



COUNTY OF HUMBOLDT

AGENDA ITEM NO.
C16

For the meeting of: October 24, 2017

Date: October 3, 2017

To: Board of Supervisors

From: Connie Beck, Director
P.S. for Connie Beck
Department of Health and Human Services

Subject: Second Option to Extend of Leases with PWM, Inc. for property located at 445 West Washington Street, 537 West Washington, 929 Koster Street, and the lot located at 638 West Clark Street, Eureka

RECOMMENDATION(S):

That the Board of Supervisors:

1. Approves exercising the second option to extend the Leases at 445 West Washington Street, 537 West Washington, 929 Koster Street, and the lot located at 638 West Clark Street, Eureka through January 31, 2028;
2. Authorizes Public Works – Real Property to send a notice to Lessor that the County is exercising the second option to extend the lease; and
3. Directs the Clerk of the Board to return one executed agenda item to Public Works – Real Property Division.

E. Schandelmier

Prepared by Haley Schandelmier, AAI

CAO Approval

REVIEW: Auditor *MSB* County Counsel _____ Human Resources _____ Other _____

TYPE OF ITEM:
 Consent
 Departmental
 Public Hearing
 Other _____

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT
Upon motion of Supervisor Wilson Seconded by Supervisor Sundberg

Ayes Sundberg, Bass, Bohn, Wilson
Nays _____
Abstain _____
Absent Fennell

PREVIOUS ACTION/REFERRAL:

Board Order No. C-6

Meeting of: October 23, 2007

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: 10/24/2017
By: *[Signature]*
Kathy Hayes, Clerk of the Board

SOURCE OF FUNDING:

Social Services Fund

DISCUSSION:

On May 5, 1998 the Department of Health and Human Services (DHHS) entered into leases with PWM, Inc. at 445 West Washington Street, 537 West Washington, 929 Koster Street, and the lot located at 638 West Clark Street, Eureka. On October 23, 2007 the Board of Supervisors approved the first option to extend the above mentioned leases with PWM, Inc. through January 31, 2018. The County would like to exercise the second option to extend the leases for a period of ten (10) years by providing the Lessor with 90-day written notice prior to the end of the term.

The above mentioned leases allow for a central location of the majority of staff and services provided by the Social Services Department. Therefore, DHHS recommends that the Board approves exercising the second option extend the leases at 445 West Washington Street, 537 West Washington, 929 Koster Street, and the lot located at 638 West Clark Street, Eureka through January 31, 2028.

FINANCIAL IMPACT:

The property at 929 Koster Street is commonly known as the Social Services main building. It contains approximately Thirty Thousand Six Hundred Sixty Nine (30,669) square feet and a paved parking lot. It contains Social Services staff that determine program eligibility. The current monthly rental expense is Thirty Seven Thousand Six Hundred Forty One Dollars and Forty Seven Cents (\$37,641.47) or approximately \$1.22 per square foot.

The property located at 445 West Washington Street houses the Social Services Branch CalWORKs Division, including the Welfare to Work Program and support staff. The building is approximately Eight Thousand Five Hundred Seventy Five (8,575) square feet with a paved parking lot. The current monthly rental expense is Fourteen Thousand Three Hundred Ninety Five Dollars and Thirty Three Cents (\$14,395.33) or approximately \$1.67 per square foot.

The property located at 537 West Washington Street houses other Social Services Staff. The building is approximately Three Thousand Nine Hundred Sixty (3,960) square feet. The current monthly rental expense is Six Thousand Five Hundred Eighty Seven Dollars and Fifteen Cents (\$6,587.15) or approximately \$1.66 per square foot.

The property located at 638 West Clark Street is approximately Forty Thousand Five Hundred (40,500) square feet and includes a parking lot of 32 parking spaces and underground utilities for the Social Services Branch three modular units that are also located on the property. The current monthly rental expense is Six Thousand Six Hundred Sixty One Dollars and Ninety Eight Cents (\$6,661.98) or approximately \$0.16 per square foot.

The cost for all leases comes to Sixty Five Thousand Two Hundred Eighty Five Dollars (\$65,285.93) per month. Each of these leases with PWM, Inc. has a Consumer Price Index clause, allowing for the annual rent to be adjusted based on the percentage of increase in the revised Consumer Price Index of each year of the agreements.

The costs associated with these leases are included in the approved Fiscal Year 2017- 18 Budget; Fund 1160, Budget Unit 511 and have no impact on the county General Fund. Exercising the second option to extend the leases will support the Board's Strategic Framework by providing for and maintaining infrastructure and safeguarding public trust.

OTHER AGENCY INVOLVEMENT:

Public Works – Real Property Division

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board could choose not to approve exercising the second option to extend the leases. This is not recommended as it would require DHHS to find another suitable location for a majority of Social Services staff.

ATTACHMENTS:

1. 929 Koster Street, Eureka California, dated May 5, 1998
2. 537 West Washington Street, Eureka California, dated May 5, 1998
3. 445 West Washington Street, Eureka, California, dated December 16, 1997
4. 638 West Clark Street, Eureka, California, dated May 5, 1998

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LEASE

This Lease is made and entered into this 5 day of MAY, 1998, by and between PWM INC., a California Corporation, hereinafter referred to as LESSOR, and the County of Humboldt, a political subdivision of the State of California, hereinafter referred to as COUNTY.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. PREMISES

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

A building containing approximately Thirty Thousand Six Hundred Sixty-Nine (30,669) square feet and paved parking lot located on Parcel 3-121-49. Said premises are more commonly known as 929 Koster Street, hereinafter referred to as the MAIN BUILDING, and is more particularly shown on Exhibit A, which is attached hereto and incorporated herein.

2. USE OF PREMISES

The premises shall be used by COUNTY for offices as determined by the COUNTY. At the commencement of the Lease COUNTY intends to use the premises for offices for the Department of Social Services.

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

A. The initial term of this Lease shall be for a period of ten (10) years commencing upon Board approval by COUNTY and terminating on January 31, 2008.

B. The COUNTY has the option to extend this Lease for two (2) ten (10) 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

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given to LESSOR ninety (90) days prior to the end of the initial term or any ten (10) year term extension.

C. If the COUNTY should hold over after the expiration of the thirtieth year, such shall be from month to month on all the terms and conditions of the Lease, subject to a thirty (30) day notice of termination by either party at any time during the hold over period.

5. RENT

COUNTY shall pay to LESSOR as rent for the leased premises a monthly rental of Twenty-Five Thousand One Hundred Forty-Nine Dollars (\$25,149.00).

Rent shall be paid in advance on the first day of each month, except in the event that Board approval commences 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 the premises are ready for occupancy.

6. CPI CLAUSE

Commencing on the first day of the second year and continuing each year thereafter during the initial term and any option terms, annual rent shall be adjusted by the percentage increase in the revised Consumer Price Index for all items (1967=100) U.S. City Average, as published by the United States Department of Labor, Bureau of Labor Statistics (called "the Index" in this Lease) for the prior calendar year. In calculating this percentage increase, the most current Index available on the date of commencement of the prior term and the most current Index available immediately preceding the date of annual adjustment during the extended term shall be used. In the event the Index is either unavailable, is no longer published, or is calculated on a significantly different basis following the date of this Lease, the most comprehensive official Index published which most closely approximates the rate of inflation shall be substituted in place of the Index. December 1997 shall be the base month for this adjustment. On adjustment of the rent in accordance with this section, LESSOR shall execute a letter stating the adjustment. In no event shall the rent be less than Twenty-Five Thousand One Hundred Forty-Nine Dollars (\$25,149.00) per month. Regardless of the CPI percentage change, the increase or decrease for any one year will be no more than 5 percent (5%).

7. BUILDING MODIFICATIONS

A. LESSOR agrees that it will construct modifications at its sole cost and expense to the MAIN BUILDING as described in Exhibit B, 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 Code and Americans with Disabilities Act, in effect at the time modifications are approved by COUNTY.

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B. Seismic retrofit modifications shall be constructed in accordance with plans and specifications prepared by a licensed architect or engineer selected and employed by LESSOR. LESSOR shall be responsible for job inspections and all construction management.

C. The cost of all such plans, specifications, inspections, and construction management shall be borne by LESSOR.

D. It is understood that COUNTY'S approval of seismic retrofit modifications shall constitute approval only of the incorporation of COUNTY'S requirements, and in no way be construed to be an approval of compliance with building codes, local ordinances, or as a detailed check of the architect's drawings.

E. No variation from the approved Exhibit B documents shall be made without the prior written approval of COUNTY or LESSOR, as the case may be.

F. LESSOR shall provide COUNTY with two (2) complete sets of the approved seismic retrofit document.

G. LESSOR has eighteen (18) months from the effective date of this Lease to complete the modifications. If the modifications are not completed within this time, LESSOR shall pay liquidated damage pursuant to section 7(H) of this Lease. Extensions to this time shall be allocated for delays beyond LESSOR'S control: weather, natural disasters, riots, wars, strikes, or actions of COUNTY.

H. Inasmuch as the actual damages, which would result from a breach by LESSOR of its duties under section 7 of this Lease regarding construction of improvements, 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 Two Hundred Seventy-Three Dollars (\$273.00) per day as liquidated and agreed damages, but only after extensions have been granted for delays as per section 7(G) of this Lease.

I. During construction, COUNTY shall at all times have access to the premises for the purpose of making inspections of the work in progress. Nothing in this Lease shall be construed as an obligation of COUNTY to make such inspections and it is expressly agreed that it is LESSOR'S sole obligation to insure that the modifications are constructed in compliance with Exhibit B and all applicable codes.

J. LESSOR shall make reasonable effort to minimize disruption of COUNTY'S use of the building during the construction of the modifications, with the exception of roofing, HVAC installation, painting, parking lot repair, and restroom modification, which all must take place during normal weekday working hours. LESSOR agrees that, where feasible, construction of the other modifications shall be done during the hours of 5:00 p.m. and 7:30 a.m. Monday through Friday, COUNTY holidays and weekends excepted.

K. Upon completion of the modifications, COUNTY shall do a final inspection. Said modifications are to meet final inspection requirements.

8. LESSOR'S GUARANTEE OF CONSTRUCTION

For work performed by LESSOR under the terms of this Lease, LESSOR hereby guarantees to COUNTY to rectify, at LESSOR'S sole cost and expense, any defects, shrinkage, or faults in such work which appears within one (1) year of completion.

9. BUILDING STANDARDS AND COMPLIANCE WITH LAWS

LESSOR covenants and warrants that at the time of original construction the premises were constructed in accordance with all local, state, and federal laws and regulations. Current remodeling will be constructed 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.

10. IMPROVEMENTS AND ALTERATIONS BY LESSOR

A. In the event alterations are desired by COUNTY and COUNTY elects not to perform the work, any such work, when mutually and contractually agreed upon by COUNTY and LESSOR, may be performed by LESSOR in accordance with plans and specifications supplied by COUNTY.

B. Modifications or alterations at COUNTY'S request costing over One Thousand Dollars (\$1,000.00) and performed by LESSOR or his designee may require an amendment to this Lease.

C. LESSOR acknowledges and agrees that all work on building alterations or 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 2, 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 per diem wages and general prevailing rate for holiday and overtime work in this locality applicable to this Lease for each craft, classification, or type of worker needed to execute the aforesaid 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

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pay the adopted prevailing wage rates. Copies of said prevailing wage rates may be obtained from COUNTY'S Clerk of the Board.

D. LESSOR covenants and warrants that any work performed by LESSOR on the premises will be done in accordance with all local, state, and/or federal laws and regulations including, but not limited to, the Americans with Disabilities Act. All such work will have any required permits before work commences.

11. SMOKING

Pursuant to Humboldt County Ordinance #1814, COUNTY owned or leased premises are smoke free. LESSOR shall comply with ordinance as it concerns LESSOR or its agents when on the premises, but shall not be responsible for posting or enforcement of said ordinance in any manner.

12. UTILITIES

COUNTY shall pay all charges for gas, trash removal, electricity, telephone, cable TV, security alarm monitoring and any and all services. COUNTY shall pay all taxes associated with such services.

LESSOR shall pay all charges for water and sewer supplied to the leased premises. LESSOR shall pay all taxes associated with such services.

13. JANITORIAL, LANDSCAPE, SECURITY PATROL

COUNTY shall be responsible for all janitorial, landscape plant and ground cover maintenance, removing litter from premises, sweeping, striping of parking area, and security guard costs.

14. MAINTENANCE AND REPAIRS

A. 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. Except as provided in section B, LESSOR shall be responsible for all maintenance and repairs to the building exterior including, but not limited to the following:

- (1) Exterior building siding and painting/sealing.
- (2) Roof, including downspouts, and any problems caused by failure of the roof system.
- (3) Major plumbing and any problems caused by major plumbing failure.
- (4) Parking lot structural section (patching and structural repairs).

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- (5) City sidewalks.
- (6) Structural floor repair or replacement.
- (7) Main electrical panel. LESSOR agrees to provide circuit breakers, as needed exclusively for 929 Koster Street, at no charge to COUNTY.
- (8) Repair or prevention of termites, carpenter ants and/or other pest not attracted by COUNTY'S use of building.
- (9) Repaint one-third (1/3) of interior surface of exterior concrete walls and recarpet one-third (1/3) of interior every five (5) years beginning November 1, 2000.

Painting and recarpeting by LESSOR shall occur simultaneously and be performed by physical building divisions which consist of three (3) sections; therefore, one-third (1/3) every five (5) years. Painting and recarpeting may not be required or requested separately. LESSOR shall be given one hundred eighty (180) day commencement notification. LESSOR, at LESSOR'S sole cost, shall arrange for moving of furniture and electrical outlet floor plates prior and subsequent to the painting and carpeting. COUNTY shall be responsible for moving and replacing any phone and/or computer equipment and related wiring, power poles, and fixtures. COUNTY shall also be responsible for all unbolting of furniture and fixtures prior to painting and carpeting and rebolting of same after the completion of painting and carpeting. LESSOR agrees to use carpet specified in the attached Exhibit B.

B. During the term of this Lease or any extension thereof, COUNTY shall be responsible for the building interior including, but not limited to, the following:

INTERIOR:

- (1) Light lenses and bulbs, ballasts, circuits from panels and minor electrical repairs.
- (2) Minor plumbing (faucet, drinking fountain, and toilet repairs; unstopping of toilets and sinks).
- (3) Any repairs necessitated by vandalism, negligence of COUNTY personnel, or the public. Negligence to be determined by COUNTY. If LESSOR does not agree with COUNTY'S determination, the negligence issue will be determined by mediation.
- (4) Any repairs to appliances, phone, computer, security systems or installation thereof.
- (5) Floor covering repairs.

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(6) All interior surfaces, except interior surface of exterior concrete walls, and any interim painting touch-up.

(7) Damaged ceiling tiles, unless caused by plumbing failure or roof leaking.

(8) Maintenance of heating and air conditioning units upon expiration of warranty, with the exception that COUNTY must replace filters during warranty period.

(9) Non-structural repair or replacement of glass or doors.

EXTERIOR:

(1) Sidewalks around main building and ramps.

(2) Pest control and repair, with the exception of termites, carpenter ants and/or any other pest not attracted by COUNTY'S use of building.

(3) Exterior building lights, ballasts, and bulbs.

LESSOR and COUNTY shall have five (5) days to respond to written notification of maintenance and repair items and ten (10) days to complete the same, except where the nature of the problem presents a material hazard or emergency as determined by either party. Material hazards or emergencies shall be dealt with immediately by the RESPONSIBLE party. 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 section 34, "NOTICE".

With regard to non-emergency maintenance/repairs that cannot be cured within ten (10) days and RESPONSIBLE party commences to cure the problem within the ten (10) day period and diligently and in good faith continues to cure the problem, the RESPONSIBLE party shall not be in default.

If either party fails to perform their obligations within the time limitations as set forth in this section, the NOTIFYING party, after giving written notice, can perform the obligations and has the right to be reimbursed for the sum it actually and reasonably expends (including charges for employees, subcontractors, and equipment) in the performance of the RESPONSIBLE party's obligations. If RESPONSIBLE party fails to make reimbursement within thirty (30) days after demand, the COUNTY shall have remedy to withhold from future rent due the sum COUNTY has expended until COUNTY is reimbursed in full; LESSOR shall have remedy to charge monthly interest at the maximum rate an individual is permitted to charge by law.

15. IMPROVEMENTS AND ALTERATIONS BY COUNTY

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 on the premises the wiring and equipment needed for telecommunication system and computer terminals including, but not limited to, the following:

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

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 on 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 by COUNTY at any time, or at the request of LESSOR at Lease termination. COUNTY, at its expense, shall repair any damage caused by reason of such removal of the trade fixtures. 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 exclusive right to erect and maintain upon the premises all signs that it deems appropriate. LESSOR agrees that no signs or advertising matter of any nature other than COUNTY'S shall be permitted upon any of the premises. LESSOR and COUNTY must mutually agree as to the location, size and style of any signs. No sign shall be erected without LESSOR'S prior consent which shall not be unreasonably withheld.

18. HOLD HARMLESS AND INDEMNIFICATION

COUNTY agrees to indemnify and hold harmless, and at its own risk, cost and expense defend LESSOR, its officers, agents, and employees from and against any and all liability expense, including defense costs, legal fees, and claims for damages arising from COUNTY'S negligence, intentional acts, or breaches of this

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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 expense, 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.

19. COUNTY'S INSURANCE

COUNTY shall carry and maintain, during the entire term hereof, at COUNTY'S sole cost and expense, the following types of insurance, in the amounts specified in the form hereinafter provided for:

A. Liability Insurance

Broad Form Comprehensive Public Liability and Property Damage Liability Insurance with limits of not less than One Million Dollars (\$1,000,000.00) each occurrence or Two Million Dollars (\$2,000,000.00) combined single limits, insuring against any and all liability of COUNTY with respect to the premises or arising out of the maintenance, use, or occupancy thereof. COUNTY shall furnish LESSOR with a Certificate of Insurance on the foregoing coverage and evidencing contractual liability. LESSOR shall be named as additional insured on COUNTY'S liability policy and evidence of cross-liability shall be furnished by COUNTY.

B. COUNTY acknowledges responsibility to insure COUNTY'S own contents and improvements.

C. Method of Coverage/Policy Requirements

COUNTY'S obligations to insure under this article may be provided by appropriate amendment, rider, or endorsement on any blanket policy or policies carried by COUNTY.

All policies of insurance to be provided by COUNTY shall be issued by companies having not less than Best's A:VII rating and, shall be issued in the names of COUNTY and LESSOR and for the mutual and joint benefit and protection of the parties and executed copies of such policies of insurance or certificates thereof shall be delivered to LESSOR.

20. LESSOR'S INSURANCE

A. LESSOR, at its own expense, and for the life of this Lease, agrees to obtain and maintain policies of insurance as follows:

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Broad Form Comprehensive General Liability Insurance, including public liability and premises liability, with a minimum limit of One Million Dollars (\$1,000,000.00) combined single limit (CSL) covering all bodily injury and property damage, including any legal fees. COUNTY is to be named as an additional insured.

Workers' Compensation Insurance as required by law covering all employees and volunteers, and shall cause the issuing insurance company to issue a waiver of subrogation in favor of COUNTY during any work/modification being done on premises during the term of this Lease or extensions thereof.

B. 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 Worker's 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, their 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.

C. All policies of insurance to be provided by LESSOR shall be issued by companies having not less than Best's A:VII rating and, shall be issued in the names of COUNTY and LESSOR and for the mutual and joint benefit and protection of the parties and executed copies of such policies of insurance or certificates thereof shall be delivered to COUNTY.

21. COUNTY AND LESSOR'S JOINT INSURANCE OBLIGATIONS

A. All applicable insurance shall be issued by companies having not less than Best's A:VII rating and certificates, referred to above, must include the following:

1. Thirty (30) days prior written notice of any material change or cancellation.

B. COUNTY and LESSOR reserve the right to obtain complete copies of the original insurance policies.

C. If COUNTY and/or LESSOR do not keep the above mentioned insurance in full force and effect during the life of this Lease, COUNTY and/or LESSOR, at the expense of the non-conforming party, may elect to purchase the

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 necessary insurance, and the non-conforming party agrees to pay the cost of said insurance or, in alternative, COUNTY and/or LESSOR may elect to treat the failure as a breach of contract and give forty-eight (48) hours notice of intent to terminate the Lease as provided herein.

D. This Lease shall not be executed by COUNTY and LESSOR until certificates or other sufficient proof that these insurance provisions have been complied with are filed with the Humboldt County Board of Supervisors and PWM Inc.

22. REAL PROPERTY TAXES

A. COUNTY shall pay all real property taxes levied against the leased premises during the terms of this Lease. LESSOR shall promptly provide COUNTY with all tax bills.

B. For any fraction of a tax year at the beginning or end of the term, or any extensions, COUNTY'S obligation shall be prorated as of the commencement or end of the Lease term of any extension. For any such fraction of a tax year at the beginning of said term, COUNTY agrees to reimburse LESSOR for COUNTY'S portion of such taxes within thirty (30) days after presentation to COUNTY of receipted copies of the tax bills covering the same. For any such fraction of a tax year at the end of the Lease term, or any extension, LESSOR agrees to reimburse COUNTY for LESSOR'S portion of such taxes within thirty (30) days after presentation to LESSOR of receipted copies of the tax bills.

C. All personal property taxes shall be paid by COUNTY.

23. PARKING

Leased premises include a paved parking lot, which is included in the rent in section 5 of this Lease.

24. 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 and/or LESSOR reserve the right to forthwith terminate this Lease upon written notice within thirty (30) 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/receipt of prorated rent shall not constitute a waiver of COUNTY'S and/or LESSOR'S right to terminate this Lease as provided in this section.

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

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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 thirty (30) days following the date of loss.

25. 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.

26. 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 the 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 section are in addition to and do not in any manner limit other remedies set forth in particular sections of this Lease.

27. 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.

28. 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.

29. LESSOR DEFAULT

Except where another time limit is specifically provided in the Lease, 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. 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.

30. COUNTY'S REMEDIES ON LESSOR'S DEFAULT

COUNTY, at any time after the ten (10) day notification period in which LESSOR is in default, can terminate this Lease or 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 an individual is permitted by law to charge from the date of notice of the sum until COUNTY is reimbursed by LESSOR. If LESSOR fails to reimburse COUNTY as required by this section, 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 section are in addition to and do not in any manner limit other remedies set forth in particular sections of this Lease.

31. COUNTY DEFAULT

Except where another time limit is specifically provided in the 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.

32. 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 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.

33. TERMINATION

COUNTY reserves the right to terminate this Lease, if LESSOR fails to cure the default as provided in other sections of this Lease, for any cause or reason provided by the Lease itself, or by law, or upon the happening of one or more of the following as it relates to the leased premises:

- 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, its employees, or subcontractors.
- D. The violation of any of the provisions of this Lease.
- E. Intentionally supplying COUNTY with false or misleading information or misrepresenting any material fact on its application or documents or in its statements to or before COUNTY.

34. NOTICE

All notices required by this Lease shall be given by first class mail to the respective addresses set forth below:

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

COUNTY: County of Humboldt
Administrative Services
Real Property Division
825 Fifth Street, Room 103
Eureka, CA 95501

It shall be deemed that notice is validly given upon deposit in the United States mail.

35. ASSIGNMENT

LESSOR'S prior consent to COUNTY'S sublease, transfer, assignment, or hypothecation of this Lease or a portion thereof for similar and compatible use shall be required but not unreasonably withheld. Any such approved sublease, transfer, assignment or hypothecation of the Lease, however, shall not alter,

affect, defeat or diminish the COUNTY'S liability and responsibility under the Lease.

36. LEASE MODIFICATION

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

37. 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.

38. 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, in addition to court costs, 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" shall mean 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.

39. WAIVER OF BREACH

The waiver by COUNTY or LESSOR 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.

40. 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.

41. 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.

42. 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.

43. 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

LESSOR:
PWM INC.

BY *Bob Canyon*
MAY - 5 1998

BY *Thomas J. McGinnis*
BY *[Signature]*

APPROVED AS TO FORM:
COUNTY COUNSEL

COUNTY OF HUMBOLDT

BY *[Signature]*
DEPUTY

BY *Paul Kirk*
CHAIRMAN,
BOARD OF SUPERVISORS
COUNTY OF HUMBOLDT,
STATE OF CALIFORNIA

INSURANCE CERTIFICATES
REVIEWED AND APPROVED

BY *Kimberly A. Kern*
RISK MANAGER

MAIN BUILDING, EXHIBIT B

1. Perform seismic modifications per Penfold Engineering drawing.
2. Install new HVAC system consisting of nine (9) new five (5) ton units installed into existing roof top locations, utilizing existing ducts with new registers.

Said HVAC system is to meet all applicable codes and standards. Air handling equipment shall be AMCA (Air Movement Control Agency) rated and labeled. Air conditioning and refrigeration equipment shall be ARI certified and ARI labeled and shall have continuous duty fans.
3. Modify T-Bar assembly so that the ceiling is less susceptible to seismic activity. Repair/replace ceiling tiles that are loose or severely damaged.
4. Install new exhaust fans in all restrooms.
5. Southwest men's restroom: where required repair wall corners and repaint as necessary; regrout gap at wall/floor intersection.
6. Bring only one set of public restrooms in the northwest end of building and the one public drinking fountain into compliance with the Americans with Disabilities Act.
7. Repair/replace bathroom partition panels in employee restrooms.
8. Replace floor tile in main breakroom.
9. Seal exterior of building.
10. Install new roofing system.
11. Fix area in north parking lot to minimize water pooling.
12. Level floor where required.
13. Install double doors in Child Welfare area.
14. Upon recarpeting one third (1/3) of the interior premises, as defined in Section 14 A8, LESSOR agrees to use fifteen (15) year guaranteed colorfast, unraveling, twenty-eight (28) ounce solution dyed nylon carpet that has factory off-gas fiber or equivalent.

WASHINGTON ST.

17-100

Attachment 1

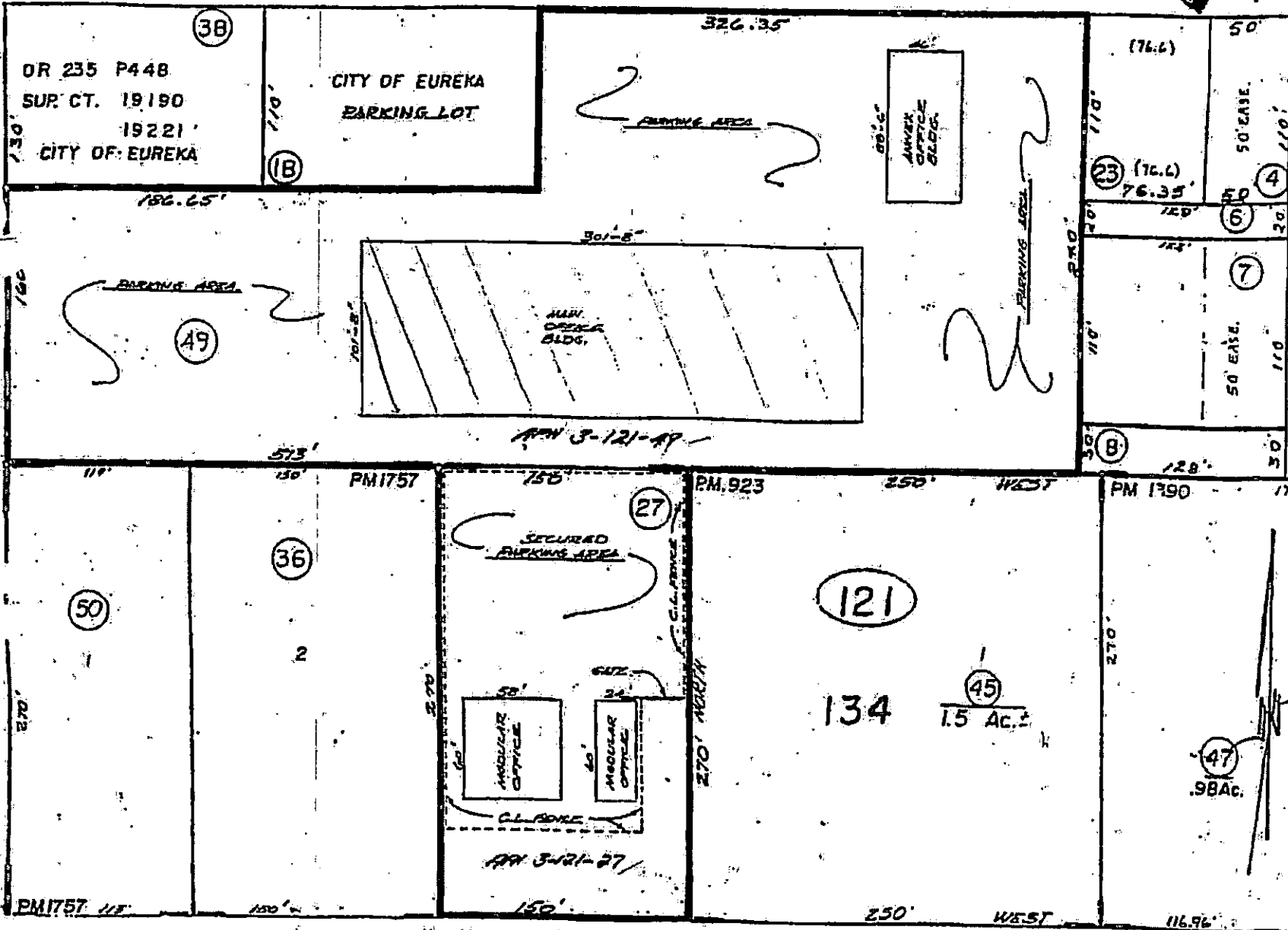


EXHIBIT A

31.

KUSLER

17-100 PT

ORIGINAL

ANNEX 1

LEASE

This Lease is made and entered into this 5 day of MAY, 1998, by and between PWM INC., a California Corporation, hereinafter referred to as LESSOR, and the County of Humboldt, a political subdivision of the State of California, hereinafter referred to as COUNTY.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. PREMISES

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

A building containing approximately Three Thousand Nine Hundred Sixty (3,960) square feet and twenty-seven (27) parking spaces located on Parcel 3-12-49. Said premises are more commonly known as 537 West Washington Street, hereinafter referred to as ANNEX 1, and is more particularly shown on Exhibit A, which is attached hereto and incorporated herein.

2. USE OF PREMISES

The premises shall be used by COUNTY for offices as determined by the COUNTY. At the commencement of the Lease COUNTY intends to use the premises for offices for the Department of Social Services.

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

A. The initial term of this Lease shall be for a period of ten (10) years commencing upon Board approval by COUNTY and terminating on January 31, 2008.

B. The COUNTY has the option to extend this Lease for two (2) ten (10) year terms. Each option may be exercised by COUNTY giving LESSOR written notice of its intent to extend the Lease. The notice shall be given to LESSOR

ANNEX 1

ninety (90) days prior to the end of the initial term or any ten (10) year term extension.

C. If the COUNTY should hold over after the expiration of the thirtieth year, such shall be from month to month on all the terms and conditions of the Lease, subject to a thirty (30) day notice of termination by either party at any time during the hold over period.

5. RENT

COUNTY shall pay to LESSOR as rent for the leased premises a monthly rental of Four Thousand Four Hundred One Dollars (\$4,401.00).

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 the premises are occupied.

6. CPI CLAUSE

Commencing on the first day of the second year and continuing each year thereafter during the initial term and any option terms, annual rent shall be adjusted by the percentage increase in the revised Consumer Price Index for all items (1967=100) U.S. City Average, as published by the United States Department of Labor, Bureau of Labor Statistics (called "the Index" in this Lease) for the prior calendar year. In calculating this percentage increase, the most current Index available on the date of commencement of the prior term and the most current Index available immediately preceding the date of annual adjustment during the extended term shall be used. In the event the Index is either unavailable, is no longer published, or is calculated on a significantly different basis following the date of this Lease, the most comprehensive official Index published which most closely approximates the rate of inflation shall be substituted in place of the Index. December 1997 shall be the base month for this adjustment. On adjustment of the rent in accordance with this section, LESSOR shall execute a letter stating the adjustment. In no event shall the rent be less than Four Thousand Four Hundred One Dollars (\$4,401.00) per month. Regardless of the CPI percentage change, the increase or decrease for any one year will be no more than 5 percent (5%).

7. 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, and any other applicable standards or criteria established locally or by the state or federal governments.

8. IMPROVEMENTS AND ALTERATIONS BY LESSOR

A. In the event alterations are desired by COUNTY and COUNTY elects not to perform the work, any such work, when mutually and contractually agreed upon by COUNTY and LESSOR, may be performed by LESSOR in accordance with plans and specifications supplied by COUNTY.

B. Modifications or alterations at COUNTY'S request costing over One Thousand Dollars (\$1,000.00) and performed by LESSOR or his designee may require an amendment to this Lease.

C. LESSOR acknowledges and agrees that all work on building alterations or 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 2, 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 per diem wages and general prevailing rate for holiday and overtime work in this locality applicable to this Lease for each craft, classification, or type of worker needed to execute the aforesaid 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.

D. LESSOR covenants and warrants that any work performed by LESSOR on the premises will be done in accordance with all local, state, and/or federal laws and regulations including, but not limited to, the Americans with Disabilities Act. All such work will have any required permits before work commences.

9. SMOKING

Pursuant to Humboldt County Ordinance #1814, COUNTY owned or leased premises are smoke free. LESSOR shall comply with ordinance as it concerns LESSOR or its agents when on the premises, but shall not be responsible for posting or enforcement of said ordinance in any manner.

10. UTILITIES

COUNTY shall pay all charges for water, sewer, gas, trash removal, electricity, telephone, cable TV, security alarm monitoring and any and all services. COUNTY shall pay all taxes associated with such services.

11. JANITORIAL, LANDSCAPE, SECURITY PATROL

COUNTY shall be responsible for all janitorial, landscape plant and ground cover maintenance, removing litter from premises, sweeping, striping of parking area, and security guard costs.

12. MAINTENANCE AND REPAIRS

A. 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. Except as provided in section B, LESSOR shall be responsible for all maintenance and repairs to the premises including, but not limited to the following:

- (1) Exterior building siding and painting.
- (2) Roof and any problems caused by failure of the roof system.
- (3) Major plumbing and any problems caused by major plumbing failure.
- (4) Parking lot structural section (patching and structural repairs).
- (5) Structural floor repair or replacement.
- (6) Main electrical panel.

B. During the term of this Lease or any extension thereof, COUNTY shall be responsible for the following:

- (1) Light lenses and bulbs, ballasts, circuits from panels and minor electrical repairs.
- (2) Minor plumbing (faucet, drinking fountain, and toilet repairs; unstopping of toilets and sinks).
- (3) Any repairs necessitated by vandalism or negligence of COUNTY personnel, or the public.
- (4) Any repairs to appliances, phone, computer, security systems or installation thereof.
- (5) Floor covering repairs and floor covering replacement.
- (6) Interior painting.
- (7) Damaged ceiling tiles, unless caused by plumbing failure or roof leaking.

ANNEX 1

- (8) Maintenance of heating and air conditioning units.
- (9) Non-structural repair or replacement of glass or doors.

LESSOR and COUNTY shall have five (5) days to respond to written notification of maintenance and repair items and ten (10) days to complete the same, except where the nature of the problem presents a material hazard or emergency as determined by either party. Material hazards or emergencies shall be dealt with immediately by the RESPONSIBLE party. 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 section 32, "NOTICE".

With regard to non-emergency maintenance/repairs that cannot be cured within ten (10) days and RESPONSIBLE party commences to cure the problem within the ten (10) day period and diligently and in good faith continues to cure the problem, the RESPONSIBLE party shall not be in default.

If either party fails to perform their obligations within the time limitations as set forth in this section, the NOTIFYING party, after giving written notice, can perform the obligations and has the right to be reimbursed for the sum it actually and reasonably expends (including charges for employees, subcontractors, and equipment) in the performance of the RESPONSIBLE party's obligations. If RESPONSIBLE party fails to make reimbursement within thirty (30) days after demand, the COUNTY shall have remedy to withhold from future rent due the sum COUNTY has expended until COUNTY is reimbursed in full; LESSOR shall have remedy to charge monthly interest at the maximum rate an individual is permitted to charge by law.

13. IMPROVEMENTS AND ALTERATIONS BY COUNTY

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 on the premises the wiring and equipment needed for telecommunication system and computer terminals including, but not limited to, the following:

- A. Telephone cables
- B. Key system units
- C. Intercom systems
- D. Telephones
- E. Answering machines

F. Security systems

ANNEX 1

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.

14. INSTALLATION AND REMOVAL OF TRADE FIXTURES

COUNTY may cause or permit to be installed and/or affixed on 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 by COUNTY at any time, or at the request of LESSOR at Lease termination. COUNTY, at its expense, shall repair any damage caused by reason of such removal of the trade fixtures. All such fixtures, signs, and equipment that are exterior to the building shall be approved by LESSOR.

15. COUNTY'S RIGHT TO ERECT SIGNS

COUNTY shall have the exclusive right to erect and maintain upon the premises all signs that it deems appropriate. LESSOR agrees that no signs or advertising matter of any nature other than COUNTY'S shall be permitted upon any of the premises. LESSOR and COUNTY must mutually agree as to the location, size and style of any signs. No sign shall be erected without LESSOR'S prior consent which shall not be unreasonably withheld.

16. REAL PROPERTY TAXES

A. COUNTY shall pay all real property taxes levied against the leased premises during the terms of this Lease. LESSOR shall promptly provide COUNTY with all tax bills.

B. For any fraction of a tax year at the beginning or end of the term, or any extensions, COUNTY'S obligation shall be prorated as of the commencement or end of the lease term or any extension. For any such fraction of a tax year at the beginning of said term, COUNTY agrees to reimburse LESSOR for COUNTY'S portion of such taxes within thirty (30) days after presentation to COUNTY of receipted copies of the tax bills covering the same. For any such fraction of a tax year at the end of the lease term, or any extension, LESSOR agrees to reimburse COUNTY for LESSOR'S portion of such taxes within thirty (30) days after presentation to LESSOR of receipted copies of the tax bills.

17. HOLD HARMLESS AND INDEMNIFICATION

COUNTY agrees to indemnify and hold harmless, and at its own risk, cost and expense defend LESSOR, its officers, agents, and employees from and against any and all liability expense, including defense costs, legal fees, and claims for damages arising from COUNTY'S negligence, intentional acts, or breaches of this

ANNEX 1

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 expense, 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.

18. COUNTY'S INSURANCE

COUNTY shall carry and maintain, during the entire term hereof, at COUNTY'S sole cost and expense, the following types of insurance, in the amounts specified in the form hereinafter provided for:

A. Liability Insurance

Broad form Comprehensive Public Liability and Property Damage Liability Insurance with limits of not less than One Million Dollars (\$1,000,000.00) each occurrence or Two Million Dollars (\$2,000,000.00) combined single limits, insuring against any and all liability of COUNTY with respect to the premises or arising out of the maintenance, use, or occupancy thereof. COUNTY shall furnish LESSOR with a Certificate of Insurance on the foregoing coverage and evidencing contractual liability. LESSOR shall be named as additional insured on COUNTY'S liability policy and evidence of cross-liability shall be furnished by COUNTY.

B. Method of Coverage/Policy Requirements

COUNTY'S obligations to insure under this section may be provided by appropriate amendment, rider, or endorsement on any blanket policy or policies carried by COUNTY.

All policies of insurance to be provided by COUNTY shall be issued by companies having not less than Best's A:VII rating and, shall be issued in the names of COUNTY and LESSOR and for the mutual and joint benefit and protection of the parties and executed copies of such policies of insurance or certificates thereof shall be delivered to LESSOR.

19. LESSOR'S INSURANCE

A. LESSOR, at its own expense, and for the life of this Lease, agrees to obtain and maintain policies of insurance as follows:

Comprehensive General Liability Insurance, including public liability and premises liability, with a minimum limit of One Million Dollars (\$1,000,000.00) combined single limit (CSL) covering all bodily injury and property damage, including any legal fees. COUNTY is to be named as an additional insured.

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Workers' Compensation Insurance as required by law covering all employees and volunteers, and shall cause the issuing insurance company to issue a waiver of subrogation in favor of COUNTY during any work/modification being done on premises during the term of this Lease or extensions thereof.

B. 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 Worker's 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, their 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.

C. All policies of insurance to be provided by LESSOR shall be issued by companies having not less than Best's A:VII rating and, shall be issued in the names of COUNTY and LESSOR and for the mutual and joint benefit and protection of the parties and executed copies of such policies of insurance or certificates thereof shall be delivered to COUNTY.

20. COUNTY AND LESSOR'S JOINT INSURANCE OBLIGATIONS

A. All applicable insurance shall be issued by companies having not less than Best's A:VII rating and certificates, referred to above, must include the following:

1. Thirty (30) days prior written notice of any material change or cancellation.

B. COUNTY and LESSOR reserve the right to obtain complete copies of the original insurance policies.

C. If COUNTY and/or LESSOR do not keep the above mentioned insurance in full force and effect during the life of this Lease, COUNTY and/or LESSOR, at the expense of the non-conforming party, may elect to purchase the necessary insurance, and the non-conforming party agrees to pay the cost of said insurance or, in alternative, COUNTY and/or LESSOR may elect to treat the failure as a breach of contract and give forty-eight (48) hours notice of intent to terminate the Lease as provided herein.

ANNEX 1

D. This Lease shall not be executed by COUNTY and LESSOR until certificates or other sufficient proof that these insurance provisions have been complied with are filed with the Humboldt County Board of Supervisors and PWM Inc.

21. PARKING

Leased premises include twenty-six (26) parking spaces and one (1) handicap parking space which is included in the rent in section 5 of this Lease.

22. 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 and/or LESSOR reserve the right to forthwith terminate this Lease upon written notice within thirty (30) 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/receipt of prorated rent shall not constitute a waiver of COUNTY'S and/or LESSOR'S right to terminate this Lease as provided in this section.

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 thirty (30) days following the date of loss.

23. 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.

24. 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 the 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

ANNEX 1

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 section are in addition to and do not in any manner limit other remedies set forth in particular sections of this Lease.

25. 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.

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. LESSOR DEFAULT

Except where another time limit is specifically provided in the Lease, 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. 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.

28. COUNTY'S REMEDIES ON LESSOR'S DEFAULT

COUNTY, at any time after the ten (10) day notification period in which LESSOR is in default, can terminate this Lease or 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 an individual is permitted by law to charge from the date of notice of the sum until COUNTY is reimbursed by LESSOR. If LESSOR fails to reimburse COUNTY as required by this section, 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

ANNEX 1

on it. 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.

29. COUNTY DEFAULT

Except where another time limit is specifically provided in the 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.

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 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, if LESSOR fails to cure the default as provided in other sections of this Lease, for any cause or reason provided by the Lease itself, or by law, or upon the happening of one or more of the following as it relates to the leased premises:

- 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, its employees, or subcontractors.
- D. The violation of any of the provisions of this Lease.
- E. Intentionally supplying COUNTY with false or misleading information or misrepresenting any material fact on its application or documents or in its statements to or before COUNTY.

32. NOTICE

All notices required by this Lease shall be given by first class mail to the respective addresses set forth below:

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

COUNTY: County of Humboldt
Administrative Services
Real Property Division
825 Fifth Street, Room 103
Eureka, CA 95501

It shall be deemed that notice is validly given upon deposit in the United States mail.

33. ASSIGNMENT

LESSOR'S prior consent to COUNTY'S sublease, transfer, assignment, or hypothecation of this Lease or a portion thereof for similar and compatible use shall be required but not unreasonably withheld. Any such approved sublease, transfer, assignment or hypothecation of the Lease, however, shall not alter, affect, defeat or diminish the COUNTY'S liability and responsibility under the Lease.

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, in addition to court costs, 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

ANNEX 1

services rendered by County Counsel) on appeal, if any. As used herein, "the party prevailing" shall mean 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 or LESSOR 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. 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.

40. 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.

41. 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.

ANNEX 1

IN WITNESS WHEREOF, this Lease has been executed by the parties hereto upon the date first written above.

(SEAL)
ATTEST:
CLERK OF THE BOARD

LESSOR:
PWM INC.

BY *[Signature]*

BY *Thomas J. Mueser*
President

MAY - 5 1998
APPROVED AS TO FORM:
COUNTY COUNSEL

BY *[Signature]*

COUNTY OF HUMBOLDT

BY *[Signature]*
DEPUTY

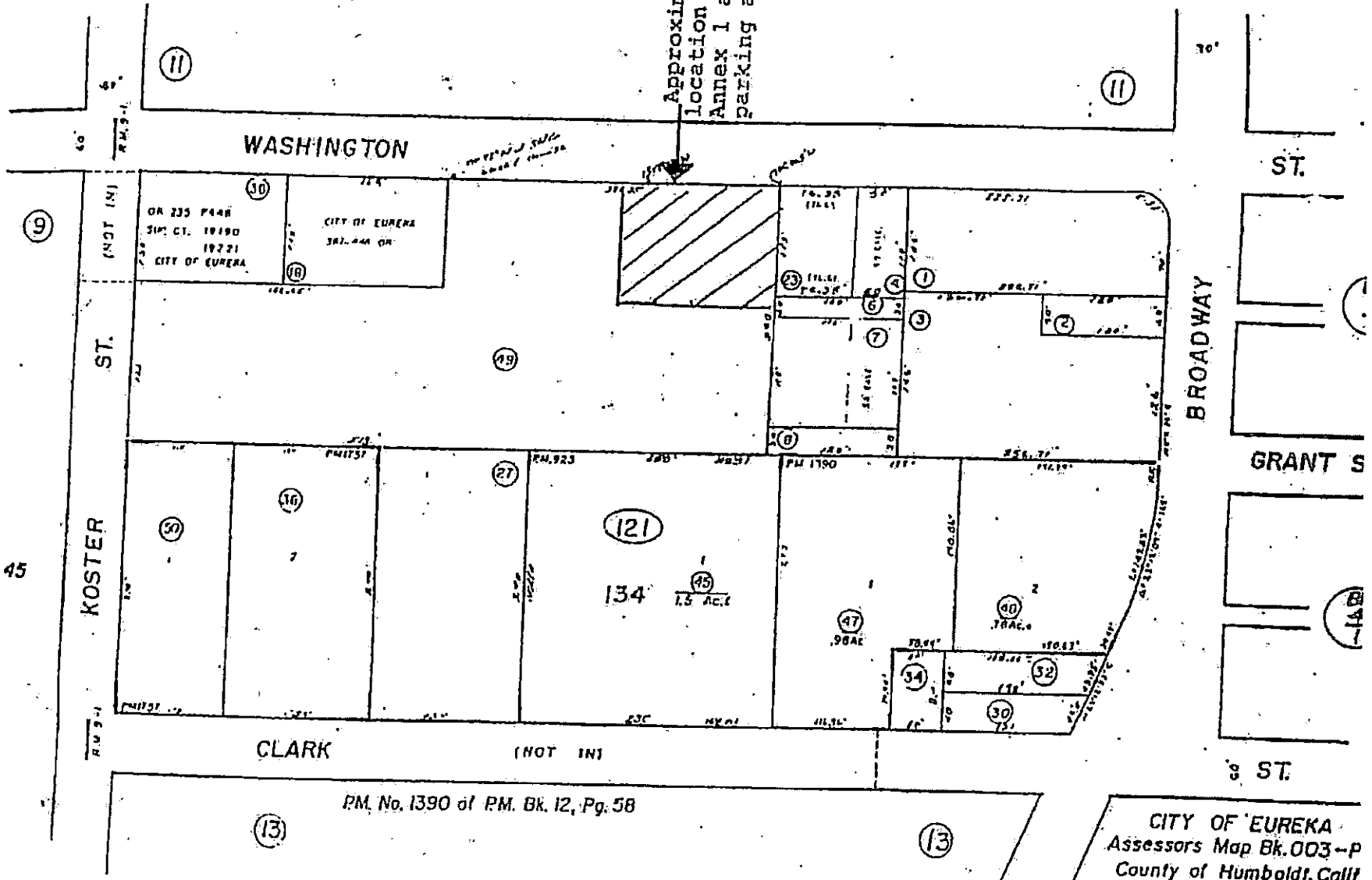
BY *Paul Kirk*
CHAIRMAN,
BOARD OF SUPERVISORS
COUNTY OF HUMBOLDT,
STATE OF CALIFORNIA

INSURANCE CERTIFICATES
REVIEWED AND APPROVED

BY *Kimberly A. Kern*
RISK MANAGER

POR. SEC. 21, T. 5 N., R. 1 W., H. B. & M.
CITY OF EUREKA

Approximate
location of
Annex I and
parking area



CITY OF EUREKA
Assessors Map Bk. 003--P
County of Humboldt, Calif

ANNEX TWO

LEASE

COPY

This Lease is made and entered into this 16th day of December 1997, by and between PWM Inc., a California Corporation, hereinafter referred to as LESSOR, and the County of Humboldt, a political subdivision of the State of California, hereinafter referred to as COUNTY.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. PREMISES

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

Parcel 3-121-04, -06, -07, -08, and -23, which includes an existing office building consisting of approximately 8,575 square feet and a fenced paved parking lot. Said premises is more commonly known as 445 W. Washington Street, hereinafter referred to as ANNEX TWO, and is more particularly shown on Exhibit A, which is attached hereto and incorporated herein.

2. USE OF PREMISES

The premises shall be used by COUNTY for county offices as determined by the COUNTY. At the commencement of the Lease COUNTY intends to use the premises as offices for the Department of Social Services.

3. QUIET ENJOYMENT

Subject to the provisions of this Lease and conditioned upon performance of all the provisions performed by COUNTY hereunder, the 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

A. The initial term of this Lease shall be for a period of ten (10) years commencing upon January 1, 1998, by COUNTY and terminating on January 31, 2008.

December 11, 1997

Page 1

B. The COUNTY has the option to extend this Lease for two (2) ten (10) 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 ninety (90) days prior to the end of the initial term or any ten (10) year term extension.

C. If the COUNTY should hold over after the expiration of the thirtieth year, such shall be from month to month on all the terms and conditions of the Lease, subject to a thirty (30) day notice of termination by either party at any time during the hold over period.

5. RENT

COUNTY shall pay to LESSOR as rent for the leased premises a monthly rental of Nine Thousand Six Hundred Dollars (\$9,600.00) a month.

A. The first months rent shall be Seventeen Thousand One Hundred Eighty Dollars (\$17,180.00) which includes the monthly rent of Nine Thousand Six Hundred Dollars (\$9,600.00) and a Seven Thousand Five Hundred and Eighty Dollars (\$7,580.00) balloon payment for tenant improvement items requested by COUNTY identified in EXHIBIT B included herein.

B. Rent shall be paid in advance of 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 of each calendar day the premises are occupied.

6. CPI CLAUSE

Commencing on the first day of the second year and continuing each year thereafter during the initial term and any option terms, annual rent shall be adjusted by the percentage increase in the revised Consumer Price Index for all items (1967=100) U.S. City Average, as published by the United States Department of Labor, Bureau of Labor Statistics (called "the Index" in this Lease) for the prior calendar year. In calculating this percentage increase, the most current Index available on the date of commencement of the prior term and the most current Index available immediately preceding the date of annual adjustment during the extended term shall be used. In the event the Index is either unavailable, is no longer published, or is calculated on a significantly different basis following the date of this Lease Agreement, the most comprehensive official Index published which most closely approximates the rate of inflation shall be substituted in place of the Index. July 1997 shall be the base month for this adjustment. On adjustment of the rent in accordance with this paragraph, LESSOR shall execute a letter stating the adjustment. In no event shall the rent be less than Nine Thousand Six Hundred Dollars (\$9,600.00) per month. Regardless of the CPI percentage change, the increase or decrease for any one year will be no more or less than 5 percent.

\$9,761.76
CPI index
as of 1-1-97

7. 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, and any other applicable standards or criteria established locally or by the state or federal governments.

8. IMPROVEMENTS AND ALTERATIONS BY LESSOR

A. In the event alterations are desired by COUNTY and COUNTY elects not to perform the work, any such work, when mutually and contractually agreed upon by COUNTY and LESSOR, may be performed by LESSOR in accordance with plans and specifications supplied by COUNTY.

B. Modifications or alterations at COUNTY'S request costing over \$1,000.00 and performed by the LESSOR or his designee require an amendment to this lease.

C. LESSOR acknowledges and agrees that all work on building alterations or 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 2, Part 7, division 2 of 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 for holiday and overtime work in this locality applicable to this Lease for each craft, classification, or type of worker needed to execute the aforesaid 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 the COUNTY'S Clerk of the Board.

D. LESSOR covenants and warrants that any work performed by LESSOR on the premises will be done in accordance with all local, state, and/or federal laws and regulations including, but not limited to, the Americans with Disabilities Act. All such work will have any required permits before work commences.

9. SMOKING

Pursuant to Humboldt County Ordinance #1814, COUNTY owned or leased premises are smoke free. LESSOR shall comply with ordinance as it concerns LESSOR or its agents when on the premises, but shall not be responsible for posting or enforcement of said ordinance in any manner.

10. UTILITIES

COUNTY shall pay all charges for water, sewer, gas, trash removal, electricity, telephone, cable tv, security alarm monitoring and any and all services and their associated taxes whatsoever supplied to and used in the leased premises.

11. JANITORIAL, LANDSCAPE, SECURITY PATROL

COUNTY shall be responsible for all janitorial; removing litter from landscaped areas; sweeping, removing litter, and striping of parking area; and security guard costs.

12. MAINTENANCE AND REPAIRS

A. 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 the COUNTY'S use of the premises caused by deferred or inadequate maintenance. Except as provided in paragraph B, LESSOR shall be responsible for all maintenance and repairs to the premises including, but not limited to the following:

1. Exterior building siding and painting.
2. Roof and any problems caused by failure of the roof system.
3. Major plumbing and any problems caused by major plumbing failure.
4. Parking lot structural section (patching and structural repairs).
5. Structural floor repair or replacement.
6. Main electrical panel.

B. During the term of this Lease or any extension thereof, COUNTY shall be responsible for the following:

1. Light lenses and bulbs, ballasts, circuits from panels and minor electrical repairs.
2. Minor plumbing (faucet, drinking fountain, and toilet repairs; unstoping of toilets and sinks).
3. Any repairs necessitated by vandalism, negligence of COUNTY personnel, or the public.
4. Any repairs to appliances, phone, computer, security systems or installation thereof.
5. Floor covering repairs and floor covering replacement.
6. Interior painting.
7. Damaged ceiling tiles unless caused by plumbing failure or roof leaking.
8. Maintenance of heating and air conditioning units.
9. Non-structural repair or replacement of glass or doors.

C. LESSOR and COUNTY shall have five (5) days to respond to notification of

maintenance and repair items and ten (10) days to complete the same except where the nature of the problem presents a material hazard or emergency as determined by either party and written notification given thereof. Material hazards or emergencies shall be dealt with immediately by the RESPONSIBLE party. If the maintenance/repair cannot be cured within ten (10) days and RESPONSIBLE party commences to cure the problem within the ten (10) day period and diligently and in good faith continues to cure the problem, the RESPONSIBLE party shall not be in default.

If either party fails to perform their obligations within the time limitations as set forth in this paragraph, the NOTIFYING party, after giving written notice, can perform the obligations and has the right to be reimbursed for the sum it actually and reasonably expends (including charges for employees, subcontractors, and equipment) in the performance of the RESPONSIBLE party's obligations. If RESPONSIBLE party fails to make reimbursement within thirty (30) days after demand, the COUNTY shall have remedy to withhold from future rent due the sum COUNTY has expended until COUNTY is reimbursed in full; LESSOR shall have remedy to charge monthly interest at the maximum rate an individual is permitted to charge by law. 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".

13. IMPROVEMENTS AND ALTERATIONS BY COUNTY

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 reasonably 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 cables
- B. Key system units
- C. Intercom systems
- D. Telephones
- E. Answering machines
- F. Security systems

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.

14. 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 by COUNTY at any time, or at the request of LESSOR at lease termination. COUNTY, at its expense, shall repair any damage caused by reason of such removal of the trade fixtures. All such fixtures, signs and equipment that are exterior to the building shall be approved by LESSOR.

15. COUNTY'S RIGHT TO ERECT SIGNS

COUNTY shall have the exclusive right to erect and maintain upon the premises all signs that it deems appropriate. LESSOR agrees that no signs or advertising matter of any nature other than COUNTY'S shall be permitted upon any of the premises. LESSOR and COUNTY must mutually agree as to the location, size and style of any signs. No sign shall be erected without LESSOR'S prior consent which shall not be unreasonably withheld.

16. REAL PROPERTY TAXES

A. COUNTY shall pay all real property taxes levied against the leased premises during the terms of this Lease. LESSOR shall promptly provide COUNTY with all tax bills.

B. For any fraction of a tax year at the beginning or end of the term, or any extensions, COUNTY'S obligation shall be prorated as of the commencement or end of the lease term or any extension. For any such fraction of a tax year at the beginning of said term, COUNTY agrees to reimburse LESSOR for COUNTY'S portion of such taxes within thirty (30) days after presentation to COUNTY of receipted copies of the tax bills covering the same. For any such fraction of a tax year at the end of the lease term, or any extension, LESSOR agrees to reimburse COUNTY for LESSOR'S portion of such taxes within thirty (30) days after presentation to LESSOR of receipted copies of the tax bills.

17. HOLD HARMLESS AND INDEMNIFICATION

COUNTY agrees to indemnify and hold harmless, and at its own risk, cost and expense defend LESSOR, its officers, agents, and employees from and against any and all liability expense, 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 the 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 expense, 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 the COUNTY incurs such costs.

18. COUNTY'S INSURANCE

COUNTY shall carry and maintain, during the entire term hereof, at COUNTY'S sole cost and expense, the following types of insurance, in the amounts specified in the form hereinafter provided for:

A. Liability Insurance

Broad form comprehensive public liability and property damage liability insurance with limits of not less than One Million Dollars (\$1,000,000.00) each occurrence or Two Million Dollars (\$2,000,000.00) combined single limits, insuring against any and all liability of COUNTY with respect of the premises or arising out of the maintenance, use, or occupancy thereof. COUNTY shall furnish LESSOR with a Certificate of Insurance on the foregoing coverage and evidencing contractual liability. LESSOR shall be named as additional insured on the COUNTY'S liability policy and evidence of cross-liability shall be furnished by COUNTY.

B. Fire Insurance for Premises

A policy or policies for fire insurance to the extent of at least ninety percent (90%) of the full insurable value of the Building(s). The proceeds from any such policy or policies shall be used for the repair of the premises. Coverage will be obtained on a replacement cost, current building code basis with an agreed valuation clause on an amount agreeable to both parties. Replacement cost coverage shall be updated to reflect ninety percent (90%) of the amount replacement costs at all times. In the event of the constructive total loss, cost of repairs exceed value of building(s), then the COUNTY'S property insurance shall make settlement with LESSOR, Lender and COUNTY as their respective interests appear at that time.

C. Method of Coverage/Policy Requirements

COUNTY'S obligations to insure under this article may be provided by appropriate amendment, rider, or endorsement on any blanket policy or policies carried by COUNTY.

All policies of insurance to be provided by COUNTY shall be issued by companies having not less than Best's A:VII rating and, shall be issued in the names of COUNTY and LESSOR and for the mutual and joint benefit and protection of the parties and executed copies of such policies of insurance or certificates thereof shall be delivered to the other party.

19. LESSOR'S INSURANCE

A: LESSOR, at its own expense, and for the life of this Lease, agrees to obtain and maintain Worker's Compensation Insurance when required by law, covering all employees and volunteers, and in such cases shall cause the issuing insurance company to issue a waiver of subrogation in favor of COUNTY during any work/modification being done on premises during the term of this lease or extensions thereof.

B. Should LESSOR subcontract any portion of the work to be performed under this

agreement, said subcontractor shall be required by the LESSOR to:

1. Enter into a written contract with subcontractor acknowledging that no employee/employer relationship exists between LESSOR and subcontractor and that no Worker's 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 agreement.

C. All policies of insurance to be provided by LESSOR shall be issued by companies having not less than Best's A:VII rating and, shall be issued in the names of COUNTY and LESSOR and for the mutual and joint benefit and protection of the parties and executed copies of such policies of insurance or certificates thereof shall be delivered to the other party.

20. COUNTY AND LESSOR'S JOINT INSURANCE OBLIGATIONS

A. All applicable insurance shall be underwritten by insurance companies authorized to do business in the State of California and certificates, referred to above, must include the following:

1. Thirty (30) days prior written notice of any material change or cancellation.

B. COUNTY and LESSOR reserve the right to obtain complete copies of the original insurance policies:

C. IF COUNTY and/or LESSOR do not keep the above mentioned insurance in full force and effect during the life of this Lease, COUNTY and/or LESSOR, at the expense of the non-conforming party, may elect to purchase the necessary insurance, and the non-conforming party agrees to pay the cost of said insurance or, in alternative, COUNTY and/or LESSOR may elect to treat the failure as a breach of contract and give forty eight hour (48) notice of intent to terminate the Lease as provided herein.

D. This Lease shall not be executed by COUNTY and LESSOR until certificates or other sufficient proof that these insurance provisions have been complied with are filed with the Humboldt County Board of Supervisors and PWM Inc.

21. PARKING

Leased premises includes a paved parking lot which is included in the rent in Clause 5 of this Lease.

22. 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 and/or LESSOR reserve the right to forthwith terminate this Lease upon written notice within thirty (30) days following the date of loss.

If such casualty occurs and a portion of said premises are 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/receipt of prorated rent shall not constitute a waiver of COUNTY'S and/or LESSOR'S right to terminate this Lease as provided in this paragraph.

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 thirty (30) days following the date of loss.

COUNTY'S fire insurance will be used to settle any claim under this section. COUNTY'S fire insurance on the building shall be made available to the LESSOR without regard to COUNTY'S occupancy, lease termination, or proceeding with restoration for future occupancy by COUNTY.

23. 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 become 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.

24. 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 the 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.

25. 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. Except as provided in Section 22, 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, or the elements or other casualty.

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. LESSOR DEFAULT

Except where another time limit is specifically provided in the Lease, 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. 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.

28. COUNTY'S REMEDIES ON LESSOR'S DEFAULT

COUNTY, at any time after the ten (10) day notification period in which LESSOR is in default, can terminate this Lease or 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 an individual is permitted by law to charge from the date of notice of the sum 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.

29. COUNTY DEFAULT

Except where another time limit is specifically provided in the 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.

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

31. TERMINATION

COUNTY reserves the right to terminate this Lease, if LESSOR fails to cure the breach as provided in other sections of this Lease, for any cause or reason provided by the Lease itself, or by law, or upon the happening of one or more of the following as it relates to the leased premises:

- 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, its employees, or subcontractors.
- D. The violations of any of the provisions of this Lease.
- E. Intentionally supplying COUNTY with false or misleading information or misrepresenting any material fact on its application or documents or in its statements to or before COUNTY.

32. NOTICE

All notices required by this Lease shall be given by first class mail to the respective addresses set forth below:

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

COUNTY: County of Humboldt
Administrative Services
Real Property Division
825 Fifth Street, Room 103
Eureka, CA 95501

It shall be deemed that notice is validly given upon deposit in the United States mail.

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IN WITNESS WHEREOF, this Lease has been executed by the parties hereto upon the date first written above.

(SEAL)
ATTEST:
CLERK OF THE BOARD

LESSOR:
PWM INC.

BY: *Eric Canyon*

BY: *Thomas J. [unclear]*

DEC 16 1997

APPROVED AS TO FORM:

COUNTY OF HUMBOLDT

BY: *R. Zuber*
DEPUTY

BY: *Bonnie [unclear]*
CHAIR
BOARD OF SUPERVISORS
COUNTY OF HUMBOLDT
STATE OF CALIFORNIA

INSURANCE CERTIFICATES
REVIEWED AND APPROVED:

BY: *Kimberly A. [unclear]*
RISK MANAGER

EXHIBIT B

TENANT IMPROVEMENTS BALLOON PAYMENT

A. New Electrical Service: \$2,500.00

1. New 120v single phase electrical service with 24 breaker subpanel to service tele/data room load and allow for future capacity for expansion.
2. Dedicated 20 amp and standard electrical outlets in tele/data room.
3. Exhaust fan and thermostat for tele/data room.

B. Tele/data Ditch and Conduits: \$3030.00

1. Tele/data/security alarm ditch and conduits from Main Building to Two tele/data room as per proposal.

Annex

C. Lobby Reception Wall: \$2050.00

1. New 11' wall to separate receptionists from public lobby.
2. One 4' x 6' insulated window with two 16" sliders.
3. One 6' writing counter.
4. One solid core door and casings.
5. One tele/data receptacle.
6. One duplex electrical outlet.

D. Kitchen Reconfigurations: No Charge

1. One new 220v stove outlet.
2. Remove, cut, reconstruct, and replace upper and lower cabinets to accommodate new stove.
3. One new exhaust hood.
4. Fabricate and install recessed chopping block for kitchen counter.
5. New double bowl kitchen sink.
6. One new kitchen stove with oven.

December 11, 1997

MODULAR

LEASE

Copy

This Lease is made and entered into this 5 day of MAY, 1998, by and between PWM INC., a California Corporation, hereinafter referred to as LESSOR, and the County of Humboldt, a political subdivision of the State of California, hereinafter referred to as COUNTY.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. PREMISES

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

Parcel No. 3-121-27 containing approximately forty thousand five hundred (40,500) square feet and including an improved parking lot with sixty-two (62) spaces, security fence, underground utilities for COUNTY'S modular units, and an unimproved portion of the parcel. Said premises are located at ~~600~~⁶²⁸ West Clark Street and are more particularly shown on Exhibit A, which is attached hereto and incorporated herein.

2. USE OF PREMISES

The premises shall be used by COUNTY for offices as determined by the COUNTY. At the commencement of the Lease COUNTY intends to use the premises for its modular offices and as secured parking for the Department of Social Services.

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

A. The initial term of this Lease shall be for a period of ten (10) years commencing upon Board approval by COUNTY and terminating on January 31, 2008.

B. The COUNTY has the option to extend this Lease for two (2) ten (10) year terms. Each option may be exercised by COUNTY giving LESSOR written notice of its intent to extend the Lease. The notice shall be given to LESSOR

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ninety (90) days prior to the end of the initial term or any ten (10) year term extension.

C. If the COUNTY should hold over after the expiration of the thirtieth year, such shall be from month to month on all the terms and conditions of the Lease, subject to a thirty (30) day notice of termination by either party at any time during the hold over period.

5. RENT

COUNTY shall pay to LESSOR as rent for the leased premises a monthly rental of Four Thousand Four Hundred Fifty-One Dollars (\$4,451.00).

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 the premises are occupied.

6. CPI CLAUSE

Commencing on the first day of the second year and continuing each year thereafter during the initial term and any option terms, annual rent shall be adjusted by the percentage increase in the revised Consumer Price Index for all items (1967=100) U.S. City Average, as published by the United States Department of Labor, Bureau of Labor Statistics (called "the Index" in this Lease) for the prior calendar year. In calculating this percentage increase, the most current Index available on the date of commencement of the prior term and the most current Index available immediately preceding the date of annual adjustment during the extended term shall be used. In the event the Index is either unavailable, is no longer published, or is calculated on a significantly different basis following the date of this Lease, the most comprehensive official Index published which most closely approximates the rate of inflation shall be substituted in place of the Index. December 1997 shall be the base month for this adjustment. On adjustment of the rent in accordance with this section, LESSOR shall execute a letter stating the adjustment. In no event shall the rent be less than Four Thousand Four Hundred Fifty-One Dollars (\$4,451.00) per month. Regardless of the CPI percentage change, the increase or decrease for any one year will be no more than 5 percent (5%).

7. MODIFICATIONS

Prior to the commencement of this Lease, LESSOR shall, at its sole cost and expense, realign existing security fence and install new security fence, as shown on Exhibit B, which is attached hereto and incorporated herein.

All modifications are to be done in accordance with all applicable laws and/or codes as set forth in section 8.

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The Director of Social Services or his designee is authorized to approve modifications on behalf of COUNTY to insure the above modifications meet Exhibit B specifications.

8. 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, and any other applicable standards or criteria established locally or by the state or federal governments.

9. IMPROVEMENTS AND ALTERATIONS BY LESSOR

A. In the event alterations are desired by COUNTY and COUNTY elects not to perform the work, any such work, when mutually and contractually agreed upon by COUNTY and LESSOR, may be performed by LESSOR in accordance with plans and specifications supplied by COUNTY.

B. Modifications or alterations at COUNTY'S request costing over One Thousand Dollars (\$1,000.00) and performed by LESSOR or his designee may require an amendment to this Lease.

C. LESSOR acknowledges and agrees that all work on building alterations or 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 2, 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 per diem wages and general prevailing rate for holiday and overtime work in this locality applicable to this Lease for each craft, classification, or type of worker needed to execute the aforesaid 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.

D. LESSOR covenants and warrants that any work performed by LESSOR on the premises will be done in accordance with all local, state, and/or federal laws and regulations including, but not limited to, the Americans with Disabilities Act. All such work will have any required permits before work commences.

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10. SMOKING

Pursuant to Humboldt County Ordinance #1814, COUNTY owned or leased premises are smoke free. LESSOR shall comply with ordinance as it concerns LESSOR or its agents when on the premises, but shall not be responsible for posting or enforcement of said ordinance in any manner.

11. UTILITIES

COUNTY shall pay all charges for water, sewer, gas, trash removal, electricity, telephone, cable TV, security alarm monitoring and any and all services. COUNTY shall pay all taxes associated with such services.

12. JANITORIAL, LANDSCAPE, SECURITY PATROL

COUNTY shall be responsible for all janitorial, landscape plant and ground cover maintenance, removing litter from premises, sweeping, striping of parking area, and security guard costs.

13. MAINTENANCE AND REPAIRS

A. 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 only be responsible for maintenance and repairs to the premises as listed below:

1. Major plumbing and any problems caused by major plumbing failure to point of connection to COUNTY'S modular plumbing systems.
2. Parking lot structural section (patching and structural repairs).
3. Main electrical panel and underground electrical servicing parking lot.

B. During the term of this Lease or any extension thereof, COUNTY shall be responsible for the following:

1. Any repairs necessitated by vandalism or negligence of COUNTY personnel or the public.
2. All repairs and maintenance, major and minor, to modular units, fencing, parking lot lighting, and to all utilities whatsoever servicing the modulares up to the point of connection to LESSOR'S main sewer line and electrical panel.

LESSOR and COUNTY shall have five (5) days to respond to written notification of maintenance and repair items and ten (10) days to complete the same, except where the nature of the problem presents a material hazard or emergency as determined by either party. Material hazards or emergencies shall

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be dealt with immediately by the RESPONSIBLE party. 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 section 33, "NOTICE".

With regard to non-emergency maintenance/repairs that cannot be cured within ten (10) days and RESPONSIBLE party commences to cure the problem within the ten (10) day period and diligently and in good faith continues to cure the problem, the RESPONSIBLE party shall not be in default.

If either party fails to perform their obligations within the time limitations as set forth in this section, the NOTIFYING party, after giving written notice, can perform the obligations and has the right to be reimbursed for the sum it actually and reasonably expends (including charges for employees, subcontractors, and equipment) in the performance of the RESPONSIBLE party's obligations. If RESPONSIBLE party fails to make reimbursement within thirty (30) days after demand, the COUNTY shall have remedy to withhold from future rent due the sum COUNTY has expended until COUNTY is reimbursed in full; LESSOR shall have remedy to charge monthly interest at the maximum rate an individual is permitted to charge by law.

14. IMPROVEMENTS AND ALTERATIONS BY COUNTY

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 on the premises the wiring and equipment needed for telecommunication system and computer terminals including, but not limited to, the following:

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

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.

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15. INSTALLATION AND REMOVAL OF MODULAR UNITS

COUNTY may cause or permit to be installed on the premises such modular units, fixtures, signs, and equipment as COUNTY deems desirable and all such modular units, fixtures, signs, and equipment shall remain the property of COUNTY and may be removed by COUNTY at any time, or at the request of LESSOR at Lease termination. COUNTY, at its expense, shall repair any damage caused by reason of such removal of the modular units and trade fixtures. All such modular units and exterior fixtures, signs, and equipment shall be approved by LESSOR prior to installation.

16. COUNTY'S RIGHT TO ERECT SIGNS

COUNTY shall have the exclusive right to erect and maintain upon the premises all signs that it deems appropriate. LESSOR agrees that no signs or advertising matter of any nature other than COUNTY'S shall be permitted upon any of the premises. LESSOR and COUNTY must mutually agree as to the location, size and style of any signs. No sign shall be erected without LESSOR'S prior consent which shall not be unreasonably withheld.

17. REAL PROPERTY TAXES

A. COUNTY shall pay all real property taxes levied against the leased premises during the terms of this Lease. LESSOR shall promptly provide COUNTY with all tax bills.

B. For any fraction of a tax year at the beginning or end of the term, or any extensions, COUNTY'S obligation shall be prorated as of the commencement or end of the lease term or any extension. For any such fraction of a tax year at the beginning of said term, COUNTY agrees to reimburse LESSOR for COUNTY'S portion of such taxes within thirty (30) days after presentation to COUNTY of receipted copies of the tax bills covering the same. For any such fraction of a tax year at the end of the lease term, or any extension, LESSOR agrees to reimburse COUNTY for LESSOR'S portion of such taxes within thirty (30) days after presentation to LESSOR of receipted copies of the tax bills.

18. HOLD HARMLESS AND INDEMNIFICATION

COUNTY agrees to indemnify and hold harmless, and at its own risk, cost and expense defend LESSOR, its officers, agents, and employees from and against any and all liability expense, 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 expense, including defense costs,

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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.

19. COUNTY'S INSURANCE

COUNTY shall carry and maintain, during the entire term hereof, at COUNTY'S sole cost and expense, the following types of insurance, in the amounts specified in the form hereinafter provided for:

A. Liability Insurance

Broad form Comprehensive Public Liability and Property Damage Liability Insurance with limits of not less than One Million Dollars (\$1,000,000.00) each occurrence or Two Million Dollars (\$2,000,000.00) combined single limits, insuring against any and all liability of COUNTY with respect to the premises or arising out of the maintenance, use, or occupancy thereof. COUNTY shall furnish LESSOR with a Certificate of Insurance on the foregoing coverage and evidencing contractual liability. LESSOR shall be named as additional insured on COUNTY'S liability policy and evidence of cross-liability shall be furnished by COUNTY.

B. Method of Coverage/Policy Requirements

COUNTY'S obligations to insure under this section may be provided by appropriate amendment, rider, or endorsement on any blanket policy or policies carried by COUNTY.

All policies of insurance to be provided by COUNTY shall be issued by companies having not less than Best's A:VII rating and, shall be issued in the names of COUNTY and LESSOR and for the mutual and joint benefit and protection of the parties and executed copies of such policies of insurance or certificates thereof shall be delivered to LESSOR.

20. LESSOR'S INSURANCE

A. LESSOR, at its own expense, and for the life of this Lease, agrees to obtain and maintain policies of insurance as follows:

Comprehensive General Liability Insurance, including public liability and premises liability, with a minimum limit of One Million Dollars (\$1,000,000.00) combined single limit (CSL) covering all bodily injury and property damage, including any legal fees. COUNTY is to be named as an additional insured.

Workers' Compensation Insurance as required by law covering all employees and volunteers, and shall cause the issuing insurance company to issue a waiver of subrogation in favor of COUNTY during any work/modification being done on premises during the term of this Lease or extensions thereof.

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B. 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 Worker's 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, their 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.

C. All policies of insurance to be provided by LESSOR shall be issued by companies having not less than Best's A:VII rating and, shall be issued in the names of COUNTY and LESSOR and for the mutual and joint benefit and protection of the parties and executed copies of such policies of insurance or certificates thereof shall be delivered to COUNTY.

21. COUNTY AND LESSOR'S JOINT INSURANCE OBLIGATIONS

A. All applicable insurance shall be issued by companies having not less than Best's A:VII rating and certificates, referred to above, must include the following:

1. Thirty (30) days prior written notice of any material change or cancellation.

B. COUNTY and LESSOR reserve the right to obtain complete copies of the original insurance policies.

C. If COUNTY and/or LESSOR do not keep the above mentioned insurance in full force and effect during the life of this Lease, COUNTY and/or LESSOR, at the expense of the non-conforming party, may elect to purchase the necessary insurance, and the non-conforming party agrees to pay the cost of said insurance or, in alternative, COUNTY and/or LESSOR may elect to treat the failure as a breach of contract and give forty-eight (48) hours notice of intent to terminate the Lease as provided herein.

D. This Lease shall not be executed by COUNTY and LESSOR until certificates or other sufficient proof that these insurance provisions have been complied with are filed with the Humboldt County Board of Supervisors and PWM Inc.

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22. PARKING

Leased premises includes a paved parking lot which is included in the rent in section 5 of this Lease.

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 and/or LESSOR reserve the right to forthwith terminate this Lease upon written notice within thirty (30) 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/receipt of prorated rent shall not constitute a waiver of COUNTY'S and/or LESSOR'S right to terminate this Lease as provided in this section.

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 thirty (30) days following the date of loss.

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 the 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 section are in addition to and

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do not in any manner limit other remedies set forth in particular sections of this Lease.

26. 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.

27. 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.

28. LESSOR DEFAULT

Except where another time limit is specifically provided in the Lease, 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. 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 the ten (10) day notification period in which LESSOR is in default, can terminate this Lease or 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 an individual is permitted by law to charge from the date of notice of the sum until COUNTY is reimbursed by LESSOR. If LESSOR fails to reimburse COUNTY as required by this section, 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 section are in addition to and do not in any manner limit other remedies set forth in particular sections of this Lease.

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30. COUNTY DEFAULT

Except where another time limit is specifically provided in the 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.

31. 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 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.

32. TERMINATION

COUNTY reserves the right to terminate this Lease, if LESSOR fails to cure the default as provided in other sections of this Lease, for any cause or reason provided by the Lease itself, or by law, or upon the happening of one or more of the following as it relates to the leased premises:

- 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, its employees, or subcontractors.
- D. The violation of any of the provisions of this Lease.
- E. Intentionally supplying COUNTY with false or misleading information or misrepresenting any material fact on its application or documents or in its statements to or before COUNTY.

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33. NOTICE

All notices required by this Lease shall be given by first class mail to the respective addresses set forth below:

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

COUNTY: County of Humboldt
Administrative Services
Real Property Division
825 Fifth Street, Room 103
Eureka, CA 95501

It shall be deemed that notice is validly given upon deposit in the United States mail.

34. ASSIGNMENT

LESSOR'S prior consent to COUNTY'S sublease, transfer, assignment, or hypothecation of this Lease or a portion thereof for similar and compatible use shall be required but not unreasonably withheld. Any such approved sublease, transfer, assignment or hypothecation of the Lease, however, shall not alter, affect, defeat or diminish the COUNTY'S liability and responsibility under the Lease.

35. LEASE MODIFICATION

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

36. 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.

37. 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, in addition to court costs, 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

MODULAR
party prevailing" shall mean 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.

38. WAIVER OF BREACH

The waiver by COUNTY or LESSOR 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.

39. 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.

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.

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.

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IN WITNESS WHEREOF, this Lease has been executed by the parties hereto upon the date first written above.

(SEAL)
ATTEST:
CLERK OF THE BOARD

LESSOR:
PWM INC.

BY *Sea Canzonera*

MAY - 5 1998

APPROVED AS TO FORM:
COUNTY COUNSEL

BY *Thomas J. Monqueman*
President

BY *[Signature]*

COUNTY OF HUMBOLDT

BY *[Signature]*
DEPUTY

BY *Paul Kirk*

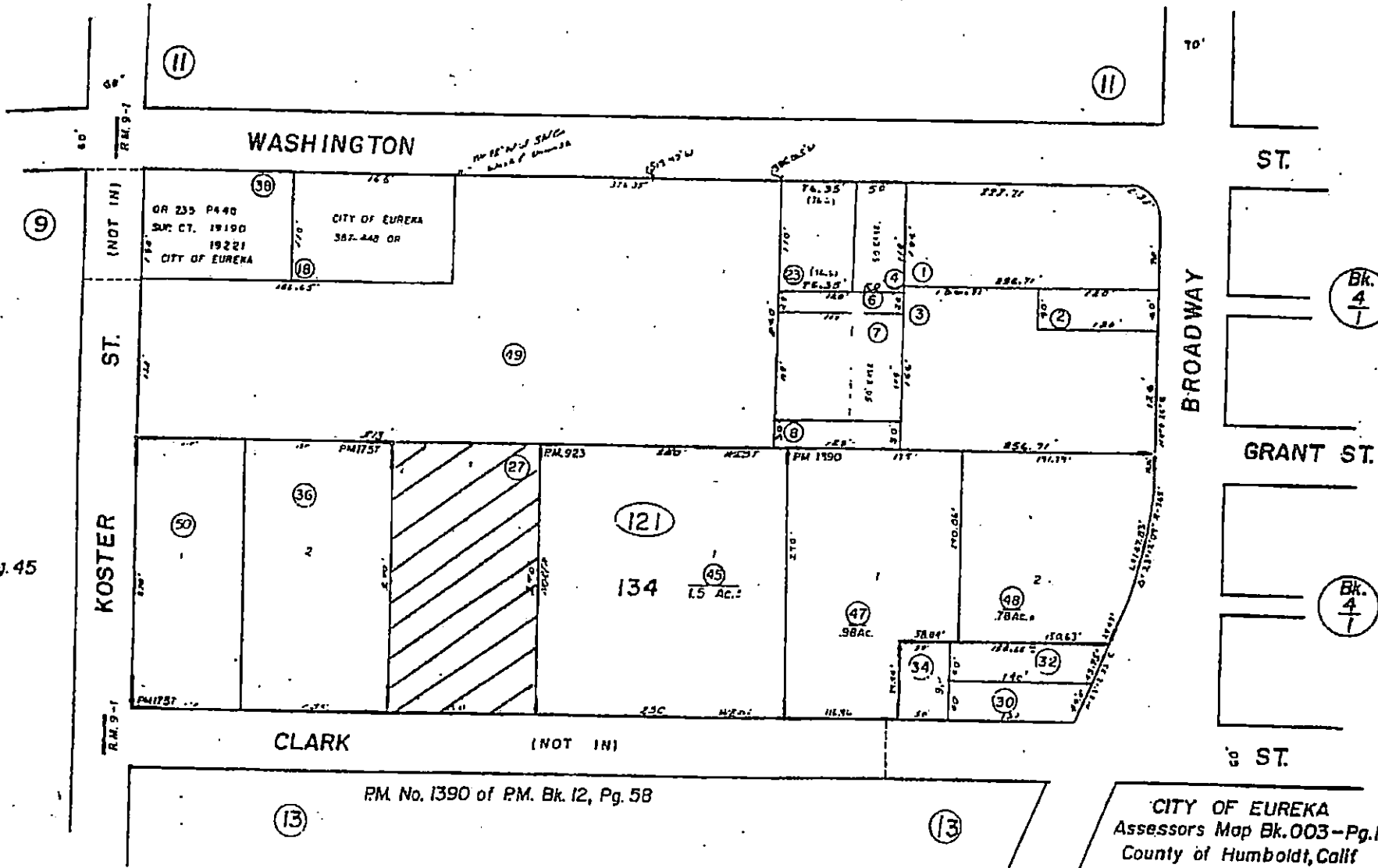
CHAIRMAN,
BOARD OF SUPERVISORS
COUNTY OF HUMBOLDT,
STATE OF CALIFORNIA

INSURANCE CERTIFICATES
REVIEWED AND APPROVED

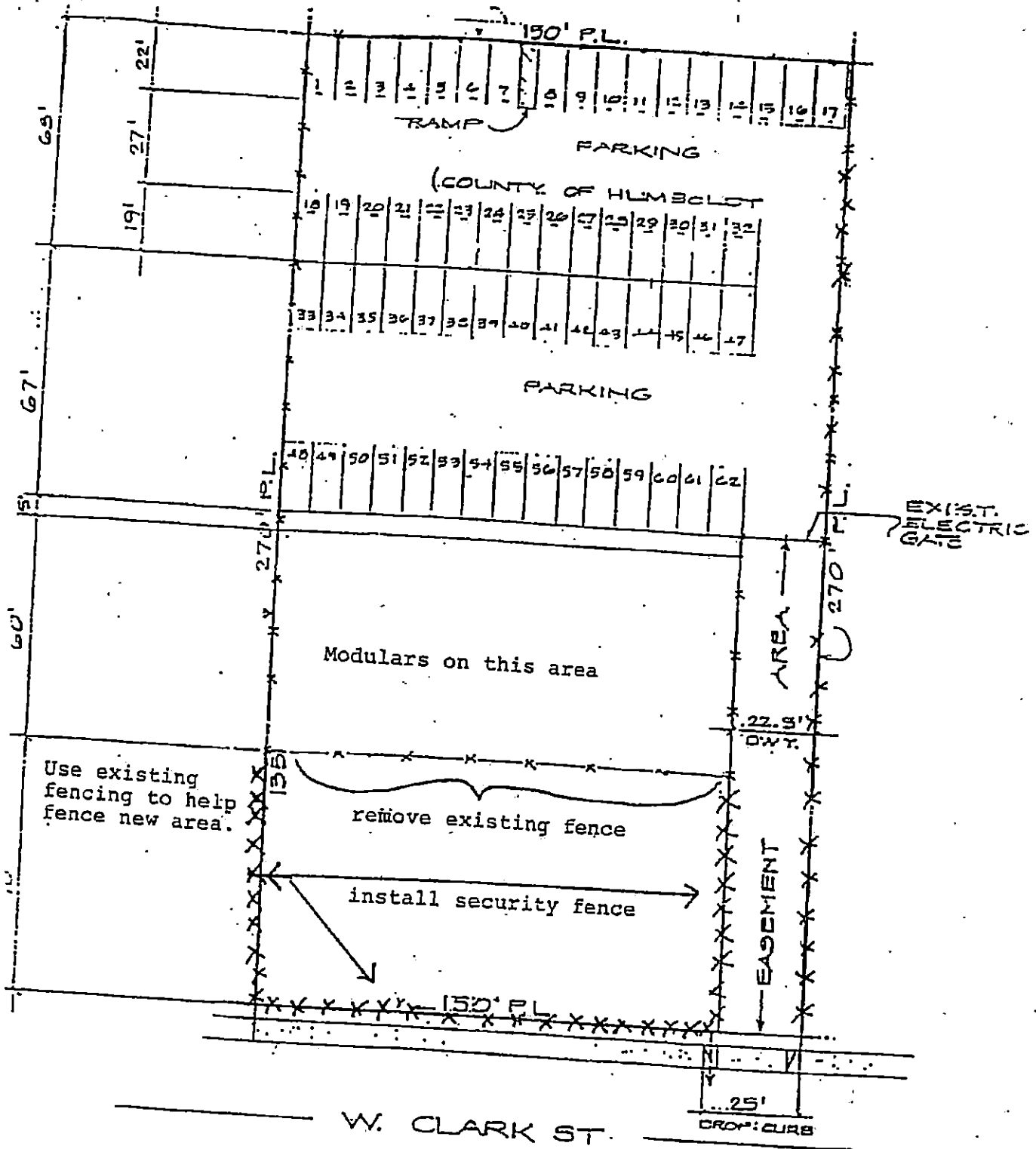
BY *Kimberly A. Ker*
RISK MANAGER

POR. SEC. 21, T. 5 N., R. 1 W., H. B. & M.
CITY OF EUREKA

3-12



CITY OF EUREKA
Assessors Map Bk. 003-Pg. 12
County of Humboldt, Calif



SITE PLAN
1" = 40'



NORTH

EXHIBIT B - Modular Lease

COUNTY OF HUMBOLDT
PARKING LOT
638 W. CLARK ST.
EUREKA, CA.