

SECOND AMENDMENT TO COUNTY OF MONTEREY STANDARD LEASE
AGREEMENT

1000 SOUTH MAIN STREET, SALINAS, CALIFORNIA

THIS SECOND AMENDMENT TO COUNTY OF MONTEREY STANDARD LEASE AGREEMENT (the "Second Amendment") is made by and between the County of Monterey ("LESSEE") and the Life Foundation Monterey, LLC ("LESSOR"), and effective as of July 1, 2016, with reference to the following facts:

A. LESSOR and LESSEE have previously entered into that certain County of Monterey Standard Lease Agreement dated on or about June 5, 2007 (the "2007 Lease"), for the lease of real property, located in the City of Salinas, County of Monterey, State of California, commonly known as 1000 South Main Street ("the Building") and that certain First Amendment thereto dated March 14, 2008 (collectively, Lease Agreement No. A-10907) for occupancy by the Department of Social Services.

B. LESSOR and LESSEE previously entered into that certain County of Monterey Lease Agreement A-12539 dated July 31, 2013 (for Suites 105, 210 and 311) for occupancy by the Health Department, Behavioral Health Children's Services (Health Department 2013 [Agreement No. A-12539]) as amended by that First Amendment to Lease Agreement A-12539, effective July 1, 2015 (Health Department 2015 Amendment)(collectively, Agreement No. A-12359). LESSOR and LESSEE previously entered into that certain Lease Agreement A-11637 dated February 22, 2010 (for Suites 205, 302, and 313) for occupancy by the Department of Social Services. LESSOR and LESSEE understand and agree that commencing on July 1, 2016 Exhibit A of the 2007 Lease shall be revised to include Suites 105, 205, 210, 302, 311 and 313 and, that Lease Agreement Nos. A-12539 and A-11637 shall terminate on July 1, 2016, the effective date of this Second Amendment.

C. On or about June 24, 2015, LESSOR and LESSEE entered into a then entitled "Second Amendment to County of Monterey Standard Lease Agreement" (the "2015 Amendment to the 2007 Lease)". LESSOR and LESSEE acknowledge, and understand and agree, that, subject to entering into this Second Amendment, the 2015 Amendment to the 2007 Lease Agreement (No. A-10907) is null and void, and of no force and effect. LESSOR and LESSEE further acknowledge, and understand and agree, that, subject to entering into this Second Amendment, the Health Department Lease Agreement (Agreement No. A-12539) is null and void, and of no force and effect.

D. LESSOR and LESSEE acknowledge, and understand and agree, that the 2007 Lease terms, as amended by the First Amendment, remained unchanged by the 2015 Amendment to the 2007 Lease.

E. LESSOR and LESSEE now desire to amend the 2007 Lease as amended by the First Amendment, as more particularly set forth hereinafter.

F. Unless otherwise defined herein, all capitalized terms used in this Second Amendment shall bear the same meanings as ascribed to them in the 2007 Lease.

NOW THEREFORE, in consideration of the foregoing premises and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, LESSOR and LESSEE hereby agree as follows:

1. **Description-Article 1.1:** LESSEE's rentable square feet of space in the Building shall be increased from 81,877 square feet to 99,322 square feet (hereafter, "the Premises"), commencing on July 1, 2016. Exhibit A of the 2007 Lease shall be revised to include Suites 105, 205, 210, 302, 311 and 313. LESSEE's share of expenses under the Lease shall be 96.045% based upon the 99,322 square feet in the Premises.

Lease Agreement A-12539 dated July 31, 2013 (for Suites 105, 210 and 311), and Lease Agreement A-11637 dated February 22, 2010 (for Suites 205, 302, and 313) shall terminate on July 1, 2016, the effective date of this Second Amendment.

2. **Parking Area-Article 1.3:** LESSOR and LESSEE to equally participate in Parking Association decisions involving the Building.
3. **Lease Term-Article 2.1:** The Lease term set forth in Article 2.1 shall be extended from June 20, 2027 to June 30, 2030.

4. **Extended Term-Article 2.2:**

Article 2.2 of the 2007 Lease is deleted in its entirety and the following shall be substituted in its place:

Upon completion of the initial Lease Term, the LESSEE may extend the Lease, on the same terms and conditions, for one additional **five (5) year** term ("First Extended Term"), and upon the expiration of the First Extended Term, the LESSEE may extend the Lease, on the same terms and conditions, for a second additional **five (5) year** term ("Second Extended Term"), which may be collectively referred to as the "Extended Term" or "Extended Terms." LESSEE shall give LESSOR advance written notice of its intent to extend the Lease **one hundred twenty (120)** days prior to expiration of the initial Lease Term or First Extended Term.

As an incentive to the LESSEE to extend the Lease for the First Extended Term, the LESSOR shall set the initial monthly rent of the First Extended Term at no more than the Expense Stop (as defined in Article 33) for the final year of the Lease Term, to adjust annually in accordance with Article

4. As an incentive to the LESSEE to extend the Lease for the Second Extended Term, the LESSOR shall set the initial monthly rent of the Second Extended Term at no more than the Expense Stop for the final year of the First Extended Term to adjust annually in accordance with Article 4. These will be the only rental amounts due from LESSEE to LESSOR during the First Extended Term and the Second Extended Term (collectively "Extended Terms"). Any additional space in the Building leased by LESSEE pursuant to Article 1.7 (Right of First Refusal) or otherwise shall be subject to the same rent, Expense Stop and escalation applicable to such space during the initial Lease Term and/or the Extended Terms.

5. **Option to Purchase Building-Article 2.3:** Article 2.3 of the Lease is deleted in its entirety and the following shall be substituted in its place:

LESSEE shall have an option to purchase all of LESSOR's rights in the Building and Parking Areas after June 2026 as follows: for Seven Million Dollars (\$7,000,000) as of July 1, 2026; for Five Million Dollars (\$5,000,000) as of July 1, 2027; for Three Million Dollars (\$3,000,000) as of July 1, 2028; for One Million Dollars (\$1,000,000) as of July 1, 2029; and, for One Dollar (\$1) as of July 1, 2030. LESSEE shall be responsible for payment of all reasonable closing costs incurred by LESSOR associated with its purchase of the Building and Parking Areas. Said cost shall not include costs associated with LESSOR's financing of the Building nor the real property located at 1000 S. Main Street, Salinas, California. LESSEE shall provide LESSOR with one hundred-eighty (180) days-notice in advance of its intent to purchase.

6. **Rent-Article 3:** The monthly rent shall be reduced to \$2.40 per square foot starting July 1, 2016 consisting of an initial Base Rent of \$1.61 per square foot per month and an initial Expense Stop of \$0.79 per square foot per month and subject to the Article 4 adjustment each July 1st thereafter. No back rent shall be paid by LESSEE to LESSOR.
7. **Annual Rent Adjustment-Article 4:** The rent adjustment set forth in Article 4 shall be reduced from 3.3% to 2.5% effective as of the July 1, 2016 adjustment and continuing each year for the remainder of the Lease Term.
8. **Expense Stop – Article 33:** Cost associated with LESSOR's "non-profit" status such as Certified Public Accountant audits and accounting shall not be included as an approved expense from this account.
9. **Future General Building Maintenance Account-Article 34:** Effective July 1, 2016, the portion of the Expense Stop funds to be deposited into said account will be at a rate of \$0.035 per rentable square foot of the Premises per month and shall be adjusted annually pursuant to Section 7 above. Any balance which remains in said account shall become the property of the LESSEE upon either expiration of the Lease or upon LESSEE's purchase of the Building. LESSEE reserves the right to waive the three (3) bid requirement for repairs or improvements associated with this account. LESSEE, at its sole cost and expense, shall fund any general maintenance items such as repainting and carpeting/flooring of the Premises for which insufficient funds are available in this account.

10. **Future Capital Improvement Account-Article 35:** LESSOR shall deposit Two Hundred Fifty Thousand Dollars (\$250,000) into said account within thirty (30) days of closing of financing contemplated by this Second Amendment but no later than August 30, 2016. In the event that the funds are not placed in the account by August 30, 2016 the Lease terms and conditions shall revert back to the original 2007 Lease as amended by the First Amendment. Said deposit to be in addition to the current balance of One Hundred Seventy-One Thousand Eight Hundred and Sixty-Nine Dollars (\$171,869) as indicated in the May 31, 2016 City Bank statement for Account # 3256863. Effective July 1, 2016, the portion of the Expense Stop funds deposited into said account will be at a rate of \$0.035 per rentable square foot of the Premises per month and shall be adjusted annually pursuant to Section 7 above. Any balance which remains in said account shall become the property of the LESSEE upon either expiration of the Lease or upon LESSEE's purchase of the Building. LESSEE reserves the right to waive the three (3) bid requirement for repairs or improvements associated with this account. LESSOR agrees to replace the entire roofing system along with repairing any damage identified upon roof replacement. The method and scope of the roofing system repair and replacement shall be mutually acceptable to both LESSEE and LESSOR and shall be completed by LESSOR prior to end of Calendar Year 2017.

11. **Management of the Article 34 and Article 35 Reserve Accounts by the Property Manager:** The monthly deposits of funds to the Article 34 and Article 35 reserve accounts shall be made by the property manager within thirty (30) days of final reconciliation of the Expense Stop as set forth in Article 33. The Property Management Company for the Premises shall be responsible for preparation of the monthly accounting for said accounts and shall provide LESSOR and LESSEE with accounting reports on a monthly basis. The Property Management Company shall provide an annual summary report each lease year detailing all debits and credits along with supporting documents for each account including; i) Article 34 Reserve Account, ii) Article 35 Reserve Account and, iii) Expense stop payments and credits due, which are to be deposited pursuant to Article 33 of the 2007 Lease. LESSEE reserves the right to hire a LESSEE approved Certified Public Accounting firm at LESSEE's sole cost and expense prior to the end of the Lease Term to audit the Article 34 and Article 35 accounts. In the event that there is a material error in the Article 34 and/or Article 35 accounts LESSOR shall pay the costs of the audit.

12. **Estoppel Certificate, Opinion Letter, Continuing Disclosure Undertaking:** An estoppel certificate; opinion of County Counsel; and continuing disclosure undertaking each in form and substance substantially similar to the sample documents attached as Exhibit B and incorporated by this reference shall be provided by LESSEE to LESSOR

upon the Monterey County Board of Supervisors approval of this Second Amendment to the 2007 Lease. The Office of the County Counsel shall have the authority to negotiate and accept changes to these documents in accordance with furthering financing entered into to facilitate the intent of this Second Amendment. The continuing disclosure document shall not require Lessee to do anything other than upload its annual audited financial statements each December for the prior year, as it currently does, for as long as Lessee leases space at the Building.

13. **Reaffirmation.** Except as amended by this Second Amendment, all of the terms and conditions of the 2007 Lease as amended by the First Amendment shall remain in full force and effect and are hereby reaffirmed and ratified.
14. **Nullification of 2015 Amendments.** LESSOR and LESSEE acknowledge, and understand and agree, that the 2015 Amendment to the 2007 Lease is null and void, and of no force and effect and that the terms of the 2007 Lease as amended by the First Amendment remained unchanged. LESSOR and LESSEE further acknowledge, and understand and agree, that the Health Department Lease Agreement as amended by the Health Department 2015 Amendment (collectively, Agreement No. A-12539) is null and void, and of no force and effect.
15. **Counterparts.** This Second Amendment may be executed in counterparts, each of which when taken together shall be deemed one and the same instrument. An executed facsimile of this Second Amendment shall have the same force and effect as an original executed copy thereof.
16. **Incorporation of Recitals.** The recitals to this Second Amendment are hereby incorporated into the 2007 Lease as amended by the First Amendment and this Second Amendment.

IN WITNESS WHEREOF, LESSOR and LESSEE have executed this Second Amendment as of the date set forth below.

LESSEE - COUNTY OF MONTEREY

By: _____
Contracts/Purchasing Officer

Date: _____

**Approved as to Form and Legality
Office of the County Counsel**

By: _____
Mary Grace Perry
Deputy County Counsel

Date: _____

LESSOR - Life Foundation Monterey, LLC

By: Low Income Family Enrichment Corporation, Its Sole Member

By: _____
(Signature of Chair, President or Vice President)

Barnett Davis II
Its: **Chair**

Date: _____

& By: _____
(Signature of Secretary, Asst. Secretary, CFO, Treasurer or Asst. Treasurer)

Name: _____
Its: _____
(Print Name and Title)

Date: _____

EXHIBIT A

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EXHIBIT B

“Sample” Estoppel Certificate

“Sample” Opinion of County Counsel

“Sample” Estoppel Certificate

LESSEE ESTOPPEL CERTIFICATE

THIS LESSEE ESTOPPEL CERTIFICATE (this "Certificate") is executed as of July __, 2016, by County of Monterey, California ("Lessee") for the benefit of U.S. Bank National Association, as trustee ("Trustee").

RECITALS

A. Trustee is a party to an Indenture of Trust dated as of July 1, 2016 between the City of Salinas, California ("City") and the Trustee (the "Indenture"), pursuant to which the City has issued its \$_____ City of Salinas Economic Development Refunding Revenue Bonds (Monterey County Building Project), Series 2016A and its \$_____ City of Salinas Economic Development Refunding Revenue Bonds (Monterey County Building Project), Series 2016B (Taxable) (collectively, the "Bonds"). The Bonds are secured, in whole or in part, by a lien on the real property owned by Life Foundation Monterey, LLC ("Lessor") and located at 1000 South Main Street, Salinas, California (the "Property").

B. Lessee leases a substantial portion of the Property pursuant to, a County of Monterey Standard Lease Agreement (the "Original Lease") between Lessor and Lessee (for the use of Lessee's Department of Social and Employment Services) dated on or about June 5, 2007, as amended (a) by a First Amendment to County of Monterey Standard Lease Agreement ("First Amendment") between Lessor and Lessee dated on or about March 3, 2008 and (b) a Third Amendment to County of Monterey Standard Lease Agreement ("Third Amendment") between Lessor and Lessee dated on or about _____, 2016 (as so amended, the "Lease").

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessee hereby certifies and represents to Trustee, its successors and assigns, as follows:

1. Lease Effective. The Lease has been duly executed and delivered by Lessee and, subject to the terms and conditions thereof, is in full force and effect, the obligations of Lessee thereunder are valid and binding, and there have been no amendments, modifications or additions to the Lease (written or oral), other than those included in the applicable Lease definition set forth above. For the avoidance of doubt, that certain Second Amendment to County of Monterey Standard Lease Agreement ("Second Amendment") between Lessor and Lessee dated on or about June 17, 2015 is null and void in all respects.

3. No Default. As of the date hereof and to the best of Lessee's knowledge, (a) there exists no breach of or default under the Lease, nor any condition, act or event which with the giving of notice or the passage of time, or both, would constitute such a breach or default, and (b) there are no existing claims, defenses or offsets against rental due or to become due under either Lease.

4. Entire Agreement. The Original Lease, as amended by the First Amendment and the Third Amendment, collectively constitute the entire agreement between Lessor and Lessee with respect to the Property, and Lessee claims no rights to the Property other than as set forth in the Lease.

5. No Prepaid Rent. No deposits or prepayments of rent have been made in connection with the Lease, except as follows:

_____.

6. Current Rent. Lessee represents that as of July 1, 2016, the current monthly base rent under the Lease is \$_____ and that the current "Expense Stop" payments under the Lease are _____ per month, for total monthly payments under the Lease in the amount of _____.

IN WITNESS WHEREOF, Lessee has executed this Certificate as of the date first written above.

(Lessee)

COUNTY OF MONTEREY, CALIFORNIA

By _____

Its _____

“Sample” Opinion of County Counsel

[Closing Date]

City of Salinas
Salinas, California

The Bank of New York Trust Company, N.A.
Los Angeles, California

LIFE Foundation Monterey, LLC
Malibu, California

RE: Opinion of Counsel Regarding Due Authorization and Enforceability of Master Lease, First Amendment and Second Amendment for 1000 South Main Street, Salinas, California Between Life Foundation Monterey, LLC and the County of Monterey

Ladies and Gentlemen:

This opinion is rendered as counsel to the County of Monterey (the “County”) in connection with the execution and delivery of that certain Master Lease Agreement (the “Lease”), dated as of _____, 2016, by and between the County and Life Foundation Monterey, LLC (“Life”).

In rendering this opinion, we have examined the Lease and such other documents, records and instruments and made such investigations of law and fact to render the opinions expressed herein.

Based upon the foregoing, and solely with respect to the laws of the State of California (the “State”), we are of the opinion, as of the date hereof, that:

1. The County is a political subdivision duly organized and existing pursuant to the Constitution and the laws of the State of California;
2. The County has full right and lawful authority to execute and deliver the Lease and the Lease has been duly authorized, executed and delivered by and on behalf of the County and is a legal valid and binding obligation of the County enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium of similar laws, or by legal or equitable principles relating to or limiting creditors’ rights generally;

3. To the best of our knowledge the County is unaware of any action, suit, proceeding, inquiry or investigation pending before or by any court or public board or body, or, to the best of our knowledge, threatened wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Lease or any other agreement, document or certificate related to such transaction;

4. To the best of our knowledge and insofar as it might have a material adverse effect on the ability of the County to enter into, carry out or perform its obligations under the Lease or to consummate the transaction contemplated thereby, the County is not in material breach of or default under any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or to which the Lease or any of its property or assets is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument; and

5. No authorization, approval, consent or other order of the State, or other governmental authority or agency within the State is required for the valid authorization, execution and delivery of the Lease on behalf of the County that has not been obtained.

Very truly yours,