



COUNTY OF HUMBOLDT

AGENDA ITEM NO.
C-8

For the meeting of: October 23, 2007

Date: OCTOBER 1, 2007

To: BOARD OF SUPERVISORS

From: DOUGLAS RASINES, CHIEF PROBATION OFFICER *Douglas Rasines*

Subject: LEASE AGREEMENT WITH PWM, INC. FOR 555 "H" STREET, EUREKA

RECOMMENDATION: That the Board of Supervisors:

1. Approve and authorize the Chair to sign two originals of the attached lease agreement with PWM, Inc.
2. Direct the Clerk of the Board to return one executed original to Public Works' Real Property Division for transmittal to lessor.
3. Adopt the following supplemental budget to provide for current year funding:

Revenue:	1100-235-705800	Transfer from Trust	\$56,100
Expenditure:	1100-235-2106	Communications	\$ 3,600
	1100-235-2121	Rents & Leases – Structures	19,700
	1100-235-2123	Special Dept. Expense	7,000
	1100-235-2126	Utilities	5,000
	1100-235-2317	Office Expense – Equipment	<u>20,800</u>
			\$ 56,100

DISCUSSION: For some time the Probation Department has been looking to meet its goal of addressing long-term space needs and consolidation of like services. Several years ago, the lack

Prepared by Karon Suiker

CAO Approval *Phillip Smith-Hanes*

REVIEW: *MS* Auditor *RL* County Counsel *RL* Personnel _____ Risk Manager *Q* Other _____

TYPE OF ITEM:
 Consent
 Departmental
 Public Hearing
 Other

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT
 Upon motion of Supervisor
 Seconded by Supervisor
 And unanimously carried by those members present,
 The Board hereby adopts the recommended action
 contained in this report.

PREVIOUS ACTION/REFERRAL:

Board Order No. _____

Dated: _____
 Kathy Hayes, Clerk of the Board

Meeting of: _____

By: _____

of sufficient office space at the main Probation Department office at 2002 Harrison Avenue (behind General Hospital) resulted in the Department's need to lease office space at a downtown Eureka location across from the Courthouse at 333 "J" Street. The downtown satellite office currently houses the Department's adult intake and court services unit, while the adult field services unit has remained at the main office due to the fact that the downtown site is not sufficiently sized nor configured to allow for consolidation of our adult intake and field units at the same location. In addition, lack of sufficient office space at the main office has resulted in the need for the Department to "outstation" several probation juvenile services programs.

Consolidation of the Adult Services Division would provide several benefits: (1) It would significantly improve service delivery capacity and administrative efficiencies within adult services, (2) it would allow for return and consolidation of outstationed juvenile services back to the main department in close proximity to the Juvenile Hall and Regional Facility, and (3) it would allow for potential future office space needs within both adult and juvenile divisions. Through the efforts of the county's Real Property Agent, the Department was made aware of available suitable space to finally begin to address the Department's long-term space needs, for both Adult and Juvenile Services, by allowing for proposed consolidation of Adult Services in a phased move.

Activities conducted by the Adult Services Division include: investigation and report preparation, offender risk assessment and case planning to address crime-related factors, case management of offenders on supervised probation (interview, drug testing, counsel/referral), arrest within a controlled environment, if necessary, and transport to jail, and assessment and placement of community service work cases.

Clientele served by the Adult Services Division include: unsentenced criminal offenders for investigative reports/sentence recommendations, sentenced criminal offenders ordered to complete community service work, families seeking guardianship on step-parent adoption for court investigation/recommendations, individuals associated with proposed conservatorship cases for investigation/recommendation, sentenced criminal offenders court-ordered to be supervised in the community and family members and support persons to any of these individuals.

The attached lease will provide for space to relocate fourteen probation officers plus two clerical positions from the main office to the second floor of the "H" Street facility as the first phase of the Adult Services consolidation, and would enable Juvenile Services, some of which are currently in leased space at 1105 Sixth Street, to be consolidated in the vacated space of the main facility. The County would additionally have lease options on other space in the facility which would provide for the later ability to relocate an additional nine officers and three clerical positions to complete the Adult Services Division consolidation.

In relocating to the new leased facility, the Department anticipates a positive impact to the area by the increased presence of deputy probation officers, thereby minimizing the incidence of criminal behavior. The Department would not be introducing any individuals to the area who are not now already frequenting the immediate proximity. Additionally, the relocation of probation officers and administrative support staff that would be eating and shopping would bring additional local business to the downtown area. The character of the neighborhood is one of businesses and services, including law and bailbond offices, bank and investment services, the post office, tire repair, health branch services and church and related activities. There are no residences in the immediate vicinity, although there may be apartment rental units above some of the existing businesses.

The department has been in contact with the county's Master Plan consultants to advise them of this proposed consolidation. Although development of the Master Plan is not fully complete at this point, the department has been advised that the Plan will identify additional office space needs for Probation-related services. The recommended lease takes advantage of space that is currently available, and is considered an interim but substantial step in meeting the Department's long-term space needs.

FINANCIAL IMPACT: Funds to cover move-in expenses, furnishings and at least the first three years of the lease are available and will be set aside in the Probation Trust. Additionally, the Probation Trust is anticipated to be able to cover most and perhaps all of the lease expenses in years 4 and 5; however, support from the General Fund might be necessary in these last two years as well as later years should the lease be extended beyond the initial five year period. Additional state funding for enhanced adult probation services is a possibility that might offset the need for any future general fund support. The supplemental budget assumes a February 1, 2008 move-in date.

The balance in the trust fund is at \$1.1 million, although at least half or more of this balance reflects advances in State foster care revenues which are drawn down as expenditures occur. Additionally, declining numbers of foster care eligible wards have resulted in revenue shortfalls that need to be made up from this trust fund. The balance in available trust is the result of your Board's adoption of prior staff recommendations to reduce the trust fund contribution to other aspects of the Department's operating budgets, as well as due to unanticipated revenues that have been deposited into the trust fund over the past year.

OTHER AGENCY INVOLVEMENT: The County Administrative Office has been kept apprised of the proposed services consolidation and the site and proposed improvements have been reviewed by the Risk Manager to assure proper disability access.

Although not parties to this lease, Probation staff met with Charlotte McDonald from Main Street, City of Eureka Mayor Virginia Bass, Councilman Larry Glass and City Manager David Tyson to discuss the Department's intention with regard to the lease and respond to any concerns or questions. Those present had no issue with the Department's proposed lease.

ALTERNATIVE TO RECOMMENDATION: None recommended. The Board at its discretion could elect to not enter into the office space lease agreement, thereby significantly hindering the Department's efforts to address its long-term office space needs.

ATTACHMENT: Lease Agreement

Cc: Ronda Hollenbeck, Real Property Agent
Michael Giacone, Auditor-Controller

ORIGINAL

LEASE

This Lease is made and entered into this 23 day of October, 2007, by and between the COUNTY OF HUMBOLDT, a political subdivision of the State of California, hereinafter referred to as COUNTY and PWM, Inc. a California Corporation, and Fred Lundblade, an individual, hereinafter referred to as LESSOR;

WHEREAS, COUNTY desires to lease premises for COUNTY offices and LESSOR desires to lease the premises described herein to COUNTY;

NOW, THEREFORE, it is mutually agreed as follows:

1. PREMISES

LESSOR leases to COUNTY and COUNTY leases from LESSOR the following described premises located in Eureka, County of Humboldt, State of California:

Approximately 2,600 square feet of the premises located at APN 001-144-005, more commonly known as 555 H Street, Eureka, CA, as shown on Exhibit A, which is attached hereto and incorporated herein.

2. USE OF PREMISES

At the commencement of this Lease COUNTY intends to use the premises for County Probation Department.

3. QUIET ENJOYMENT

Subject to the provisions of this Lease and conditioned upon performance of all the provisions performed by COUNTY hereunder, LESSOR shall secure to COUNTY during the term the quiet and peaceful possession of the premises and all rights and privileges appertaining thereto.

4. TERM OF LEASE

A. The initial term of this Lease shall be for a period of five (5) years commencing ten (10) working days after LESSOR provides COUNTY with written notice of completion of modifications specified in paragraph 8. A Certificate of Occupancy and City of Eureka final inspection shall accompany the written notice. In the event said modifications are not completed by March 1, 2008, LESSOR shall

pay liquidated damages pursuant to paragraph 5 of this Lease, and COUNTY shall reserve the right to terminate this Lease.

B. COUNTY has the option to extend this Lease upon the same terms and conditions for two (2), two (2) year terms. Each option may be exercised by COUNTY giving LESSOR written notice of its intent to extend the Lease. The notice shall be in writing and shall be given to LESSOR sixty (60) days prior to the end of the initial term or any two (2) year term extension.

C. Any holding over with LESSOR'S consent beyond the term of this Lease shall be a month to month tenancy, with all the terms and conditions of this Lease.

5. LIQUIDATED DAMAGES

Inasmuch as the actual damages, which would result from a breach by LESSOR of its duties under paragraph 8 of this Lease regarding modifications, are uncertain and would be impractical or extremely difficult to fix, LESSOR promises to pay to COUNTY, in the event of any such breach of duty by it, the sum of One Hundred Dollars (\$100.00) per day as liquidated and agreed damages.

The liquidated damages shall be due from LESSOR to COUNTY within five (5) days of notice by COUNTY and if paid at a later date shall bear interest at the maximum rate COUNTY is permitted by law to charge from the date the sum is due to COUNTY until COUNTY is paid by LESSOR. If LESSOR fails to pay COUNTY as required by this paragraph 5, COUNTY shall have the right to withhold from future rent due the amount of liquidated damages due COUNTY until COUNTY is paid in full for the sum and interest on it.

LESSOR'S obligation to complete LESSOR'S work in the Premises within the time specified under paragraph 4, TERM OF LEASE, shall not be extended except in the event delays in performing the work are caused by COUNTY (COUNTY'S agents, employees, retained contractors or representatives), fires, floods, earthquake, vandalism or other casualty, war, or civil disorder. In the event such delays are incurred, LESSOR shall have a period of time equivalent to the period of such delay to complete LESSOR'S work in the Premises pursuant to the provisions of Exhibit B.

6. RENT

COUNTY shall pay to LESSOR as rent for the leased premises a monthly rental as follows:

Three Thousand Nine Hundred Forty Dollars (\$3,940.00)

Rent shall be paid in advance on the first day of each month, except in the event that COUNTY'S occupancy shall commence on a day other than the first day of the month, the rent for the first partial month shall be prorated at one-thirtieth (1/30) of the rental rate for each calendar day following the notice period as specified in paragraph 4.

Commencing on the first day of the second year and continuing each year thereafter during the initial term or any option terms, annual rent shall be increased by three percent (3%).

7. EXPANSION OF RENTAL SPACE - RIGHT OF FIRST REFUSAL

A. LESSOR shall not lease all or any part of the area of the building in which Premises are located to a third party without first notifying COUNTY that LESSOR is willing to lease the expansion space or part of the expansion space. If COUNTY, within forty-five (45) days after receipt of LESSOR'S notice, indicates in writing its agreement to lease the expansion space or part of it, the expansion space or part of it shall be included within Premises and leased to COUNTY pursuant to all provisions of this lease. LESSOR agrees that each offer to expand the leased space shall consist of no less than one-eighth (1/8) and COUNTY shall lease no less than one-eighth (1/8) of the remaining portion of the building.

B. The rent payable under this lease shall be increased proportionately by the sum of the basic rental rate per square foot of floor area then in effect for each square foot of floor area in the part of the expansion space leased by COUNTY.

8. BUILDING MODIFICATIONS

A. LESSOR agrees that it will, at its sole cost and expense, construct modifications to the leased premises as shown on Exhibit B, which is attached hereto and incorporated herein. All of the modifications shall be done in accordance with all local, state and federal laws and regulations including, but not limited to, the California Building Codes and Americans with Disabilities Act in effect at the time modifications are approved by the City of Eureka.

B. Upon completion of the modifications, and prior to COUNTY taking possession of said premises, LESSOR shall provide COUNTY with a copy of the Notice of Completion and City of Eureka final inspection.

9. PREVAILING WAGE

LESSOR acknowledges and agrees that all work on building modifications performed by LESSOR at the request of COUNTY shall be governed by and performed in accordance with the provisions of Article 2 of Chapter 1, Part 7, Division 2 of the Labor Code of the State of California (Sections 1770, et seq.). These provisions are not applicable to modifications costing not more than One Thousand Dollars (\$1,000.00).

Pursuant to the provisions of Section 1773 of the Labor Code of the State of California, the Humboldt County Board of Supervisors has obtained the general prevailing rate of per diem wages and the general prevailing rate for holiday and overtime work in this locality applicable to this Lease for each craft, classification, or type of workman needed to execute the aforesaid structural modifications from the director of the State Department of Industrial Relations. LESSOR herein agrees that LESSOR shall post, or cause to be posted, a copy of such wage rates at the job site and shall pay the adopted prevailing wage rates. Copies of said prevailing wage rates may be obtained from COUNTY'S Clerk of the Board or the Department of Public Works.

10. BUILDING STANDARDS AND COMPLIANCE WITH LAWS

LESSOR covenants and warrants that the premises have been constructed and any remodeling done in accordance with all local, state and federal laws and regulations, including but not limited to, the Americans with Disabilities Act. LESSOR further agrees to comply with any federal, state or local licensing standards, any applicable accrediting standards, and any other applicable standards or criteria established locally or by the state or federal governments.

LESSOR shall supply and install fire extinguishers in compliance with current building and fire codes.

COUNTY shall have the right to terminate this Lease upon seven (7) days written notice if any of the above mentioned applicable laws, standards, or criteria are not complied with.

11. SMOKING

Pursuant to Humboldt County Code §971-1 et seq., COUNTY owned or leased premises are smoke free. LESSOR shall comply with said provision.

12. UTILITIES

A. COUNTY agrees to pay for all charges for refuse collection and electricity supplied to and used in the leased premises by COUNTY. COUNTY shall pay for its own telephone, data and security alarm services.

B. COUNTY agrees to pay thirty-one (31) percent of all charges of gas, water, sewer and common area electrical service and routine elevator service supplied to and used in the building. All charges shall be paid within thirty (30) days following receipt of bill. Should COUNTY exercise any first rights of refusal to lease additional space in the building, the percentage will increase accordingly with the percentage of total square footage of building leased by County.

13. JANITORIAL

LESSOR shall be responsible for janitorial services to the leased premises a minimum of five (5) times per week for bathrooms and a minimum of two (2) times per week on Monday and Thursday or Tuesday and Friday for all other areas of leased premises. Services to be performed outside of normal working hours to avoid disruption of COUNTY services. LESSOR shall be responsible for janitorial services for all common areas throughout building and shall keep same in a clean and professional manner.

Janitorial services shall include all necessary supplies except dish washing detergent.

Janitorial services shall include once annual cleaning of carpets, twice annual exterior window cleaning and once annual interior window cleaning.

Janitorial services shall include once annual cleaning of all window coverings.

14. MAINTENANCE AND REPAIRS

During the term of this Lease or any extension thereof, LESSOR shall maintain the premises in good repair and tenantable condition so as to minimize breakdowns and loss of COUNTY'S use of the premises caused by deferred or inadequate maintenance. LESSOR shall be responsible for all maintenance and repairs to the premises including, but not limited to, the interior and exterior of the building, landscaping, parking lot cleaning, repairs and striping, HVAC Unit and window glass, except for the following:

A. Light bulbs and ballasts.

B. Minor plumbing, such as repairing of faucets, toilets, and the unstopping of toilets and sinks.

C. Any repairs caused by negligence or vandalism of COUNTY personnel or its clients.

D. Any repairs to phone system, computers, security system or any COUNTY equipment or installation thereof.

E. Pest control for COUNTY leased premises.

The HVAC system shall be maintained and operated by LESSOR to provide at least the quantity of outdoor air required by the State Building Standards Code, Title 24, California Administrative Code, in effect at the time the building permit was issued.

The HVAC system shall be inspected each year by a qualified inspector. LESSOR shall notify COUNTY when the inspection shall occur. LESSOR shall provide COUNTY with a copy of the inspection report within two (2) days of receipt by LESSOR. LESSOR shall correct any problems found during the inspection within ten (10) days of the date of the inspection.

LESSOR shall change the HVAC filters quarterly.

LESSOR shall clean the HVAC vents quarterly.

LESSOR shall service fire extinguishers at least annually.

LESSOR shall have ten (10) days after notice from COUNTY to commence to perform its obligations under this paragraph, except that LESSOR shall perform its obligations immediately if the nature of the problem presents a material hazard or emergency as determined by COUNTY. If LESSOR does not perform its obligations within the time limitations in this paragraph, COUNTY, after notice to LESSOR, can perform the obligations and has the right to be reimbursed for the sum COUNTY actually and reasonably expends (including charges for COUNTY employees and equipment) in the performance of LESSOR'S obligations. If LESSOR does not reimburse COUNTY within ten (10) days after demand from COUNTY, COUNTY shall have the right to withhold from future rent due the sum COUNTY has expended until COUNTY is reimbursed in full. Any notice or demand concerning a material hazard or emergency may be made orally, by telephone or otherwise, provided that written confirmation is given within two (2) days after the oral notice or demand is made. Such confirmation shall be made as provided in paragraph 32, "NOTICE".

15. IMPROVEMENTS AND ALTERATIONS

COUNTY may make non-structural alterations or improvements to the premises to accommodate COUNTY'S use of the premises. However, COUNTY shall not make any alterations or improvements to the leased premises without the prior written consent of LESSOR. Such consent shall not be unreasonably withheld.

COUNTY, at its own cost, may install in the premises the equipment needed for telecommunication system and computer terminals including, but not limited to, the following:

- A. Telephone cable
- B. Key system units
- C. Intercom system
- D. Telephones
- E. Answering machines
- F. Security system

Upon termination of the Lease, LESSOR may require, and COUNTY shall have the right to remove from the premises any such equipment installed by COUNTY.

16. INSTALLATION AND REMOVAL OF TRADE FIXTURES

COUNTY may cause or permit to be installed and/or affixed to the premises such fixtures, signs and equipment as COUNTY deems desirable and all such fixtures, signs and equipment shall remain the property of COUNTY and may be removed at any time provided that COUNTY, at its expense, shall repair any damage caused by reason of such removal. All such fixtures, signs and equipment that are exterior to the building shall be approved by LESSOR.

17. COUNTY'S RIGHT TO ERECT SIGNS

COUNTY shall have the right to erect and maintain upon the premises all signs that it deems appropriate, with LESSOR'S prior written approval. LESSOR shall cooperate with COUNTY in obtaining any variances from restrictions placed on the use of signs by local authorities. LESSOR and COUNTY shall mutually agree as to the location, size, and style of any signs.

18. REAL PROPERTY TAXES

LESSOR shall pay all real property taxes and general and special assessments levied and assessed against the premises.

19. HOLD HARMLESS AND INDEMNIFICATION

COUNTY agrees to indemnify and hold harmless, and at its own risk, cost and expense, defend LESSOR, its Board, officers, agents, and employees from and against any and all liability expenses, including defense costs, legal fees, and claims for damages arising from COUNTY'S negligence, intentional acts, or breaches of this Lease. Indemnification with respect to defense costs shall be made at the time LESSOR incurs such costs.

LESSOR agrees to indemnify and hold harmless, and at its own risk, cost, and expense, defend COUNTY, its Board of Supervisors, officers, agents, and employees from and against any and all liability expenses, including defense costs, legal fees, and claims for damages arising from LESSOR'S negligence, intentional acts, or breaches of this Lease. Indemnification with respect to defense costs shall be made at the time COUNTY incurs such costs.

20. COUNTY'S INSURANCE

Without limiting COUNTY'S indemnification provided herein, COUNTY shall take out and maintain, throughout the period of this Lease, the following policies of insurance placed with insurers with a current A.M. Bests rating of no less than A:VII or its equivalent against injury/death to persons or damage to property which may arise from or in connection with the activities hereunder of COUNTY, its agents, employees, or sublessees:

A. Comprehensive/Liability Insurance

Comprehensive or Commercial General Liability Insurance at least as broad as Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001), in an amount of \$1,000,000 per occurrence. If a general aggregate limit is used, either the general aggregate limit shall apply separately to this project or the general aggregate shall be twice the required occurrence limit. Said policy shall contain, or be endorsed with, the following provisions:

(1) LESSOR, its officers, employees and agents, are covered as additional insured for liability arising out of the operations performed by or on behalf of COUNTY. The coverage shall contain no special limitations on the scope of protection afforded to LESSOR, its officers, agents, and employees.

(2) The policy shall not be canceled or materially reduced in coverage without thirty (30) days prior written notice (10 days for non-payment of the premium) to LESSOR by certified mail.

(3) The inclusion of more than one insured shall not operate to impair the rights of one insured against another insured, and the coverage afforded shall apply as though separate policies had been issued to each insured, but the inclusion of more than one insured shall not operate to increase the limits of the insurer's liability.

(4) For claims related to this project, COUNTY'S insurance is primary coverage to LESSOR, and any insurance or self-insurance programs maintained by LESSOR are excess to COUNTY'S insurance and will not be called upon to contribute with it.

(5) Any failure to comply with reporting or other provisions of the parties, including breach of warranties, shall not affect coverage provided to LESSOR, its officers, employees, and agents.

B. Property Insurance

COUNTY agrees to provide an all-risk property insurance for the contents of the property through COUNTY'S property insurance.

C. By its signature hereunder, COUNTY certifies that COUNTY is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and COUNTY will comply with such provisions in connection with any work performed on the premises. Any persons providing services with or on behalf of COUNTY shall be covered by workers' compensation (or qualified self-insurance).

21. LESSOR'S INSURANCE

This Lease shall not be executed by COUNTY and LESSOR is not entitled to any rights, unless certificates of insurances, or other sufficient proof that the following provisions have been complied with, and such certificate(s) are filed with the Clerk of the Humboldt County Board of Supervisors.

Without limiting LESSOR'S indemnification provided herein, LESSOR shall take out and maintain, throughout the period of this Lease, the following policies of insurance placed with insurers with a current A.M. Bests rating of no less than A:VII or its equivalent against injury/death to persons or damage to property which may arise from or in connection with the activities hereunder of LESSOR, its agents, employees or sublessors:

A. Comprehensive or Commercial General Liability Insurance at least as broad as Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001), in an amount of \$1,000,000 per occurrence. If work involves explosive, or collapse risks, XCU must be included. If a general aggregate limit is used, either the general aggregate limit shall apply separately to this project or the general aggregate shall be twice the required occurrence limit. Said policy shall contain, or be endorsed with, the following provisions:

(1) COUNTY, its officers, employees and agents, are covered as additional insured for liability arising out of the operations performed by or on behalf of LESSOR. The coverage shall contain no special limitations on the scope of protection afforded to COUNTY, its officers, agents, and employees.

(2) The policy shall not be canceled or materially reduced in coverage without thirty (30) days prior written notice (10 days for non-payment of the premium) to COUNTY by certified mail.

(3) The inclusion of more than one insured shall not operate to impair the rights of one insured against another insured, and the coverage afforded shall apply as though separate policies had been issued to each insured, but the inclusion of more than one insured shall not operate to increase the limits of the insurer's liability.

(4) For claims related to this project, LESSOR'S insurance is primary coverage to COUNTY, and any insurance or self-insurance programs maintained by COUNTY are excess to LESSOR'S insurance and will not be called upon to contribute with it.

(5) Any failure to comply with reporting or other provisions of the parties, including breach of warranties, shall not affect coverage provided to COUNTY, its officers, employees, and agents.

B. Workers' Compensation insurance meeting statutory limits of the California Labor Code which policy shall contain or be endorsed to contain a waiver of subrogation against COUNTY, its officers, agents, and employees and provide for thirty (30) days prior written notice in the event of cancellation. If LESSOR has no employees, LESSOR may sign and file the following certification in lieu of insurance:

"I am aware of the provisions of the California Labor Code Section 3700 which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of that code, and I

will comply with provisions of that code before commencing with and during the performance of the work of this contract."

C. LESSOR is responsible for providing "All-Risk" Property Insurance for this location.

D. COUNTY reserves the right to obtain complete copies of the original insurance policies, if the County Risk Manager desires to do so.

E. If LESSOR does not keep the above mentioned insurance in full force and effect during the life of this Lease, COUNTY, at LESSOR'S expense, may elect to purchase the necessary insurance, and LESSOR agrees to pay the cost of said insurance or, in the alternative, COUNTY may elect to treat the failure to maintain requisite insurance as a breach of contract and terminate the Lease as provided herein.

F. Should LESSOR subcontract any portion of the work to be performed under this Lease, said subcontractor shall be required by LESSOR to:

(1) Enter into a written contract with subcontractor acknowledging that no employee/employer relationship exists between LESSOR and subcontractor and that no Workers' Compensation, unemployment benefits or other personnel benefits are required by or available to subcontractor through LESSOR or COUNTY.

(2) Hold harmless and to indemnify, defend and save harmless LESSOR and COUNTY, its officers, agents and employees, from any and all claims and losses accruing or resulting to any and all contractors, subcontractors, materialmen, laborers and any other person, firm or corporation furnishing or supplying work, services, materials, or supplies who may be injured or damaged by subcontractor in connection with the performance of this Lease.

22. PARKING

Leased premises includes six (6) off-street parking spaces plus all handi-cap spaces required by code which are included in the rent in paragraph 6 of this Lease. LESSOR shall be responsible for all maintenance and repair of the parking lot. Parking spaces under this lease shall be increased proportionately by the sum of the square foot of floor area initially leased and any expansion space leased by COUNTY, not to exceed the total number of spaces required by code.

23. DESTRUCTION OF PREMISES

In the event the premises are destroyed in whole or in part by fire or other casualty to the extent that they are substantially unusable, COUNTY reserves the right to forthwith terminate this Lease upon written notice within seven (7) days following the date of loss.

If such casualty occurs and a portion of said premises is still usable by COUNTY, the rent shall be prorated on a square footage basis of usable space until the premises are restored to their original condition. Payment of prorated rent shall not constitute a waiver of COUNTY'S right to terminate this Lease as provided in this paragraph (23).

In the event that the premises are destroyed in whole or in part by fire or other casualty, and the cost of restoring the same exceeds the then remaining rental for the unused portion of the term of this Lease, LESSOR shall have the option to rebuild or to terminate this Lease. Such option shall be exercised by LESSOR by notice in writing to COUNTY within seven (7) days following the date of loss. LESSOR'S option to rebuild shall not constitute a waiver of COUNTY'S right to terminate this Lease, as provided in this paragraph (23).

24. USE UNLAWFUL OR PREMISES CONDEMNED

If it becomes unlawful for COUNTY to conduct its intended operations on the premises, or if a portion of the premises or approaches thereto is condemned by public authority so that it becomes impossible to use the premises, or if any highway or street change is made diverting or re-routing traffic away from the premises so that the premises become impossible to use, COUNTY shall have the right at any time thereafter to terminate this Lease by giving LESSOR seven (7) days notice in writing of such termination.

25. PREMISES UNUSABLE

If as a result of causes, such as flood, strikes, riots, insurrection, or other similar or different causes beyond the control of LESSOR, the premises shall become unusable from a practical standpoint for a period of ten (10) consecutive days or longer, then COUNTY may: (1) terminate this Lease upon seven (7) days written notice to LESSOR, (2) by notice in writing to LESSOR prorate the rent for the period of time the premises are unusable from a practical standpoint or (3) by notice in writing to LESSOR at any time prior to the date when this Lease would otherwise terminate, further extend this Lease without the requirement of the payment of rent for the period of time which the premises were unusable from a practical standpoint.

The remedies set forth in this paragraph are in addition to and do not in any manner limit other remedies set forth in particular paragraphs of this Lease.

26. NUCLEAR FREE CLAUSE

LESSOR certifies by its signature below that LESSOR is not a nuclear weapons contractor, in that LESSOR is not knowingly or intentionally engaged in the research, development, production, or testing of nuclear warheads, nuclear weapons systems, or nuclear weapons components as defined by the Nuclear Free Humboldt County Ordinance. LESSOR agrees to notify COUNTY immediately if it becomes a nuclear weapons contractor, as defined above. COUNTY may immediately terminate this Lease if it determines that the foregoing certification is false or if LESSOR becomes a nuclear weapons contractor.

27. COUNTY DEFAULT

Except where another time limit is specifically provided in this Lease, COUNTY shall be in default of this Lease if it fails or refuses to perform any material provision of this Lease that it is obligated to perform if the failure to perform is not cured within ten (10) days after written notice of the default has been given by LESSOR to COUNTY. COUNTY shall not be in default of this Lease if COUNTY commences to cure the default within the ten (10) day period and diligently and in good faith continues to cure the default.

28. LESSOR DEFAULT

Except where another time limit is specifically provided, LESSOR shall be in default of this Lease if it fails or refuses to perform any material provision of this Lease that it is obligated to perform if the failure to perform is not cured within ten (10) days after written notice of the default has been given by COUNTY to LESSOR. If the default cannot reasonably be cured within ten (10) days, LESSOR shall not be in default of this Lease if LESSOR commences to cure the default within the ten (10) day period and diligently and in good faith continues to cure the default.

29. COUNTY'S REMEDIES ON LESSOR'S DEFAULT

COUNTY, at any time after LESSOR is in default, can terminate this Lease or can cure the default at LESSOR'S cost. If COUNTY at any time, by reason of LESSOR'S default, pays any sum or does any act that requires the payment of any sum, the sum paid by COUNTY shall be due from LESSOR to COUNTY within five (5) days of notice of such sum, and if paid at a later date shall bear interest at the maximum rate COUNTY is permitted by law to charge from the date the sum is paid by COUNTY until COUNTY is reimbursed by LESSOR. If LESSOR fails to reimburse

COUNTY as required by this paragraph, COUNTY shall have the right to withhold from future rent due the sum COUNTY has expended until COUNTY is reimbursed in full for the sum and interest on it. The remedies set forth in this paragraph are in addition to and do not in any manner limit other remedies set forth in particular paragraphs of this Lease.

30. LESSOR'S REMEDIES ON COUNTY'S DEFAULT

LESSOR, at any time after the ten (10) day notification period, in which COUNTY is in default, can terminate this Lease upon seven (7) days written notice, or cure the default at COUNTY'S cost. If LESSOR at any time, by reason of COUNTY'S default, pays any sum or does any act that requires the payment of any sum, the sum paid by LESSOR shall be due from COUNTY to LESSOR within five (5) days of notice of such sum, and if paid at a later date shall bear interest at the maximum rate an individual is permitted by law to charge from the date of notice of the sum until LESSOR is reimbursed by COUNTY. The remedies set forth in this section are in addition to and do not in any manner limit other remedies set forth in particular sections of this Lease.

31. TERMINATION

COUNTY reserves the right to terminate this Lease, upon seven (7) days written notice, for any cause or reason provided by the Lease itself, or by law, or upon the happening of one or more of the following:

- A. The making by LESSOR of any general assignment for the benefit of creditors.
- B. The failure of LESSOR to pay promptly when due all charges, fees, or other payments in accordance with this Lease.
- C. The failure of LESSOR to remedy any default, breach, or violation of county, municipal, federal and/or state laws or regulations by LESSOR or its employees.
- D. The violation of any of the provisions of this Lease.
- E. The building becomes damaged due to fire, flood, earthquake, or any other natural disaster.
- F. Intentionally supplying COUNTY with false or misleading information or misrepresenting any material fact on its application or documents or in its statement to or before COUNTY, or intentional failure to make full disclosure on its financial statement or other documents.

32. NOTICE

Any notice, demand, request, consent, approval, or communication that either party desires or is required to give to the other party or any other person shall be in writing and either served personally or sent by prepaid, first-class mail to the respective addresses set forth below. Notice shall be deemed communicated two (2) COUNTY working days from time of mailing if mailed as provided herein.

LESSOR: PWM, Inc.
P.O. Box 1032
Eureka, CA 95502-1032

COUNTY: County of Humboldt
Public Works
Real Property Division
1106 Second Street
Eureka, CA 95501

33. ASSIGNMENT

This Lease shall not be assigned by either party without the written consent of the other party. Such consent shall not be unreasonably withheld.

34. LEASE MODIFICATION

This Lease may be modified only by subsequent written agreement signed by COUNTY and LESSOR.

35. LESSOR NOT OFFICER, EMPLOYEE, OR AGENT OF COUNTY

While engaged in carrying out and complying with the terms and conditions of this Lease, LESSOR is an independent contractor and not an officer, employee or agent of COUNTY.

36. ATTORNEYS' FEES

If either party shall commence any legal action or proceeding, including an action for declaratory relief, against the other by reason of the alleged failure of the other to perform or keep any provision of this Lease to be performed or kept, the party prevailing in said action or proceeding shall be entitled to recover court costs and reasonable attorneys' fees (including reasonable value of services rendered by County Counsel) to be fixed by the court, and such recovery shall include court costs and attorneys' fees (including reasonable value of services rendered by County Counsel) on appeal, if any. As used herein, "the party prevailing" means the

party who dismisses an action or proceeding in exchange for payment of substantially all sums allegedly due, performance of provisions allegedly breached, or other considerations substantially equal to the relief sought by said party, as well as the party in whose favor final judgment is rendered.

37. WAIVER OF BREACH

The waiver by COUNTY of any breach of any provisions of this Lease shall not constitute a continuing waiver of any subsequent breach of the same or a different provision of this Lease.

38. BREACH, REMEDY FOR

In the event of breach of this Lease by LESSOR or COUNTY, COUNTY and/or LESSOR shall have all rights and remedies provided by law.

39. SURRENDER OF PREMISES

At the termination of this Lease, COUNTY shall surrender the building to LESSOR in good condition and repair, except for normal wear and tear. COUNTY shall be under no obligation to repair or restore the whole or any portion of the building which may be damaged by reason of fire, earthquake, the elements or other casualty.

40. BINDING EFFECT

All provisions of this Lease shall be fully binding upon, and inure to the benefit of, the parties and to each of their heirs, executors, successors, and assigns.

41. JURISDICTION AND APPLICABLE LAWS

This Lease shall be construed under the laws of the State of California. Any dispute arising hereunder or relating to this Lease shall be litigated in the State of California and venue shall lie in the County of Humboldt unless transferred by court order pursuant to Code of Civil Procedure §§394 and 395.

42. INTERPRETATIONS

As this Lease was jointly prepared by both parties, the language in all parts of this Lease shall be construed, in all cases, according to its fair meaning, and not for or against either party hereto.

IN WITNESS WHEREOF, this Lease has been executed by the parties hereto

upon the date first written above.

(SEAL)

ATTEST:
CLERK OF THE BOARD

BY Nikki Turner

COUNTY OF HUMBOLDT

BY Bonnie Feely
CHAIRMAN, BOARD OF SUPERVISORS
COUNTY OF HUMBOLDT
STATE OF CALIFORNIA

APPROVED AS TO FORM:
COUNTY COUNSEL

BY R Zuber
DEPUTY

LESSOR:

BY Thomas J. ...
TITLE President, PWM INC

BY [Signature]
TITLE Vice President, PWM INC.

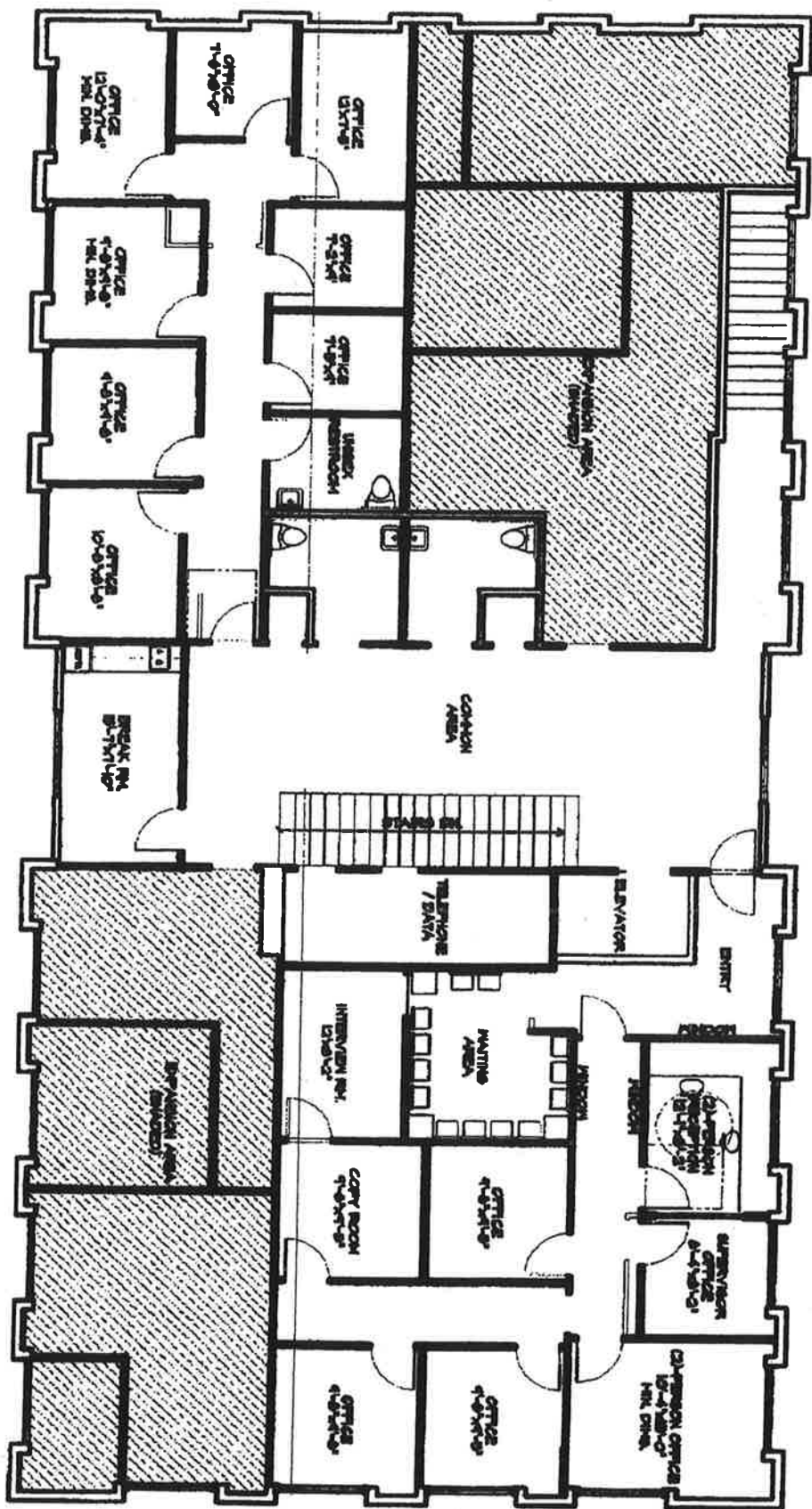
BY [Signature]
TITLE OWNER

INSURANCE CERTIFICATES
REVIEWED AND APPROVED:

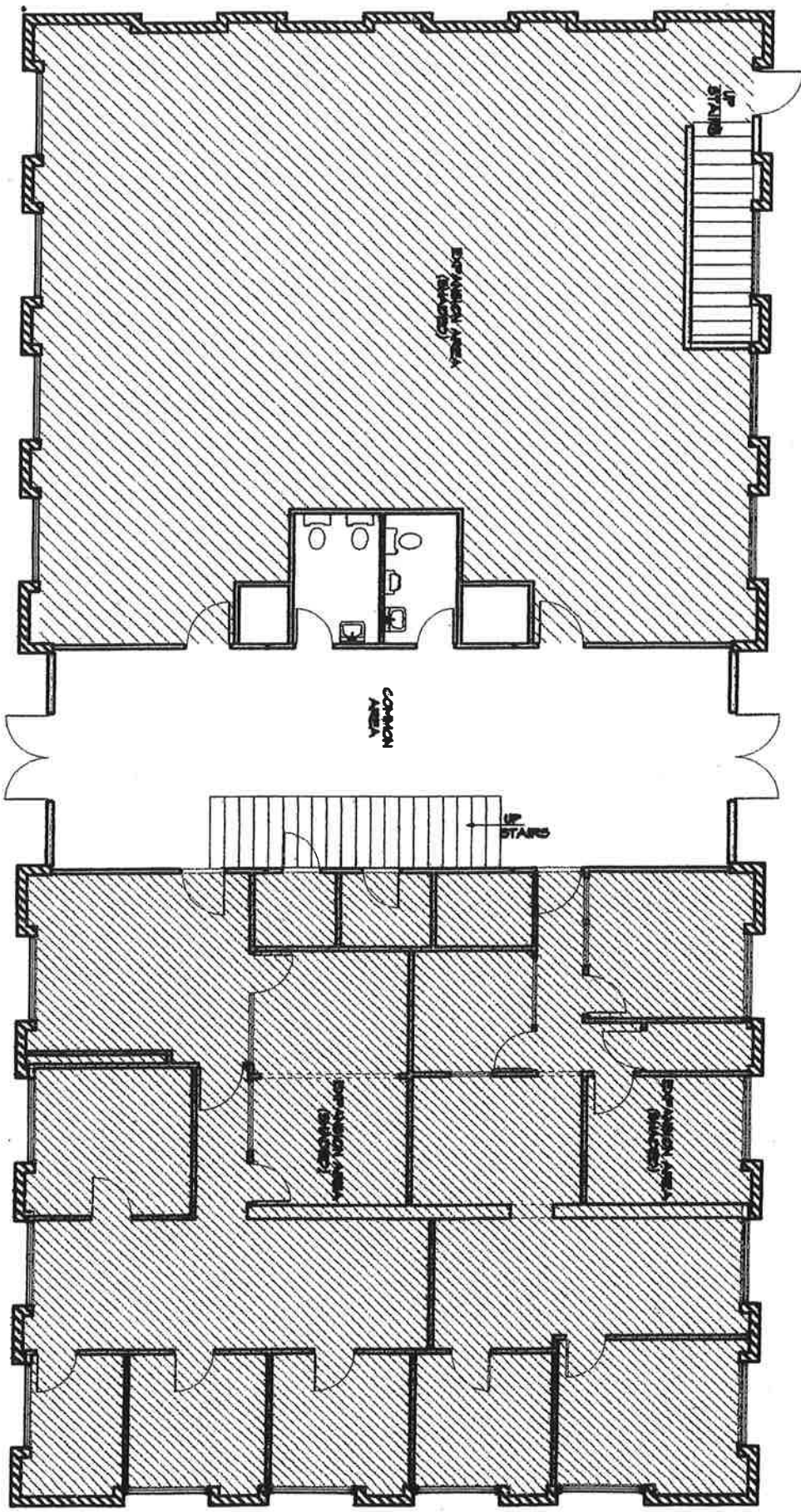
BY [Signature]
RISK MANAGER

F:\RHOLLENB\555HLEAS.WPD

EXHIBIT B



SECOND FLOOR PLAN
NOT TO SCALE



FIRST FLOOR PLAN
NOT TO SCALE

EXHIBIT B