



Monterey County

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Board Report

Legistar File Number: 15-0459

May 12, 2015

Introduced: 5/5/2015

Current Status: Scheduled AM

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Matter Type: General Agenda Item

- a. Approve and authorize the Contracts/Purchasing Officer to execute a fifteen-year Lease Agreement with WLKST Partners, LP, for 4,857 square feet of space located at 65 West Carmel Valley Road, Carmel Valley, California, for use by the Monterey County Free Libraries, Carmel Valley Branch;
- b. Direct the Auditor-Controller to make lease payments of \$5,965.00 per month, effective July 1, 2015, and in accordance with the terms of the agreement; and
- c. Authorize the Contracts/Purchasing Officer to make minor revisions to the Lease Agreement if deemed to be in the best interest of the County.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve and authorize the Contracts/Purchasing Officer to execute a fifteen-year Lease Agreement with WLKST Partners, LP, for 4,857 square feet of space located at 65 West Carmel Valley Road, Carmel Valley, California, for use by the Monterey County Free Libraries, Carmel Valley Branch;
- b. Direct the Auditor-Controller to make lease payments of \$5,965.00 per month, effective July 1, 2015, and in accordance with the terms of the agreement; and
- c. Authorize the Contracts/Purchasing Officer to make minor revisions to the Lease Agreement if deemed to be in the best interest of the County.

SUMMARY/ DISCUSSION:

The Monterey County Free Libraries, Carmel Valley Branch has occupied 4,857 square feet of space at 65 Carmel Valley Road, in Carmel Valley, California, since July 1999. The Department has continued to occupy the space on a month-to-month basis since July 1, 2014. WLKST Partners, LP is currently in escrow to purchase the property and escrow is scheduled to close on May 15, 2015, subject to a new lease agreement with the County. The Department desires to remain at this location under terms and conditions of the Lease Agreement, which would take effect on July 1, 2015. This action provides for the continued occupancy by the Department through June 30, 2030. The monthly rent is \$5,965.00 per month. The Lease Agreement provides for a 2.5% annual rental increase. WLKST Partners, LP has agreed to perform up to \$110,000 in numerous interior and exterior improvements to the building including improvement to enhance Americans

with Disabilities Act (ADA) compliancy. A "Termination by County" clause (without penalty) is incorporated in the Lease Agreement. Occupancy of the identified facility continues to offer proximity, access, and is cost effective.

OTHER AGENCY INVOLVEMENT:

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

FINANCING:

There is no additional impact to the General Fund. Sufficient funds are available in the FY 2015-16 Monterey County Free Libraries Budget Unit 611, Fund 003. The first year leasing cost will amount to \$71,580.00. The property owner will be responsible for costs associated with property taxes and assessments, fire insurance, major maintenance and structural repairs, as needed. The ongoing occupation of the leased premises and future renewal of the Lease Agreement will be based on the continued availability of funding from the Monterey County Free Libraries. The lease will be subject to a 2.5% increase at the end of each lease anniversary year.

Prepared by:

Jacqueline C. Bleisch
Jacqueline C. Bleisch
Administrative Services Assistant

Approved by:

Bernice Artery (for Jayanti Addleman)
Jayanti Addleman
County Librarian

Date: 5/5/15

Date:

Attachments:

Lease Agreement and Location Map

COUNTY OF MONTEREY

STANDARD LEASE AGREEMENT



LEASED PREMISES:	65 West Carmel Valley Road Carmel Valley, CA
DEPARTMENT:	Monterey County Free Libraries
LESSOR:	WJ KST Partners, LP. ATTN: Kevin Dougherty 290 Pacific Avenue, Stockton, CA 95204 209 -461-6400 (Office) 209 -915-6400 (Mobile)

**COUNTY OF MONTEREY
STANDARD LEASE AGREEMENT**

PREAMBLE

THIS LEASE ("Lease") is made by and between WLKST Partners, LP., ("LESSOR") and the COUNTY OF MONTEREY, a political subdivision of the State of California ("LESSEE"), for the Monterey County Free Libraries and is effective as of July 1, 2015 (the "Effective Date").

Lease Agreement A-07887 dated May 11, 1999 and subsequently renewed on July 1, 2010, and December 11, 2012 is replaced by this Lease and terminates on the effective date of this Lease.

LESSOR and LESSEE hereby agree as follows:

ARTICLE 1 - PREMISES

1.1 **Description:** LESSOR hereby leases to LESSEE and LESSEE hereby leases from LESSOR, upon the terms and conditions herein set forth, a portion of that certain real property and its appurtenances, situated at 65 West Carmel Valley Road, Carmel Valley, California (the "Building") and described as follows: Public Library space consisting of approximately 4,857 square feet of space as designated in EXHIBIT A1 – **DESCRIPTION OF PREMISES - Current Basic Floor Plan**, attached and incorporated by this reference, together with the all of the parking lot and exterior areas located on the parcel upon which the Building is located (the "Land") (the Building and the Land are hereinafter referred to collectively as "the Premises").

1.2 **AS-IS:** LESSEE acknowledges that, prior to the Effective Date, LESSEE has been in possession of the Premises for over 30 years. Accordingly, LESSOR leases to LESSEE and LESSEE leases from LESSOR the Premises in its "AS IS, WHERE IS, WITH ALL FAULTS" condition with no representations or warranties whatsoever and on the terms and conditions set forth in this Lease. LESSEE acknowledges and agrees that: (i) no representations have been or are made, or responsibility assumed by LESSOR, with respect to the Premises or its operation, or the condition or repair of the Premises, or as to any fact, circumstance, thing or condition which may affect or relate to the Premises, except as specifically set forth in this Lease; and (ii) the Premises are leased in their "AS IS, WHERE IS, WITH ALL FAULTS" condition as of the Effective Date.

1.3 **Parking Areas:** LESSEE shall have the exclusive right to use the Parking Areas located on the Building parcel, at no cost to LESSEE throughout the Lease Term (defined below). The Parking Areas are further depicted on EXHIBIT A2 – **PARKING PLAN**, attached and incorporated by this reference.

1.4 **Compliance with the "Americans with Disabilities Act of 1990" (ADA):** LESSOR shall ensure that the Premises are in compliance with the Americans with Disabilities Act of 1990 ("ADA") as of the Effective Date, as amended, and, if necessary, shall modify the Premises to comply with the Act and the regulations promulgated to implement the ADA requirement with respect to any work that LESSOR is required to perform pursuant to this Lease.

1.5 **Compliance with "No Smoking Law" (2003 Assembly Bill 846):** LESSOR shall ensure that the Premises are in compliance with Government Code Title 1, Division 7, Chapter 32 (commencing with section 7596), as amended, and, if necessary, shall modify the Premises to comply with the law and the regulations promulgated to implement 2003 Assembly Bill 846. LESSEE to provide LESSOR with signage and any other compliance items.

1.6 Statement of Seismic Adequacy: Upon completion of the Premises Improvements by LESSOR, LESSOR shall provide a statement of seismic adequacy for the Premises by a reputable structural engineer and it shall be attached to this Lease as **EXHIBIT B – STATEMENT OF SEISMIC ADEQUACY**, which is attached and incorporated herein by this reference.

ARTICLE 2 - TERM

The term of this Lease (the "Lease Term") shall be **fifteen (15) years**, commencing on **July 1, 2015** ("Lease Commencement Date"), and ending **June 30, 2030** (the "Stated Expiration Date"), with such rights of termination and extension of the Lease Term as are hereinafter set forth.

ARTICLE 3 - RENT

In consideration of the continuing right of use, quiet enjoyment and possession of the Premises, LESSEE shall pay to LESSOR without deduction, setoff, prior notice, or demand, as monthly rent for the Premises the initial sum of **Five Thousand Nine hundred Sixty Five Dollars and 00/100 (\$5,965.00)** (as it may be adjusted as provided in this Lease, "Monthly Rent"), payable on or before the first day of each month. Subject to the immediately following paragraph, LESSEE shall commence rental payments upon the Lease Commencement Date ("Rent Commencement Date"). If the Rent Commencement Date is other than the first day of a calendar month, then the Monthly Rent for that month shall be prorated on a daily basis, based on a thirty (30) day month. Monthly Rent shall be payable to LESSOR at the address specified in ARTICLE 6 or at such other address as LESSOR may from time to time designate in writing. Monthly Rent is inclusive of, LESSOR'S share of real estate taxes (if any), assessments, insurances (required to be carried by LESSOR pursuant to Article 19), and Monterey Peninsula Water Management District (MPWMD) fee for the Premises.

In addition to Monthly Rent, notwithstanding LESSOR'S obligations pursuant to Exhibit D, LESSEE shall pay LESSOR for the actual cost of adequate heating, ventilation & air conditioning (HVAC) systems filter replacements, unit inspections, unit lubrications and record keeping pursuant to the California Code of Regulations, Title 8, Section 5142. LESSEE responsibility for said cost shall not exceed \$600 per year for the 1st through 5th year of this Lease, \$800 for the 6th through 10th year of this Lease, and \$1,000 for the 11th through 15th year of this Lease.

LESSEE acknowledges that the late payment of Monthly Rent by LESSEE to LESSOR of any sums due under this Lease may cause LESSOR to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impracticable to fix. Therefore, LESSEE shall pay to LESSOR a late charge of five percent (5%) on any late payment of Monthly Rent, which is not paid within fifteen (15) days of LESSOR's notification of late payment. LESSOR's acceptance of any such late charge or interest shall not constitute a waiver of LESSEE's default with respect to the overdue amount or prevent LESSOR from exercising any of the other rights and remedies available to LESSOR under this Lease, at law or in equity.

ARTICLE 4 – ANNUAL RENT ADJUSTMENT

At the end of each Year during the initial Lease Term or any Extended Term, the Monthly Rent shall be increased by the fixed amount of **two and one-half percent (2 1/2%)** (so that, for example, the Monthly Rent payable during the second Lease Year shall be equal to 102.5% of the Monthly Rent payable during the first Lease Year). A "Lease Year" shall mean each consecutive twelve-month (12-month) period during the initial Lease Term or Extended Term, as applicable; provided, however, that (a) the first Lease Year commences on the Lease Commencement Date as provided in ARTICLE 2.1 above, and ends on the

last day of the twelfth calendar month thereafter; (b) the second and each succeeding Lease Year commences on the first day of the next calendar month; and (c) the last Lease Year ends on the Stated Expiration Date as provided in ARTICLE 2.1 above, or earlier date of termination.

ARTICLE 5 - TERMINATION BY COUNTY

Notwithstanding any other provisions of this Lease, LESSEE, at its sole option, may terminate this Lease upon sixty (60) days written notice, solely on the condition that funds have not been budgeted for leasing of the Premises. Such termination shall be without penalty to LESSEE. Such right of termination shall not be construed so as to permit LESSEE to terminate this Lease in order to lease or occupy other premises for a similar purpose within the Carmel Valley, California area. LESSEE represents that its intent is not to exercise its rights under this ARTICLE unless financial conditions prevent the Monterey County Board of Supervisors from budgeting funds for this Lease. If LESSEE elects early termination of this Lease, LESSEE will make best effort to locate another County of Monterey department in the Premises.

ARTICLE 6 - NOTICES

All notices or correspondence provided for herein shall be effective only when made in writing, personally delivered or deposited in the United States mail, sent certified, postage prepaid, and addressed as follows:

To LESSOR:	WLKST Partners, LP. c/o Kevin Dougherty 2920 Pacific Avenue Stockton, CA 95204 Phone: 209-461-6400 Fax: 209-461-6310 Email:kdougherty@naibenchmark.com	To LESSEE:	County of Monterey Department of Public Works, Real Property c/o Real Property Specialist 855 East Laurel Drive, Building C Salinas, CA 93905 Phone: 831-755-4855 Fax 831-755- 4688 Email: salcidog@co.monterey.ca.us
Copy to:	Scott D. Rishwain, Esq. Rishwain & Rishwain 2800 W. March Lane, Suite 220 Stockton, CA 95219 Phone: 209-473-2800 Email:scott@rishwain.com	Copy to:	Monterey County Free Libraries c/o Library Director 188 Seaside Circle Marina, CA 93933 Phone: 831-883-7573 Email: @bleischjco.monterey.ca.us

Monthly Rent payments to LESSOR shall be made to (need not be sent certified) WLKST Partners, LP., at the address listed above.

Any notice or correspondence shall be deemed delivered upon personal delivery or five (5) days after notice is mailed. Correspondence other than notices may be given by phone, regular mail, email or facsimile. Any correspondence sent by facsimile shall also be sent by United States mail if requested by either party. By written notice to the other, either party may change its own mailing address or correspondence information.

LESSOR or LESSOR'S designated property management company shall be available to LESSEE by

phone during regular business hours, and for emergencies after hours and weekends. In the alternative, LESSOR or LESSOR'S designated property management company may elect to subscribe to a 24-hour, 7 days a week emergency answering service that maintains contact phone numbers of key personnel or maintenance/service companies in event of an emergency. Emergency answering service phone number for LESSOR is _____.

LESSEE shall be available to LESSOR, by phone during regular business hours, and for emergencies after hours and on weekends. In event of an emergency, the emergency answering service phone number for LESSEE is 831-212-0378 (Public Works Facilities after hours "on call" staff) 24-hours a day, 7 days a week.

If applicable, LESSOR'S designated property management company shall be vested with such power and authority as is reasonably necessary or incidental to the performance of this Lease and the accomplishment of its purpose.

ARTICLE 7 - PREMISE IMPROVEMENTS

7.1 Premise Improvements: LESSOR shall construct improvements to and make installations in the Premises (collectively "Premise Improvements") in accordance specifications to be approved by LESSEE and LESSOR ("Specifications"), and in accordance with those provisions which describe construction, set forth in EXHIBIT C-1 - PREMISE IMPROVEMENT, EXHIBIT C-2 - PREMISE IMPROVEMENT SPECIFICATIONS, EXHIBIT C-3 - PREMISE IMPROVEMENT COSTS, EXHIBIT C-4 - CONSTRUCTION SCHEDULE, EXHIBIT C-5 - REMEDIATION CONTRACTOR SPECIFICATIONS AND EXHIBIT C-6 - COUNTY OF MONTEREY INFORMATION TECHNOLOGY CABLING STANDARDS attached and incorporated by this reference.

If set forth in EXHIBIT C-1, the Specifications shall include construction drawings.

7.2 Cost of Premise Improvements: LESSOR shall bear all cost of Premise Improvements constructed by LESSOR, or under LESSOR'S direction. Premise Improvement costs may include costs associated with architectural, engineering, building permits and fees, inspections and signage.

LESSOR and LESSEE shall agree upon all Premise Improvement costs (presented in itemized format) and the construction schedule for the Premise Improvements (presented in an itemized and sequential format) prior to commencement of construction of the Premise Improvements. Said Premise Improvement costs shall not exceed \$110,000 unless agreed to in writing by both parties. LESSOR shall complete Premise Improvements within ninety (90) days of the Effective Date.

7.3 Premise Improvement Warranties: LESSOR warrants to LESSEE that all materials and equipment furnished by LESSOR in its improvement of the Premises shall be new unless otherwise specified in the Specifications, and that all of LESSOR'S work to be performed under the Specifications shall be of good and workmanlike quality, free from faults and defects, and in accordance with the final requirements of EXHIBIT C-1 - PREMISE IMPROVEMENT SPECIFICATIONS. Any of LESSOR'S work not materially conforming to the above standards shall be considered defective.

For one (1) year after the date of substantial completion of Premise Improvements, LESSOR shall, following written notice from LESSEE, promptly, and at LESSOR'S sole cost and expense, make any reasonable repair, replacement, correction or other alteration of any nature necessary by virtue of any defective construction of the Premises or defective materials used therein. Thereafter, LESSOR shall promptly make or cause to be made all repairs, replacements, corrections or alterations, at no expense to LESSEE, to correct latent defects in the Premises.

ARTICLE 8 - NOTICE OF COMPLETION

If applicable, LESSOR will ensure 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 is to be filed within ten (10) working days after the LESSOR and the LESSEE have concurred that the construction is complete. LESSOR shall forward a copy of the recorded Notice of Completion to LESSEE within five (5) days of recordation.

ARTICLE 9 - PUBLIC WORKS LAWS

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, LESSOR shall comply with 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 amended from time to time.

ARTICLE 10 - TIME LIMIT AND PRIOR TENANCY

It shall be LESSOR'S responsibility to remove any other lessee or occupant on the Premises at LESSOR'S sole cost and expense.

ARTICLE 11 - USE

11.1 ***Use:*** LESSEE shall use the Premises for public library space. LESSEE may alter said use to any lawful purpose, upon the written consent of LESSOR, which consent shall not be unreasonably withheld.

11.2 ***Compliance with Laws:*** LESSOR represents and warrants to LESSEE that, to the best of LESSOR'S knowledge, the Premise Improvements to be performed by LESSOR, are in full compliance with applicable building and seismic codes, environmental, zoning and land use laws, and other applicable local, state and federal laws, regulations and ordinances. LESSOR absolves LESSEE of legal or other responsibility for any code violations or other deviations from applicable local, state and federal laws, regulations and ordinances as may be listed above. Said absolution excludes LESSEE installed improvements to the Premises such as phone/data cabling, support equipment, trade fixtures, and any other equipment installed by LESSEE and used to meet LESSEE'S operational needs. LESSEE'S use shall comply with the requirements of municipal, county, state, federal and other applicable governmental authorities, now in force, or which may hereafter be in force, pertaining to the Premises.

11.3 ***Hazardous Substances:*** As used herein, the term "Hazardous Substances" means any hazardous or toxic substance, materials, or waste, including, but not limited to, those substances, materials, and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) or by the United States Environmental Protection Agency as hazardous substances (40 CFR Part 302) and amendments thereto, petroleum products, or such other substances, materials, and wastes that are or become regulated under any applicable local, state, or federal law. LESSEE shall have no liability or responsibility for Hazardous Substances in existence on the Premises as of the Effective Date or which result from LESSOR'S acts or omissions unless, and only to the extent, caused by LESSEE. LESSOR will comply with all applicable laws concerning the handling and removal of any hazardous materials, including asbestos or polychlorinated biphenyl (PCB) containing materials. LESSOR warrants, to the best of LESSOR'S actual knowledge, that at the time of execution of this Lease, there are no known areas on LESSOR'S property where hazardous or toxic materials or substances (including asbestos or PCBs) have been used, stored, or deposited. LESSEE acknowledges that said representation is based solely upon the receipt of an

environmental screening procured by LESSOR concerning the Premises. LESSOR shall provide LESSEE with all environmental inspection reports for the Premises (including environmental screenings) at least 72 hours prior to approval of this Lease by the Monterey County Board of Supervisors. Nothing in this Lease shall be taken as LESSEE'S assumption of any duty or liability not otherwise imposed by law.

11.4 Environmental Hazards – Remediation Contractor Specifications: With respect to LESSOR'S conduct and activities relating to the Premises, LESSOR hereby warrants that the Premises will be maintained free of all Environmental Hazards with respect to the conduct of LESSOR (including hazards related to asbestos, leads, toxic mold spores or PCBs) and agrees to survey, test, and abate as applicable and in accordance with Environmental Protection Agency ("EPA") guidelines. In the event that abatement is required for Hazardous substances, LESSOR shall perform said abatement using a qualified industrial hygienist approved by LESSOR and LESSEE shall perform all testing and development of an abatement work plan as deemed necessary, with the test results/reports/plans forwarded to LESSOR and LESSEE upon completion. LESSOR further agrees to contract with a qualified remediation contractor to provide remediation services as specified in **EXHIBIT C-5 – REMEDICATION CONTRACTOR SPECIFICATIONS** for said remediation work. LESSOR specifically agrees that any costs related to abatement of Environmental Hazards shall be the LESSOR'S responsibility unless, and only to the extent, caused by LESSEE.

LESSEE shall immediately notify LESSOR of any suspected appearance of toxic mold spores and of any conditions (such as excessive moisture) that may lead to the appearance of toxic mold spores, and LESSOR agrees to investigate same.

If LESSEE makes a bona fide claim that the Premises contain toxic chemicals or mold or other Environmental Hazards that pose a danger or health risk to employees of LESSEE, LESSEE may request that LESSOR hire a qualified industrial hygienist, approved by LESSOR and LESSEE, to perform indoor air quality testing/surveying for the Premises with the understanding that if test results reveal that unacceptable levels (as determined by EPA guidelines) of Environmental Hazards are not present, LESSEE will reimburse LESSOR the cost of the testing within thirty (30) day of receipt of invoice from LESSOR. By providing for and requesting air quality testing, LESSOR'S duties and obligations are not diminished and LESSEE does not assume or agree to share in LESSOR'S duties and obligations with respect to maintenance of the Premises.

11.5 Hazardous Substances-Lessee Obligations: LESSEE, at LESSEE's expense, shall comply with all laws, rules, orders, ordinances, directions, regulations and requirements of federal, state, county, and municipal authorities pertaining to the Premises including, without limitation, all applicable federal, state, and local laws, regulations, or ordinances pertaining to air and water quality, Hazardous Substances, waste disposal, air emissions, and other environmental matters, all zoning and other land use matters, and utility availability, and with any direction of any public officer or officers, pursuant to law, which shall impose any duty upon LESSOR with respect to the Premises except for those necessitated solely by LESSEE's specific use of the Premises. LESSEE shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Premises by LESSEE, its agents, employees, contractors, or invitees without the prior written consent of LESSOR, which shall not be unreasonably withheld as long as LESSEE demonstrates to LESSOR's reasonable satisfaction that such Hazardous Material is necessary or useful to LESSEE's business and will be used, kept, and stored in a manner that complies with all laws regulating any such Hazardous Material so brought upon or used or kept in or about the Premises.

LESSEE shall indemnify, defend, and hold LESSOR harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities, or losses (including without limitation, diminution in value of the Premises, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, damages arising from any adverse impact on marketing of space, and sums paid in settlement of claims, attorneys' fees, consultant fees, and expert fees) which arise during or after the lease

term as a result of contamination by Hazardous Substances solely as a result of the negligence or willful misconduct of LESSEE or of LESSEE's agents or contractors. This indemnification of LESSOR by LESSEE includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state, or local governmental agency or political subdivision because of Hazardous Substances present in the soil or ground water on or under the Premises. Without limiting the foregoing, if the presence of any Hazardous Substances on the Premises caused or permitted solely by the negligence or willful misconduct of LESSEE or its agents or contractors results in any contamination of the Premises, LESSEE shall promptly take all actions at its sole expense as are necessary to return the Premises to the condition existing prior to the release of any such Hazardous Substances to the Premises, provided that LESSOR's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Premises. The foregoing indemnity shall survive the expiration or earlier termination of this lease.

ARTICLE 12 - SIGNS AND FIXTURES

LESSEE may place such signs and advertisements upon the Premises as LESSEE may desire, subject to compliance with applicable law and approval by the LESSOR which consent shall not be unreasonably withheld provided, however, that at the expiration of the term hereof or any renewal or extension of this Lease, LESSEE will remove said signs and will repair any damage caused by such removal. Any trade fixtures, equipment, furniture, demountable walls, and other movable personal property installed in the Premises by and at the expense of the LESSEE shall remain the property of the LESSEE, and the LESSOR agrees that the LESSEE shall have the right at any time, and from time to time, to remove any and all of its trade fixtures, equipment and other movable personal property which it may have stored or installed in the Premises, provided that LESSEE repairs any damage caused by such removal. The LESSOR agrees not to mortgage or pledge the LESSEE'S trade fixtures, equipment and other property.

ARTICLE 13 - SERVICES AND UTILITIES

Services and utilities for the Premises shall be furnished and the cost borne as outlined in **EXHIBIT D – SUMMARY OF SERVICES AND UTILITIES** attached and incorporated by this reference. In the event of failure by LESSOR to furnish, in a satisfactory manner, any of the services and utilities to the Premises for which LESSOR is responsible, LESSEE may furnish the same if LESSOR has not undertaken to correct such failure within fifteen (15) days after written notice, and, in addition to any other remedy LESSEE may have, LESSEE may deduct the amount thereof, including LESSEE'S service costs, from rent or other remuneration due LESSOR hereunder. As stated in **EXHIBIT D**, the term "adequate" shall mean sufficient enough to ensure the health, safety and general well-being of the occupants or invitees of the Premises; the term "deemed necessary" shall mean that LESSOR and LESSEE are in agreement that appropriate action needs to be taken to ensure the health, safety and general well-being of the occupants and or invitees of the Premises.

ARTICLE 14 - REPAIR AND MAINTENANCE

14.1 ***LESSOR and LESSEE Obligations:*** The respective repair and maintenance responsibilities of LESSOR and LESSEE are set forth in **EXHIBIT E – SUMMARY OF REPAIR AND MAINTENANCE RESPONSIBILITIES**, attached and incorporated by this reference. As stated in **EXHIBIT E**, the term "deemed necessary" shall mean that LESSOR and LESSEE are in agreement that appropriate action needs to be taken to ensure the health, safety and general well-being of the occupants and or invitees of the Premises.

14.2 Negligent Acts or Omissions of LESSEE: Notwithstanding the foregoing, LESSEE will pay to LESSOR the reasonable cost of any repairs or maintenance to the extent required as a direct result of the negligence or willful misconduct of LESSEE.

14.3 Failure of LESSOR to Make Repairs: If LESSOR fails to maintain the Premises or to make the repairs required in this ARTICLE within the time periods as specified in ARTICLE 23.1, LESSEE may perform such maintenance or make such repairs at its expense and deduct the reasonable cost thereof from the rent due hereunder.

LESSOR agrees to perform all emergency repairs involving the Premises and the Land with the utmost urgency. An emergency repair is a repair that is necessary in order to protect health and safety of persons or public property or to save the building's integrity. LESSEE agrees to make a diligent effort to contact LESSOR before it uses responsible judgment to contact the appropriate vendor identified in **EXHIBIT F – SERVICE CONTACT LIST** attached hereto and incorporated by this reference, to perform emergency repair to protect health and safety of persons or public property or to save the building's integrity.

14.4 LESSOR/LESSEE Obligations in Applying Noxious Substances: LESSOR, its officers, employees, and agents shall not apply or install any substance as part of any building construction, remodel, renovation, maintenance or repair which would cause an injurious, unsafe or hazardous condition to occupied spaces without prior notification of the LESSEE. Prior notification and approval shall be made at least 48 hours prior to the desired application or installation time to the LESSEE as identified under ARTICLE 6. Also, a Product Safety Data Sheet shall be furnished by the proposed applicator or installer to the LESSEE. Examples of such substances or materials may include, but are not limited to, the following:

- a. Termite Control Materials
- b. Pesticides
- c. Paint (excluding routine minor touch up in the exterior areas)
- d. Water Treatment Chemicals
- e. Carpeting, Pressed Wood Products, Insulation, Plastics and Glues
- f. Texture and Joint Compounds
- g. Roofing Material
- h. Construction Cleaning Solutions
- i. Any other substance that is or could be construed as hazardous (excluding common janitorial cleaning supplies)

In the event of any building construction, remodel, renovation, maintenance or repair to the Premises, to the best of LESSOR'S ability, shall exercise precautionary and protective measures to ensure the health, safety and general well-being of the occupants and or invitees of the Premises. Examples of precautionary and protective measures may include, but may not be limited to:

- a. Isolating or disconnecting heating ventilation and air-conditioning (HVAC) systems.
- b. Performing work on the weekends and/or outside normal business hours.
- c. Installing appropriate plastic containment systems for egress and egress to and from the building construction, remodel, renovation, maintenance or repair area.
- d. Using a HEPA vacuum to clean up dust and debris from the Premises after work is done.
- e. Compliance with U.S Department of labor, Occupational Safety and Health Administration (OSHA) and State of California, Department of Industrial Relations, Division of Occupational Safety and Health (Cal/OSHA) regulations.

No activities shall be taken (or fail to be taken) that would violate any Federal or California Occupational Safety and Health Administration (OSHA) standards.

ARTICLE 15 - SERVICE COMPANIES

Within ten (10) days after occupancy of the Premises by LESSEE, LESSOR shall give LESSEE a list (see EXHIBIT F) of the names, addresses and telephone numbers of an agencies or persons convenient to LESSEE as a local source of service with regard to LESSOR'S responsibilities under EXHIBIT D and EXHIBIT E of this Lease. If LESSOR fails to provide such list, LESSEE may choose service companies as needed and without penalty from LESSOR, and shall have the right to offset the cost of such services as provided in ARTICLE 14.3.

ARTICLE 16 - ALTERATIONS, MECHANICS' LIENS

16.1 ***Alterations:*** Except for the Premise Improvements, no alterations or improvements shall be made to the Premises by LESSEE or at LESSEE'S request without the prior written consent of LESSOR, which consent shall not be unreasonably withheld.

16.2 ***Condition at Termination:*** Upon termination of this Lease, LESSEE shall return the Premises in the same condition as when delivered to LESSEE, reasonable wear and tear, and damage by casualty or condemnation, and alterations approved by LESSOR excepted.

16.3 ***Mechanic's Liens:*** LESSOR and LESSEE shall keep the Premises free from any liens arising out of any work performed by, materials furnished to, or obligations incurred by such party.

ARTICLE 17 - ASSIGNMENT AND SUBLETTING

LESSEE may assign or sublet all or any portion of the Premises for uses compatible with those permitted in this Agreement with the prior written consent of LESSOR, which consent shall not be unreasonably withheld.

ARTICLE 18 - ENTRY BY LESSOR

LESSEE shall permit LESSOR and LESSOR'S agents to enter the Premises, with reasonable advance notice (except in the case of emergency that threatens the integrity of the building), provided such entry is made in a reasonable manner and does not unreasonably interfere with the conduct of LESSEE'S business.

ARTICLE 19 - INSURANCE AND INDEMNIFICATION

LESSEE, during the term hereof, shall indemnify and hold harmless the LESSOR 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 Premises and to the extent caused by or arising out of the use of the Premises by the LESSEE, 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 LESSOR.

LESSEE shall maintain self-insurance or commercial general liability insurance fully protecting LESSEE in respect of personal injuries and death to persons and property damage, with a combined single limit of not less than \$2,000,000 for personal injuries and death to persons and property damage.

LESSEE shall maintain property insurance for the LESSEE's "contents" within the Premises (equipment, books, ect.).

"All risk" property insurance, earthquake and business interruption coverages are the responsibility of the LESSOR. LESSOR shall provide proof of said coverages prior to the Commencement date of this Lease.

LESSOR, during the term hereof, shall indemnify, defend and hold harmless the LESSEE from and against any and all claims and demands whether for injuries to persons or loss of life, or damage to property, to the extent arising out of acts or omissions of the LESSOR, excepting however, such claims and demands whether for injuries to persons or loss of life, or damage to property, to the extent solely caused by acts or omissions of the LESSEE.

LESSOR shall maintain "All risk" of physical damage coverage insurance, covering the Premises on a replacement cost basis, in an amount sufficient to avoid application of any co-insurance clause and with an "agreed amount" endorsement voiding co-insurance, including a full "replacement cost" endorsement together with appropriate "demolition and increased costs of construction" endorsements.

ARTICLE 20 – CONFIDENTIALITY OF LESSEE’S SERVICES/CLIENTS

LESSOR recognizes and understands that LESSEE’S services, identity of clients, and records relate to a confidential relationship between the LESSEE and its clients, and LESSOR agrees that, in its interaction with LESSEE, 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 items are maintained in a locked environment and that any confidential items are shredded prior to disposing of them in trash receptacles. **LESSOR and LESSEE shall consider the entire Premises a locked environment.** LESSOR and its agents shall exercise all possible care to preserve and maintain the confidentiality of any records and information, consistent with state and federal privacy laws relating to private information.

ARTICLE 21 - DESTRUCTION

If the Premises are totally destroyed by fire or other casualty, either party may terminate this Lease immediately by giving notice to the other party.

If such casualty shall render forty percent (40%) or less of the rentable area of the Premises unusable for the purpose intended, LESSOR shall effect restoration of the Premises as quickly as is reasonably possible, but in any event restoration shall begin within thirty (30) days after permits for said repair are issued.

If such casualty shall render more than forty percent (40%) of such floor space unusable but not constitute total destruction, LESSOR shall forthwith give notice to LESSEE of the specific number of days required to repair the same. If LESSOR under such circumstances shall not give such notice within thirty (30) calendar days after such destruction, or if such notice shall specify that such repairs will require more than one hundred fifty (150) days to complete from the date permits are issued, LESSEE, in either such event, at its option, may terminate this Lease.

In the event of any such destruction other than total, where LESSEE or LESSOR has not terminated the Lease as herein provided, LESSOR shall diligently prosecute the repair of the Premises. LESSEE shall assist LESSOR with obtaining all applicable building permits if necessary.

LESSOR and LESSEE understand that, in circumstances for which a building permit is required, work cannot commence before a building permit is obtained. Time deadlines set forth herein shall not commence before required permits are issued. LESSOR warrants to diligently pursue issuance of said permits.

If LESSEE remains in occupancy of the Premises though partially destroyed, the rent for said Premises as herein provided, during restoration, shall be reduced by the same ratio as the rentable square feet LESSEE is precluded from occupying, as bears to the total "rentable square feet" of the Premises as designated in Exhibit A1 and as defined in Article 1, Section 1.1 Description. The term "rentable square feet" shall defined and measured from the outside finished surface of permanent outer building walls and to the center of the existing interior or common walls.

If the Premises are damaged by fire or other casualty covered by LESSOR's insurance but LESSOR'S insurance proceeds will not be sufficient to cover the cost of such repairs, LESSOR either may elect to so repair, reconstruct or restore the Premises and any insured alterations and the Lease shall continue in full force and effect or LESSOR may elect not to repair, reconstruct or restore the Premises and any insured alterations and LESSEE shall have the right to elect to repair, reconstruct or restore the Premises with such insurance proceeds with the balance, if any, to be borne by LESSEE, at LESSEE's sole cost and expense. If LESSEE elects not to repair, reconstruct or restore the Premises, the Lease shall in such event terminate. Under any of the conditions of this subsection, LESSOR shall give written notice to LESSEE of its intention within thirty (30) days from the date of such event of damage or destruction.

ARTICLE 22 - DEFAULT BY LESSEE

22.1 *Default:* If any of the following events occur, each such event shall constitute a material breach of this Lease, and LESSOR may, at LESSOR'S option, exercise any or all rights available to a LESSOR under the laws of the State of California:

- a. A default in the payment of rent or other obligation when such default continues for a period of fifteen (15) days after written notice from LESSOR to LESSEE of such default, or
- b. LESSEE fails to faithfully perform or observe any other covenant or undertaking required under this Lease and such failure continues for a period of thirty (30) days after written notice thereof from LESSOR to LESSEE of such default or, if such default is not reasonably curable within such thirty (30) day period, LESSEE fails to commence to cure such default within such thirty (30) day period and thereafter diligently pursue such cure to completion, or
- c. LESSEE is adjudicated bankrupt, or
- d. LESSEE'S lease interest is sold under execution of judgment.

22.2 *Remedies:* If LESSEE fails to cure a default within the time frames outlined above, LESSOR shall have the right to exercise any remedies at law permitted under California law including Civil Code Sections 1951.2 and 1951.4.

ARTICLE 23 - DEFAULT BY LESSOR

23.1 *Default:* LESSOR shall not be in default unless LESSOR 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 LESSEE to LESSOR specifying wherein LESSOR has failed to perform such obligations. If the nature of LESSOR'S obligation is such that more than thirty (30) days are required for performance, then LESSOR shall not be in default if LESSOR commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. LESSEE'S obligation to provide written notice to LESSOR of a default by LESSOR is limited to those instances where knowledge of LESSOR'S default is within the actual knowledge of LESSEE.

23.2 *Remedies:* If LESSOR fails to cure a default within the time periods outlined above, LESSEE shall have the option to cure the default. Provided LESSEE is not in default under this Lease, if LESSOR fails to cure a material default (that impacts the ability of LESSEE to conduct its business within the Premises) within the

time periods outlined above and the default is such that if uncured, good cause otherwise exists for a termination, LESSEE shall have the option to either cure the default, or to terminate this Lease, in addition to any other remedies at law not inconsistent herewith. If LESSEE is asserting that LESSOR'S default constitutes a material default giving right to a termination election by LESSEE, in LESSEE'S notice to LESSOR of said default pursuant to this Article, LESSEE shall state such contention and include the following:

(a) In at least 12 point font, in bold, the notice shall contain the following legend:

THIS NOTICE OF DEFAULT SUBJECT LESSEE WITH A RIGHT TO TERMINATE THE LEASE IF LESSOR FAILS TO CURE THE DEFAULT WITHIN A REASONABLE TIME, BUT IN NO EVENT LATER THAN THIRTY (30) DAYS AFTER RECEIPT OF THIS NOICE. IF THE NATURE OF LESSOR'S OBLIGATION IS SUCH THAT MORE THAN THIRTY (30) DAYS ARE REQUIRED FOR PERFORMANCE, THEN LESSOR SHALL NOT BE IN DEFAULT IF LESSOR COMMENCES PERFORMANCE WITHIN SUCH THIRTY (30) DAY PERIOD AND THEREAFTER DILIGENTLY PROSECUTES THE SAME TO COMPLETION.

(b) A statement by LESSEE as to why the default is of a nature that gives rise to a right to terminate the Lease.

(c) Identification of each of the provisions of the Lease that LESSOR has failed to perform and the expected cure.

(d) Confirmation that if LESSOR fails to cure the default as requested that LESSEE intends to exercise its right to terminate the Lease and vacate the Premises.

Should LESSEE elect to cure the default, all reasonable costs associated with such cure, including reasonable attorneys' fees incurred and awarded as a result of any legal action or proceeding brought to enforce or interpret this Lease Agreement (if any), shall be reimbursed by LESSOR to LESSEE within thirty (30) days of receipt of LESSEE'S invoice for said costs which shall be accompanied by invoice and receipts to document LESSOR'S cost to cure said default, and by any Court Order awarding reasonable attorney's fees incurred to cure said default. However, upon LESSOR'S failure to so reimburse LESSEE within thirty (30) days of receipt of LESEE'S invoice for said costs, at LESSEE'S option, said costs shall be deducted from rent due hereunder. If LESSOR'S default hereunder prevents LESSEE'S use of the Premises, there shall be an abatement of rental payments for the period of such non-use.

ARTICLE 24 - CONDEMNATION

If more than ten percent (10%) of the floor space area of the Premises is taken or condemned for a public or quasi-public use, or the part taken renders the entire Premises insufficient for the conduct of LESSEE'S business and operations, then this Lease shall terminate at the option of LESSEE as of the date title shall vest in the condemner. If only part of the Premises is taken and the remainder of the Premises is sufficient for the conduct of LESSEE'S business and operations, then LESSOR shall restore the Premises to a single architectural unit and the Lease shall continue as to the part not taken, but the monthly rent shall be reduced in proportion that the rentable area of the Premises taken bears to the rentable area of the Premises before the taking.

ARTICLE 25 - HOLDING OVER

If LESSEE remains in possession of the Premises after the Lease Term or any Extended Term, this Lease shall automatically be extended on a two month to two month basis at 105% of the monthly rent applicable to the last month of the Lease Term or Extended Term, subject to termination upon sixty (60) days' written notice by either party. All other terms and conditions shall remain in full force and effect.

ARTICLE 26 - WAIVER

Any waiver of any term or condition of this Lease must be in writing and signed by LESSEE and LESSOR. The waiver by LESSOR or LESSEE 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 or other term, covenant or condition herein contained.

ARTICLE 27 - QUIET POSSESSION

LESSEE shall at all times during the term of this Lease peaceably and quietly have, hold and enjoy the Premises, without suit, trouble or hindrance from LESSOR or any person claiming any interest in this Lease Agreement under LESSOR, subject to the terms of this Lease so long as LESSEE is not in default and so long as LESSEE shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms.

ARTICLE 28 - SUBORDINATION

This Lease shall be subject and subordinated to the lien of any mortgages and deeds of trust which are hereafter placed against the LESSOR'S interest or estate in the property provided that the mortgagor or beneficiary under such mortgage or deed of trust shall agree in writing that, in the event of a foreclosure of same or of any other such action or proceeding for the enforcement thereof, or of any sale thereunder, this Lease shall not be barred, terminated, cut off, or foreclosed, nor will the rights and possession of LESSEE hereunder be disturbed if LESSEE shall not then be in default under the terms of this Lease, and LESSEE shall attorn to the purchaser at such foreclosure, sale or other action or proceeding. The foregoing subordination shall be effective without the necessity of having any further instruments executed by LESSEE, but LESSEE shall nonetheless execute, upon demand, such further instruments evidencing such subordination as may be reasonably requested by LESSOR or any mortgagee or beneficiary.

ARTICLE 29 - ESTOPPEL CERTIFICATE

Within thirty (30) days of written notice by one party to the other, each will execute, acknowledge and deliver to the other an estoppel certificate in writing declaring any modifications, defaults or advance payments and whether the lease, as may be modified, is in full force and effect. Any such certificate may be conclusively relied upon for the intended transaction for which the statement was requested.

ARTICLE 30 - MISCELLANEOUS PROVISIONS

30.1 **Amendment:** This Lease may be amended or modified only by an instrument in writing signed by LESSEE and LESSOR.

30.2 **Time is of the Essence:** Time is of the essence of in each and all of the provisions of this Lease.

30.3 **Binding Effect:** Subject to any provision hereof restricting assignment or subletting by LESSEE, this Lease shall bind the parties, their personal representatives, successors, and assigns.

30.4 **Invalidity:** The invalidity of any provision of this Lease as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

30.5 **Authority:** Any individual executing this Lease on behalf of LESSEE or LESSOR represents and warrants hereby that he or she has the requisite authority to enter into this Lease on behalf of such party and bind the party to the terms and conditions of this Lease.

30.6 **Interpretation of Conflicting Provisions:** In the event of any conflict or inconsistency between the provisions of this Lease and the provisions of any addendum or exhibit attached hereto, the provisions of this Lease shall prevail and control.

30.7 **Successors and Assigns:** This Lease and the rights, privileges, duties, and obligations of LESSEE and LESSOR under this lease, to the extent assignable or delegable, shall be binding upon and inure to the benefit of the parties and their respective successor, permitted assigns, and heirs.

30.8 **Headings:** The headings in this Lease are for convenience only and shall not be used to interpret the terms of this Lease.

30.9 **Governing Law:** This Lease shall be governed by and interpreted under the laws of the State of California.

30.10 **Construction of Lease:** LESSEE and LESSOR agree that each party has fully participated in the review and revision of this Lease and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Lease or any amendment to this Lease.

30.11 **Counterparts:** This Lease may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Lease.

30.12 **Integration:** This Lease, including the exhibits and addenda, represents the entire agreement between LESSEE and LESSOR with respect to the subject matter of this Lease and shall supersede all prior negotiations, representations or agreements, either written or oral, between LESSEE and LESSOR as of the effective date of this Lease, which is the date that LESSEE signs this Lease.

ARTICLE 31 - MAJOR APPLIANCES

Installation of major appliances such as vending machines, refrigerators, stoves, etc., must be approved by LESSOR prior to installation. The LESSOR will grant installation approval for new appliances only. Such approval shall not be unreasonably withheld.

ARTICLE 32 – PROPERTY TAX EXEMPTION

LESSOR and LESSEE will cooperate and do all acts reasonably necessary and appropriate to secure and maintain tax exemption of the Premises pursuant to ARTICLE XIII, Section 3 of the California Constitution. The parties acknowledge and agree that the existence of the exemption was taken into account in fixing the terms and conditions of this Lease and that LESSEE therefore will receive the full benefit of the exemption by virtue of the rental terms set forth in this Lease.

LESSOR and LESSEE understand that the Premises are exempt from Real Property Taxes. Nevertheless, in the event that the exemption is no longer available or that Real Property Taxes are owing for any other reason, LESSOR shall pay directly to the taxing authority prior to delinquency all Real Estate Taxes as such taxes become due and payable with respect to the Premises. "Real Estate Taxes" shall include general real estate taxes and assessments payable with respect to the Premises that are imposed by any authority having the power to tax any legal or equitable interest of LESSOR in the Premises. LESSEE shall pay or cause to be paid, prior to delinquency, any and all taxes and assessments levied upon all trade fixtures, inventories and other personal property placed in and upon the Premises by LESSEE and owned by LESSEE.

ARTICLE 33 - PUBLIC TRANSPORTATION

LESSOR and LESSEE shall cooperate (at no cost to LESSOR) to make public transportation (bus service) available to the site in which the Premises are a part of. The service level of this public transportation will be sufficient to service the employees who will work at the site as well as LESSEE'S clients and customers who need access by public conveyance to and from the site.

ARTICLE 34 – ALTERNATE ENERGY

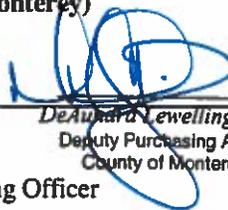
LESSOR and LESSEE shall cooperate (at no cost to LESSOR) to explore options to install solar and/or other alternate energy options and enhancements to the Premises. In the event any alternate energy enhancement creates a tax deduction, PG&E rebate or any other form of monetary credit to LESSOR, LESSOR further agrees to pass to LESSEE said monetary credit to defray LESSEE'S operational cost for the Premises as identified in EXHIBIT D and EXHIBIT E of this Lease.

ARTICLE 35 – FIRST RIGHT OF OFFER

LESSOR hereby grants to LESSEE the right to first negotiate to purchase the Premises. In the event LESSOR intends to offer the Premises for sale, LESSOR shall promptly notify LESSEE in writing of its intention, including the desired terms and conditions for a said sale. LESSEE shall have forty-five (45) days within which to notify LESSOR in writing whether LESSEE is interested in negotiating with LESSOR for purchase of the Premises. In the event LESSEE elects to negotiate with LESSOR for said purchase, LESSOR shall in good faith enter into negotiations with LESSEE for a period of thirty (30) days. In the event that LESSOR and LESSEE after good faith efforts are not able to come to terms on the purchase of the Premises within said thirty (30) days, LESSOR shall be free to negotiate with third parties for the sale of the Premises.

IN WITNESS WHEREOF, the LESSOR and LESSEE have executed this Lease on the date set forth beneath their respective signatures below.

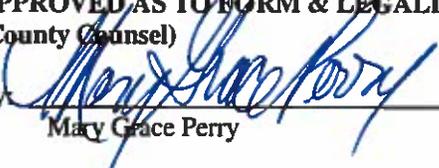
LESSEE: (County of Monterey)

By: 
Michael R. Derr *Deborah Lewelling, MBA*
Deputy Purchasing Agent
County of Monterey

Title: Contracts/Purchasing Officer

Date: May 12, 2015

APPROVED AS TO FORM & LEGALITY:
(County Counsel)

By: 
Mary Grace Perry

Title: Deputy County Counsel

Date: 4-24-2015

APPROVED AS TO LIABILITY PROVISIONS:
(County Risk Management)²

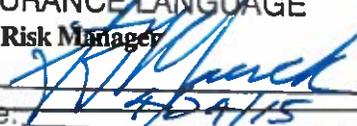
COUNTY OF MONTEREY

By: 

Name: APPROVED AS TO INDEMNITY/

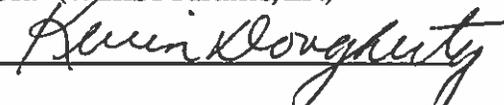
INSURANCE LANGUAGE

Title: Risk Manager

By: 

Date: 4/24/15

LESSOR: (WLKST Partners, LP.)

By: 

Name: Kevin Dougherty

Title: President

Date: April 24, 2015

²² Approval by Risk Management is necessary only if changes are made to ARTICLES 19 and/or 20.
65 W. Carmel Valley Rd. Lease Agreement (Final 4-24-15)

EXHIBIT A1

DESCRIPTION OF PREMISES

Current Basic Floor Plan

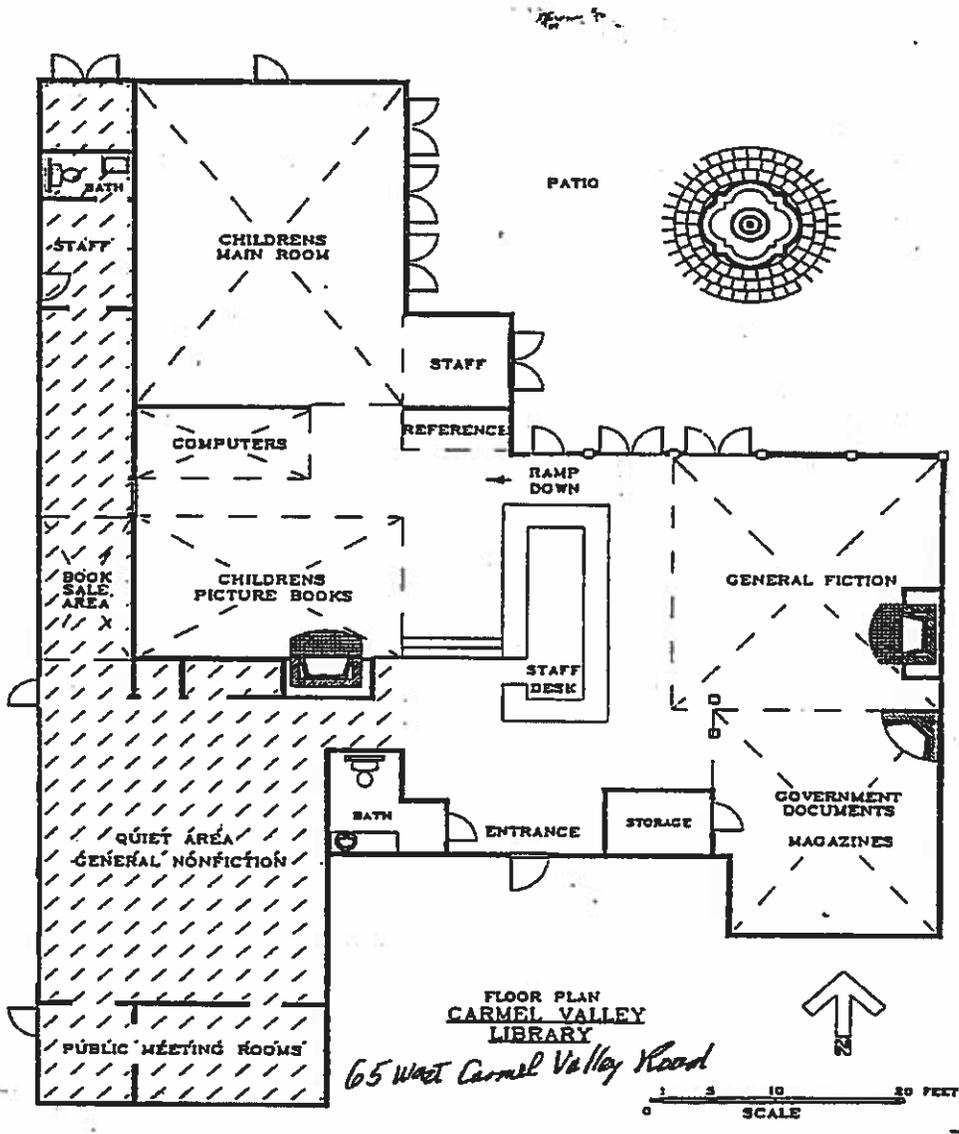


EXHIBIT A2

PARKING PLAN

[TO BE ATTACHED TO THE LEASE WHEN COMPLETED]

EXHIBIT B

STATEMENT OF SEISMIC ADEQUACY

[TO BE ATTACHED TO THE LEASE WHEN COMPLETED]

EXHIBIT C - 1

PREMISE IMPROVEMENTS

1. Premise Improvements:
 - a. LESSOR shall construct all Premise Improvements in accordance with the Specifications as approved by LESSOR and LESSEE, which Specifications are or will be attached to this Exhibit C upon such approval. Premise Improvements must satisfy the Federal Americans with Disabilities Act, as and if applicable.
 - b. Premise Improvements are generally described as follows:
 1. Install new HVAC system.
 2. Make repairs and upgrades to existing parking lot.
 3. New floor covering throughout Premises provided that LESSEE pays for moving office furniture, book shelving, and equipment. Said moving cost to be capped at \$15,000.
 4. Address interior and exterior ADA deficiencies.
 5. Address a variety of deferred maintenance and repairs to the building's interior, exterior, patio and walkways.
 - c. LESSOR shall commence construction of the Premises Improvement work at the earliest opportunity. Cost and schedule of Premise Improvement work shall be approved by LESSOR and LESSEE prior to commencement.
 - d. LESSOR shall diligently pursue construction of approved Premises Improvement work and deliver the Premises to LESSEE in a condition suitable for occupancy no later than a date certain, that will be mutually established by LESSOR and LESSEE on or before the date LESSOR'S contractor commences construction of the Premise Improvements.
2. Construction Specifications, Change Orders and Delay:
 - a. LESSOR shall provide for LESSEE'S approval the complete and detailed proposed Specifications for the Premises Improvements, the design of which shall conform to LESSEE'S approved program for use of the Premises.
 - b. LESSEE shall provide LESSOR with written notice of its approval or disapproval of the Specifications within five (5) business days after receipt of such Specifications. If LESSEE disapproves the Specifications, LESSEE shall describe the reasons for its disapproval in reasonable detail in LESSEE'S notice of disapproval. LESSOR shall revise the Specifications to satisfy the issues giving rise to LESSEE'S disapproval and submit the revised Specification to LESSEE as provided in clause 2.a of this Exhibit C.
 - c. During construction, LESSOR and LESSEE'S Representative (as defined below) shall confer periodically regarding the progress of the work and the approximate cost of the work completed. LESSEE'S Representative may request changes, modifications or alterations to the Specifications by written change order delivered to LESSOR, but no such change shall be made without the written approval of LESSOR, which approval shall not be unreasonably withheld. LESSOR shall approve or deny each LESSEE change order within four (4) business days, and LESSOR shall also provide to LESSEE'S Representative, by written notice to LESSEE, an estimate of the maximum cost of each change order within five (5) business days after the delivery of the change order to LESSOR. No work based upon a change order shall be undertaken unless and until LESSEE'S Representative shall have approved (by notice to LESSOR) LESSOR'S cost estimate.

- d. If LESSOR determines that a change proposed by LESSEE will delay completion of the construction beyond the period allocated for such construction, LESSOR shall, within four (4) business days, notify LESSEE'S Representative of the estimated length of the delay caused by LESSEE'S request. LESSEE'S Representative shall advise LESSOR within two (2) business days after receipt of such notice as to whether LESSOR shall proceed with requested change, modification or alteration. LESSOR shall not make the requested change to the Specifications without LESSEE'S approval of any proposed time extensions.
 - e. If LESSOR requires that LESSEE clarify or refine the Specifications, then LESSEE'S Representative shall meet with LESSOR for the purpose of clarifying or refining the Specifications within two (2) business days after LESSEE'S receipt of LESSOR'S request therefore. No such clarification or refinement shall be deemed to be a change order.
 - f. If LESSOR determines that the Specifications must be changed as a result of omissions or errors in the Specifications, then LESSOR shall, prepare and submit to LESSEE revised Specifications correcting any such omission or error. LESSEE shall approve or disapprove such revised Specifications within two (2) business days after receipt and shall not unreasonably withhold its approval.
 - g. LESSOR shall not be responsible for any delays in the time for completion of construction resulting from LESSEE'S delay. For purposes herein, LESSEE'S delay in the completion of the construction of the Premise Improvements are delays that may arise solely as a result of: (1) LESSEE'S failure to comply with its obligations set forth in subsection b, d, e, or f, above, within the time specified; (2) any change directed by LESSEE after notification to LESSEE that the change will delay completion of the construction as provided in subsection d, above; or (3) extra time required to obtain any long lead items specified by LESSEE. For purposes herein, an item shall be considered a long lead item if LESSOR notifies LESSEE within fifteen (15) business days after receipt of LESSEE'S approval of the Plans and Specifications that such item is not readily available or readily installable after the same is requested by LESSEE.
3. Approval by Public Authorities: If applicable, and following LESSEE'S approval of the Specifications, LESSOR shall obtain approval of the Specifications for the Premises from all appropriate governmental agencies, and a copy of the Specifications, as approved by such governmental agencies, shall be dated and initialed by both LESSOR and LESSEE. LESSOR shall exercise due diligence in obtaining any such approval. LESSEE shall cooperate with LESSOR in obtaining all such approvals, and in this regard, LESSEE shall approve all revisions and changes to the Specifications reasonably required by any governmental agency, with due diligence and without delays.
4. Quality of Work: All work performed hereunder shall be done in a good and workmanlike manner, free from faults and defects and in accordance with the Specifications. All materials and equipment installed in the Premise Improvements shall be new unless otherwise specified in the Specifications.
5. LESSEE'S Access during Construction: LESSEE'S representative, agents, consultants and contractors ("LESSEE'S Representatives") shall have access to the Premises during the construction of the Premise Improvements for activities and purposes related to construction of the Premises or preparation of the Premises for occupancy. LESSEE'S Representatives on the Premises during construction shall cooperate with LESSOR'S contractor and not delay in any way the performance by LESSOR'S contractors or LESSOR'S representatives of any work (including but not limited to the construction of Premise Improvements).
6. Acceptance of Premises:
 - a. At any time during the construction of the Premise Improvements, LESSEE may reject any work that does not conform to the Specifications or does not meet good and workmanlike standards as reasonably interpreted by and at the sole discretion of the LESSEE.

- b. Within five (5) business days after LESSOR delivers to LESSEE a list of work items remaining to be done or corrected and notifies LESSEE that the Premise Improvements are ready for inspection by LESSEE'S representative, LESSEE shall deliver to LESSOR a list of items that LESSEE shall have reasonably determined that LESSOR must complete or correct prior to LESSEE'S acceptance of possession in order for the work to conform to the Specifications. LESSOR shall immediately commence to complete or correct the items listed by LESSEE, except those it contends are not justified. If LESSEE fails to deliver such a list within the five (5) business day period, LESSEE shall be deemed to have accepted the Premises subject to completion of the corrections on LESSOR'S list of corrections and to have approved the construction.
 - c. Acceptance by LESSEE shall not be unreasonably withheld.
- 7. **Notices:** All notices required or permitted hereunder shall be in writing and shall be delivered as indicated in ARTICLE 6 of the Lease to which this Exhibit is attached.
 - 8. **Notice of Non-Responsibility:** LESSOR may post such notices of non-responsibility for payment to LESSEE contracted vendors as it reasonably deems appropriate in or around the Premises during the construction provided for herein.
 - 9. **Responsibility for Damage:** If LESSEE installs equipment in the Premises prior to completion of the work hereunder, LESSEE shall bear the risk of loss to such equipment other than loss that is a result of negligence or willful misconduct by LESSOR, its agents or contractors.
 - 10. **Telecommunications/Data:** Premise Improvements may include the installation of necessary telecommunications/data processing linkages, and alarm systems. Specification for telecommunications/data processing linkages and alarm systems will be developed and provided by the Monterey County Information Technology Department as specified in **EXHIBIT C-6 – COUNTY OF MONTEREY INFORMATION TECHNOLOGY CABLING STANDARDS** attached and incorporated by this reference.

EXHIBIT C-2

PREMISE IMPROVEMENT SPECIFICATIONS

65 W. Carmel Valley Road, Carmel Valley, CA

1. Install new HVAC system sufficient for building. 2 units; estimated size, ⁴/₈ tons. KD [signature]
2. Repair, seal, restripe current parking lot.
3. Demolish fence area at rear of property and improve land area for additional parking.
4. Install new commercial grade carpet floor tiles throughout Premises except restrooms and employee lounge which shall be commercial grade resilient floor tile or commercial grade linoleum. Color and pattern of flooring material to be confirmed by LESSEE prior to start of construction. LESSOR to provide LESSEE with 200 square feet of extra carpet tiles to help address any future maintenance issues. Extra carpet tiles to be kept in IT Room or any other location LESSEE chooses. LESSEE shall pay for moving office furniture, book shelving, and equipment. Said moving cost to be capped at \$15,000.
5. Address interior and exterior ADA improvements; Van-accessible handicap parking and signage, public restroom, exterior ramp at rear door, interior rails adjacent to interior ramp, and interior handicap signage.
6. Perform seismic upgrades sufficient to secure a seismic adequacy letter from a Structural Engineer.
7. Interior walls, doors, built-in cabinetry, and hard ceilings of the Premises to be painted, treated or stained as needed. The LESSOR will consider multi-color scheme. Sheen and colors to be confirmed by LESSEE prior to construction.
8. Perform miscellaneous repairs, maintenance and cleaning to the interior and exterior of the Premises, at the sole discretion of the LESSOR, to help bring the overall condition of the Premises in a good sustainable condition.

EXHIBIT C-3

PREMISE IMPROVEMENT COSTS

[TO BE ATTACHED TO THE LEASE WHEN COMPLETED]

EXHIBIT C-4

CONSTRUCTION SCHEDULE

[TO BE ATTACHED TO THE LEASE WHEN COMPLETED]

EXHIBIT C-5

REMEDIAION CONTRACTOR SPECIFICATIONS

A. Scope of Services

Remediation Contractor to provide treatment, cleanup, damage restoration and any other necessary remediation of:

- Water and/or sewage damage
- Mold, asbestos, lead, and polychlorinated biphenyl (PCB) contamination
- Fire and smoke damage
- Hazardous materials within the license and certification capabilities of the Remediation Contractor
- Human bodily fluids, including but not limited to blood, vomit, urine, feces, and saliva
- Routine sanitation cleanup

B. Work Standards

All work must be done in accordance with the California Health and Safety Code, California Occupational Safety and Health Act (OSHA), and other applicable laws and regulations. The Remediation Contractor must take all care to ensure that work proceeds under the highest standards of safety and prudence, and in compliance with all applicable laws.

EXHIBIT C - 6

COUNTY OF MONTEREY INFORMATION TECHNOLOGY CABLING STANDARDS (Page 1 of 3)

This document is to be used as a guide for voice and data cabling in all Monterey County facilities with the exception of Natividad Medical Center. Some of the requirements are dependent on specifications that are specific to a particular job and this information will be made available as necessary.

1. The cable plant shall be star configured, unshielded twisted pair (UTP) system capable of supporting data rates of 350 MBPS.
2. All riser and closet-to-closet voice wiring shall be unshielded twisted pair PVC rated, Outside Plant (OSP) rated for underground use, Riser rated, or Plenum rated as required by local Fire Marshall, and shall be EIA/TIA 568, 569 and TSB-36 Category 3 certified cable. This cable shall be tested for opens, shorts and reversals.
3. All riser and closet-to-closet data wiring shall be color coded tight tube 62.5/125 multimode fiber optic cable PVC, Outside Plant, Riser or Plenum rated as required by specific project specifications or the local Fire Marshall.
4. Only existing communications closets may be used for the termination of voice and data cable. Additional cable consolidation points and intermediate distribution frames will be added only with prior approval from the Monterey County Telecommunications Department.
5. All fiber optic cable shall be terminated on ST or SC connections as required by specific project specifications.
6. All fiber optic cable shall be installed in appropriate fiber optic interduct PVC, Outside Plant, Riser or Plenum rated as required by specific project specifications or the local Fire Marshall.
7. All Fiber optic cable shall be terminated in the equipment rooms in approved fiber optic LIU cabinets Leviton Part # 5R330-OAB or the equivalent with sufficient density to accommodate all fiber optic cable as specified in the project specifications.
8. The cable plant shall meet EIA/TIA-568 "Commercial Building Telecommunications Wiring Standard" and the maximum length of any UTP data drop SHALL NOT exceed 100 meters (322 feet) including patch cables and future jumper cables.
9. All data drop cabling shall be EIA/TIA 568, 569 and TSB-36 Category 5 enhanced certified (5E) cable.
10. All data drop cabling shall be 4 pair unshielded twisted pair, PVC rated, (Outside Plant (OSP) rated for underground use) (Plenum rated as required by local Fire Marshall), and Category 5 enhanced certified cable.
11. Approved cable supplier: Belden enhanced Data Twist CAT-5 #1700A (Blue color for data-1 Black color for data-2 unless otherwise requested) or its equivalent or data and Belden CAT-5 #1583A (Grey color for voice-1 White color for voice-2 unless otherwise requested) or its equivalent for voice.
12. All wiring closet data connecting hardware shall be EIA/TIA TSB-40 Category 5 enhanced certified cable.

COUNTY OF MONTEREY INFORMATION TECHNOLOGY
CABLING STANDARDS (Page 2 of 3)

13. All wiring closet data connecting hardware shall be modular jack panels with RJ45 jacks on the front and 110 style insulation displacement connectors (IDC) for termination of the drop cable on the back.
14. The modular information outlets shall be housed in a four or six position wall plate.
15. The modular information outlet shall have an identification display and each outlet shall have the assigned specific identification number in the sequence assigned by an appropriate representative of Monterey County ITD displayed on it.
16. All modular jacks shall be eight position jacks with the pin/pair assignments utilizing EIA/TIA T568B.
17. Approved information outlet supplier: Leviton 5G108-R*5 (Orange color for data-1 Black color for data-2 unless otherwise requested) for data and Leviton 41108-R*5 (Ivory color for voice-1 White color for voice-2 unless otherwise requested) for voice.
18. Approved wall plate supplier: Leviton 41080-4IP (single-gang 4 port), 41080-6IP (single-gang 6 port), 42080-4IP (dual-gang 4 port), and 42080-6IP (dual-gang 6 port).
19. Approved surface plate supplier: Leviton 41089-4IP 4 port surface plates permanently attached to the appropriate surface.
20. The patch panel shall be Category 5 enhanced, 8-position modular jack panel with circuit board construction in all IC/MC locations. The 8-position modular jack patch panel shall be with wall mounted or rack mounted with cable management panels.
21. The patch panel shall meet EIA/TIA TSB-40 standards.
22. The patch panel shall be configured for 48 ports maximum or as requested.
23. Approved supplier for patch panels: Leviton #5G484-B48.
24. Approved supplier for vertical wire manager: Panduit #WMP-1 and horizontal wire managers: Panduit #MVPVC45 and #MVPVS45 or approved equivalent.
25. All wiring closet voice connecting hardware shall be EIA/TIA TSB-40 Category 5 compliant.
26. All wiring closet voice connecting hardware shall be wall mounting 66 M150 connecting hardware for termination of drop cable. These blocks should be attached to the wall using Homaco 50M series wall racks and 89B brackets.
27. All data station drop cables shall be tested from the outlet device to the patch panel. Each wire/pair shall be tested at both ends.
28. Testing shall be made utilizing a hand cable tester meeting EIA/TIA 568 standards; all testing equipment shall be calibrated annually and shall have a dated certificate.
29. Printed test results shall be assembled and delivered to county's representative.
30. Test results for each 4 pair; UTP cable must be submitted with identification to match labels on all patch panels and 8 position modular jacks.

COUNTY OF MONTEREY INFORMATION TECHNOLOGY
CABLING STANDARDS (Page 3 of 3)

31. All voice cables shall be tested for continuity, grounds, split pairs, polarity, shorts between wires, and shorts between pairs.

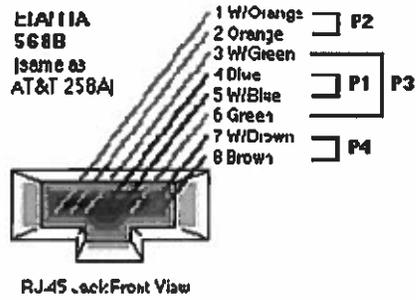


EXHIBIT D

SUMMARY OF SERVICES AND UTILITIES

The following is a summary of services and utilities responsibilities of LESSOR and LESSEE for the proposed use of the Premises:

	N/A	LESSOR	LESSEE
Provide adequate paper supplies, dispensers, and waste and recycling containers for the Premises and restrooms within Premises			X
Provide adequate custodial service for the interior of the Premises			X
Provide adequate custodial service for exterior of the Premises (emptying trash cans only)			X
Professionally clean carpets, rugs, tile and linoleum flooring			X
Professionally clean existing drapes, blinds, and window shades			X
Professionally clean interior windows			X
Professionally clean exterior windows			X
Provide adequate pest control for the interior of the Premises		X	
Provide adequate pest control for exterior of Premises		X	
Provide adequate landscape maintenance and gardening (including landscape irrigation system)		X	
Provide adequate parking lot area sweeping		X	
Provide adequate refuse, rubbish, garbage, and recyclable (paper, plastic, and aluminum, if available) disposal and pick up service			X
Provide adequate fire sprinkler systems testing	X		
Provide adequate fire alarm systems monitoring			X
Provide adequate intrusion/security alarm systems monitoring			X
Provide adequate patrolled security guard service (Subject to change with mutual written consent)	X		
Provide adequate heating, ventilation & air conditioning (HVAC) systems filter replacements, unit inspections, unit lubrications and record keeping pursuant to the California Code of Regulations, Title 8, Section 5142. Subject to LESSEE reimbursement per ARTICLE 3		X	
Provide adequate servicing of uninterrupted power source (UPS)	X		
Provide adequate servicing of back up generator	X		
Provide adequate gas utility service as per ARTICLE 13			X
Provide adequate electric utility service as per ARTICLE 13			X
Provide adequate water utility service as per ARTICLE 13			X
Provide adequate telephone and data service (including connection charges)			X

LESSOR and LESSEE contact information is detailed in ARTICLE 6 of this Lease.

EXHIBIT E

SUMMARY OF REPAIR AND MAINTENANCE RESPONSIBILITIES

The following is a summary of maintenance and repair responsibilities of LESSOR and LESSEE for the proposed use of the Premises:

	N/A	LESSOR	LESSEE
Common Areas	X		
Foundations and Floor Slabs		X	
Elevators and/or Dumb Waiters	X		
Exterior and Bearing Walls		X	
Exterior Doors and Hardware		X	
Exterior Windows and Window Frames		X	
Roofs (including replacement if deemed necessary)		X	
Gutters, Drains and Downspouts		X	
Parking Lots		X	
Ceilings (including damage due to roof leaks)		X	
Fire Sprinkler Systems	X		
Fire Alarm Systems		X	
Fire Place Inspections and Cleaning (fireplace located in 27'x 24' area only)			X
Intrusion/Security Alarm Systems			X
Heating, Ventilation and Air Conditioning (HVAC) Systems (including replacement if deemed necessary)		X	
Heating, Ventilation and Air Conditioning (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, fixtures, and septic tank and leach field servicing)		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 and with the understanding that LESSEE pays for moving office furniture, book shelving, and equipment).		X	
Interior Doors and Hardware		X	
Interior Windows and Window Frames		X	
Carpet, VCT, and Linoleum Flooring (including replacement if deemed necessary and with the understanding that LESSEE pays for moving office furniture, book shelving, and equipment).		X	
Base and/or Moldings (including replacement if deemed necessary)		X	
Refrigerator Appliances			X
Communication Systems (data/telephone cabling, connections and equipment)			X

*Notwithstanding the forgoing, LESSEE will pay to LESSOR the reasonable cost of any repairs or maintenance required as a result of negligent acts or omissions, or which is otherwise the fault, of LESSEE, its agents, employees, contractors, guests, or invitees.

**LESSEE will also pay to LESSOR the reasonable cost of any repair or maintenance required for LESSEE-installed improvements to the Premises, such as phone/data cabling, support equipment, trade fixtures, special door locks, and any other equipment used to meet LESSEE'S operational needs that are considered above normal general office space improvements.

LESSOR and LESSEE contact information is detailed in ARTICLE 6 of this Lease.

EXHIBIT F

SERVICE CONTACT LIST (Page 1 of 2)

Item	Contact	Number
Back Up Generator		
Cabinets/Millwork		
Carpenter		
Ceiling Tile		
Electrical		
Electronic Gates and Garage Doors		
Elevator		
Elevator Phone		
Exterior Door and Hardware		
Flooring		
Fire Sprinkler System		
Fire Extinguisher Servicing		
Fire Alarm		
Fireplace Inspection & Cleaning		
Heating & Air Conditioner		
Industrial Hygienist		
Interior Door and Hardware		
Janitorial for exterior areas		
Janitorial for the Premises		
Landscape Maintenance		
Light Bulbs & Fluorescent Tubes		
Locksmith		
Painting		
Pest Control		
Parking Lot Repair		

SERVICE CONTACT LIST (Page 2 of 2)

Item	Contact	Number
Parking Lot Sweeping		
Patrolled Security		
Plumbing		
Remediation of Env. Hazards		
Roofing System		
Roof Gutters & Downspouts		
Security Alarm Company		
Septic Tank Servicing		
Sewer & Drain Cleaning		
Tree Trimming & Removal		
Utility (Gas & Electric)		
Utility (Telephone)		
Utility (Water)		
Waste Disposal & Recycle		
Water Softening/Treatment		
Window Replacement & Repair		
Window Cleaning		