

| AGENDA ITEM TRANSMITTAL | | | |
|---|--|---|---|
| TO: BOARD OF SUPERVISORS FROM: TERENCE MAY CAO | Agenda Time Estimates: Minutes or <input type="checkbox"/> Consent | Leave Blank: <div style="font-size: 1.5em; font-weight: bold;">939.1</div> | Date/Time Rec'd: <div style="font-size: 1.5em; font-weight: bold;">2/19/04</div> <div style="text-align: right; font-size: 0.8em;">SV</div> |
| MEETING DATE: 2/24/2004 | | (1) SUBJECT: Commercial lease amendment and estoppel agreement | |
| <p>San Benito County leases approximately 42,700 square feet of commercial office space from Community Services Development Corporation ("Landlord") at 1111 and 1131 San Felipe Road. The County has a thirty-year lease for this property. The lease currently has a subordination and no other encumbrance terms contained in it, which specify the current lender, Farmer's Home Administration, as having priority over the County's interest in the lease. The lease also calls for the County to issue an estoppel certificate at the request of the landlord. The Landlord is refinancing the existing debt on the office building and is requesting an amendment to the lease that substitutes the new lender, San Benito Bank, for the current lender and to issue an estoppel certificate.</p> | | | |
| (3) SUPPORTIVE DOCUMENTS RELATIVE TO THIS ITEM: Lease amendment and subordination, nondisturbance, and attornment agreement. | | (4) PREVIOUS RELEVANT BOARD ACTIONS ON THIS SPECIFIC ITEM: The Board entered into and executed the lease agreement for this property on April 28, 1992. | |
| (5) FUNDING SOURCE(S): Not applicable | | (6) CURRENT YEAR COST: \$ 0 | (7) ANNUAL COST: \$ 0 |
| (9) WILL PROPOSAL REQUIRE ADDITIONAL PERSONNEL? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO IF YES, STATE NUMBER: _____ | | | |
| (10) RECOMMENDED ACTION(S): Staff recommends that the Board approve the lease amendment and subordination, attornment, and nondisturbance agreement with the CSCDC re the office space at 1111 and 1131 San Felipe Road and authorize the Chair of the Board to execute these documents. | | | |
| <div style="font-family: cursive; font-size: 1.2em; font-weight: bold;">Terrence A. May</div> SIGNATURE OF AGENCY OR DEPARTMENT AUTHORIZED REPRESENTATIVE | | <div style="font-size: 1.2em; font-weight: bold;">2-19-2004</div> DATE | |
| (11) ADMINISTRATIVE REVIEW: The Administrative Office supports the recommended actions. Approval of the lease amendment and related items does not compromise the County's interests. | | | |

☒ APPROVED
☐ ACKNOWLEDGED
☐ SET PUBLIC HEARING

☐ DENIED
☐ ACCEPTED
☐ APPOINTED

CLERK'S USE ONLY
☐ ADOPTED
☐ RESOLUTION NO. _____
☐ ORDINANCE NO. _____

☐ CONTINUED TO
☐ OTHER
☐ NO ACTION TAKEN

BY: Linda Churchill
 Deputy Clerk of the Board

DATE: 2/24/04

REVISED: 8/14/2003

COPY ROUTING: [BOARD] - [ORIGINATING DEPT.] - [AUDITOR] - [HOLDING COPY]

Terrence A. May
County Administrative Officer

COUNTY OF SAN BENITO ADMINISTRATIVE OFFICE

County Administration Building • 481 Fourth Street • Hollister, CA 95023-3840
831.636.4000 • 831.636.4010 fax • www.san-benito.ca.us



DATE: February 24, 2004

TO: The Honorable Bob Cruz Chair and
Members of the Board of Supervisors

FROM: Terrence May, County Administrative Officer *TM*

SUBJECT: Consideration of Lease Amendment and a Subordination, Nondisturbance and
Attornment Agreement with the CSDC for 1111/1131 San Felipe Road

SUMMARY

The County leases approximately 42,700 square feet of commercial office space at 1111/1131 San Felipe Road ("Property") from the Community Services Development Corporation (CSDC). Tenants include the Health & Human Services Agency, Substance Abuse Treatment Program, and Mental Health Department. This Board Letter discusses the CSDC's request that the County executes a commercial lease amendment and a subordination, nondisturbance, and attornment agreement related to the CSDC's refinancing of the Property.

RECOMMENDED ACTION(s)

That the Board of Supervisors approve and authorize the Chair to execute the following documents (attached):

1. The commercial lease amendment, and
2. Subordination, Nondisturbance, and Attornment agreements.

ALTERNATIVE COURSES OF ACTION

None. The terms of the commercial lease require the County to provide an estoppel certificate when requested by the CSDC and for the County to provide consent or approval, when required by the terms of the lease, regarding a reasonable action taken by the CSDC.

REASON(s) FOR RECOMMENDED ACTION(s)

The CSDC is refinancing the Property and the requested action by the Board poses no financial risk to the County nor does such action jeopardize the County's interests in the commercial lease agreement.

DISCUSSION

The CSDC constructed the commercial office building at 1111 and 1131 San Felipe Road using financing from the Farmer's Home Administration ("FmHA") and San Benito Bank. The construction of the project was premised on leasing office space primarily to the County, as well as housing other state and nonprofit agencies so that San Benito County residents would be able to gain access to an array of social and employment services. The security for the financing rested on the thirty-year lease agreement entered into between the County and the CSDC and the value of the Property. The original lease contains terms for the County to subordinate its interests in the lease to FmHA and to control future encumbrances on the Property.

The CSDC is working on receiving the proceeds from a tax-exempt "AAA" bond issue to payoff existing higher interest debt held by the CSDC on four properties, including the office building, and to obtain additional funds to use toward the construction of twenty-two new low-income rental units planned for construction on a lot at 909-920 Palm Court and a contiguous lot at the corner of Westside Boulevard and Fourth Street. Pacific Capital Bank N.A., dba San Benito Bank will issue a letter of credit to secure the bond financing with the California State Teacher's Retirement System ("CSTRS") Issuing a confirming letter of credit. Because of this arrangement, Pacific Capital Bank N.A., dba San Benito Bank requires a lien on the Property, as well as the other properties that the CSDC seeks to refinance or construct, to secure its letter of credit. CSTRS will not place or require a lien on any of the properties being refinanced or constructed.

The CSDC seeks to refinance the existing debt on the Property plus a proportion of the costs of bond issuance attributed to the Property. The bond proceeds will be used to pay off FmHA and San Benito Bank loans on the Property. The total amount refinanced on the Property, including issuance costs, will be approximately \$3,920,000 (current debt of \$3,805,759 plus \$114,241 prorated issuance costs). The refinanced amount does not add significantly to the debt on the Property. The amortization of the debt will be twenty years. The closing of escrow for the bond financing is set for February 26, 2004, which is within the remaining term of the lease. The Property will not be used to collateralize any other portion of the financing sought by the CSDC for other properties and new construction. The CSDC has sufficient equity in the other properties to collateralize the bond proceeds allocated to these projects. Considering these circumstances, the CSDC's request does not adversely impact the County's interests in the lease nor is the County at greater financial risk than under the current lease conditions and terms.

To secure its letter of credit for the bond financing, Pacific Capital Bank N.A., dba San Benito Bank will take an interest in the Property like that taken by FmHA. For this to occur, Pacific Capital Bank N.A., dba San Benito Bank must be substituted for FmHA as the lien holder in the current subordination and no future encumbrance terms of the commercial lease. The substitution of lenders is effected through a lease amendment. The lease amendment is attached hereto. It has been reviewed and approved by County Counsel.

To perfect its interest in the property and to protect the tenants' leases, Pacific Capital Bank N.A., dba San Benito Bank requires all tenants of the Property to sign a Subordination, Non-Disturbance and Attornment Agreement ("SNDA"). The SNDA places the new lender (Pacific Capital Bank N.A., dba San Benito Bank) into the same position that was occupied by the original lender (FmHA). The lien of FmHA is senior to the rights of the tenants under their current leases because the leases came later in time than the FmHA mortgage. Absent an

February 24, 2004

SNDA, the lien of the Pacific Capital Bank N.A., dba San Benito Bank would be junior to the rights of the lessees under existing leases since such leases are prior in time to the lien of the new lender. The SNDA assures the Pacific Capital Bank N.A., dba San Benito Bank that its lien will be senior in priority to the leases of the existing tenants in the building, while assuring the tenants that their leases will be respected, and will not be terminated by the lender in the event of a foreclosure, for as long as the tenants perform their duties and obligations under the lease.

The most important aspect of the requested action is the assurance that the County's interests are protected in making the changes to the lease and in signing the SDNA. As discussed previously, the County is not incurring greater financial or contractual exposure than what already exists. Having stated this, it should be recognized that the action taken today will result in further benefit to the community. The CSDC will be able to obtain low-cost financing to use toward the construction of twenty-two new apartments affordable for low and very-low income residents of the community. The three and four bedroom units are designed to accommodate larger families and help to reduce overcrowding, as well as increase the stock of affordable, high quality rental units in the community.

OTHER AGENCY INVOLVEMENT

County Counsel's Office has reviewed and approved the attached documents as to legal form.

BUDGET IMPACT

This item has no fiscal impact.

ATTACHMENTS

1. First Amendment to Commercial Lease by and between San Benito County Community Services Development Corporation as Lessor and County of San Benito as Lessee.
2. Subordination, Attornment, and Nondisturbance Agreement

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Created by Terrence May

Created on 8/14/2002 9:17 AM

Recording Requested By:

When Recorded, Return to:

San Benito Bank

c/o Loan Services

Pacific Capital Bank, N.A.

P.O. Box 60654

Santa Barbara, CA 93100-0054

Loan No

(Space above this line for Recorder's use)

SUBORDINATION, ATTORNMENT AND NONDISTURBANCE AGREEMENT
(subordination by existing lessee to lessor's new Credit Arrangement)

NOTICE: THIS AGREEMENT CONTAINS A SUBORDINATION CLAUSE WHICH MAY RESULT IN YOUR LEASEHOLD INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS AGREEMENT, dated for reference purposes as of the 24th day of February, 2004, is entered by and among THE COUNTY OF SAN BENITO, a political subdivision of the State of California (herein, the "Lessee"), SAN BENITO COUNTY COMMUNITY SERVICES DEVELOPMENT CORPORATION, a California non-profit corporation (herein, the "Borrower" or the "Lessor"), and Pacific Capital Bank, N.A. dba SAN BENITO BANK (herein, the "Lender"), and is made with reference to the following facts:

RECITALS:

A. Lender and Borrower are entering into a credit arrangement (the "Credit Arrangement") pursuant to which (1) Lender will issue a direct pay letter of credit (the "Letter of Credit") for the benefit of Borrower in support of a loan (the "Loan") that will be made to Borrower by the Redevelopment Agency of the City of Hollister (the "Issuer") from the proceeds of certain tax exempt revenue bonds (the "Bonds") to be issued by the Issuer pursuant to an Indenture of Trust (the "Indenture") between the Issuer and Wells Fargo Bank N.A (the "Trustee").

B. Borrower will repay all drawings made against the Letter of Credit and pay Lender certain other amounts pursuant to a Reimbursement Agreement (the "Reimbursement Agreement") between the Lender and the Borrower which will be secured by a Deed of Trust (the "Deed of Trust") on that certain real property more particularly described in Exhibit A, attached hereto and by this reference incorporated herein, and any improvements situated thereon (herein, the "Property").

C. Lessee is the present lessee under that certain lease in which Borrower is named as the Lessor dated April 28, 1992, demising all or some portion of the Property to Lessee (such lease and all amendments thereto being referred to collectively herein as the "Lease").

D. The Reimbursement Agreement requires the Deed of Trust be the senior encumbrance on the Property and further requires, as a condition precedent to the issuance of the Letter of Credit, that Lessee subordinate the Lease and its interest in the Property in all respects to the lien of the Deed of Trust.

NOW, THEREFORE, for valuable consideration, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **LEASE TERMS**

Lessor and Lessee have completed and delivered to Lender concurrently with their execution ~~and delivery of this Agreement a Subordination, Attornment & Nondisturbance Agreement~~ conditions of the Lease.

2. **SUBORDINATION**

2.1 **PRIORITY OF DEED OF TRUST.** The Lease is hereby subordinated to the Deed of Trust. Accordingly, the leasehold estate arising under the Lease, and the rights of Lessee in, to or under the Lease and in and to the Property, are and shall remain in all respects and for all purposes junior and subordinate to (a) the lien of the Deed of Trust, (b) all advances made thereunder and under the Reimbursement Agreement, (c) any and all amendments, supplements, modifications, renewals, extensions or replacements thereof, and (d) the rights and interest of the holder the Deed of Trust, as fully and with the same effect as if the Deed of Trust had been duly executed, acknowledged and recorded, and the indebtedness secured thereby had been fully disbursed, prior to the execution of the Lease or possession of the Property by Lessee or its predecessors-in-interest.

2.2 **APPROVAL OF CREDIT ARRANGEMENT.** Lessee consents to and approves (a) all provisions of the Reimbursement Agreement and the Deed of Trust in favor of Lender, and (b) all agreements, including but not limited to any loan or escrow agreements, between Borrower, Lender and the Issuer for the disbursement of the proceeds of such Loan.

2.2.1 Nothing in this Agreement shall be construed to be a consent by Lessee to any increase in the aggregate amount of the indebtedness secured by the Deed of Trust in excess of the original credit amount of the Letter of Credit together with (a) interest as provided by the Reimbursement Agreement on the amount of all drawings made on the Letter of Credit and (b) the costs and fees payable to Lender under the terms of the Reimbursement Agreement and such Deed of Trust.

2.2.2 Lender shall not amend the Reimbursement Agreement or the Deed of Trust to increase the amount of the indebtedness secured by the Deed of Trust without the consent of Lessee.

2.3 **DISBURSEMENT OF LOAN PROCEEDS.** Lessee acknowledges that neither the Lender nor the Issuer is under an obligation or duty to monitor or supervise the application or use of the Loan proceeds. Lender has made no representations to Lessee as to whom the Loan proceeds will be disbursed or how the proceeds will be applied or expended. Any application or use of the Loan proceeds for purposes other than as provided for by the loan agreement between the Borrower and the Issuer (the "Loan Agreement") shall not defeat or impair in whole or in part the subordination of the Lease to the Deed of Trust.

2.4 **RELiance BY LENDER.** Lessee intentionally and unconditionally waives, relinquishes and subordinates the lease in favor of the lien or charge of the Deed of Trust in favor

of Lender and understands that, in reliance upon, and in consideration of, this waiver, relinquishment and subordination, Lender will issue the Letter of Credit and become obligated to pay drawings by the Trustee to make periodic principal and interest payments on the Bonds and that such obligations would not be incurred but for this waiver, relinquishment and subordination.

3.1 ACCURACY OF LEASE SUMMARY. Lessor and Lessee each certify that (a) the Summary of Lease Terms completed and delivered to Lender concurrently with the execution of this Agreement is true, complete and correct, (b) that the copy of the Lease attached to the Summary is complete and correct, and (c) that there are no agreements or understandings between Lessor and Lessee with respect to the Lease or the rights of Lessee to use, occupy, develop and acquire the Property that is the subject of the Lease other than as set forth in the documents that are attached to such Summary.

3.2 PREPAID RENTS. Lessee shall not prepay, and Lessor shall not accept, any of the rents or income due under the Lease for more than one (1) month in advance, except with the written consent of Lender.

3.3 AMENDMENTS TO LEASE. Lessor and Lessee shall not after the date of this Agreement alter, amend or terminate the Lease, or enter into an agreement for the cancellation of the Lease or a surrender of the leasehold estate, without the prior written consent of Lender, but nothing in this Section 3.3 shall be construed to limit or impair the right of Lessee to exercise its right to terminate the Lease on the terms and conditions set forth under Section 18 of the Lease.

3.4 ASSIGNMENT OF RENTS. The Deed of Trust contains an assignment by Lessor to Lender of Lessor's interest in and to the rents and other payments due under the Lease, either absolutely or as additional security, subject to a license in favor of Lessor to collect such rents for so long as Lessor is not in default under the Reimbursement Agreement or any of the related documents or instruments creating, evidencing, guaranteeing or securing the obligation of Lessee to pay any amounts becoming payable to Lender under the Reimbursement Agreement (the "Credit Documents"). Should Borrower default in the performance of its obligations under the Credit Documents, Lender may, at its option, require that all rents and other payments due under the Lease be paid directly to Lender. Lessor hereby authorizes and directs Lessee, and the Lessee agrees, to remit any payments due under the terms of the Lease directly to Lender upon Lessee's receipt of notice of any such default from Lender. Lessee shall be credited under the Lease for all amounts remitted to Lender pursuant to this Section 3.4.

3.5 LENDER'S CURE RIGHTS. Lessee shall not exercise any right to terminate the Lease, or to assert a claim of partial or total eviction, on account of an alleged default by the Lessor under the Lease, until (a) Lessee has given notice of such alleged default both to Lessor and Lender (a "Default Notice") and (b) Lessor or Lender has failed to remedy the alleged default within the applicable cure period provided by the Lease. In the case of any alleged default by Lessor that the Lender undertakes to remedy but which cannot practically be remedied without possession of the Property, Lender shall be provided with a cure period or a reasonable extension to any cure period in which to remedy the alleged default provided that Lender

proceeds with reasonable diligence to obtain possession of the Property and, upon obtaining possession of the Property, proceeds with reasonable diligence to cure the alleged default.

4. RIGHTS AND DUTIES UPON ACQUISITION OF LESSOR'S INTEREST

Should Lender or any other person acquire the interests of the Lessor under the Lease by ~~judicial or nonjudicial foreclosure or by any other means~~ (Lessor), then:

4.1 **ATTORNMEN BY LESSEE.** Lessee will attorn to and recognize the Successor Lessor as the substitute Lessor under the Lease, and shall be bound to such Successor Lessor under all of the terms, covenants and conditions of the Lease for the balance of the term thereof, and any extensions or renewals thereof effected in accordance with the terms of the Lease.

4.2 **LESSEE'S RIGHTS TO POSSESSION.** So long as Lessee is not in default (beyond any period given to Lessee under the Lease to cure defaults) in the payment of rent or other amounts owing under the Lease or in the performance of any of the terms, covenants or conditions of the Lease or this Agreement, neither Lender nor any other Successor Lessor shall disturb or interfere with Lessee's possession of the Property or Lessee's rights and privileges under the Lease, or any extensions or renewals thereof effected in accordance with the terms of the Lease.

4.3 **PERFORMANCE OF OBLIGATIONS OF LESSOR.** Successor Lessor shall perform the duties and obligations of the Lessor under the Lease to the extent that such duties and obligations arise after the date on which the Successor Lessor has acquired its interest and are susceptible of performance by the Successor Lessor, and subject to the provisions of this Section, Lessee shall have the same remedies against a Successor Lessor for a breach of the Lease as the Lessee would have had against the original Lessor.

4.4 **UNCURED DEFAULTS.** Should any default by a prior Lessor under the Lease remain uncured at the time that a Successor Lessor acquires title to the Property, Lessee will give the Successor Lessor such time as is reasonably required to remedy such default as provided by Section 3.5 above, provided the Successor Lessor proceeds with reasonable diligence to do so. Lessee agrees, that notwithstanding any provision of the Lease to the contrary, (a) Lessee shall not be entitled to abate or offset against the rent any claims Lessee has against any prior Lessor, and (b) Lessee will not be entitled to cancel the Lease, or to exercise any other right or remedy available to Lessee under the Lease, unless and until Lender has been given notice of the default and reasonable opportunity to cure such default as provided herein; notwithstanding any prior failure by a prior Lessor to cure such default within a reasonable period of time after notice thereof.

4.5 **NEW LEASE.** If the acquisition by a Successor Lessor of the interests of the Borrower in the Property results in a termination of the Lease, then there shall be deemed to be created a new lease between Lessee and the Successor Lessor on the same terms and conditions as the Lease, including any renewal options, for the remainder of the term of the Lease.

4.6 **RELEASE FROM LIABILITY UPON SALE.** A Successor Lessor shall automatically be released and discharged from and after the sale or other transfer of its interest in the Property from all liabilities first arising under the Lease after the date of such sale or transfer.

5. **LIMITATION ON LIABILITY OF LENDER**

~~5.1 Nothing in this Agreement shall be construed to release the~~
Lender of any of the duties or obligations of Lessor under the Lease. Lender shall not be liable for the performance of any duties or obligations of the Lessor unless and until Lender acquires Lessor's interest in the Lease, and then only for as long as Lender holds such interest.

5.2 **DEFAULTS PRIOR TO ACQUIRING INTEREST.** Lessee shall have no claim against Lender or any other Successor Lessor resulting from, and neither Lender nor any other Successor Lessor shall be liable for, any act, omission and/or breach of the Lease by any prior lessor (including the Borrower) occurring prior to the date on which the Successor Lessor acquires title to the Property, or for the payment of damages or any other amount to which Lessee might be entitled by reason of any such act or omission.

5.3 **PREPAID RENTS AND SECURITY DEPOSITS.** A Successor Lessor shall not be liable for (1) any security deposit or prepaid rent except to the extent actually received by Lender from Borrower, or (2) any rent or additional rent which Lessee has paid for more than the then-current installment.

6. **CERTAIN OBLIGATIONS.** A Successor Lessor shall not be bound by:

6.1 Any amendment to the Lease made after the date of this Agreement without Lender's consent; or

6.1.1 Any provisions of the Lease regarding the commencement or completion of any construction.

6.1.2 Any provision of the Lease relating to the application of insurance or condemnation proceeds or the restoration of the Property by the Lessor upon the occurrence of a casualty loss thereto or a taking thereof, if such provision is inconsistent with the provisions of the Deed of Trust, to the extent that such provision purports to give the Lessor or the Lessee access to (a) the insurance or condemnation proceeds if Lender's security is impaired and the Property cannot be restored in a manner that provides Lender with continuing security comparable in nature and value to the security that existed prior to the damage, destruction or taking or, (b) surplus insurance proceeds if the Lessor or Lessee are permitted to utilize the insurance or condemnation proceeds to restore the Property to a usable condition.

7. **GENERAL PROVISIONS**

7.1 **SUCCESSORS AND ASSIGNS.** This Agreement and each and every covenant, agreement and other provision hereof shall be binding upon the parties hereto and their respective heirs, administrators, representatives, successors, assigns and personal representatives, including without limitation each and every holder of the Lease or any other person having an interest therein and shall inure to the benefit of the Lender and its successors and assigns.

7.2 MERGER OF INTERESTS. If both the Lessor's and the Lessee's estates in the Property or the improvements or both become vested in the same owner, the Lease shall nonetheless survive and shall not be terminated by the merger of such estates except at the express written election of Lender.

7.3 ADDITIONAL DOCUMENTS. Lessee's attornment to and recognition of a Successor by this Agreement, and shall be effective immediately upon Lender's succeeding to the interest of the Lessor under the Lease. Upon request of either party, Lessee and the Successor Lessor shall execute and deliver appropriate agreements of attornment and recognition, or any new lease called for by Section 4.5, above, but this Agreement shall be self-executing and no such separate agreements shall be required to effectuate Lessee's recognition of and attornment to a Successor Lessor as provided herein.

7.4 NOTICES. Any notices permitted or required hereunder shall be in writing and shall be deemed to have been given (a) on the date of delivery if delivery of a legible copy was made personally or by facsimile transmission, or (b) on the third business day after the date on which mailed by registered or certified mail, return receipt requested, addressed to the party for whom intended at the address set forth on the signature page of this agreement or such other address, notice of which is given as provided herein.

7.5 MODIFICATION OR AMENDMENT. This Agreement may not be amended or modified in any manner other than by agreement in writing signed by all of the parties hereto.

(Signatures appear on the following page)

IN WITNESS WHEREOF, the parties hereto have each caused this Subordination, Nondisturbance and Attornment Agreement to be executed on the dates set forth below.

NOTICE: THIS AGREEMENT CONTAINS A SUBORDINATION CLAUSE WHICH ALLOWS THE LESSOR UNDER YOUR LEASE TO OBTAIN A LOAN, A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LEASED PROPERTY

LESSEE:

Date: 2/24/04

COUNTY OF SAN BENITO
[printed name of Lessee]

By: Bob Cruz

Printed Name: Bob Cruz

Title: Chairman, Board of Supervisors

Address for Notices:

COUNTY OF SAN BENITO
TERRENCE MAY, CAO
481 FOURTH STREET
HOLLISTER, CA 95023

LENDER:

Pacific Capital Bank, N.A.
dba SAN BENITO BANK

By: [Signature]

Address for Notices:

San Benito Bank
c/o Loan Services
Pacific Capital Bank, N.A.
PO Box 60654
Santa Barbara CA 93160-0654

BORROWER:

Date: 2/23/04

SAN BENITO COUNTY COMMUNITY
SERVICES DEVELOPMENT CORPORATION,
a California non-profit corporation

By: [Signature]
Brian Abbott,
its Executive Director

Address for Notices:

SAN BENITO COUNTY COMMUNITY
SERVICES DEVELOPMENT CORPORATION,
1101 San Felipe Road
Hollister, California 95023

APPROVED AS TO LEGAL FORM
SAN BENITO COUNTY COUNSEL

Shirley L. Murphy 2/18/04
DEPUTY COUNTY COUNSEL / DATE

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

State of California
County of San Benito

On February 24, 2004, before me, John R. Hodges, San Benito
County Clerk, personally appeared:

BOB.CRUZ

Personally known to me (or proved to me on the basis of
satisfactory evidence) to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me
that he executed the same in his authorized capacity(ies), and
that by his signature(s) on the instrument the person(s), or the
entity, upon behalf of which the person(s) acted, executed the
instrument.



Witness my hand and official seal

John R. Hodges,
San Benito County Clerk

By: Linda Churchill
Deputy Clerk

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of

San Benito

} ss.

On Feb. 18, 2004

Date

before me,

Casey Heen, Notary Public

Name and Title of Officer (e.g., "Jane Doe, Notary Public")

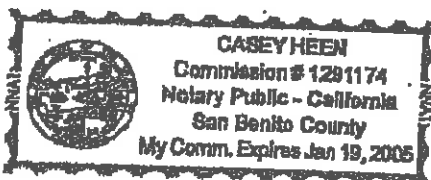
personally appeared

Michael

McLennan

Name(s) of Signer(s)

- ☒ personally known to me
☐ proved to me on the basis of satisfactory evidence



to be the person(s) whose name(s) is are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Place Notary Seal Above

Casey Heen
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____

Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

- ☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT
OF SIGNER
Top of thumb here

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of

San Benito

} ss.

On February 23 2004

before me,

Jo Schlie Notary Public

personally appeared

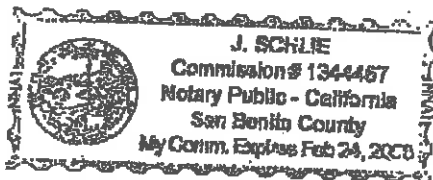
Brian Abbott

Name and Title of Officer (e.g., "Jane Doe, Notary Public")

Name(s) of Signer(s)

☐ personally known to me

☐ proved to me on the basis of satisfactory evidence



to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Jo Schlie

Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____

Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

- ☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer is Representing: _____

RIGHT THUMBPRINT
OF SIGNER
Top of thumb here

EXHIBIT "A"

Real property in the City of Hollister, County of San Benito, State of California, described as follows:

Parcel 1

Being a portion of Lot 1 as said Lot is shown upon that certain Map entitled "Tract No. 239-C.S.D.C. Subdivision" filed for record in Book 11 of Maps at Page 22, San Benito County Records, and being more particularly described as follows:

Beginning at a point lying upon the Easterly line of said Lot 1 from which the Southeast corner of said Lot bears South 2 deg. 51' 00" West and is distant 100.51 feet, said Southeast corner of said Lot 1 being coincident with the Southwest corner of Lot 3 as shown upon said Map; thence from the Point of Beginning and running along said Easterly line of said Lot 1, said Easterly line being also the Westerly line of Lot A as shown upon said Map North 2 deg. 51' 00" East 78.94 feet to the Northeast corner of said Lot 1, said corner being also the Southeast corner of Lot 2 as shown upon said Map; thence along the line dividing said Lots 1 and 2 North 87 deg. 04' 12" West 197.04 feet; thence leaving said dividing line and running through a portion of said Lot 1 the following courses and distances: South 2 deg. 51' 00" West 78.53 feet; thence South 86 deg. 56' 59" East 197.04 feet to the point of beginning.

Parcel 2

Being a portion of Lot 3 as said Lot is shown upon that certain Map entitled "Tract No. 239-C.S.D.C. Subdivision" filed for record in Book 11 of Maps at Page 22, San Benito County Records, and being more particularly described as follows:

Beginning at the most Northerly Northwestern corner of said Lot 3 as shown upon said Map; thence along the general line dividing said Lot 3 and Lot A as shown upon said Map the following courses and distances: South 2 deg. 51' 00" West 92.72 feet; thence South 86 deg. 56' 59" East 11.24 feet; thence South 2 deg. 51' 00" West 61.78 feet; thence North 86 deg. 56' 59" West 22.16 feet; thence South 2 deg. 51' 00" West 185.69 feet; thence running through a portion of said Lot 3 the following courses and distances: South 86 deg. 37' 42" East 156.64 feet; thence North 2 deg. 51' 00" East 186.98 feet to the line dividing Lot 3 and Lot A as shown upon said Map and from which point the most Easterly Northeastern corner common to said Lot 3 and Lot A bears South 86 deg. 56' 59" East and is distant 20.00 feet; thence along the general line dividing said Lot 3 and Lot A the following courses and distances: North 86 deg. 56' 59" West 71.82 feet; thence North 2 deg. 51' 00" East 67.38 feet; thence North 86 deg. 56' 59" West 26.92 feet; thence North 2 deg. 51' 00" East 46.46 feet; thence South 86 deg. 56' 59" East 10.00 feet; thence North 2 deg. 51' 00" East 40.25 feet, thence North 86 deg. 56' 59" West 56.98 feet to the Point of Beginning.

Parcel 3

An undivided 67% interest in and to the following:

Being all of Lot A and also being a portion of Lots 1, 2, 3, and 5 as said Lots are shown upon that certain Map entitled "Tract No. 239-C.S.D.C. Subdivision" filed for record in Book 11 of Maps at Page 22, San Benito County Records, and being more particularly described as follows:

Beginning at the Southwest corner of said Lot 1 as shown upon said Map; thence from Point of Beginning and running along the Westerly line of said Lots 1, 2 and A, said Westerly line also being the Easterly line of San Felipe Road as shown upon said Map North 2 deg. 51' 00" East 366.50 feet to the Northwest corner of said Lot A; thence along the general boundary of said Lot A as shown upon said Map, the following courses and distances: South 86 deg. 56' 59" East 225.07 feet; thence North 2 deg. 50' 31" East 92.66 feet to the Westerly prolongation of the line

along said Lot 1 and Lot 2 as shown upon the aforementioned Map; thence along said prolongation, South 87 deg. 09' 00" East 69.34 feet to the Southwest corner of Lot 4; thence along the Southerly line of Lot 4 South 87 deg. 09' 00" East 170.75 feet; thence along the Easterly prolongation of the Southerly line of Lot 4 South 87 deg. 09' 00" East 151.39 feet; thence along a line parallel to the Easterly line of San Felipe Road and the Westerly line of Lot 5, as shown upon said map, South 2 deg. 51' 00" West 462.25 feet, to a point on the Southerly line of said Lot 5; thence along the Southerly line of said Lots 5, 3 and 1 as shown upon said Map the following courses and distances: North 86 deg. 47' 36" West 166.57 feet; thence North 86 deg. 37' 42" West 224.87 feet; thence North 86 deg. 56' 59" West 225.12 feet to the Point of Beginning.

EXCEPTING THEREFROM a portion of said Lots 1 and 2 as shown upon said Map and being more particularly described as follows: Beginning at the Northeast corner of said Lot 2; thence running along the Easterly line of said Lots 1 and 2 South 2 deg. 51' 00" West 159.69 feet; thence leaving said Easterly line and running through a portion of said Lot 1 North 86 deg. 56' 59" West 197.04 feet; thence North 2 deg. 51' 00" East 159.69 feet to the Northerly line of said Lot 2; thence along said Northerly line South 86 deg. 56' 59" East 197.04 feet to the Point of Beginning.

ALSO EXCEPTING THEREFROM a portion of said Lot 3 as shown upon said Map and being more particularly described as follows:

Beginning as the most Northerly Northwestern corner of said Lot 3 as shown upon said Map; thence along the general line dividing said Lot 3 and Lot A as shown upon said Map the following courses and distances: South 2 deg. 51' 00" West 92.72 feet; thence South 86 deg. 56' 59" East 11.24 feet; thence South 2 deg. 51' 00" West 61.78 feet; thence North 86 deg. 56' 59" West 22.16 feet; thence South 2 deg. 51' 00" West 185.69 feet; thence running through a portion of said Lot 3 the following courses and distances: South 86 deg. 37' 42" East 156.64 feet; thence North 2 deg. 51' 00" East 186.98 feet to the line dividing Lot 3 and Lot A as shown upon said Map and from which point the most Easterly Northeastern corner common to said Lot 3 and Lot A bears South 86 deg. 56' 59" East and is distant 20.00 feet; thence along the general line dividing said Lot 3 and Lot A the following courses and distances: North 86 deg. 56' 59" West 71.82 feet; thence North 2 deg. 51' 00" East 67.38 feet; thence North 86 deg. 56' 59" West 26.92 feet; thence North 2 deg. 51' 00" East 46.46 feet; thence South 86 deg. 56' 59" East 10.00 feet; thence North 2 deg. 51' 00" East 40.25 feet, thence North 86 deg. 56' 59" West 56.98 feet to the Point of Beginning.

APN: 051-110-022

APPENDIX 1 TO
SUBORDINATION, ATTORNMENT AND NONDISTURBANCE AGREEMENT

SUMMARY OF LEASE TERMS

TO: San Benito Bank

66 Loan Services

Pacific Capital Bank, N.A.

PO Box 60654

Santa Barbara, CA 93160-0654

THIS SUMMARY OF LEASE TERMS is being executed and delivered to SAN BENITO BANK (the "Lender") by the Lessor and the Lessee identified in the Lease described below pursuant to the terms and conditions of a Subordination, Attornment and Nondisturbance Agreement in connection with a Credit Arrangement being established by the Lender for the benefit of the Lessor under such Lease.

1. BASIC LEASE DATA

1.1 LEASE DATED: April 28, 1992

1.2 LANDLORD: SAN BENITO COUNTY COMMUNITY SERVICES DEVELOPMENT CORPORATION

1.3 TENANT: SAN BENITO COUNTY

1.4 PROPERTY: 1131 San Felipe Road, Hollister, CA 95023 And 1111 San Felipe Road, Suites 101, 102, 103, 108 and 202-208, Hollister, CA 95023

1.5 COMMENCEMENT DATE: The 1st day of July, 1993

2. LEASE TERMS.

The Lease commenced on the date set forth in Section 1 above, and is in full force and effect. The salient lease terms are as follows:

2.1 BASE RENT. The amount of fixed monthly rent is currently \$ 47,048.47. Rental payments and all other amounts owing under the lease have been paid for all periods through the first day of February, 2004.

2.2 SECURITY DEPOSIT. The amount of the security deposit (if any) being held by Landlord under the Lease is \$0.00. No other security deposits have been made, and none of the security deposit has been applied by Landlord to the payment of rents or any other amounts due under the Lease.

2.3 PREPAID RENT. Landlord is holding the sum of \$0.00 as prepaid rent, which is to be credited against the rent for the (☐ last) () month of the lease term.

2.4 SCHEDULED EXPIRATION. The current term of the Lease is scheduled to expire on the 30th day of June, 2023.

2.5 RENEWAL OPTIONS. The Tenant has (☐ no renewal options) (☒ renewal options under the Lease for a total of 99 years). The term of the Lease cannot be extended beyond the 30th day of June, 2122.

2.6 CONCESSIONS AND INDUCEMENTS. Tenant is not entitled to any free rent, partial rent, rebates, rental abatements, or rent concessions of any kind, other than (☒ none) (☐ the following: _____)

2.7 TENANT OPTIONS. Tenant (☐ does) (☒ does not) hold an option or right of first refusal to purchase the all or any portion of the Property.

2.8 LANDLORD OPTIONS. Landlord (☐ does) (☒ does not) hold an option to purchase the leasehold estate or to cancel the lease upon the happening of certain events or by giving the Tenant notice of cancellation.

2.9 LEASE MODIFICATIONS: The Lease has not been amended, modified, supplemented, extended, renewed or assigned except by the documents identified below:

DESCRIPTION OF DOCUMENT (IF NONE, WRITE "None")

I. DATE

First Amendment to be executed in the form attached concurrently with execution and delivery of this Summary

2.10 COPY OF LEASE. The Lease, as modified and amended to date, represents the entire agreement between the Landlord and the Tenant with respect to the occupancy and use of the Property by the Tenant. A true, correct and complete copy of the Lease and all of the amendments, modifications and supplements thereto is attached to this Certificate.

3. LEASE PERFORMANCE

3.1 POSSESSION. Landlord has tendered possession of the Property to Tenant, and Tenant is in occupancy of the Property pursuant to the Lease.

3.2 PERFORMANCE BY TENANT. As of the date on which this Certificate is being executed by the Landlord, there are no defaults by the Tenant under the Lease or events which with notice or the passage of time or both would constitute a default by the Tenant in the performance of any of its obligations, monetary or otherwise, under the terms of the Lease.

3.3 PERFORMANCE BY LANDLORD. Landlord has completed any construction, build-out, improvements, alterations, or additions to the leased Property required under the Lease. As of the date on which this Certificate is being executed by the Tenant, there are no defaults by the Landlord under the Lease or events which with notice or the passage of time or both would constitute a default by the Landlord in the performance of any of its obligations under the terms of the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Summary of Lease Terms on the dates set forth below with the knowledge and understanding that the San Benito Bank will rely on the accuracy of the information contained in this Summary in making the proposed loan to Landlord.

LANDLORD:

TENANT:

2/18/04
SAN BENITO COUNTY COMMUNITY SERVICES
DEVELOPMENT CORPORATION,
a California non-profit corporation

By: [Signature]
Brian Abbott,
its Executive Director

2/18/04
COUNTY OF SAN BENITO
(printed name of Tenant)

By: [Signature]
Chairman
Board of Supervisors

APPROVED AS TO LEGAL FORM
SAN BENITO COUNTY COUNSEL

Shirley L. Murphy 2/18/04
DEPUTY COUNTY COUNSEL DATE

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

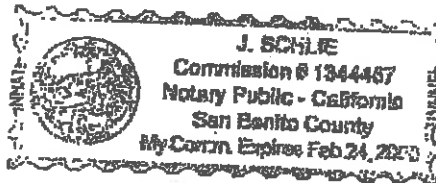
County of San Benito

SS.

on February 23 2004 before me, Jo Schlie Notary Public
personally appeared Brian Abbott Name and Title of Officer (e.g., "Jane Doe, Notary Public")

Name(s) of Signer(s)

- ☐ personally known to me
☐ proved to me on the basis of satisfactory evidence



to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Jo Schlie
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

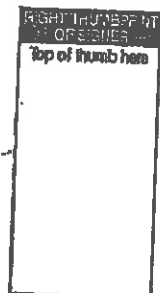
Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

- ☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer is Representing: _____



IN WITNESS WHEREOF, Landlord and Tenant have executed this Summary of Lease Terms on the dates set forth below with the knowledge and understanding that the San Benito Bank will rely on the accuracy of the information contained in this Summary in making the proposed loan to Landlord.

LANDLORD:

TENANT:

Date: 2/18/04

Date: _____

DEVELOPMENT CORPORATION,
a California non-profit corporation

COUNTY OF SAN BENITO
(printed name of Tenant)

By: Brian Abbott

Brian Abbott,
its Executive Director

By: _____

After 5000 h: Bailey, 1994.

| Year | Total Population (%) | White Population (%) |
|------|----------------------|----------------------|
| 1950 | 8.0 | 7.5 |
| 1960 | 9.0 | 8.5 |
| 1970 | 10.0 | 9.5 |
| 1980 | 11.0 | 10.5 |
| 1990 | 12.0 | 11.5 |
| 2000 | 13.0 | 12.5 |
| 2010 | 14.0 | 13.5 |
| 2020 | 15.0 | 14.5 |
| 2030 | 16.0 | 15.5 |
| 2040 | 17.0 | 16.0 |
| 2050 | 18.0 | 16.0 |

FIRST AMENDMENT TO COMMERCIAL LEASE

by and between

**SAN BENITO COUNTY COMMUNITY
SERVICES DEVELOPMENT CORPORATION,
as Lessor**

and

COUNTY OF SAN BENTO,
as Lessee

Amending
COMMERCIAL LEASE
Dated as of April 28, 1992

Dated as of February 26, 2004

THIS FIRST AMENDMENT TO COMMERCIAL LEASE (this "First Amendment"), entered into as of this 26th day of February 2004, by and between SAN BENITO COUNTY COMMUNITY SERVICES DEVELOPMENT CORPORATION, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the "State") (hereinafter referred to as the "Corporation"), and the COUNTY OF SAN BENITO, a political subdivision of the State (hereinafter referred to as the "County"), amends the

~~Commercial Lease dated as of April 25, 1993, between the County and the Corporation~~
recorded on July 21, 1993 as instrument number 9307351 in the official records of the County of San Benito (the "Lease") (capitalized terms not otherwise defined herein shall have the meanings set forth in the Lease):

WITNESSETH:

WHEREAS, the Corporation entered into the Lease with the County pursuant to which the Corporation agreed to lease to the County a portion of those certain premises located at 1131 San Felipe Road, Hollister, California, in the County of San Benito, as described in Exhibit A attached to the Lease and in Exhibit A attached hereto (the "Premises");

WHEREAS, the County and the Corporation have determined that it is necessary and desirable to modify certain terms and provisions of the Lease to provide for the tax-exempt refinancing of the Corporation's existing indebtedness with respect to the real property and improvements comprised of the Premises and certain other real property and facilities (the "Property"); and

WHEREAS, the Corporation and the County have duly authorized the execution and delivery of this First Amendment.

NOW THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and in consideration of the premises contained in this First Amendment, the Corporation and the County agree as follows:

Section 1. Amendment to Section 16.1 of the Lease. Section 16.1 of the Lease is hereby amended in its entirety to read as follows:

"16.1 Subordination. The Lease shall be subordinate to the security lien created by the deed of trust granted by Landlord to Pacific Capital Bank, N.A., dba San Benito Bank, providing for the tax-exempt refinancing of the premises. The Lease shall be prior to any encumbrance recorded after the date of this First Amendment to Commercial Lease affecting the premises."

Section 2. Amendment to Section 16.2 of the Lease. Section 16.2 of the Lease is hereby amended in its entirety to read as follows:

"16.2 No Future Encumbrances. Without Tenant's prior written consent, Landlord shall not encumber the premises, with the exception of the security interest granted to Pacific Capital Bank, N.A., dba San Benito Bank, as specified in section 16.1. Landlord agrees to execute and deliver to Tenant upon demand such further instruments protecting Tenant's rights specified herein should any be required by Tenant."

Section 3. Agreement. Except as specifically amended hereby, the Lease shall remain in full force and effect as in existence as of the date hereof. After the Effective Date, any reference by the County or the Corporation to the Lease shall mean the Lease as amended by this First Amendment.

Section 4. Partial Invalidity. If any one or more of the terms, provisions, promises, covenants or conditions of this First Amendment shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants and conditions of this First Amendment shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law.

Section 5. Effective Date. This First Amendment shall become effective on the date this First Amendment or a memorandum thereof is recorded in the Official Records of San Benito County, California.

Section 6. Governing Law. This First Amendment shall be governed by the laws of the State of California.

Section 7. Execution in Counterparts. This First Amendment may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

IN WITNESS WHEREOF, the Corporation has executed this First Amendment or caused it to be duly executed, and the County has caused this First Amendment to be executed on its behalf as of the day, month, and year first above written.

**SAN BENITO COUNTY COMMUNITY
SERVICES DEVELOPMENT
CORPORATION**

By Brian R. Abbott
Brian R. Abbott, Ph.D.
Executive Director

COUNTY OF SAN BENITO

By Bob Cunningham
Chairman of the Board of Supervisors 2/24/04

Approved as to Form:

County Counsel

By Shirley L. Murphy 2/18/04
Deputy

State of California
County of San Benito

On February 24, 2004, before me, John R. Hodges, San Benito
County Clerk, personally appeared:

BOB CRUZ

Personally known to me (or proved to me on the basis of
satisfactory evidence) to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me
that he executed the same in his authorized capacity(ies), and
that by his signature(s) on the instrument the person(s), or the
entity, upon behalf of which the person(s) acted, executed the
instrument.



Witness my hand and official seal

John R. Hodges,
San Benito County Clerk

By: Linda Churchill
Deputy Clerk

385

EXHIBIT A

LEGAL DESCRIPTION

All that real property located in the County of San Benito and more particularly described as follows:

[See Attached]

EXHIBIT 'A'

Date: February 18, 2004

File No.: 3501-1245182 (LC)

Being a portion of Lot 1 as said Lot is shown upon that certain Map entitled "Tract No. 239-C.S.D.C. Subdivision" filed for record in Book 11 of Maps at Page 22, San Benito County Records, and being more particularly described as follows:

Beginning at a point lying upon the Easterly line of said Lot 1 from which the Southeast corner of said Lot bears South 2 deg. 51' 00" West and is distant 100.51 feet, said Southeast corner of said Lot 1 being coincident with the Southwest corner of Lot 3 as shown upon said Map; thence from the Point of Beginning and running along said Easterly line of said Lot 1, said Easterly line being also the Westerly line of Lot A as shown upon said Map North 2 deg. 51' 00" East 78.94 feet to the Northeast corner of said Lot 1, said corner being also the Southeast corner of Lot 2 as shown upon said Map; thence along the line dividing said Lots 1 and 2 North 87 deg. 04' 12" West 197.04 feet; thence leaving said dividing line and running through a portion of said Lot 1 the following courses and distances: South 2 deg. 51' 00" West 78.53 feet; thence South 86 deg. 56' 59" East 197.04 feet to the point of beginning.

Parcel 2

Being a portion of Lot 3 as said Lot is shown upon that certain Map entitled "Tract No. 239-C.S.D.C. Subdivision" filed for record in Book 11 of Maps at Page 22, San Benito County Records, and being more particularly described as follows:

Beginning at the most Northerly Northwestern corner of said Lot 3 as shown upon said Map; thence along the general line dividing said Lot 3 and Lot A as shown upon said Map the following courses and distances: South 2 deg. 51' 00" West 92.72 feet; thence South 86 deg. 56' 59" East 11.24 feet; thence South 2 deg. 51' 00" West 61.78 feet; thence North 86 deg. 56' 59" West 22.16 feet; thence South 2 deg. 51' 00" West 185.69 feet; thence running through a portion of said Lot 3 the following courses and distances: South 86 deg. 37' 42" East 156.64 feet; thence North 2 deg. 51' 00" East 186.98 feet to the line dividing Lot 3 and Lot A as shown upon said Map and from which point the most Easterly Northeastern corner common to said Lot 3 and Lot A bears South 86 deg. 56' 59" East and is distant 20.00 feet; thence along the general line dividing said Lot 3 and Lot A the following courses and distances: North 86 deg. 56' 59" West 71.82 feet; thence North 2 deg. 51' 00" East 67.38 feet; thence North 86 deg. 56' 59" West 26.92 feet; thence North 2 deg. 51' 00" East 46.46 feet; thence South 86 deg. 56' 59" East 10.00 feet; thence North 2 deg. 51' 00" East 40.25 feet; thence North 86 deg. 56' 59" West 56.98 feet to the Point of Beginning.

Parcel 3

An undivided 67% interest in and to the following:

Being all of Lot A and also being a portion of Lots 1, 2, 3, and 5 as said Lots are shown upon that certain Map entitled "Tract No. 239-C.S.D.C. Subdivision" filed for record in Book 11 of Maps at Page 22, San Benito County Records, and being more particularly described as follows:

Initials: _____

Beginning at the Southwest corner of said Lot 1 as shown upon said Map; thence from Point of Beginning and running along the Westerly line of said Lots 1, 2 and A, said Westerly line also being the Easterly line of San Felipe Road as shown upon said Map North 2 deg. 51' 00" East 366.50 feet to the Northwest corner of said Lot A; thence along the general boundary of said Lot A as shown upon said Map, the following courses and distances: South 86 deg. 56' 59" East 225.07 feet; thence North 2 deg. 50' 31" East 92.66 feet to the Westerly prolongation of the line dividing said Lot 4 and Lot A, as shown on the aforementioned Map; thence along said prolongation, South 87 deg. 09' 00"

deg. 09' 00" East 170.75 feet; thence along the Easterly prolongation of the Southerly line of Lot 4 South 87 deg. 09' 00" East 151.39 feet; thence along a line parallel to the Easterly line of San Felipe Road and the Westerly line of Lot 5, as shown upon said map, South 2 deg. 51' 00" West 462.25 feet, to a point on the Southerly line of said Lot 5; thence along the Southerly line of said Lots 5, 3 and 1 as shown upon said Map the following courses and distances: North 86 deg. 47' 36" West 166.57 feet; thence North 86 deg. 37' 42" West 224.87 feet; thence North 86 deg. 56' 59" West 225.12 feet to the Point of Beginning.

EXCEPTING THEREFROM a portion of said Lots 1 and 2 as shown upon said Map and being more particularly described as follows: Beginning at the Northeast corner of said Lot 2; thence running along the Easterly line of said Lots 1 and 2 South 2 deg. 51' 00" West 159.69 feet; thence leaving said Easterly line and running through a portion of said Lot 1 North 86 deg. 56' 59" West 197.04 feet; thence North 2 deg. 51' 00" East 159.69 feet to the Northerly line of said Lot 2; thence along said Northerly line South 86 deg. 56' 59" East 197.04 feet to the Point of Beginning.

ALSO EXCEPTING THEREFROM a portion of said Lot 3 as shown upon said Map and being more particularly described as follows:

Beginning as the most Northerly Northwestern corner of said Lot 3 as shown upon said Map; thence along the general line dividing said Lot 3 and Lot A as shown upon said Map the following courses and distances: South 2 deg. 51' 00" West 92.72 feet; thence South 86 deg. 56' 59" East 11.24 feet; thence South 2 deg. 51' 00" West 61.78 feet; thence North 86 deg. 56' 59" West 22.16 feet; thence South 2 deg. 51' 00" West 185.69 feet; thence running through a portion of said Lot 3 the following courses and distances: South 86 deg. 37' 42" East 156.64 feet; thence North 2 deg. 51' 00" East 186.98 feet to the line dividing Lot 3 and Lot A as shown upon said Map and from which point the most Easterly Northeastern corner common to said Lot 3 and Lot A bears South 86 deg. 56' 59" East and is distant 20.00 feet; thence along the general line dividing said Lot 3 and Lot A the following courses and distances: North 86 deg. 56' 59" West 71.82 feet; thence North 2 deg. 51' 00" East 67.38 feet; thence North 86 deg. 56' 59" West 26.92 feet; thence North 2 deg. 51' 00" East 46.46 feet; thence South 86 deg. 56' 59" East 10.00 feet; thence North 2 deg. 51' 00" East 40.25 feet; thence North 86 deg. 56' 59" West 56.98 feet to the Point of Beginning.

A.P.N. 051-110-022

Initials: _____

IN WITNESS WHEREOF, the Corporation has executed this First Amendment or caused it to be duly executed, and the County has caused this First Amendment to be executed on its behalf as of the day, month, and year first above written.

**SAN BENITO COUNTY COMMUNITY
SERVICES DEVELOPMENT
CORPORATION**

By Brian R. Abbott, Ph.D.
Brian R. Abbott, Ph.D.
Executive Director

COUNTY OF SAN BENITO

By Chairman of the Board of Supervisors

Approved as to Form:

County Counsel

By _____
Deputy

IN WITNESS WHEREOF, the parties hereto have each caused this Subordination, Nondisturbance and Attornment Agreement to be executed on the dates set forth below.

NOTICE: THIS AGREEMENT CONTAINS A SUBORDINATION CLAUSE WHICH ALLOWS THE LESSOR UNDER YOUR LEASE TO OBTAIN A LOAN, A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LEASED PROPERTY

Date: _____

COUNTY OF SAN BENITO
[printed name of Lessee]

By: _____

Printed Name: _____

Title: _____

Address for Notices:

Date: 2/18/04

SAN BENITO COUNTY COMMUNITY
SERVICES DEVELOPMENT CORPORATION,
a California non-profit corporation

By: Brian Abbon
Brian Abbon,
its Executive Director

Address for Notices:

SAN BENITO COUNTY COMMUNITY
SERVICES DEVELOPMENT CORPORATION,
1101 San Felipe Road
Hollister, California 95023

LENDER:

Pacific Capital Bank, N.A.
~~and SAN BENITO BANK~~

By: _____

Address for Notices:

San Benito Bank
c/o Loan Services
Pacific Capital Bank, N.A.
PO Box 60654
Santa Barbara CA 93160-0654

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

IN WITNESS WHEREOF, Landlord and Tenant have executed this Summary of Lease Terms on the dates set forth below with the knowledge and understanding that the San Benito Bank will rely on the accuracy of the information contained in this Summary in making the proposed loan to Landlord.

LANDLORD:

TENANT:

Date: 2/18/04

Date: _____

DEVELOPMENT CORPORATION,
a California non-profit corporation

COUNTY OF SAN BENITO
(printed name of Tenant)

By: Brian Abbott

Brian Abbott,
its Executive Director

By: _____

0007001

21907

CHICAGO TITLE INSURANCE CO.

After filing, return this document to:

Recorded at the Request of
CHICAGO TITLE INS.

JUL 21 1993

~~Community Services Development Corporation~~
P.O. Box 2107
Hollister, CA 95024-2107

2:00 P.M.
SAN BENITO COUNTY RECORDER
FEE: 62.00

INDEXED - COMPARED

COMMERCIAL LEASE AGREEMENT

BETWEEN

COUNTY OF SAN BENITO

AND

COMMUNITY SERVICES DEVELOPMENT
CORPORATION

0001001

COMMERCIAL LEASE AGREEMENT

THIS LEASE is made and entered on the date hereafter set forth, by and between Community Services Development Corporation, hereinafter called "LANDLORD", and the County of San Benito, hereinafter called "TENANT".

and agreements hereinafter set forth, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises herein described for the term, at the rental and subject to all of the terms, covenants and agreements hereinafter set forth.

1. PREMISES

1.1 Description. Landlord hereby leases to Tenant and Tenant hereby rents, from Landlord, a portion of those certain premises situated at 1131 San Felipe Road, Hollister, California, consisting of a minimum of 37,000 square feet of building #3, as shown on the plan attached hereto as Exhibit "A," which exhibit is incorporated herein, together with the right of access thereto from San Felipe Road. Tenant further leases Landlord's interest in the parking area situated adjacent to building #3, which parking area also is indicated on Exhibit A. Both the office space and the parking area shall hereafter be referred to as the "premises," unless the context requires a contrary interpretation.

2. TERM

2.1 Term. The term of this Lease shall be thirty (30) years commencing July 1, 1993 or as soon as the building is ready for occupancy, unless sooner terminated as specified within this lease. Occupancy must occur no later than July 1, 1994.

3. RENT

3.1 Rent. Tenant shall pay to Landlord rent in the sum of one dollar (\$1.00) per square foot per month. Such rent shall be paid monthly, in advance, in lawful money of the United States, which sum Tenant agrees to pay to Landlord, without deduction or offset, at such place or places as may be designated from time to time by Landlord. The monthly rent shall be paid in a ratable amount commencing on the first day of occupancy under this Lease and continuing for the full monthly amount on the first day of each month thereafter during its term. Yearly increases in rent indexed to the latest San Francisco Bay Area Consumer Price Index shall be added to 28% of the rent, on the anniversary date of the lease. Further adjustments may be made in the rent according to the following schedule:

- a. Any increase in property tax rates may be applied to 8% of the rent.
- b. No other increases are specified.

4. LATE CHARGE/SECURITY DEPOSIT

4.1 Security Deposit. Security deposit is waived.

5. TAXATION

5.1 Personal Property Taxes. Tenant shall pay, when due, all taxes assessed against and levied upon the trade fixtures, furnishings, equipment and all other personal property of tenant contained in the premises. When reasonably possible, tenant shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Landlord.

5.2 Real Property Taxes and Assessments. Landlord shall pay all real property taxes and assessments assessed upon and levied against the real property comprising building #3.

6. USE

6.1 Use. The premises shall be used and occupied by the Tenant for office space and other legal uses as so deemed by the Tenant.

6.2 Suitability. This Lease shall be subject to all applicable zoning ordinances and to any municipal, county and state laws and regulations governing and regulating the use of the premises. Tenant shall be involved in the design of the premises and shall indicate its acceptance in writing of the design as being suitable for the Tenant's business within a reasonable time after Landlord's submits the final design to Tenant for Tenant's review and approval.

6.3 Uses Prohibited.

(a) Tenant shall not do or permit anything to be done in or about the premises which will increase the existing rate of fire and liability insurance upon the premises, unless Tenant shall pay any increased premium as a result of such use or acts or cause the cancellation of any insurances policy covering said premises or any building of which the premises may be a part. Nor shall Tenant sell or permit to be kept, used, or sold in or about said premises any articles which may be prohibited by a standard form policy of fire insurance.

(b) Tenant shall not use the premises or permit anything to be done in or about the premises which will in any way conflict with any law, statute, zoning restriction, ordinance or governmental rule or regulation of requirements of duly constituted public authorities now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force and with the requirements promulgated by any board of fire underwriters or other similar body now or hereafter constituted, relating to or affecting the condition, use or occupancy of the premises. The judgment of any

court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between Landlord and Tenant. If Tenant is in violation of any law, statute, ordinance or governmental rule, regulation or requirement, Tenant shall have 45 days after written notice from Landlord to remedy the violation. If the costs of the compliance with any such law, statute, ordinance or governmental rule, regulation or requirement, or with any governmental rule or fire underwriters or similar body exceeds more than 20% of the annual lease payment, the Tenant has the option to either pay for the costs of compliance or terminate the lease.

(c) Tenant shall not use or allow the premises to be used for any unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any waste or nuisance in, on or about the premises.

7. UTILITIES

Tenant shall pay prior to delinquency for all gas, electric, janitorial services, telephone, and all utilities supplied to Tenant's office portion of building No. 3. The Landlord will be responsible for all maintenance to fixtures in common areas, including the parking lot which is a part of the premises, which common areas will be designated on a floor plan developed by the architectural firm and which the Tenant and Landlord shall approve.

8. MAINTENANCE AND REPAIRS, ALTERATIONS AND ADDITIONS

8.1 Tenant's obligations

(a) At the outset of the lease, the Landlord shall provide adequate toilets, plumbing fixtures, lights, glass, and heating and air conditioning equipment, all sufficient to conduct the Tenant's business. Landlord shall maintain, repair or replace all such toilets, plumbing fixtures, lights, glass, heating and air conditioning equipment, walls, roof, parking areas, and any property, except that which is specifically designated as Tenant's responsibility. Tenant, at Tenant's expense, shall keep in a clean and neat condition the premises and every part thereof, and shall keep in good order, condition and maintain any toilets, plumbing fixtures, electric lights, and glass, and such heating equipment and ventilating equipment which are subsequently installed as the additional Tenant improvements.

(b) Upon the expiration, or earlier termination, of this Lease, Tenant shall surrender the premises in the same condition as received, broom clean, ordinary wear and tear and damage by fire, earthquake, act of God or the elements alone excepted. Tenant, at its sole cost and expense, agrees to commence repairs within ten (10) days and complete repairs within a timely manner to any damage to the premises caused by or in connection with the removal of any articles of personal property, business or trade fixtures, machinery, equipment, cabinet work, furniture, movable partitions or permanent improvements or

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addition. Tenant shall indemnify the Landlord against any loss or liability resulting from delay by Tenant in so surrendering the premises.

(c) In the event Tenant fails to perform Tenant's obligations under this Section 8, Landlord shall give Tenant notice to do such acts as are reasonably required to so maintain the premises. If within 60 days Tenant fails to do the work and ~~within a reasonable time thereafter diligently prosecute it to completion, then Landlord shall have the right (but not the obligation) to do such acts and expend such funds at the expense of the Tenant as such acts are reasonably required to perform such work. Any amount so expended by Landlord shall be paid by Tenant upon demand with a reasonable time. Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the premises by Tenant as a result of performing any such work, provided such work is performed reasonably as judged by standard industry practices.~~

8.2 Alterations and Additions.

(a) Tenant shall not, without Landlord's prior written consent, construct, maintain or permit to be constructed or maintained, any sign or billboard on the roof of any building located on the premises, nor paint any portion of the premises, nor make any alterations, additions or improvements or utility installations in, on or about the premises. As a condition to giving such consent, Landlord may require that Tenant agree to remove any such alterations, additions, improvements or utility installations at the expiration of the term and to restore the premises to their prior condition. As a further condition to giving such consent, Landlord may require Tenant to provide Landlord, at Tenant's sole cost and expense, payment and performance bonds in amounts equal to one hundred and twenty percent (120%) the estimated cost of such improvements, to insure Landlord against any liability for mechanics' and materialmen's liens and to insure completion of the work. Landlord's consent shall not be unreasonably withheld. If Tenant makes any alterations to the premises as provided in this paragraph, the alterations shall not be commenced until five (5) days after Landlord has received notice from Tenant stating that date the installation of the alterations or the additions is to commence so that Landlord can post and record an appropriate notice of non-responsibility.

(b) Unless Landlord requires their removal, as set forth in paragraph 8.2 (a), all alterations, improvements and utility installations (whether or not such utility installations constitute trade fixtures of Tenant), which may be made on the premises, shall at the expiration or earlier termination of the Lease become the property of Landlord and remain upon and be surrendered with the premises, and title thereto shall pass to the Landlord at the time, and not before that time. Notwithstanding the provisions of this paragraph section 8.2(b), personal property, business and trade fixtures, cabinet work, furniture, movable partitions, machinery and equipment, other than that which

is affixed to the premises so that it cannot be removed without material damage to the premises, shall remain property of Tenant.

9. ENTRY BY LANDLORD

Landlord and Landlord's agents shall have the right at reasonable times to enter the premises to inspect the same or to maintain or repair, make alterations or additions to the premises ~~that do not adversely affect Tenant's operation and responsibility~~ or any portions thereof or to show the premises to prospective purchasers, tenants or lenders at a time convenient to Tenant within normal working hours. Landlord may, at any time, with Tenant's consent, place on or about the premises any ordinary "for lease" signs. Landlord may also post notices of non-responsibility signs upon the premises.

10. LIENS

10.1 Tenant shall keep the premises and any building of which the premises are a part, from from any liens arising out of work performed, materials furnished or obligations incurred by Tenant and shall indemnify, hold harmless and defend Landlord from any liens and encumbrances arising out of the work performed or materials furnished by or at the direction of Tenant. In the event that Tenant shall not, within twenty (20) days following the imposition of any undisputed lien, cause such lien to be released of record by payment or posting of a proper bond, Landlord shall have in addition, to all other remedies provided herein and by law, the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All such sums paid by Landlord and all expenses incurred by it in connection therewith including attorney's fees and costs, shall be payable to Landlord by Tenant on written demand. Landlord shall have the right at all times to post and keep posted on the premises any notice permitted or required by law, or notice which Landlord shall deem proper, for the protection of Landlord and the premises, and any other party having an interest therein, from mechanics and materialmen's liens, and Tenant shall give to Landlord at least ten (10) days prior written notice of the expected date of commencement of any work relating to alterations or additions to the premises.

10.2 Landlord shall keep the premises and any building of which the premises are a part and any other property either under the control of Landlord or which the Landlord has the responsibility to repair or replace, free from any liens arising out of work performed, materials furnished or obligations incurred by Landlord and shall indemnify, hold harmless and defend Tenant from any liens and encumbrances arising out of the work performed or materials furnished by or at the direction of Landlord. In the event that Landlord shall not, within twenty (20) days following the imposition of any undisputed lien, cause such lien to be released of record by payment or posting of a proper bond, Tenant shall have, in addition to all other remedies provided herein and by law, the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All such sums paid by

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Tenant and all expenses incurred by it in connection therewith, including attorney's fees and costs, shall be deductible from the rent upon written notice to Landlord. Tenant shall have the right at all times to post and keep posted on the premises any notices permitted or required by law, or notices which Tenant shall deem proper, for the protection of Tenant and the premises, and any other party having an interest therein, from mechanics and materialmen's liens, and Landlord shall give to Tenant at least ~~ten (10) days prior written notice of the proposed~~ commencement of any work relating to alterations or additions to the premises.

11. INDEMNITY

11.1 Tenant shall indemnify and hold Landlord harmless from and against any and all claims of liability for any injury or damage to any person or property arising from Tenant's use of the premises, or from the conduct of Tenant's business, or from any activity, work or thing done, permitted or suffered by Tenant in or about the premises or elsewhere. Tenant shall further indemnify and hold Landlord harmless from and against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under this Lease, or arising from any negligent or intentional acts or omissions of Tenant or Tenant's agents, contractors of employees, and from and against all costs, attorney's fees, expenses and liabilities incurred in the defense in the event that any action or proceeding is brought against Landlord by reason of any such claim. Tenant upon notice from Landlord shall defend same at Tenant's expense.

11.2 Landlord shall indemnify and hold Tenant harmless from and against any and all claims of liability for any injury or damages to any person or property arising from any activity, work or thing done, permitted or suffered by Landlord in or about the premises or elsewhere affecting the premises. Landlord shall further indemnify and hold Tenant harmless from and against any and all claims arising from any breach or default in the performance of any obligation on Landlord's part to be performed under this Lease, or arising from any negligent or intentional acts or omissions of Landlord or Landlord's agents, contractors of employees, and from and against all costs, attorney's fees, expenses and liabilities incurred in the defense in the event that any action or proceeding is brought against Tenant by reason of any such claim. Landlord, upon notice from Tenant, shall defend same at Landlord's expense.

11.3 Exemption of Landlord from Liability. Landlord shall not be liable for injury to Tenant's business or loss of income therefrom or for damage, except for Landlord's wrongful action or inaction, which may be sustained by the person, goods, wares, merchandise or property of Tenant, its employees, invitees, customers, agents or contractors or any other person in or about the premises, caused by or resulting from fire, earthquake, steam, electricity, gas, water or rain, which may lead or flow from or into any part of the premises, or from the breakage, leakages, obstruction or other defects of the pipe, sprinklers, wires, appliance, plumbing, air conditioning or lighting fixtures of the

same, whether the said damage or injury results from conditions arising upon the premises or upon other portions of the building of which the premises are a part, or from other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Tenant. Landlord shall not be liable for any damages arising from the sole act or sole neglect of any other Tenant, if there be any, of the building which is a part of the premises.

12. INSURANCE

12.1 Liability insurance. Tenant shall, at Tenant's expense, procure and maintain at all times during the term of this Lease a policy of comprehensive public liability insurance insuring Landlord and Tenant against any liability arising out of the use or occupancy of the premises and appurtenant areas. Such insurance shall have a single combined liability limit of no less than \$1,000,000.00 for injury or death of one or more person, and property damage limits of not less than \$500,000.00. The limits of such insurance shall not limit the liability of Tenant. If the premises are part of a larger property, said insurance shall have a Landlord's Protective Liability endorsement attached hereto. All insurance required hereunder shall be with companies rated A+ or better in "Best Insurance Guide". Tenant shall deliver to Landlord certificate of insurance evidencing the existence and amounts of such insurance with loss payable clauses satisfactory to Landlord, provided that in the event Tenant fails to procure and maintain such insurance, Landlord may (but shall not be required to) procure same at Tenant's expense after ten (10) days prior written notice. No such policy shall be cancelable or subject to reduction of coverage or other modification except after thirty (30) days prior written notice to Landlord by the insurer. All such policies shall be written as primary policies, not contributing with and not in excess of coverage which the Landlord may carry. Tenant shall, within twenty (20) days prior to the expiration of such policies, furnish Landlord with renewals or binders. If Tenant fails to provide Landlord with renewals or binders, Landlord may order such insurance and charge the cost to Tenant, which amount shall be payable to Tenant upon demand.

Tenant shall have the right to provide such insurance coverage pursuant to blanket policies obtained by Tenant, provided such blanket policies expressly afford coverage to the premises and to Tenant as required by this Lease. This paragraph does not preclude Tenant from participating in a self-insurance program which will provide substantially the same protection against loss.

12.2 Waiver of Subrogation. Landlord and Tenant each hereby waive any and all rights of recovery against the other or against the officers, employees, agents and representatives of the other, on account of loss or damage occasioned to such waiving party of its property or the property of others under its control caused by fire or any of the extended coverage risks described above to the extent that such loss or damage is insured against under any insurance policy in force at the time of such loss or damage.

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12.3 Fire Loss. Tenant shall not conduct any operation on the leased premises which shall appreciably increase above its initial operation, the potential for loss by fire and subsequent increase in cost of insurance against such loss.

12.4 Landlord shall maintain fire and liability insurance, on the common area, and for any of Landlord's responsibilities under this lease.

13. DAMAGE OR DESTRUCTION

13.1 Partial Damage - Insured. In the event improvements on the premises are damaged by any casualty which is covered under an insurance policy, then Landlord shall repair such damage as soon as reasonably possible, and this Lease shall continue in full force and effect.

13.2 Partial Damage - Uninsured. In the event any real property improvements on the premises are damaged, except by a negligent or willful act or omission of Tenant, by a casualty not covered under an insurance policy, then Landlord may, at Landlord's option, either (a) repair such damage as soon as reasonably possible at Landlord's expense, in which event this Lease shall continue in full force and effect, or (b) give written notice to Tenant within thirty (30) days after the date of occurrence of such damage of Landlord's intention to cancel and terminate this Lease as of the date of any disruption of Tenant's occupancy of the premises. In the event Landlord elects to terminate this Lease, Tenant may elect, within twenty (20) days after receipt of the required notice from Landlord, to repair such damage at Tenant's expense, without reimbursement from Landlord, in which event this Lease shall continue in full force and effort, and Tenant shall proceed to make such repairs as soon as reasonable possible. Tenant shall give Landlord written notice of Tenant's election within the twenty (20) day period. If Tenant does not give such notice within the period, this Lease shall be canceled and terminated as of the date of the occurrence of such damage.

13.3 Landlord's Obligations. The Landlord shall not be required to repair injury or damage by fire or other cause, or to make any restoration or replacement of, any panelings, decorations, office fixtures, partitions, railings, ceiling, floor coverings, equipment, machinery or fixtures or any other floor coverings, equipment, machinery or fixtures or any other improvements or property installed in the premises by Tenant.

13.4 Abatement of Rent: Tenant's Remedies.

(a) If the building which is part of the leased premises is partially destroyed or damaged and Landlord or Tenant repairs them pursuant to this Lease, the rent payable hereunder for the period during which such damage and repair continues shall be abated in proportion to the extent of which Tenant's use of the premises is impaired. Except for abatement of rent, if any, Tenant shall have no claim against Landlord for any damage suffered by reason of any such damage, destruction, repair or restoration,

provided such damage, destruction, repair or restoration is not caused by Landlord's wrongful acts or provided that Landlord is not otherwise responsible for such expense.

(b) If Landlord shall become obligated to repair or restore the premises under this lease and shall not commence such repair or restoration within sixty (60) days after such obligation shall accrue, Tenant at Tenant's option may cancel and terminate this Lease by written notice to Landlord at any time ~~and if Landlord fails to commence such repair or restoration within sixty (60) days after such obligation shall accrue, Tenant at Tenant's option may cancel and terminate this Lease by written notice to Landlord at any time~~ event this Lease shall terminate as of the date of such notice.

14. CONDEMNATION

(a) If the premises or any portion thereof are taken under the power of eminent domain, or sold by Landlord to the condemning authority under the threat of the exercise of said power (all of which is herein referred to as "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever occurs first. If more than ten percent (10%) of the floor area of the building on the premises, or more than fifty percent (50%) of the land area of the premises not covered with buildings, is taken by condemnation, Tenant may terminate this Lease, as of the date the condemning authority takes possession, by notice in writing of such election within twenty (20) days after Landlord shall have notified Tenant in writing of the taking, or in the absence of such notice then within twenty (20) days after the condemning authority shall have taken possession from Tenant.

(b) If this lease is not terminated by Tenant then it shall remain in full force and effect as to the portion of the premises remaining, provided that the rent shall be reduced in proportion that the floor area of the portion of the building taken bears to the total floor area of said building. In the event the parking area is condemned and the Lease remains in effect pursuant to paragraph 14, the rent shall be reduced appropriately pursuant to mutual agreement. If the parties fail to agree Tenant may elect to terminate the Lease. In the event this Lease is not terminated, then Landlord agrees, at Landlord's sole cost, to restore the building upon the premises to complete building of like quality and character as existed prior to the condemnation, as soon as reasonably possible, except that, if the portion of the building taken is less than ten percent (10%) of its total floor area, then Landlord need not replace with additions to the buildings, the square footage so taken. All awards for the taking of any part of the premises or any payment made under the threat of the exercise of power of eminent domain shall be the property of Landlord, whether made as compensation for diminution of value of a leaseholder or for the taking of the fee or as severance damages; provided, however that Tenant shall be entitled to any award for loss of damage to Tenant's trade fixtures and removable personal property.

15 ASSIGNMENT & SUBLETTING

15.1 Landlord's Consent Required. Tenant shall not assign, transfer, mortgage, pledge, hypothecate or encumber the Lease or any interest therein, and shall not sublet the premises or any part thereof, without the prior written consent of Landlord and any attempt to do so without such consent being first had shall be wholly void and shall constitute a breach of this Lease.

15.2 ~~Consent Required~~ With the following conditions, Landlord shall not unreasonably withhold its consent to the subletting of the premises or any portion thereof. Tenant shall submit in writing to Landlord; (a) the name and legal composition of the proposed subtenant; (b) the nature of the proposed subtenant's business to be carried on in the premises; (c) the terms and provisions of the proposed sublease; (d) such reasonable financial information as Landlord may request concerning the proposed subtenant.

15.3 Landlord shall not transfer Landlord's interest in the premises without Tenant's consent if the Tenant is in compliance with the consent provisions of this Lease. Tenant may condition its consent on any reasonable terms necessary to protect Tenant's interest in this Lease.

15.4 No Release of Tenant. No consent by Landlord to any assignment or subletting by Tenant shall relieve Tenant of this Lease, whether occurring before or after such consent, assignment or subletting. The consent by Landlord to any assignment or subletting shall not relieve Tenant from obligation to obtain Landlord's express written consent of any other assignment or subletting. The acceptance of rent by Landlord of any person shall not be deemed to be a consent to any assignment, provision of this Lease or to be a waiver by Landlord of any subletting or other transfer. Consent to one assignment, subletting or other transfer shall not be deemed to constitute consent to any subsequent assignment, subletting or other transfer.

15.5 Assignment of Rent. In the event Tenant is in breach of this lease, Tenant immediately and irrevocably agrees to assign to Landlord as security for Tenant's obligations under this Lease, all rent from any subletting of all or any part of the premises as permitted by this Lease, and Landlord, as assignee, and as attorney-in-fact for Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligation under this Lease. Until the occurrence of an act of default by Tenant, Tenant shall have the right to collect such rent.

15.6 Excess Rent. All rent received by Tenant from its subtenants in excess of the rent payable by Tenant to Landlord under this Lease shall inure to the benefit of Tenant. Any sum paid by an assignee to Tenant in consideration of the assignment of this Lease shall inure to the benefit of Tenant.

16. SUBORDINATION

16.1 Subordination. The Lease shall be subordinate security lien created by the FMHA financing of the building, such lien estimated to be \$4.4 million dollars. The lease shall be prior to any encumbrance recorded after the date of this Lease affecting the premises and authorized pursuant to section 16.3.

16.2 ~~No future encumbrance.~~ Without Tenant's prior written consent, Landlord shall not encumber the premises, with the exception of the FMHA Security interest as specified in section 16.1. Landlord agrees to execute and deliver to Tenant upon demand such further instruments protecting Tenants rights specified herein be required by Tenant.

17. DEFAULT; REMEDIES

17.1 Default. The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant:

(a) Any failure by Tenant to pay the rent or any other monetary sums required to be paid hereunder where such failure continues for twenty (20) days after the date upon which the same is due.

(b) A failure by Tenant to observe and perform any other provisions of the Lease to be observed or performed by Tenant, where such failure continues for twenty (20) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of such default is such that the same cannot reasonably be cured within such twenty (20) days period, Tenant shall not be deemed to be in default if Tenant shall within such period commence such cure and thereafter diligently prosecute the same to completion.

17.2 Remedies. In the event of any such material default or breach by Tenant, Landlord may at any time thereafter, with notice and demand and without limiting Landlord in the exercise of any right or remedy at law or in equity which Landlord may have by reason of such default or breach:

(a) Maintain this Lease in full force and effect and recover the rent and other monetary charges as they become due, without terminating Tenant's right to possession, irrespective of whether Tenant shall have abandoned the premises. In the event Landlord elects to not terminate the Lease, Landlord shall have the right to attempt to re-let the premises at such rent and upon such conditions and for such a term, and to do all acts necessary to maintain or preserve the premises as Landlord deems reasonable and necessary without being deemed to have elected to terminate the Lease including removal of all persons and property from the premises. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant. In the event any such re-letting occurs, this Lease shall terminate automatically upon the new Tenant taking possession of the premises. Notwithstanding that Landlord fails to elect to terminate the Lease initially, Landlord at any time

term of this Lease may elect to terminate this Lease by virtue of such previous default of Tenant, which has not been cured to the date of election. Landlord agrees to require the reasonable rental value in the event of re-letting and shall credit to Tenant the reasonable rental value of the premises against any sum owed to Tenant by Landlord.

(b) Terminate Tenant's right to possession by any lawful means, in which case this Lease shall terminate and Tenant shall be entitled to recover from Landlord all damages incurred by Landlord by reason of Tenant's default, which damages shall be computed as the following: (i) the value of any unpaid rent which had accrued at the time of such termination; plus (ii) the value of the amount by which the unpaid rent which would have accrued after termination until the amount exceeds the amount of such rental loss that is proved could have been reasonably avoided. The term "rent", as used in this paragraph, Section 17, shall be deemed to be and to mean the rent to be paid pursuant to Section 3 and all other monetary sums required to be paid by Tenant pursuant to the terms of this Lease.

18. SPECIAL TERMINATION CLAUSE:

a. In the event that the Tenant is required to increase the County General Fund contribution to the funding of the following agencies Human Services Agency, Mental Health Department, Employment Training Office, Community Action Agency and Drug and Alcohol Abuse Agency, which agencies shall occupy the leased space, by more than 10% of the aggregate total funding measured at the time of initial occupation of the premises, the Tenant has the option of reducing the total square footage of the leased premises as appropriate, with a corresponding decrease in rent. In order to exercise this option, Tenant will immediately notify the Landlord of such reduction and request a meeting to determine the reduction of the Tenant's rent. Such reduction in rent shall occur no sooner than ninety (90) days after such notice is given. If the rent decrease exceeds twenty percent (20%) of the rent in effect prior to the reduction, the provision of Section 16 may be voided at Landlord's option.

b. In the event that any state or federal agency determines that this Lease is structured so as to constitute a lease/purchase agreement, or otherwise characterizes this lease so that the lease payments may not be offset from the appropriate agency's budgets, the lease clause which is the basis for that state or federal determination shall be amended or interpreted to negate the federal or state determination. If the state or federal agency determination remains unaltered, the Tenant shall have the option of terminating the Lease, effective not less than ninety (90) days after Tenant gives Landlord written notice of Tenant's intent to terminate the lease.

c. In the event that there are circumstances which arise during the term of the Lease which reduce Tenant's overall revenue sources for the departments specified in paragraph 18 a., or circumstances which otherwise cause a reduction in the workforce

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for these programs, the Tenant shall provide sufficient detail of the reduction of revenue program at the earliest possible time to allow for a reduction in the space leased and corresponding decrease in rent and to allow Landlord time to seek suitable replacement tenants. In the event that the Landlord and Tenant are unable to agree upon the amount of space and reduction required, a third party arbitrator will be asked to negotiate the reduced lease.

~~19. DISCUSSION~~

19.1 Estoppel Certificate

(a) Tenant shall at anytime upon not less than ten (10) days prior written notice form Landlord execute, acknowledge and deliver to Landlord a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent or other charges, if any, are paid in advance, and (ii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder or specifying such defaults if any are claimed. Any such statement may be conclusively relied upon by a prospective purchaser or encumbrancer of the premises, provided that Tenant has given its consent to such purchase or encumbrance as is required under this lease.

(b) Tenant's failure to deliver such statement within such time shall be conclusive upon Tenant (i) that this Lease is in full force and effect, without modification except as may be represented by Landlord's performance and (ii) that not more than one month's rent has been paid in advance.

(c) If after Tenant consents thereto, Landlord desires to finance or refinance said premises, or any part thereof, Tenant hereby agrees to deliver to any lender designated by Landlord such financial statements as Tenant or Tenant's parent company as may be reasonably required by such lender. All such financial statements shall be received by Landlord in confidence and shall be used only for the purposes herein set forth.

19.2 Captions, Attachments, Defined Terms.

(a) The captions of the paragraphs of this Lease are for convenience only and shall not be deemed to be relevant in resolving any questions of interpretation or construction of any section of the Lease.

(b) Exhibits attached hereto, and addendums and schedules initiated by the parties, are deemed by attachment to constitute part of this Lease and are incorporated herein.

(c) The words "Landlord" and "Tenant", as used herein shall include the plural as well as the singular. Words used in neuter gender include the masculine or feminine and words in the masculine or feminine gender include the neuter. If there be more

than one Landlord or Tenant, the obligations hereunder impose upon Landlord or Tenant shall be joint and several. The term "Landlord" shall mean only the owner or owners at the time in question of the fee title or a tenant's interest in a ground lease of the premises. The obligations contained in this Lease to be performed by Landlord shall be binding on Landlord's successors and assigns.

19.3 Entire Agreement. Except for the agreement between Landlord and Tenant, this instrument with any exhibits and attachments hereto constitutes the entire agreement between Landlord and Tenant relative to the premises and this Agreement and any exhibits and attachments may be altered, amended or revoked only by an instrument in writing signed by both Landlord and Tenant. Landlord and Tenant agree hereby that all prior or contemporaneous oral agreements between and among themselves and their agents or representatives relative to the leasing of the premises are merged in or revoked by this Agreement.

19.4 Severability. If any term of provision of this Lease shall, to any extent, be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforceable to the fullest extent permitted by Law.

19.5 Costs of Suit

(a) If Tenant or Landlord shall bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of rent or possession of the premises, the losing party shall pay the successful party a reasonable sum for attorney's fees which shall be deemed to have accrued on the commencement of such action and shall be paid whether or not such action is prosecuted to judgment.

(b) Should Landlord, without fault on Landlord's part, be made a party to any litigation instituted by Tenant or by any third party against Tenant, or by or against any person holding under or using the premises by license of Tenant, or for the foreclosure of any lien for labor or material furnished to or for Tenant or any such other person or otherwise arising out of or resulting from any act or transaction of Tenant or of any person other than Landlord, Tenant covenants to save and hold Landlord harmless from any judgment rendered against Landlord or the premises or any part thereof, and all costs and expenses, including reasonable attorney's fees, incurred by Landlord in or in connection with such litigation.

(c) Should Tenant, without fault on Tenant's part, be made a party to any litigation instituted by Landlord or by any person holding under or using the premises by license of Landlord, or for the foreclosure of any lien for labor or material furnished to or for Landlord or any such other person or otherwise arising out of or resulting from any act or transaction of Landlord or of

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any person other than Tenant, Landlord covenants to save Tenant or the premises or any part thereof, and all costs and expenses, including reasonable attorney's fees, incurred by Tenant in or in connection with such litigation.

19.6 Time, Joint and Several Liability. Time is of the essence of this Lease and each and every provision hereof. All the terms, covenants and conditions contained in this Lease to be performed by either party, if such party shall consist of more than one person or organization, shall be deemed to be joint and several, and all right and remedies of the parties shall be cumulative and non-exclusive of any other remedy at law or in equity.

19.7 Binding Effect; Choice of Law. The parties hereto agree that all the provisions hereof are to be construed as both covenants and conditions as though the words importing such covenants and conditions were used in each separate paragraph hereof; subject to any provisions hereof restricting assignment of subletting by Tenant and Landlord, all of the provisions hereof shall bind and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns. This Lease shall be governed by the laws of the State of California.

19.8 Waiver. No covenant, term or condition or the breach thereof shall be deemed waived, except by written consent of the party against whom the waiver is claimed, and any waiver of the breach of any covenant, term or condition shall not be deemed to be a waiver of any proceeding or succeeding breach of the same of any other covenant, term or condition. Acceptance by Landlord or Tenant of any performance by the other after the time the same shall have become due shall not constitute a waiver by Landlord or Tenant of the breach of default of any covenant, term of condition unless otherwise expressly agreed to by Landlord or Tenant in writing.

19.9 Surrender of Premises. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of the Landlord, terminate all or any existing subleases or subtenancies, or may, at the option of Landlord, operate as an assignment to it of any or all such subleases or subtenancies.

On cancellation of this lease or within ten (10) days thereafter, Tenant shall surrender to Landlord the premises and all improvements and alterations thereto in good and broom-clean condition (except the ordinary wear and tear occurring after the last necessary maintenance made by Tenant and destruction to the premises covered hereinabove) except for alterations that Tenant has the right to remove or is obligated to remove under other provisions of this Lease. Tenant shall perform all restoration made necessary by the removal of any alterations of Tenant's personal property with the time period stated herein.

Landlord can elect to retain or dispose of in any manner any alterations or Tenant's personal property that Tenant does not remove from the premises on expiration or termination of the term as allowed or required by this Lease by giving at least ten (10) days notice to Tenant. Title to any such alterations or Tenant's personal property abandoned by Tenant that Landlord elects to retain or dispose of on the expiration of the ten (10) day period shall vest in Landlord. Tenant waives all claims against Landlord for the disposal of any such alterations of Tenant's abandoned personal property. Tenant shall not be liable to Landlord for Landlord's costs for storing, removing, and disposing of any alterations of Tenant's abandoned personal property.

If Tenant fails to surrender the premises to Landlord on expiration or within ten (10) days after termination of the term, Tenant shall hold Landlord harmless from all damages resulting from Tenant's failure to surrender the premises, including, without limitation, claims by a succeeding tenant resulting from Tenant's failure to surrender the premises.

19.10 Holding Over. If Tenant remains in possession of all or any part of the premises after the expiration of the term hereof or after termination of this Lease for any cause, including (but not limited to) termination under paragraph 13 above, with or without the express or implied consent of Landlord, such tenancy shall be from month to month only, and not a renewal hereof or an extension for any further term.

(a) However, should the tenant comply with the full term of the lease for the time and amount specified, the Landlord will lease the same premises to the same extent of the space occupied by Tenant at the conclusion of thirty (30) year term to the tenant for a subsequent ninety-nine (99) year term at \$1.00 per year plus taxes, maintenance and repair costs incurred by the Landlord.

*\$1.00 per year + maintenance
plus 2 salaries for maintenance*
19.1 Signs and Auctions. Tenant shall not place any sign upon the premises or conduct any auction thereon without Landlord's prior written consent.

19.12. Reasonable Consent. Except as limited elsewhere in this Lease, wherever in this Lease Landlord or Tenant is required to give its consent or approval to any action on the part of the other, such consent or approval shall not be unreasonably withheld. In the event of failure to give any such consent, the other party shall be entitled to specific performance at law and shall have such other remedies as are reserved to it under this Lease, but in no event shall Landlord or Tenant be responsible in monetary damages for failure to give consent unless said failure is withheld maliciously or in bad faith.

19.13 Interest on Past Due Obligations. Except as expressly herein provided, any amount due to Landlord paid when due shall bear interest at eleven and one-half (11 1/2%) per annum

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from the due date. Payment of such interest shall not excuse or cure any default by Tenant under this Lease.

19.14 Recording. Tenant may record this Lease without Landlord's prior written consent.

19.15 CEQA. This lease subject to the provisions of CEQA, and Landlord shall assume the responsibility of compliance therewith.

19.16 Notices. All notices or demands or any kind required or desired to be given by Landlord or Tenant hereunder shall be in writing and shall be deemed delivered forty-eight (48) hours after depositing the notice or demand in the United States mail, certified or registered, postage prepaid, addressed to the Landlord or Tenant respectively at the addresses set forth after their signatures at the end of this Lease. Such addresses may be changed by notice to the other party of such change and address given in the manner and form provided for other notices hereunder.

19.17 Environmental Hazards. Except for those environmental hazards created by Tenant, Landlord is responsible for, and shall hold Tenant harmless for, compliance with any federal, state, and local environmental laws, whether such laws be in existence at the execution of the Lease or be enacted subsequently.

19.18 Negotiated Agreement. This Lease is an agreement which has been arrived at through negotiation between the parties. Neither party is to be deemed the party which prepared this agreement within the meaning of Civil Code §1654.

Dated at Hollister, California, this 28th day of April, 1992.

LANDLORD:

COMMUNITY SERVICES
DEVELOPMENT CORPORATION

Jose R. Alvarez
Jose R. Alvarez
Address:

1131 San Felipe Road
Hollister, Ca. 95023

APPROVED AS TO LEGAL FORM:

Steven R. Sanders
Steven R. Sanders
County Counsel

TENANT:

SAN BENITO COUNTY

Robert V. S. S. S.
Auth E. Kessler
CHAIRMAN, SAN BENITO COUNTY

Address: BOARD OF SUPERVISORS
440 Fifth Street, Room 206 4/28/92
Hollister, CA. 95023

4/29/92
Date

STATE OF CALIFORNIA
COUNTY OF SAN BENITO SS.

~~July 15 1993~~
Public in and for said State, personally appeared
JOSE R. ALVAREZ

~~personally known to me~~ (or proved to me on the basis of satisfactory evidence)
to be the person(s) whose name(s) is/are subscribed to the within instrument and
acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the
instrument the person(s), or the entity upon behalf of which the person(s)
acted, executed the instrument.

WITNESS my hand and official seal.

Notary's Signature Teresa A Sanchez



THIS CERTIFICATE : TITLE OR TYPE OF DOCUMENT
MUST BE ATTACHED :
TO THE DOCUMENT : NO. OF PAGES DATE OF DOCUMENT
DESCRIBED AT RIGHT:

STATE OF CALIFORNIA)

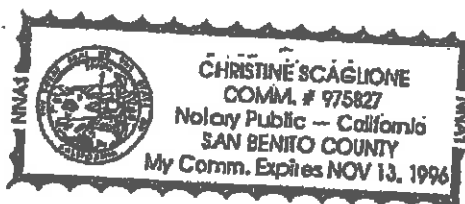
COUNTY OF San Benito)

On 7/20/93 before me, Christine Scaglione, a Notary Public in and for said State, personally appeared Ruth E. Kesler, personally known to me (or proved to me on the basis of satisfactory evidence), to be the person(s) whose name(s) ~~is/are subscribed in the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.~~

WITNESS my hand and official seal.

Signed

Christine Scaglione



THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED AS:

Title or type of Document Commercial Lease
 No. of Pages _____ Date of Document
 Signer(s) other than named above

END OF DOCUMENT