

EXTENSION OF LEASE AGREEMENT

Landlord: 417 Salinas Road, Inc.
c/o PacCom Management Services, Inc.
155 Westridge Drive, Watsonville, CA 95976

Tenant: County of Monterey

Premises: 417-A Salinas Road, Watsonville, CA 95976

Lease: Agreement with Landlord approved by the Board of Supervisors on April 9, 2013.

It is agreed that: Said Lease Agreement is hereby extended for an additional two (2) years through August 31, 2017.

The monthly rent shall be Two Thousand Five Hundred Sixty-Seven Dollars (\$2,567.00)

All other terms and conditions of said Lease Agreement shall remain the same.

Effective Date: September 1, 2015

Tenant: (County of Monterey)

APPROVED AS TO FORM: (County Counsel)

By: Michael R. Derr
Michael R. Derr, Contracts/Purchasing Officer

By: Mary G. Perry
Mary G. Perry, Deputy County Counsel

Date: 12/23/14

Date: 12-23-2014

Landlord: (417 Salinas Road, Inc)

By: Lori Lester Johnson
Lori Lester Johnson, CEO

Date: November 5, 2014

Reviewed as to fiscal provisions
[Signature]
Auditor-Controller
County of Monterey 12-23-14



Monterey County

168 West Alisal Street,
1st Floor
Salinas, CA 93901
831.755.5066

Board Order

Upon motion of Supervisor Parker, seconded by Supervisor Potter, and carried by those members present, the Board of Supervisors hereby:

- a. Approved and authorized the Contracts/Purchasing Officer to execute a three year Lease Agreement, effective retroactively on September 1, 2012, with 417 Salinas Road, LLC, for approximately 2,848 rentable square feet of space located at 417-C Salinas Road, Watsonville, California (Monterey County), for use by the Agricultural Commissioner's Office;
- b. Authorized the Auditor-Controller to make lease payments of \$2,420 per month and in accordance with the terms of the agreement; and
- c. Authorized the extension of the Lease Agreement for one additional two-year periods under the same terms and conditions, and make minor revisions to the Lease Agreement if deemed by the Contracts/Purchasing Officer to be in the best interests of the County.

PASSED AND ADOPTED on this 9th day of April 2013, by the following vote, to wit:

AYES: Supervisors Armenta, Calcagno, Salinas, Parker, and Potter

NOES: None

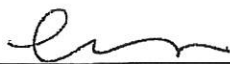
ABSENT: None

I, Gail T. Borkowski, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 76 for the meeting on April 9, 2013.

Dated: April 12, 2013

File Number: 13-0296

Gail T. Borkowski, Clerk of the Board of Supervisors
County of Monterey, State of California

By  Deputy



Monterey County

168 West Alisal Street,
1st Floor
Salinas, CA 93901
831.755.5068

Board Report

Legistar File Number: 13-0296

Introduced: 3/19/2013

Current Status: Consent Agenda

Version: 1

Matter Type: General Agenda Item

- a. Approve and authorize the Contracts/Purchasing Officer to execute a three year Lease Agreement, effective retroactively on September 1, 2012, with 417 Salinas Road, LLC, for approximately 2,848 rentable square feet of space located at 417-C Salinas Road, Watsonville, California (Monterey County), for use by the Agricultural Commissioner's Office;
- b. Authorize the Auditor-Controller to make lease payments of \$2,420 per month and in accordance with the terms of the agreement; and
- c. Authorize the extension of the Lease Agreement for one additional two-year periods under the same terms and conditions, and make minor revisions to the Lease Agreement if deemed by the Contracts/Purchasing Officer to be in the best interests of the County.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve and authorize the Contracts/Purchasing Officer to execute a three year Lease Agreement, effective retroactively on September 1, 2012, with 417 Salinas Road, LLC, for approximately 2,848 rentable square feet of space located at 417-C Salinas Road, Watsonville, California, for use by the Agricultural Commissioner's Office;
- b. Authorize the Auditor-Controller to make lease payments of \$2,420 per month and in accordance with the terms of the agreement; and
- c. Authorize the extension of the Lease Agreement for one additional two-year periods under the same terms and conditions, and make minor revisions to the Lease Agreement if deemed by the Contracts/Purchasing Officer to be in the best interests of the County.

SUMMARY/DISCUSSION:

Approval of the Lease Agreement will provide for occupancy of approximately 2,848 rentable square feet of space to be used by the Agricultural Commissioner's Office. The lease term will retroactively commence on September 1, 2012, and expire on August 31, 2015. Commencement rent will be \$2,420 per month. The Lease Agreement provides for one, two-year extension option under the same terms and conditions including annual rental adjustments.

The Agricultural Commissioner's Office has occupied the space at 417-A since April 2005 and has long maintained an office in Pajaro to serve the agricultural community in North County. Availability of suitable facilities in the area is very limited. Approximately one-quarter of the Department's clients are served by this branch office, including many small growers most in need of services and large shippers needing export certification of high-value crops.

The property owner has agreed to replace carpeting, perform interior painting, and perform ADA improvements at a cost not to exceed \$7,500. A "Termination by County" clause is incorporated in the Lease Agreement.

OTHER AGENCY INVOLVEMENT:

The Department of Public Works facilitated the negotiations of the Lease Agreement, and assisted with the development of this report. The Office of the County Counsel has reviewed and approved the Lease Agreement as to form and legality and Risk Management has approved it as to insurance and indemnity

FINANCING:

There is no financial impact to the General Fund. Sufficient funds are available in FY 2012-13 Agricultural Commissioner's Office Budget, Fund 001, Unit 2810-8001, and Appropriation Unit AGR001. On-going occupation of the leased premises and future extensions of the Lease Agreement will be based on the continued availability of funding. The first-year leasing cost will amount to \$29,040, excluding janitorial and utility services.

Prepared by: _____
Bob Roach, Assistant Ag Commissioner, 759-7325

Approved by: _____
Eric Lauritzen, Ag Commissioner, 759-7325

Attachments:
Lease Agreement
Location Map

LEASE

417 SALINAS ROAD, INC.

to

**COUNTY OF MONTEREY
AG COMMISSIONER**

417 SALINAS ROAD, INC. LEASE
with
COUNTY OF MONTEREY
AG COMMISSIONER

TABLE OF CONTENTS

ARTICLE I	LEASE OF PREMISES	
Section 1.01.	Landlord's Property	1
Section 1.02.	Lease of Premises	1
Section 1.03.	Warranty of Title and Peaceful Enjoyment	1
Section 1.04.	Prior Sublease	1
ARTICLE II	TERM	
Section 2.01.	Commencement of Term	1
Section 2.02.	Option to Extend	2
Section 2.03.	Exercise of Option	2
Section 2.04.	Rent for the Extended Term	2
Section 2.05.	Limited Right to Terminate	2
ARTICLE III	RENT	
Section 3.01.	Rental Commencement Date	2
Section 3.02.	Rent	2
Section 3.03.	Additional Rent	2
Section 3.04.	Late Charges	3
Section 3.05.	Place of Payment	3
Section 3.06.	Security Deposit [intentionally omitted]	3
ARTICLE IV	COMMON AREA/OPERATIONAL EXPENSES	
Section 4.01.	Common Area	3
Section 4.02.	Operational Expenses [intentionally omitted]	3
Section 4.03	Landlord's Rights Regarding Common Area	3

ARTICLE V	TAXES	
Section 5.01.	Real Property Taxes and Assessments	4
Section 5.02.	Personal Property Taxes	4
ARTICLE VI	USE OF THE PREMISES	
Section 6.01.	Manner of Use	5
Section 6.02.	Cooperation with other Tenants	5
Section 6.03.	Compliance with Public Authority	5
Section 6.04.	Insurance Requirements	5
Section 6.05.	Waste and Nuisance	5
Section 6.06.	Hazardous Materials	5
Section 6.07.	Parking	6
Section 6.08.	Signs	6
ARTICLE VII	MAINTENANCE, REPAIR AND ALTERATIONS	
Section 7.01.	Condition of Premises	6
Section 7.02.	Landlord's Obligations	6
Section 7.03.	Tenant's Obligations	7
Section 7.04.	Obligations Regarding Noxious Substances	8
Section 7.05.	Prohibited Alterations or Installations	8
Section 7.06.	Permitted Alterations and Installations	8
Section 7.07.	Surrender	9
Section 7.08.	Service Vendors	9
ARTICLE VIII	INSURANCE AND INDEMNITY	
Section 8.01.	Tenant's Liability Insurance	9
Section 8.02.	Tenant Improvements	10
Section 8.04.	Mechanics' Liens	10

ARTICLE IX	UTILITIES	
Section 9.01.	Utilities	10
Section 9.02.	Gas & Electrical Sub-Meters	11
ARTICLE X	DAMAGE AND RESTORATION	
Section 10.01.	Insured Destruction	11
Section 10.02.	Uninsured Destruction	11
Section 10.03.	Extent of Landlord's Obligation to Restore	12
Section 10.04.	Abatement or Reduction of Rent	13
Section 10.05.	Termination Due to Destruction	13
Section 10.06.	Tenant's Right to Terminate	13
ARTICLE XI	EMINENT DOMAIN	
Section 11.01.	Definitions	13
Section 11.02.	Total Taking	14
Section 11.03.	Partial Taking	14
Section 11.04.	Procedure	14
Section 11.05.	Permanent Rent Abatement	14
Section 11.06.	Cost of Restoration	14
Section 11.07.	Temporary Rent Abatement	14
Section 11.08.	Award	14
ARTICLE XII	ASSIGNMENT AND SUBLETTING	
Section 12.01.	Landlord's Consent Required	15
Section 12.02.	Tenant Affiliate	15
Section 12.03.	No Release of Tenant	15
Section 12.04.	Bonus Rent	15
Section 12.05.	Landlord's Costs	15
ARTICLE XIII	RIGHTS AND REMEDIES	

Section 13.01.	Right of Entry	15
Section 13.02.	Continuation of Lease	16
Section 13.03.	Remedies Upon Tenant's Default	16
Section 13.04.	Landlord's Mitigation	16
Section 13.05.	Reimbursement	17
Section 13.06.	Landlord's Default	17
ARTICLE XIV LANDLORD IMPROVEMENTS		
Section 14.01.	Landlord Improvements	17
Section 14.02.	Cost Limitation	17
ARTICLE XV TENANT IMPROVEMENTS		
Section 15.01.	Tenant Improvements	18
Section 15.02.	Plans and Specifications	18
Section 15.03.	Ownership of Tenant Improvements	18
Section 15.04.	Notice of Completion	18
Section 15.05.	Public Works Law	18
ARTICLE XVI MISCELLANEOUS		
Section 16.01.	Right to Estoppel Certificates	19
Section 16.02.	Notices	19
Section 16.03.	Waiver	19
Section 16.04.	Binding on Successors and Assigns	19
Section 16.05.	Integrated Agreement	19
Section 16.06.	Interpretation	19
Section 16.07.	Good Faith	20
Section 16.08.	Applicable Law	20
Section 16.09.	Holdover	20
Section 16.10.	Subordination	20
Section 16.11.	Confidentiality	20
Section 16.12.	Exhibits	20
Section 16.13.	Final Section/Signature Page	21
SIGNATURE PAGE		21

Table of Contents

BUILDING LEASE

THIS LEASE is executed in duplicate in Monterey County, California between 417 SALINAS ROAD, INC., a California corporation ("Landlord"), and the COUNTY OF MONTEREY ("Tenant") who agree as follows:

ARTICLE I - LEASE OF PREMISES

1.01. **Landlord's Property.** Landlord owns a building of approximately 88,721± square feet commonly known as 417 Salinas Road, Watsonville, California, (hereinafter referred to as "Landlord's Building"). Building is located upon real property owned by Landlord, commonly known as Monterey County Assessor's Parcel No. 117-291-08 referred to herein as "Landlord's Property."

1.02. **Lease of Premises.** Landlord leases to Tenant, and Tenant leases and takes from Landlord a portion of Landlord's Building commonly known as 417-C Salinas Road, Watsonville, CA 95076 consisting of approximately two thousand eight hundred forty-eight (2,848 ±) square feet, measured from the center of interior demising walls and the outside of exterior walls. The premises leased (hereinafter referred to as the "Premises") are shown on Exhibit A attached hereto and constitute approximately 3.210% of Landlord's Building. The Premises include the parking rights described in Section 6.07 below and the right to use common areas of Landlord's Property as described in Section 4.01 below.

1.03. **Warranty of Title and Peaceful Enjoyment.** Landlord warrants that it has good and sufficient title to the Premises to make this Lease for the term set forth herein. Landlord covenants that so long as Tenant is not in material default under the terms of this Lease, Tenant shall have quiet and peaceful possession of the Premises and shall enjoy all of the rights herein granted without interference.

1.04. **Prior Sublease.** The Premises have been occupied by Tenant for several years pursuant to a sublease from VinVinvision, Inc. VinVinvision's lease from Landlord terminated on February 29, 2012, thus also terminating Tenant's sublease. Tenant has continued to occupy the Premises with Landlord's consent beginning March 1, 2012 as a tenant-at-will of Landlord pending execution of this Lease.

ARTICLE II - TERM

2.01. **Commencement of Term.** The term of this Lease shall be three (3) years beginning on September 1, 2012 (the "Commencement Date") and terminating August 31, 2015. The "Lease Anniversary Date" will be each September 1 after the Commencement Date.

2.02. **Option to Extend.** Provided Tenant is not in default of this Lease, Landlord grants to Tenant the option to extend the term of this Lease for two (2) years from September 1, 2015 to August 31, 2017 on all the same terms hereof except this option to extend and the rent.

2.03. **Exercise of Option.** If Tenant elects to exercise this option to extend, Tenant must give written notice of exercise of this option delivered to Landlord **no later than November 1, 2014**, time being of the essence.

2.04. **Rent for the Extended Term.** Rent for the extended term will be determined as provided in Section 3.02 below.

2.05. **Limited Right to Terminate.** Tenant shall have the limited right to terminate this Lease upon six (6) months written notice solely on the condition that Tenant's funding for a North Monterey County office has not been budgeted by the Monterey County Board of Supervisors due to the County's financial conditions. The parties agree that this right shall not be exercised in order to permit Tenant to lease other premises for a similar purpose in the North Monterey County area.

ARTICLE III - RENT

3.01. **Rental Commencement Date.** Tenant's obligation to pay rent hereunder commenced on March 1, 2012, (the "Rental Commencement Date"). Tenant shall pay the monthly rent in advance on the first day of each calendar month during the term hereof, subject to adjustments provided in Section 3.04.

3.02. **Rent.** Commencing on the Rental Commencement Date (defined in Section 3.01 above), Tenant agrees to pay rent to Landlord monthly in advance, on the first day of each calendar month, as follows:

September 1, 2012 thru August 31, 2013	\$2,420.00 per month, gross
September 1, 2013 thru August 31, 2014	\$2,468.00 per month, gross
September 1, 2014 thru August 31, 2015	\$2,517.00 per month, gross

If Tenant exercises its option to extend the term per Section 2.02, the monthly rent for the extended term shall be as follows:

September 1, 2015 thru August 31, 2016	\$2,567.00 per month, gross
September 1, 2016 thru August 31, 2017	\$2,618.00 per month, gross

3.03. **Additional Rent.** Tenant shall also pay as Additional Rent any other charges which Tenant is required to pay by the terms of this Lease, but fails to pay thus requiring Landlord to pay on Tenant's behalf. For example, any real property taxes assessed on tenant improvements installed by Tenant (See Section

5.02. B) or extra cleanup required under Section 7.03 that Landlord must take because Tenant has failed to do so.

3.04. **Late Charges.** Tenant hereby acknowledges that late payment by Tenant to Landlord of rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord by the terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within ten (10) working days after such amount shall be due, then, without any requirement for notice to Tenant, Tenant shall pay to Landlord a late charge equal to six percent (6%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

3.05. **Place of Payment.** Rent shall be paid to Landlord care of PacCom Management Services, Inc. at 155 Westridge Drive, Watsonville, CA 95076, or at such other place as Landlord may from time to time designate in writing.

3.06. **Security Deposit.** [intentionally omitted]

ARTICLE IV - COMMON AREA/OPERATIONAL EXPENSES

4.01. **Common Area.** The term "Common Area" shall mean the areas on Landlord's Property used in common with Landlord's other tenants, including but not limited (as applicable) to trash disposal areas, utility rooms and facilities, shared loading docks, pedestrian walkways, ADA accommodation access routes (if any), landscaped areas, parking areas and driveways, except those areas designated for a particular Tenant's exclusive use. Tenant shall have the right to use the Common Area together with other Tenants, subject to Landlord's right set forth below in Section 4.03. Subject to Tenant's liability for special cleanup or repair of damages as provided in Section 7.03, Landlord agrees to maintain the Common Area in neat and clean condition and in good repair with adequate lighting, and to keep the parking areas and sidewalks within the Common Area available for the use of Tenant and Tenant's business invitees.

4.02. **Operational Expenses.** [intentionally omitted - gross lease].

4.03. **Landlord's Rights Regarding Common Area.** Landlord shall have the right to:

A. **Rules.** Upon written notice to Tenant, enforce reasonable rules and regulations applicable to all Landlord's tenants in Landlord's Building

concerning the use of the Common Area, and in particular to establish parking regulations and controls.

B. Temporary Closures. Upon one week's written notice (except in emergencies where such notice is unreasonable), close temporarily any part of the Common Area for maintenance or construction purposes provided the closure causes no interference with Tenant's ability to conduct its normal business, unless such interference is unavoidable.

C. New Structures. Install or construct such structures or facilities that serve all the tenants of Landlord's Building, without causing any unreasonable interference with Tenant's ability to conduct its normal business.

D. Management. Select a person or company to maintain, manage and operate any part of Landlord's Property, including the Common Area, on such terms and conditions and for such period of time as is reasonable, both as to service and as to cost.

ARTICLE V - TAXES

5.01. Real Property Taxes and Assessments.

A. Landlord's Obligation. Subject to Tenant's duty to reimburse below, Landlord shall pay all ad valorem and other real property taxes imposed by government authority or levied or assessed upon the Landlord's Property and Landlord's Building of which the Premises are a part.

B. Tenant's Obligations. Subject to the limitation stated below, Tenant shall reimburse Landlord as Additional Rent (see Sections 3.03 all real property taxes and charges assessed upon the Tenant Improvements (if any) installed by Tenant pursuant to Article 15 below, if assessed as part of Landlord's Building by the tax assessor. In such event, Landlord will provide tenant with a copy of the tax bill and Landlord's calculation of Tenant's prorata share of any such increase and Tenant will reimburse Landlord for same no later than ten (10) days prior to the tax delinquency date. Tenant will not be responsible for any increase resulting from the transfer, either partial or total, of Landlord's interest in Landlord's Property or Building, but Tenant will continue to be responsible for regular two percent (2%) annual increases that would have applied in the absence of such transfer.

5.02. Personal Property Taxes. Tenant agrees to file promptly its required Business Property return, to report any Tenant Improvements owned by Tenant (as defined in Section 15.03), and to pay all taxes levied upon personal property owned by Tenant and kept on the Premises during the term of this Lease, including trade fixtures and Tenant Improvements installed by Tenant that are not taxed as part of the Building:

ARTICLE VI - USE OF THE PREMISES

6.01. **Manner of Use.** The Premises shall be used for Tenant's business office and related activities as long as such use is not in violation of any applicable laws and regulations. Tenant shall not use the Premises for any other purpose without first obtaining Landlord's written consent (which consent shall not be unreasonably withheld or delayed). In determining the reasonableness of granting or denying other uses, Landlord will consider the impact of the proposed use and any required parking upon other tenants in Landlord's Building.

6.02. **Cooperation with other Tenants.** Tenant acknowledges that Landlord's Building is occupied by multiple tenants. Tenant agrees to make reasonable efforts to conduct its business, including the activities of its agents, contractors, and invitees, with consideration for and in cooperation with other tenants in Landlord's Building, especially within the shared Common Area shown on Exhibit A.

6.03. **Compliance with Public Authority.** Tenant shall comply with the requirements of public authorities regarding the manner of the conduct of Tenant's activities upon the Premises.

6.04. **Insurance Requirements.** Tenant shall conduct Tenant's activities on the Premises in compliance with the requirements of Landlord's insurance organization or company as necessary for the maintenance of reasonable insurance covering the Premises, provided that the requirements of Landlord's insurance carrier shall not exceed those customary for the same class of buildings in the same geographical area.

6.05. **Waste and Nuisance.** Tenant shall not commit, or suffer to be committed, any waste upon the Premises, or any extremes of nuisance, noise or other act or thing which unreasonably or materially disturbs the quiet enjoyment of any other tenant of Landlord, taking into account the industrial nature of the neighborhood.

6.06. **Hazardous Materials.** Tenant agrees to use, store and dispose of any hazardous materials only in compliance with all governmental laws and regulations, and to obtain any applicable permits for same from the County of Monterey and other public agencies having jurisdiction. No such materials will be stored underground or outside the Building. Tenant agrees to hold Landlord and Landlord's agents harmless from any claim or damages, and to indemnify same from any liability (including attorney's fees) arising from any release of any hazardous material caused by Tenant, or its agents, contractors, or invitees. Tenant agrees to notify Landlord of any release immediately following occurrence, as required by California Health and Safety Code Section 25359.7(6).

Landlord agrees that Tenant shall not be liable for any hazardous materials that may already be upon the Property prior to Tenant's entry. Landlord agrees to hold Tenant and Tenant's agents harmless from any claim or damages and to indemnify same from any liability (including attorneys' fees) arising from any hazardous materials which may already be upon the Property prior to Tenant's entry.

NOTE: Landlord's Building contains encapsulated asbestos in the insulating material that requires special treatment only when penetrated. All such asbestos has been removed from the Premises.

6.07 Parking. Tenant will be entitled to use of ten (10) parking places directly in front of the Premises as shown on Exhibit A. Landlord will clearly mark the 10 parking spaces at 417-C Salinas Rd. as reserved for Tenant.

6.08 Signs. Tenant agrees to install at Tenant's expense identification and directional signs on the Premises using materials and a style approved by Landlord, which approval will not be unreasonably withheld. No signs will be painted on the Building. Any lighted signs must be operated at Tenant's expense. Tenant's total signage will not exceed thirty-five and one-half percent (35.5%) of the total signage allowed for Landlord's Building. Identification signs must be on Tenant's portion of the Building.

ARTICLE VII - MAINTENANCE, REPAIR AND ALTERATIONS

7.01. Condition of Premises. Tenant has been in possession of the Premises for several years under a sublease from VinVision, Inc., and accepts the Premises in "as is" condition. Landlord warrants to Tenant that the Landlord's Building does not violate any applicable (when constructed) building code, regulation or ordinance or any other law, ordinance, rule or regulation applicable to the Premises although the parties acknowledge that Landlord's Building was constructed over 40 years ago and does not completely comply with current building codes, seismic and ADA requirements. Landlord agrees that in the event that this warranty is violated, then Landlord shall, after written notice from Tenant, rectify any such violation promptly, at Landlord's sole cost and expense. This warranty does not apply to any improvements or alterations made by Tenant and does not require Landlord to conform the Premises to current building codes, environmental laws, seismic regulations and ADA requirements.

Except as provided above or otherwise in this Lease, Tenant will be deemed to have accepted the Premises in their condition existing as of the Commencement Date, subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of Premises.

7.02. Landlord's Obligations. Except for Tenant's performance of its obligations under the provisions of Section 7.03, and except for damage caused by the negligent or intentional act or omission of Tenant, Tenant's agents, employees or invitees (in which event Tenant shall be responsible to the extent of

such damage ¹), Landlord at Landlord's expense shall be responsible for the integrity and repair of Building's structure including foundations, structural walls, exterior wall surfaces, glazing, doors, and exterior roof of the Building. Landlord's responsibility includes (a) structural or other latent defects in or to the Premises or Landlord's Building; (b) violations of ordinances, laws, regulations and orders of governmental authorities applicable to the construction or structure of the Premises or Landlord's Building, except to the extent caused by Tenant's use or occupancy of the Premises; (c) the negligence of Landlord, its employees, agents or contractors; or (d) any breach by Landlord of any of the terms, conditions or obligations on Landlord's part to be observed or performed under this Lease. Landlord also agrees to perform the additional Landlord (Lessor) responsibilities set forth on Exhibits B and C together with all needed repairs to the Premises, interior and exterior, including the walls, plumbing fixtures, drain stoppages ² electrical fixtures (including ballasts) and HVAC.

A. Landlord shall have no obligation to make repairs under this Section 7.02 until after receipt of written notice of the need of such repairs. Landlord shall commence such repairs within thirty (30) days after receipt of written notice unless the repairs are of an emergency nature (defined below), in which case they shall be commenced as soon as possible.

B. If Landlord fails to perform its obligations specified above or fails to make timely repairs for which Landlord is responsible, Tenant may perform such maintenance or repairs at its expense and deduct the reasonable cost thereof from the rent due hereunder.

C. Landlord agrees to perform all emergency repairs which are the responsibility of Landlord with the utmost urgency. An "emergency repair" is a repair that is necessary in order to protect the health and safety of persons or public property or to save the integrity of Landlord's Building. Tenant agrees to make a diligent effort to contact Landlord's property manager before it uses responsible judgment to contact the appropriate vendor identified on Exhibit D to perform the emergency repair to protect the health and safety of persons or public property or to save the integrity of Landlord's Building.

7.03. Tenant's Obligations. Tenant shall keep the interior of the Premises in a clean and tidy condition and shall be responsible for (1) janitorial expenses including restroom supplies, (2) kitchen supplies, and (3) replacing light bulbs/tubes as needed. Tenant further agrees to be responsible any cost to repair damage to Landlord's Building or Property, or to clean up litter or trash upon Landlord's Property to the extent such extra cost is caused by Tenant or

¹ Landlord agrees to arrange repairs for these items but Tenant agrees to reimburse the cost promptly after receiving an itemized billing from Landlord.

² Tenant will be responsible for drain stoppages traceable to Tenant and will reimburse the cost promptly after receiving an itemized billing from Landlord.

Tenant's employees, agents, contractors, guests or invitees. Tenant agrees to perform the responsibilities assigned to Tenant (Lessee) as set forth on Exhibits B and C.

7.04. Obligations Regarding Noxious Substances. Neither party (including the respective party's officers, employees, agents and contractors) shall apply any noxious substance as part of any of their respective maintenance or repair obligations which would introduce irritating or noxious odors or any other hazardous condition to occupied spaces without prior notice and coordination with the other party and other tenants in Landlord's Building. Prior notice and coordination shall be made at least 48 hours prior to the desired application time. The contracting party shall require the proposed applicator to provide a Product Safety Data Sheet to the other party and other tenants in Landlord's Building. Examples of such noxious substances or materials include, but are not limited to, the following:

- Termite control materials
- Pesticides
- Paint
- Water treatment chemicals
- Carpet adhesives
- Any other substance that is or could be construed as hazardous

7.05. Prohibited Alterations or Installations. Tenant shall not make any structural or exterior alterations to the Premises or penetrations of the exterior wall, or roof, nor construct any mezzanines or second floors without Landlord's prior review and written consent of Tenant's plans, which approval will not be unreasonable withheld or delayed (but will depend partly upon available parking and County requirements). Tenant shall make no installations upon the roof or any flues or other installations which penetrate the roof membrane without Landlord's prior consent. Any work upon the roof or any required penetration of the roof membrane must be performed by Landlord's roofing contractor to avoid violating any roof warranty. Tenant shall make no alteration, improvement or installation which will increase Tenant's required parking without Landlord's prior written consent.

7.06. Permitted Alterations and Installations. Except for those matters specifically prohibited in this Lease, Tenant shall have the right to place or install in and on the Premises at any time during the term such improvements as Tenant shall deem desirable for the conduct of Tenant's business therein, provided Tenant obtains the required County permits and inspections, and provided the cost thereof does not exceed One Thousand Dollars (\$1,000.00). Tenant will notify Landlord in writing of its intentions to install such Tenant Improvements at least five (5) days prior to commencement of construction thereof but will not need Landlord's approval. If any such alterations or

installations exceed the cost of One Thousand Dollars (\$1,000.00), then Tenant must submit plans and specifications for such alterations or installations for Landlord's review and written approval prior to the commencement of any such work, which approval will not be unreasonable withheld. Tenant must submit to Landlord a copy of its Building Permit issued by the County for each such improvement or alteration, if applicable. All such Tenant Improvements shall become the property of Landlord upon any termination of this Lease, unless Landlord requires their removal. In that event, Tenant agrees to remove such Tenant Improvements and to repair any holes or other damages resulting from the removal of Tenant's property or Tenant Improvements pursuant to this Section. If Tenant abandons or vacates the Premises without removing Tenant Improvements owned by Tenant, Landlord may cause same to be removed and Tenant shall reimburse Landlord for the expense thereof. This obligation will survive any termination of this Lease.

7.07. **Surrender.** Upon termination or expiration of this Lease for any reason, Tenant shall surrender to Landlord the Premises together with all improvements and alterations in good order, condition and repair except for reasonable use, wear, Act of God and the elements, and except for Landlord's obligations under Section 7.02 "Landlord's Obligations," Article X "Damage and Destruction," and Article XI "Eminent Domain." Any item of Tenant's property not removed by the effective date of such termination or expiration shall be deemed abandoned and Tenant shall reimburse Landlord for the cost of any removal thereof. These obligations will survive any termination of this Lease.

7.08. **Service Vendors.** Within ten (10) days after executing this Lease, Landlord shall provide Tenant with the names, addresses, telephone numbers of companies or persons used by Landlord as sources of service concerning Landlord's obligations of maintenance and repair. If Landlord fails to provide such data, Tenant may choose service vendors as needed without penalty from Landlord. See Exhibit D.

ARTICLE VIII - INSURANCE AND INDEMNITY

8.01. **Tenant's Liability Insurance.** Tenant, during the term hereof, shall indemnify and hold harmless the Landlord from and against any and all claims and demands whether for injuries to persons or loss of life, or damage to property, occurring within the demised Premises and arising out of the use of the demised Premises by the Tenant, excepting however, such claims and demands whether for injuries to persons or loss of life, or damage to property, caused by acts or omissions of the Landlord.

Tenant shall maintain public liability and property damage coverage or program of self-insurance with liability limits of not less than \$1,000,000 for injury or death to one or more persons and property damage limits of not less than \$50,000 per occurrence insuring against all liability of Tenant and its

authorized representatives arising out of and in connection with Tenant's use or occupancy of the Premises. Tenant shall deliver to LANDLORD, within thirty (30) days of LANDLORD'S request, written confirmation of insurance or self-insurance from Monterey County Risk Management Division evidencing the existence and amounts of such insurance as described in this Article 8.01. Landlord, during the terms hereof, shall indemnify, defend and saved harmless the Tenant from and against any and all claims and demands whether for injuries to persons or loss of life, or damage to property, arising out of acts or omissions of the Landlord.

Landlord agrees that it will keep insured against loss or damage by fire, to at least eighty percent (80%) of the full fair insurable value thereof, the building on the demised Premises or of which the demised Premises are a part.

Landlord shall not be liable to Tenant or to anyone whatsoever for any damages caused by plumbing, gas, water, steam, sprinkler or other pipe and sewage systems, or by the bursting, running or leaking of any tank, washstand, closet, or waste or other pipe, in and about the Premises of the building of which they are a part, or for any damage caused by water being upon or coming in through the roof, skylight, vent ,trap door or otherwise; provided that Landlord shall not be relieved from any of its obligations for maintenance and repair as otherwise set forth in the Lease.

8.02. Tenant Improvements. Tenant has the risk of loss for any Tenant Improvements owned by Tenant. See Section 15.03 for definition of ownership of Tenant Improvements.

8.03. Mechanics' Liens. Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished or obligation incurred by Tenant. Alternatively, Tenant may at its option secure a bond in favor of Landlord with respect to any such lien. Tenant shall give Landlord five (5) days' notice in writing prior to commencing any construction on the Premises in excess of One Thousand Dollars (\$1,000.00) or prior to hiring any mechanic, material-man or contractor to perform work upon or deliver materials to the Premises in excess of One Thousand Dollars (\$1,000.00) for any one job. Landlord may, at Landlord's option, pay and discharge any such lien which Tenant may cause to accrue against the Premises, and all such amounts shall be reimbursed to Landlord as herein provided.

ARTICLE IX - UTILITIES

9.01. Utilities. Tenant shall pay before delinquency all charges made for gas, electricity, telephone, satellite and other communications services, garbage and trash removal and any other utilities or public services supplied to the Premises. Water is metered to the entire building. Landlord monitors usage of all

tenants in Landlord's Building and bills any tenant(s) found to be using excessive quantities, as determined Landlord. Tenant agrees to reimburse Landlord as Additional Rent for extraordinary water or sewer usage, as determined Landlord. Tenant shall arrange for frequent garbage and trash pick-up and disposal, including special pick-ups if necessary, to avoid any accumulation of its trash. Tenant shall not use the Common Area trash receptacle (if any) for its trash.

9.02. **Gas & Electrical Sub-Meters.** The Premises and Landlord's tenant at 417-B Salinas Road (currently Beverly Fabrics, Inc.) obtain gas and electrical service from the main gas and electrical meters to Landlord's Building. Landlord's property manager (PacCom Management Services, Inc.) receives PG&E's billings and allocates the use of these utilities between tenants, as measured by sub-meters. Tenant agrees to reimburse Landlord for Tenant's consumption of such utilities' services promptly following receipt of Landlord's billing.

ARTICLE X - DAMAGE AND RESTORATION

10.01. **Insured Destruction.** If, during the term, the Premises or the Building and other improvements in which the Premises are located are totally or partially destroyed from a risk fully covered by the insurance described in Section 8.02, rendering the Premises totally or partially inaccessible or unusable, Landlord shall restore the Premises or the Building and other improvements in which the Premises are located to substantially the same condition as they were in immediately before destruction, in the manner provided in Section 10.03 below. Subject to Section 10.06 below, such destruction shall not terminate this Lease. However, if the existing laws do not permit the restoration, either party can terminate this Lease immediately by giving notice to the other party.

10.02. Uninsured Destruction.

A. If, during the term, the Premises or the Building and other improvements in which the Premises are located are totally or partially destroyed from a risk not fully covered by the insurance described in Section 8.02, rendering the Premises totally or partially inaccessible or unusable, Landlord shall restore the Premises and other improvements in which the Premises are located to substantially the same condition as they were in immediately before the destruction, provided that the cost of the uninsured portion of the cost of restoration does not exceed twenty-five percent (25%) of the replacement value of the Building in which the Premises are located.

B. If the cost of the uninsured portion of the cost of restoration exceeds twenty-five percent (25%) of the then replacement value of the Building in which the Premises are located, Landlord can elect to terminate this Lease by

giving notice to Tenant within thirty (30) days after determining the restoration cost and replacement value.

C. In the case of damage or destruction to the Premises only, if Landlord elects to terminate this Lease, Tenant can within thirty (30) days after receiving Landlord's notice to terminate, elect to pay to Landlord, at the time Tenant so notifies Landlord of its election, the difference between twenty-five percent (25%) of the then replacement value of the Premises and the actual cost of the uninsured portion of the cost of restoration, in which case Landlord shall restore the Premises. Landlord shall give satisfactory evidence that all sums contributed by Tenant as provided in this Section have been expended by Landlord in paying the actual cost of restoration.

D. If Landlord elects to terminate this Lease and Tenant does not elect to perform the restoration or contribute toward the cost of restorations provided in this Section, this Lease shall terminate.

10.03. Extent of Landlord's Obligation to Restore.

A. If Landlord is required or elects to restore the Premises as provided in Sections 10.01 and 10.02, Landlord shall commence the restoration process as promptly as possible, but no later than thirty (30) days after the date Tenant either waives or is deemed to have waived its right to terminate this Lease pursuant to Section 10.06, and then diligently pursue such restoration to completion.

B. The parties acknowledge that in normal circumstances restoration work cannot commence before a building permit is obtained. Time deadlines set forth in this Article X shall not commence until required permits are issued. Landlord agrees to diligently pursue issuance of all required permits.

C. If Landlord is required or elects to restore the Premises as provided in Sections 10.01 or 10.02, Landlord shall not be required to restore alterations made by Tenant, Tenant Improvements, Tenant's trade fixtures and Tenant's personal property. Such excluded items are the sole responsibility of Tenant to restore.

D. In the event Landlord is obligated or elects to restore the Premises or any part thereof, Landlord shall not be liable to Tenant for any loss or damage sustained, or liability incurred, by Tenant by reason of Landlord's failure to make such repairs or of Landlord's delay in commencing, prosecuting or completing such repairs (other than rent abatement as provided in Section 10.04 and Tenant's right to terminate as provided in Section 10.05) if such failure or delay is caused by (1) strike; (2) inclement weather; (3) inability to obtain necessary materials, equipment or labor; (4) governmental restriction, limitation or prohibition of equipment or labor; (5) injunction; (6) subdivision restrictions or

municipal zoning or building regulations; (7) war, invasion or civil disturbance; or (8) evacuation of the area in which the Building is located.

10.04. **Abatement or Reduction of Rent.** In the case of destruction, there shall be an abatement or reduction of rent and other sums payable under this Lease between the date of destruction and the date of completion of restoration, based upon the extent to which the destruction interferes with Tenant's use of the Premises.

10.05. **Termination Due to Destruction.** If Landlord has been unable to restore the Premises by six (6) months after the destruction, Tenant shall be entitled to terminate this Lease without further obligation, effective thirty (30) days following written notice to Landlord. Tenant waives the provisions of Civil Code Section 1932(2) and 1933(4) with respect to termination by reason of destruction of the Premises to the extent they are inconsistent with the provisions of this Article X. If the existing laws at the time of destruction do not permit restoration by Landlord, either party can terminate this Lease immediately by giving notice to the other party.

10.06. **Tenant's Right to Terminate.** Notwithstanding anything to the contrary contained in the Lease, Tenant may terminate this Lease by delivery of written notice to Landlord within thirty (30) days after the date of an event of damage and destruction if: (1) twenty-five percent (25%) or more of the usable area of the Premises is rendered unusable, and (2) Tenant reasonably and in good faith estimates that the damage and destruction cannot be fully repaired within one hundred-eighty (180) days after the date required permits are issued. Tenant shall be deemed to have waived its right to terminate this Lease with respect to a particular event causing such damage and destruction if such termination notice is not delivered within thirty (30) days after the date of such damage and destruction; provided, however, such waiver shall not be deemed to affect Tenant's rights with respect to any subsequent event of damage and destruction.

ARTICLE XI - EMINENT DOMAIN

11.01. Definitions:

A. "Condemnation" means (1) the exercise of any power of eminent domain whether by legal proceedings or otherwise, by a condemner, or (2) a voluntary sale or transfer by Landlord to any condemner, either under written notice of condemnation or while legal proceedings for condemnation are pending.

B. "Date of taking" means the date the condemner has the right to possession of the property being condemned.

C. "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial condemnation.

D. "Condemner" means any public or quasi-public authority, or private corporation or individual, having the power of condemnation.

11.02. **Total Taking.** If the Premises are totally taken by condemnation, this Lease shall terminate on the date of taking.

11.03. **Partial Taking.** If any portion of the Premises is taken by condemnation, this Lease shall remain in effect, except that Tenant can elect to terminate this Lease if Tenant reasonably determines that the remaining property is no longer suitable for Tenant's intended use.

11.04. **Procedure.** If either party elects to terminate this Lease pursuant to this Article XI, it must do so pursuant to this Section by giving written notice to the other party within fifteen (15) days after the nature and extent of the taking have been finally determined. If an election is so made, this Lease shall terminate on the date of taking, the date specified in the written notice or the thirtieth (30th) day following the date of receipt of such notice, whichever date last shall occur. If said notice is not given within said thirty (30) day period, this Lease shall continue in full force and effect.

11.05. **Permanent Rent Abatement.** If any portion of the Premises is taken by condemnation and this Lease remains in full force and effect, on the date of taking the monthly rent shall be permanently reduced in the proportion that the take bears to the total number of square feet in the Premises. If any portion of the Common Area is taken and this Lease remains in full force and effect, on the date of the taking the monthly rent shall be permanently reduced to the extent to which the taking interferes with Tenant's use of the Premises.

11.06 **Cost of Restoration.** If there is a partial taking of the Premises and this Lease remains in full force and effect, Landlord at its cost shall accomplish all necessary restoration.

11.07. **Temporary Rent Abatement.** The monthly rent shall be abated or reduced during the period from the date of taking until the completion of restoration, but all other obligations of Tenant under this Lease shall remain in full force and effect. The abatement or reduction of rent shall be based on the extent to which the restoration interferes with Tenant's use of the Premises.

11.08 **Award.** Any and all awards made for the taking of all or part of the Premises shall be the property of Landlord, provided that any award made for the taking of any of Tenant's property or any Tenant Improvements owned by Tenant or on account of relocation or moving expenses of Tenant or on account of prepaid rent shall be the property of Tenant.

ARTICLE XII - ASSIGNMENT AND SUBLETTING

12.01. **Landlord's Consent Required.** Tenant may assign the Premises or any portion thereof, with the Landlord's prior written consent, which Landlord shall not unreasonably withhold or delay. Any attempted assignment, transfer, mortgage, encumbrance or subletting without such prior written consent shall be void, and shall constitute a breach of this Lease.

12.02. **Tenant Affiliate.** Notwithstanding the provisions of Section 12.01 hereof, and provided there is no change in the use of the Premises, Tenant may assign or sublet the Premises, or any portion thereof, without Landlord's consent, to any entity which is controlled by or is under common control with Tenant, or to any corporation resulting from the merger or consolidation with Tenant, or to any person or entity which acquires substantially all of the assets of Tenant. Provided further, any such assignee or sublessee must assume, in full and in writing, the obligations of Tenant under this Lease, and any personal guarantors of this Lease provide written acknowledgement that the guarantee continues.

12.03. **No Release of Tenant.** Regardless of Landlord's consent, no subletting, assignment or assumption of the lease of any other party shall release Tenant of Tenant's obligation or alter the primary liability of Tenant to pay the rent and to perform all other obligations to be performed by Tenant hereunder. The acceptance of rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision hereof. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting. In the event of default by any assignee of Tenant or any successor of Tenant in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against said assignee. Landlord may require as a condition to any assignment that Tenant provide a written guarantee of the assignee's performance of the terms of this Lease, and that any guarantor of this Lease provide written acknowledgement that the guarantee continues.

12.04. **Bonus Rent.** In the event of any assignment or sublease at a rental rate higher than that required under this Lease, all excess rent (bonus rent) will be paid to Landlord.

12.05. **Landlord's Costs.** Tenant shall reimburse Landlord's for the cost of document review by Landlord's attorney in connection with any assignment or subletting, not to exceed \$1,000.

ARTICLE XIII - RIGHTS AND REMEDIES

13.01. **Right of Entry.** Tenant shall permit Landlord and its agents to enter into and upon the Premises at all reasonable times during business hours upon reasonable notice for the purpose of inspecting same or for the purpose of

maintaining the Building, or for the purpose of making repairs. All such inspections and repairs shall be made in such manner as not to interfere with the conduct of Tenant's business. See Section 7.02.C regarding Landlord's right of entry for emergency repairs.

13.02. Continuation of Lease. Even though Tenant breaches this Lease, this Lease continues in effect for so long as Landlord does not terminate Tenant's right to possession and Landlord may enforce all its rights and remedies under this Lease, including the right to recover rent as it becomes due hereunder.

13.03. Remedies Upon Tenant's Default. Except as provided in the foregoing Section, this Lease will terminate upon written notice in the event that (a) Tenant fails to pay Landlord any sums due hereunder within thirty (30) days after Landlord's written notice of failure to pay; (b) Tenant otherwise materially breaches this Lease (and does not cure such breach within thirty (30) days after written notice of the same from Landlord or if such cure cannot reasonably be completed within thirty (30) days, Tenant does not commence such cure within thirty (30) days of such notice and diligently pursue such cure to completion); (c) Tenant becomes insolvent, makes an assignment for the benefit of creditors or is adjudged bankrupt; (d) a receiver is appointed for Tenant's property; or (e) any interest herein passes to any trustee appointed under the Bankruptcy Act, or any trustee, assignee or receiver for creditors. On such termination, in addition to other remedies provided by law, Landlord may recover from Tenant the sum of the following:

A. Unpaid rent which has been earned to the time of termination, plus interest at the rate of ten percent (10%) per year from the due date of each such rental payment to the time of award;

B. The amount of unpaid rent which would have been earned after termination until the time of award, plus interest at the maximum legal rate per year from the due date of each such payment to the time of award, less the amount of rental loss that Tenant proves could have been reasonably avoided, if any; and

C. The total unpaid rental for the balance of the term after the time of award, less the amount of rental loss for such period that Tenant proves could have been reasonably avoided, if any, and less a discount to the end of the term computed at the rate in effect at the time of award at the Federal Reserve Bank of San Francisco, plus one percent (1%).

13.04. Landlord's Mitigation. Landlord shall mitigate damages caused by termination of this Lease by attempting to relet the Premises prior to the time of award. Any efforts by Landlord to mitigate damages by reletting shall not waive Landlord's rights to recover any damages.

13.05. **Reimbursement.** If Tenant fails to make any payment or take any action required of Tenant in this Lease, Tenant agrees to reimburse Landlord upon demand for all expenditures made by Landlord for the account of or benefit of Tenant, together with interest thereon from the date of such expenditure until repaid at the maximum rate provided by law, but not less than ten percent (10%) per year.

13.06. **Landlord's Default.** Landlord shall not be in default unless Landlord fails to perform its obligations under this Lease within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant to Landlord specifying the default. If the nature of Landlord's default is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance with such thirty (30) day period and thereafter diligently prosecutes same to completion.

If Landlord fails to cure any default within the time periods specified above, Tenant shall have the option to cure the default or to terminate this Lease upon thirty (30) days' written notice to Landlord, in addition to any other remedies at law not inconsistent herewith. Should Tenant elect to cure the default itself, all costs associated with such cure, including reasonable attorneys' fees (if any) shall be reimbursed by Landlord to Tenant within thirty (30) days after receipt of Tenant's detailed invoice for such costs. If Landlord fails to reimburse Tenant, such costs may withheld from Tenant's rental obligation. If Landlord's default prevents Tenant's use of the Premises, the rent shall be abated proportionately for the period of non-use.

ARTICLE XIV - LANDLORD IMPROVEMENTS

14.01. **Landlord Improvements.** Within ninety (90) days after Tenant's written request, Landlord shall complete (subject to the cost limitation below) the following improvements to the Premises.

- A. Install an interior lift chair (including required electrical connection) along the stairs inside the main entrance.
- B. Install ADA compliant accessibility exterior improvements to the main entrance to the Premises at Landlord's sole cost.
- C. Repaint the interior walls in designated areas of the Premises. Color and finishes to match existing.
- D. Replace carpeting in designated areas of the Premises. Color and grade to match existing.

14.02. **Cost Limitation.** Landlord's cost obligation for the improvements specified in Section 14.01 above shall not exceed Two Thousand Five Hundred (\$2,500) for item A above, and Five Thousand Dollars (\$5,000) for items C and D combined, unless agreed to in writing by both Landlord and Tenant. If the cost of

such improvements exceeds these limits, Landlord will have no obligation to proceed with the improvements until Tenant has paid or agreed to pay in writing any excess cost.

ARTICLE XV - TENANT IMPROVEMENTS

15.01. Tenant Improvements. If Tenant needs any improvements for its use of the Premises, Tenant will provide at its expense all tenant and other leasehold improvements it requires to occupy or continue occupying the Premises, including but not limited to utility distributions, offices, additional restrooms (Tenant Improvements).

15.02. Plans and Specifications. If Tenant proposes to construct any Tenant Improvements, Tenant shall provide Landlord with plans and specifications for all proposed Tenant Improvements, such plans to be prepared by a licensed architect or building designer and to be in a form acceptable to the County of Monterey. Upon written approval by both Landlord and Tenant, the plans and specifications will be deemed an addendum to this Lease, and Tenant agrees that it will cause same to be constructed in conformity with such plans and in compliance with applicable building codes and permits. Any material modification or changes from the approved plans requested by Tenant must also be approved by Landlord by written change order.

15.03. Ownership of Tenant Improvements. Any Tenant Improvements paid for by Landlord shall be the property of Landlord. All Tenant Improvements paid for by Tenant will be the property of Tenant; however same shall become the property of Landlord upon any termination of the Lease and shall remain with the Premises unless Landlord requires their removal pursuant to Section 7.05 above. If Landlord requires removal, the Premises returned to their original condition unless otherwise agreed between Landlord and Tenant.

15.04. Notice of Completion. If applicable, Landlord will be responsible to insure that a properly prepared Notice of Completion is filed with the County Clerk-Recorder's Office on all construction and remodeling work performed as a result of this Lease. The Notice of Completion form will be filed within ten (10) working days after the Landlord and the Tenant have concurred that the construction is complete.

15.05. Public Works Law. Under Section 1720.2 of the California Labor Code, any construction contract to improve the space to be leased by the County of Monterey for government services may be considered a 'public work' if certain conditions are met. If applicable, Landlord shall comply with the provisions of law governing public works including, without limitation, Labor Code sections 1773, 1773.2, 1773.3, 1773.8, 1775 (payment of prevailing wages), 1776 (payroll records), and 1777.5 (employment of apprentices), all as periodically amended.

ARTICLE XVI - MISCELLANEOUS

16.01. **Right to Estoppel Certificates.** Each party, within fifteen (15) days after notice from the other party, shall execute and deliver to the other party, signed and notarized, a certificate stating that this Lease is unmodified and in full force and effect, or in full force and effect as modified and stating the modifications. The certificate also shall state the amount of monthly rent, the dates to which the rent has been paid in advance and the amount of any security deposit or prepaid rent. If Tenant fails to deliver such a certificate within thirty (30) days after notice requesting same, Tenant hereby authorizes Landlord to execute such a certificate on Tenant's behalf.

16.02. **Notices.** All notices to be given to Tenant or Landlord may be given in writing personally or by depositing the same in the United States mail, certified, postage prepaid, and addressed to Landlord and Tenant at the addresses set forth on the signature page (or such other address as either party hereto has specified by notice given in accordance with this Section). The date of service shall be seventy-two (72) hours after the time of mailing. If such notice is given by facsimile and mailing in the manner required above, the date of service shall be forty-eight (48) hours after the time of mailing. The time of mailing notice shall be evidenced by official postal proof of mailing.

16.03. **Waiver.** The waiver by either party of any term, covenant or condition herein contained shall not be deemed to be a waiver of any other term, covenant or condition, nor shall either party consent to any breach of any term, covenant or condition, nor shall either party be deemed to constitute or imply its consent to any subsequent breach of the same of other term, covenant or condition herein contained.

16.04. **Binding on Successors and Assigns.** The covenants and conditions herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of all of the parties hereto; and all of the parties hereto shall be jointly and severally liable hereunder.

16.05. **Integrated Agreement.** The parties hereto agree that there is no understanding or agreement, oral, written, express or implied, existing on any of the subjects referred to in the foregoing Lease, other than this Lease itself, and that every agreement, representation, warranty or understanding on the said subjects has been merged into this Lease, which is mutually understood to be and shall be conclusively accepted as the full agreement between Landlord and Tenant.

16.06. **Interpretation.** In interpreting this Lease, substance shall govern form and equity shall govern law; any interpretation shall be reasonable and just, in accordance with the plain and simple meaning of the words used. The

captions and table of contents of this Lease shall have no effect on its interpretation.

16.07. **Good Faith.** The covenant of good faith and fair dealing implied in all contracts is made express herein.

16.08. **Applicable Law.** This Lease and all matters relating to the premises shall be governed by California law.

16.09. **Holdover.** If Tenant remains in possession of the Premises after any termination of this Lease, the holdover period shall be deemed a two-month to two-month tenancy at a gross rental of 120% of the total rental obligation for the month prior to termination.

16.10. **Subordination.** This Lease is and shall be subordinate to any mortgage now of record³ or recorded after the date of this Lease affecting the premises and Tenant agrees that it will execute, acknowledge and deliver, upon request, all documents reasonably necessary to subordinate this Lease to such mortgage or superior lease; provided, however, that each holder of any such mortgage shall agree in writing that, so long as Tenant performs its obligations under this Lease, (a) Tenant will enjoy peaceful possession of the premises; (b) the holder of any such mortgage shall not disturb or interfere with Tenant's rights hereunder; and (c) any purchaser at a foreclosure sale shall acquire and accept the premises subject to this Lease.

16.11. **Confidentiality.** Landlord acknowledges that Tenant's services, identity of clients, and records relate to a confidential relationship between the Tenant and its clients. Landlord agrees that, in its interaction with Tenant, its clients and records, whether through itself, its employees, or its agents, it will maintain such confidences as might become available to it and not release or divulge such confidential identities, information or records; provided that all such confidential data is maintained in a locked environment and any confidential data is shredded prior to disposing of it in trash receptacles. The parties agree that the entire Premises shall be deemed a locked environment.

16.12. **Exhibits.** The following Exhibits are attached hereto and incorporated by reference herein:

- A. Exhibit A, schematic drawing of Premises
- B. Exhibit B, summary of maintenance responsibilities
- C. Exhibit C, summary of services and utilities
- D. Exhibit D, list of service vendors

In the event of a conflict between any Exhibit and any other provision of this Lease, the provisions of the Exhibit shall prevail.

³ At the Commencement Date Landlord's Property is unencumbered by any loan.

EXHIBIT B - Summary Maintenance & Repair Responsibilities

The following is a summary of maintenance and repair responsibilities of Landlord and Tenant for the proposed use of the Premises. Refer to Lease Article VII for more complete information.

	N/A	Landlord	Tenant
Common Areas			
Foundations and Floor Slabs		x	
Elevators and/or Dumb Waiters		x	
Exterior and Bearing Walls	x		
Exterior Doors and Hardware to Tenant's space		x	
Interior and Exterior Windows and Window Frames to Tenant's space		x	
Roofs replacement		x	
Roof repairs (part of NNN)		x	
Gutters, Drains and Downspouts		x	
Parking Lots		x	
Ceilings (damage due to roof leaks only)		x	
Fire Sprinkler Systems		x	
Fire Alarm Systems		x	
Intrusion/Security Alarm Systems (excluding common areas)		x	
Heating, Ventilation and air Conditions (HVAC) Systems (including replacement if deemed necessary)		x	x
Heating, Ventilation and air Conditions (HVAC) control switches, sensors and thermostats		x	
Electrical systems (including electrical outlets, panels, circuit breakers and wiring)		x	
Plumbing Systems (including sewer and drain stoppages and fixtures)		x	
Exterior Lighting (including starters, ballasts, transformers and light switches)		x	
Interior Lighting (including starters, ballasts, transformers, and light switches)		x	
Interior Light Bulbs and Fluorescent Light Tubes (replacement)			x
Interior Walls			x
Interior Wall Surfaces (including repainting if deemed necessary)			x
Interior doors and Hardware			x
Interior Windows and Window Frames			x
Carpet, VCT, and Linoleum Flooring (including replacement if deemed necessary)			x
Base and/or Moldings (including replacement if deemed necessary)			x
Appliances (excluding common areas)			x
Communication Systems (data/telephone cabling, connections and equipment)			x

NOTE 1: Notwithstanding the foregoing, Tenant will pay to Landlord the reasonable cost of any repairs or maintenance required as a direct result of negligent acts or omissions of Tenant its agents, employees, or invitees. Tenant will also pay to Landlord the reasonable cost of any repair or maintenance required for Tenant installed improvements to the Premises, such as phone/data cabling, support equipment, trade fixtures, special door locks, and any other equipment used to meet Tenant's operational needs, that are considered above normal general office space improvement.

NOTE 2: In the event of any conflict between this Summary and Article VII of the Lease, the latter shall control.

EXHIBIT B