

**FIRST AMENDMENT ("First Amendment") TO LEASE AGREEMENT
DATED AUGUST 3, 2001 FOR PREMISES LOCATED AT 713 LA GUARDIA,
SALINAS, CALIFORNIA
("Lease")**

**BETWEEN CAPUTO ASSOCIATES, A CALIFORNIA LIMITED PARTNERSHIP,
AS "LESSOR",**

AND

COUNTY OF MONTEREY AS "LESSEE"

LESSOR and LESSEE hereby amend the Lease as follows:

1. **Capitalized Terms.** All capitalized terms not otherwise defined herein shall have the meanings set forth in the Lease.
2. **Extended Term.** The term of the Lease is hereby extended for an additional five (5) years from April 1, 2006, through March 31, 2011 (the "Extended Term.")
3. **Extension Tenant Improvements.** LESSEE may require the construction of additional non-structural Tenant Improvements within the Premises for LESSEE's use during the Extended Term (the "Extension Tenant Improvements.") The Extension Tenant Improvements specified by LESSEE hereunder must comply with all applicable building codes and laws. Such Extension Tenant Improvements shall require and be subject to LESSOR's final consent and approval, such consent and approval not to be unreasonably withheld. Provided LESSEE is not in default under the Lease, LESSOR shall engage a qualified contractor to construct the Extension Tenant Improvements and pay the cost of the Extension Tenant Improvements to be constructed hereunder up to a maximum amount of Fifty Thousand Dollars (\$50,000.00) (the "ETI Allowance.") The ETI Allowance shall include the costs of all architectural/engineering expenses, building permit fees, and Landlord's fees for supervision and management of construction equal to three percent (3%) of the actual costs of the Extension Tenant Improvements. The Extension Tenant Improvements to be covered by the ETI Allowance must be specified in writing by LESSEE within one hundred eighty (180) days after the date of this First Amendment, and designed such that LESSOR can reasonably cause the Extension Tenant Improvements to be completed within three hundred sixty-five (365) days after the date of this First Amendment. The time for completion of the Extended Term Improvements shall be accordingly extended due to any delays caused by LESSEE or by any reasons beyond LESSOR's reasonable control (such as inclement weather, strikes, labor or materials shortages, etc.) LESSEE may require Extension Tenant Improvements to be constructed by LESSOR that will cost more than the amount of the ETI Allowance, provided that LESSOR approves of the nature of such improvements and that LESSOR shall have no obligation to construct the Extension Tenant Improvements if the total cost of such improvements is reasonably expected to exceed One Hundred Thousand Dollars (\$100,000.00) (the "Maximum ETI Amount.") In the event the actual cost of the Extension Tenant Improvements exceeds the amount of the ETI Allowance, but

does not exceed the Maximum ETI Amount, LESSEE shall reimburse LESSOR for the amount by which the total costs of the Extension Tenant Improvements exceeds the ETI Allowance (the "Excess ETI Amount") within fifteen (15) days after LESSEE's receipt of LESSOR's invoice for such costs, together with reasonable documentation thereof. Provided, however, LESSEE may elect to repay the Excess ETI Amount by giving written notice to LESSOR of such election within said fifteen (15) days period and having LESSOR advance the Excess ETI Amount with LESSEE repaying such amount, with interest thereon at the rate of eight percent (8%) per annum from the date of LESSOR's disbursement thereof, in equal amortized monthly payments over the then-remaining portion of the Extended Term of the Lease. For example, if there are fifty-five (55) months remaining of the Extended Term when LESSEE receives a proper invoice from LESSOR for Fifty Thousand Dollars (\$50,000.00) as the Excess ETI Amount, and LESSEE elects to repay such amount in monthly amortized installments hereunder, the additional monthly installment payment due from LESSEE to LESSOR would be One Thousand One Hundred Five Dollars and Sixty-Two Cents (\$1,105.62.) In such case, each amortized monthly payment of the Excess ETI Amount shall be due and payable at the same time and be paid in the same manner as monthly base rent. Upon any termination of the Lease prior to its scheduled expiration, the entire then-remaining principal balance of the Excess ETI Amount, together with accrued but unpaid interest hereunder, shall be immediately due and payable by LESSEE to LESSOR, without any requirement for notice or demand. If LESSEE does not elect to repay the Excess ETI Amount in amortized payments as permitted in this paragraph and fails to reimburse LESSOR for the Excess ETI Amount within thirty (30) days after receipt of LESSOR's invoice as required above, interest shall accrue on such unpaid amount at the rate of ten percent (10%) per annum until paid. If the costs of the Extended Tenant Improvements are reasonably expected to exceed the Maximum ETI Amount, LESSEE shall promptly modify the scope of the Extended Tenant Improvements to reduce the costs thereof so as not to exceed the Maximum ETI Amount.

4. **Improvements by LESSOR.** LESSOR, at LESSOR'S sole cost and expense, shall make the following repairs or improvements to the Premises by no later than October 31, 2006: (a) LESSOR shall replace the roofing system on the Premises; and, (b) LESSOR shall replace all stained acoustic ceiling tiles in conjunction with the replacement of the roofing system.

5. **Monthly Base Rent During Extended Term.** The monthly base rent during the Extended Term shall be Thirty-One Thousand Six Hundred Ten Dollars and Eighty-Eight Cents (\$31,610.88), subject to annual Cost of Living Increases in the amount of monthly base rent due of Three and Five-Tenths Percent (3.5%) in accordance with Article 4 of the Lease.

6. **Option to Extend Term.** LESSEE shall have the option to extend the Lease Term for one (1) additional five (5) year period on the same terms and conditions, except that the monthly base rent shall be adjusted as set forth herein below. LESSEE shall exercise such option no later than one hundred eighty (180) days prior to the last day of the Lease Term by written notice to LESSOR of LESSEE'S intent to exercise this option to extend the Lease Term. The monthly base rent applicable to the Extended Term ("Renewal Rent") will be at ninety five percent (95%) of the Fair Market Rental Value ("FMV") for similar buildings with similar office improvements in the City of Salinas. Should LESSEE exercise its option, the parties will attempt to mutually agree on the Renewal Rent based upon the parameters as outlined above. If the parties have not agreed in writing at lease one hundred and twenty (120) days before expiration of the then

current Lease Term upon the amount of the Renewal Rent to be paid during the Renewal Term, LESSOR and LESSEE shall each designate an appraiser who is a member of the American Institute of Real Estate Appraisers. Within ten (10) days after selection of the last of the two appraisers, the two appraisers chosen shall select a third appraiser. If a third appraiser is not selected within the time allotted, the American Arbitration Association shall select such third appraiser upon the application of either party, the cost of which shall be shared equally by the parties. LESSOR and LESSEE shall share all appraisal costs equally. The Premises shall be appraised according to its use at the time of appraisal. The fair market rental value of the Premises for purposes of calculating the Renewal Rent shall be the average of the three appraisals. However, in any event, the Renewal Rent will be no less than the base rent during the last year of the Extended Term and no more than fifteen percent (15%) over the base rent during the last year of the Extended Term. The Renewal Rent shall be subject to annual adjustments as provided in Article 4 of the Lease. Should LESSEE exercise this option, LESSOR, at LESSOR'S sole cost and expense, shall provide LESSEE with an allowance of Twenty Eight Thousand Two Hundred Twenty Four Dollars (\$28,224.00) to be applied towards further improvements within the Premises in accordance with the procedure set forth in paragraph 3 of this First Amendment and otherwise pursuant to the terms of the Lease.

7. **Parking.** Article 1.3 of the Lease is amended to reduce the number of parking spaces to be provided by LESSOR adjacent to or reasonably near the Premises for the exclusive use of LESSEE'S employees and visitors to One Hundred Seventy (170), which parking shall be in the approximate location shown in Exhibit "A" attached hereto and incorporated herein. LESSOR shall be entitled to reconfigure or relocate the parking being provided to LESSEE hereunder from time to time so long as the reconfigured or relocated parking remains within reasonable proximity to the Premises. LESSEE shall also be entitled to use the excess parking lot on LESSOR's property that is adjacent to LESSEE's leased premises (i.e., overflow parking in excess of 170 parking spaces) until such time as LESSOR determines that such excess parking lot is or will be unavailable, including but not limited to due to a sale and/or commencement of development activities on the subject site. LESSEE's required insurance and indemnity obligations under the Lease shall also be fully applicable to all of the above-described parking areas so long as LESSEE is entitled to the use thereof under the Lease, as amended hereby. In the event LESSOR determines that the excess parking lot will no longer be available for LESSEE's use, LESSOR will give LESSEE at least thirty (30) days advance written notice thereof, and LESSEE, its employees, and its invitees will thereafter discontinue use of such excess parking lot.

8. **Additional Allowance.** In addition to the ETI Allowance described in paragraph 3 of this First Amendment, LESSOR will also provide LESSEE a one-time allowance of up to a total aggregate amount of Ten Thousand Dollars (\$10,000.00) for the following work in the Premises: (a) the assessment, repair and maintenance of the heating, ventilating, and air-conditioning systems at the Premises, and/or (b) removal of the existing Uninterrupted Power Source ("UPS") at the Premises (the "Additional Allowance.") LESSOR consents to the removal by LESSEE of the UPS in the Premises by a licensed, qualified electrical contractor. LESSOR will pay or reimburse LESSEE for the actual costs incurred for such work up to the amount of the Additional Allowance provided LESSEE provides LESSOR with reasonably adequate documentation of such costs. Further, to be eligible for the Additional Allowance, LESSEE

must cause such work to be performed within one hundred eighty (180) days of the date of this First Amendment.

9. **Other Terms Unchanged.** Except as expressly set forth herein, all other terms and conditions of the Lease shall remain of full force and effect.

[Signatures appear on following page]

LESSOR:

CAPUTO ASSOCIATES,
a California limited partnership

By: 


Name: DAN CAPUTO JR

Its: PARTNER

Dated: 6/13/06

LESSEE:

COUNTY OF MONTEREY, a political
subdivision of the State of California

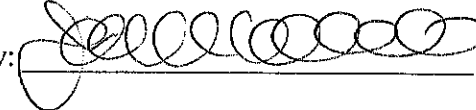
By: 

Name: Michael R Der

Its: PURCHASING MANAGER
COUNTY OF MONTEREY

Dated: 7-5-06

APPROVED AS TO FORM:

By: 

Name: J. MARK

Title: Deputy County Counsel

Dated: 7-3-06

EXHIBIT "A"
(PARKING DIAGRAM)
(See attached page)

