

**LEASE #023-L1711**

**3976 DUROCK ROAD, SUITE 104, SHINGLE SPRINGS, CALIFORNIA**

THIS LEASE ("Lease") is made as of June 7, 2016 ("Effective Date") by and between **Durock Road, LLC ("Lessor")** and the **County of El Dorado ("Lessee")**, a political subdivision of the State of California upon the following terms and conditions.

**SECTION 1: BASIC LEASE PROVISIONS.** These Basic Lease Provisions set forth the 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, these Basic Lease Provisions shall prevail.

1.1	<b><u>Lessee:</u></b>	<b><u>Name:</u></b> County of El Dorado <b><u>Address for Notices:</u></b> Chief Administrative Office Attention: Facilities Manager 330 Fair Lane Placerville, CA 95667
1.2	<b><u>Lessor:</u></b>	<b><u>Name:</u></b> Durock Road, LLC <b><u>Address for Notices:</u></b> Nello Olivo 4331 Rancho Road Cameron Park, CA 95682
1.3	<b><u>Premises:</u></b>	Office space consisting of approximately 5,259 rentable square feet. The Premises are more fully described in <b><u>Exhibit "A" marked "Premises"</u></b> , attached hereto and made a part hereof by reference.
1.4	<b><u>Property:</u></b>	The property contains that certain office building (" <u>Building</u> ") where the Premises are located at 3976 Durock Road, Suite 104, Shingle Springs, California 95682 (APN 109-500-04).
1.5	<b><u>Term:</u></b>	The Lease term shall run from Effective Date and shall expire one hundred and twenty-three (123) months from Commencement Date.  <b><u>Commencement Date:</u></b> The Commencement Date shall mean the date a Certificate of Occupancy has been issued and the Premises are tenantable and accepted by Lessee as suitable for the purpose for which they were let. Both Lessee and Lessor shall execute a Commencement Date Letter stating the exact date Lessee took occupancy of the building. The Certificate of Occupancy letter shall be issued within fifteen (15) days of Lessee's occupancy. Lessee is not obligated to pay rent until Commencement Date.  <b><u>Option to Extend:</u></b> Two (2) five (5) year option periods as more specifically described in <u>Section 5</u> .
1.6	<b><u>Rent:</u></b>	<b>Initial Monthly Rent \$8,361.81</b> (see <u>Section 3</u> – Rent for complete schedule) commencing at \$1.59 per square foot. Rent shall increase by \$0.05 per rentable square foot on an annual basis during the term of this Lease. Rent increases shall be effective on the first day of the month following completion of twelve (12) consecutive months of paid rent.
1.7	<b><u>Security Deposit:</u></b>	None

1.8	<b><u>Permitted Use:</u></b>	General office space use, including government operations or uses related thereto.
1.9	<b><u>Definitions:</u></b>	All capitalized terms used in this Lease shall have the meanings specified in this <u>Section 1</u> or in <u>Section 44</u> .
1.10	<b><u>Exhibits:</u></b>	The following Exhibits are attached to this Lease and incorporated herein by this reference: <ul style="list-style-type: none"> <li>• Exhibit "A" marked "Premises"</li> <li>• Exhibit "B" marked "Tenant Improvement Work"</li> <li>• Exhibit "B-1" marked "Tenant Improvement Specifications"</li> <li>• Exhibit "C" marked "Termination Fee Schedule"</li> </ul>
1.11	<b><u>Addendum:</u></b>	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. The Premises shall include the Tenant Improvement Work specified in Exhibit "B" and "B-1", both attached hereto and incorporated herein by reference.

2.2 The rentable and usable square feet of the Premises has been verified by the parties in accordance with the Building Owners and Management Association Method for Measuring Floor Area in Office Buildings, ANSI Z65.1-1996 (the "BOMA Standard"). The parties agree the Premises consists of five thousand and two hundred fifty-nine (5,259) square feet of office space and shall not be subject to adjustment, during either the Term or any extensions thereof, unless Lessee leases additional space or Lessee reduces its occupied space on the Premises.

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. 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 unless such interference is beyond the control of the Lessor.

2.4 **Delivery of Premises.**

2.4.1 Lessor shall deliver to Lessee possession of the Premises, with the Tenant Improvements Substantially Complete in accordance with the terms and conditions set forth in Exhibit "B" and Exhibit "B-1" and related exhibits thereto, and free and clear of all other tenants and occupancies on the Premises. Lessor acknowledges that this Lease is contingent upon the Premises having the certain features and specifications outlined in Exhibit "B" and Exhibit "B-1" and related exhibits thereto, and that Lessee has no obligation to perform its obligations under this Lease absent said features and specifications. Lessor shall deliver the Premises in a clean condition on the Commencement Date, and warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("HVAC"), and all other items which the Lessor is obligated to construct shall be in good operating condition on said date, that the structural elements of the roof, bearing walls and foundation of the Premises shall be free of material defects, and that the Premises do not contain hazardous levels of mold or fungi defined as toxic under applicable state or federal law.

2.4.2 Delay in Possession. Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee for occupancy within one hundred and twenty (120) days after the date of execution of this Lease. Lessor acknowledges that delivery of the Premises in accordance with Section 2.4.1 is a condition precedent to Lessee's obligations under this Lease. Lessor acknowledges that Lessee has no obligation to pay Rent until the Commencement Date. If possession of the Premises is not delivered within one hundred and twenty (120) calendar days after the date of execution of this Lease subject to Section 1.5 of Exhibit "B", or as may be extended by mutual agreement of the Parties, this Lease shall be null and void and the Parties shall have no further rights or obligations under this Lease including, but not limited to, any costs incurred by the Lessor for the Tenant Improvements and Brokers Commission.

2.5 Compliance with Laws. Lessor warrants that the Lessor is delivering the Premises, including the Tenant Improvements, and the Property in compliance with all applicable local, state, and federal laws, including, without limitation, the American Disabilities Act (ADA) 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") during the initial and extended term(s) of the Lease. Lessee shall be solely responsible for compliance relating to interior access or utilization of any and all alterations, partition or temporary wall placement, or trade fixture installation that Lessee undertakes on the premise. If the Property does not comply with Applicable Requirements that are the responsibility of Lessor, Lessee shall have the right to terminate this Lease as provided in Section 17 subject to Lessor's right to cure as stated in this Lease Agreement.

2.5.1 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.

2.5.2 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. Within two (2) weeks of completion of the tenant improvements, Lessor shall, at its sole cost and expense, commission a Certified Access Specialist (CASp) to inspect and audit the Building and prepare a comprehensive ADA report. Lessor shall, at its sole cost and expense, have the CASp prepare an updated ADA report after any deficiencies have been corrected. The report shall be limited to Premises interior, building common exterior areas, including, but not limited to, walkways, pathways, parking facilities, ramps, door handles, and interior restrooms that service the Premises only. Subject to Section 2.5, Lessor shall, at its sole cost and expense, construct, replace, correct or repair any items identified in the reports to fully comply with ADA, within six (6) months of the report being received by Lessee.

2.5.3 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 Building common areas owned by Lessor (excluding any and all areas owned by the building owner's association) that are required to comply with the Applicable Requirements, including the evaluation, installation, and costs arising from changes necessary to bring the Building and the Building common areas owned by Lessor (excluding any and all areas owned by the building owner's association) 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.

2.6 Vehicle Parking. Lessor shall provide at least twenty-four (24) parking spaces and Lessee shall be responsible for coordinating its parking needs with third parties.

2.7 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.

2.8 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.

2.9 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.

**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. The rent shall be paid as follows:

Month	Monthly Amount	Price per sq. ft.
1* - 3	\$0.00	
4 - 15	\$8,361.81	\$1.59
16 - 27	\$8,624.76	\$1.64
28 - 39	\$8,887.71	\$1.69
40 - 51	\$9,150.66	\$1.74
52 - 63	\$9,413.61	\$1.79
64 - 75	\$9,676.56	\$1.84
76 - 87	\$9,939.51	\$1.89
88 - 99	\$10,202.46	\$1.94
100 -111	\$10,465.41	\$1.99
112 - 123	\$10,748.76	\$2.04

\*Month 1 starts on Commencement Date.

3.3 Payment of rent shall be made to Lessor at the address stated in Section 1.2 or to such other persons or place as Lessor may from time to time designate in writing. Lessor shall notify Lessee in writing of such designation in accordance with the notice provision in Section 37. Said notice shall become part of this Lease upon acknowledgment in writing by the County Lease Administrator, and no further amendment of the Lease shall be necessary provided that such designation does not conflict with any other provisions of this Lease.

**SECTION 4: EARLY ACCESS.** Lessee shall have three (3) weeks early access to the Premises prior to Issuance of Certificate of Completion for installation of Lessee's furniture, fixtures and equipment. Such access shall not impair Lessor's improvement completion or the issuance of the certificate of completion. Lessee agrees to indemnify Lessor from any such impairment including loss of rent, additional construction cost, premise damage, fixture damage, and related expense.

**SECTION 5: OPTIONS TO EXTEND.**

5.1 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 five (5) years (each, an "Option Term") for all or part of the Premises, on the same terms and conditions of the Lease, except that the Rent at the beginning of each Option Term shall be adjusted five cents (\$0.05) per square foot (psf) above the then currently monthly rental rate for the Building.

5.2 The 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. Lessee's exercise of any option(s) shall be subject to approval by Lessee's Board of Supervisors.

**SECTION 6: RIGHT OF FIRST OFFER AND RIGHT OF FIRST REFUSAL.**

6.1 Lessee shall have a right of first offer to lease any available space in the Building (subject to the available space being owned by the current or a successor Lessor of Lessee's Premises) throughout the initial and extended term(s) of the Lease. Prior to marketing any or all of the building(s) for lease, Lessor shall deliver written notice to Lessee notifying Lessee of the availability of the building space for lease and setting forth Lessor's proposed rental rate (based on the prevailing fair market value) and other economic terms ("Availability Notice").

6.1.1 Lessor shall not lease space in any or all of the building(s) to any other person or entity until the process set forth in this provision has been fully complied with. Lessee shall have the right, but not the obligation, for a period of twenty (20) business days following receipt of the Availability Notice from Lessor, to elect to lease available space. If Lessee elects to exercise its right to lease available space, written notice of such election shall be given to Lessor within seven (7) business days from the time that Lessee received a copy of the of Lessee's receipt of the Availability Notice from Lessor (the "Offer Period").

6.1.2 Lessee's election to exercise this right of first offer is expressly made contingent upon the Board of Supervisors' approval of the lease of available space at an open and public hearing upon proper legal notice. In the event the Board of Supervisors has not approved to lease the available space within three (3) weeks, then Lessee has waived its right of first offer.

6.2 Lessee shall provide the Lessee with the Right of First Refusal to lease any additional space available at the Building (subject to the available space being owned by the current or successor Lessor of Lessee's Premises) throughout the initial and extended term(s) of the Lease. In the event that the Lessor receives a bonafide offer (which shall be either a formal letter of intent, proposal, or an offer letter) to lease that is acceptable to Lessor, then Lessor shall provide Lessee with a copy of the acceptable offer and upon receipt, Lessee shall notify Lessor within seven (7) business days of its intent to exercise this right.

6.2.1 Lessee's election to exercise this right of first refusal is expressly made contingent upon the Board of Supervisors' approval of the proposed lease of available space at an open and public hearing upon proper legal notice. In the event the Board of Supervisors has not approved to lease the available space within three (3) weeks, then Lessee has waived its right of first refusal.

## **SECTION 7: ALTERATIONS AND IMPROVEMENTS.**

7.1 **Lessor Improvements.** Except as otherwise provided in this Lease Agreement, Lessor, at its sole cost and expense, shall construct and provide the Tenant Improvements described in Exhibit "B" and Exhibit "B-1" and related exhibits thereto and any required ADA upgrades. The Tenant Improvement work shall be performed at prevailing wage, if applicable, pursuant to California Labor Code Section 1720.2, as may be amended from time to time.

7.2 **Lessee Alterations.** With the exception of the Tenant Improvements listed in Exhibit "B" and Exhibit "B-1", Lessee shall not make any 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, internet, and/or cable; (b) key system units; (c) intercom system; (d) security system. Throughout the term of this Lease or any renewal or extension thereof, Lessor shall not charge any coordination or review fee for Lessee's construction of alterations including all expansion space in the Premises. Lessee agrees to indemnify Lessor from any such installation including additional construction cost, premise damage, fixture damage, and related expense.

7.3 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 8: REPAIR AND MAINTENANCE.**

8.1 Unless otherwise noticed of a repair request as herein below stated, throughout the initial and extended term(s) of the Lease, Lessor at its sole cost and expense, shall inspect the Premises semiannually and maintain and repair, or cause to be maintained and repaired, in good working order, repair, and condition:

- (a) Systems and Equipment of the Building and Property, HVAC, mechanical and electrical systems, fire safety systems, plumbing;
- (b) Foundation, paint, interior and exterior lighting, windows, interior and exterior walls, structural components, and roof of the Building; and
- (c) Building and Common Areas.

8.2 Lessor shall respond to all maintenance and service requests within thirty-six (36) hours of written, electronic or telephone notice. Lessor shall use its best efforts to perform minor repairs and/or replacements within forty-eight (48) hours after initial response and inspection by Lessor, 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, written, electronic, or otherwise, provided that written confirmation is given within two (2) days after the oral notice or demand is made. For issues that cannot be repaired within forty-eight (48) hours after the initial service request and inspection, the Lessor shall have twelve (12) days after the notice to perform its obligations subject to Lessor's rights and obligations under Section 14.1.2.

8.3 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 in the performance of Lessor's obligations. In such event, Lessee

agrees to use qualified, licensed repairmen and further agrees to indemnify Lessor from any damages sustained as a result of such Lessee repairs. If Lessor does not reimburse Lessee within thirty (30) 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.

8.4 Lessor shall contract directly with its janitorial vendor for janitorial services and for replacement and disposal of light bulbs and fluorescent tubes inside the Premises.

8.5 Lessor is responsible for replacement and disposal of light bulbs on the outside of the Premises.

8.6 Lessor shall be responsible for snow and ice removal when the level exceeds four (4) inches or more.

8.7 Lessor shall be responsible for annual cleaning/water spot removal of all exterior windows in the Spring.

#### **SECTION 9: SIGNAGE AND IDENTIFICATION.**

9.1 Subject to applicable property Owner Association restrictions or Covenants, Conditions & Restrictions (CC&R) restrictions and/or requirements if any, Lessee shall require the following sign identity rights and will pay for all costs associated with installing:

- (a) Building Signage;
- (b) On the Monument sign; and
- (c) Eyebrow signage above Lessee's entryway.

#### **SECTION 10: BUILDING SERVICES, UTILITIES, TAXES AND ASSESSMENTS.**

10.1 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 ten (10) days of receipt by Lessor. Lessor at its sole cost and expense, shall correct any problems identified in the inspection report. In the event any such problem is the fault of Lessee, Lessee shall indemnify Lessor from all related repair costs. Lessor is responsible for replacement of the HVAC filters quarterly and the cleaning of the HVAC vents semiannually or as otherwise needed or required.

(b) Water and sewer suitable for the intended use of the Premises. Lessor shall be responsible for the ongoing monthly costs of the service.

(c) Propane and/or natural gas. Lessor shall be responsible for the ongoing monthly costs of the service.

(d) Right of access to, from and within the Building (including a pathway to the Premises) to Lessee and/or its telecommunication companies, including but not limited to local exchange telecommunications companies and alternative access vendor service companies, 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 to the Premises. Lessee shall be responsible for the ongoing monthly costs of the service.

(f) 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. Lessee shall be responsible for the ongoing monthly cost of the service.

(g) Security Access Control System for the Premises. Lessee shall be responsible for the ongoing monthly costs of the service.

(h) Maintenance costs and expenses related to Lessee's telecommunication system as described herein shall be the sole responsibility of Lessee.

10.2 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 or exterior of the Building at no charge. Lessee shall be responsible for the installation and removal of the satellite antenna dish and cables thereto and any necessary repair to the Building due to their installation and removal. Lessee agrees to use qualified antenna and cable installation personnel and further agrees to indemnify Lessor from any and all property damages and personal injury claims, sustained as a result of Lessee installation, removal and operation thereof.

10.3 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.

10.4 Unless due to any fault on the part of Lessee, its employees or agents, or to any fault beyond the control or fault of Lessor, Lessee's obligation to pay rent shall abate proportionately during any period in which Lessee's access to, or use of the Premises for their intended purpose is so impaired that Lessee cannot, and actually does not, use substantially all of the Premise for a period in excess of ten (10) consecutive business days; the rent abatement in such case to commence as of the eleventh (11<sup>th</sup>) 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 prorate monthly rent based on that percentage of the Premises that is unusable until such interruption or discontinuation of services is remedied by Lessor. If such interruption or discontinuation in services continues beyond sixty (60) consecutive business days, Lessee has the right to terminate the Lease.

10.5 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 ten percent (10%) annual interest, which shall be applied against the first installments of rent due under the Lease until the obligation is fully satisfied.

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

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

- (a) Building and Liability Insurance
- (b) Real Property Taxes
- (c) Landscaping
- (d) Pest Control/Extermination



- (e) HVAC Filters
- (f) Fire System Monitoring

#### **SECTION 11: ASSIGNMENT AND SUBLETTING.**

11.1 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 11.2 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 neither an assignment or sublet of the Lease by Lessee to any agencies, departments, affiliates, or contractors of Lessee, nor a sale of the subject Premises by Lessor shall constitute a Transfer and shall only require written notice to the other party herein but not consent.

11.2 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) For any sublease, a description of the portion of the Premises to be sublet.

11.3 In the event of any Transfer by any Lessor of its interest, Lessor shall be 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.

11.4 Lessor and Lessee shall share equally in any profit or loss made from the Transfer of the Lease by Lessee. In the event of any Transfer by Lessee of its interest Lessee shall not be relieved from all liability accruing from and after the date of transfer or conveyance, including the obligation for rent and the obligation to indemnify Lessor for acts or omissions occurring prior to the transfer unless so released by Lessor in writing.

#### **SECTION 12: INSURANCE.**

12.1 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 Lessee 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.

12.2 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, upon Lessors failure to cure within fifteen (15) days of written notice from Lessee of such insurance lapse, in addition to any other remedies it may have, terminate this Lease.

12.3 The Lessee is self-insured for General Liability, Workers' Compensation and Employers Liability. In the event Lessee decides not to self-insure, Lessee shall furnish to Lessor proof of policies issued by an insurance company that is acceptable and satisfactory to Lessor and documentation evidencing that Lessee 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.

#### **SECTION 13: INDEMNITY.**

13.1 Lessee shall defend, indemnify and hold Lessor harmless from and against any and all losses, damages, claims, suits, costs, and liability for damages of every name, kind and description, including reasonable attorney's fees, brought for, or on account of any damage to property or injury to any person or death of any person, or any economic or consequential losses occurring in, on, or about the Premises 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.

13.2 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 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 negligence or willful misconduct of Lessee, its officers and employees.

#### **SECTION 14: DAMAGE OR DESTRUCTION; EMINENT DOMAIN.**

14.1 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.

14.1.1 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.

14.1.2 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 ninety (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 sixty (60) days following the giving of such notice. If Lessee gives such notice and repair or restoration is not commenced within thirty (30) days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such thirty (30) days, this Lease shall continue in full force and effect. "Commence" shall mean the beginning of the actual work on the Premises. Actual work shall include but not be limited to demolition of damaged structures or parts thereof, site surveys, architectural drafting of plans, insurance inspections and claim processing, repair equipment positioned on site, repair or replacement materials placed on site, and the application for city or county tear down and repair permits.

14.1.3 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 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.

14.1.4 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 forty-five (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.

14.2 Damage Caused by the Negligence or Willful Act of Lessee. The termination by Lessee pursuant to Section 16.1 shall not relieve Lessee from liability for any damage caused by Lessee, Lessee's employees or agent due to negligence or willful acts causing such damage, including but not limited to Lessor's claims for property damage, lost profits, lost rents, out of pocket construction or repair costs, and any other damage, claim or loss relating to such damage.

14.3 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.

14.3.1 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.

14.3.2 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 15: DEFAULT.**

15.1 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:

15.1.1 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 thirty (30) consecutive days.

15.1.2 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. Lessee shall be entitled to cure such default within thirty (30) days after written notice has been provided.

15.1.3 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.

15.2 Notice given under this Section 15.2 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 16: REMEDIES UPON DEFAULT.**

16.1 Termination. In the event of a default, the non-defaulting 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.

16.2 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.

16.3 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 17: TERMINATION.**

17.1 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 14.
- (d) In the case of bankruptcy, voluntary or involuntary, or insolvency of either party.

17.2 Non-Appropriation. Lessee's business operations are funded by federal, state, county, local, and/or private foundations ("Funding Sources"). Pursuant to Section 18, Article XVI of the California Constitution, and notwithstanding any provisions in this Lease, if during the Term of the Lease, the Funding sources reduce, eliminate, withhold, fail to allocate, or make unavailable to Lessee sufficient funds for Lessee's continued operations and/or administration of programs at the Premises or 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 Lessee exercises the right to terminate, Lessee shall pay a penalty equal to two hundred thousand dollars (\$200,000.00) straight lined over the first one hundred and twenty (120) months after the first three (3) months of "free" rent of the Lease ("Fee"). The Termination Penalty shall only apply if the Lessee terminates the Lease in the first one hundred and twenty (120) months after the first three (3) months of "free" rent of the Lease Term. If Lessee terminates this Lease after the first one hundred and twenty (120) months after the first three (3) months of "free" rent of the Lease Term, there shall be no termination penalty or further financial obligations by the Lessee. The Termination Penalty schedule is attached to this Lease as Exhibit "C".

#### **SECTION 18: SUBORDINATION AND ATTORNMENT.**

18.1 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 ten (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 ten (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.

18.2 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.

18.3 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 19: LESSEE'S DEFAULT.** Neither party shall be deemed to be in default in the performance of any obligation required of it under this Lease unless such party has failed to perform such obligation within thirty (30) days after receipt of written notice from the non-defaulting party to the party in default, specifying the obligation in question and the manner in which the defaulting party has failed to perform the obligation. If the nature of the defaulted obligation is such that more than thirty (30) days are reasonably required for its performance, the party receiving the notice of perform the obligation shall not be in default if such party commences to cure the default within ten (10) business days after receipt of notice and proceeds to completion with reasonable promptness. In the event of Lessee's default, this Lease shall continue in effect for so long as Lessor does not terminate Lessee's right to possession, and Lessor may enforce all its rights and remedies under this Lease, including the right to recover rent as it becomes due. If the Lessee's right to possession is terminated due to an uncured default by Lessee, the Lessor shall be entitled to a remedy of installments of the agreed upon base rent payments as it becomes due over the term of the Lease, less all base rent received from a replacement Lessee, if any, during the remainder of Lessee's term, plus damages relating to remarketing the Premises, which shall include broker leasing commissions, related marketing costs not to exceed one thousand dollars (\$1,000.00), and tenant improvement dollars other damages arising from the Lessee's uncured default.

**SECTION 20: ENTRY AND ACCESS.**

20.1 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, and any areas designated by Lessee, as to which Lessee shall provide Lessor with supervised access for the purpose of Lessor performing its obligations under the Lease.

20.2 Lessee shall have access twenty-four (24) hours per day, seven (7) days per week, fifty-two (52) weeks per year to the Premises and the Building.

**SECTION 21: RELOCATION.** Lessor shall not have the right to relocate Lessee under any circumstances.

**SECTION 22: BROKERS.** Both Lessor and Lessee acknowledge that Scott Kingston with Gallaway Commercial, Inc. (Lessee's Broker) represents Lessee in this transaction and that all brokerage fees in this transaction shall be the sole obligation of Lessor. All brokerage fees will be paid within thirty (30) days of the mutual execution of this Lease and will be paid by Lessor. A fee equal to six percent (6%) of the gross rent consideration for months one (1) through sixty-two (62), with two and one-half percent (2.5%) to Tom Conwell with Newmark Cornish & Carey (Lessor's Broker) and three and one-half percent (3.5%) to the Lessee's Broker. For months sixty-three (63) through one hundred and twenty-three (123) the commission will be three percent (3%) of the gross rent, with one and twenty-five hundredths percent (1.25%) to Lessor's Broker and one and seventy-five hundredths percent (1.75%) to Lessee's Broker. If Lessor fails to pay Lessee's Broker, Lessee has no obligation to pay the commission due to Lessee's Broker unless and until Lessee occupies the Premises. If Lessor has not paid the commission to Lessee's Broker by the Commencement Date, Lessee may pay the commission due and Lessee shall be entitled to reimbursement of any payments made by Lessee or a rent credit equal to the commission paid by Lessee, plus fifteen percent (15%) annual interest, which shall be applied against the rents due under the Lease until the obligation is fully satisfied.

**SECTION 23: SURRENDER OF PREMISES.**

23.1 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.

23.2 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.

23.3 Hold Over. Lessee shall have the right to remain in the Premises on a month-to-month basis at the monthly rent of one hundred and twenty percent (120%) of the then current base monthly rent. Lessee may terminate the Hold Over and vacate the Premises by providing Lessor a thirty (30) day written termination notice.

**SECTION 24: 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 25: MOLD; AIR QUALITY.** Lessor warrants and represents that to the knowledge of Lessor, 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 26: 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 negligence or willful acts or omissions of Lessee, its employees or agents shall be the sole obligation of Lessor. Lessor and Lessee shall indemnify, defend and hold harmless the other party, its employees or agents, from and against any and all losses, liability, claims, lawsuits, damages, destruction of property, or injuries incurred in connection with or as the result of the presence, use, or disposal of any Hazardous Materials in or about the Premises or Property by the Party so bringing on the premise, using or disposing of such hazardous material..

**SECTION 27: 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 28: 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 29: 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 30: AMENDMENTS.** This Lease may not be modified or amended except pursuant to a written instrument duly executed by all of the parties hereto.

**SECTION 31: 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 32: 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 33: 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 34: 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 34.

**SECTION 35: TIME OF THE ESSENCE.** Time is of the essence with respect to the performance of this Lease.

**SECTION 36: 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 36 (without additional time, despite any other provision of this Lease) shall constitute a default.

**SECTION 37: 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 Sections 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 38: 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 39: 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 40: 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 41: 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 42: 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 43: LEASE ADMINISTRATION.** The County officer or employee with responsibility for administering this Lease is Russell Fackrell, Facilities Manager, Chief Administrative Office, or successor.

**SECTION 44: 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:

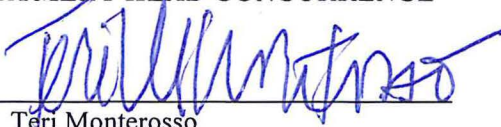
- (a) **“Common Areas”** means all areas within the exterior boundaries of the Property now or later made available for the general use of Lessor and other persons entitled to occupy floor area in the Property, including the common entrances, lobbies, restrooms, elevators, stairways and accessways, loading 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.
- (b) **“Days”** means calendar days unless otherwise specifically referred to as business days.
- (c) **“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.
- (d) **“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.
- (e) **“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.
- (f) **“Person”** means an individual, trust, partnership, joint venture, association, corporation, and any other legal or business entity.
- (g) **“Personal Property”** means any trade fixtures, furnishings or equipment, and all other personal property contained in the Premises from time to time.
- (h) **“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.
- (i) **“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.

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**DEPARTMENT HEAD CONCURRENCE**

By:   
Name: Teri Monterosso  
Title: Chief Public Defender  
Date: 6-6-16

**LEASE ADMINISTRATOR**

By:   
Name: Russell Fackrell  
Title: Facilities Manager  
Date: 6/6/16

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

**“LESSEE”:**

**COUNTY OF EL DORADO**

By:   
Ron Mikulaco  
Chairman, Board of Supervisors

Date: 6/7/16

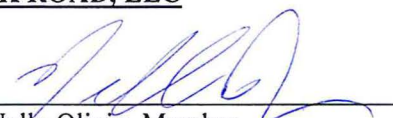
**Attest:**

James Mitrison, Clerk of the Board of Supervisors

By:   
Date: 6/7/16

**“LESSOR”:**

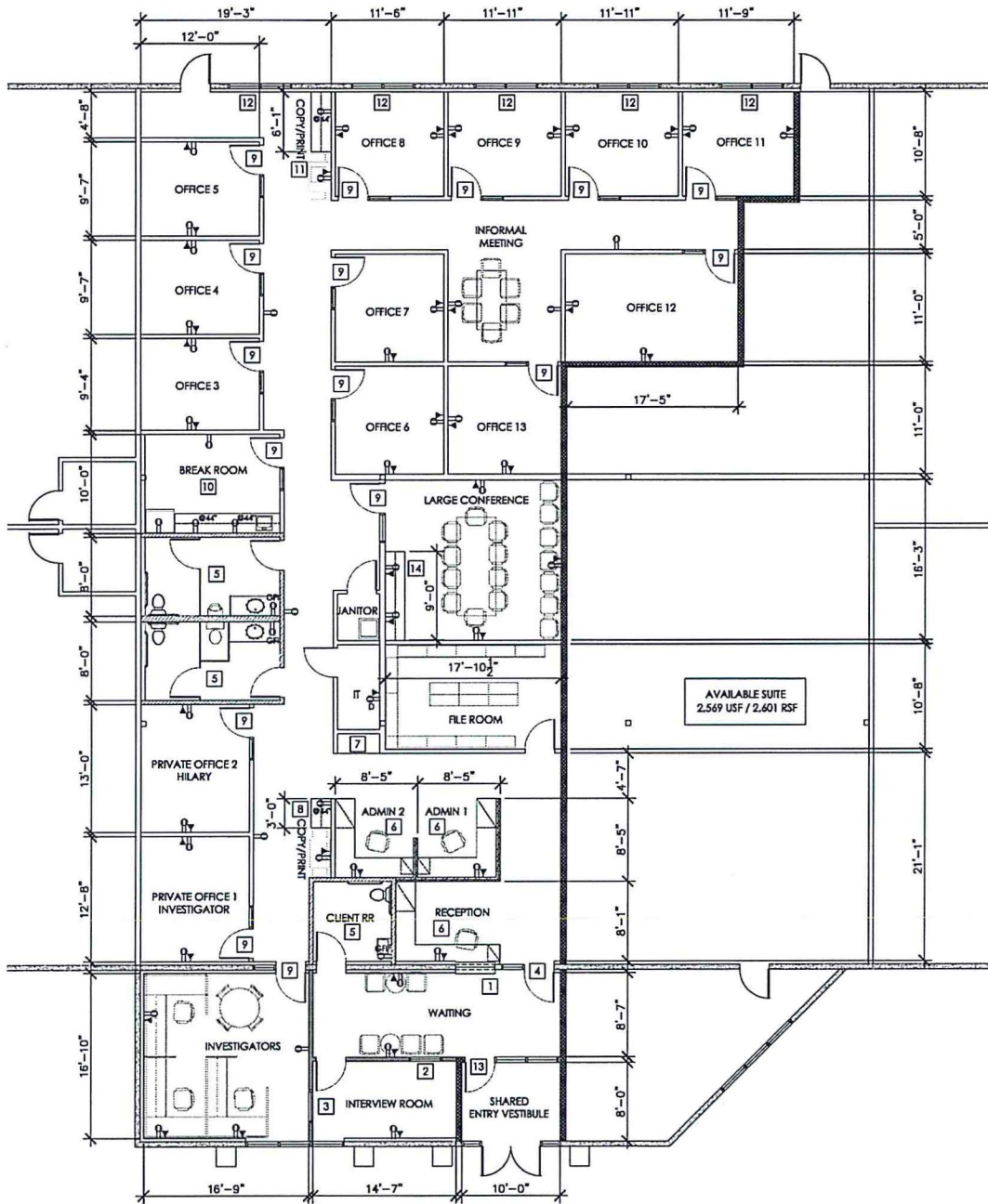
**DUROCK ROAD, LLC**

By:   
Nello Olivio, Member

Date: 6-3-16

**EXHIBIT "A"**

**PREMISES**



**EL DORADO COUNTY**  
PUBLIC DEFENDERS OFFICE  
3976 DUROCK - 5,169 RSF / 5,105 USF  
SHINGLE SPRINGS, CA

11/13/2015  
SCALE: NTS

**EXHIBIT "B"**

**TENANT IMPROVEMENTS**

**SECTION 1**

**CONSTRUCTION OF TENANT IMPROVEMENTS BY LESSOR**

1.1 Lessor will, at its sole cost and expense, construct turn-key tenant, mechanical, data/telephone wiring, including ADA improvements, in the Premises pursuant to mutually agreed upon plans and specifications (the "Tenant Improvements"). All costs associated with the permitting, installation, and construction of the Tenant Improvements shall be the sole financial responsibility of Lessor. The specific tenant improvements are further outlined on Exhibit "B-1" and also include:

(a) Data wiring and telephony. Lessor shall coordinate the low voltage construction with Lessee's preferred vendors. Data wiring and telephony costs exceeding twelve thousand dollars (\$12,000.00) will be at the sole cost and expense of Lessee.

(b) Building signage will be at Lessee's sole expense.

(c) Security improvements will be at Lessee's sole expense.

(d) Any deviation/changes at the request of Lessee from the agreed upon Construction Plans, either prior to or after initiation of construction or occupancy, shall be at the full cost and expense of Lessee. Lessor reserves the right to approve of such changes prior to implementation. Such approval shall not unreasonably be withheld.

1.2 Unless specifically noted to the contrary on the approved Construction Plans, the Tenant Improvements shall be constructed using specifications and materials as determined by Lessee, and in compliance with applicable federal, state and local laws. Except as stated herein, Lessor, at its cost and expense, shall be responsible for compliance with current ADA laws and implementing regulations and all other applicable federal, state, and local laws, requirements, ordinances, resolutions and regulations throughout the initial and extended term(s) of the Lease. Lessee assumes the risk and replacement cost relating to materials required and approved by Lessee to be in compliance that are subsequently determined (after installation) to be not in compliance with applicable federal, state, or local law requiring replacement thereof.

1.3 Pursuant to California Labor Code Section 1720.2, Lessor shall require all Tenant Improvement work to be performed at prevailing wage.

1.4 The Construction Plans shall be subject to Lessee's prior written approval, which shall not be unreasonably withheld or delayed, provided however that Lessee shall not be entitled to disapprove any portion, component or aspect of the Construction Plans that are consistent with the Tenant Improvement Specifications. Within seven (7) business days after receipt of the Construction Plans, Lessee shall in writing signed by authorized County personnel, approve and/or note suggested modifications to the Construction Plans. Any disapproval of the Construction Plans shall be accompanied by a detail written explanation of the reason for Lessee's disapproval. Failure of Lessee to act on the Construction Plans within said business days shall be deemed to constitute Lessee's approval thereof. The approved Construction Plans will be appended hereto and incorporated herein by reference as part of Exhibit "B-1".

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

Improvement in accordance with the approved Construction Plans. Said construction schedule shall become part of this Exhibit "B" upon acknowledgment in writing by Lessee's representative. Lessor shall have one hundred and twenty (120) days for substantial completion of the tenant improvements unless (a) delays in the substantial completion result from the acts or omissions of Lessee, its agents or employees; or (b) the delay is beyond the control of Lessor, or (c) the parties mutually agree in writing to extend the time period for substantial completion of the tenant improvements.

## SECTION 2

### RETENTION OF CONTRACTOR; WARRANTIES AND GUARANTIES

2.1 Lessor shall enter into a contract directly with the contractor for completion of the Tenant Improvements.

2.2 Lessor assigns to Lessee all warranties and guaranties by the contractor who constructs the Tenant Improvement.

## SECTION 3

### MISCELLANEOUS

3.1 Lessee's Representative. Lessee has designated Russell 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.

3.2 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.

## SECTION 4

### COMPLETION OF THE TENANT IMPROVEMENTS

4.1 For purposes of this Lease, "Substantial Completion" of the Tenant Improvements in the Premises shall occur upon the completion of the construction of the Tenant Improvements pursuant to the Approved Construction Plans, together with the issuance of appropriate certificate of occupancy, with the exception of any punch list items and any Lessee fixtures, work-stations, built-in furniture, or equipment to be installed by Lessee.

4.2 Provided that Lessee and its agents or employees do not interfere with work contractor's work in the Building and the Premises, Lessee and its contractors, subcontractors, laborers, materialmen and suppliers shall be given access to the Premises for a period of three (3) weeks prior to Substantial Completion of the Tenant Improvements for the purpose of Lessee installing communication lines, moveable work stations and other personal property. Prior to Lessee's entry, Lessee will submit a schedule detailing the timing and purpose of Lessee's entry to Lessor and Contractor for their approval, which approval cannot be unreasonably withheld.

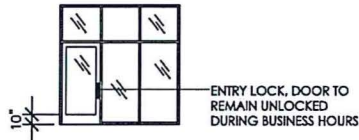
4.3 Upon substantial completion of the Tenant Improvement work, Lessor shall coordinate a walk-through of the Premises to determine any remaining "punch-list" items. Lessor shall have ten (10) days to complete all remaining punch list items prior to Lessee's occupancy of the Premises. In the event Lessor does not complete the punch list items within this ten (10) day period, Lessee shall have the option to self-perform all needed repairs, in which event Lessee shall be entitled to reimbursement of any payments made by Lessee or a rent credit equal to the actual costs thus paid by Lessee.

**EXHIBIT "B-1"**

**TENANT IMPROVEMENT SPECIFICATIONS**

**INTERIOR KEY/GENERAL NOTES**

1. 48" X 48" TEMPERED WINDOW AND TRANSACTION COUNTER. RECESSED CASH TRAY AND VOICE TRANSMISSION THROUGH A NATURAL ACRYLIC TALK THRU. TRANSACTION TOP TO BE AT A MAXIMUM OF 34" AFF (MINIMUM OF 36" IN LENGTH)
2. 36" X 48" TEMPERED 1/2" GLASS
3. 36" X 36" TEMPERED ONE WAY GLASS
4. NEW 3'-0" X 7'-0" SOLID CORE WOOD DOOR W/ 24" SIDELIGHT, FINISH FOR DOOR AND FRAME TBD.
5. STAFF / CLIENT RESTROOMS, PROVIDE SHEET VINYL FLOORING W/ CONTINUOUS 6" COVED BASE, WALLS TO HAVE FRP UP TO 48" AFF AND SEMI-GLOSS PAINT ABOVE. ALL FINISHES TBD. AT STAFF RESTROOMS PROVIDE SOLID SURFACE COUNTERTOP AND BAKED ENAMEL TOILET PARTITIONS. RESTROOMS TO MEET CURRENT CBC, CH 11 CODES REGARDING ADA.
6. PROVIDE NEW LAMINATE COUNTERTOP W/ (3) GROMMET LOCATION TBD. ALSO TO HAVE (1) 88F AND (1) 30" LATERAL FILE, FINISH TBD.
7. PROVIDE NEW LAMINATE STORAGE CABINET, 4'-4" WIDE AND 7'-0" HIGH, INTERIOR TO HAVE ADJUSTABLE HIGHT SHELVES, CABINET TO HAVE AN UPPER AND LOWER SECTION OF DOORS.
8. PROVIDE NEW UPPER AND LOWER LAMINATE CABINERY AS SHOWN. FINISHES TBD
9. NEW 3'-0" X 7'-0" SOLID CORE WOOD DOOR W/ 24" SIDELIGHT, FINISH FOR DOOR AND FRAME TBD.
10. PROVIDE UPPER AND LOWER CABINERY AS SHOWN. CABINERY TO MEET CURRENT CBC, CH 11 CODES REGARDING ADA. COUNTERTOP TO HAVE AN INTEGRAL 4" BACKSPLASH AND ROUNDED EDGE. FLOORING TO BE VCT W/ 4" RUBBER BASE AND SEMI-GLOSS PAINT.
11. PROVIDE LAMINATE UPPER AND LOWER CABINERY AS SHOWN. FINISHES TBD
12. INSTALL NEW WINDOWS AT THE REAR OF THE BUILDING, 6'-0" X 5'-0" OR WHAT THE STRUCTURAL ENGINEER DETERMINES IS ALLOWED (WOULD LIKE (5) LOCATIONS)
13. NEW STOREFRONT SYSTEM, 10'-0" X 10'-0". STOREFRONT DOOR WITH (2) EQ GLAZING SECTIONS, PROVIDE FULL HEIGHT WALL TO ROOF DECK ABOVE, SEE BELOW



14. PROVIDE NEW UPPER AND LOWER LAMINATE CABINERY AS SHOWN. FINISHES TBD

**GENERAL NOTES:**

\*ALL INTERIOR FINISHES TO BE SELECTED AND APPROVED BY THE COUNTY PRIOR TO ORDERING.

**CARPET SPEC:**

TANDUS CENTIVA, INFINITY 24"X24" NON WOVEN SYNTHETIC FIBER BACKING OR EQUIVALENT PRODUCT. COLOR TO BE SELECTED BY OWNER IN CONSULTATION WITH THE COUNTY.

**DOORS:**

ALL NEW SOLID BIRCH WOOD DOORS, FACTORY FINISH STAIN TBD. PROVIDE A LOCKING LEVER LOCKSET AT EACH OFFICE, FILE ROOM AND IT ROOM.

**CEILING:**

2X4 SECOND LOOK TILE, ARMSTRONG OR USG

**LIGHTING:**

LED DIRECT / INDIRECT LIGHTING THROUGHOUT TO MEET NEW T-24 REQUIREMENTS.

**PAINT:**

PAINT THROUGH OUT, PROVIDE ALLOWANCE FOR ACCENT WALLS.

1. EXTERIOR WINDOW BLINDS TO BE PROVIDED BY LANDLORD.
2. INTERIOR WINDOW BLINDS TO BE PROVIDED ON FULL HEIGHT INTERIOR SIDELITES.
3. ANY/ALL EXTERIOR ADA WORK SHALL BE COMPLETED BY THE LANDLORD.
4. PROVIDE CONCRETE FURRING ON ANY EXISTING CONCRETE WALLS AS SHOWN.
5. PROVIDE CAT 6 LOW VOLTAGE CABLING
6. PROVIDE HVAC SUPPLY AND RETURN IN EACH ENCLOSED SPACE AS NECESSARY AND PER CURRENT MECHANICAL CODE

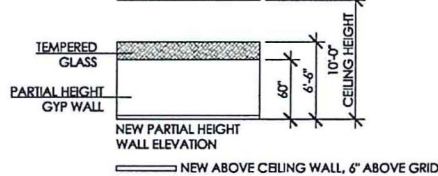
**WALL LEGEND**

NEW ABOVE CEILING WALL, 24" ABOVE GRID  
W/ SOUND INSULATION, PROVIDE STC RATING OF 50  
(2 LAYERS OF GYP EACH SIDE)

NEW FULL HEIGHT DEMISING WALL  
W/ SOUND INSULATION

NEW ABOVE CEILING WALL, 6" ABOVE GRID  
W/ SOUND INSULATION

NEW PARTIAL HEIGHT WALL, 60" AFF W/  
18" OF TEMPERED GLASS ABOVE



**EL DORADO COUNTY**  
PUBLIC DEFENDERS OFFICE  
3976 DUROCK - 5,169 RSF / 5,105 USF  
SHINGLE SPRINGS, CA

11/13/2015  
SCALE: NTS



**EXHIBIT "C"**

**TERMINATION FEE SCHEDULE**

Month*	Termination Fee	Month*	Termination Fee	Month*	Termination Fee
1	\$0.00	42	\$135,000.26	83	\$66,667.20
2	\$0.00	43	\$133,333.60	84	\$65,000.54
3	\$0.00	44	\$131,666.94	85	\$63,333.88
4	\$198,333.34	45	\$130,000.28	86	\$61,667.22
5	\$196,666.68	46	\$128,333.62	87	\$60,000.56
6	\$195,000.02	47	\$126,666.96	88	\$58,333.90
7	\$193,333.36	48	\$125,000.30	89	\$56,667.24
8	\$191,666.70	49	\$123,333.64	90	\$55,000.58
9	\$190,000.04	50	\$121,666.98	91	\$53,333.92
10	\$188,333.38	51	\$120,000.32	92	\$51,667.26
11	\$186,666.72	52	\$118,333.66	93	\$50,000.60
12	\$185,000.06	53	\$116,667.00	94	\$48,333.94
13	\$183,333.40	54	\$115,000.34	95	\$46,667.28
14	\$181,666.74	55	\$113,333.68	96	\$45,000.62
15	\$180,000.08	56	\$111,667.02	97	\$43,333.96
16	\$178,333.42	57	\$110,000.36	98	\$41,667.30
17	\$176,666.76	58	\$108,333.70	99	\$40,000.64
18	\$175,000.10	59	\$106,667.04	100	\$38,333.98
19	\$173,333.44	60	\$105,000.38	101	\$36,667.32
20	\$171,666.78	61	\$103,333.72	102	\$35,000.66
21	\$170,000.12	62	\$101,667.06	103	\$33,334.00
22	\$168,333.46	63	\$100,000.40	104	\$31,667.34
23	\$166,666.80	64	\$98,333.74	105	\$30,000.68
24	\$165,000.14	65	\$96,667.08	106	\$28,334.02
25	\$163,333.48	66	\$95,000.42	107	\$26,667.36
26	\$161,666.82	67	\$93,333.76	108	\$25,000.70
27	\$160,000.16	68	\$91,667.10	109	\$23,334.04
28	\$158,333.50	69	\$90,000.44	110	\$21,667.38
29	\$156,666.84	70	\$88,333.78	111	\$20,000.72
30	\$155,000.18	71	\$86,667.12	112	\$18,334.06
31	\$153,333.52	72	\$85,000.46	113	\$16,667.40
32	\$151,666.86	73	\$83,333.80	114	\$15,000.74
33	\$150,000.20	74	\$81,667.14	115	\$13,334.08
34	\$148,333.54	75	\$80,000.48	116	\$11,667.42
35	\$146,666.88	76	\$78,333.82	117	\$10,000.76
36	\$145,000.22	77	\$76,667.16	118	\$8,334.10
37	\$143,333.56	78	\$75,000.50	119	\$6,667.44
38	\$141,666.90	79	\$73,333.84	120	\$5,000.78
39	\$140,000.24	80	\$71,667.18	121	\$3,334.12
40	\$138,333.58	81	\$70,000.52	122	\$1,666.66
41	\$136,666.92	82	\$68,333.86	123	\$0.00

\*Month 1 starts on Commencement Date..