct or consequential), and rent shall be abated, on account of Lessor's failure to perform its maintenance and repair obligations.

7.3 Lessee shall contract directly with its janitorial vendor for replacing light bulbs in the Premises.

SECTION 8: BUILDING SERVICES, UTILITIES, TAXES AND ASSESSMENTS.

8.1 Lessor shall furnish the Premises with the following utilities and services:

(a) Heating, ventilation, and air conditioning ("HVAC") for the comfortable occupancy of Premises for general office purposes, subject to any energy conservation or other regulations which may be applicable from time to time. The HVAC system shall be inspected each year by a qualified inspector. Lessor shall notify Lessee when the inspection shall occur and shall provide Lessee with a copy of the inspection report within five (5) days of receipt by Lessor. Lessor shall correct any problems identified in the inspection report within ten (10) days of the date of the inspection. Lessor shall change the HVAC filters and clean the HVAC vents quarterly.

(b) Gas and/or electrical current for routine lighting and the operation of general office machines such as personal computers, copy machines, printers, office equipment, and the like, which use 110 volt electric power.

(c) Water and sewer suitable for the intended use of the Premises.

(d) Right of access to, from and within the Building (including a pathway to the Premises) for the installation and operation of Lessee's telecommunication systems, including but not limited to voice, video, data, and any other telecommunication services provided over wire, fiber optic, microwave, wireless, and any other transmission systems, for part or all of Lessee's telecommunications to, from and within the Building and Premises.

(e) Telephone and/or fiber optic internet service to the Premises. Lessee shall be responsible for the ongoing monthly costs of the service.

8.2 Lessee shall have the option, at its sole cost and expense, to install and operate a satellite antenna dish and cables thereto on the roof of Lessor's building at no charge. Lessor shall provide local Cable TV to the site. At Lessee's option and sole cost, Lessee may contract with the local provider Cable TV services for Lessee's use.

8.3 Lessee agrees to reasonably cooperate with Lessor, and to abide by all regulations and requirements which Lessor may prescribe for the proper functioning and protection of the Building's HVAC, electrical, and plumbing systems.

8.4 Unless due to any fault on the part of Lessee, its employees or agents, Lessee's obligation to pay rent shall abate proportionately during any period in which Lessee's access to, or use of, all or any portion of the Premises for their intended purpose is so impaired that Lessee cannot, and actually does not, use all or such portion of the Premise for a period in excess of five (5) consecutive business days; the rent abatement in such case to commence as of the sixth (6th) business day. Lessee shall give Lessor notice of any such interruption of access, use, or service prior to Lessee ceasing to use all or any portion of the Premises. If such interruption or discontinuation in services continues beyond thirty (30) consecutive business days, Lessee has the right to terminate the Lease with no additional financial obligation to Lessor.

8.5 Should Lessee require, and should Lessor provide, additional building services during the Lease Term, Lessee agrees to pay the expense of such additional services as mutually agreed upon by both parties. All costs for such additional services shall be prorated among all lessees in the Building then requesting comparable additional services during such time periods.

8.6 In the event that building services provided by Lessor under the Lease are discontinued due to Lessor's failure to pay, Lessee shall have the option to assume payment for such building services, in which event Lessee will be entitled to a rent credit equal to the amount thus paid by Lessee, plus 15% annual interest, which shall be applied against the first installments of rent due under the Lease until the obligation is fully satisfied.

8.7 Lessor shall pay all real property taxes, special taxes and assessments on or attributable to the Premises.

8.8 Building Services. Lessor shall also be solely responsible for the cost of providing the following services to the Property and Premises:

- a) Propane gas
- b) Building and Liability insurance
- c) Real property taxes
- d) Snow and ice removal
- e) Natural gas (if applicable)
- f) Water
- g) Sewer
- h) Landscaping
- i) Exterior Trash/Disposal Services

- j) Pest control/extermination
- k) Replacement light fixtures
- l) HVAC filters

8.9 Lessee shall be responsible for providing janitorial services to the interior of the Premises. Lessee shall contract directly with a vendor for janitorial services, including the cleaning of the interior windows and replacement of light globes or fluorescent tubes in the Premises.

8.10 Lessor shall inspect the premises bi-monthly and make any necessary repairs at its sole cost and expense (including but not limited to light fixtures, exterior bulbs, paint, mechanical repairs, electrical and plumbing).

SECTION 9: ASSIGNMENT AND SUBLETTING.

9.1 Restriction on Assignment and Subletting. This Lease shall not be assigned by either party without the written consent of the other party, which consent shall not be unreasonably withheld. The party requesting assignment or subletting ("Transfer") of the Lease shall provide the other party with prior written notice of the proposed Transfer containing the items specified in Section 10.2 below. Within ten (10) business days after receipt of the Transfer notice, the other party shall notify the requesting party of its election to (a) approve the requested Transfer or (b) disapprove the requested Transfer, which disapproval shall specify the reasons for such disapproval. Notwithstanding the foregoing, no consent shall be required for an assignment or sublet to any Lessee agencies, departments, affiliates, or contractors.

9.2 Documentation Required. The Transfer notice shall be accompanied by each of the following:

- (a) A copy of all proposed Transfer documents.
- (b) A statement setting forth the name, address and telephone number of the transferee, and all principal owners of the transferee.
- (c) Current financial information regarding the proposed transferee, including a statement of financial condition.
- (d) For any sublease, a description of the portion of the Premises to be sublet.
- (e) Any other information reasonably required by the party in order to determine the transferee's business, character, and reputation of the proposed transferee, nature of such transferee's business, or proposed use of the Building or portion thereof.

9.3 In the event of any transfer by any Lessor of its interest, Lessor shall be automatically relieved from all liability accruing from and after the date of the transfer or conveyance, but shall not be released from the obligation to indemnify Lessee for acts or omission occurring prior to the transfer unless so released by Lessee in writing. Upon any conveyance of title to the Property, the grantee or transferee shall be deemed to have assumed Lessor's obligations to be performed under this Lease from and after the date of such conveyance.

SECTION 10: INSURANCE

10.1 Prior to Commencement Date, Lessor shall furnish to Lessee proof of a policy of insurance issued by an insurance company that is acceptable and satisfactory to Lessee's Risk Manager and documentation evidencing that Lessor maintains insurance that meets the following requirements:

- a) Commercial General Liability insurance of not less than \$1,000,000 combined single limit per occurrence for bodily injury and property damage and a \$2,000,000 aggregate limit.

- b) Workers' Compensation and Employers' Liability Insurance covering all employees of Lessor as required by law in the State of California.
- c) Property insurance on real property covered by this Lease under a standard "all Risk" policy." The policy shall insure for not less than ninety percent (90%) of the replacement value of the property.
- d) The certificate of insurance must include a provision stating that insurer will not cancel insured's coverage without thirty (30) days written notice to Lessee.

10.2 Lessor shall maintain the required insurance in effect at all times during the Term of this Lease. In the event said insurance expires at any time during the Term, Lessor agrees to provide at least thirty (30) days prior to said expiration date, a new certificate of insurance evidencing insurance coverage as provided for herein for not less than the remainder of the Term of the Lease, or for a period not less than one (1) year. New certificates of insurance are subject to the approval of the Lessee. If Lessor fails to maintain in effect at all times the insurance coverage specified herein, Lessee may, in addition to any other remedies it may have, terminate this Lease.

SECTION 11: INDEMNITY

11.1 Lessee shall defend, indemnify and hold Lessor harmless from and against any and all losses, damages, claims, suits, liability, costs, including reasonable attorney's fees, for any damage to property or injury to any person occurring in, on, or about the Premises and Area 3 while in use by Lessee pursuant to Section 3.3. above, or any part thereof, caused by, arising out of, or in connection with the performance under this Lease by Lessee, its officers and employees, except to the extent such damage or injury is caused in whole or in part by the negligence or willful misconduct of Lessor, its employees, agents or contractor.

11.2 Lessor shall defend, indemnify and hold Lessee harmless from and against any and all losses, damages, claims, suits, costs, and liability for damages of every name, kind and description, including including reasonable attorney's fees, incurred, brought for, or on account of any damages to property or injuries to or death of any person, or any economic or consequential losses which are claimed to or in any way caused by, arise out of, or are connected with the operations, acts, omissions, or performance under this Lease by Lessor, its employees, agents or contractors, except to the extent such damage or injury is caused by the sole or active negligence of Lessee, its officers and employees.

SECTION 12: DAMAGE OR DESTRUCTION; EMINENT DOMAIN

12.1 Damage or Destruction. If any part of the Premises or the Property is damaged by fire, Hazardous Substance Condition, or other casualty and the damage affects Lessee's use or occupancy of the Premises, Lessee shall give prompt notice to Lessor, and Lessor shall repair such damage with reasonable diligence. Except as provided herein, Lessor shall, at its sole cost and expense, restore or repair the Premises diligently and to their condition immediately prior to the damage. If such casualty occurs and a portion of the Premises is still usable by Lessee, the rent shall be abated and prorated on a square footage basis of usable space until the Premises are restored to their original condition.

12.1.1 In the event of damage or destruction or Hazardous Substance Condition to the Premises or the Property and a portion of the Premises is still usable, the rent payable by Lessee for the period required for the repair or remediation of such damage shall be abated and prorated on a square footage basis of usable space until the Premises are restored to their original condition immediately prior to the damage.

12.1.2 If Lessor is obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair, remediation, or restoration of the Premises within 90 days after such obligation shall accrue, Lessee may at any time prior to the commencement of such

repair or restoration give written notice to Lessor and to any Lenders, of which Lessee has actual notice, of Lessee's election to terminate the Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean the beginning of the actual work on the Premises.

12.1.3 Exceptions to Obligation to Rebuild. Notwithstanding the above, this Lease may be terminated by Lessor in any of the following situations:

(a) If substantial alteration or reconstruction of the Property or Premises is required as a result of the damage, to an extent exceeding forty percent (40%) of the full insurable value thereof.

(b) If the damage to the Property or Premises is caused by the gross negligence or willful misconduct of Lessee, its employees or agents.

(c) If existing laws do not permit the Premises to be restored to substantially the same condition as they were in immediately before the destruction.

(d) If the damage occurs during the last six (6) months of the Lease Term and the repair, reconstruction, or restoration of the Premises will take more than six (6) months to complete.

Any such election to terminate this Lease shall be exercised by notice to Lessee delivered within 60 days after the occurrence of the event of casualty causing such damage. The notice shall specify the date of termination, which shall be at least sixty (60) days after such notice is given. If Lessor gives such notice of termination, this Lease shall terminate as of the date specified, and all rent shall be prorated to the later of the date of termination or Lessee's vacation of the Premises.

12.1.4 Lessee's Right to Terminate. If the Premises are rendered unusable for the conduct of Lessee's business by reason of such damage, Lessor shall give Lessee a reasonable estimate of the time required for repair within 45 days after the date of damage. If Lessor reasonably estimates that the time needed for repair will extend more than nine (9) months after the date of damage, then Lessee shall have the right to terminate this Lease by giving written notice within fifteen (15) days after receipt of Lessor's estimate. The termination shall be effective ten (10) days after the date such notice of termination is given.

12.2 Eminent Domain. If the Property or Premises, or such portion thereof shall be taken for public or quasi-public purpose by any lawful power or authority by exercise of the right of appropriation, condemnation, or eminent domain, or sold to prevent such taking, either party shall have the right to terminate this Lease effective as of the date possession is required to be surrendered to said authority.

12.2.1 Lessee shall not assert any claim against Lessor or the taking authority for any compensation because of such taking and Lessor shall be entitled to receive the entire amount of any award without deduction for any estate or interest of Lessee. However, Lessee shall not be precluded from claiming from the condemning authority any compensation to which Lessee may otherwise lawfully be entitled in respect to personal property or fixtures belonging to Lessee, or for relocating to new space, or for the unamortized portion of any Tenant Improvements installed in the Premises to the extent they were paid for by Lessee or for the loss of goodwill.

12.2.2 In the event of taking of less than the entire Premises, Lessee may elect to terminate the Lease by giving thirty (30) days written advanced notice to Lessor. If Lessee does not so elect, Lessor shall promptly proceed to restore the Premises (including the Tenant Improvements and any

Lessee's alterations) to substantially their same condition prior to such partial taking and a proportionate allowance shall be made to Lessee for the rent corresponding to the time during which, and to the part of the Premises of which Lessee shall be so deprived on account of such taking and restoration. Notwithstanding the foregoing, if the costs of restoration exceed the portion of the condemnation award allocated to restoration costs, Lessor may elect to terminate this Lease unless Lessee elects to pay such excess.

SECTION 13: DEFAULT

13.1 The occurrence of any one or more of the following shall be deemed a default by Lessee, or as and where the context allows, by Lessor:

13.1.1 Abandonment or Vacation of Premises. Abandonment or vacation of the Premises by Lessee, together with the non-payment of rent, for a continuous period in excess of 30 consecutive days.

13.1.2 Nonpayment of Rent. Lessee's failure to pay rent when due, if the failure continues for ten (10) days after written notice has been given to Lessee.

13.1.3 Other Obligations. Except as otherwise expressly provided in this Lease, the failure to perform any other provisions or obligations under this Lease if the failure to perform is not cured within thirty (30) days after written notice has been given to the defaulting party. The time to cure may be extended at the discretion of the party giving notice. Any extension of time to cure must be in writing, prepared by the party in default for signature by the party giving notice and must specify the reason(s) for the extension and the date on which the extension of time to cure expires.

13.2 Notice given under this Section 11 shall specify the alleged default and applicable lease provisions, and shall demand that the defaulting party perform the provisions of this Lease or pay the rent that is in arrears, as the case may be, within the applicable period of time. No such notice shall be deemed a forfeiture or a termination of this Lease unless the party giving notice so elects in the notice, or the party giving notice so elects in a subsequent written notice after the time to cure has expired. Lessee agrees to give Lessor's lenders, by registered or certified mail, return receipt requested, a copy of any notice of default served upon Lessor, provided that prior to such obligation to give notice, Lessee has been notified, in writing of the addresses of the Lenders. Lessee further agrees that if Lessor shall have failed to cure such default within the time provided in this Lease, then before Lessee pursues its other remedies, Lessor's lenders shall have an additional thirty (30) days (the "Lender Cure Period") within which to cure the default on behalf of Lessor.

SECTION 14: REMEDIES UPON DEFAULT.

14.1 Termination. In the event of a default, either party may elect to terminate this Lease or can cure the default at the defaulting party's cost. The election to terminate may be stated in any notice served upon the defaulting party.

14.2 Any sum paid by the non-defaulting party to cure the default shall be due within five (5) days of notice of such sum, and if paid at a later date shall bear interest at the maximum rate permitted by law. Lessee shall have the right to withhold from future rent due the sum Lessee has expended until Lessee is reimbursed in full for the sum and interest on it.

14.3 Remedies Cumulative. All rights, privileges and elections of remedies are cumulative and, to the extent permitted by law, are in addition to and do not in any manner limit other remedies set forth in other sections of this Lease.

SECTION 15: TERMINATION.

15.1 This Lease may be terminated upon the occurrence of one or more of the following:

- (a) The failure to remedy any default or breach of any provisions of this Lease.
- (b) The failure to comply with any provisions of this Lease.
- (c) Damage or destruction, or condemnation of the Premises as specified in Section 10.
- (d) In the case of bankruptcy, voluntary or involuntary, or insolvency of either party.

15.2 Termination for Lack of Funding. Lessee's business operations are funded by federal, state, county, local, and/or private foundations ("Funding Sources"). Notwithstanding any provisions in this Lease, if during the Term of the Lease, the Funding Sources reduce, eliminate, withhold, or make unavailable to Lessee sufficient funds to meet the obligations of this Lease, Lessee shall have the right to terminate this Lease upon ninety (90) days written notice of such termination to Lessor. If the Community Corrections Center special revenue funds are reduced, eliminated, withheld, or made unavailable to Lessee to meet the obligations of this Lease on Area 2, Lessee may terminate in part this Lease as it pertains to Area 2.

SECTION 16: SUBORDINATION AND ATTORNMENT.

16.1 Subordination. At the election of the Lessor or any first mortgagee with a lien on the property or any ground lessor with respect to the property, this Lease shall be subject to and subordinate the lien of any mortgage or deed of trust which may now exist or hereafter be executed for which the Building, land, ground leases or underlying leases, or Lessor's interest or estate in any said items is specified as security. If requested by Lessor, Lessee agrees to execute and deliver to Lessor, within 10 business days after written demand therefor, and in the form requested by Lessor or such further instruments confirming the subordination of this Lease to the lien of any such mortgage or deed trust as may be requested by Lessor or any Lender from time to time. Any failure or refusal of Lessee to execute such instrument, which incorporates Lessee's reasonable changes, within 10 business days, shall constitute a default. However, Lessor agrees that as a condition to any subordination of this Lease to any future mortgage, deed of trust or ground lease, Lessee shall first receive a subordination, attornment and non-disturbance agreement from such lender or ground lessor on commercially reasonable terms.

16.2 Attornment. In the event of the foreclosure of any mortgage or cancellation, Lessee, at the request of the then successor to the Lessor following such event, shall attorn to and recognize the successor (herein referred to as the "Successor Lessor"), as Lessor under this Lease. Lessee agrees to execute and deliver at any time upon request of any Lender or purchaser, and the successors of either, any instrument reasonably requested to further evidence such attornment.

16.3 Non-Disturbance Protection. Notwithstanding anything to the contrary contained herein, Lessee's obligations to subordinate its rights hereunder to any future mortgage or to attorn to any future lender shall be conditioned upon Lessor's obtaining from the Lender (upon request from Lessee) a non-disturbance agreement in such other commercially reasonable form as may be acceptable to Lessor's lender providing in substance that: (i) so long as Lessee is not in default under this Lease, Lessee's tenancy will not be disturbed, nor its rights under this Lease affected by, any default under such mortgage nor shall Lessee be named as a defendant in any foreclosure proceeding (unless the Lender is legally required to do so), (ii) any Successor Lessor shall assume the obligations of Lessor under this Lease accruing thereafter, and (iii) the non-disturbance agreement shall be binding upon and inure to the benefit of the successors or assigns of the parties thereto.

SECTION 17: LESSEE'S DEFAULT. Lessee shall not be deemed to be in default in the performance of any obligation required of it under this Lease unless Lessee has failed to perform such obligation within 30 days after receipt by Lessor of written notice from Lessor to Lessee, specifying the

obligation in question and the manner in which Lessee has failed to perform the obligation. If the nature of Lessee's obligation is such that more than thirty (30) days are reasonably required for its performance, Lessee shall not be in default if Lessee commences to cure the default within ten (10) business days after receipt of notice and proceeds to completion with reasonable promptness.

SECTION 18: ENTRY AND ACCESS.

18.1 Lessor and its agents or representatives may enter the Premises only in case of emergencies or required maintenance and/or repairs of the Premises. Any inspection, entry or access to the Premises shall be coordinated through Lessee's management or personnel and with no less than 24 hours prior notice. Access to the Premises will be under supervision and accompanied at all times by Lessee's employees. All work shall be done as expeditiously as reasonably feasible so as to cause as little interference to Lessee as reasonably possible. Lessor shall at all times have a key to all doors providing entry to the Premises, but excluding Lessee's vaults, safes, files, or security rooms, as to which Lessee shall provide Lessor with supervised access for the purpose of Lessor performing its obligations under the Lease.

18.2 Lessee shall have access 24 hours per day, 7 days per week, 52 weeks per year to the Premises, the Building and parking facilities.

SECTION 19: RELOCATION. Lessor shall not have the right to relocate Lessee under any circumstances.

SECTION 20: SURRENDER OF PREMISES.

20.1 Upon the expiration or earlier termination of this Lease, Lessee shall surrender the Premises in the same condition as when received, ordinary wear and tear excepted. Lessee, at its own expense, shall perform all necessary restoration made necessary by the removal of Lessee's personal property or alterations in the Premises, at or prior to the expiration or termination of this Lease.

20.2 Lessor may elect to retain or dispose of, in any manner, any personal property or alterations in the Premises made by Lessee that Lessee does not remove from the Premises upon expiration or earlier termination of the Term, provided, however, that in the event of an early termination, Lessee shall have thirty (30) days to remove its personal property from the Premises.

20.3 Hold Over. Lessee shall have the right to remain in the Premises on a month-to-month basis at the then rent in effect as of the last day of the Term, for a period of up to twelve (12) months, with or without Lessor's consent, which tenancy shall be terminable by Lessee upon thirty (30) days' advance written notice. After such 12-month period or Lessee's earlier termination thereof, Lessor expressly reserves the right to require Lessee to surrender possession of the Premises to Lessor.

SECTION 21: HIPAA. To the extent applicable, Lessor shall comply with all applicable provisions of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") including, but not limited to, Privacy Rule (45 CFR Parts 160 and 164), as such are implemented and revised from time to time, including, without limitation, the American Recovery and Reinvestment Act ("ARRA") and the objectives of the guidelines establishing privacy standards as adopted by any federal regulatory agencies having jurisdiction over Lessee's affairs (the "Privacy Guidelines"). "Protected health information" ("PHI") shall have the meaning defined by the Standards for Privacy of Individually Identifiable Health Information, 45 C.F.R. Part 160 and Subparts A and E of Part 164 and all amendments thereto (commonly known as the "Privacy Standards"), as promulgated by the U.S. Department of Health and Human Services pursuant to the Administrative Simplification provisions of the Health Insurance Portability and Accountability Act of 1996 and all amendments thereto ("HIPAA"). Neither Lessor nor Lessor's employees, agents or contractors shall need access to, or the use of, any PHI. In the event PHI is seen by or disclosed (whether inadvertently or otherwise) to Lessor or its employees, agents or contractors, the party discovering such disclosure shall promptly notify Lessee, and if required by applicable law, to regulatory agencies. Lessor shall promptly take

commercially reasonable measures to prevent any subsequent dissemination by Lessor or its employees or agents of such PHI to third parties, and if required by applicable law, to regulatory agencies. The parties agree that the provisions of this section do not create, and are not intended to create, a "business associate" relationship between the parties as that term is defined by the Privacy Standards.

SECTION 22: MOLD; AIR QUALITY. Lessor warrants and represents that the Premises are free of mold and odor free. Lessor, at its sole cost and expense, shall remove, mitigate or remediate any such mold or odors that Lessee identifies during the initial and extended term(s) of the Lease.

SECTION 23: HAZARDOUS MATERIALS. Lessor hereby represents and warrants that to Lessor's actual knowledge that as of the date hereof there are no Hazardous Materials on or under the Premises or Property and that Lessor has received no written notice stating that any portion of the Property is in violation of any Hazardous Material laws. Removal or remediation of any Hazardous Materials which existed on the Premises or Property prior to Lessee's occupancy or not caused by the gross negligence or willful acts or omissions of Lessee, its employees or agents shall be the sole obligation of Lessor. Lessor shall indemnify, defend and hold harmless Lessee, its employees or agents, from and against any and all losses, liability, claims, lawsuits, damages, destruction of property, or injuries incurred by Lessee in connection with or as the result of the presence, use, or disposal of any Hazardous Materials in or about the Premises or Property.

SECTION 24: LESSEE EXCLUSIONS. Lessor shall not lease any portion of the Property to the following types of Lessees: marijuana dispensaries, tattoo parlors, and/or any business that serves alcoholic beverages.

SECTION 25: AUTHORITY. Each of the persons executing this Lease on behalf of any entity warrants and represents that he or she has been duly authorized to do so by the entity on whose behalf he or she executes this Lease and that said entity will thereby be obligated to perform the terms of this Lease.

SECTION 26: ENTIRE AGREEMENT. This Lease constitutes the entire understanding of the parties with respect to the Premises and supersedes all prior or contemporaneous understandings and agreements relating to the subject matter thereof. There are no other promises, covenants, understandings, agreements, representations, or warranties with respect to the subject matter of this Lease except as expressly set forth herein or in any instrument executed concurrently herewith.

SECTION 27: AMENDMENTS. This Lease may not be modified or amended except pursuant to a written instrument duly executed by all of the parties hereto.

SECTION 28: FURTHER ASSURANCES. From time to time, either party, at the request of the other party, and without further consideration, shall execute and deliver further instruments and take such other actions as the requesting party may reasonably require to complete more effectively the transactions contemplated by this Agreement.

SECTION 29: NO THIRD PARTY BENEFITS. This Lease is made and entered into for the sole benefit and protection of the parties hereto, and the parties do not intend to create any rights or benefits under this Lease for any person who is not a party to this Lease, other than a Lender and the Indemnified Parties.

SECTION 30: WAIVER. The waiver by any party of any term, covenant, agreement or condition herein contained shall be effective only if in writing and shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, agreement or condition herein contained, nor shall any custom or practice which may develop between the parties in the administration of this Lease be construed to waive or to lessen the right of any party to insist upon the performance by the other party in strict accordance with all of the terms, covenants, agreements and conditions of this Lease.

SECTION 31: FORCE MAJEURE. Whether or not any specific provision of this Lease expressly excepts delays caused by Force Majeure, neither Lessee nor Lessor shall be chargeable with, or be liable or responsible to the otherwise chargeable, liable or responsible party for, anything or in any amount for any failure to perform or delay in performing caused by Force Majeure, provided that nothing herein shall affect or relieve Lessee's obligation to pay rent under this Lease. Any such failure or delay due to Force Majeure shall not be deemed a breach of or default in the performance of this Lease by either Lessee or Lessor. Notwithstanding the foregoing, those provisions of this Lease that exclude specifically Force Majeure events shall govern and control over this Section 30.

SECTION 32: TIME OF THE ESSENCE. Time is of the essence with respect to the performance of this Lease.

SECTION 33: ESTOPPEL CERTIFICATE. Lessee, shall at any time, and from time to time, upon twenty (20) business days' prior written notice from Lessor, execute, acknowledge and deliver to Lessor an Estoppel Certificate. Any Estoppel Certificate may be relied upon by any Lender or any prospective lender with respect to, or any prospective purchaser of any interest in, the Property. Any failure or refusal by Lessee to execute and return a requested Estoppel Certificate within the time period specified in this Section 32 (without additional time, despite any other provision of this Lease) shall constitute a default.

SECTION 34: NOTICES. All notices, requests, demands or other communications required or desired to be given hereunder, to be legally binding, shall be in writing and may be served either personally (including service by any commercial messenger or courier service), by registered or certified United States mail, return receipt requested, with all postage and fees fully prepaid, via facsimile or electronically. Any written notice must be addressed to the respective addresses set forth in Section 1.1 and 1.2 above, or to such other address as the party to whom the notice is addressed has theretofore specified in a notice served upon the other party in accordance with the requirements hereof. All notices shall be effective upon actual delivery to the addressee, as evidenced by the return receipt if service is by mail, except in the case of a party that has relocated and has not served upon the other party a notice of a new address for service of notices as specified above, or in the case if a party to whom the notice is addressed that refuses to accept delivery of the notice, in either of which cases the notice shall be deemed effective upon the first date of attempted delivery, as indicated by the return receipt if the attempted service was by mail, at the last address of which the party attempting to make the service had notice. In addition, a copy of any notice with respect to a default of or claim against Lessor, which is served upon Lessor, shall be sent concurrently to all Lenders of which Lessee has notice.

SECTION 35: GOVERNING LAW. This Lease shall be governed by and construed pursuant to the law of the State of California, without reference to conflicts of laws rules.

SECTION 36: SEVERABILITY. In the event that any provision of this Lease shall be adjudicated to be void, illegal, invalid, or unenforceable, the remaining terms and provisions of this Lease shall remain in full force and effect.

SECTION 37: SUCCESSORS AND ASSIGNS. Subject to all restrictions set forth herein, the terms, covenants, conditions and agreements herein contained shall inure to the benefit of and bind the heirs, successors, legal representatives and assigns of the parties hereto.

SECTION 38: INTERPRETATION. The provisions of this Lease shall be construed, in all cases, according to its fair meaning, and not for or against either party hereto.

SECTION 39: COUNTERPARTS. This Lease may be executed in counterparts, each of which shall be deemed an original including copies sent to a party by facsimile transmission or in portable document format (pdf), but which together shall constitute one and the same instrument.

SECTION 40: LEASE ADMINISTRATION. The County officer or employee with responsibility for administering this Lease is Russell Fackrell, Facilities Manager, Chief Administrative Office, or successor.

SECTION 41: DEFINITIONS. In addition to the terms defined in Section 1 of the Lease, the following terms shall have the meanings specified below when used in the Lease:

“Common Areas” means all areas within the exterior boundaries of the Property now or later made available for the general use of Lessor and other persons entitled to occupy floor area in the Property, including the common entrances, lobbies, restrooms, elevators, stairways and accessways, loading docks, ramps, parking stalls or areas, parkways, sidewalks, retaining walls, driveways and roadways, loading and unloading areas, trash areas, landscaped areas in the Property, and the common pipes, conduits, wires and appurtenant equipment serving the Premises. Any enlargement of or addition to the Common Areas shall be included in the definition of Common Areas.

“Days” means calendar days unless otherwise specifically referred to as business days.

“Estoppel Certificate” means a certificate to be executed by Lessee as together with such additional information as any Lender or prospective purchaser may reasonably require.

“Force Majeure” means fire or other casualty, earthquake, explosion, flood, hurricane, acts of God, enemy or hostile governmental action, civil commotion, war, invasion, terrorist attack, insurrection, rebellion, riots, strikes or lockouts, or any other cause or occurrence beyond the reasonable control of the party obligated to perform.

“Hazardous Materials” means any substance, material, product, chemical, waste, contaminant, or pollutant including but not limited to, asbestos and asbestos-containing materials, urea formaldehyde, radioactive substance, flammable explosives, petroleum including crude oil or any fraction thereof, polychlorinated biphenyls, and all other hazardous substance, materials, wasted regulated by existing or future federal, state or local law, ordinance, regulation, code, resolution, administrative or legal decisions, and any common law theory relating to such materials.

“Person” means an individual, trust, partnership, joint venture, association, corporation, and any other legal or business entity.

“Personal Property” means any trade fixtures, furnishings or equipment, and all other personal property contained in the Premises from time to time.

“Property” shall mean the Property described in Section 1.4, including the land, the Building thereon and all roads, plazas, landscaped areas, Common Areas, improvements and other facilities situated on or adjacent to the land, as the same may be modified, altered, reduced or expanded from time to time throughout the Term of this Lease.

“Systems and Equipment” means any plant, machinery, transformers, duct work, cable, wires, equipment, facilities, or systems designed to supply heat, ventilation, air conditioning, humidity, or any other services or utilities, or comprising or serving as any component or portion of the electrical, gas, steam, plumbing, sprinkler, communications, alarm, security, or fire/life/safety systems or equipment, or any other mechanical, electrical, electronic, computer or other systems or equipment utilized for the Property or any portion of it.

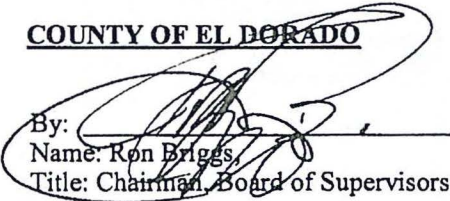
DEPARTMENT HEAD CONCURRENCE

By: Vince Janette
Name: Vince Janette
Title: Acting CPO
Date: July 30, 2013

IN WITNESS WHEREOF, the parties have executed this Lease on the day and year specified above.

"Lessee":

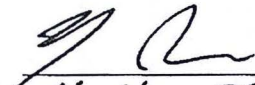
COUNTY OF EL DORADO

By: 
Name: Ron Briggs
Title: Chairman, Board of Supervisors

Date: 7-30-13

"Lessor":

DUROCK ROAD, LLC

By: 
Name: Nello Chivo
Title: Mga Partner

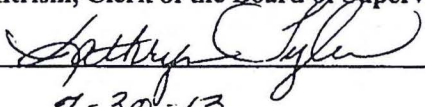
Date: 7-8-13

By: _____
Name: _____
Title: _____

Date: _____

Attest:

James Mitrison, Clerk of the Board of Supervisors

By: 

Date: 7-30-13

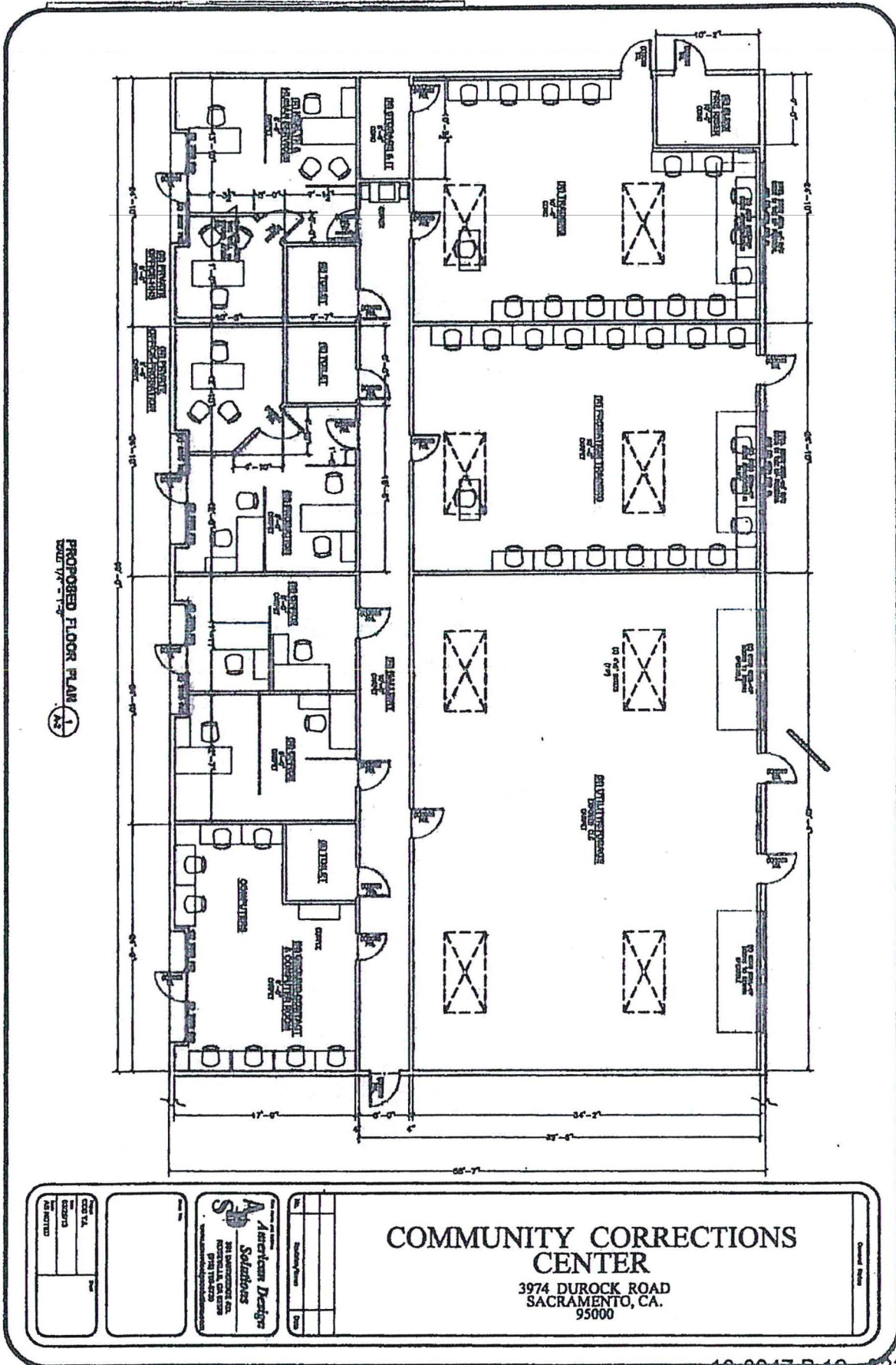


EXHIBIT B

TENANT IMPROVEMENTS

SECTION 1

CONSTRUCTION OF TENANT IMPROVEMENTS

1.1 Lessee will construct and install improvements, including a security system and telecommunications wiring, ("Tenant Improvements") that are necessary for Lessee's use and occupancy of Suites 201, 202 and front portions of 203 and 204 of the Premises ("Area 2"). Lessee estimates that the Tenant Improvements will include and/or be similar to those specified in the mutually agreed upon space plan and specifications from America Design Solutions, dated March 26, 2013, attached hereto and incorporated herein by reference as Exhibit B-1. All work to construct the Tenant Improvements will be performed by designers and contractors selected and engaged by Lessee.

1.2 Lessee shall have the right to select the architects and/or engineers to prepare the detailed plans and specifications for the Tenant Improvements ("Construction Plans") and the contractor to construct the Tenant Improvements. The Construction Plans shall be subject to Lessor's prior written approval, which shall not be unreasonably withheld or delayed. Within seven (7) business days after receipt of the Construction Plans, Lessor shall approve and/or note suggested modifications to the Construction Plans. Any disapproval of the Construction Plans shall be accompanied by a detailed written explanation of the reasons for Lessor's disapproval. Failure of Lessor to act on the Construction Plans within said seven (7) business days shall be deemed to constitute Lessor's approval thereof.

1.3 Unless specifically noted to the contrary on the Construction Plans, the Tenant Improvements shall be constructed using building standard specifications and materials as determined by Lessee, and in compliance with applicable federal, state and local laws.

SECTION 2

PAYMENT OF THE COSTS OF THE TENANT IMPROVEMENTS

2.1 Lessor and Lessee shall bear and pay the cost of the Tenant Improvements as follows: Lessee will be responsible for seventy-five percent (75%) of the first \$100,000 of Tenant Improvement costs, and sixty percent (60%) of the remainder of Tenant Improvement costs, up to a total not-to-exceed reimbursement amount of \$200,000. Lessor shall reimburse Lessee for its portion of the Tenant Improvement costs within forty-five (45) days after a final accounting by the Lessee or a Notice of Completion is recorded pursuant to section 3.3 below, whichever is later.

2.2. Tenant Improvement costs shall include all costs associated with preparation of the Construction Plans and construction of the Tenant Improvements, including architectural and engineering costs, construction contractor's costs and fees, and outside construction manager costs but excluding costs associated with physical construction work in Area 2 incurred by Lessor prior to the date this Lease is executed by the parties (for example, the framing work in Area 2). Costs incurred by Lessor are subject prior review and approval by Lessee's Representative designated under Section 4.1 below.

SECTION 3

COMPLETION OF THE TENANT IMPROVEMENTS

3.1 Construction Schedule. Within ten (10) business days after the Construction Plans are approved, Lessee shall provide to Lessor a construction schedule for completion of the Tenant Improvements in accordance with the Construction Plans.

3.2 Change Orders. Lessee may authorize change orders to the Tenant Improvements during construction. All such changes shall be subject to Lessor's written approval, which approval shall not be unreasonably withheld. Lessee will prepare and deliver to Lessor a change order setting forth the total cost of such change and the completion schedule changes, if any. If Lessor fails to approve such change order within five (5) business days after delivery by Lessee, Lessor will be deemed to have approved the proposed change and Lessee can proceed with the change.

3.3 Lessor shall cooperate with Lessee to cause a Notice of Completion to be recorded in the office of the Recorder of the County of El Dorado in accordance with Section 3093 of the California Civil Code, as may be amended from time to time, upon completion of the construction of the Tenant Improvements.

SECTION 4

MISCELLANEOUS

4.1 Lessee's Representative. Lessee has designated Russ Fackrell, Facilities Manager, or designee as its sole representative with respect to the matters set forth in this Exhibit B and any attachments thereto, who, until further notice to Lessor, shall have full authority and responsibility to act on behalf of the Lessee as required in this Work Letter.

4.2 Lessor's Representative. Prior to the commencement of construction, Lessor shall designate its representative with respect to the matters set forth in this Exhibit, who, until further notice to Lessee, shall have full authority and responsibility to act on behalf of the Lessor as required in this Exhibit.



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
7/23/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Motherlode Insurance Services, LLC P.O Box 1310 Cameron Park CA 95682	CONTACT NAME: Debbie Tachibana	
	PHONE (A/C No. Ext): (530) 677-8755 FAX (A/C, No): (530) 677-8314 E-MAIL ADDRESS: dtachibana@motherlodeinsurance.com	
INSURED Durock Road LLC 4331 Rancho Rd Cameron Park CA 95682	INSURER(S) AFFORDING COVERAGE	NAIC #
	INSURER A: Travelers	36161
	INSURER B:	
	INSURER C:	
	INSURER D:	
	INSURER E:	
	INSURER F:	

COVERAGES CERTIFICATE NUMBER: 2012-13 REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR			6804618L293	8/21/2012	8/21/2013	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 300,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC						
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
	UMBRELLA LIAB EXCESS LIAB DED RETENTIONS						EACH OCCURRENCE \$ AGGREGATE \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below			N/A			WC STATUTORY LIMITS OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	BUILDING COVERAGE			6804618L293	8/21/2012	8/21/2013	COVERAGE LIMIT \$3,650,673

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
RE: 3947 DUROCK RD., SHINGLE SPRINGS, CA 95682

*EXCEPT 10 DAYS NOTICE CANCELLATION FOR NONPAYMENT OF PREMIUM.

CERTIFICATE HOLDER

CANCELLATION

COUNTY OF EL DORADO PROCUREMENT AND CONTRACTS 360 FAIR LANE PLACERVILLE, CA 95667	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE Kristine Carter/KRIS <i>Kristine Carter</i>



COUNTY of EL DORADO

Procurement & Contracts

BLANKET PURCHASE ORDER

PURCHASE ORDER NO.

BP20140174

DATE	REQUISITION NO.	TYPE	BLANKET PO#	PAGE	DELIVERY DATE	EXPIRATION DATE	THIS NUMBER MUST BE ON ALL INVOICES, PACKING LISTS, AND RELATED PAPER WORK.
08/29/13		BF		01		07/31/18	

VENDOR

DUROCK ROAD, LLC
4331 RANCHO ROAD

CAMERON PARK

CA 95682

SHIP TO

THIS IS NOT AN ORDER
SEE SPECIFIC ORDERS
AGAINST BLANKET FOR
SHIP TO ADDRESS

REQUESTOR	F.O.B. POINT	TERMS
	DESTINATION	NET 30

NOTE CONDITIONS ON REVERSE

LINE	QUANTITY	UNIT	DESCRIPTION	UNIT PRICE	EXTENDED TOTAL
001			909-05 CONTRACT SET-UP (BP) AGM #611-L1311 DUROCK ROAD LEASE - PROBATION TERM: 08/01/13 - 07/31/18 NTE: \$109,253.76		

CONTRACT AMOUNT: 109,253.76

This Purchase Order expressly limits acceptance to the terms and conditions stated herein, set forth on the reverse side hereof and any supplementary or additional terms and conditions annexed hereto or incorporated herein by reference. Any additional or different terms and conditions proposed by seller are objected to and hereby rejected.

PLEASE REFER ALL QUESTIONS
CONCERNING THIS ORDER TO:

DARCI PRALL
(530) 621-5625 EXT 5625

VENDOR NUMBER : 019072

REQUESTING DEPT: PROBATION DEPARTMENT
3974 DUROCK ROAD
SUITE 205
SHINGLE SPRINGS CA 95682

I hereby certify that this purchase order is issued in accordance with procedures prescribed by ordinance and BOS Policy C-17 governing purchase of such items.

**FOR ENCUMBRANCE
PURPOSES ONLY**
14-1260 C-29 of 30
Purchasing Agent

DEPARTMENT COPY

(Note: Authorized signature in lieu of Purchasing Agent for purchases

