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INDEXED - COMPARED

COMMERCIAL LEASE AGREEMENT

BETWEEN

COUNTY OF SAN BENITO

AND

**COMMUNITY SERVICES DEVELOPMENT
CORPORATION**

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".

For and in consideration of the rental and of the covenants 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 Tenants 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

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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 requirements of board of 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 replaces 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. walls

(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

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 capabilities 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

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 expected date of 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 or 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 or 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.

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 prior to the commencement of such repair or restoration. In such 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 this 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 shall be wholly void and shall constitute a breach of this Lease.

15.2 **Reasonable Consent.** If Tenant complies 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 from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any assignment, 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 obligations 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 to 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 during the

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 the reasonable rental value of the premises against any sum owed by Tenant to Landlord.

(b) Terminate Tenant's right to possession by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the premises to Landlord, in such event Landlord shall be entitled to recover from Tenant 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

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. MISCELLANEOUS

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 imposed 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 dated May 14, 1992, 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

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.

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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 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 any damage to Tenant resulting from Landlord's retention or disposition 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.

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

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

TENANT:

SAN BENITO COUNTY

Robert V. S. Sauter
Ruth E. Kessler
CHAIRMAN, SAN BENITO COUNTY

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

APPROVED AS TO LEGAL FORM:

Steven R. Sanders
Steven R. Sanders
County Counsel

4/29/92
Date

STATE OF CALIFORNIA SS.
COUNTY OF SAN BENITO

On July 15, 1993, 1993, before me, the undersigned, a Notary 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:

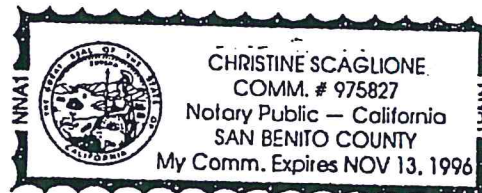
STATE OF CALIFORNIA)

COUNTY OF San Benito)

On 7/20/93 before me, Christine Scaglione, a Notary Public in and for said State, personally appeared Ruth E. Wesler, 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.

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